Swiss Re

For a resilient future

2016 Financial Report

Financial highlights

Our Group delivered a good net income of USD 3.6 billion, supported by all Business Units.

Financial highlights
For the years ended 31 December

USD millions, unless otherwise stated	2015	2016	Change in %
Group			
Net income attributable to common shareholders	4 597	**3 558**	–23
Premiums earned and fee income	30 214	**33 231**	10
Earnings per share in CHF	12.93	**10.55**	–18
Common shareholders' equity	32 415	**34 532**	7
Return on equity in %[1]	13.7	**10.6**	
Return on investments in %	3.5	**3.4**	
Net operating margin in %[2]	17.1	**13.0**	
Number of employees[3]	12 767	**14 053**	10
Property & Casualty Reinsurance			
Net income attributable to common shareholders[4]	3 008	**2 100**	–30
Premiums earned	15 090	**17 008**	13
Combined ratio in %[2,4]	85.7	**93.5**	
Net operating margin in %[2,4]	22.5	**15.4**	
Return on equity in %[1,4]	22.4	**16.4**	
Life & Health Reinsurance			
Net income attributable to common shareholders[4,5]	968	**807**	–17
Premiums earned and fee income[5]	10 616	**11 527**	9
Net operating margin in %[2,4,5]	12.2	**10.4**	
Return on equity in %[1,4,5]	16.2	**12.8**	
Corporate Solutions			
Net income attributable to common shareholders[4]	357	**135**	–62
Premiums earned	3 379	**3 503**	4
Combined ratio in %[4]	93.2	**101.1**	
Net operating margin in %[4]	14.1	**4.2**	
Return on equity in %[1,4]	15.5	**6.0**	
Life Capital			
Net income attributable to common shareholders[4,5]	424	**638**	50
Premiums earned and fee income[5]	1 129	**1 193**	6
Gross cash generation[6]	543	**721**	33
Net operating margin in %[4,5]	17.8	**27.0**	
Return on equity in %[1,4,5]	7.5	**10.4**	

[1] Return on equity is calculated by dividing net income attributable to common shareholders by average common shareholders' equity.
[2] Letter of credit fees of USD 55 million in 2015, thereof USD 45 million in Life & Health Reinsurance and USD 10 million in Property & Casualty Reinsurance, have been reclassified from "Operating expenses" to "Interest expenses".
[3] Regular staff.
[4] The Group's new internal service cost framework resulted in a reallocation of operating expenses to Group items from the business segments. Comparative information for 2015 has been adjusted accordingly.
[5] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.
[6] Gross cash generation is the change in excess capital available over and above the target capital position, with the target capital being the minimum statutory capital plus the additional capital required by Life Capital's capital management policy.

In this report

We provide a detailed record of our financial and operational performance for 2016.

CONTENTS

More information online:
reports.swissre.com

Business Units at a glance

Working across diversified insurance risks and businesses to maximise shareholder value.

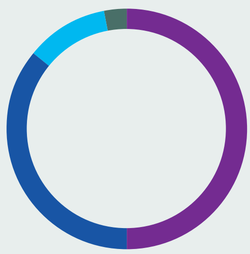
BUSINESS UNIT		NET PREMIUMS EARNED AND FEE INCOME (USD billions)	NET INCOME (USD millions)
Reinsurance Reinsurance is Swiss Re's largest business in terms of income, providing 86% of net premiums and fee income through two segments — Property & Casualty and Life & Health. Reinsurance aims to extend Swiss Re's industry-leading position with disciplined underwriting, prudent portfolio management and diligent client service.	**Property & Casualty**		
	2016	17.0	2 100
	2015	15.1	3 008
	Life & Health		
	2016	11.5	807
	2015	10.6	968
Corporate Solutions Corporate Solutions serves mid-sized and large corporations, with product offerings ranging from traditional property and casualty insurance to highly customised solutions. Corporate Solutions serves customers from more than 50 offices worldwide.	**2016**	3.5	135
	2015	3.4	357
Life Capital Life Capital manages closed and open life and health insurance books. The Business Unit provides alternative access to the life and health risk pool, helping to generate stable returns and seize attractive new opportunities. For our clients and partners, it provides a primary insurance balance sheet, efficient policy administration services, life and health expertise and know-ledge for reaching more markets and offering new products.	**2016**	1.2	638
	2015	1.1	424
Total (After consolidation)	**2016**	33.2	3 558
	2015	30.2	4 597

OPERATING PERFORMANCE	RETURN ON EQUITY
93.5% (85.7% 2015) **Combined ratio**	16.4% (Target: 10%–15%)
10.4% (12.2% 2015) **Net operating margin**	12.8% (Target: 10%–12%)
101.1% (93.2% 2015) **Combined ratio**	6.0% (Target: 10%–15%)
721m (USD 543m 2015) **Gross cash generation**	10.4% (Target: 6%–8%)
10.6% (13.7% 2015) **Return on equity**	+700 At least 700 basis points greater than Swiss Re's designated risk-free rate, currently ten-year US government bonds.

Diversified and global

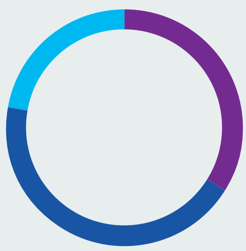
Net premiums earned and fee income by business segment
(Total USD 33.2 billion)

- 51% P&C Reinsurance
- 35% L&H Reinsurance
- 10% Corporate Solutions
- 4% Life Capital



Net premiums earned and fee income by region
(Total USD 33.2 billion)

- 33% EMEA
- 45% Americas
- 22% Asia-Pacific



Message from the Chairman

Swiss Re can thrive — also in turbulent times.

"In the course of our 153 years of experience, we have shown an undisputed ability to operate successfully in ever-changing and highly challenging situations."

Dear shareholders,
2016 was a year of profound changes. However, despite many difficulties, Swiss Re was able to stay on course and deliver good results. In brief: Property & Casualty Reinsurance and Life & Health Reinsurance have continued to generate sound returns. Our direct insurance unit Corporate Solutions faced a very difficult market environment, which is reflected in the results. Meanwhile, our newest Business Unit, Life Capital, which is still in development, had great success in integrating the acquired Guardian Financial Services portfolio in 2016.

Strategic challenges — in turbulent times
In the summer of 2016, as in every other year, I discussed the main strategic challenges of the coming years with our global top management, presenting to them both the viewpoint of the Board of Directors and my personal assessment. We on the Board of Directors address this matter on a continual basis, of course, and discuss the relevant questions intensively and thoroughly. In this context, we see four main topics taking centre stage in the coming years — on top of the current negative price cycles in the property and casualty businesses:

- Significantly higher geopolitical risk
- Transformation of business models in the insurance sector due to limitless possibilities opened up by digitalisation
- The shift in the monetary policies of major central banks, perhaps even a restructuring of the roles of these institutions
- The effects of global climate change

Proposed regular dividend per share for 2016
(CHF)

4.85

(CHF 4.60 for 2015)

In the second half of 2016, the situation was greatly aggravated in many respects.

In my view, the geopolitical environment is becoming less predictable, with the UK's vote to leave the EU (Brexit) and the US presidential election showing how wrong 'conventional wisdom' can be. Other geopolitical circumstances that have been taken as a given for years seem to now be in question. Those aspects include security alliances, European integration, global trade, even globalisation in general, and the international regulation of financial markets and their institutions, including insurance regulation — not to mention the place of liberal values and the recognition of human rights.

Digitalisation, which is often assumed to be the new industrial revolution, is now also transforming the service sector — including the business model of the insurance industry. It is difficult to predict exactly where this is leading. However, it is certain that insurance risks will change — to some extent dramatically; the distribution of insurance products will be revolutionised and the development of relevant services will take a completely different form. In this context, banks are relatively progressive and have partly reinvented themselves already in recent years; yet, such changes in the insurance industry may potentially have a much more severe impact.

Since the financial crisis, central banks have played an extraordinarily dominant role from a historical perspective, to the extent that they were sometimes the 'only game in town'. However, the end of this period seems foreseeable now. Politicians are making every effort to get events under control and exert more influence over economic policy. But, it remains unclear how this paradigm shift will develop and how much upheaval it will cause. As major institutional investors, insurance companies are on the front line of this development in my view.

Let's talk about climate change: global climate change is a fact, even if it is readily questioned by politicians in the so-called 'post-factual' era. While the political discussion mainly centres on questions of causation, the insurance industry, and reinsurers in particular, are concerned with providing solutions for both the prevention and management of losses.

Against this backdrop, we focus on closing what is known as the 'protection gap', referring to the huge global discrepancy between uninsured and unprotected risks, on the one hand, and the potentially high economic losses on the other. For this, we rely on cooperation with political authorities and international organisations. If these parties are impeded by a political discourse that does not focus on solutions, or if they are even prevented from cooperating, this doesn't bode well — certainly for the people affected.

Swiss Re can thrive even under complex conditions

Our main strategic task is to decide which risks we want to underwrite and hold on our books, and under which conditions. In other words, how much capital are we willing to invest to assume certain risks? This is capital that you, as Swiss Re shareholders, provide to us.

The uncertainties outlined make this task increasingly challenging. This is particularly true at a time when the regulatory environment in many parts of the world is diverging in an uncoordinated manner, leading to greater unpredictability. Meanwhile, the spectre of protectionist measures may return and suddenly become politically acceptable again, with the potential of provoking quick and sharp changes in monetary policy. If the political consensus on how to handle environmental risks also breaks down and the traditional business model comes under fundamental attack, institutions such as Swiss Re will be the best-positioned in the global insurance market when it comes to tackling these complex challenges.

In the course of our 153 years of experience, we have shown an undisputed ability to operate successfully in ever-changing and highly challenging situations. Just think of the problems that our forerunners had to deal with in the 20th century alone. The organisation of the Group is set up in a way that we can operate as a local competitor in key markets — this has been the case not only recently, but for a very long time. Swiss Re has a strong footing in its markets and risk segments: we have experienced local staff across the globe, and a highly loyal client base in virtually every country in the world. Few competitors can offer anything similar.

Swiss Re is very strong in terms of capital, which allows us to thrive also under increasingly volatile market conditions. And we have designed our strategic asset allocation taking into account potential upheaval in the financial markets. We remain aware that the extraordinary monetary policy environment was and is not sustainable and the Board of Directors, and in particular the Investment Committee, keep a very close eye on market developments and analyse the relevant trends in coordination with the Group Chief Investment Officer and his team. Hence, we are confident that Swiss Re is ideally positioned to respond quickly and flexibly to respective changes.

In recent years, we have also purposefully set up the Group to allow for an agile response to fundamental shifts in primary-market structures. These measures were intended to ensure that, even in the event of changes in the primary insurance markets, we always have access to risks that we wish to underwrite and where we can invest our shareholders' capital in the most profitable way.

To a large extent this is already possible thanks to our investment in this very flexibility in recent years, as demonstrated by the organisation of our two Business Units Corporate Solutions and Life Capital.

Our activities in high growth markets of Asia, Africa and Latin America are primarily geared towards closing the aforementioned 'protection gap' in close collaboration with our clients. In these markets, which face above-average exposure to natural hazards, insurance coverage compared to potential economic losses is highly inadequate.

In addition to all these strategic challenges, we also need to address the price cycle in the Property & Casualty Reinsurance markets. Our Group CEO, Christian Mumenthaler, and the CEOs of the individual Business Units, will address this in greater detail in this Annual Report. The Board of Directors supports the long-term underwriting policy of the Group Executive Committee, the partial withdrawal from conventional business that does not meet our pricing standards, and the stronger focus on larger individual transactions, which are of great strategic importance for the clients concerned. We monitor the performance of these individual transactions very carefully over their entire life cycle.

While we decisively invest in our business and actively address the challenges mentioned, we stay committed — in the context of our capital management priorities — to return capital to you if we do not identify any better investment opportunities. For this reason, we will increase the regular dividend to CHF 4.85 and, at the upcoming Annual General Meeting, we will again propose a share buy-back programme of up to CHF 1 billion.

The Swiss Re Institute — research, knowledge and expertise set us apart
We aim to shape, anticipate and understand the future; with research, knowledge and expertise, we can offer our clients added value that helps them succeed. To keep expanding our leading position as a 'risk knowledge company' and strengthen this competitive advantage, we have created the Swiss Re Institute — a very important milestone when it comes to preparing Swiss Re for the future. In the Swiss Re Institute, we are pooling our extensive research and development activities and will

- coordinate our diverse projects and research activities more efficiently
- put our research and development to targeted use for forward-looking capital allocation; ie, use our research even more effectively to aid decisions about the risks in which we want to invest, and
- offer our clients and partners research-based assistance, providing sound support for their business decisions.

Our knowledge and its practical application to our business have been key to our success for the last 153 years. In a world that is changing ever more rapidly, a lead based on outstanding research and development will give us the crucial advantage necessary to identify and assess trends early on. We are convinced that the Swiss Re Institute will be a decisive factor setting Swiss Re apart from competitors. The Swiss Re Institute will in our view undoubtedly make a key contribution to the further improvement of revenue from our risk portfolios.

The challenges for the coming years must not be underestimated, but our strategic priorities are clear, and we are well-positioned to thrive, shape the industry, and provide our clients with proficient and loyal support even in rocky times. It is a privilege to have worked for so long with many of our clients, in some cases for over 100 years now. Day after day, our clients motivate us to put our convictions into practice and strive to make the world more resilient on a shared and sustainable basis.

Let me end with some personnel announcements. We are pleased to be able to propose the election of Jay Ralph, Joerg Reinhardt and Jacques de Vaucleroy to the Board of Directors at our upcoming Annual General Meeting. We believe their international experience and diverse backgrounds will be an important asset for Swiss Re. On behalf of my colleagues, I would like to thank Carlos E. Represas, who has decided not to stand for re-election after serving on the Board since 2010.

Finally I regret to announce that Matthias Weber, currently our Group Chief Underwriting Officer, will step down from his current role as of 30 June 2017 to focus on his family and begin a new chapter in his life. Throughout his 25-year career with Swiss Re, Matthias Weber has consistently stood for core Swiss Re strengths such as disciplined underwriting and a focus on the long term. The Board of Directors and I will miss his wise counsel, tireless commitment and good humour. We look forward to continuing our relationship with Matthias Weber in whatever form suits him.

The only consolation is that we have a strong pipeline of talent to draw from. Edouard Schmid, currently Head Property & Specialty Reinsurance, is the ideal candidate to take on the role, especially due to his strong underwriting background in various lines of business across Reinsurance and Corporate Solutions, in catastrophe modelling and in a number of markets. He was also a key contributor in developing Insurance Linked Securities. I have every confidence that Edouard Schmid will succeed in the role and we wish Matthias Weber all the best for the future.

On behalf of the Board of Directors, I would like to thank our 14 000 employees around the world, in all areas of the company, for their commitment — once again, it is them who drive Swiss Re's success.

Many thanks to you, valued shareholders, for your support and for placing your confidence in us to lead your company successfully into the future.

Zurich, 23 February 2017

Walter B. Kielholz
Chairman of the Board of Directors

A conversation with the Group CEO

Swiss Re is rapidly evolving. Christian Mumenthaler explains his vision for the future.

"Swiss Re has always been one of the industry leaders, accumulating knowledge and data. This is now even more important than in the past."

Q You took over as Group CEO in July last year. How have things evolved for the company since then?

A The current environment is challenging. There is nothing we can do to completely avoid these challenges, but we are prepared for them. We see low economic growth around the world in a low interest rate environment, persistent pricing pressure on the Property & Casualty side and political uncertainties in many regions. But we still had a good performance in 2016 and that shows the strength of our franchise.

Q How did Swiss Re perform in 2016?

A It was the first full year for our newest Business Unit, Life Capital, opening up many opportunities to grow in life and health. Even though Corporate Solutions had a challenging year, we made progress with our growth strategy: we bought IHC Risk Solutions in the US, opened an office in Kuala Lumpur, obtained an insurance license in Hong Kong, and signed an agreement with Bradesco Seguros, which will make us a leading commercial large-risk insurer in Brazil once the joint venture transaction is closed. In Reinsurance, large and tailored transactions continued to support growth.

Q What makes Swiss Re's business model successful in this environment?

A We need to distinguish among the different Business Units, but the common denominator is that Swiss Re has always been one of the industry leaders, accumulating knowledge and data. This is now even more important than in the past, because pure capital is, and will stay, plentiful. I am convinced that proprietary risk knowledge creates competitive advantage. In Reinsurance, our major strength is clearly the access we have to our clients' C-suite, our financial strength and how we use knowledge to help clients grow. In Corporate Solutions, our knowledge helps us do better underwriting and select better risks. And for Life Capital, it's the deep knowledge we have around biometric risk, paired with efficient technology-led systems and processes that focus on clients.

Q So what differentiates Swiss Re from others?

A Swiss Re has a large amount of risk knowledge on topics such as pandemics, nuclear pools and natural catastrophes. Our teams have a deep understanding of medical indications, biometric trends and political risk. We may think that is normal, but it is not — it sets Swiss Re apart. The Swiss Re Institute is an evolution to structure our knowledge and deploy this strength to our clients. We are transitioning into a risk knowledge company that invests into risk pools with long-term growth potential.

Q What are 'risk pools' and how will the company access them?

A Risk pools are the original risks, both people and goods, that can be insured. With global GDP growth, these pools are growing, especially in high growth markets, and this trend is likely to continue. The question is: who will insure these risks? As a reinsurer, we only access a fraction of the risk through our clients, so building access to risk pools is a key part of our strategy. One way is through Corporate Solutions, which has direct access to commercial clients. Another way is through Life Capital, where we are targeting the retail life risk pool. All of Life Capital's activities, from ReAssure buying inforce books, to insuring pools of individuals with elipsLife and building up iptiQ as a very lean insurance company, create access to this risk pool.

Q How do reinsurance clients react to Swiss Re building up iptiQ?

A IptiQ is a tool we put in the hands of insurance companies who are, for example, seeking access to markets. These clients want to profit from our technology and knowledge, but distribute products under their brand. We are not competing with our clients. Actually, we are supporting them.

Q Let's take a step back. How do you see Swiss Re's future prospects?

A I think the long-term trends for the industry are positive. Insurance penetration is still low in many parts of the world, especially in high growth markets but also in industrialised countries. We are keen to close these protection gaps, which have different root causes. A first gap is where insurance is not available at all. In those regions, we work with governments or local institutions to insure people. The second gap is where insurance is available but people cannot afford it. In these areas, penetration is going up quite quickly and we support our insurance clients with our products. The third gap — the largest in terms of GDP impact — is in industrialised countries, where insurance is available and people can afford it but are still not buying it. California earthquake insurance is a good example: less than 12% of homeowners have insurance against earthquakes even though they are a major risk in the region.

"We are transitioning into a risk knowledge company that invests into risk pools with long-term growth potential."

Q Why is that?

A We don't know for sure. A possible explanation is the following: there is a widespread conviction that insurance is expensive, while in fact, surveys show people would be prepared to pay more than the actual price. There is also a belief that the state will help in case something like a major earthquake happens. And finally, people generally don't like to think about insurance. This is a challenge for the insurance industry. The only way we can overcome it is by looking at the sales process and simplifying it. I think the day everybody has digital advisors, on a smartphone for example, is the day more people will start buying insurance.

The personal digital assistant is going to make rational decisions for them, based on their individual behaviours and situation. They will advise, recommend, select and purchase directly — that's my digital assistant hypothesis. This, combined with simplified processes and more cost-effective offers, will help close the protection gap.

Q Swiss Re's vision is to make the world more resilient. What does that mean in reality?

A Every claim we pay for a family who lost somebody helps them to continue a more or less normal life — financially at least. Every payment in P&C helps to rebuild something that has been destroyed. One of the most visible

examples in 2016 were the Canadian wildfires. They lasted for a long time and there was uncertainty about the damage, but we worked very closely with our customers in Canada, making payments as fast as possible so they could start the reconstruction. Every bit helps, but we have more work to do. For instance in Italy, a country I know very well for family reasons, only about 1% of residential buildings are insured against earthquakes and most of the destruction we saw in 2016 was not covered.

Q What is your personal vision for Swiss Re?

A I would like to see Swiss Re positioned differently than just as an ordinary traditional reinsurance company. Ideally, in the future, when people hear 'Swiss Re', they will think of all our incredible knowledge that is so relevant for the future. We should never lose sight of where we want to go. Swiss Re is well positioned to be a long-term thinker and I am convinced that every activity focusing on the long term will be an advantage in a few years.

Zurich, 23 February 2017

Christian Mumenthaler
Group Chief Executive Officer

Creating long-term value

Swiss Re is a risk knowledge company. We apply that knowledge to help clients, shareholders and society.

HOW WE OPERATE

Strategic ambition

- Formulate a strategy for building resilience and sustainable value

Capital allocation

- Assess risk pools (historic performance & outlook)
- Define capital allocation for liability & asset risk pools

Business planning

- Execute capital allocation to liability & asset risk portfolios
- Position resources to capture attractive opportunities

OUR DIFFERENTIATING FEATURES

Well positioned

Our capital strength, deep client relationships and knowledge-led approach position Swiss Re well to face industry challenges and seize opportunities.

A risk knowledge company

We invest in research and development and technology to support our clients and differentiate ourselves from the competition.

Swiss Re's strategic framework

I. Systematically **allocate capital** to risk pools/revenue streams

II. Broaden and diversify **client base** to increase access to risk

III. Optimise **resources and platforms** to support capital allocation

IV. Emphasise **differentiation**

OUTPUT

Business execution
- Provide re/insurance coverage
- Tailored solutions, product development and implementation
- Claims payments

Performance assessment
- Evaluate performance based on KPIs
- Reallocate capital to the best performing portfolios

Meeting our financial targets
Creating value for our shareholders

Delivering our vision
Creating value for all stakeholders

A successful capital allocator
We use a knowledge-based approach to allocate capital to the most attractive risk pools and target an optimal portfolio of assets and liabilities.

Focused on performance
We aim to achieve our Group financial targets and deliver sustainable shareholder value.

Swiss Re delivered a Group net income of USD 3.6 billion, supported by a continued solid underwriting performance and a strong investment result.

CONTENTS

The global economy and financial markets

Global growth remained moderate in 2016. Stock market performance varied across geographies while benchmark government bond yields reached new lows before recovering towards year-end.

Global economic growth remained moderate in 2016 in an environment of elevated political uncertainty. Stock markets had a negative start to the year before recovering in February. Monetary policy remained expansionary, and benchmark government bond yields reached new lows before recovering towards the end of the year.

Global economy

The US economy barely grew in the first half of 2016 but recovered in the third quarter as the dual headwinds of the impact of low oil prices on energy investments and of the strong dollar on exports abated. The Eurozone continued to grow at a moderate pace, supported by a weak euro. Germany and Spain were among the stronger performers, while growth in France and Italy remained lacklustre. Growth in the UK remained robust even in the aftermath of the Brexit referendum result in June, defying expectations of a slowdown. The Japanese economy continued to muddle along.

Inflation moved up gradually from low levels in most markets, driven by the rebound in the price of oil from a low of USD 26/bbl in February to USD 54/bbl by year-end. Underlying inflation (excluding energy prices) was relatively stable in 2016 at a level consistent with the US Federal Reserve's (Fed) target in the US, but below target in the Eurozone, the UK and Japan. The election of Donald Trump as president in the US raised expectations of higher inflation in anticipation of increased fiscal spending.

Economic performance in emerging markets also varied. Growth in emerging markets in Asia remained fairly steady and strong, supported by continued strong expansion in China. However, the Chinese economy has become increasingly reliant on government support and is prone to downside risks. India has outperformed since the start of the Modi administration, helped by improved business and consumer sentiment. Growth trends in Sub-Saharan African countries have been diverging. Non-commodity intensive markets, such as Kenya and Ivory Coast, continued to deliver solid growth. In contrast, commodity intensive markets expanded only slowly, or were even in recession due to low commodity prices and insufficient policy adjustments (eg, Nigeria and Angola). The South African economy avoided a recession in 2016, but many local and global headwinds remain.

Economic activity in the Middle East and North Africa was subdued in 2016. Growth in oil-importing countries was modest, and low oil prices took a toll on oil-exporting countries. Business sentiment in the region suffered from a deteriorating security situation and political uncertainty. Latin America's real GDP contracted for a second year in a row in 2016, dragged down by recessions in Brazil and Venezuela, a growth correction in Argentina, and sluggish growth across the rest of the region. Economic growth in Central and Eastern Europe (CEE) improved from the previous year as economic contraction in Russia moderated and CEE EU-member countries continued to grow albeit at a slower pace.

2.4%

US 10-year Treasury bond yield

Year-end 2016

0.2%

German 10-year Bund yield

Year-end 2016

Interest rates

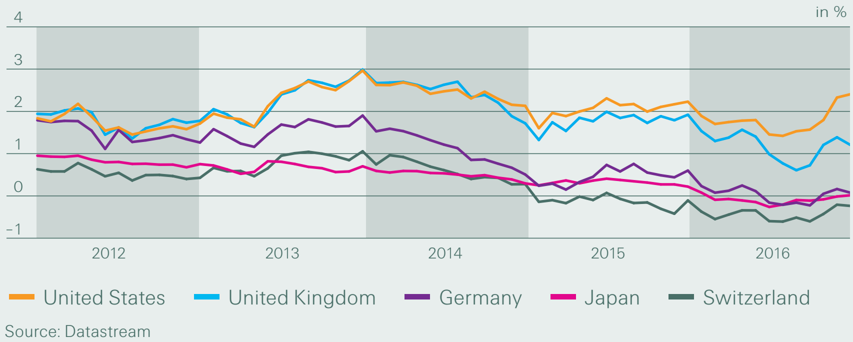
Monetary policy in the major advanced markets remained accommodative in 2016. Given worries about China, Brexit and weak capital investments in the energy sector, the Fed delayed hiking US interest rates until December, when it increased its policy rate by 25 basis points. In contrast, the European Central Bank (ECB) lowered interest rates further into negative territory and expanded its asset purchase programme. The Bank of Japan (BoJ) continued its asset purchases and shifted its policy focus towards keeping 10-year government bond yields close to 0%. The Bank of England reacted to the political uncertainty resulting from the Brexit vote by cutting rates to 0.25%. Some emerging market central banks, including those of Brazil, Russia and India, also lowered interest rates during 2016.

Increased risk aversion during the first half of the year led to a further decline in benchmark government bond yields (see interest rates chart). The yield on the German 10-year government bond dropped into negative territory and yields in many other markets reached new lows, too, after the Brexit vote. Yields recovered towards the end of the year, supported by the election of Donald Trump which fostered expectations of higher growth, inflation and fiscal deficits in the United States. The US 10-year yield ended the year at 2.4%, roughly unchanged from a year earlier. Other yields were mostly lower at the end of 2016. The German yield was 0.2% (down from 0.6% at end 2015), the UK yield 1.2% (vs 2.0%) and the Japanese yield 0.0% (vs 0.3%).

Stock market performance

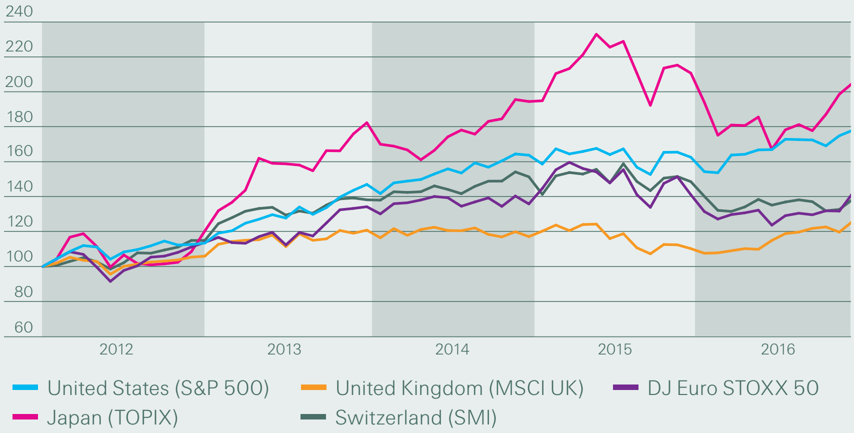
Market jitters in China, declining oil prices and worries about the stability of European banks caused a sharp decline in equity markets at the beginning of the year. As of February, equity markets started recovering along with rising oil prices and stabilising growth in China, supported by continued expansionary monetary policy. The Brexit vote caused

Interest rates for ten-year government bonds 2012–2016



Source: Datastream

Stock markets 2012–2016



Source: Datastream

only a temporary dip in stock markets and there was a positive market reaction to the election of Trump. Overall equity performance varied across markets with the US S&P 500 (+10%), the MSCI UK (+14%) and the Eurostoxx50 (+1%) ending the year in positive territory, while the Swiss Market Index (–7%) and the Japanese TOPIX (–3%) had negative performance (see stock markets chart).

Currency movements

The UK's vote to exit the European Union was the key driver behind the British pound's weakening. It ended the year 16% lower against the US dollar. Despite the BoJ's monetary expansion the Japanese yen strengthened during the first half of the year, ending the year up 3% against the US dollar. The euro (–3%) and the Swiss franc (–2%) ended the year slightly weaker against the US dollar.

Economic and political risks affecting re/insurers

The balance of risks to the economic outlook is tilted to the downside. Growth in China remains heavily dependent on government stimulus and credit expansion. Also, some emerging markets are viewed as vulnerable to rising interest rates in the US, with policy tightening leading to capital outflow.

In Europe, the banking sector remains a source of vulnerability as profitability and capitalisation remain low. Other downside risks are mainly political in nature. For example, Brexit and the rising popularity of euro-sceptic parties increase the risk of further destabilisation in the EU, which could result in financial market volatility. In addition, the escalation of regional conflicts (Russia/Ukraine, South China Sea, etc) could also result in financial market volatility.

These risks would affect re/insurers mainly via adverse asset price movements and slower growth potential in affected markets. In addition, a "flight to quality" could lead to a drop in interest rates and exacerbate the challenges from the persistent low yield environment.

Upside risks are more limited and could result from a more-robust-than-expected upswing in the US as the drag from low oil prices and the strong US dollar fades. In Europe, a pick-up in structural reform momentum could boost sentiment and growth. In addition, increased government spending, particularly in the US, could lead to stronger growth. A more rapid upswing in commodity prices could bolster emerging market growth substantially, but would dampen growth elsewhere.

Economic indicators 2015–2016

	USA		Eurozone		UK		Japan		China	
	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**
Real GDP growth[1]	2.6	**1.6**	1.9	**1.7**	2.2	**2.0**	1.3	**1.0**	6.9	**6.7**
Inflation[1]	0.1	**1.3**	0.0	**0.2**	0.0	**0.7**	0.8	**–0.1**	1.4	**2.0**
Long-term interest rate[2]	2.3	**2.4**	0.6	**0.2**	2.0	**1.2**	0.3	**0.0**	2.8	**3.0**
USD exchange rate[2,3]	–	**–**	109	**105**	147	**124**	0.83	**0.85**	15.4	**14.4**

[1] Yearly average
[2] Year-end
[3] USD per 100 units of foreign currency

Source: Swiss Re Economic Research & Consulting, Datastream, CEIC

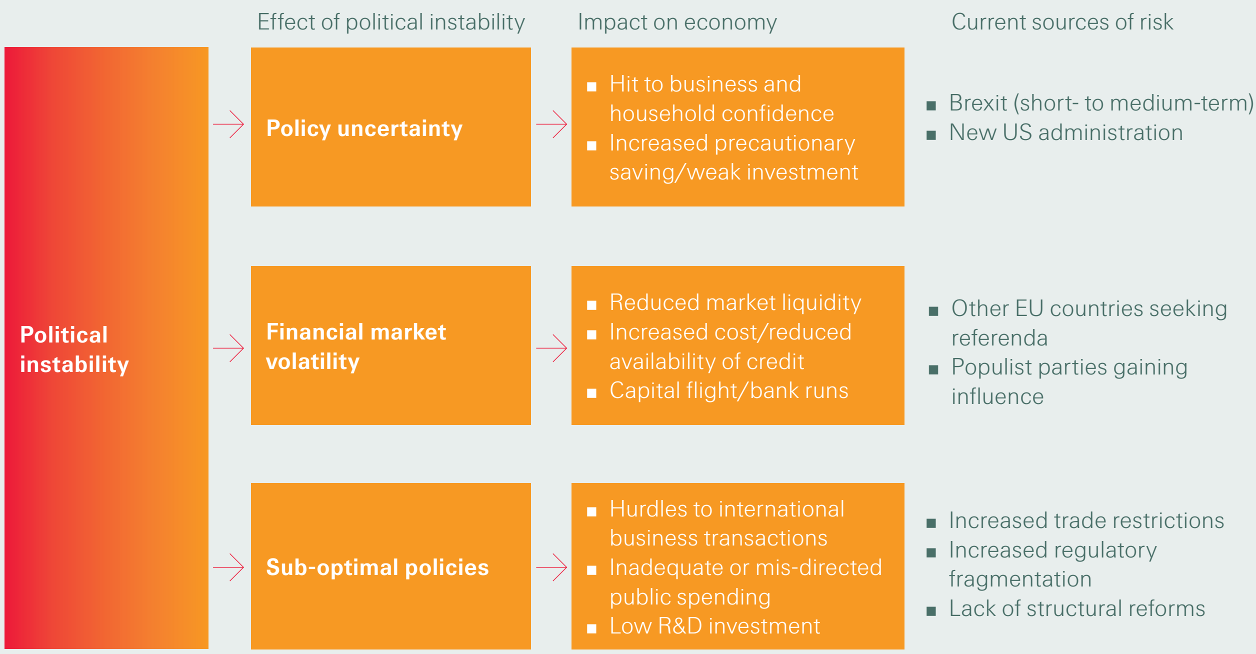
How does political instability affect the re/insurance industry?

Political instability has the potential to undermine economic growth and derail the projected modest global recovery. Increased anti-globalisation sentiment and immigration issues bolstered the Brexit vote and boosted support for populist politicians like Donald Trump in the US and Marine Le Pen in France. In addition, ongoing geopolitical tensions around the world, most notably in Ukraine, the Middle East and parts of Southeast Asia, are a serious impediment to economic growth. These developments are likely to continue to shape the political risk environment next year.

While it is hard to gauge the likelihood of different political risks materialising, it is nevertheless useful to frame possible economic outcomes of relevance for the re/insurance industry. Aside from the obvious impact associated with military conflict and civil unrest, the political environment can adversely influence the economic outlook three ways: heightened policy uncertainty, increased financial market volatility and sub-optimal economic policies (see figure). Each of these has the potential to reinforce the others. The first two are likely to impact aggregate demand in the short term, and the third could undermine long-run productive potential.

Over the short term, re/insurers will be mostly affected on the asset side in a scenario of heightened financial market volatility. In addition, slower growth may dampen the outlook for re/insurers' premium growth. It is hard to quantify the economic impact of political instability, although the economic downturn is likely to be less severe as a result of policy uncertainty alone compared to a scenario which also involves financial market volatility. Beyond the short term, re/insurers are likely to suffer most if political instability results in policies that complicate or hamper international business transactions, such as increased regulatory fragmentation or capital restrictions.

Effect of political instability on economic activity



Source: Swiss Re Economic Research & Consulting

Primary non-life

2 100

Market size in USD billions

Estimated global premium income in 2016

4%

Market performance

Estimated global premium growth in 2016

Market overview
The global non-life industry generated around USD 2 100 billion of premium income in 2016, of which 20% came from emerging markets. Non-life insurance ranges from standardised motor and household insurance to sophisticated tailor-made liability and property covers, including specialty commercial and industrial risk insurance.

Market performance
Primary non-life premium growth was slower in 2016 than in 2015. Global primary non-life premiums are estimated to have risen by 4% in real terms in 2016, after a 6% increase in 2015.

In mature markets, premium growth decelerated to 1.7% due to weaker economic growth and a softer pricing environment in commercial insurance. The Western European markets exhibited some momentum mainly from stronger motor business in Germany and Spain. The UK and France were stable, but weak. In Italy premium income declined again, albeit at a slower pace than in previous years. Larger markets with accelerating expansion include Canada, Japan and South Korea.

Primary non-life premiums in the emerging markets grew by an estimated 5.3% in 2016, up slightly from 2015, but significantly slower than the 8% annual average growth between 2010 and 2014. The weaker increase was due to continued economic slowdown in Latin America, with inflation-adjusted declines in Brazil, Argentina and Venezuela, sluggish-to-negative growth in the larger markets in Sub-Saharan Africa, and a premium growth slowdown in China (7% vs 10% in 2015). This was partly offset by recovery in Central and Eastern Europe and strong growth in the Middle East and North Africa.

In terms of underwriting profitability, the US non-life industry's combined ratio worsened from 98% in 2015 to 100% in 2016, driven by higher catastrophe losses — claims from Hurricane Matthew are likely to add to an above average natural catastrophe burden in 2016 — and lower reserve releases. Softening rates in commercial lines contributed to a worsening of results and a decline in premium income in this segment.

Underwriting profitability in Europe[1] was about the same in 2016 as in 2015, with an average combined ratio of around 95%. Underwriting results in Germany and France suffered from severe storms and floods (Elvira and Friederike) in May and June, which caused overall insured losses of EUR 2.7 billion (USD 3 billion). Underwriting results remained stable in Switzerland and were slightly worse in Italy, mainly driven by weaker but still profitable motor business. The earthquakes in Italy in August and October are expected to have only a minimal impact on 2016 underwriting profitability due to low insurance penetration. Other markets like the UK, the Nordic countries and Spain experienced some improvement, mainly based on motor.

Underwriting results in Japan and Australia, the largest mature markets in Asia Pacific, have been mixed. In Japan, overall underwriting results deteriorated, reflecting mainly higher natural catastrophes due to the Kumamoto earthquake and higher losses in auto insurance. Underwriting performance in Australia improved. By line of business, deteriorating liability and motor segment results were offset by improvements in property risk (homeowners, fire and industrial special risks).

Investment returns for primary non-life insurers remain under pressure as average yields are stalling and operating cash flows are weak. The investment environment remains challenging for fixed income securities, the main asset class in insurance, with low yields and exposure to mark-to-market losses when interest rates rise again. Portfolio yields are close to bottoming out, but even with market rates forecast to rise, insurers' running yields will improve only gradually. For 2016, investment returns in non-life are estimated to have been about 9.5% of net premiums earned, down from 10.3% in 2015. Overall industry profitability has declined with return on equity (ROE) estimated to be 6% in 2016, down from around 8% in 2015 and 10% in 2014.[2]

Outlook
The global economic outlook for 2017 and 2018 is for moderate growth. With respect to primary non-life insurance, the emerging markets will be the main driver with an estimated strong improvement to 6%–7% premium growth in real terms expected in 2017 and 2018. Real growth in advanced markets is expected to slow slightly next year since macroeconomic conditions will improve only modestly.

[1] Based on an aggregated sample of large European insurers active in Germany, France, the UK, Italy, Spain, Switzerland and the Nordic countries.
[2] The calculation of the industry average profitability is based on data for the following eight leading non-life insurance markets: Australia, Canada, France, Germany, Italy, Japan, the UK and the US.

160

Market size in USD billions

Estimated global premium income in 2016

0%

Market performance

Estimated global premium growth in 2016

Market overview
Global non-life reinsurance premiums in 2016 totalled about USD 160 billion, 26% of which stemmed from ceding companies in emerging markets.

In general, reinsurance demand is a function of the size and capital resources of primary insurance companies, as well as of the risk profile of the insurance products provided.

Market performance
Non-life reinsurance premium growth was stagnant in US dollar terms. Revenue growth was strongly constrained by soft reinsurance market conditions and weak premium growth in the primary market (see above).

Reinsurance prices remained soft almost across the board. In general, rates in casualty have been more stable than in property and specialty lines.

In contrast, the industry saw a fifth year of strong, albeit lower, underwriting results amidst an absence of large natural catastrophe losses. Preliminary data indicate a combined ratio of around 93%–94% for 2016. However, this does not reflect underlying underwriting profitability, because natural catastrophe losses have been lower than anticipated and the claims ratio has been reduced by positive reserve releases from redundant reserves for prior years' claims.[3] Excluding these factors, the underlying combined ratio would be around 99% for 2016.

In the low-investment yield environment, underwriting results remain the main profit driver for non-life reinsurers. The industry achieved a meagre 3.5% in its average annualised investment yield in 2016. Nevertheless, based on the strong underwriting results, an overall ROE of around 9% was achieved for non-life reinsurance for 2016, down from 12% in 2015.

The reinsurance industry's capital base remains strong. The capital position of global reinsurers, the traditional source of capital, grew by around 6% in 2016. The increase was almost entirely due to unrealised capital gains on investments, mainly associated with declines in interest rates during the period. Continued strong capital management returned almost all of the industry's net income to shareholders.

Comparing capital and premium developments in non-life reinsurance shows that premiums — as a proxy for insured exposures — have roughly traced capital development since 2009. Capital growth has been managed increasingly via dividend payments and share buy-back programmes.

One important source of capital in the non-life reinsurance segment and a contributor to the softening of the market has been the expansion of alternative capacity (AC) into the peak risk segment of the industry. By the end of 2016, aggregate AC amounted to USD 61 billion (excluding retrocession), equivalent to an 18% share of the global property catastrophe market. In the broader context of the overall non-life reinsurance market, however, the market share of AC is less than 2%.

Outlook
Real premium growth in the non-life reinsurance sector is expected to increase in 2017, based on higher cessions from emerging markets. Advanced markets' premium growth will reflect a moderation in rate pressures and slowing growth in the primary market. Demand will likely be supported by new and stronger solvency regulations.

Given the strong erosion of profit margins over the last two years, property catastrophe reinsurance rates are close to bottoming out. The softening of average rates is expected to moderate across all lines of business.

[3] Claims reserve releases lower the amount of claims incurred which are booked in a certain financial year, thus positively impacting underwriting results and net income. Claims reserve additions add to the reported claims burden in a financial year, with the opposite effect on the P&L. For a more detailed discussion, see also media.swissre.com/documents/sigma4_2014_en.pdf

Primary life

2 600

Market size in USD billions

Estimated global premium income in 2016

4%

Market performance

Estimated global premium growth in 2016

Market overview
The global life insurance industry generated about USD 2 600 billion in premium income in 2016, of which 18% came from emerging markets. Around 85% of premium income in life insurance derives from savings and retirement products. The protection business, which covers mortality and morbidity risks and represents the balance of the market, has a declining share of premium income.

Market performance
Global life insurance premium income increased by 4% in US dollar terms as well as in real terms in 2016.

In mature markets, real premium income growth is estimated to have slowed to 2% in 2016 from 3.4% in 2015. Growth continued to decline in the US, the UK and most Continental European markets, and premiums grew at a slower pace in Canada and Japan. In Australia, premium income contracted again, following robust growth in 2015, the weakness stemming mainly from volatility in investment-linked products as well as poor performance of disability and income protection products.

In emerging markets, premium income rose by an estimated 20% in 2016 after a 13% gain in 2015. Growth was strongest in the emerging markets in Asia: in China, premiums were up 34%, supported by strong sales of ordinary life products, while unit-linked and participating life policies were negatively affected by stock market volatility, Premium growth eased slightly to 7% in Latin America while in CEE, premiums contracted again, despite a strong rebound in Russia, due to declines in Poland and the Czech Republic.

Life insurance is a long-term business and new business is an important contributor to industry growth. In the US, sales of term insurance products increased 2% in the first half of 2016, while sales of disability insurance improved at a stronger 5%. In Canada, term sales recovered modestly (up 2%) in the first half of 2016, following solid growth of 7% in 2015.

The protection business in the UK is growing again after a long period of contraction. In the first half of the year, protection sales rose by 4% following three consecutive years of declining premiums. In Germany, term sales grew by 2% in the first two quarters of the year, while sales of disability products grew by 4%. Long-term care insurance sales in Germany also improved. In Italy, protection sales are projected to have grown marginally.

The savings business contracted or slowed due to low interest rates, equity market volatility, and the impact of pension reforms in some markets. Low interest rates have made it harder for insurers to earn enough investment income and in many countries, guarantees and profit sharing have been reduced. Savings-type insurance has also become more expensive for regulatory reasons (eg, higher capital requirements for long-term guarantees, or asset/liability mismatches). This has made savings-type insurance less attractive for both policyholders and suppliers. Together with adjusting their products and offering more flexible guarantees, insurers are introducing new concepts such as a guarantee of a certain return over the full duration of the contract, rather than an annual return.

Outlook
There is significant potential for sales growth in mortality and health protection given the large protection gap in many markets and growing consumer awareness of the risks of underinsurance. Global real premium income is forecast to rise between 4% and 5% annually in 2017 and 2018, respectively. The major driver for the global life sector is expected to be the emerging markets, where stabilising growth, growing populations, urbanisation and a rising middle class underpin the positive outlook for insurers and insurance penetration.

70

Market size in USD billions

Estimated global premium income in 2016

2%

Market performance

Estimated global premium growth in 2016

Market overview

The size of the global life reinsurance business was around USD 70 billion in 2016. Most (65%) of this stems from the US, Canada and the UK. Ceding companies from emerging markets accounted for only 14% of global demand. Life reinsurers are increasingly diversifying away from traditional mortality business.

Market performance

The life reinsurance industry registered a 2% increase in 2016. The accident & health business supported some premium growth, as did large annuity and longevity contracts. Meanwhile, other business lines had weak organic growth and some treaties were cancelled. Health and annuity transactions are expected to continue driving growth in the coming years and also help reinsurers in the UK and North America diversify away from traditional mortality business.

Global premiums in traditional life reinsurance, consisting of mortality and morbidity risks, are estimated to have grown by 1.5% in real terms in 2016. In mature markets, a 0.5% increase was driven by positive developments in Canada, the UK, Japan and Australia, while premiums in the US contracted as a result of lower cession rates and weakness in protection sales. In the emerging markets, premiums grew by 9%, driven largely by China, with other emerging markets seeing more modest growth.

The operating margin of the life reinsurance industry was 7% of revenues in 2016, slightly up from 2015, based on improvements in the underwriting results. The contribution from investments further declined, due to the ongoing low interest rate environment.

Outlook

World premiums in traditional life reinsurance are expected to increase only marginally over the next two years, driven by emerging markets, especially China. Premiums in the advanced markets are expected to be roughly flat, with modest growth in Australia, Canada, Japan and some Western European countries offsetting declines in the US and UK. In emerging markets, life reinsurance premiums are expected to increase by about 8%–9%.

Group strategy

A strategy to help meet our financial targets and to make the world more resilient.

SWISS RE'S STRATEGIC FRAMEWORK

1. Systematically allocate capital to risk pools/revenue streams

Capital allocation is at the core of our Group's strategy. We allocate capital to risk pools and measure performance over time. We believe disciplined and agile capital allocation is the key to outperformance and the engine to pursue our strategic ambitions.

To support that capital allocation we devote substantial resources to developing state-of-the-art knowledge of the risks we underwrite and assets we invest in, looking at both historical performance and future outlook.

Over time Swiss Re has been an agile capital allocator and we are continuing to steer capital toward lines of business where the outlook is most positive and pruning in lines where trends are unfavourable.

2. Broaden and diversify client base to increase access to risk

Many lines of business face shrinking cession rates and competition is increasing overall. At the same time, new risks are emerging while other underinsured risks continue to grow. We believe new client segments and distribution channels — both of which have been enhanced by technology — can strengthen our position as the supply and demand equilibrium shifts.

3. Optimise resources and platforms to support capital allocation

We have more than doubled our workforce in key high growth markets since 2011 and invested in strengthening our IT architecture, adding smart analytics and cognitive computing to our toolset. We are also investing in our financial steering and reporting capabilities to become an industry leader in financial management.

4. Emphasise differentiation

We continue to build on the aspects that set Swiss Re apart: our financial strength, our client relationships and our status as a risk knowledge company.

In 2016 we took another step forward by announcing the creation of the Swiss Re Institute, which we believe will further differentiate us from our peers. The Swiss Re Institute will leverage and steer our research and development activities, building on our role as a knowledge partner for clients.

Technological innovation is another source of differentiation, especially when we can deliver unique products and solutions, such as CatNet. CatNet plots hazard, loss, exposure and insurance information over maps and satellite imagery to help visualise the risk of individual locations or entire client portfolios.

Such examples illustrate the superior service and unique approach that we strive to deliver to our clients.

FINANCIAL TARGETS (OVER THE CYCLE)

Return on equity	Economic net worth (ENW) per share
At least 700 basis points greater than Swiss Re's designated risk-free rate, currently ten-year US government bonds.	10% growth per annum per share, using year-end ENW plus dividends, divided by prior year-end ENW.

Growth

Through systematic capital allocation

Risk knowledge

Supporting capital allocation

NEAR-TERM PRIORITIES

Growth:
- Large & tailored transactions
- Corporate Solutions
- Life Capital
- High growth markets

Risk knowledge:
- Research & development
- Technology
- People & culture

Our near-term priorities focus on achieving growth in targeted areas and sustaining the risk knowledge that underpins our capital allocation overall.

Growth

Reinsurance is our core business. Market conditions are challenging, however, and prices have reached unsustainable levels in some lines of business and markets. We therefore emphasise to investors, clients, employees and others that we remain committed to disciplined underwriting and long-term success.

One way to achieve growth in a challenging reinsurance market is through large and tailored transactions, where margins are seen as more favourable. We can also achieve growth by getting closer to policyholders, such as corporate customers of Corporate Solutions and life and health policyholders through Life Capital. Finally we are increasing our presence in high growth markets, where we expect substantial, long-term growth.

Risk knowledge

Swiss Re is a risk knowledge company. In 2016 we announced the creation of the Swiss Re Institute to defend and even enlarge this source of competitive advantage. We have long employed leading experts in the perils we insure and the activities we undertake, investing over 3 200 man-years in research & development over the past 25 years. We believe this advantage is virtually impossible for new players to replicate within a reasonable time frame. We are especially eager to capitalise on the enormous technological opportunities before us and have prioritised activities in this area as well.

Group results

Our Group delivered a good net income of USD 3.6 billion.

"Swiss Re continues to create value for our clients and shareholders by applying our strategic framework."

Christian Mumenthaler
Group Chief Executive Officer

Swiss Re reported a good net income of USD 3.6 billion for 2016, compared to USD 4.6 billion for 2015. The Group's return on equity for 2016 was 10.6%, down from 13.7% for 2015. Common shareholders' equity increased to USD 34.5 billion as of 31 December 2016, up by 6.5% compared to the end of 2015.

Reinsurance delivered net income of USD 2.9 billion, compared to USD 4.0 billion in 2015.

Property & Casualty Reinsurance contributed USD 2.1 billion in 2016, down from USD 3.0 billion in 2015. The current year's performance demonstrated the benefit of continued solid underwriting against the backdrop of higher large losses and a lower contribution from positive prior-year development. The net operating margin was 15.4%, compared to 22.5% in 2015.

Life & Health Reinsurance accounted for net income of USD 807 million in 2016, down from USD 968 million in 2015, when the result benefited from more favourable valuation adjustments. Current year results were impacted by lower performance in the UK portfolio. The net operating margin decreased to 10.4% in 2016 from 12.2% in the previous year.

Corporate Solutions delivered net income of USD 135 million in 2016, compared to USD 357 million in 2015. The 2016 result was impacted by continued pricing pressure and large man-made losses. The net operating margin for Corporate Solutions was 4.2% and 14.1% for 2016 and 2015, respectively.

Life Capital, which includes ReAssure (formerly Admin Re®) and, as of 6 January 2016, the operations formerly known as Guardian Financial Services (Guardian), reported net income of USD 638 million in 2016, compared to USD 424 million in 2015. The increase was driven by investment performance, mainly from the Guardian portfolio, and solid business performance. Life Capital's net operating margin increased to 27.0% in 2016, compared to 17.8% for 2015.

The Group's net operating margin for 2016 was 13.0%, down from 17.1% for 2015.

Common shareholders' equity, excluding non-controlling interests and the impact of contingent capital instruments, increased to USD 34.5 billion at the end of 2016, up from USD 32.4 billion at the end of 2015. The rise was driven by net income and an increase in unrealised gains on fixed income securities, partially offset by payments to shareholders for the 2015 regular dividend of USD 1.6 billion and the public share buy-back programmes of USD 1.1 billion.

Swiss Re achieved a return on equity of 10.6% for 2016, compared to 13.7% for 2015. Earnings per share for 2016 were CHF 10.55 or USD 10.72, compared to CHF 12.93 (USD 13.44) for the previous year.

Book value per common share increased to USD 105.93 or CHF 107.64 at the end of 2016, compared to USD 95.98 or CHF 96.04 at the end of 2015. Book value per common share is based on common shareholders' equity and excludes non-controlling interests and the impact of contingent capital instruments.

Business performance

Premiums earned and fee income for the Group totalled USD 33.2 billion in 2016, an increase of 10.0% from USD 30.2 billion in 2015. At constant exchange rates, premiums and fees rose by 12.1%, reflecting growth in selected markets and lines of business, often through large and tailored transactions.

Premiums earned by Property & Casualty Reinsurance amounted to USD 17.0 billion in 2016, an increase of 12.7% from USD 15.1 billion in 2015. The rise was driven by large and tailored transactions in the US and in Europe. The Property & Casualty Reinsurance combined ratio was 93.5% in 2016, up from 85.7% in 2015. The increase was mainly driven by a higher large loss burden, continued price softening and a lower contribution from positive prior-year development compared to 2015. The prior year also benefited from particularly benign natural catastrophe experience.

Life & Health Reinsurance premiums earned and fee income totalled USD 11.5 billion in 2016, an increase of 8.6% from USD 10.6 billion year-on-year, driven by transactions in the US and successful renewals and new business wins in Asia. At constant exchange rates, premiums earned and fees increased by 11.3%.

Corporate Solutions premiums earned were USD 3.5 billion for 2016, an increase of 3.7% compared to the previous year, driven by the acquisition of IHC Risk Solutions. The Corporate Solutions combined ratio was 101.1% in 2016, up from 93.2% in the previous year, primarily impacted by large man-made losses.

Gross cash generation for Life Capital amounted to USD 721 million in 2016, up from USD 543 million in 2015 despite the unfavourable impact of decreasing interest rates in the UK across the year.

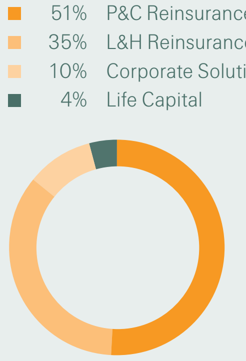
Investment result and expenses

The return on investments for 2016 was strong at 3.4%, compared to 3.5% in 2015, with the decrease reflecting slightly lower investment-related net realised gains on an increased asset base, in addition to the impact of lower reinvestment yields.

The Group's non-participating net investment income increased to USD 3.7 billion in 2016, compared to USD 3.4 billion in 2015, largely driven by net asset inflows. The Group reported non-participating net realised investment gains of USD 1.5 billion in 2016, compared to USD 1.2 billion in 2015, reflecting a positive impact from interest rate derivatives.

Acquisition costs for the Group amounted to USD 6.9 billion in 2016, up from USD 6.4 billion in 2015. The increase mainly reflected large transactions in Reinsurance and a higher share of proportional business in Property & Casualty Reinsurance.

Net premiums and fees earned by business segment, 2016
(Total: USD 33.2 billion)



Operating expenses of USD 3.4 billion in 2016 increased by 3.4%, or 6.5% at constant exchange rates, reflecting a slightly lower expense ratio on a higher premium base compared to 2015.

Interest expenses were USD 606 million, a small reduction compared to 2015.

The Group reported a tax charge of USD 749 million on a pre-tax income of USD 4.4 billion for 2016, compared to a tax charge of USD 651 million on a pre-tax income of USD 5.3 billion for the same period in 2015. This translated into an effective tax rate in the current and prior-year reporting periods of 17.1% and 12.2%, respectively. The tax rate in 2016 was largely driven by benefits from the effective settlement of tax audits in certain jurisdictions and releases of valuation allowances on net operating losses, partially offset by tax on profits earned in higher tax jurisdictions. The lower tax rate in 2015 was largely driven by a tax benefit arising from a local statutory accounting adjustment for restructuring of subsidiaries and higher tax benefits from foreign currency translation differences between statutory and US GAAP accounts.

Group underwriting

"Our effective investment in R&D is the basis for continued underwriting outperformance."

Matthias Weber
Group Chief Underwriting Officer

Competitive advantage in underwriting

The investing community debates whether an alpha or beta investment strategy has a higher likelihood of success. The alpha investor tries to actively outperform the benchmark of a segment by picking the right stocks within this segment. The beta investor tries to pick the right segments and asset classes.

The same concept applies to underwriting. An underwriter who tries to outperform the competition by:
- selecting good risks and avoiding bad ones,
- structuring policies and contracts to achieve contract certainty and better align policyholders' interests with those of the re/insurance company,
- more precisely quantifying the costs associated with the acceptance of risks, and
- achieving higher prices for the risks assumed

is the underwriting equivalent of an investor seeking alpha.

The underwriting equivalent of a beta investor is a re/insurance company that tries to outperform competitors by allocating more or less capital to individual portfolio segments depending on the perceived attractiveness of each segment. In the insurance industry, typical "beta" strategies include portfolio steering, cycle management, and capacity or capital allocation.

At Swiss Re, we believe that both superior bottom-up transactional underwriting and top-down capital allocation — or portfolio steering — are absolutely key. To be successful, we need to be able to forecast insurance loss-relevant developments. We therefore conduct research to understand, for example, economic, legal, political and societal changes, all of which are highly relevant for the assessment of casualty risks. We focus on identifying trend patterns related to natural catastrophes, cyber-threats, credit defaults, mortality or morbidity to better understand the potential for future losses for these perils. We apply advanced analytics to large amounts of data and work together with universities, government organisations, NGOs, consultants, investment management firms, law firms and many more. Findings related to loss, premium or exposure trends are used to underwrite individual risks and strategically allocate capital, both of which — if done well — create value for shareholders. The Swiss Re Institute will further strengthen and steer our R&D activities across the organisation.

Underwriting performance in 2016

The Group's overall underwriting performance was solid, with technical profitability across all businesses. Influenced by the softening market environment, the Group's claims ratio for property and casualty increased from 53.3% in 2015 to 61.2% in 2016.

Both periods benefited from a lower-than-expected level of natural catastrophe losses. The 2016 loss burden amounted to USD 0.8 billion, still below the expected value but clearly higher than the 2015 loss number of USD 0.2 billion. The largest natural catastrophe losses in 2016 were the wildfires in Canada (USD 229 million net), the Kaikoura earthquake in New Zealand (USD 184 million net), and Hurricane Matthew (USD 113 million net).

For accident year 2016, large man-made losses came in below the expected level, while 2015 was impacted by an above-average amount of large man-made losses due to the Tianjin loss in China.

The total life and health benefits increased from USD 8.0 billion in 2015 to USD 9.0 billion in 2016. The increase was mainly supported by large transactions in the US in early 2016, a large transaction won in Australia in 2015, other new business wins in Asia in 2016, partially offset by lower performance in the UK life and health portfolio.

For more on the underwriting performance of all Business Units, see pages 36–49.

Market environment and outlook

Global exposure growth will continue to develop unevenly in line with economic trends. Loss trends in property and casualty are likely to accelerate in some markets. The property and casualty market is generally softening; however, given that prospective returns are approaching the cost of capital, rate decreases are slowing down in many lines of business.

In the short term we expect challenging market conditions to persist until demand and supply of capacity start to balance out. In such an environment underwriting outperformance remains key. We will therefore seek to exploit our competitive advantage in risk selection and capital allocation to protect our bottom line. We will continue to reduce capacity for some natural catastrophe scenarios and prune our reinsurance motor portfolio in selected regions.

Growth opportunities will be assessed with caution. We will focus on large and tailored transactions and pursue a small number of opportunities presented by major demographic, socioeconomic and technological trends, including the long-term rise of high growth markets, or the expanding need for health protection in ageing societies. In addition, we expect to write some new business in the public sector and in areas where protection gaps are threatening the resilience of society.

Group investments

"The investment result remains strong despite challenging market conditions."

Guido Fürer
Group Chief Investment Officer

Strategy

Swiss Re continues to maintain a high-quality investment portfolio while delivering strong and sustainable financial results. During 2016, Swiss Re increased its overall credit allocation through the Guardian acquisition. The allocation across government bonds and cash and short-term investments remained relatively steady, while the overall allocation to equities and alternative investments has been reduced. Swiss Re maintained a strong focus on real assets with a continued increase in its infrastructure debt and real estate allocation, strengthening the quality of earnings through further diversification of our sources of investment income.

Financial markets overview

Financial markets continued to face high volatility throughout 2016, driven by monetary policy and political uncertainties. The year started in a "risk-off" mode on the back of continued oil price declines and China growth concerns, before recovering from February onwards. The improved sentiment was supported by the recovery in oil markets, improving US labour conditions, and stabilising growth in China. Having suffered persistent capital outflows since mid-2013, emerging markets started to enjoy inflows again from February onwards.

Core government bond yields fell further in the first half of the year, some into negative territory, and hit historic lows after the unexpected outcome of the vote in favour of "Brexit" in late June. Meanwhile, Donald Trump's victory in the US presidential election in November led to a sharp repricing in financial markets, including higher bond yields due to rising inflation expectations. Meanwhile, uncertainty around trade barriers and other protectionist measures from the new US administration resulted in capital outflows from emerging markets.

3.7

Net investment income

in USD billion, 2016
(2015: USD 3.4 billion)

3.4%

Group return on investments

2016
(2015: 3.5%)

Financial markets ended 2016 with more uncertainties than at the beginning of the year. Currently, hopes for fiscal stimulus in the US are positive, yet global growth remains fragile, with the recovery amongst advanced economies being uneven. Looking to 2017, investors can be expected to closely monitor the US administration's policy pronouncements and actions, inflation developments, the European election agenda and the upcoming "Brexit" negotiations.

Investment result

The Group's investment portfolio, excluding unit-linked and with-profit investments, increased to USD 130.5 billion at the end of 2016, compared to USD 116.8 billion at the end of 2015. The increase was driven by the Guardian acquisition and other large transactions as well as the impact of credit spread tightening, partially offset by a negative impact from foreign exchange movements.

The return on investments for 2016 was strong at 3.4%, with approximately 80% of the result attributable to net investment income and net realised gains from equities and alternative investments. This compared to 3.5% in 2015, with the decrease reflecting slightly lower investment-related net realised gains on an increased asset base in addition to the impact of lower reinvestment yields. The Group's non-participating net investment income increased to USD 3.7 billion in 2016 compared to USD 3.4 billion in 2015, largely driven by net asset inflows. The Group's fixed income running yield of 2.9% was lower than the fixed income running yield of 3.0% for 2015, driven by the continued impact of lower yields for most of the year, partially offset by a positive impact from the Guardian acquisition.

The Group reported non-participating net realised investment gains of USD 1.5 billion in 2016 compared to USD 1.2 billion in 2015, reflecting a positive impact from interest rate derivatives. The total return on investments was 5.3% for 2016 compared to being flat in 2015, reflecting the impact of credit spread tightening and declining interest rates in the UK over the year.

Outlook

Similar to last year, the global outlook for 2017 remains one of moderate economic growth. In particular, advanced economies are expected to grow at a subdued pace of around 2% according to the latest International Monetary Fund (IMF) forecasts. While US economic growth may pick up due to the expected fiscal stimulus, the risks for Europe are skewed to the downside. Clearly, political uncertainty will remain high and will continue to be an important driver of financial market performance. Central bank policy divergence is also set to remain a key theme, with the Fed expected to raise interest rates further, while monetary policy from the ECB, the Bank of England, and the BoJ are likely to remain extremely accommodative. Finally, growth in emerging markets is forecast to accelerate somewhat, especially with Russia and Brazil exiting recession, while the structural trend of Chinese economic growth is likely to find a more sustainable level.

Against the backdrop of muted global growth and heightened political uncertainty, we will continue to seek to maintain a well-diversified and high-quality investment portfolio.

Resilience: promoting economic growth and generating long-term sustainable returns

Swiss Re is a long-term global investor and risk knowledge company whose vision is to make the world more resilient. It lives up to this vision most visibly through its re/insurance activities, but the investment side is equally important. Specifically, Swiss Re can support economic growth and job creation by channelling funds to the productive areas of the real economy at a time when more private market solutions with stronger involvement of long-term investors like insurers or pension funds are urgently needed.

Sharing knowledge

Eight years have passed since the global financial crisis, but economic growth remains modest. Central banks have entered uncharted territory by cutting interest rates to record low levels and launching large-scale asset purchase programmes. In the meantime, governments have failed to implement much-needed structural reforms. Swiss Re argues that the capacity of capital markets to act as a buffer against adverse shocks has been hampered by these developments. Moreover, the global debt over-hang, declining productivity and demographic changes as well as growing income and wealth inequality also weigh on economic growth.

In December 2016, Swiss Re published the flagship report "Growth Recipes" as part of its Long-Term Investors' series. The report proposes policy measures to strengthen private capital markets and support financial market resilience. It also puts forward a comprehensive policy agenda that includes unwinding central bank crisis policies in an orderly manner, concrete structural reforms and targeted fiscal stimulus in infrastructure with supporting innovative private market solutions.

Furthermore, the report argues for a consistent, clear and reliable regulatory framework as a pre-condition for sustainable economic growth. Regulators should aim at increasing transparency and undertake regular studies of the cumulative and cross-sectoral impact of regulatory changes.

Swiss Re further encourages more standardisation to establish new asset classes, in particular with regard to infrastructure investment, which can support higher potential economic growth. A universal template for infrastructure debt documentation and disclosure requirements could help to overcome these hurdles.

In addition to a lack of standardisation, the project pipeline is slow and investor rights are weak. Strengthening investor rights is particularly important for investments with a long-term nature, such as infrastructure assets, which are prone to policy changes across political cycles. Possible ways forward could be a harmonised dispute resolution mechanism, international arbitration, and the use of bilateral investment treaties.

Public-Private Partnerships (PPPs) are another essential ingredient for long-term investments in infrastructure, and they can be highly beneficial for economies more broadly. A PPP structure with clearly defined roles of involved parties could enable financing through recycling of existing assets or make project loans more accessible to the capital markets.

In a world with a record-high level of debt, Swiss Re is also advocating risk-sharing sovereign bonds as an innovative financing solution. In particular, GDP-linked sovereign bonds would offer optionality for pay-outs and act as a countercyclical stabiliser. The pay-out of GDP-linked sovereign bonds would be driven by the actual GDP outcome with the coupon floored at zero similar to US Treasury Inflation-Protected Securities (TIPS). Governments would benefit from more fiscal flexibility, making the implementation of longer-term, growth-friendly policies easier. Positive public policy actions would feed through GDP-linked sovereign bonds and could therefore incentivise good government behaviour.

Building resilience through its own investments

Through its investments, Swiss Re aims to generate sustainable and attractive risk-adjusted returns. This is entirely consistent with the idea of building resilience because sustainable sources of value would not be discernible without a clear view on the underlying drivers and risk factors. For this reason, Swiss Re integrates Environmental, Social and Governance (ESG) criteria as a key component of its investment process — a priority that is also reflected in being a PRI[1] signatory since 2007.

Swiss Re's ESG integration builds on the Group-wide Sustainability Risk Framework, which is used to define its investment universe by excluding countries and companies that do not meet sector or issue criteria defined in that framework[2] (see also Corporate Responsibility, beginning on page 120).

Additionally, Swiss Re continues to build up its exposure to investments that support the transition to a low-carbon economy. In particular, Swiss Re channels part of its fixed income portfolio consciously into green bonds, issued under the broadly accepted "Green Bond Principles". Swiss Re also allocates a portion of its infrastructure investments to renewable energy operations.

Swiss Re continues to integrate ESG considerations across the entire investment portfolio. As a critical further step on that journey, best-in-class ESG benchmarks for credit and equity portfolios are being implemented. The adoption of ESG benchmarks is a natural development to support our main goal to generate long-term sustainable investment returns, allowing financial performance tracking relative to the ESG profile.

Assets under management (AuM) of long-term investors, USD trillion	Global	% of global GDP	Europe	% of EU GDP	Europe % of global
Long-term investors*	74.5	100%	17.6	102%	24%
Thereof: Insurers	26.8	36%	10.5	61%	39%

*Includes insurance companies, pension funds, sovereign wealth funds, endowments and foundations.

Source: IMF (GDP figures), Towers Watson, SR ER&C, Sovereign Wealth Funds Institute, Insurance Europe.

1 PRI: Principles for Responsible Investment

2 The Sustainability Risk Framework includes two umbrella policies on human rights and environmental protection and seven guidelines on sensitive sectors or issues. Sectors or issues covered are: the defence industry; oil and gas (including oil sands); mining; dams; animal testing; forestry, pulp & paper and oil palm; and nuclear weapons proliferation.

Summary of financial statements

Income statement

USD millions	2015	2016	Change in %
Revenues			
Gross premiums written	32 249	35 622	10
Net premiums written	30 442	33 570	10
Change in unearned premiums	–691	–879	27
Premiums earned	29 751	32 691	10
Fee income from policyholders	463	540	17
Net investment income – non-participating business	3 436	3 661	7
Net realised investment gains/losses – non-participating business	1 206	1 484	23
Net investment result – unit-linked and with-profit business	814	5 382	–
Other revenues	44	28	–36
Total revenues	35 714	**43 786**	23
Expenses			
Claims and claim adjustment expenses	–9 848	–12 564	28
Life and health benefits	–9 080	–10 859	20
Return credited to policyholders	–1 166	–5 099	–
Acquisition costs	–6 419	–6 928	8
Operating expenses[1]	–3 248	–3 358	3
Total expenses before interest expenses	–29 761	**–38 808**	30
Income before interest and income tax expense	5 953	**4 978**	–16
Interest expenses[1]	–634	–606	–4
Income before income tax expense	5 319	**4 372**	–18
Income tax expense	–651	–749	15
Net income before attribution of non-controlling interests	4 668	**3 623**	–22
Income/loss attributable to non-controlling interests	–3	3	–
Net income after attribution of non-controlling interests	4 665	**3 626**	–22
Interest on contingent capital instruments	–68	–68	0
Net income attributable to common shareholders	4 597	**3 558**	–23

[1] Letter of credit fees of USD 55 million in 2015 have been reclassified from "Operating expenses" to "Interest expenses".

Changes in equity

USD millions	2015	2016	Change in %
Total shareholders' equity as of 1 January	35 930	33 517	–7
Net income attributable to common shareholders	4 597	3 558	–23
Dividends	–2 608	–1 561	–40
Change in unrealised gains/losses on securities, net	–2 670	1 711	–
Change in other-than-temporary impairment, net of tax	–8	6	–
Change in foreign currency translation	–1 012	–387	–62
Purchase/sale of treasury shares and shares issued under employee plans	–521	–1 084	108
Other changes in equity	–191	–126	–34
Total shareholders' equity as of 31 December	33 517	**35 634**	6
Non-controlling interests	89	82	–8
Total equity as of 31 December	33 606	**35 716**	6

Summary balance sheet

USD millions	2015	**2016**	Change in %
Assets			
Fixed income securities	82 331	93 276	13
Equity securities	4 787	3 435	–28
Other investments	15 046	15 218	1
Short-term investments	7 405	10 909	47
Investments for unit-linked and with-profit business	28 241	32 178	14
Cash and cash equivalents	8 204	9 011	10
Deferred acquisition costs	5 471	6 200	13
Acquired present value of future profits	2 964	2 003	–32
Reinsurance recoverable	6 578	7 461	13
Other reinsurance assets	21 579	21 454	–1
Goodwill	3 862	3 965	3
Other	9 667	9 955	3
Total assets	196 135	**215 065**	10
Liabilities and equity			
Unpaid claims and claim adjustment expenses	55 518	57 355	3
Liabilities for life and health policy benefits	30 131	41 176	37
Policyholder account balances	31 422	34 354	9
Other reinsurance liabilities	16 117	16 086	0
Short-term debt	1 834	1 564	–15
Long-term debt	10 978	9 787	–11
Other	16 529	19 027	15
Total liabilities	162 529	**179 349**	10
Shareholders' equity	33 517	**35 634**	6
Non-controlling interests	89	82	–8
Total equity	33 606	**35 716**	6
Total liabilities and equity	196 135	**215 065**	10

Reinsurance

Our 2016 performance was driven by solid underwriting and progress on strategic goals.

"Differentiation is at the core of our strategy."

Moses Ojeisekhoba
CEO, Reinsurance

Strategy and priorities
Differentiation is at the core of our strategy. That differentiation is built on deep understanding of our clients. We create that understanding through our advanced interaction model and by focusing on building applied knowledge that helps address the challenges our clients face. We continue to systematically allocate capital towards the risk pools that we expect will grow over the long term in both Property & Casualty (P&C) and Life & Health (L&H) Reinsurance. We believe that broad macro factors such as demographic changes and the expected rise in global GDP will continue to expand these risk pools. These factors work in addition to the significant global protection gap which already exists and which continues to offer opportunities today, especially in high growth markets, which are also an area of focus.

Differentiation is at the core

We stay relevant to our clients by addressing their specific needs, and we can only do this if we spend sufficient time with them to understand their needs and buying preferences. Client segmentation is a foundational element of our differentiation approach and it is built on a deep understanding of our clients, facilitating delivery of tailored offerings. We interact with clients across all levels and functions, enabling strategic discussions between the right people at the right time. This dedicated delivery model — serving global, large, and regional & national clients — continues to be effective.

In P&C Reinsurance, we continue to differentiate ourselves through active cycle management and by managing capacity according to price adequacy. Our P&C portfolio is well balanced and generates attractive economic returns, including long-tail lines. We remain committed to our disciplined underwriting approach. The global protection gap remains a significant opportunity and we continue to work with our clients on solutions to close it.

The business generated in L&H Reinsurance remains strategically attractive for us because we see opportunity to deploy unique knowledge which addresses the needs of our clients in a differentiated way. New business continues to show attractive economic profit, while management of in-force business remains a key priority in delivering returns in line with our target. Our L&H portfolio has also been improved through greater product, duration, and geographic diversification.

High growth markets, a key focus in our strategy

Despite material foreign currency volatility for most high growth markets, our business has continued to thrive because demand for our products and solutions remains high. We remain disciplined in our underwriting approach and have built a diversified portfolio across lines of business and across focus markets of Brazil, China, India, Indonesia, Mexico, Sub-Saharan Africa and other parts of Latin America. From 2010 to 2016, reinsurance premiums in these markets grew at a CAGR of 15% in US dollar terms.

Our risk knowledge company approach in these focus markets has enabled new product launches, including the largest disaster insurance programme in China's Heilongjiang Province, and the opportunity to be the sole reinsurer of natural catastrophe risks for the economic hub of Guangdong Province, also in China.

We remain committed to developing a strong local talent base to identify opportunities and drive sustainable growth and fully engage with regulators and governments to address challenges faced in these markets. Our workforce in our focus markets has more than doubled since 2011.

Technology is a key enabler

Technology plays an important part in developing solutions for our clients along the entire insurance value chain. We leverage technology to understand risks better, improve underwriting and pricing, and to increase efficiency of the value chain. To help our clients improve their performance, we have developed new solutions such as an end-to-end telematics platform, predictive analytics to identify non-smokers as well as mobile underwriting platforms for life insurance.

We also prioritise internal efficiency. One example is our P&C Business Management Intelligence tool, which leverages big data techniques for claims management. Another is our L&H Underwriting Document Analytics capabilities, which automate content identification and extraction to streamline handling of non-digital and unstructured data inputs. Technology is a critical catalyst for change which we will continue to use in order to address the needs of our clients more effectively.

Property & Casualty Reinsurance

Performance

Net income for 2016 was USD 2.1 billion. The result reflected solid underwriting, a higher large loss burden compared to last year and a lower contribution from positive prior-year development. The investment result was higher in 2016 than in 2015, mainly due to a positive impact from foreign exchange remeasurement.

2016 was impacted by various new large losses, notably wildfires in Canada, an earthquake in New Zealand and Hurricane Matthew. In addition, we strengthened our reserves for the New Zealand earthquakes in 2010 and 2011.

The underwriting result for 2016 was USD 1.1 billion, largely due to the higher large loss burden compared to 2015, a lower contribution from positive prior-year development, and the impact of more proportional business and more casualty business, both of which typically result in a higher combined ratio.

Property & Casualty results

USD millions	2015	**2016**	Change in %
Revenues			
Premiums earned	15 090	17 008	13
Net investment income	1 097	985	–10
Net realised investment gains/losses	445	770	73
Other revenues	45	37	–18
Total revenues	16 677	**18 800**	13
Expenses			
Claims and claim adjustment expenses	–7 892	–10 301	31
Acquisition costs	–3 836	–4 405	15
Operating expenses	–1 198	–1 204	1
Total expenses before interest expenses	–12 926	**–15 910**	23
Income before interest and income tax expense	3 751	**2 890**	–23
Interest expenses	–272	–293	8
Income before income tax expense	3 479	**2 597**	–25
Claims ratio in %	52.3	60.5	
Expense ratio in %	33.4	33.0	
Combined ratio in %	85.7	93.5	

Net premiums earned

Net premiums earned were USD 17.0 billion in 2016, compared to USD 15.1 billion for 2015. The increase was driven by large and tailored transactions in the US and Europe, partially offset by unfavourable foreign exchange movements. At constant exchange rates, premiums earned increased by USD 2.1 billion.

The composition of gross premiums earned by region changed year on year, with a higher share of premiums generated in the Americas and EMEA in 2016 than in 2015. Based on net premiums earned, the share of proportional business was 72% in 2016, compared to 67% in to 2015.

Combined ratio

P&C Reinsurance reported a combined ratio of 93.5% in 2016, compared to 85.7% in the previous year. The increase was mainly driven by a higher burden from large losses, less favourable prior-year development and continued price softening of the market.

The impact from natural catastrophes in 2016 was 3.3 percentage points below the expected level of 7.4 percentage points. Favourable development from prior accident years improved the 2016 combined ratio by 3.0 percentage points.

Administrative expense ratio

The administrative expense ratio decreased to 7.1% in 2016, compared to 7.9% in 2015, driven by higher premium volume period over period.

Lines of business

Property

The property combined ratio increased to 86.6% in 2016, compared to 72.7% in 2015. 2016 was impacted by various large losses, whereas 2015 profited from an exceptionally benign natural catastrophe loss experience and a higher favourable prior-year claims experience.

Casualty

The casualty combined ratio for 2016 was 103.9%, compared to 99.6% in 2015. Both years include reserve strengthening for US asbestos. The prior year benefited from significant reserve releases.

Specialty lines

The specialty combined ratio decreased to 77.8% in 2016, compared to 80.1% in 2015. 2015 included the impact of the explosion in Tianjin, China.

Investment result

The return on investments for 2016 was 3.1% compared to 3.5% in 2015, reflecting a reduction in net investment income stemming from the impact of lower reinvestment yields as well as a lower contribution from equities and alternative investments.

Net investment income decreased by USD 144 million to USD 892 million in 2016, mainly due to reduced income across government bonds and a lower level of equity-accounted income.

Net realised gains were USD 475 million in 2016 compared to USD 497 million in 2015, due to a lower contribution from interest rate derivatives, which was partially offset by additional gains from sales of equities and alternative investments.

Insurance-related investment results as well as foreign exchange remeasurement are not included in the figures above.

Shareholders' equity

Common shareholders' equity was USD 12.7 billion as of 31 December 2016 compared to USD 13.0 billion as of 31 December 2015. The decrease was primarily driven by dividends in the amount of USD 2.5 billion paid to Swiss Re Ltd, partly offset by net income for the period and the impact of foreign exchange movements. The return on equity for 2016 was 16.4% compared to 22.4% in 2015. The decrease was mainly due to lower net income in 2016.

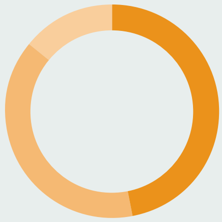
Outlook

While natural catastrophe property rates still experienced pressure due to relatively low loss occurrence and abundant capital in the markets, rate decreases have started to slow down. We deployed less natural catastrophe capacity and will continue to do so where price levels fall below our return hurdles. Specialty lines experienced rate pressure with notable differences by lines of business and markets. Casualty rates overall remained more stable with varying trends based on market and product.

We will continue to pursue our successful differentiation strategy while focusing on the bottom line under current market conditions. This means that we support key partners and expect they will also reflect the support in differential terms. This positions us to access the business we want and achieve above average rates.

Premiums earned by line of business, 2016
(Total: USD 17.0 billion)

- 47% Casualty
- 39% Property
- 14% Specialty



How knowledge drives underwriting outperformance (I)

Investment in research and development (R&D) is the basis for continued underwriting outperformance in casualty, where forward-looking modelling can give us a competitive advantage — especially in a changing market.

Swiss Re is driving an industry-wide shift away from backward-looking to forward-looking modelling (FLM) for casualty. FLM is about anticipating future business outcomes for the re/insurance industry in the light of changing economic, societal, and legal dynamics, without having to wait for claims to emerge.

Modelling liability catastrophes and risk accumulation is especially challenging as there is limited historical loss information available, and new risks keep emerging. Moreover, growing digitisation and globalisation of society and industry is making our risk landscape more complex and interconnected, increasing the accumulation risk potential in our liability books.

Swiss Re's proprietary and patented FLM approach for liability lines is Liability Risk Drivers™ (LRD). LRD starts with loss scenarios (instead of statistics of past claims). LRD runs the scenarios through the environment or jurisdiction in which the risk originates and looks at risk drivers, such as the economic or legal environment. This allows us to analyse the scenario against expected trends in risk drivers.

Our proprietary approach enables our clients to grow and write business where there is little relevant experience. Our global presence and perspective also offers clients a more accurate view on risks globally, enabling better risk selection.

Life & Health Reinsurance

Net income for 2016 was USD 807 million compared to USD 968 million for 2015. Current year results were impacted by lower performance in the UK portfolio versus our expectations. The prior-year result benefited from more favourable valuation adjustments, especially interest rate updates to disabled life reserves. The return on equity was 12.8%, exceeding the upper end of the target range of 10%–12%, though lower than the 16.2% reported for 2015. This was mainly due to the lower net income and an increase in shareholders' equity, driven by higher unrealised gains that reflected a decline in interest rates.

Life & Health results

USD millions	2015	**2016**	Change in %
Revenues			
Premiums earned	10 567	11 486	9
Fee income from policyholders	49	41	–16
Net investment income – non-participating business	1 330	1 279	–4
Net realised investment gains/losses – non-participating business	311	232	–25
Net investment result – unit-linked and with-profit business	42	15	–64
Other revenues	4	5	25
Total revenues	12 303	**13 058**	6
Expenses			
Life and health benefits	–8 012	–8 963	12
Return credited to policyholders	–60	–39	–35
Acquisition costs	–1 965	–1 943	–1
Operating expenses	–774	–763	–1
Total expenses before interest expenses	–10 811	**–11 708**	8
Income before interest and income tax expense	1 492	**1 350**	–10
Interest expenses	–323	–301	–7
Income before income tax expense	1 169	**1 049**	–10
Management expense ratio in %	6.5	6.0	
Net operating margin in %	12.2	10.4	

Net premiums earned and fee income
Premiums earned and fee income increased by 8.6% to USD 11.5 billion compared to USD 10.6 billion for 2015. Premiums were higher stemming from transactions in the US and successful renewals and new business wins in Asia. At constant exchange rates, premiums earned and fee income were 11.4% higher compared to 2015.

Net operating margin
The net operating margin for 2016 was 10.4%, compared to 12.2% in 2015. The current year was impacted by adverse experience in the UK and less favourable valuation adjustments compared to the prior year.

Management expense ratio
The management expense ratio was 6.0%, an improvement over the prior-year period, driven by a slightly lower expense base and higher premiums in the current year.

Lines of business
Life
The Life segment reported income before interest and income tax expense (EBIT) of USD 783 million for 2016, compared to USD 725 million for 2015. The prior year benefited from favourable mortality experience and recapture impact. The current period was mostly supported by favourable valuation updates, partially offset by adverse experience in the UK life portfolio.

Health
The Health segment reported EBIT of USD 352 million for 2016, compared to USD 587 million for 2015. The prior-year period result benefited from favourable valuation adjustments such as interest rate updates to disabled life reserves but was adversely impacted by reserve strengthening in the UK. The current period was impacted by lower performance of the UK health portfolio.

Investment result
The return on investments for 2016 was 3.6% compared to 3.4% in 2015, reflecting an increase in the investment result of USD 110 million.

Net investment income increased by USD 11 million to USD 1 100 million in 2016, driven by the impact of large transactions which increased the invested asset base, partially offset by the impact of lower reinvestment yields. The fixed income running yield for 2016 was 3.4%.

Net realised gains were USD 184 million in 2016 compared to net realised gains of USD 85 million in 2015, which included losses on interest rate derivatives as well as a lower contribution from sales of fixed income securities.

Insurance-related investment results as well as foreign exchange remeasurement are not included in the figures above.

Shareholders' equity

Common shareholders' equity was USD 6.8 billion at the end of 2016, compared to USD 5.8 billion as of 31 December 2015. The increase was mainly due to net income for the year and an increase in unrealised gains reflecting a decline in interest rates, partially offset by a dividend payment to the Group of USD 400 million.

Outlook

We expect life and health reinsurance business to be relatively flat in mature markets and to increase in high growth markets.

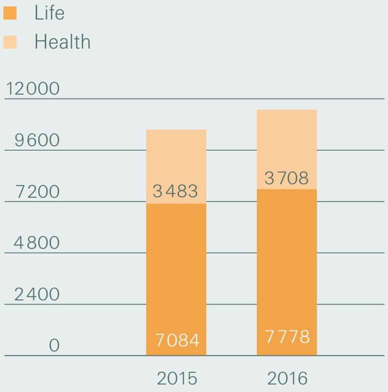
In mature markets the prolonged low interest rate environment continues to have an unfavourable impact on primary sales. Cession rates in the US have decreased and have now generally flattened as primary insurers retain more risk. However, we see a strong focus on capital, risk and balance sheet optimisation in mature markets, leading to positive opportunities for large transactions.

Recent political instability has given rise to uncertainty for growth in many regions of the world that could last two years or more. Market volatility is increasing in the short-term, with uncertain impact on Swiss Re's new business overall.

We believe high growth markets will continue to see strong increases in primary life and, in particular, health volumes, while cession rates are expected to be stable.

We will continue to pursue growth opportunities in high growth markets and in large transactions, including longevity deals. We are responding to the expanding need for health protection driven by ageing societies and we will apply our experience to help reduce the protection gap in all regions.

Premiums earned by line of business, 2016
(Total: USD 11.5 billion)



How knowledge drives underwriting outperformance (II)

Life & Health Reinsurance provides industry-leading underwriting tools, automated solutions and a global perspective to our clients. We aim to maintain this edge by continuing to invest in technology and R&D.

The Life Guide, the underwriting manual that Life & Health Reinsurance shares with its customers, is one of the most visible examples of how Swiss Re's knowledge creates a source of competitive advantage. The Life Guide is the industry's most widely-used underwriting manual, used by more than 900 companies in more than 100 countries. It attracts more than 20 million hits per year on our website. Such authoritative tools position Swiss Re as a leading partner for conventional business as well as for tailored transactions among our life and health clients.

Magnum is another good example. This automated underwriting tool processes 30 000 applications for life and health insurance daily and is used as a point-of-sale device on more than 100 000 tablets in China today. Investing to create such tools sets us apart in the marketplace and builds lasting partnerships with clients that can use our support to further expand their business.

Investment in R&D also leads to tangible results. Our Behavioural Research Unit applies the lessons of behavioural economics to improve client and consumer outcomes. By re-framing the messages in one client's renewal letter, for example, we helped drive a 33% relative reduction in lapses. In another test case we increased smoking disclosure by 14%. With the creation of the Swiss Re Institute, announced in late 2016, we expect this record of innovation to continue.

Corporate Solutions

Corporate Solutions continued on its path of disciplined growth by expanding into primary lead and further broadening its footprint.

"In a difficult market like this, disciplined cycle management is required. At the same time, however, we continue to build the capabilities for our future growth."

Agostino Galvagni
CEO, Corporate Solutions

Strategy and priorities
Corporate Solutions' distribution network grew to 55 offices in 21 countries, supported by acquisitions. During the year, Corporate Solutions completed the acquisition of IHC Risk Solutions, LLC (IHC), a leading US employer stop-loss underwriter. The IHC acquisition broadens Corporate Solutions capabilities in the small- and middle-market self-funded healthcare benefits segment.

In October 2016, Corporate Solutions and Bradesco Seguros S.A. (Bradesco) signed an agreement under which Bradesco will contribute its commercial large-risk portfolio to Swiss Re Corporate Solutions Brazil Seguros S.A. (SRCSB), subject to regulatory approval. Upon closing the transaction, Bradesco will take a 40% equity stake in SRCSB, while Corporate Solutions will retain the remaining 60%. SRCSB will have exclusive access to Bradesco's distribution network and will become a leading commercial large-risk insurer in Brazil.

Corporate Solutions results

USD millions	2015	2016	Change in %
Revenues			
Premiums earned	3 379	3 503	4
Net investment income	135	138	2
Net realised investment gains/losses	142	51	–64
Other revenues	9	5	–44
Total revenues	3 665	**3 697**	1
Expenses			
Claims and claim adjustment expenses	–1 955	–2 263	16
Acquisition costs	–459	–517	13
Operating expenses	–734	–760	4
Total expenses before interest expenses	–3 148	**–3 540**	12
Income before interest and income tax expense	517	**157**	–70
Interest expenses	–24	–23	–4
Income before income tax expense	493	**134**	–73
Income tax expense	–134	–1	–99
Net income before attribution of non-controlling interests	359	**133**	–63
Income/loss attributable to non-controlling interests	–2	2	–
Net income attributable to common shareholders	357	**135**	–62
Claims ratio in %	57.9	64.6	
Expense ratio in %	35.3	36.5	
Combined ratio in %	93.2	101.1	

Performance

Net income was USD 135 million in 2016, compared to USD 357 million in 2015, with a net operating margin of 4.2%, down from 14.1%. The 2016 result was impacted by continued pricing pressure and large man-made losses, especially in casualty, offset by lower-than-expected natural catastrophe losses, income from investment activities and realised gains from insurance in derivative form.

Net premiums earned

Net premiums were USD 3.5 billion in 2016, an increase of 3.7% compared to 2015. Gross premiums written and premiums for insurance in derivative form, net of internal fronting for the Reinsurance Business Unit, increased 5.8% to USD 4.1 billion in 2016 compared to USD 3.9 billion in 2015. The increase was driven by the IHC acquisition completed in the first quarter of 2016.

Combined ratio

The combined ratio increased to 101.1% in 2016 compared to 93.2% in 2015, impacted by large man-made losses. Lower than expected natural catastrophe losses improved the 2016 combined ratio by 4.2 percentage points.

Lines of business

The property combined ratio for 2016 increased by 8.1 percentage points to 84.4%, mainly due to higher natural catastrophe losses, partially offset by lower large man-made losses compared to 2015.

The casualty combined ratio increased to 115.9% in 2016 compared to 103.5% in 2015, impacted by large man-made losses in North America.

The credit combined ratio for 2016 deteriorated by 16.6 percentage points to 106.9%, driven by a higher frequency of small- and medium-sized losses.

In other specialty lines, the combined ratio for 2016 decreased by 10.2 percentage points to 99.4%, mainly due to lower aviation and satellite losses compared to 2015.

Investment result
The return on investments for 2016 was 2.5% compared to 3.0% in 2015, reflecting a reduction in the investment result of USD 41 million stemming from lower net realised gains.

Net investment income increased by USD 9 million to USD 158 million in 2016, driven by higher income from fixed income securities. Net realised gains were USD 57 million in 2016 compared to USD 107 million in 2015, with the prior period benefiting from additional gains from sales of equity securities.

Insurance-related derivative results and foreign exchange remeasurement are not included in the investment figures above.

Corporate Solutions offers insurance protection against weather perils and other risks, which are accounted for as derivatives. Insurance in derivative form reported net realised gains of USD 16 million in 2016, compared to USD 33 million in 2015, reflecting a more challenging market in 2016.

Shareholders' equity
Common shareholders' equity decreased to USD 2.2 billion since the end of 2015, with a USD 250 million dividend paid to Swiss Re Ltd, partially offset by net income for the year. The return on equity was 6.0% in 2016, compared to 15.5% in 2015.

Outlook
Prices for commercial insurance are under significant pressure, with many segments operating at unattractive rate levels. Underwriting discipline remains a key focus for Corporate Solutions. Thanks to its value proposition, strong balance sheet and selective underwriting approach, Corporate Solutions is well positioned to successfully navigate the current market, but it is not fully insulated from the general market environment.

Helping wind farms bring their projects to life

Corporate Solutions' new Centre of Competence for Wind Power (CoCWP) helps make the world more resilient.

Many countries are committed to reducing carbon emissions, most recently under the 2015 Paris Agreement; consequently, the wind power market is growing rapidly.

Today's wind power projects are large and complex, requiring insurance for both manmade and natural perils for onshore and offshore projects alike. To help developers understand and manage these risks, Corporate Solutions has established a CoCWP in 2016. The CoCWP draws from over 100 man-years of experience in this sector, making expertise and insights available to Corporate Solutions' underwriters, risk engineers and claims professionals. It also supports clients directly by offering them expert advice in how to mitigate risks and minimise exposures. With this support, clients are better positioned to get their projects initiated and to remain profitable.

The investment in renewable energy, like Corporate Solutions' sponsorship of Solar Impulse, aligns with its commitment to sustainability and making the world more resilient. As a leading insurer of wind power, Corporate Solutions has closed major deals around the globe, insuring more than four thousand wind turbines onshore and offshore, during construction as well as commercial operation. Corporate Solutions generated in excess of USD 50 million gross premiums written in 2016 from insuring wind turbines.

Life Capital

In 2016 Life Capital made a strong contribution to the Group and delivered against its strategy.

"At Life Capital, we achieved a strong performance across all metrics."

Thierry Léger
CEO, Life Capital

Strategy and priorities

Life Capital's strategy is to create alternative access to attractive life and health risk pools and to profit from disruptive trends in the industry. By bringing together the closed books business with the open books business, Life Capital can leverage synergies of expertise and deeper pools of talent to drive growth and capture the complementary earnings of the various businesses. The ambition is to build a primary life and health powerhouse with attractive returns for shareholders through growth in both the open and closed books.

In closed books, the strategy of ReAssure (formerly Admin Re® UK) remains unchanged. ReAssure is a leading UK life and pension consolidator and continues to provide effective and efficient services to policyholders. Its strategy is to pursue selective growth with a focus on the UK market, which is the most active closed book market in Europe.

In the open books, elipsLife offers employee benefit solutions to partners through an intermediated B2B model, and provides brokers, clients and their policyholders with a seamless digital offering with a simpler, faster and better experience. Our iptiQ business enables individuals to address their protection needs and offers simple, transparent and digital propositions on a white labelled basis. Both businesses we believe are well positioned to capture growth opportunities in Europe and North America.

Life Capital results

USD millions	2015	2016	Change in %
Revenues			
Premiums earned	715	694	–3
Fee income from policyholders	414	499	21
Net investment income – non-participating business	939	1 256	34
Net realised investment gains/losses – non-participating business	274	503	84
Net investment result – unit-linked and with-profit business	772	5 367	–
Other revenues	1	1	–
Total revenues	3 115	**8 320**	167
Expenses			
Life and health benefits	–1 068	–1 896	78
Return credited to policyholders	–1 106	–5 060	–
Acquisition costs	–159	–63	–60
Operating expenses	–365	–503	38
Total expenses before interest expenses	–2 698	**–7 522**	179
Income before interest and income tax expense	417	**798**	91
Interest expenses	–16	–29	81
Income before income tax expense	401	**769**	92
Income tax expense/benefit	23	–131	
Net income attributable to common shareholders	424	**638**	50

Technology is a key enabler for our strategy and Life Capital invests heavily in capabilities that provide a good customer experience and offer efficient platforms.

Life Capital had a successful first year and is delivering on its priorities. The ReAssure integration of Guardian is successfully on track. In its open book businesses, growth in Europe has accelerated, with elipsLife premium growth of 30% and iptiQ EMEA more than doubling its policy count. In the US, we established an operational platform for iptiQ, which launched in early 2017.

Performance

During 2016 Life Capital reported net income of USD 638 million compared to USD 424 million in 2015. The increase was driven by investment performance, mainly from the Guardian portfolio, and solid underlying business performance. The comparative period of 2015 benefited from realised gains from sales of government bonds as part of the preparation for Solvency II.

The net operating margin in 2016 was 27.0% compared to 17.8% in the prior year.

Life Capital generated gross cash of USD 721 million in 2016 compared to USD 543 million in the prior-year period. Strong gross cash generated in the year was driven by management actions, despite the unfavourable impact of decreasing interest rates in the UK across the year.

Gross premiums written

Gross premiums written increased by 10.6% to USD 1.5 billion during 2016. The increase was driven by the inclusion of Guardian and growth in open life and health insurance businesses.

Investment result

The return on investments was 4.0% for 2016 compared to 4.7% for 2015, as the impact of a higher invested asset base in the current period alongside a reduction in net realised gains more than offset increased investment income arising from the Guardian investment portfolio.

Net investment income increased by USD 286 million to USD 942 million in 2016, due to net asset inflows from the Guardian acquisition.

Net realised gains decreased by USD 43 million to USD 221 million in 2016, as the prior period included significant gains from sales related to the repositioning of the portfolio ahead of Solvency II, while the current period included gains from the Guardian investment portfolio and reduced gains from sales.

Insurance-related investment results as well as foreign exchange remeasurement are not included in the figures above.

Operating expenses

Operating expenses were USD 503 million in 2016 compared to USD 365 million in 2015. The increase in expenses was mainly due to the cost of running and integrating the Guardian business.

Shareholders' equity

Common shareholders' equity increased by USD 2.3 billion to USD 7.3 billion compared to 31 December 2015. The increase was driven by a USD 1.6 billion capital contribution from the Group to partially fund the Guardian acquisition and an increase of USD 1.2 billion from unrealised gains. Life Capital paid a dividend of USD 350 million during the second quarter. The return on equity was 10.4% for 2016, compared to 7.5% for 2015. The year-on-year increase was mainly due to higher net income.

Outlook

Life Capital continues to pursue selective acquisition opportunities within the closed book market in EMEA and to grow its individual and group life and health business in Europe and the US. Life Capital seeks to optimise capital and asset management to maximise cash generation and return on equity. In the closed book business, the focus remains on achieving operational efficiencies by leveraging our operating platform, while in the open book business, the aim is to grow via innovation and the use of digital technology. Life Capital aims to generate significant cash while continuing to invest in its open book strategy.

Life Capital: Leveraging integration capability

Our leading in-house integration capability is a key differentiator that helps us deliver value from our transactions and provides a flexible framework that can be tailored to meet the specific requirements of any deal. Over the last 20 years, we have evolved this approach through 15 transactions, each bringing its own set of challenges and opportunities.

Central to our integration track record within our closed book business is our proven single administration platform, Alpha, to which we have successfully migrated over 5 million policies to date. Alpha is currently supporting over 25 000 different product variants and has allowed us to decommission over 40 legacy policy administration systems, with significant benefits in terms of efficiency and productivity. Successfully transferring staff is another example of our ability to retain key talent acquired through our transactions. Since 2005, we have dealt with over 2 000 employee transfers. Throughout 2016 a key focus has been delivering the integration of Guardian Financial Services, the company we acquired in January.

The integration programme is on track to deliver a diversified set of cost, capital and asset management synergies. The acquisition included 900 000 policies, 316 members of staff and the transfer of GBP 12.5 billion of assets onto the Swiss Re balance sheet. The launch of Life Capital allows our integration capability to be leveraged even more broadly across the different businesses.

Share performance

Swiss Re shares
Swiss Re had a market capitalisation of CHF 34.7 billion on 31 December 2016, with 360.1 million shares outstanding, of which 326.0 million are entitled to dividends. Swiss Re shares are listed in accordance with the International Reporting Standard on the SIX Swiss Exchange (SIX) and are traded under the ticker symbol SREN.

American Depositary Receipts (ADR)
In the US Swiss Re maintains an ADR level I programme (OTC symbol SSREY).

Share price performance
Swiss Re shares opened the year at CHF 97.35 on 4 January 2016. The shares experienced an intra-day low of CHF 79.00 on 27 June 2016. An intra-day high of CHF 97.85 was achieved on 27 December 2016. The year-end share price was CHF 96.50.

During 2016 the STOXX Europe 600 Insurance index (SXIP) decreased by 5.6% and the broader index of Swiss blue chips (SMI) decreased by 6.8%. The Swiss Re share decreased by 1.7%.

Share trading
The average on-exchange daily trading volume for 2016 was 1.4 million shares. Trading volume peaked at 3.1 million shares on 17 June 2016.

Swiss Re's dividend policy
Swiss Re's dividend policy is a central element of Swiss Re's capital management priorities. The Group aims to ensure a superior capitalisation at all times and maximise financial flexibility, growing the regular dividend with long-term earnings and at a minimum maintaining it.

Swiss Re will then deploy capital for business growth where it meets its strategy and profitability requirements and repatriate further excess capital to shareholders, with the preferred form of future capital repatriation being share buy-back programmes.

Dividends are typically paid out of current earnings and Swiss Re pays its dividend annually. Shares are ex-dividend two working days after the Annual General Meeting (AGM). Dividend payment is typically two working days after the ex-dividend date. The corresponding dates in 2017 are 25 and 27 April.

Dividends
The Board of Directors proposes a regular dividend of CHF 4.85 per share for 2016. As the tax privileged legal reserves from capital contributions were exhausted with the payment of the 2014 dividend, the dividend paid for 2016 will be subject to 35% Swiss withholding tax.

Public share buy-back programme
The Board of Directors launched on 4 November 2016 the public share buy-back programme authorised by the AGM 2016. This programme was completed on 9 February 2017.

For further information please visit www.swissre.com/investors/shares/share_buyback/

The Board of Directors will seek the AGM's authorisation to repurchase own shares for the purpose of cancellation by way of a public share buy-back programme of up to CHF 1.0 billion purchase value to be executed before the 2018 AGM.

Swiss Re will ask the AGM in April 2018 permission to cancel the repurchased shares.

Index representation
In addition to its relevant industry indices, Swiss Re is also represented in various equity indices, including the SMI and the SXIP. Swiss Re is also a member of various sustainability indices, including the Dow Jones Sustainability and FTSE4Good index families. In 2016, Swiss Re was named as the insurance industry sector leader in the Dow Jones Sustainability indices. This is the tenth time since 2004 that Swiss Re has led the insurance sector in these rankings.

Information for investors
More information on Swiss Re's shares is available in the Investor Relations section on Swiss Re's website at: www.swissre.com/investors

General information on Swiss Re shares

Identification numbers	Share	ADR
Swiss Security Number (Valorennummer)	12688156	–
ISIN (International Securities Identification Number)	CH0126881561	US8708861088

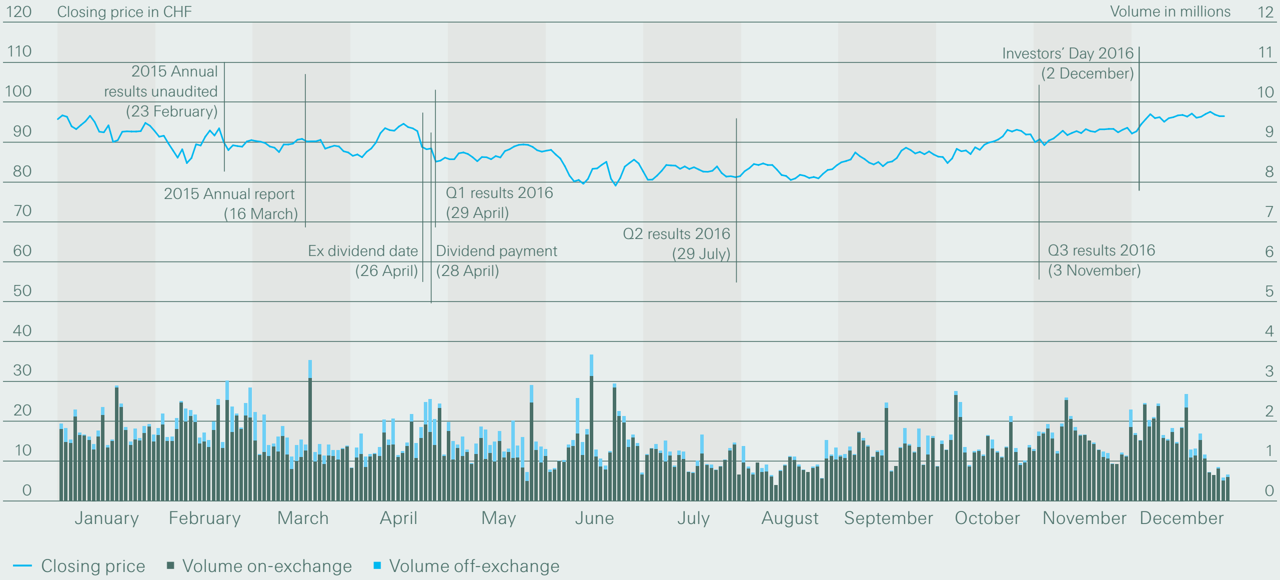
Ticker symbols	Bloomberg	Telekurs	Reuters
Share	SREN:VX	SREN	SREN.VX
ADR[1]	SSREY:US	SSREY	SSREY.PK

[1] Swiss Re's ADRs are not listed but traded over the counter; four ADRs correspond to one Swiss Re share

Weighting in indices

As of 31 December 2016	Index weight (in %)
Swiss/blue chip indices	
SMI	3.11
SPI	2.55
Insurance indices	
STOXX Europe 600 Insurance	6.21
Bloomberg Europe 500 Insurance	6.05
FTSEurofirst 300 Insurance	11.22
Dow Jones Insurance Titans 30	2.73
Sustainability indices	
Dow Jones Sustainability Europe	0.38
Dow Jones Sustainability World	0.86
FTSE4Good Global	0.16

Swiss Re share price and trading volume in 2016



Key share statistics 2012–2016

As of 31 December 2016	2012	2013	2014	2015	2016
Shares outstanding[1]	370 706 931	370 706 931	370 706 931	370 706 931	360 072 561
of which Treasury shares and shares reserved for corporate purposes	27 537 673	28 511 298	28 507 491	32 967 226[2]	34 093 834[3]
Shares entitled to dividend	343 169 258	342 195 633	342 199 440	337 739 705	325 978 727

CHF unless otherwise stated					
Dividend paid per share	3.00	3.50[4]	3.85[5]	4.25[6]	4.60
Dividend yield[7] (in %)	4.60	4.30	4.60	4.33	4.77
Earnings per share[8]	11.13	12.04	9.33	12.93	10.55
Book value per share[9]	87.76	82.76	101.12	96.04	107.64
Price per share year-end	65.90	82.05	83.65	98.15	96.50
Price per share year high (intra-day)	68.10	84.75	86.55	99.75	97.85
Price per share year low (intra-day)	47.25	66.10	69.25	74.95	79.00
Daily trading volume (in CHF millions)	58.00	78.00	95.00	134.00	120.00
Market capitalisation[10] (in CHF millions)	24 430	30 417	31 010	36 385	34 747
ADR price at year-end (in USD)	72.30	92.38	84.57	24.53[11]	23.76

[1] Nominal value of CHF 0.10 per share.
[2] Includes 4.4m shares repurchased under the share buy-back programme launched on 12 November 2015, which concluded on 2 March 2016.
[3] Includes 5.5m shares repurchased under the share buy-back programme launched on 4 November 2016, which concluded on 9 February 2017.
[4] In addition to the regular dividend of CHF 3.50 per share a special dividend of CHF 4.00 per share was paid in 2013.
[5] In addition to the regular dividend of CHF 3.85 per share a special dividend of CHF 4.15 per share was paid in 2014.
[6] In addition to the regular dividend of CHF 4.25 per share a special dividend of CHF 3.00 per share was paid in 2015.
[7] Dividend divided by year-end share price of corresponding year.
[8] Calculated by dividing net income by the weighted average number of common shares outstanding.
[9] Based on shareholders' equity (excluding convertible perpetual capital instruments) divided by the number of external common shares entitled to dividend.
[10] Based on shares outstanding.
[11] Since 15 June 2015 every Swiss Re ADR represents one quarter of a Swiss Re share. Prior to close of business on 12 June 2015, one ADR represented one Swiss Re share.

In 2016, Swiss Re's capitalisation remained very strong. Our profound risk knowledge enables us to efficiently allocate capital and pursue controlled risk-taking.

CONTENTS

Overview

Strong capital position supported by controlled risk-taking.

"The Group continues to have superior capitalization and maintains significant financial flexibility."

David Cole
Group Chief Financial Officer

"At Swiss Re, we live a strong risk culture to promote risk awareness, rigor and discipline."

Patrick Raaflaub
Group Chief Risk Officer

In 2016 we continued to be very strongly capitalised and to apply our risk appetite framework, which establishes our approach for controlled risk-taking and efficient capital allocation throughout the Group.

Capitalisation

During 2016, Swiss Re surpassed its target of deleveraging USD 4 billion since 2012, further strengthened its capital base with the issuance of innovative capital instruments and continued to direct excess capital from its Business Units to the Group's holding company, Swiss Re Ltd. The Group's Swiss Solvency Test ratio remains comfortably above Swiss Re's adjusted respectability level of 220%, reflecting recent changes implemented by the Swiss Financial Market Supervisory Authority FINMA. Rating agencies A.M. Best, Moody's and Standard & Poor's (S&P) rated Swiss Re's financial strength 'superior,' 'excellent' and 'very strong', respectively (see page 58).

Our overall goal for capital management is to maintain a capital structure that operates efficiently within the above constraints and maximises our financial flexibility. Our underwriting and investment decisions are steered to make capital and liquidity fungible to the Group wherever possible, while complying with local regulations and client needs. Cash dividends paid to the Group's parent holding company, Swiss Re Ltd, totalled USD 18.8 billion since 2012.

Swiss Re established two further pre-funded subordinated debt facilities as part of the implementation of the target capital structure:

- a USD 400 million 15-year facility at an interest rate of 6.05%
- a USD 800 million 11-year facility at an interest rate of 5.625%.

Based on the Group's capital strength, the Board of Directors propose a 2016 regular dividend of CHF 4.85 per share. In addition, the Board of Directors proposes a public share buy-back programme of up to CHF 1.0 billion purchase value, exercisable until the AGM in 2018.

Liquidity

Our core insurance and reinsurance operations generate liquidity primarily through premium income. Our exposure to liquidity risk stems mainly from two sources: the need to cover potential extreme loss events and regulatory constraints that limit the flow of funds within the Group.

The amount of liquidity held is largely determined by internal liquidity stress tests, which estimate the potential funding requirements stemming from extreme loss events. Based on these internal liquidity stress tests, we estimate that the Swiss Reinsurance Company Ltd liquidity pool, the primary liquidity pool of the Group, holds surplus liquidity.

Swiss Re also provides FINMA with a yearly report on its liquidity position, in accordance with FINMA's circular 13/5, "Liquidity — Insurers".

Swiss Re's risk profile in 2016

During 2016, Swiss Re's overall risk remained stable at USD 19.5 billion (compared to USD 19.6 billion at the end of 2015), as a decrease in financial market risk was offset by higher life and health risk. Property and casualty risk and credit risk both remained broadly unchanged.

The decrease in financial market risk is mainly driven by lower equity risk. On the insurance risk side, our life and health risk increased due to the acquisition of a large block of in-force US term life business in the first quarter of 2016.

Risk Management

Swiss Re's Risk Management function is an integral part of our business model and key to the controlled risk-taking that underpins our financial strength. Risk Management is mandated to ensure that the Group, its Business Units and the legal entities have the necessary expertise, frameworks and infrastructure to support good risk-taking. In addition, it monitors and ensures adherence to applicable frameworks and also performs reserving and reporting activities.

Risk Management is embedded throughout our business. For each Business Unit and major legal entities, we have dedicated Chief Risk Officers and other risk experts who analyse and challenge business decisions. They apply a consistent Enterprise Risk Management approach across the Group to ensure a fully integrated view of risk. The independence of the Business Unit CROs is maintained by a direct reporting line to the Group CRO.

Our proprietary integrated risk model provides a meaningful assessment of the risks to which the Group is exposed and represents an important tool for managing our business. It determines the capital requirements for internal purposes and forms the basis for regulatory reporting under the Swiss Solvency Test and under Solvency II for our legal entities in continental Europe.

We continuously review and update our internal model and its parameters to reflect our experiences and changes in the risk environment and current best practice.

Capital management

We have achieved our target capital structure to create a stronger, more flexible capital base.

During 2016, Swiss Re surpassed its target of deleveraging USD 4 billion since 2012, further strengthened its capital base with the issuance of innovative capital instruments and continued to direct excess capital from its Business Units to the Group's holding company, Swiss Re Ltd.

Optimised Group capital structure

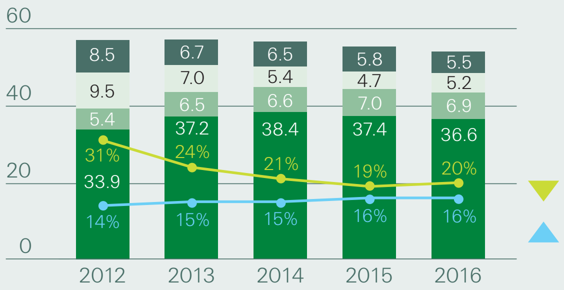
Swiss Re's level of capitalisation and its capital structure are driven by regulatory and rating capital requirements, and by management's view of risks and opportunities arising from our underwriting and investing activities. As announced at the June 2013 Investors' Day, we set a target capital structure that aimed to operate efficiently within these constraints by maximising financial flexibility. The structure focused on the reduction of senior leverage, including letters of credit (LOCs), the issuance of innovative capital instruments (such as contingent capital) to replace traditional subordinated debt and extending the Group's funding platform.

Key milestones achieved in 2016

Swiss Re passed two important milestones to complete the full implementation of the target capital structure in 2016:

Swiss Re Ltd established two further pre-funded subordinated debt facilities: the first in April 2016, a USD 400 million 15-year facility at an interest rate of 6.05% and the second in June 2016, a USD 800 million 11-year facility at an interest rate of 5.625%. These facilities bring the total amount of our contingent capital platform to around USD 4 billion, achieving our target of having roughly 10% of our total capital base in the form of innovative capital instruments, further enhancing the Group's financial flexibility while increasing resilience.

Target deleveraging achieved



■ Core capital[1] ■ Senior debt[2] ■ LOC[3]
■ Total hybrid incl. contingent capital[4]

— Senior leverage plus LOC ratio[5] (target range: 15%–25%)
— Subordinated leverage ratio[6] (target range: 15%–20%)

[1] Core capital of Swiss Re Group is defined as economic net worth (ENW).
[2] Senior debt excluding non-recourse positions.
[3] Unsecured LOC capacity and related instruments (usage is lower).
[4] Includes subordinated debt facility by Swiss Re Ltd.
[5] Senior debt plus LOCs divided by total capital.
[6] Subordinated debt divided by sum of subordinated debt and ENW.

	Established funding platforms in all Business Units to fund ongoing capital and liquidity requirements			Innovative capital instruments to strengthen Group capital base
	Letters of credit	Senior debt	Subordinated debt	Contingent capital & sub-ordinated debt
Reinsurance	–3.0bn ✓	–5.6bn ✓	–1.7bn ✓	1.0bn ✓
Corporate Solutions			0.5bn ✓	
Life Capital		1.5bn ✓		
Group				1.9bn ✓
Outlook	Further reduction in line with reducing requirements in Reinsurance	Support business growth in Life Capital in line with leverage targets	Further optimisation of capital structure and cost of capital	Continue to implement contingent capital roadmap focusing on Group holding level

✓ Significant progress or fully realised ▷ Outlook

- Financial flexibility significantly strengthened due to deleveraging and issuance of innovative capital instruments
- Market access established across the Group with separate funding platforms for Business Units and Group holding

Achievements since year-end 2012

- Letters of Credit reduction of USD 3 billion
- USD 4.3 billion net reduction in senior debt
- ReAssure GBP 550 million revolving credit facility
- ReAssure inaugural senior debt issuance of EUR 750 million
- Corporate Solutions inaugural subordinated debt issuance of USD 500 million
- Reduction in vanilla subordinated debt of c. USD 1.7 billion
- Issuance of USD 2.9 billion of innovative capital instruments including USD 1.9 billion of pre-funded subordinated debt facilities at Swiss Re Ltd

5.8 billion

Net deleveraging since year-end 2012 (USD)

Swiss Re Admin Re Ltd (to be renamed Swiss Re ReAssure Ltd) established a capital markets funding platform with an inaugural EUR 750 million 7-year senior bond at an annual interest rate of 1.375%. The proceeds of this issuance were used to repay the bridge facility arranged for the Guardian acquisition.

Overall net Group deleveraging since year-end 2012 stands at USD 5.8 billion, well in excess of the deleveraging target of at least USD 4 billion by 2016.

The Group capital structure is comfortably within the senior leverage (15%–25%) and subordinated leverage (15%–20%) target ranges, providing further financial flexibility.

Legal entity capital management
Our regulated subsidiaries are subject to local regulatory requirements, which for our EU subsidiaries include Solvency II. At the subsidiary level we set the target capital at a level tailored to each entity's business and the market environment in which it operates. Our underwriting and investment decisions are steered so as to make capital and liquidity fungible to the Group wherever possible, while complying with local regulations and client needs.

Cash dividends paid to Swiss Re Ltd totalled USD 18.8 billion since 2012.

External dividends to shareholders
Based on the Group's capital strength, the Board of Directors proposes a 5.4% increase in the 2016 regular dividend to CHF 4.85 per share, up from CHF 4.60 in 2015. In addition, the Board of Directors proposes a public share buy-back programme of up to CHF 1.0 billion purchase value, exercisable until the AGM in 2018. The programme will only be launched if excess capital is available, no major loss event has occurred, other business opportunities do not meet Swiss Re's strategic and financial objectives and the necessary regulatory approvals have been obtained.

The total amount of capital returned to shareholders since the implementation of the new Group structure in 2012 is USD 13.2 billion.

Swiss Re Group's capital adequacy

Regulatory capital requirements

Swiss Re is supervised at the Group level and for its regulated legal entities domiciled in Switzerland by FINMA. FINMA supervision comprises minimum solvency requirements, along with a wide range of qualitative assessments and governance standards.

Swiss Re provides regulatory solvency reporting to FINMA under the rules of the Insurance Supervision Ordinance. This SST report is based on an economic view. We calculate available capital based on our Economic Value Management (EVM) framework and required capital under the SST using our internal risk model (see pages 59–60 for further information on EVM). The minimum requirement for the SST is a ratio of 100%. Swiss Re's SST ratio materially exceeds the minimum requirement.

Swiss Re's capital management aims to ensure our ability to continue operations following an extremely adverse year of losses from insurance and/or financial market events.

Rating agency capital requirements

Rating agencies assign credit ratings to the obligations of Swiss Re and its rated subsidiaries.

The agencies evaluate Swiss Re based on a set of criteria that include an assessment of our capital adequacy.

Each rating agency uses a different methodology for this assessment; A.M. Best and S&P base their evaluation on proprietary capital models.

A.M. Best, Moody's and S&P rate Swiss Re's financial strength based upon interactive relationships. The insurance financial strength ratings are shown in the table below.

On 25 November 2016, S&P affirmed the AA-financial strength of Swiss Re and its core subsidiaries. The outlook on the rating is "stable". The rating reflects Swiss Re's extremely strong capital adequacy in excess of the 'AAA' benchmark and competitive position build on market leadership, long-standing reputation, and wide distribution networks across both life and non-life reinsurance.

On 16 December 2016, A.M. Best affirmed the A+ financial strength rating of Swiss Re and its core subsidiaries. The outlook for the rating is "stable". The rating affirmation reflects Swiss Re's excellent consolidated risk-adjusted capitalisation, strong operating performance and superior business profile as a leading global reinsurer.

On 15 December 2015, Moody's affirmed Swiss Re's insurance financial strength rating and outlook at "Aa3" stable. The rating reflects Swiss Re's excellent market position, very strong business and geographic diversification and strong balance sheet in terms of capital and financial flexibility. Moody's next rating affirmation will take place in the course of 2017.

Swiss Re's financial strength ratings

As of 31 December 2016	Financial strength rating	Outlook	Last update
Moody's	Aa3	Stable	15 December 2015
Standard & Poor's	AA–	Stable	25 November 2016
A.M. Best	A+	Stable	16 December 2016

Economic Value Management

EVM is an integrated economic accounting and steering framework based on market-consistent valuations and defines the method for measuring value creation for all business activities of Swiss Re.

Economic Value Management (EVM) is Swiss Re's integrated economic valuation framework for planning, pricing, reserving and steering the business. Since 2003, Swiss Re has used the EVM framework as a tool to support business and strategic financial decisions, including compensation. EVM also provides the basis for determining available capital under the SST and Solvency II.

The key EVM valuation principles are summarised below.

Market-consistent valuations

All traded assets and liabilities are marked to market, based on quoted prices in active markets or observable inputs. Assets and liabilities that are not traded are valued consistently with market prices. The Group's insurance liabilities are valued on a market-consistent basis by replicating future expected cash flows with liquid financial market instruments. As the majority of the Group's insurance liabilities do not contain embedded financial market risk exposure other than to interest rates, the market-consistent value can be determined by discounting future cash flows using prevailing risk- free interest rates. If insurance liabilities include embedded options or guarantees (eg, variable annuities or interest-rate-sensitive life business), they are valued on a market-consistent basis using stochastic models and other appropriate valuation techniques.

Performance split of underwriting and investment activities

EVM values insurance underwriting and investment activities separately. Underwriting activities create value by raising funds in insurance markets at a lower cost than through other sources. The investment functions are assessed on a risk-adjusted basis. This makes possible a like-for-like comparison of underwriting and investment activities.

Closed-book approach

EVM recognises all cash flows associated with a new contract at inception, and any changes in estimates as they occur. In comparison, the deferral and matching principle under US GAAP postpones recognition of revenues until they are earned and matches expenses to those revenues. EVM excludes the recognition of all potential future new business activities, as well as potential renewals.

Best estimates
Swiss Re values assets and liabilities based on best estimates of underlying cash flows — premiums, claims, expenses, taxes, capital costs, etc — taking into consideration all the information available at inception of a contract. As with other valuation methods that depend on projections of future cash flows, EVM involves a significant degree of judgement in establishing what assumptions should be used. Swiss Re actively and carefully reviews its assumptions, seeking both to achieve consistency across business activities and to reflect all available information.

Performance measurement after capital costs
EVM explicitly recognises opportunity costs for shareholder capital. Cost-of-capital charges include the base cost of capital and frictional capital costs. The base cost of capital is reflected through a charge for risk-free returns on available capital and market risk premiums. Market risk premiums compensate for systematic, non-diversifiable risk exposure, mainly assumed through investing activities. Frictional capital costs compensate for agency costs, costs of potential financial distress and regulatory (illiquidity) costs; they are reflected through a 4.5% charge on available capital and an average 2% charge on leverage.

EVM results for 2016
The 2016 EVM Report, showing Swiss Re's results for the full year 2016, is available on swissre.com/investors/financial_information

Economic net worth in 2016

Economic net worth (ENW) is defined as the difference between the market value of assets and the market-consistent value of liabilities. ENW is the EVM measure of shareholders' equity and the starting point in determining available capital for SST calculations.

In 2016, ENW decreased by USD 0.8 billion to USD 36.6 billion at the end of December 2016. 2016 total contribution to ENW of USD 4.2 billion was more than offset by the Swiss Re Ltd's dividend payments, the share buy-back programme and a change in the EVM methodology.

Economic net worth

USD billions	2015	**2016**	Change in %
Property & Casualty	16.1	**14.2**	–12
Life & Health	10.2	**10.8**	6
Reinsurance	26.3	**25.0**	–5
Corporate Solutions	3.0	**2.8**	–7
Life Capital	3.6	**3.8**	6
Group items	4.5	**5.0**	11
Total	37.4	**36.6**	–2

Liquidity management

We actively manage liquidity risks to ensure that we can satisfy the financial obligations of the Group.

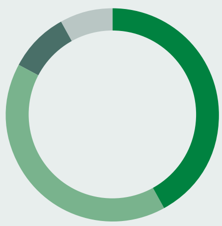
As a re/insurance group, our core business generates liquidity primarily through premium income. Our exposure to liquidity risk stems mainly from two sources: the need to cover potential extreme loss events and regulatory constraints that limit the flow of funds within the Group.

To manage these risks, we have a range of liquidity policies and measures in place. In particular, we aim to ensure that:

- sufficient liquidity is held to meet funding requirements under current conditions as well as adverse circumstances;
- funding is charged and credited at an appropriate market rate through our internal transfer pricing;
- diversified sources are used to meet our residual funding needs; and
- long-term liquidity needs are taken into account, both in our planning process and in our management of financial market risk.

Composition of one-year spot liquidity in the SRZ liquidity pool
as of 31 December 2016
(Total USD 13.4 billion)

- 42% Cash, short-term investments and reverse repos
- 41% Government bonds AAA rated & US
- 9% Developed market supranational, agencies and municipal bonds
- 8% Other developed market government bonds investment grade



Liquidity risk management

Our core liquidity policy is to retain sufficient liquidity in the form of unencumbered liquid assets and cash to meet potential funding requirements arising from a range of possible stress events. To allow for regulatory restrictions on intra-Group funding, liquidity is managed within groups of entities known as liquidity pools. Swiss Re is served by four main liquidity pools representing the parent companies of the Group and each of the three Business Units. Each liquidity pool comprises the respective parent company and its unregulated subsidiaries whose funds are freely transferable to the parent company. The amount of liquidity held is largely determined by internal liquidity stress tests, which estimate the potential funding requirements stemming from extreme loss events. The funding requirements under stress include:

- cash and collateral outflows, as well as potential capital and funding support required by subsidiaries as a result of loss events;
- repayment or loss of all maturing unsecured debt and credit facilities;
- additional collateral requirements associated with a potential ratings downgrade;
- further contingent funding requirements related to asset downgrades; and
- other large committed payments, such as expenses, commissions and tax.

The stress tests also assume that funding from assets is subject to conservative haircuts, that intra-Group funding is not available if it is subject to regulatory approval, that no new unsecured funding is available, and that funding from new re/insurance business is reduced.

The primary liquidity stress test is based on a one-year time horizon, a loss event corresponding to 99% Tail Value at Risk (see pages 69–70), and a three-notch ratings downgrade.

Swiss Re's liquidity stress tests are reviewed regularly and their main assumptions are approved by the Group Executive Committee. Swiss Re provides FINMA with a yearly report on its liquidity position, in accordance with FINMA's circular 13/5,"Liquidity — Insurers."

Liquidity position of the Swiss Reinsurance Company Ltd (SRZ) liquidity pool

The SRZ liquidity pool is the primary liquidity pool of the Group. The estimated total liquidity sources in the SRZ liquidity pool available within one year, after haircuts and net of short-term loans from Swiss Re Ltd and securities lending, amounted to USD 18.5 billion as of 31 December 2016, compared with USD 19.6 billion as of 31 December 2015. The 2016 total includes USD 13.4 billion of liquid assets and cash, referred to as "one-year spot liquidity", compared with USD 13.7 billion in 2015. Based on the internal liquidity stress tests described above, we estimate that the SRZ liquidity pool holds surplus liquidity after dividends to Swiss Re Ltd.

In 2016, the amount of surplus liquidity reduced slightly. The reduction of liquidity due to the payment of the dividend for 2015 to Swiss Re Ltd and repayments of external debt was partially offset by positive operating cash flows and dividends from subsidiaries.

Risk management

Risk Management is an integral part of our business model. Our independency and close alignment to the business ensure consistent and effective risk oversight.

Embedded throughout the business, our Group Risk Management function ensures an integrated approach to managing current and emerging threats. Risk Management plays an integral role in business strategy and planning discussions, where our risk appetite framework facilitates risk-return discussions and sets boundaries to Group-wide risk-taking.

Taking and managing risk is central to Swiss Re's business. The Group's risk management framework sets out how Swiss Re organises and applies its risk management practices to ensure that all activities are conducted in line with the principles and limits mandated by the Group Risk Policy.

The Group Risk Policy describes Swiss Re's risk mandate, including our Group risk appetite framework (see page 64), and articulates the Group's four fundamental risk management principles. We strive to apply these four principles consistently across all risk categories at Group, Business Unit and legal entity level:

- Controlled risk-taking: financial strength and sustainable value creation are central to Swiss Re's value proposition. The Group thus operates within a clearly defined risk policy and risk control framework.
- Clear accountability: Swiss Re's operations are based on the principle of delegated and clearly defined authority. Individuals are accountable for the risks they take on, and their incentives are aligned with Swiss Re's overall business objectives.
- Independent risk controlling: dedicated units within Risk Management control all risk-taking activities. They are supported by independent Compliance and Group Internal Audit functions.
- Transparency: risk transparency, knowledge sharing and responsiveness to change are integral to the risk control process. The central goal of risk transparency is to create a culture of mutual trust, and reduce the likelihood of surprises in the source and potential magnitude of losses.

Controlled risk-taking

Swiss Re operates within a clearly defined risk control framework. This comprises a body of standards that establish an internal control system for taking and managing risk. These standards set responsibilities for risk takers and risk controllers. The risk control framework defines five key tasks, which are the core components of Swiss Re's risk management cycle:

- Risk oversight of planning: ensures that the risk implications of plans are understood and determines whether the business and investment plans adhere to Swiss Re's risk appetite and tolerance.
- Risk identification: ensures that all risks to which Swiss Re is exposed are transparent in order to make them controllable and manageable.
- Risk measurement: enables the Group to understand the magnitude of its risks and to set quantitative controls that limit its risk-taking.
- Risk exposure control: allows Swiss Re to control its risk-taking decisions and total risk accumulations, including the passive risk we are exposed to through our operations.
- Risk reporting: creates internal risk transparency and enables Swiss Re to meet external disclosure requirements.

The Risk Management function facilitates risk awareness by promoting a forward-looking assessment of the Group's risk profile. The function is integrated into the Group's key business decisions, seeking to be a trusted partner within Swiss Re as well as for our external stakeholders.

The Group's risk-taking is steered by our risk appetite and risk tolerance (see below).

While the risk appetite guides what types of risk the Group aims to write, risk tolerance is an expression of the extent to which the Group Board of Directors has authorised the Group Executive Committee (Group EC) and Business Unit management teams to assume risk. Risk tolerance criteria are specified for the Group and Business Units, as well as for Swiss Re's major legal entities. Furthermore, Swiss Re uses a limit framework to limit its risk exposure accumulations at different levels.

Swiss Re's risk appetite framework

The risk appetite framework establishes the overall approach through which Swiss Re practices controlled risk-taking throughout the Group. The framework is set out in the Group Risk Policy and consists of two inter-linked components:

- Risk appetite outlines the Group's principles on acceptable risks and provides key directions for risk-taking and risk controlling as part of implementing Swiss Re's strategy: achieving targeted performance, providing liquidity and financial flexibility, managing capital adequacy, and protecting and growing franchise value.

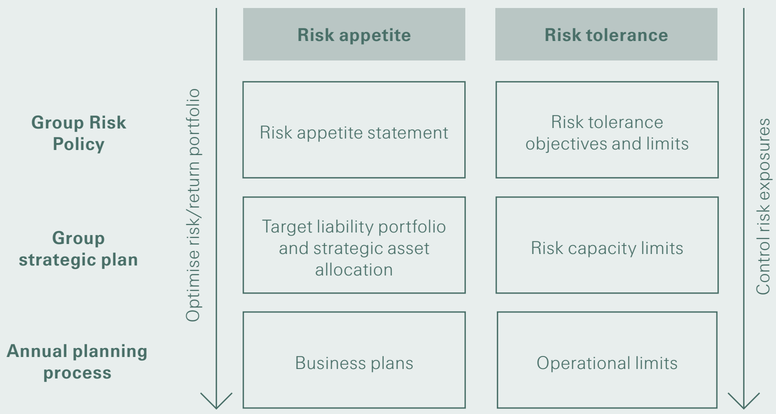
- Risk tolerance describes the extent to which the Group Board of Directors has authorised executive management to assume risk. It represents the amount of risk that Swiss Re is willing to accept within the constraints imposed by its capital and liquidity resources, its strategy, and the regulatory and rating agency environment within which it operates.

The risk appetite framework plays a particularly important role in the context of business strategy and planning discussions: the risk appetite facilitates discussions about where and how the Group should deploy its capital, liquidity and other resources under a risk-return view, while the risk tolerance sets clear boundaries to risk-taking.

During strategic planning and target-setting, Risk Management provides an opinion on the proposed strategy and targets to the Group EC and ultimately the Group Board of Directors. The opinion focuses on the risk impact of the proposed strategy and the risks related to its implementation. The strategic plan, risk appetite and capital allocation ambition are expressed in a target portfolio for the Group's assets and liabilities, which should ultimately deliver the Group's targeted performance.

In the context of the annual planning process, ie during the phase of operational and financial planning, Risk Management reviews and challenges plan assumptions and assesses the risks and feasibility related to implementing the proposed plan. It provides transparency on the detailed risk implications of the plan and tests its adherence to risk appetite and risk tolerance.

In addition, Risk Management proposes risk capacity limits to ensure compliance with overall risk appetite and risk tolerance criteria. The risk capacity limits represent an aggregated constraint to risk-taking and seek to ensure that Group-wide accumulation risks remain within acceptable levels. They allow for risk monitoring and hence also for risk controlling during the execution of the plan. In addition to the risk capacity limits proposed by Risk Management, the Group EC also sets operational limits, which the business monitors and controls in day-to-day management.



Swiss Re's risk governance is defined in the policies and standards that describe the risk management framework and establish risk management practices for the Group and its subsidiaries. The Group risk governance pyramid illustrates the hierarchy within which risk governance documentation is established.

Highest level risk authorities (level 0) are set forth in the Group Bylaws (SRL Bylaws) as well as in the charter for the Finance and Risk Committee of the Group Board of Directors. These documents outline ultimate authority for risk management within Swiss Re, assigning responsibilities between the Group Board of Directors and the Group EC. More detailed aspects of Swiss Re's risk governance are outlined in the Group Risk Policy (level 1). This document defines the delegation of risk-taking from the Group Board of Directors to executive management through the risk appetite framework (see page 64) and describes the key risk management principles that apply to all risk taking within Swiss Re. The policy is owned by the Group Board of Directors and is binding for all Swiss Re employees.

The Group Risk Management Standards (level 2) outline how the Group organises and applies its risk management practices, while various category standards (level 3) describe how these practices are implemented for a specific risk category. The final level (level 4) of governance comprises risk management methodology and process documentation.

Group-level risk documents form the basis for all risk governance across Swiss Re. Additional risk governance for Business Units and legal entities is prepared as an addendum to the respective Group or Business Unit document.

Clear accountability

In order to ensure clear control, accountability and independent monitoring for all risks, Swiss Re's risk governance distinguishes between three fundamental roles in the risk-taking process:

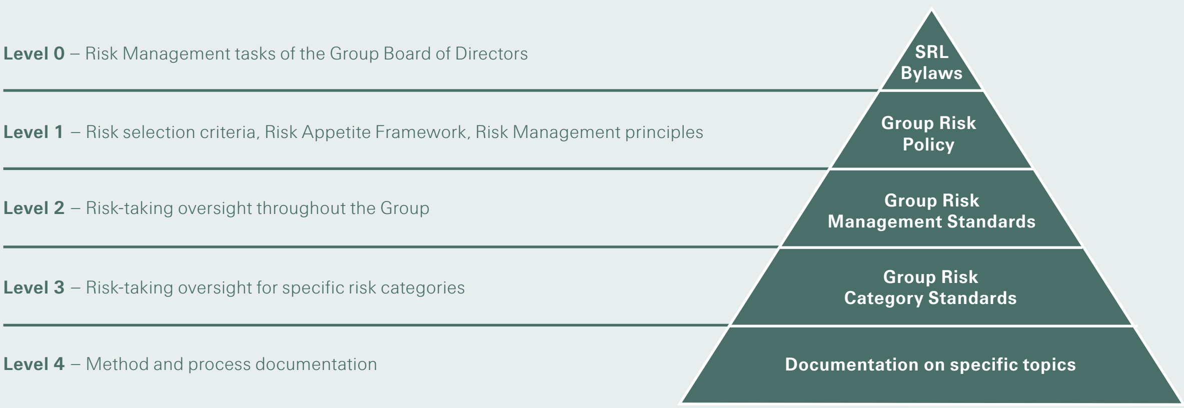
- Risk owner — establishes a strategy, and delegates execution and control, retains ultimate responsibility for the outcomes.
- Risk taker — executes an objective within the authority delegated by the risk owner; risk takers are required to provide the respective risk controller with all information required to monitor and control their risks.
- Risk controller — is tasked by the risk owner with independent oversight of risk-taking activities to mitigate potential conflicts of interest between the risk owner and risk taker; risk controllers are responsible for escalating relevant concerns.

Risk-taking activities are typically subject to three lines of control. The first comprises the day-to-day risk control activities by front-line employees (risk takers) in the business as well as in corporate and enabling functions. Independent oversight performed by functions such as Risk Management and Compliance represents the second line of control. The third consists of independent audits of processes and procedures carried out by Group Internal Audit or by external auditors.

Swiss Re applies a Group-wide approach, under which risk takers are responsible for reporting all relevant information on risks they are exposed to or undertake. The identification of risks is an ongoing process to establish transparency around all potentially material risks in order to make those risks controllable and manageable. The recognition of material risks allows for a sound basis for exposure monitoring, risk measurement, monitoring of capital requirements and reporting. All quantifiable risks identified must be reflected in costing, underwriting, reserving, as well as capital and steering models. Based on internal and external information, Swiss Re identifies risks such as:

- Previously unidentified risks
- Known non-material risks that have become material risks
- Known material risks that have changed following a re-assessment or increased understanding of the nature of the risk
- Changes in risk exposure from increased understanding of interdependencies between risks

Group Risk Governance Documentation Hierarchy



Key Risk Management Bodies and Responsibilities

Board of Directors
Responsible for Group's governance principles and policies, acting through the Finance and Risk Committee, the Investment Committee and the Audit Committee

Group Executive Committee
Develops and implements the Group risk management framework, sets and monitors risk capacity limits; some responsibilities are delegated to the Group CRO and the Business Units

Group CRO
Leads the Risk Management function and represents it within the Group EC; advises the Board and the Finance and Risk Committee

Central Risk Management units
Manage financial market and credit risk; provide shared risk management services such as risk modelling, risk governance, political risks and emerging risks; maintain Group frameworks for liquidity, operational and regulatory risks

Group Internal Audit
Performs independent assessments of adequacy and effectiveness of internal control systems

Business Unit Executive Teams
Ensure that risk-taking decisions in their area conform to the Risk Control Framework

Business Unit CROs
Responsible for risk oversight and establishing risk governance in their respective Business Units; supported by functional, regional and legal entity CROs and risk teams

Compliance
Manages compliance risks, and oversees compliance with applicable laws, regulations, rules and Swiss Re's Code of Conduct

Independent risk controlling

The Group Board of Directors is ultimately responsible for Swiss Re's risk governance principles and policies. It defines fundamental risk management principles and the risk appetite framework comprising the Group's risk appetite and risk tolerance; in addition, it approves the Group's risk strategy. The Group Board of Directors mainly performs risk oversight and governance through three committees:

- The Finance and Risk Committee defines the Group Risk Policy, reviews risk capacity limits, monitors adherence to risk tolerance, and reviews top risk issues and exposures of our assets and liabilities.
- The Investment Committee reviews the financial risk analysis methodology and valuation related to each asset class, and ensures that the relevant management processes and controlling mechanisms are in place.
- The Audit Committee oversees internal controls and compliance procedures.

The Group EC is responsible for developing and implementing Swiss Re's Group-wide risk management framework. It also sets and monitors risk capacity limits, oversees the Economic Value Management framework (see page 59), determines product policy and underwriting standards, and manages regulatory interactions and legal obligations. The Group EC has delegated various risk management responsibilities to the Group Chief Risk Officer (Group CRO) as well as to the Business Units.

The Group CRO is appointed as the principal independent risk controller of Swiss Re. He is a member of the Group EC and reports directly to the Group CEO as well as to the Board's Finance and Risk Committee. The Group CRO also advises the Group EC, the Chairman or the respective Group Board Committees, in particular the Finance and Risk Committee, on significant matters arising in his area of responsibility.

The Group CRO leads the independent Risk Management function, which is responsible for risk oversight and control across Swiss Re. It thus forms an integral part of Swiss Re's business model and risk management framework. The Risk Management function is comprised of central teams providing specialised risk expertise and oversight, as well as dedicated risk teams for the Reinsurance, Corporate Solutions, and Life Capital (formerly Admin Re®) Business Units.

The three Business Unit risk teams are led by dedicated Chief Risk Officers who report directly to the Group CRO, with a secondary reporting line to their respective CEO. The Business Unit CROs are responsible for risk oversight in their respective entities, as well as for establishing the proper risk governance to ensure efficient risk identification, assessment and control. They are supported by functional, regional and legal entity CROs who are responsible for overseeing risk management issues that arise at regional or legal entity level.

While the risk management organisation is closely aligned to Swiss Re's business structure, in order to ensure effective risk oversight, all embedded teams and CROs remain part of the Group Risk Management function under the Group CRO, thus ensuring their independence as well as a consistent Group-wide approach to overseeing and controlling risks.

The central teams support the CROs at Group, Business Unit and lower levels in discharging their oversight responsibilities. They do so by providing services, such as:
- Financial risk management
- Specialised risk category expertise and accumulation control
- Risk modelling and analytics
- Regulatory relations management
- Maintaining the central risk governance framework

The central departments also oversee Group liquidity and capital adequacy and maintain the Group frameworks for controlling these risks throughout Swiss Re.

Risk Management is also in charge of actuarial reserving and monitoring of reserve holdings for Corporate Solutions and Life Capital, while for Reinsurance and its subsidiaries the setting of the reserves is performed by valuation actuaries within the P&C and L&H Business Management units.

Risk management activities are complemented by Swiss Re's Group Internal Audit and Compliance units:
- Group Internal Audit performs independent assessments of adequacy and effectiveness of internal control systems. It evaluates the execution of processes within Swiss Re, including those within Risk Management.
- The Compliance function oversees Swiss Re's compliance with applicable laws, regulations, rules, and the Group Code of Conduct. It also assists the Group Board of Directors, Group EC and other management bodies in identifying, mitigating and managing compliance risks.

For more information on our audit and compliance functions, see page 106.

Transparency

Swiss Re's risk culture builds upon the Group Code of Conduct as well as the Group Risk Policy and stands for the risk and control related values, knowledge and behaviour shared by all its employees. Swiss Re fosters and maintains a strong risk culture to promote risk awareness, rigor and discipline. It also serves to influence appropriate behaviour in four key cultural aspects, which are assessed annually in the performance and compensation process:
- Leadership in providing clear vision and direction
- Consideration of risk relevant information in decision-making
- Risk governance and accountability of risk takers as well as transparent flow of risk information
- Embedding of risk management skills and competencies

Swiss Re's risk culture provides the foundation for the efficient and effective application of its Group-wide risk management framework. Group Risk Management reinforces the risk culture by ensuring risk transparency and fostering open discussion and challenge in the Group's risk-taking and risk management processes.

Risk culture is directly linked to performance management, which is based not only on business results but also on behaviours. Swiss Re performs annually a risk culture assessment across all areas of Swiss Re, including a trend analysis as well as a high-level industry benchmarking. The assessment involves all employees.

In regular trainings, Swiss Re employees are sensitised in key areas of risk culture, such as taking accountability for decisions, learning from past actions and applying risk behaviours in daily work situations.

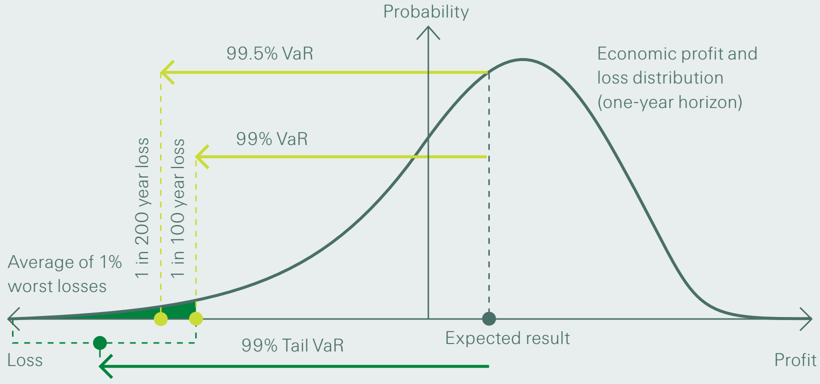
Risk modelling and risk measures

Swiss Re uses an internal risk model to determine the economic capital required to support the risks on the company's books, as well as to allocate risk-taking capacity to the different lines of business. The Group's integrated risk model provides a meaningful assessment of the risks to which the company is exposed and is an important tool for managing the business. It is used for determining capital requirements for internal purposes as well as for regulatory reporting under the Swiss Solvency Test (SST) and Solvency II for Swiss Re's subsidiaries in Continental Europe. The model also provides the basis for capital cost allocation in Swiss Re's Economic Value Management framework, which is used for pricing, profitability evaluation and compensation decisions.

Swiss Re's internal model is based on two important principles. First, it applies an asset-liability management approach, which measures the net impact of risk on the economic value of both assets and liabilities. Second, it adopts an integrated perspective, recognising that a single risk factor can affect different sub-portfolios and that different risk factors can have mutual dependencies.

The model generates a probability distribution for economic profit and loss, specifying the likelihood that the outcome will fall within a given range. Risk measures derived from the model are expressed as economic loss severities taken from the total economic profit and loss distribution.

In line with the SST, the Group measures its economic risk capital requirement at the 99% shortfall (or tail value at risk) level. This represents an estimate of the average annual loss likely to occur with a frequency of less than once in one hundred years, thus capturing the potential for severe, but rare, aggregate losses.



In addition, the model is used to calculate value at risk (VaR) measures including 99.5% VaR, which is used in other regulatory regimes such as Solvency II. 99.5% VaR represents the loss likely to be exceeded in only one year out of two hundred and is thus more severe than the 99% VaR measure, which estimates the loss likely to be exceeded in one year out of one hundred. For Swiss Re's loss distribution, the 99% shortfall (tail VaR) measure is generally significantly larger than the 99.5% VaR measure.

In order to assess the risk and provide solvency information for individual financial reporting entities within a network of entities, it is necessary to consider the impact of intra-group relationships. For this purpose, the Group's internal risk model takes the following items into account:
- Intra-group transactions (including loans, guarantees and retrocessions)
- Intra-group credit risk and (for SST) potential limited liability toward subsidiaries
- Secondary effects resulting from the potential insolvency of other reporting entities

Swiss Re's risk model assesses the potential economic loss at a specific confidence level. There is thus a possibility that actual losses may exceed the selected threshold. In addition, the reliability of the model may be limited when future conditions are difficult to predict. For this reason, the model and its parameters are continuously reviewed and updated to reflect changes in the risk environment and current best practice. In addition, Swiss Re complements its risk models by ensuring a sound understanding of the underlying risks within the company and by applying robust internal controls.

The Group risk model is used to determine regulatory capital requirements in Switzerland. It has been validated by external experts and accepted by FINMA for regulatory usage purposes, and is currently undergoing the revised FINMA approval process. Furthermore, the model is approved by the Luxembourg regulator for the Solvency II reporting of Swiss Re's legal entities in Continental Europe.

Risk assessment

Overall risk in 2016 remained stable.

In 2016, Swiss Re's overall risk remained stable, as the decrease in financial market risk was offset by higher life and health risk. Property and casualty risk as well as credit risk remained broadly stable.

Swiss Re's internal risk model (see box on page 68) is used to measure the Group's capital requirements and for defining the risk tolerance, risk limits, and liquidity stress tests. Based on the internal risk model, our overall risk exposure in terms of 99% tail value at risk (tail VaR) remained stable at USD 19.5 billion in 2016 (compared to USD 19.6 billion at the end of 2015).

Alternative risk measurements — 99% and 99.5% VaR — remained unchanged at USD 14.5 billion and USD 17.4 billion, respectively.

The Group capital requirement table below shows the 99% tail VaR on a standalone basis for each of Swiss Re's core risk categories:

- Property and casualty risk remained broadly stable at USD 9.4 billion (–1%) as higher costing and reserving risk was offset by lower natural catastrophe risk.
- Life and health risk changed by 2% to USD 7.4 billion. The increase mainly resulted from the acquisition of a large block of in-force US term life business in the first quarter of 2016.
- Financial market risk decreased by 3% to USD 12.3 billion. The decrease is mainly driven by lower equity risk.
- Credit risk remained stable at USD 3.4 billion.

Group Capital requirement based on one-year 99% tail VaR

in USD billions, as of 31 December	2015	**2016**	Change in %	cross reference information
Property & Casualty	9.4	**9.4**	–1	see page 72
Life & Health	7.2	**7.4**	2	see page 73
Financial market	12.6	**12.3**	–3	see page 74
Credit[1]	3.4	**3.4**	0	see page 75
Simple sum	32.7	**32.5**	–1	
Diversification effect	–13.1	–12.9		
Swiss Re Group	19.6	**19.5**	–0	

[1] Credit comprises credit default and credit migration risk from both asset management and underwriting. Credit spread risk falls under financial market risk.

Our internal risk model takes account of the accumulation and diversification between individual risks. The effect of diversification at the category level is demonstrated in the table above, which represents the difference between the Group 99% tail VaR and the sum of standalone tail VaR amounts in the individual risk categories. The extent of diversification is largely determined by the selected level of aggregation – the higher the aggregation level, the lower the diversification effect.

Alternative risk measurements to 99% tail VaR for Swiss Re Group

in USD billions, as of 31 December	2015	**2016**	Change in %
99% VaR	14.5	**14.5**	0
99.5% VaR	17.4	**17.4**	0

Swiss Re's risk landscape

The risk categories shown in the table below are discussed on the following pages. Across these categories we identify and evaluate emerging threats and opportunities through a systematic framework that includes the assessment of potential surprise factors that could affect known loss potentials. Liquidity risk management is discussed on page 61.

Core risks in Swiss Re's internal model			
Insurance risk		**Financial risk**	
Property and casualty	**Life and health**	**Financial market**	**Credit**
■ Natural catastrophe ■ Man-made ■ Costing & reserving ■ Claims inflation	■ Lethal pandemic ■ Mortality trend ■ Longevity ■ Critical illness ■ Income protection ■ Lapse	■ Credit spread ■ Equity ■ Foreign exchange ■ FM inflation ■ Interest rate ■ Real estate	■ Default risk ■ Migration risk
Other significant risks			
Operational	**Liquidity**	**Model**	**Valuation**
Regulatory	**Political**	**Strategic**	**Sustainability**
Emerging risks			

Swiss Re is exposed to a broad landscape of risks. These include risks that are actively taken as part of insurance or asset management operations and are calculated in the internal risk model as part of the Group's economic capital requirement as well as to allocate risk-taking capacity:

Property and casualty risk
Property and casualty insurance risk arises from coverage provided for property, liability, motor, and accident risks, as well as for specialty risks such as engineering, aviation, and marine; this includes underlying risks inherent in the business Swiss Re underwrites, such as inflation or uncertainty in pricing and reserving.

Life and health risk
Life and health insurance risk arises from coverage provided for mortality (death), longevity (annuity), and morbidity (illness and disability) as well as from acquiring closed books of business; in addition to potential shock events (such as a severe pandemic), this includes underlying risks inherent in life and health contracts that arise when mortality, morbidity, or lapse experience deviates from expectations.

Financial market risk
Financial market risk represents the potential impact on assets or liabilities that may arise from movements in financial market prices or rates, such as equity prices, interest rates, credit spreads, foreign exchange rates or real estate prices. Financial market risk originates from two main sources: investment activities and the sensitivity of the economic value of liabilities to financial market fluctuations.

Credit risk
Credit risk reflects the potential financial loss that may arise due to diminished creditworthiness or default of counterparties of Swiss Re or of third parties; credit risk arises from investment and treasury activities, structured transactions and retrocession, as well as from liabilities underwritten by credit and surety insurance units.

The risk landscape also includes other risks that are not explicitly part of the Group's economic capital requirement but are actively monitored and controlled due to their significance for Swiss Re:

Liquidity risk
Liquidity risk represents the possibility that Swiss Re will not be able to meet expected and unexpected cash flow and collateral needs without affecting either daily operations or Swiss Re's financial condition.

Operational risk
Operational risk represents the potential economic, reputational or compliance impact of inadequate or failed internal processes, people and systems or from external events, including legal risk and the risk of a material misstatement in financial reporting.

Strategic risk
Strategic risk represents the possibility that poor strategic decision-making, execution, or response to industry changes or competitor actions could harm Swiss Re's competitive position and thus its franchise value.

Regulatory risk
Regulatory risk represents the potential impact of changes in the regulatory and supervisory regimes of the jurisdictions in which Swiss Re operates.

Political risk
Political risk comprises the consequences of political events or actions that could have an adverse impact on Swiss Re's business or operations.

Model risk
Model risk reflects the potential impact of model errors or the inappropriate use of model outputs. It may arise from data errors or limitations, operational or simulation errors, or limitations in model specification, calibration or implementation; model risk may also be caused by insufficient knowledge of the model and its limitations, in particular in management and other decision-makers.

Valuation risk
Valuation risk represents uncertainty around the appropriate value of assets or liabilities. It may arise from product complexity, parameter uncertainty, quality and consistency of data, valuation methodology, or changes in market conditions and liquidity. Swiss Re is exposed to financial valuation risk from investment assets it holds as well as reserve valuation risk from insurance liabilities that result from the coverage it underwrites.

Sustainability risk
Sustainability risk comprises the environmental, social and ethical risks that may arise from individual business transactions or the way Swiss Re conducts its operations.

Emerging risk
Swiss Re actively identifies emerging risks and threats across all categories as part of its risk identification process; this includes new risks as well as changes to previously known risks that could increase the potential exposure or interdependency between risks.

Some of these risks are reflected indirectly in the model, as their realisations may be contained in the historical data used to calibrate some of the risk factors. In addition, output from the risk model is used in measuring liquidity risk under stressed conditions. As separate risk categories, these risks are an integral part of Swiss Re's risk landscape. They are monitored and managed within the Risk Management organisation, and included in risk reports to executive management and the Board of Directors at Group and Business Unit level as well as for selected major legal entities.

Reputational risk is not considered a separate risk category but rather represents a possible consequence of any risk type in addition to the potential financial and compliance impact.

Insurance risk

Insurance risk management involves identifying, assessing and controlling risks that Swiss Re takes through its underwriting activities, including related risks such as inflation or uncertainty in pricing and reserving.

The Risk Management function is embedded throughout Swiss Re's business, with dedicated CROs and risk experts for each Business Unit, region and major insurance carrier.

Risk Management also provides independent assurance throughout the business cycle, starting with the annual business planning process. It reviews underwriting standards, costing models and large transactions, and monitors exposures, reserves and limits. Regular internal reports ensure transparency across the Group, providing management with quantitative and qualitative risk assessments.

Swiss Re also manages and mitigates insurance risk through external retrocession, insurance risk swaps or by transferring risk to capital markets through insurance-linked securities, industry loss warranties or other derivatives. This provides protection against extreme catastrophic events, further diversifies risk, stabilises economic results and releases underwriting capacity.

Property and casualty risk

Change from 2015 99% tail VaR: –1%

Developments in 2016

Property and casualty risk remained broadly stable at USD 9.4 billion after external hedging. Costing and reserving risk increased, mainly reflecting the impact of new large casualty transactions. This effect was offset by lower exposure to natural catastrophe risks, in particular Atlantic hurricane and California earthquake, due to challenging renewal conditions.

The decrease in natural catastrophe risk is reflected in the stress test figures on page 73. The table shows Swiss Re's exposure to a set of major natural catastrophe scenarios, net of retrocession and securitisation. These risk exposures take into account the fact that such a scenario will trigger claims in other lines of business in addition to the most affected property line.

In the context of a challenging market environment, major natural catastrophe scenarios show lower stress results. Atlantic hurricane and Californian earthquake scenarios show the most significant decreases with 10% and 11%, respectively. Japanese earthquake is down by 4% due to the reduction in exposure being partly offset by foreign exchange movements. European windstorm decreased by 2%.

Management

The CROs of Reinsurance and Corporate Solutions are responsible for overseeing all property and casualty exposures written in their area. In addition, Group Risk Management monitors and controls accumulated exposures across Swiss Re to ensure that they remain within defined risk tolerance level.

The first line of control for property and casualty risks lies within Swiss Re's underwriting units. All transactions must be reviewed by at least two authorised individuals, and are subject to authority limits. Each underwriter is assigned an individual authority based on technical skills and experience, as well as allocated capacity limits for local teams; any business that exceeds this authority or is otherwise complex or unusual triggers an escalation process that extends up to the Group EC. As an exception, single risks can be authorised by an individual underwriter with the necessary authority — but these risks are subject to checks after acceptance.

Large transactions that could materially impact the risk at Group, Business Unit or legal entity level require independent review and sign-off by Risk Management before they are authorised. This is part of a three-signature principle, under which key transactions must be approved by Client Markets, Underwriting and Risk Management. For transactions of defined types and within defined limits, this may be applied through the approval of underwriting or pricing guidelines. For other transactions, the signatures must be secured through an individual review.

In addition to underwriting and capacity limits, Swiss Re's limit framework includes aggregate Group limits for property and casualty risk as well as individual limits for major natural catastrophe scenarios – Atlantic hurricane, Californian earthquake, European windstorm and Japanese earthquake. These limits guard against exposure accumulations and ensure that risk-taking remains within Swiss Re's risk tolerance.

Swiss Re further manages property and casualty risks through external retrocession, risk swaps or transferring risk to the capital markets through insurance-linked securities to reduce peak exposures.

Insurance risk stress tests: Single event losses with a 200-year return period[1]

Pre-tax impact on economic capital in USD billions, as of 31 December	2015	2016	Change in %
Natural catastrophes			
Atlantic hurricane	−5.6	**−5.1**	−10
Californian earthquake	−3.8	**−3.4**	−11
European windstorm	−2.6	**−2.6**	−2
Japanese earthquake	−3.2	**−3.1**	−4
Life insurance			
Lethal pandemic	−2.4	**−2.4**	−1

[1] Single event losses with a 200-year return preriod show for example that there is a 0.5% probability over the next year that the loss from a single Atlantic hurricane event could exceed USD 5.1 billion. The impact excludes earned premiums for the business written and reinstatement premiums that could be triggered as a result of the event.

Life and health risk

Change from 2015 99% tail VaR: +2%

Developments in 2016

Swiss Re's overall life and health risk is 2% higher at USD 7.4 billion. The increase resulted predominantly from the acquisition of a large block of in-force US term life business in the first quarter of 2016, which led to an increase in our mortality trend (death), lethal pandemic, and lapse exposure. It was partly offset by the impact of model enhancements — in particular the improvements made to the valuation of our US business.

The overall life and health risk increased further due to new business written in Asian markets, which together with the decrease in Japanese interest rates led to higher critical illness risk.

In addition to the US transaction, our lethal pandemic exposure also increased from new business written in several other markets including Asia as well as a reduction in our VITA bond programme.

The increase in risk was largely offset by the depreciation of the British pound. As a result, the standalone lethal pandemic tail VaR as well as the lethal pandemic stress test shown in the table above remained broadly stable.

Management

The CROs of Reinsurance and Life Capital are responsible for overseeing all life and health exposures written in their respective area. Accumulated exposures across Swiss Re are monitored and controlled by Group Risk Management to ensure that they remain at an acceptable level for the Group.

Underwriters represent the first line of control for life and health risks. As in property and casualty business, all transactions that could materially change risk at Group, Business Unit or legal entity level require independent review and sign-off by Risk Management before they can be authorised. This is part of a three signature principle, under which key transactions must be approved by Client Markets, Underwriting, and Risk Management. For transactions of defined types and within defined limits, this may be applied through the approval of underwriting or pricing guidelines. For other transactions, the signatures must be secured through a review of the individual transaction.

In addition to underwriting and capacity limits, Swiss Re's limit framework includes aggregate Group limits for life and health risk as well as separate limits for mortality, longevity and lethal pandemic risk. At the Business Unit level, acceptance of life and health risks is governed by aggregated limits.

Market exposure limits are in place for catastrophe and stop loss business. Swiss Re pays particular attention to densely populated areas and applies limits for individual buildings to guard against risk exposure accumulations.

Swiss Re further manages life and health risks through external retrocession, risk swaps or transferring risk to the capital markets through insurance-linked securities to reduce peak exposures.

Financial risk

Financial risk management involves identifying, assessing and controlling risks inherent in the financial markets as well as counterparty credit risks, while monitoring compliance with Swiss Re's risk appetite and risk management standards.

Swiss Re's central Financial Risk Management team oversees all activities that generate financial market or credit risk. Its mandate covers internally and externally managed assets, principal investments, treasury activities and the credit risks that derive from Swiss Re's underwriting and retrocession activities, including structured transactions, credit insurance and surety business. The Head of Financial Risk Management reports to the Group CRO, with a secondary reporting line to the Group Chief Investment Officer.

Financial Risk Management oversees risk-taking and controls exposure accumulation for the primary financial market and credit risks identified in Swiss Re's financial risk factor classification. In addition, Financial Risk Management is responsible for assurance activities related to asset valuation and financial risk models, as well as for reporting Swiss Re's financial risks. These responsibilities are exercised through defined governance processes, including regular reviews by Swiss Re's Senior Risk Council and other financial risk oversight bodies.

In addition, Swiss Re uses financial market derivative instruments as well as financial market securities to hedge financial market and credit risks arising from investments and insurance liabilities. Interest rate risk from insurance liabilities is managed through investments in fixed-income instruments whose pricing is sensitive to changes in government yields, such as government bonds.

Financial market risk **Change from 2015 99% tail VaR: –3%**

Developments in 2016

Overall financial market risk decreased by 3% to USD 12.3 billion. The decrease is mainly driven by lower equity risk. Exposure from the acquisition of Guardian Financial Services was already included in 2015.

The table on page 75 shows Swiss Re's sensitivity to various market scenarios. The decrease in equity risk resulted from asset management sales as well as a strengthening of the US dollar. Foreign exchange movements and asset management activities led to a lower sensitivity towards changes in credit spreads. This impact was, however, largely offset by assets assumed through a large block of in-force US term life business. The increase in real estate stress reflects new investments in particular in the US. The sensitivity to interest rates is minimal due to the well-matched duration position.

Management

Financial market risk is monitored and controlled by dedicated experts within the Group's Financial Risk Management team.

All activities with financial market risk are subject to limits at various levels of the organisation (eg Group, Business Units, lines of business and legal entities). At the highest level, the Group Board of Directors sets a financial risk concentration limit which defines how much of the Group's risk exposure can derive from financial risk factors. The Group EC then establishes limits for aggregate financial market and credit risk at Group and Business Unit level, with additional limits set for individual risk factors, business lines and portfolio managers. There are also limits set on a legal entity level. Risk limits may be expressed in terms of losses in a stress scenario, value at risk or linear sensitivities to a particular risk factor.

Group Financial Risk Management regularly reports on key financial market risks and risk aggregations, as well as on specific limits for internally and externally managed investment mandates. These reports track exposures, document limit usage and provide information on key risks that could affect the portfolio. The reports are presented and discussed with those responsible for the relevant business line at the weekly Financial Market Risk Committee. This process is complemented by regular risk discussions between Financial Risk Management, Asset Management and the Group's external investment managers.

Financial market and credit risk stress tests

Pre-tax impact on economic capital in USD billions, as of 31 December	2015	**2016**	Change in %
Market scenarios			
100bp increase in credit spreads	–4.4	**–4.4**	–1
30% fall in equity markets (incl. hedge funds)	–2.9	**–2.5**	–13
15% fall in real estate markets	–0.6	**–0.7**	7
100bp parallel increase in global yield curves	0.1	**–0.1**	–177
Credit stress test			
Credit default stress	–2.8	**–2.9**	5

Credit risk

Change from 2015 99% tail VaR: 0%

Developments in 2016

In 2016, Swiss Re's credit risk — which includes default and migration (deterioration in credit rating) risk — remained stable at USD 3.4 billion. At the same time, the credit default stress test increased by 5%.

Credit tail VaR remained stable as the impact from higher credit underwriting exposure and credit quality deteriorations in credit and surety was offset by the strengthening of the US dollar and de-risking activities. The increase in credit stress test reflects the stronger impact of credit quality deteriorations, as the stress calculation does not benefit from diversification effects.

Management

Credit risk is monitored and controlled by dedicated credit risk management experts within the Group's Financial Risk Management team.

The Group EC sets an aggregate credit limit at Group level, with additional limits assigned by Business Unit, corporate counterparty and country. These limits are based on multiple factors, including underlying credit exposures and a detailed assessment of the counterparty's financial strength, industry position and other qualitative factors.

The Financial Risk Management unit monitors and reports credit exposure and limits for the Group and Business Units on a weekly basis. In addition, it is responsible for regularly monitoring corporate counterparty credit quality and exposures, and compiling watch lists of cases that merit close attention. The reporting process is supported by a Group-wide credit exposure information system that contains all relevant data, including counterparty details, ratings, credit risk exposures, credit limits and watch lists. Key credit practitioners across Swiss Re have access to this system, thus providing the necessary transparency to implement specific exposure management strategies for individual counterparties, industry sectors and geographic regions.

To take account of country risks other than from credit default, the Group's Political Risk Management team prepares specific country ratings in addition to the sovereign ratings used by Swiss Re. These ratings are considered in the decision-making process and cover political, economic and security-related country risks.

Other significant risks

Operational risk

Risk Management is responsible for monitoring and controlling operational risks based on a centrally coordinated methodology. Members of the Group EC are required to certify the effectiveness of the internal control system for their respective area of responsibility on a quarterly basis.

The Group's framework for mitigating operational risk is based on its three lines of control, assigning primary responsibility for identifying and managing risks to individual risk takers, with independent oversight and control by the Risk Management and Compliance functions (second line of control) as well as Group Internal Audit (third line of control). This approach is designed to achieve a strong, coherent and Group-wide operational risk culture built on the overriding principles of ownership and accountability.

Operational risk is inherent within Swiss Re's business processes. As the company does not receive an explicit financial return for such risks, the approach to managing operational risk differs from the approach applied to other risk categories. The purpose of operational risk management is not to eliminate risks but rather to identify and cost-effectively mitigate operational risks that approach or exceed Swiss Re's tolerance.

Swiss Re's operational risk tolerance limits are based on the quantitative and qualitative impact as well as the probability of loss. The residual risk — the risk after mitigating controls — is assessed and reported on a quarterly basis to the management at Group, Business Unit and legal entity level.

All operational losses, incidents and issues are reported and monitored in a central Operational Risk Management system to ensure that they are resolved as well as to avoid the recurrence of similar events.

Recent efforts in operational risk management have focused on further evolving Swiss Re's risk framework and refining the Group's integrated Internal Control System. As a result, a centrally governed global risk register and a global control catalogue have been implemented that form an improved basis for quarterly risk and control self-assessments.

Swiss Re is a founding member of the insurance sector within the Operational Riskdata eXchange Association (ORX). ORX is dedicated to advancing the measurement and management of operational risk within the insurance industry. Swiss Re actively participates in various research projects on topics such as risk boundaries, scenario analysis and cyber risk.

Strategic risk

Overall responsibility for managing strategic risk lies with the Group Board of Directors, which establishes Swiss Re's overall strategy. The Boards of Directors of legal entities are responsible for the strategic risk inherent in their specific strategy development and execution. Strategic risks are addressed by examining multi-year scenarios, considering the related risks, as well as monitoring the implementation of the chosen strategy year-by-year in terms of the annual business plan.

As part of their independent oversight role, Risk Management, Compliance and Group Internal Audit are responsible for controlling the risk-taking arising from the implementation of the strategy.

Regulatory risk

Swiss Re is strongly engaged in the regulatory debate, striving to mitigate potentially negative impacts while supporting reforms that could enhance the overall health of the sector, facilitate convergence of regulatory standards or generate business opportunities.

Regulatory developments and related risks that may affect Swiss Re and its subsidiaries are identified, assessed and monitored as part of regular oversight activities. Periodic reports and recommendations on regulatory issues are provided to the executive management and Boards of Directors at Group, Business Unit and legal entity level.

In 2016, the International Association of Insurance Supervisors (IAIS) introduced a new designation methodology for Global Systemically Important Insurers (G-SIIs), with a particular focus on reinsurance. Under the new methodology, Swiss Re was not designated as G-SII. The non-designation confirms that Swiss Re is assessed by the international supervisory community as neither causing nor amplifying systemic risk.

While Solvency II took effect in 2016 and applies across the European Economic Area, national discretions and different supervisory interpretations (eg, the recognition of reinsurance) distort a level playing field. The European Commission will review Solvency II in 2018, in part to address such inconsistencies. Additionally, the European Insurance and Occupational Pensions Authority intends to add a macro-prudential framework for insurance in Solvency II, to regulate systemic risks across the insurance industry.

The regulatory environment of the insurance industry continues to evolve on the national, regional and international level, with re/insurers facing a multitude of new or modified regulations that affect their business model. While some regulatory changes create new business opportunities, others come with significant costs and business restrictions. Growing regulatory complexity, increased national protectionism and a fragile global economy are persistent themes affecting regulation and the way Swiss Re operates worldwide.

While prudential regulation is developing towards more risk-sensitive and economic-based capital regimes, regulatory fragmentation remains high. Local capitalisation rules often fail to fully recognise the benefits of risk mitigation and diversification. In addition, there are moves to limit the use of internal models influenced by post-crisis banking regulation. Swiss Re strongly supports the use of internal models, full recognition of risk mitigation and diversification, appropriate consideration of counterparty default and concentration risk, and efficient application of eligible capital instruments.

National protectionism restricts the free flow of risk and capital. The outcome of the Brexit negotiations between the UK and the EU could potentially limit the ability to benefit from the free movement of services, including reinsurance. Swiss Re is advocating for removal or reduction of market access barriers, so that policyholders, governments, taxpayers, and national economies can fully benefit from international diversification and therefore reliable, quality, and affordable risk cover.

Political risk

Political developments can threaten Swiss Re's operating model but also open up opportunities for developing the business. The Group adopts a holistic view of political risk and analyses developments in individual markets and jurisdictions, as well as cross-border issues such as war, terrorism, energy-related issues and international trade controls.

A dedicated Political Risk team identifies, assesses and monitors political developments worldwide. Swiss Re's political risk experts exercise oversight and control functions for named political risks, such as in the political risk insurance business; this includes monitoring political risk exposures, providing recommendations on particular transaction referrals, or risk reporting. In addition, the Political Risk team provides specific country ratings that cover political, economic and security-related country risks; these ratings complement sovereign credit ratings and are used to support risk control activities and inform underwriting or other decision-making processes throughout the Group.

Swiss Re seeks to raise awareness of political risk within the insurance industry and the broader public, and actively engages in dialogue with clients, media and other stakeholders. We also build relationships that expand our access to information and intelligence, and allow us to further enhance our methodologies and standards. For example, we participate in specialist events hosted by institutions such as the International Institute of Strategic Studies, the International Studies Association and the Risk Management Association, and maintain relationships with political risk specialists in other industries, think tanks and universities, as well as with governmental and non-governmental organisations.

Model risk

Swiss Re uses models throughout its business processes and operations, in particular to price insurance products, value financial assets and liabilities, assess reserves and portfolio cash flows, and estimate risk and capital requirements. Analytical or financial models that are used for costing, valuation and risk capital calculations are governed by Swiss Re's Model and Tool Assurance Framework. Model owners have primary responsibility for model-related risks and are required to adhere to a robust tool development process, including testing, peer review, documentation and sign-off. A similar process also applies to model maintenance. The goal is to ensure that each material model has a clear scope, is based on sound mathematical and scientific concepts, has been implemented correctly and produces accurate results given the stated purpose.

Under Swiss Re's framework, the appropriateness of models is assessed in an independent end-to-end validation process that includes specification, algorithms, calibration, implementation, results and testing. Material models used for costing and valuation of reserves and assets are validated by dedicated teams within Risk Management. These teams provide independent assurance that the framework has been adhered to as well as conduct independent validations. Swiss Re's Group Risk Model, which is owned by Risk Management, is subject to independent validation by experts within and outside Swiss Re. It is also subject to regulatory scrutiny.

Model-related incidents are captured within Swiss Re's operational risk framework. In addition, material model developments, incidents and risks are reported in regular risk updates to management and boards at Group and legal entity level.

Swiss Re works closely with industry peers to develop and share best practices for assessing and managing model-related risks. In this context, we are actively participating in a CRO Forum working group that provides a platform for such exchanges and is working on frameworks for model risk.

Valuation risk

Financial valuation risk is managed by a dedicated team within Financial Risk Management, who perform independent price verification for financial risk positions to confirm that valuations are reasonable and ensure there are no material misstatements of fair value in Swiss Re's financial reports. The results of the independent price verification process are reviewed by the Asset Valuation Committee. Summary results are regularly reported to executive management as well as to the Board. In addition, Swiss Re's external auditor conducts quarterly reviews as well as a comprehensive year-end audit of controls, methodology and results.

Reserve valuation risk is managed by Swiss Re's Actuarial Control function, with dedicated teams for property and casualty, and life and health valuation. These teams ensure that Swiss Re's reserve setting process uses an appropriate governance framework, including defined accountabilities and decision-making processes for risk takers (as the first line of control) and for Actuarial Control. The framework ensures that there is independent assurance on the data, assumptions, models and processes used for valuation purposes; for property and casualty business it also includes an independent valuation of coverage provided to ensure that reserves remain within an adequate range.

Actuarial Control regularly performs deep dive investigations into selected portfolios in order to review the appropriateness of both the reserves and the applied reserving approach. In 2016, Actuarial Control further refined its internal governance to establish common standards throughout the entire reserving process.

Sustainability risk

Swiss Re's continued business success depends on the successful management of sustainability risks, thus helping to maintain the trust of its stakeholders. The Group has a long-standing commitment to sustainable business practices, active corporate citizenship, as well as good, transparent governance. All employees are required to commit to and comply with Swiss Re's values and sustainability policies.

Potential sustainability risks are mitigated through clear corporate values, active dialogue and engagement with affected external stakeholders, and robust internal controls. These include a Group-wide Sustainability Risk Framework to identify and address sustainability risks across Swiss Re's business activities. The framework comprises sustainability-related policies – with pre-defined exclusions, underwriting criteria and quality standards – as well as a central due diligence process for related transactional risks.

Sustainability risks are monitored and managed by dedicated experts in Swiss Re's Group Sustainability Risk team, which is also responsible for maintaining the Sustainability Risk Framework. In addition, this unit supports Swiss Re's risk management and business strategy through tailored risk assessments and risk portfolio reviews. It fosters risk awareness through internal training, and facilitates development of innovative solutions to address sustainability issues. Finally, it represents and advocates Swiss Re's position on selected sustainability risk topics to external stakeholders.

Swiss Re is a founding signatory to the UN Principles for Sustainable Insurance (UN PSI) and is currently a board member of this initiative. The UN PSI provide a global framework for managing environmental, social and governance challenges. Swiss Re has been actively contributing to the initiative for several years, co-chaired it from 2013 to 2015 and publicly reports progress against the principles in its annual Corporate Responsibility Report; the 2016 report has been published together with the 2016 Financial Report.

In 2016, Swiss Re was again recognised as "insurance industry sector leader" in the Dow Jones Sustainability Indices. This is the tenth time since 2004 that Swiss Re has led the insurance sector in these rankings. The award highlights Swiss Re's long-term commitment to sustainable business and our efforts to further embed sustainability into key business processes and operations.

For more information on our Sustainability practices, see also the Corporate Responsibility section on page 122.

Emerging risk

Anticipating possible developments in the risk landscape is a central element of Enterprise Risk Management. Swiss Re promotes pre-emptive thinking on risk in all areas of the business in order to reduce uncertainty and diminish the volatility of the Group's results, while also identifying new business opportunities and raising awareness of emerging risks.

For this purpose, Swiss Re's risk identification processes are supported by a systematic framework that identifies, assesses and monitors emerging risks and opportunities across all areas of Swiss Re's risk landscape, including potential surprise factors that could affect known loss potentials. A core element of emerging risk management is the SONAR system, which provides an interactive platform for every Swiss Re employee to suggest possible emerging risks and report early signals. This crowdsourcing bottom-up approach is combined with regional emerging risk capabilities in order to also reflect the regional picture. This information is complemented with insights from collaboration with external organisations such as think tanks, academic networks, international organisations and institutions, as well as from interaction with clients.

Findings are reported to senior management and other internal stakeholders through various channels, including reports that provide a prioritised overview of newly identified emerging risks and an estimate of their potential impact on Swiss Re's business. Swiss Re also publishes an annual emerging risk report to share findings, raise awareness within the Group and across the industry, and initiate a risk dialogue with key external stakeholders.

To further advance risk awareness across the industry and beyond, Swiss Re continues to participate actively in strategic risk initiatives such as the International Risk Governance Council, and the CRO Forum's Emerging Risk Initiative.

Swiss Re's corporate governance forms the basis for sustainable management of the Swiss Re Group.

CONTENTS

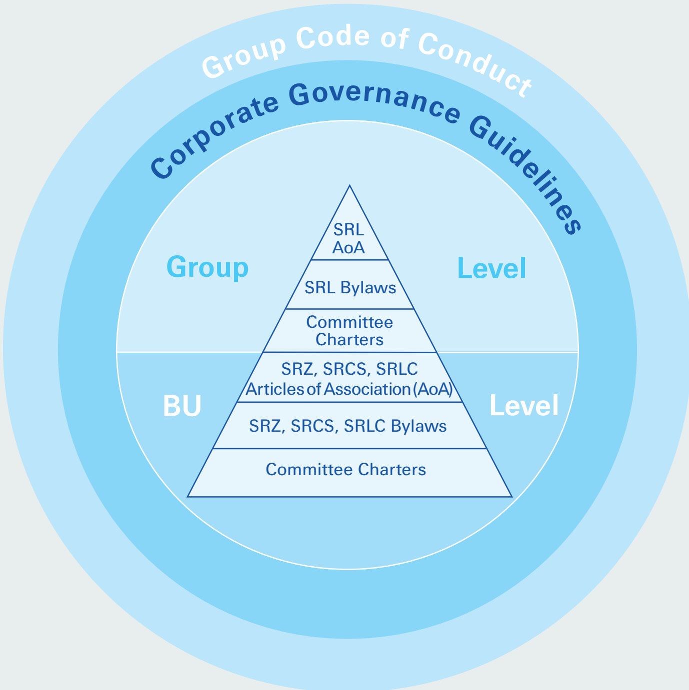
Overview

The Board of Directors introduces a corporate governance framework which fosters sustainable oversight and management.

> "Corporate governance needs to be embedded in a company's culture."
>
> Walter B. Kielholz
> Chairman of the Board of Directors

Swiss Re's corporate governance adheres to the SIX Swiss Exchange's Directive on Information Relating to Corporate Governance, including its annex. It is also in line with the principles of the Swiss Code of Best Practice for Corporate Governance (Swiss Code) of September 2014, issued by economiesuisse, the Swiss business federation. Swiss Re also conforms to the Swiss Financial Market Supervisory Authority (FINMA) provisions on corporate governance, risk management and internal control systems. Swiss Re's corporate governance furthermore complies with applicable local rules and regulations in all jurisdictions where it conducts business. The Board of Directors regularly assesses the Group's corporate governance against relevant best practice standards as well as new stakeholder demands. It monitors corporate governance developments globally and it considers the relevant studies and surveys on corporate governance. Information on compensation of and loans to members of the Board of Directors and the Group Executive Committee (Group EC) is included in the Compensation Report beginning on page 138 of this Financial Report and their shareholdings in Swiss Re are shown in the notes on page 292 to the Swiss Re Ltd financial statements.

Swiss Re's governance documents



Swiss Re's corporate governance framework

Swiss Re Ltd's Board of Directors is responsible for oversight, while the Group EC is responsible for managing operations. This structure maintains effective mutual checks and balances between these top corporate bodies. Our corporate governance principles and procedures are defined in a series of documents governing the oversight, organisation and management of the company. These include at the Group level:

- the Group Code of Conduct, outlining our compliance framework and setting out the basic ethical and legal principles and policies we apply globally;
- the Corporate Governance Guidelines (Guidelines), setting forth the Group's governance framework, principles, processes and requirements, ensuring consistent and fitted corporate governance across the Group;
- the Articles of Association of Swiss Re Ltd (SRL), defining the legal and organisational framework of the Group's holding company SRL, (available at www.swissre.com/about_us/corporate_governance/corporate_regulations.html);
- the SRL & Group Bylaws, defining the governance structure for SRL and within the Group including the responsibilities of the Board of Directors, Chairman, Vice Chairman, Lead Independent Director, Board committees, Group EC, Group CEO and of the other individual Group EC members including the Regional Presidents, as well as the relevant reporting procedures; and
- the Board Committee Charters, outlining the duties and responsibilities of the Board committees.

In addition, they include at the Business Unit level:

- the Articles of Association of Swiss Reinsurance Company Ltd (SRZ), Swiss Re Corporate Solutions Ltd (SRCS) and Swiss Re Life Capital Ltd (SRLC), defining the legal and organisational framework of the Business Unit (BU) top-level companies SRZ, SRCS and SRLC;

- the SRZ, SRCS, SRLC & Business Unit Bylaws, defining the governance structure and principles in line with the SRL & Group Bylaws for SRZ, SRCS and SRLC and their respective BUs Reinsurance, Corporate Solutions and Life Capital; and
- the Board Committee Charters, outlining the duties and responsibilities of the board committees of SRZ, SRCS and SRLC.

2016 key focus areas

Enhanced corporate governance framework for SRLC and the Business Unit Life Capital

Underscoring its evolution, SRLC's and the Business Unit Life Capital's corporate governance framework has been aligned where appropriate in 2016 to Group and other Business Units' standards, requirements and processes. While the SRLC Board of Directors is responsible for oversight, it has delegated the management of SRLC and the Business Unit Life Capital to the Life Capital Executive Committee (Life Capital EC). The Life Capital EC has delegated certain responsibilities to individual Life Capital EC members, to the Life Capital Management team and the Life Capital Finance, Risk and Investment Committee.

Comprehensive revision of the Bylaws in 2016

In line with the Board of Directors' efforts in monitoring corporate governance best practice and developments as well as to continuingly improve our Bylaws, the Board of Directors regularly reviews the Bylaws at Group and Business Unit level.

The Board of Directors therefore revised the SRL & Group Bylaws and SRZ, SRCS, SRLC & Business Unit Bylaws comprehensively in 2015/2016 with the following aims:

- Implementation of corporate governance changes based on the new Group Target Operating Model; and
- alignment with the latest best practice corporate governance standards and with stakeholders' demands.

Crisis management and EVM training

In 2016, the Board of Directors undertook further efforts to enhance its expertise, with an emphasis on Economic Value Management (EVM) and crisis management.

- The Board of Directors held an in-depth educational session on EVM.
- The Board members participated in a full-day workshop on crisis management, together with the members of the Group EC and representatives of significant subsidiaries of the Swiss Re Group. The workshop participants were asked to respond to crisis situations by applying the Group Recovery Plan, one of Swiss Re's key instruments to manage capital and liquidity in severe adverse financial conditions. The session included comprehensive simulations of stress scenarios, considering large loss events, financial market disruptions and adverse political developments. The fact that real figures, including Swiss Re's own consolidated balance sheet, were used for the simultations, was seen as particularly valuable.

Highlights 2016/2017

Board of Directors

- Sir Paul Tucker was elected as a new member to the Board of Directors by the shareholders at the Annual General Meeting which took place in Zurich on 22 April 2016.
- Mathis Cabiallavetta, Hans Ulrich Maerki and Jean-Pierre Roth did not stand for re-election.
- The Annual General Meeting 2016 re-elected Walter B. Kielholz for a further one-year term of office as Chairman of the Board of Directors.
- Raymond K.F. Ch'ien, Renato Fassbind, Mary Francis, Rajna Gibson Brandon, C. Robert Henrikson, Trevor Manuel, Carlos E. Represas, Philip K. Ryan and Susan L. Wagner were individually re-elected by the Annual General Meeting 2016 for a further one-year term of office as members of the Board of Directors.
- The Annual General Meeting 2016 re-elected Renato Fassbind, C. Robert Henrikson and Carlos E. Represas as members and elected Raymond K.F. Ch'ien as new member of the Compensation Committee, all members for a one-year term of office.
- The Board of Directors nominated Jay Ralph, Joerg Reinhardt and Jacques de Vaucleroy to be proposed to the Annual General Meeting 2017 for election as new members of the Board of Directors, whereas Carlos E. Represas will not stand for re-election.

Group EC

- Christian Mumenthaler became Group CEO as of 1 July 2016, succeeding Michel Liès, who retired.
- Moses Ojeisekhoba was appointed CEO Reinsurance as of 1 July 2016, succeeding Christian Mumenthaler.
- Jayne Plunkett was appointed CEO Reinsurance Asia and Regional President Asia as of 1 July 2016, succeeding Moses Ojeisekhoba. With that appointment she also became a member of the Group EC.
- Thierry Léger was appointed CEO Life Capital and joined the Group EC as a member as of 1 January 2016.
- Edouard Schmid will become Group Chief Underwriting Officer and a member of the Group EC as of 1 July 2017, succeeding Matthias Weber who has decided to step down as Group Chief Underwriting Officer.

Revised Code of Conduct implemented in 2016

Swiss Re believes that it can only accomplish sustainable success if our stakeholders recognise us as a trustworthy partner that pursues legitimate goals using legitimate means.

Swiss Re's Code of Conduct provides key principles that guide Swiss Re in making responsible decisions and achieving results using the highest ethical standards.

Swiss Re's Code of Conduct is built on the five Swiss Re **Corporate Values**, which are the heart of everything we do:

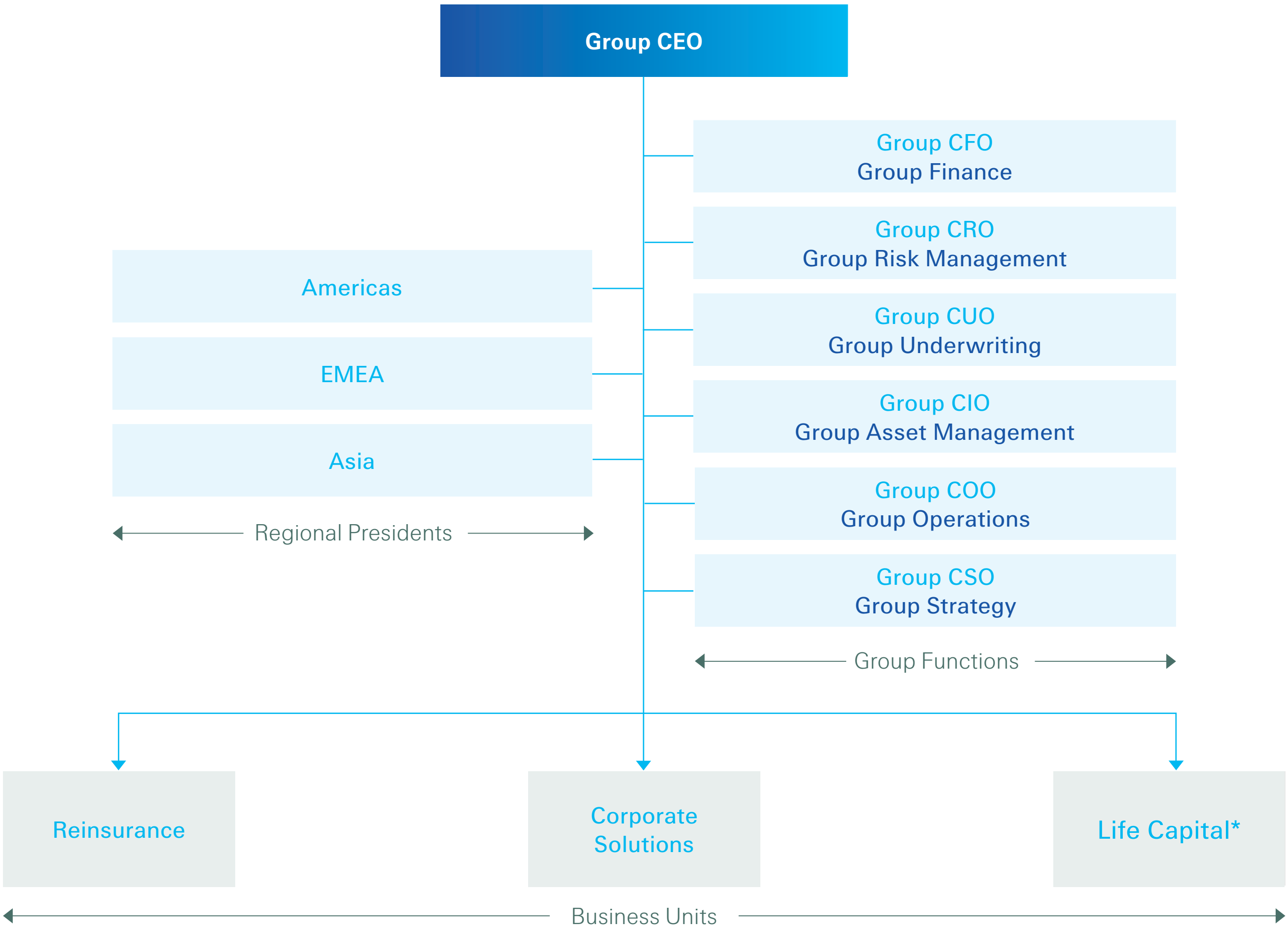
- Integrity
- Team Spirit
- Passion to Perform
- Agility
- Client Centricity

The Corporate Values are put in action by the Leadership as well as Personal Imperatives. They represent the behaviours that strongly reinforce and advance our business goals. They provide a solid basis for assessing our performance and they reward each of us for not only what we achieve, but how we achieve it.

Swiss Re's Code of Conduct was revised in 2016 with the particular aim to make it short and easy to understand while meeting the requirements of an increasingly complex business, regulatory and legal environment. It can be found on: files.swissre.com/codeofconduct/index.html

Group structure and shareholders

Operational Group structure



Legal structure — listed and non-listed Group companies
Swiss Re Ltd, the Group's holding company, is a joint stock company, listed in accordance with the International Reporting Standard on the SIX Swiss Exchange (ISIN CH0126881561), domiciled at Mythenquai 50/60 in 8022 Zurich, and organised under the laws of Switzerland.

Information on its market capitalisation is provided on page 51 of this Financial Report. No other Group companies have shares listed. More information on the Group companies is provided in Note 19 to the Group financial statements on pages 267–269.

Swiss Re Ltd has a level I American Depositary Receipts (ADRs) programme in the US. The ADRs are traded over the counter (OTC) (ISIN US8708861088, OTC symbol SSREY). Following a split in 2015, one Swiss Re Ltd share equals four ADRs. Neither the ADRs, nor the underlying Swiss Re Ltd shares are listed on a securities exchange in the US.

Significant shareholders and shareholder structure
Under the Financial Markets Infrastructure Act (FMIA), anyone holding shares in a company listed on the SIX Swiss Exchange is required to notify the company and the SIX Swiss Exchange if its direct or indirect holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the voting rights pursuant to the entry into the

* Since 1 January 2016 Admin Re is part of the Business Unit Life Capital.

commercial register, whether or not the voting rights can be exercised*. Notifications must also include financial instruments, regardless of whether cash or physically settled, constituting a purchase or a sale position. Upon receipt of such notifications, the company is required to inform the public by publishing within two trading days the notification on the electronic platform of the SIX Swiss Exchange.

The following table provides a summary of the current disclosure notifications of major shareholders holding more than 3% of the voting rights:

Significant shareholders

Shareholder[1]	Number of shares	% of voting rights and share capital	Creation of the obligation to notify
BlackRock, Inc.	18 218 492[2]	5.06	10 October 2016

[1] In the context of Swiss Reinsurance Company Ltd's issuance of Perpetual Subordinated Capital Instruments in 2012 with a face value of USD 750 million with a stock settlement in registered shares of Swiss Re Ltd, Aquarius + Investments plc ("Aquarius") reported in compliance with the Federal Act on Stock Exchanges and Securities Trading (Stock Exchange Act, SESTA) and the Ordinance of the Swiss Financial Market Supervisory Authority on Stock Exchanges and Securities Trading (Stock Exchange Ordinance – FINMA, SESTO-FINMA) a disclosable purchase and a sales position, each corresponding to 6.32% of the voting rights. Aquarius does not hold any registered shares of Swiss Re Ltd.

[2] In compliance with Article 120 of the Financial Markets Infrastructure Act (FMIA), BlackRock, Inc., New York, U.S.A. (BlackRock), notified Swiss Re Ltd (Swiss Re) on 11 October 2016 following an acquisition of Swiss Re shares that it holds as of 10 October 2016 a total of 18 218 492 voting rights corresponding to 5.06% of the voting rights in Swiss Re. With recommendation of the Disclosure Office dated 15 July 2016, BlackRock was granted easing provisions from the obligation to disclose the direct shareholders according to Article 120 para. 1 FMIA in conjunction with Article 11 let. b and Article 22 para. 1 let. e and para. 3 FMIO-FINMA when disclosing holdings according to Article 18 para. 1 and 4 FMIO-FINMA. However, collective investment schemes within the meaning of Article 18 para 2 let. a FMIO-FINMA that hold individually 3% or more of the voting rights of the relevant issuer will be mentioned in the relevant disclosure notificaton. Any person shall, at his/her request and without prove of interest, receive information about the direct shareholders within the meaning of Article 11 let. b and Article 22 para. 1 let. e and para. 3 FMIO-FINMA. Such request has to be addressed via email to the Disclosure Office: offenlegung@six-group.com. The information will be provided within five trading days from receipt of the relevant request by BlackRock, Inc. The information will be provided in electronic format with a reference date not older than one month. The easing provisions are granted until 15 July 2016. The 18 218 492 voting rights result from (i) the holding of 15 251 817 registered shares of Swiss Re (corresponding to 4.24% of the voting rights), of which 962 492 voting rights (corresponding to 0.27% of the voting rights) are due to repos (on the purchaser side) and/or collateral received with the title transfer (non-repo), (ii) 2 931 037 voting rights (corresponding to 0.81% of the voting rights) delegated by a third party and which can be exercised at BlackRock's own discretion and (iii) contracts for difference conferring a total of 35 638 voting rights (corresponding to 0.01% of the voting rights) in Swiss Re. In addition, BlackRock disclosed sales positions arising from contracts for difference amounting to 57 194 voting rights corresponding to 0.02% of the voting rights in Swiss Re.

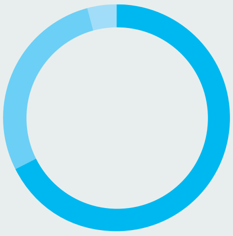
In addition, Swiss Re Ltd and Group companies held, as of 31 December 2016, directly and indirectly, 34 093 834 shares, which includes 5 542 500 shares repurchased under the public share buy-back programme Swiss Re Ltd launched on 4 November 2016. The public share buy-back programme was completed on 9 February 2017. This represents 9.47% of voting rights and share capital. Neither Swiss Re Ltd nor the Group companies can exercise the voting rights of these shares. All notifications received in 2016 are published at www.swissre.com/investors/shares/disclosure_of_shareholdings/

For further details on the past share buy-back programmes please visit: www.swissre.com/investors/shares/share_buyback/

* According to Article 120 (1) FMIA anyone who directly or indirectly or acting in concert with third parties acquires or disposes shares or acquisition or sale rights relating to shares of a company with its registered office in Switzerland whose equity securities are listed in whole or in part in Switzerland, or of a company with its registered office abroad whose equity securities are mainly listed in whole or in part in Switzerland, and thereby reaches, falls below or exceeds the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the voting rights, whether exercisable or not, must notify this to the company and to the stock exchanges on which the equity securities are listed. According to Article 120 (3) FMIA, anyone who has the discretionary power to exercise the voting rights associated with equity securities in accordance with Article 120 (1) FMIA is also subject to the notification. The person or group is obliged to make a notification in writing to the company (issuer) and the stock exchange no later than four trading days after the creation of the obligation to notify (conclusion of a contract).

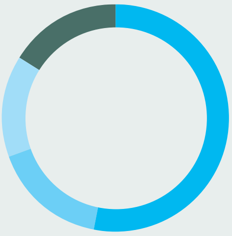
Registered shareholders by type
as of 31 December 2016

- 67.6% Institutional shareholders
- 28.3% Individual shareholders
- 4.1% Swiss Re employees



Registered shareholdings by country
as of 31 December 2016

- 53.2% Switzerland
- 16.3% United Kingdom
- 14.4% USA
- 16.1% Other registered shareholders



Shareholder structure
Registered — unregistered shares

As of 31 December 2016	Shares	in %
Registered shares[1]	193 711 538	53.8
Unregistered shares[1]	132 267 189	36.7
Shares held by Swiss Re	28 551 334	7.9
Share Buy-back Programme	5 542 500	1.6
Total shares issued	**360 072 561**	**100.0**

[1] Without Swiss Re's holdings.

Registered shares with voting rights by shareholder type

As of 31 December 2016	Shareholders	in %	Shares	in %
Individual shareholders	76 602	87.8	54 870 537	28.3
Swiss Re employees	6 503	7.4	7 955 764	4.1
Total individual shareholders	**83 105**	**95.2**	**62 826 301**	**32.4**
Institutional shareholders	**4 162**	**4.8**	**130 885 237**	**67.6**
Total	**87 267**	**100.0**	**193 711 538**	**100.0**

Registered shares with voting rights by country

As of 31 December 2016	Shareholders	in %	Shares	in %
Switzerland	75 653	86.7	103 057 224	53.2
United Kingdom	1 434	1.6	31 494 230	16.3
USA	1 385	1.6	28 006 420	14.4
Other	8 795	10.1	31 153 664	16.1
Total	**87 267**	**100.0**	**193 711 538**	**100.0**

Registered shares with voting rights by size of holding

As of 31 December 2016	Shareholders	in %	Shares	in %
Holdings of 1–2 000 shares	80 810	92.6	31 550 558	16.3
Holdings of 2 001–200 000 shares	6 366	7.3	58 796 579	30.3
Holdings of > 200 000 shares	91	0.1	103 364 401	53.4
Total	**87 267**	**100.0**	**193 711 538**	**100.0**

Cross-shareholdings

Swiss Re has no cross-shareholdings in excess of 5% of capital or voting rights with any other company.

Capital structure

Capital

As a result of the cancellation of shares repurchased under the share buy-back programme which ended on 2 March 2016, the fully paid-in share capital of Swiss Re Ltd as of 31 December 2016 amounted to CHF 36 007 256.10. It is divided into 360 072 561 registered shares, each with a par value of CHF 0.10.

The table on page 90 of this Financial Report provides an overview of the issued, conditional and authorised capital of Swiss Re Ltd as of 31 December 2016 and 31 December 2015, respectively.

More information is provided in the sections "Conditional and authorised capital in particular" below and "Changes in capital" on page 90 of this Financial Report.

Conditional and authorised capital in particular

Conditional capital

As of 31 December 2016, the conditional capital of Swiss Re Ltd consisted of the following:

Conditional capital for Equity-Linked Financing Instruments

The share capital of the company may be increased up to CHF 5 000 000 by issuing a maximum of 50 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10.

Such shares are issued through the voluntary or mandatory exercise of conversion and/or option rights granted by the company or Group companies in connection with bonds or similar instruments, including loans or other financial instruments (Equity-Linked Financing Instruments).

Existing shareholders' subscription rights are excluded. The then current holders of the conversion and/or option rights granted in connection with Equity-Linked Financing Instruments shall be entitled to subscribe for the new registered shares. Subject to the Articles of Association, the Board of Directors may decide to restrict or exclude existing shareholders' advance subscription rights with regard to these Equity-Linked Financing Instruments. Such a decision may be made in order to issue Equity-Linked Financing Instruments on national and/or international capital markets (including private placements to selected strategic investors), and/or to finance or re-finance the acquisition of companies, parts of companies, participations or new investments planned by the company and/or Group companies.

If advance subscription rights are excluded, then the Equity-Linked Financing Instruments are to be placed at market conditions, the exercise period is not to exceed ten years for option rights and 20 years for conversion rights, and the conversion or exercise price for the new registered shares is to be set at least in line with the market conditions prevailing at the date on which the Equity-Linked Financing Instruments are issued.

The acquisition of registered shares through the exercise of conversion or option rights and any further transfers of registered shares shall be subject to the restrictions specified in the Articles of Association.

Authorised capital

As of 31 December 2016, the authorised capital of Swiss Re Ltd was as presented in the table below.

According to the Articles of Association, the Board of Directors is authorised to increase the share capital of the company at any time up to 21 April 2017 by an amount not exceeding CHF 8 500 000 through the issue of up to 85 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10. Increases by underwriting as well as partial increases are permitted. The Board of Directors determines the date of issue, the issue price, the type of contribution and any possible acquisition of assets, the date of dividend entitlement as well as the expiry or allocation of non-exercised subscription rights.

The subscription rights of existing shareholders may not be excluded with respect to a maximum of CHF 5 000 000 through the issue of up to 50 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, out of the total amount of authorised capital.

The Board of Directors may exclude or restrict the subscription rights of existing shareholders with respect to a maximum of CHF 3 500 000 through the issue of up to 35 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10, out of the total amount of authorised capital. Such exclusion or restriction relates to the use of shares in connection with mergers, acquisitions (including take-over) of companies, parts of companies or holdings, participations or new investments planned by the company and/or Group companies, financing or re-financing of such mergers, acquisitions or new investments, the conversion of loans, securities or equity securities. Exclusion and restriction may also relate to improving the regulatory capital position of the company or Group companies, including private placements, in a fast and expeditious manner if the Board of Directors deems it appropriate or prudent to do so.

The subscription and acquisition of the new registered shares, as well as each subsequent transfer of registered shares, shall be subject to the restrictions specified in the Articles of Association.

Joint provision for conditional capital for Equity-Linked Financing Instruments and for the abovementioned authorised capital

The total of registered shares issued from the authorised capital, where the existing shareholders' subscription rights were excluded, and from the shares issued from conditional capital, where the existing shareholders' advance subscription rights on the Equity-Linked Financing Instruments were excluded, may not exceed 74 000 000 registered shares up to 21 April 2017.

Changes in capital

Changes in 2016

The Annual General Meeting 2016 approved the reduction of the ordinary share capital by CHF 1 063 437.00 from CHF 37 070 693.10 to CHF 36 007 256.10 via the cancellation of 10 634 370 shares with a nominal value of CHF 0.10 repurchased by Swiss Re Ltd on a second trading line on the SIX Swiss Exchange, via UBS AG as agent. The 10 634 370 shares were repurchased under the share buy-back programme lasting from 12 November 2015 until 2 March 2016. The purchase value of the repurchased own shares corresponded to CHF 999 999 867.20.

The reduction of the ordinary share capital could only take place after the required three notices to creditors had been published in the Swiss Gazette of Commerce (*Schweizerisches Handelsamtsblatt*) as stipulated in Art. 733 of the Swiss Code of Obligations. The reduction of the ordinary share capital approved by the Annual General Meeting on 22 April 2016 was published in the Swiss Gazette of Commerce on 14 July 2016.

On 22 April 2016 the Annual General Meeting has authorised the Board of Directors to repurchase up to a maximum of CHF 1 billion purchase value of Swiss Re Ltd's own shares prior to the Annual General Meeting 2017 by way of a buy-back programme (the "Programme") for cancellation purposes. The Programme was launched on 4 November 2016 and completed on 9 February 2017. The purchase value of the repurchased own shares corresponded to CHF 999 999 942.06.

For further details on the past share buy-back programmes, please visit: www.swissre.com/investors/shares/share_buyback/

Changes in 2015

The Annual General Meeting 2015 approved that the authority to issue registered shares from authorised capital as set forth in the Articles of Association be extended to 21 April 2017 and that the limitation included in the Articles of Association to issue registered shares from authorised capital where the existing shareholders' subscription rights are excluded, be extended to 21 April 2017.

The Annual General Meeting 2015 also approved that the limitation included in the provisions of the Articles of Association to issue shares from conditional capital, where the existing shareholders' advance subscription rights on the Equity-Linked Financing Instruments are excluded, be extended to 21 April 2017.

	31 December 2015		**31 December 2016**	
	Capital in CHF	Shares	**Capital in CHF**	**Shares**
Share capital	37 070 693.10	370 706 931	36 007 256.10	360 072 561
Conditional capital				
for Equity-Linked Financing Instruments	5 000 000.00	50 000 000	5 000 000.00	50 000 000
Authorised capital	8 500 000.00	85 000 000	8 500 000.00	85 000 000

Changes in 2014 and previous years

No changes in share capital occurred during 2014.

Information about changes in share capital of Swiss Re Ltd as well as of our former parent company Swiss Reinsurance Company Ltd for earlier years is provided in the Annual Reports of these companies for the respective years.

Shares

All shares issued by Swiss Re Ltd are fully paid-in registered shares, each with a par value of CHF 0.10. Each share carries one vote. There are no categories of shares with a higher or limited voting power, privileged dividend entitlement or any other preferential rights, nor are there any other securities representing a part of the company's share capital.

The company cannot exercise the voting rights of treasury shares. As of 31 December 2016, shareholders had registered 193 711 538 shares for the purpose of exercising their voting rights, out of a total of 360 072 561 shares issued. As of 31 December 2016, 325 978 727 shares were entitled to dividend payment.

Profit-sharing and participation certificates

Swiss Re Ltd has not issued any profit-sharing and participation certificates.

Limitations on transferability and nominee registrations

Free transferability

The company maintains a share register for the registered shares, in which owners and usufructuaries are entered.

The company may issue its registered shares in the form of single certificates, global certificates and intermediated securities. The company may convert its registered shares from one form into another at any time and without the approval of the shareholders. The shareholders have no right to demand a conversion into a specific form of registered shares.

Each shareholder may, however, at any time request a written confirmation from the company of the registered shares held by such shareholder, as reflected in the company's share register.

The registered shares are administered as intermediated securities. The transfer of intermediated securities and furnishing of collateral in intermediated securities must conform to the Intermediary-Held Securities Act. The transfer and furnishing of collateral by assignment is excluded.

Persons acquiring registered shares will, upon application, be entered in the share register without limitation as shareholders with voting power if evidence of the acquisition of the shares is provided and if they expressly declare that they have acquired the shares in their own name and for their own account and, where applicable, that they are compliant with the disclosure requirement stipulated by the Financial Markets Infrastructure Act ("FMIA") of 19 June 2015. The Board of Directors is allowed to remove the entry of a shareholder with voting rights from the share register retroactively from the date of entry if the entry was obtained under false pretences or if the owner, whether acting alone or as part of a group, has breached notification rules.

Admissibility of nominee registrations

Persons not expressly declaring in their application for entry in the share register that they are holding shares for their own account (nominees) are entered without further inquiry in the share register of Swiss Re Ltd as shareholders with voting rights of up to a maximum of 2% of the outstanding share capital available at the time. Additional shares held by such nominees that exceed the limit of 2% of the outstanding share capital are entered in the share register with voting rights only if such nominees disclose the names, addresses and shareholdings of any persons for whose account the nominee is holding 0.5% or more of the outstanding share capital. In addition, such nominees must comply with the disclosure requirements of the FMIA.

Convertible bonds and options

Convertible bonds

As of 31 December 2016, neither Swiss Re Ltd nor any of its subsidiaries has any bonds outstanding that are convertible into equity securities of Swiss Re Ltd solely at the option of bondholders. The same applied as of 31 December 2015 and 31 December 2014.

In 2012, Swiss Reinsurance Company Ltd issued CHF 320 000 000 of 7.25% perpetual subordinated notes and USD 750 000 000 of 8.25% perpetual subordinated capital instruments both with stock settlement (collectively the "subordinated securities"), which provide Swiss Reinsurance Company Ltd with options to initiate settlement of the subordinated securities by delivery of shares of Swiss Re Ltd.

Options

Valid exercise of stock options granted to Swiss Re employees are either cash or physically settled (with treasury shares). The number of issued shares will not be affected. For details on stock options granted to Swiss Re employees, see Note 15 to the Group financial statements on pages 261–262.

Board of Directors

The Board of Directors is responsible for the overall direction, supervision and control of the Swiss Re Group.

Members of the Board of Directors

According to the Articles of Association, the Board of Directors of Swiss Re Ltd, the holding company of the Swiss Re Group, consists of at least seven members. As of 31 December 2016 the Board of Directors consisted of the following members:

Name	Nationality	Age	Initial election
Walter B. Kielholz (Chairman)	Swiss	65	1998[1]
Renato Fassbind (Vice Chairman, Lead Independent Director)	Swiss	61	2011
Raymond K.F. Ch'ien	Chinese	64	2008[1]
Mary Francis	British	68	2013
Rajna Gibson Brandon	Swiss	54	2000[1]
C. Robert Henrikson	American	69	2012
Trevor Manuel	South African	60	2015
Carlos E. Represas	Mexican	71	2010[1]
Philip K. Ryan	American	60	2015
Sir Paul Tucker	British	58	2016
Susan L. Wagner	American	55	2014

[1] Initially elected to the Board of Directors of Swiss Reinsurance Company Ltd, the Group's former parent company, and subsequently elected to the Board of Directors of Swiss Re Ltd in 2011.

Company Secretary
Felix Horber

Independence

The SRL & Group Bylaws stipulate that at least three-quarters of the members of the Board of Directors must be independent. Independence is defined in line with best practice corporate governance standards. To be considered independent a Group Board member may not be, and may not have been in the past three years, employed as a member of the Group EC, or by any subsidiary of the Swiss Re Group or may not have a material relationship with any part of the Swiss Re Group (either directly or as a partner, director or shareholder of an organisation that has a material relationship with the Swiss Re Group) other than serving as an independent board member in any subsidiary. In addition, the Group Board agrees on other criteria that disqualify a Group Board member from being considered independent, taking into consideration provisions of applicable law, regulations and best practice.
All the members of the Board of Directors meet our independence criteria with the exception of our Chairman. As a full-time Chairman he is not considered independent.

Conflicts of interest

The members of the Board of Directors are also subject to procedures to avoid any action, position or interest that conflicts with an interest of Swiss Re Ltd or the Swiss Re Group or gives the appearance of a conflict. Each member must disclose any conflict of interest generally arising or relating to a matter to be discussed at a meeting, as soon as the member becomes aware of the conflict, to the Chairman. The respective member must not participate in the discussion and decision-making involving the interest at stake. The Chairman informs the Board of Directors of the existence of the conflict and it is reflected in the meeting minutes.

Walter B. Kielholz

Chairman, non-executive

Born: 1951

Nationality: Swiss

Walter B. Kielholz was elected to the Board of Directors of Swiss Reinsurance Company Ltd in 1998 and to the Board of Directors of Swiss Re Ltd in connection with its formation in 2011. He was Vice Chairman from 2003 to April 2009 and has been Chairman of the Board of Directors since May 2009. He chairs the Chairman's and Governance Committee.

Professional experience

Walter B. Kielholz began his career at the General Reinsurance Corporation, Zurich, in 1976 where he held several positions in the US, UK and Italy before assuming responsibility for the company's European marketing. In 1986, he joined Credit Suisse, where he was responsible for relationships with large insurance groups. He joined Swiss Re in 1989 where he became an Executive Board member in 1993 and was Chief Executive Officer from 1997 to 2002. He was also a member of the Board of Directors of Credit Suisse Group Ltd from 1999 to 2014 and served as Chairman from 2003 to 2009.

External appointments

- Vice Chairman of the Institute of International Finance
- Member of the European Financial Services Round Table
- Member of the Board of Trustees of Avenir Suisse
- Chairman of the Zurich Art Society

Educational background

- Business finance and accounting degree, University of St. Gallen, Switzerland

Renato Fassbind

Vice Chairman and Lead Independent Director, non-executive and independent

Born: 1955

Nationality: Swiss

Renato Fassbind was elected to the Board of Directors of Swiss Re Ltd in 2011. He was appointed as Vice Chairman in 2012 and as Lead Independent Director in 2014. Renato Fassbind chairs the Audit Committee and is a member of the Chairman's and Governance Committee and the Compensation Committee.

Professional experience

After two years with Kunz Consulting AG, Renato Fassbind joined F. Hoffmann-La Roche Ltd in 1984, becoming Head of Internal Audit in 1988. From 1986 to 1987, he worked as a public accountant with Peat Marwick in New Jersey, US. In 1990, he joined ABB Ltd as Head of Corporate Staff Audit and, from 1997 to 2002, was Chief Financial Officer and member of the Group Executive Committee. In 2002, he joined Diethelm Keller Holding Ltd as Group Chief Executive Officer. From 2004 to 2010, he was Chief Financial Officer and member of the Executive Board of Credit Suisse Group Ltd.

External appointments

- Board member of Nestlé S.A.
- Board member of Kühne + Nagel International Ltd.

Educational background

- PhD in Economics, University of Zurich, Switzerland
- Certified Public Accountant (CPA), Denver, US

Raymond K.F. Ch'ien

Member, non-executive and independent

Born: 1952

Nationality: Chinese

Raymond K.F. Ch'ien was elected to the Board of Directors of Swiss Reinsurance Company Ltd in 2008 and to the Board of Directors of Swiss Re Ltd in connection with its formation in 2011. He is a member of the Compensation Committee and the Investment Committee.

Professional experience

Raymond K.F. Ch'ien was Group Managing Director of Lam Soon Hong Kong Group from 1984 to 1997, Chairman of CDC Corporation from 1999 to 2011 and Chairman of MTR Corporation Limited from 2003 to 2015.

External appointments

- Chairman of the Board of Directors of Hang Seng Bank Ltd
- Board member of China Resources Power Holdings Company Ltd and the Hong Kong and Shanghai Banking Corporation Ltd
- Member of the Economic Development Commission of the Government of the Hong Kong SAR
- Honorary President of the Federation of Hong Kong Industries

Educational background

- PhD in Economics, University of Pennsylvania, US

Mary Francis, CBE

Member, non-executive and independent

Born: 1948

Nationality: British

Mary Francis was elected to the Board of Directors of Swiss Re Ltd in 2013. She is a member of the Audit Committee and the Finance and Risk Committee.

Professional experience
Mary Francis held a number of senior positions in the UK Treasury and Cabinet Office, including Financial Counsellor in the British Embassy in Washington DC, Private Secretary to the Prime Minister (John Major), and Deputy Private Secretary to the Queen. Between 1999 and 2005 she was Director General of the Association of British Insurers. She is a former non-executive Director of the Bank of England and Aviva plc, and was Senior Independent Director of the British energy company Centrica plc from 2006 to 2014.

External appointments
- Board member of Barclays plc and Barclays Bank plc
- Board member of Ensco plc
- Member of the UK Takeover Appeal Board
- Senior advisor to Chatham House

Educational background
- Master of Arts, Newnham College, University of Cambridge, United Kingdom

Rajna Gibson Brandon

Member, non-executive and independent

Born: 1962

Nationality: Swiss

Rajna Gibson Brandon was elected to the Board of Directors of Swiss Reinsurance Company Ltd in 2000 and to the Board of Directors of Swiss Re Ltd in connection with its formation in 2011. She is a member of the Finance and Risk Committee and the Investment Committee.

Professional experience
Rajna Gibson Brandon is a Professor of Finance at the University of Geneva, Director and Member of the Foundation Board of the Geneva Institute for Wealth Management and Deputy Director of the Geneva Finance Research Institute. She held professorships at the University of Lausanne from 1991 to 2000 and the University of Zurich from 2000 to 2008. She was a member of the Swiss Federal Banking Commission from 1997 to 2004.

External appointments
- President of the Scientific Council of the Swiss Training Centre for Investment Professionals/AZEK
- Member of the Board of the Foundation Natixis for Quantitative Research

Educational background
- PhD in Economics and Social Sciences, University of Geneva, Switzerland

C. Robert Henrikson

Member, non-executive and independent

Born: 1947

Nationality: American

C. Robert Henrikson was elected to the Board of Directors of Swiss Re Ltd in 2012. He chairs the Compensation Committee and is a member of the Chairman's and Governance Committee and the Finance and Risk Committee.

Professional experience
C. Robert Henrikson was Chairman and Chief Executive Officer of MetLife, Inc. from 2006 to 2011. Before, he held senior positions in MetLife's individual, group and pension businesses and became Chief Operating Officer of the company in 2004. C. Robert Henrikson is a former Chairman of the American Council of Life Insurers and of the Financial Services Forum, Director Emeritus of the American Benefits Council and a former member of the U.S. President's Export Council.

External appointments
- Board member of Invesco Ltd
- Board member of AmeriCares
- Member of the Boards of Trustees of Emory University, S.S. Huebner Foundation for Insurance Education and Indian Springs School
- Board member of the Bipartisan Policy Center

Educational background
- Bachelor of Arts, University of Pennsylvania, US
- Juris Doctorate, Emory University, US

Trevor Manuel

Member, non-executive and independent
Born: 1956
Nationality: South African

Trevor Manuel was elected to the Board of Directors of Swiss Re Ltd in 2015. He is a member of the Audit Committee and the Investment Committee.

Professional experience

Trevor Manuel served in the South African government for more than 20 years, including as Minister of Finance from 1996 to 2009 and as Minister in Presidency, responsible for the National Planning Commission, from 2009 to 2014. He held positions at international bodies, including the United Nations Commission for Trade and Development, the World Bank, the International Monetary Fund, the G20, the African Development Bank and the Southern African Development Community. Trevor Manuel is Chancellor of the Cape Peninsula University of Technology, Professor Extraordinaire at the University of Johannesburg and Honorary Professor at the University of Cape Town.

External appointments

- Chairman of the Board of Directors of Old Mutual Group Holdings Ltd and board member of Old Mutual plc
- Deputy Chairman of Rothschild South Africa
- Member of the International Advisory Board of the Rothschild Group

Educational background

- National Diploma in Civil and Structural Engineering, Peninsula Technikon, South Africa
- Executive Management Programme, Stanford University, US

Carlos E. Represas

Member, non-executive and independent
Born: 1945
Nationality: Mexican

Carlos E. Represas was elected to the Board of Directors of Swiss Reinsurance Company Ltd in 2010 and to the Board of Directors of Swiss Re Ltd in connection with its formation in 2011. He is a member of the Compensation Committee.

Professional experience

Between 1968 and 2004, Carlos E. Represas held various senior positions at Nestlé in the US, Latin America and Europe, including Executive Vice President and Head of the Americas of Nestlé S.A. in Switzerland from 1994 to 2004. He was Chairman of the Board of Nestlé Group Mexico from 1983 to 2010.

External appointments

- Board member of Bombardier Inc. and Merck & Co. Inc.
- Non-Executive Chairman Latin America, Bombardier Inc.
- President of the Mexico Chapter of the Latin American Chamber of Commerce, Switzerland
- Member of the Latin America Business Council (CEAL)

Educational background

- Economics degree, National University of Mexico, Mexico
- Industrial economics degree, National Polytechnic Institute, Mexico

Philip K. Ryan

Member, non-executive and independent
Born: 1956
Nationality: American

Philip K. Ryan was elected to the Board of Directors of Swiss Re Ltd in 2015. He chairs the Finance and Risk Committee and is a member of the Chairman's and Governance Committee and the Audit Committee. He is also Chairman of Swiss Re America Holding Corporation.

Professional experience

Philip K. Ryan held various positions with Credit Suisse from 1985 to 2008, including Chairman of the Financial Institutions Group, Chief Financial Officer of Credit Suisse Group Ltd, Chief Financial Officer of Credit Suisse Asset Management, and Managing Director of CSFB Financial Institutions Group. He was Chief Financial Officer of the Power Corporation of Canada from 2008 to 2012. In that capacity, he was a director of IGM Financial Inc., Great-West Lifeco Inc., and several of their subsidiaries, including Putnam Investments.

External appointments

- Board member of Medley Management Inc.
- Operating Partner Corsair Capital
- Member of the Advisory Board of NY Green Bank
- Adjunct Professor at NYU Stern School of Business
- Member of the Smithsonian National Board

Educational background

- MBA, Kelley School of Business, Indiana University, US
- Bachelor of Industrial Engineering, University of Illinois, US

Sir Paul Tucker

Member, non-executive and independent	
Born: 1958	
Nationality: British	

Sir Paul Tucker was elected to the Board of Directors of Swiss Re Ltd in 2016. He is a member of the Finance and Risk Committee and the Investment Committee.

Professional experience

Sir Paul Tucker was the Deputy Governor of the Bank of England from 2009 to 2013. He held various senior roles at the Bank of England from 1980 onwards, including as a member of the Monetary Policy Committee, Financial Policy Committee, Prudential Regulatory Authority Board and Court of Directors. He also served as a member of the Steering Committee of the G20 Financial Stability Board and as a member of the Board of the Bank for International Settlements. In 2014, he was granted a knighthood for his services to central banking.

External appointments

- Chairman of the Systemic Risk Council
- Fellow at the Harvard Kennedy School of Government
- Board member of the Financial Services Volunteers Corps
- Member of the Advisory Committee of Autonomous Research

Educational background

- BA in Mathematics and Philosophy, Trinity College, Cambridge, United Kingdom

Susan L. Wagner

Member, non-executive and independent	
Born: 1961	
Nationality: American	

Susan L. Wagner was elected to the Board of Directors of Swiss Re Ltd in 2014. She chairs the Investment Committee and is a member of the Chairman's and Governance Committee and the Finance and Risk Committee.

Professional experience

Susan L. Wagner is a co-founder of BlackRock, where she served as Vice Chairman and a member of the Global Executive and Operating Committees before retiring in 2012. Over the course of her nearly 25 years at BlackRock, Susan L. Wagner served in several roles such as Chief Operating Officer, Head of Strategy, Corporate Development, Investor Relations, Marketing and Communications, Alternative Investments and International Client Businesses. Prior to founding BlackRock, Susan L. Wagner was a Vice President at Lehman Brothers supporting the investment banking and capital markets activities of mortgage and savings institutions.

External appointments

- Board member of Apple Inc. and BlackRock, Inc.
- Member of the Boards of Trustees of the Hackley School, US, and Wellesley College, US

Educational background

- BA in English and Economics, Wellesley College, US
- MBA in Finance, University of Chicago, US

Information about managerial positions and significant business connections of non-executive directors

Walter B. Kielholz, Chairman of the Board of Directors since 1 May 2009, was Swiss Re's CEO from 1 January 1997 to 31 December 2002. In line with Swiss Re's revised independence criteria, Walter B. Kielholz, being a full-time Chairman, is not considered independent. No other director has ever held a management position within the Group. None of the members of the Board of Directors has any significant business connections with Swiss Re Ltd or any of the Group companies.

Other mandates, activities and functions

In line with Swiss Re Ltd's Articles of Association the members of the Board of Directors may not hold more than ten additional mandates of which no more than four additional mandates with listed companies. Mandates (i) in companies which are controlled by Swiss Re Ltd or which control Swiss Re Ltd, (ii) mandates held at the request of Swiss Re Ltd or by companies controlled by Swiss Re Ltd as well as (iii) mandates in associations, charitable organisations, foundations, trusts, employee welfare foundations, investment companies, equity partnerships or limited liability partnerships are not subject to the above limitations. No member of the Board of Directors may hold more than five mandates as set out in (ii) above and not more than 15 mandates as set out in (iii) above. Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

In addition, no member of the Board of Directors shall serve on the board of directors of a listed company in which another member of the Board of Directors holds an executive function, or where a member of the Board of Directors is able to determine the compensation of another member of the Board of Directors.

The Board of Directors ensures that in any event the number of external mandates held by members of the Board of Directors does not conflict with their commitment, availability, capacity and independence required in fulfilling their role as Board member.

All Board members comply with the requirements on external mandates set out in the Articles of Association.

Any activities of Board members in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations, as well as permanent management and consultancy functions for important Swiss and foreign interest groups and official functions and political posts, which are material, are stated in each of the directors' biographies, which can be found on pages 93–96.

Changes in 2016

At the Annual General Meeting on 22 April 2016, Sir Paul Tucker was elected as new non-executive and independent member of the Board of Directors for a one-year term of office. At the same time, the shareholders re-elected Walter B. Kielholz (Chairman), Raymond K.F. Ch'ien, Renato Fassbind, Mary Francis, Rajna Gibson Brandon, C. Robert Henrikson, Trevor Manuel, Carlos E. Represas, Philip K. Ryan and Susan L. Wagner for a one-year term of office as members of the Board of Directors. Mathis Cabiallavetta, Hans Ulrich Maerki and Jean-Pierre Roth did not stand for re-election.

Election, qualifications and term of office

Election procedure

Members of the Board of Directors and the Chairman of the Board of Directors are elected individually by the General Meeting of shareholders for a term of office until completion of the next General Meeting of shareholders.

The Chairman's and Governance Committee evaluates candidates for Board membership and makes recommendations to the Board of Directors for election or re-election proposals. The Board of Directors nominates candidates for Board membership for election at the General Meeting of shareholders, ensuring that the Board retains an adequate size and well-balanced composition and that at least three-quarters of its members are independent.

Qualifications

The Board of Directors must assemble among its members the balance of managerial expertise and knowledge from different fields required for the fulfilment of the oversight responsibility as well as for sound independent decision-making in line with the needs of the business. Membership on the Board of Directors requires a special skill set including international, national, industry or sector specific experience. The prevalence of these skills ensures that Swiss Re Ltd has the relevant expertise required for active involvement and supervision of an international listed company. The Board of Directors needs to assemble the necessary qualifications, skills and diversity to perform all required responsibilities.

Selection criteria

The Board of Directors defines the selection criteria against which candidates for Board membership are assessed. Membership on the Board of Directors requires experience in key sectors such as insurance and reinsurance, finance, accounting, capital markets, risk management and regulatory matters as well as leadership and decision-making experience in a large, complex financial institution. The mandate also demands significant commitment, integrity and intercultural communication competence. The principles of gender and age diversity, inclusion, regional representation, transparency and the avoidance of conflicts of interest are also considered in the nomination process. As determined by applicable law, a Board member may not have any management or executive function within the Swiss Re Group.

Board members' training

In the interest of our stakeholders, the company constantly develops further the abilities of its Board members. Newly elected Board members receive a comprehensive introduction in order to gain a sound understanding of the Group's organisation and business, allowing them to perform their duties effectively. All Board members update and enhance their knowledge of emerging business trends and risks through regular meetings with internal and external experts throughout the year. One to one educational sessions are offered any time through the year with our top executives and experts.

Term of office

Effective since the Annual General Meeting 2014, the members of the Board of Directors are elected for a term of office until completion of the next General Meeting of shareholders. Members whose term has expired are immediately eligible for re-election.

The term of office of a committee member is described in the section on the committees of the Board of Directors.

First election date

The initial election year of each member is stated in the table on page 92.

Nominations for re-election and election by the Annual General Meeting on 21 April 2017

On 1 January 2014 the Ordinance Against Excessive Compensation at Public Corporations entered into effect. It provides that, as of the Annual General Meeting 2014, the shareholders will annually elect the members of the Board of Directors, the Chairman of the Board of Directors, as well as the members of the Compensation Committee, individually and separately, for one-year terms. The Board of Directors proposes that the following Board members be **re-elected** for a one-year term:

- Walter B. Kielholz
- Raymond K.F. Ch'ien
- Renato Fassbind
- Mary Francis
- Rajna Gibson Brandon
- C. Robert Henrikson
- Trevor Manuel
- Philip K. Ryan
- Sir Paul Tucker
- Susan L. Wagner

Furthermore, the Board of Directors proposes:

- Jay Ralph
- Joerg Reinhardt
- Jacques de Vaucleroy

to the Annual General Meeting 2017 for **first-time election** as members of the Board of Directors for a one-year term of office as part of the continued aim to further diversify and renew its composition.

Jay Ralph was a member of the Board of Management of Allianz SE from 2010 to 2016, where he also served on a number of boards of directors of Allianz SE subsidiaries. He was Chief Executive Officer of Allianz Re, from 2007 to 2009, and President and Chief Executive Officer of Allianz Risk Transfer from 1997 to 2006. Before joining Allianz, he was auditor at Arthur Andersen & Company, Investment Officer at Northwestern Mutual Life Insurance Company, President at Centre Re Bermuda Ltd and a member of the Executive Board of Zurich Re. Jay Ralph is a member of the Siemens Pension Advisory Board.

Jay Ralph is an American and Swiss citizen born in 1959. He graduated with an MBA in Finance and Economics from the University of Chicago, USA, and a BBA in Finance and Accounting from the University of Wisconsin, USA. He is a Certified Public Accountant (CPA), a Chartered Financial Analyst (CFA) and Fellow, Life Management Institute (FLMI).

Joerg Reinhardt has been Chairman of the Board of Directors of Novartis since 2013. He was Chairman of the Board of Management and the Executive Committee of Bayer HealthCare from 2010 to 2013 and, prior to that, held various executive positions at Novartis. He was Chief Operating Officer from 2008 to 2010, headed the Vaccines and Diagnostics Division from 2006 to 2008 and held a number of other senior roles, primarily in research and development, in the preceding years. Joerg Reinhardt started his career at Sandoz Pharma Ltd, a predecessor company of Novartis, in 1982.

Joerg Reinhardt was also Chairman of the Board of the Genomics Institute of the Novartis Research Foundation from 2000 to 2010, a member of the supervisory board of MorphoSys AG from 2001 to 2004, and a member of the Board of Directors of Lonza Group AG from 2012 to 2013.

Joerg Reinhardt is a German citizen born in 1956. He graduated with a doctorate in pharmaceutical sciences from Saarland University, Germany.

Jacques de Vaucleroy is Vice Chairman of the Board of Directors of Ahold Delhaize and a member of the Boards of Directors of Fidelity International Limited and MyMicroInvest SA. Furthermore, he serves on the Boards of the Simõn I. Patiño Foundation and the TADA non-profit organisation.

Jacques de Vaucleroy was a member of the Management Committee of AXA Group from 2010 to 2016, serving as CEO of North, Central and Eastern Europe and CEO of Global Life & Savings. He also held a number of positions in boards of directors and supervisory boards of AXA companies. Before that, he spent 24 years at ING where he held senior roles in banking, asset management and insurance. He was a member of the Executive Board of ING Group from 2006 to 2009, in charge of insurance and asset management in Europe.

Jacques de Vaucleroy is a Belgian citizen born in 1961. He graduated with a Bachelor in Law from the Facultés Universitaires de Namur and received a Master in Law from the Université Catholique de Louvain and a Master in Business Law from the Vrije Universiteit Brussel.

The Board of Directors proposes that **Walter B. Kielholz** be re-elected as **Chairman of the Board of Directors** for a further one-year term.
It furthermore proposes that **Raymond K.F. Ch'ien, Renato Fassbind** and **C. Robert Henrikson** be re-elected as members of the **Compensation Committee,** for a one-year term and **Joerg Reinhardt** be elected as a new member of the Compensation Committee, for a one-year term.

Organisational structure of the Board of Directors

The Board of Directors constitutes itself at the first meeting following the Annual General Meeting. With the exception of the Chairman and the members of the Compensation Committee who are elected at the Annual General Meeting of shareholders, the Board of Directors elects among its members a Vice Chairman and a Lead Independent Director, who may be the same member acting in both roles as well as the Chairpersons and members of the Group Board Committees as proposed by the Chairman's and Governance Committee. The Vice Chairman and the Lead Independent Director are appointed amongst the independent members of the Board of Directors. The Board of Directors may remove the members from any such special function at any time. The Board of Directors also appoints its secretaries who do not need to be members of the Board.

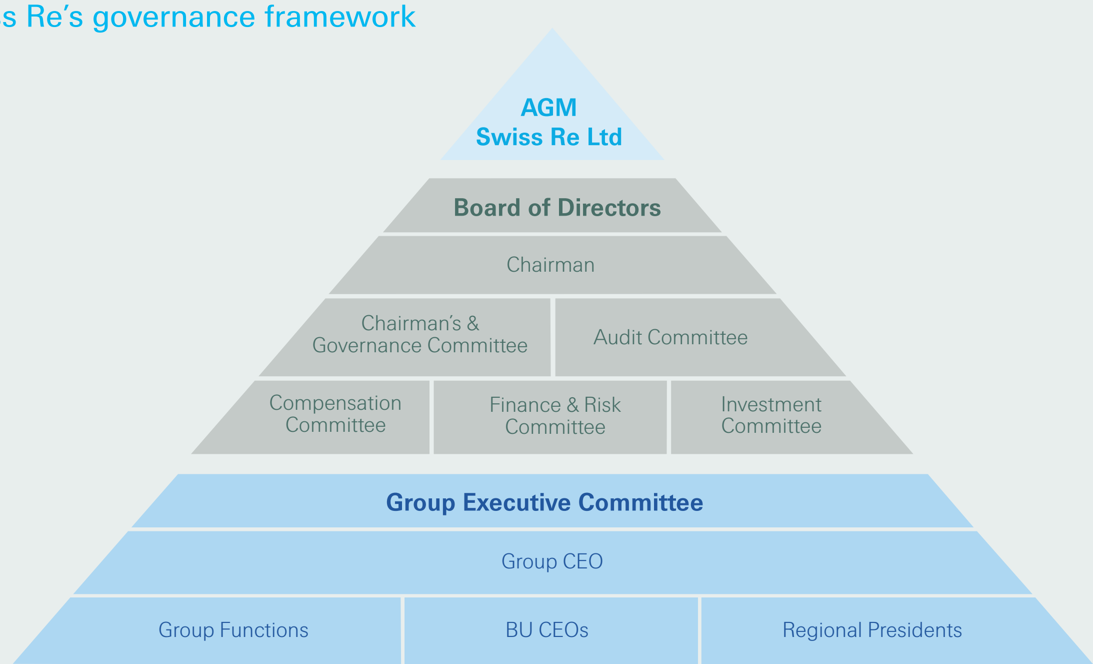
The organisation of the Board of Directors is set forth in the SRL & Group Bylaws, which define the organisational structure of Swiss Re Ltd and the responsibilities and authorities of the Board of Directors, its committees and the Group Executive Committee (Group EC) and their members. The SRL & Group Bylaws also provide an overview on periodic reports to be submitted to the Board of Directors and its committees. The Chairman's and Governance Committee and the entire Board of Directors review at least annually the SRL&Group Bylaws to ensure their continued effectiveness and compliance with the Articles of Association, applicable laws, regulations and best practice.

Allocation of tasks within the Board of Directors

Chairman of the Board of Directors

The Chairman of the Board of Directors leads the Board of Directors, convenes the Board and committee meetings, establishes the agendas and presides over Board meetings. The Chairman coordinates the work of the Board committees together with the respective Chairpersons and ensures that the Board is kept informed about the committees' activities and findings. In cases of doubt, the Chairman makes decisions about the authority of the Board or its committees and about interpreting and applying the SRL & Group Bylaws.

Swiss Re's governance framework



The Chairman chairs the Chairman's and Governance Committee and develops and continually adapts Swiss Re's governance to regulatory and corporate requirements. He keeps himself informed about the activities within the Group and may sit on Group and Business Unit Executive Committee meetings as he deems necessary. He also has access to all corresponding documentation and minutes. He ensures adequate reporting by the Group EC and the Group CEO to the Board of Directors and facilitates their communication with the Board. He annually assesses the Group CEO's performance and discusses with the Group CEO the annual performance assessment of the Group EC members.

The Chairman presides over General Meetings of shareholders and represents the Swiss Re Group towards its shareholders, in industry associations and in the interaction with other stakeholders such as the media, political and regulatory authorities, governmental officials and the general public. Specifically, the Chairman keeps regular contact with our Group regulator (FINMA).

The Chairman arranges introduction for new Board members and appropriate training for all Board members.

If the office of the Chairman is vacant, the Board of Directors may appoint a new Chairman from among its members for the remaining term of office. Such a resolution requires both the presence of all remaining members of the Board of Directors, physically or by telephone or video conference, and a majority of at least three-quarters.

Vice Chairman

The Vice Chairman deputises, if the Chairman is prevented from performing his duties or in a potential conflict of interest situation. The Vice Chairman may prepare and execute Board resolutions on request of the Board and liaises between the Board and the Group EC in matters not reserved to the Chairman.

Lead Independent Director

The Vice Chairman may also assume the role of the Lead Independent Director. The Lead Independent Director acts as an intermediary between the Swiss Re Group and its shareholders and stakeholders in the absence of the Chairman or in particular when a senior independent member of the Board is required. He may convene and chair sessions where the Chairman is not present. He will communicate the outcome of these sessions to the Chairman.

Committees of the Board of Directors

As determined by applicable law and the Articles of Association, the Board of Directors has non-transferable responsibilities and authorities. The Board of Directors has established Board committees which support the Board in fulfilling its duties. The Board of Directors has delegated certain responsibilities, including the preparation and execution of its resolutions, to the following five committees: the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee, the Finance and Risk Committee and the Investment Committee (see page 99).

Each committee consists of a chairperson and at least three other members elected from among the Board of Directors. The members of the Compensation Committee are elected by the Annual General Meeting.

The term of office of a Board committee member is one year, beginning with the appointment at the constituting Board meeting following an Annual General Meeting and ending at the Board meeting following the subsequent Annual General Meeting. For the Compensation Committee members the term of office begins with the election at the Annual General Meeting until completion of the next Annual General Meeting.

Each committee is governed by a Charter which defines the committee's responsibilities. The committees operate in line with the SRL&Group Bylaws and according to their respective Charters.

The committees have the following overall responsibilities:

Chairman's and Governance Committee

Responsibilities

The Chairman's and Governance Committee's primary function is to act as counsellor to the Chairman and to address corporate governance issues affecting the Group and impacting the legal and organisational structure. It is in charge of the succession planning at the Board of Directors level and oversees the annual performance assessment and self-assessment at both the Board of Directors and the Group EC level.

Members

- Walter B. Kielholz, Chair
- Renato Fassbind
- C. Robert Henrikson
- Philip K. Ryan
- Susan L. Wagner

Audit Committee

Responsibilities

The central task of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities as they relate to the integrity of Swiss Re's and the Group's financial statements, the Swiss Re Group's compliance with legal and regulatory requirements, the external auditor's qualifications and independence, and the performance of Group Internal Audit (GIA) and the Group's external auditor. The Audit Committee serves as an independent and objective monitor of Swiss Re's and the Group's financial reporting process and system of internal control, and facilitates ongoing communication between the external auditor, Group EC, Business Units, GIA, and the Board with regard to the Swiss Re Group's financial situation.

Members

- Renato Fassbind, Chair
- Mary Francis
- Philip K. Ryan
- Trevor Manuel (since AGM 2016)
- Raymond K.F. Ch'ien (until AGM 2016)
- Hans Ulrich Maerki (until AGM 2016)

Independence and other qualifications

All members of the Audit Committee are non-executive and independent. In addition to the independence criteria applicable to Board members in general, additional independence criteria apply to members of the Audit Committee. They are required to possess such additional attributes as the Board of Directors may, from time to time, specify. Each member of the Audit Committee has to be financially literate. At least one member must possess the attributes to qualify as an Audit Committee financial expert, as determined appropriate by the Board of Directors. Members of the Audit Committee should not serve on audit committees of more than four listed companies outside the Swiss Re Group. Audit Committee members have to advise the Chairman of Swiss Re Ltd before accepting any further invitation to serve on an audit committee of another listed company outside the Group and observe the limitations set in the Articles of Association in relation to external mandates (see other mandates, activities and functions on page 96).

Board committee memberships

Name	Chairman's and Governance Committee	Audit Committee	Compensation Committee	Finance and Risk Committee	Investment Committee
Walter B. Kielholz	X (chair)				
Renato Fassbind	X	X (chair)	X		
Raymond K.F. Ch'ien			X		X
Mary Francis		X		X	
Rajna Gibson Brandon				X	X
C. Robert Henrikson	X		X (chair)	X	
Trevor Manuel		X			X
Carlos E. Represas			X		
Philip K. Ryan	X	X		X (chair)	
Sir Paul Tucker				X	X
Susan L. Wagner	X			X	X (chair)

Compensation Committee

Responsibilities

The Compensation Committee supports the Board of Directors in establishing and reviewing Swiss Re Ltd's compensation strategy and guidelines and performance criteria as well as in preparing the proposals to the General Meeting of shareholders regarding the compensation of the Board of Directors and of the Group EC. It proposes compensation principles in line with legal and regulatory requirements and the Articles of Association for the Swiss Re Group to the Board of Directors for approval and, within those approved principles, determines the establishment of new (and amendments to existing) compensation plans, and determines, or proposes as appropriate, individual compensation as outlined in its Charter. The Compensation Committee also ensures that compensation plans do not encourage inappropriate risk-taking within the Swiss Re Group and that all aspects of compensation are fully compliant with remuneration disclosure requirements.

Members

- C. Robert Henrikson, Chair
- Renato Fassbind
- Carlos E. Represas
- Raymond K.F. Ch'ien (since AGM 2016)
- Hans Ulrich Maerki (until AGM 2016)

Finance and Risk Committee

Responsibilities

The Finance and Risk Committee annually reviews the Group Risk Policy and proposes it for approval to the Board of Directors, reviews risk and capacity limits as well as their usage across the Swiss Re Group and reviews the Risk Control Framework. It reviews important risk exposures, including new products and strategic expansions. It reviews the risk aspects of Control Transactions. It reviews critical principles used in internal risk measurement, asset and liability valuation, capital adequacy assessment, and economic performance management.

In addition, it reviews the capital adequacy and the Swiss Re Group's treasury strategy.

Members

- Philip K. Ryan, Chair
- Mary Francis
- Rajna Gibson Brandon
- C. Robert Henrikson
- Susan L. Wagner
- Sir Paul Tucker (since AGM 2016)
- Mathis Cabiallavetta (until AGM 2016)

Investment Committee

Responsibilities

The Investment Committee endorses the strategic asset allocation and reviews tactical asset allocation decisions. It reviews the monthly performance of all financial assets of the Swiss Re Group and endorses or is being informed on Participations and Principal Investments. It reviews the risk analysis methodology as well as the valuation methodology related to each asset class and ensures that the relevant management processes and controlling mechanisms in Asset Management are in place.

Members

- Susan L. Wagner, Chair
- Raymond K.F. Ch'ien
- Rajna Gibson Brandon
- Trevor Manuel
- Sir Paul Tucker (since AGM 2016)
- Mathis Cabiallavetta (until AGM 2016)
- Jean-Pierre Roth (until AGM 2016)

Work methods of the Board of Directors and its committees

Convening meetings and invitation

Swiss Re Ltd's Board of Directors oversees governance, audit, compensation, finance and risk and investment and is supported in this responsibility by its committees. The entire Board of Directors and its committees meet at the invitation of the Chairman of the Board of Directors as often as business requires or at least quarterly. Any member of the Board of Directors or the Group EC may, for a specific reason, require the Chairman to call an extraordinary Board of Directors or committee meeting. The members of the Board of Directors ensure that they are able to fulfil the responsibilities of their position even in periods when there are increased demands on their time. The Chairman defines the agenda for each meeting and therefore works closely with the chairpersons of the committees and the Group CEO. The agenda, along with any supporting documents, is delivered to the participants as a rule at least ten calendar days in advance of a meeting in order to allow enough preparation time. The Chairman may determine a Board of Directors meeting be held on an ad hoc basis, if circumstances require.

Resolutions and quorum

With regard to Board meetings, a quorum is constituted if at least either the Chairman or the Vice Chairman or the Lead Independent Director is present in person or participate by telephone or video conference, as well as the majority of the members of the Board of Directors. As regards Board committee meetings, a quorum shall be constituted if the majority of the Board committee members are present or participate by telephone or video conference.

Resolutions are adopted by majority vote. In the event of a tie at Board meetings, the Chairman's vote is decisive. In the event of a tie at Board committee meetings, the item shall be submitted to a vote by the entire Board of Directors.

Board and committee meetings deal with the items on the agenda incorporating presentations by members of the Group EC and, where needed, by subject matter experts or outside advisers. It is contemplated for every meeting that an executive session is held for discussions between the Board of Directors and the Group CEO.

Board of Directors and Board committee meetings in 2016 – overall attendance rate of 97.8%

Body	Number of meetings Average duration Average attendance (of Board members)	Invitees in advisory capacity, in addition to members
Board of Directors	11 meetings[1] 4 hours 97.7%	Group EC members, Group Chief Legal Officer, Company Secretary
Chairman's and Governance Committee	6 meetings[2] 2 hours 93.2%	Group CEO, Company Secretary
Audit Committee	8 meetings 3 hours 100%	Group CEO, Group CFO, Group CRO, Group COO, Group Chief Legal Officer, Chief Compliance Officer, Head Group Internal Audit, Chief Accounting Officer, Lead auditors of external auditor, Company Secretary
Compensation Committee	6 meetings 3 hours 100%	Group CEO, Group COO, Chief Human Resource Officer, Head Reward, Advisers[3]
Finance and Risk Committee	6 meetings 4 hours 97.8%	Group CEO, Group CFO, Group CRO, Group Chief Strategy Officer, Group Chief Underwriting Officer, Group Chief Investment Officer, Group COO, Group Treasurer, CEO Reinsurance, CEO Corporate Solutions, CEO Life Capital, Company Secretary
Investment Committee	5 meetings[2] 3 hours 96.3%	Group CEO, Group CFO, Group CRO, Group Chief Strategy Officer, Group Chief Investment Officer, Head Financial Risk Management, CFO Asset Management, Company Secretary

[1] In addition, two decisions by circular resolution.
[2] In addition, one decision by circular resolution.
[3] The human resources consulting firm Mercer and the law firm Niederer Kraft & Frey Ltd (NKF) provided support and advice for compensation issues during the reporting year. Representatives of Mercer participated in all committee meetings in 2016, representatives of NKF in five meetings.

Furthermore, private sessions are held for discussions involving all members of the Board of Directors only.

The Board of Directors and its committees can also adopt resolutions by written agreement if no member of the Board of Directors requests a discussion of the topic. A circular resolution may be adopted only, if all the members sign the circular resolution or answer the e-mail respectively. A circular resolution shall be passed if the majority of the total number of Board members (or Board committee members) express their agreement or disagreement with the resolution.

Each committee provides a report of its activities and recommendations following a committee meeting at the next Board of Directors meeting. If any significant topic comes up, the committees contact the Board of Directors immediately. It is the responsibility of each committee to keep the full Board of Directors informed on a timely basis as deemed appropriate.

Minutes are kept of the discussions and resolutions taken at each meeting of the Board of Directors and its committees.

The above table provides an overview of the meetings of the Board of Directors and its committees held in 2016.

Individual attendance rates of Board members[1]: Board of Directors and Board committee meetings in 2016

Attendance in %	Number of Board members (Total 14 members[2])
100	10
95 – 99.9	2
90 – 94.9	–
85 – 89.9	1
80 – 84.9	1

[1] The attendance rate for the Board members was calculated relative to the meetings taking place during their term of office.
[2] Includes members who stepped down from the Board of Directors during the year.

Self-Assessment

The Board of Directors annually reviews its own performance and effectiveness. It evaluates the Board of Director's work on one hand and the performance of the Chairman on the other. It conducts the self-assessment on the basis of pre-defined topics such as the Board responsibilities governed by the SRL&Group Bylaws, Board composition and meeting set-up. The topics are discussed and take-aways defined to be incorporated in the goals for the upcoming year. In addition, each Board committee annually reviews the adequacy of the scope of its responsibilities, assesses their accomplishment and the committee's structure, processes and membership requirements and evaluates its performance.

Board of Directors and Group EC: areas of responsibility

Non-transferable duties

The Board of Directors has the ultimate responsibility for the success and for delivering the sustainable interests of the Swiss Re Group within a framework of effective and prudent controls. It is responsible for the overall direction, supervision and control of Swiss Re Ltd and the Group and the Group EC as well as for supervising compliance with applicable laws, rules and regulations. Such responsibility is non-transferable and rests with the entire Board.

Delegation of management

The Board of Directors has delegated the management of Swiss Re Ltd and the Swiss Re Group to the Group EC (see section Executive Management, starting on page 108). Such delegated tasks are within the responsibility of the entire Group EC. The Group EC also supports the Board of Directors in fulfilling its duties and prepares proposals for consideration and decision-making by the Board of Directors related to the following key responsibilities with Group relevance: strategy, business plan, organisational structure, accounting principles, risk tolerance levels, share capital and any share repurchase programme, along with principles of financing through capital markets as well as for important strategic transactions. The following tables provide a summary of the key responsibilities of the Board of Directors and delegations to the Group EC. They are not to be understood as exhaustive.

Key responsibilities of the Board of Directors

Strategy and overall direction of the company

- defines the strategy of the Swiss Re Group based on proposals by the Group EC;
- approves the capital allocation plan for both Underwriting and Asset Management;
- approves the Swiss Re Group Risk Strategy, Risk Limits and Risk Management Framework;
- approves the entry into new business activities and the exit of existing activities, provided they are of strategic relevance;
- approves significant Corporate Transactions, Participations and Principal Investments and approves an annual capital expenditure plan;
- approves the financial objectives and the means necessary to achieve them; and
- approves all matters where such decisions exceed the authorities delegated to the Board committees, the Group CEO, the Group EC and individual Group EC members and overrules decisions if necessary.

Governance and organisation

- determines the operating model of the Swiss Re Group and the organisational structure in line with this model and the strategy;
- issues and regularly reviews the SRL & Group Bylaws, necessary policies and directives, including governance standards and the Group Code of Conduct;
- regulates and supervises internal control; and
- regulates the compensation framework of the Swiss Re Group as well as the Board of Directors and Group EC compensation for ultimate approval by the General Meeting of shareholders.

Accounting, financial control and financial planning

- approves the applicable accounting standard for external reporting, budgeting and financial control and planning;
- approves the applicable proprietary economic reporting and performance measurement standard (EVM);
- approves an annual budget and a mid-term financial plan based on both the accounting and the internal economic standards;
- approves the annual financial statements for both Swiss Re Ltd and the Swiss Re Group;
- is informed of the quarterly and semi-annual financial statements for both Swiss Re Ltd and the Swiss Re Group, which are approved by the Audit Committee; and
- approves the Annual Report of both Swiss Re Ltd and the Swiss Re Group.

Appointment and removal of Group EC members and further key executives, People Strategy

- appoints and removes Group EC members and the Company Secretary; reviews their performance and plans their succession;
- approves the People Strategy of the Group and, on an annual basis, reviews progress towards this strategy; and
- annually reviews with the Group EC the Swiss Re Group's overall human capital situation, strength of management and issues like diversity and inclusion, performance process and quality of succession planning.

Capital

- takes decisions regarding equity and equity-linked issuances and reductions of equity in line with applicable law; and
- approves annually a debt funding plan, and, if required, approves individual debt issuances.

General Meetings of shareholders

- convenes General Meetings of shareholders and decides on proposals to be brought forward to the shareholders; and
- implements resolutions taken by the shareholders.

Key responsibilities of the Group Executive Committee

Under the leadership of the Group CEO, the Group EC has management responsibility for Swiss Re Ltd and the Swiss Re Group. It supports the Board of Directors in its decision-making process and prepares any proposals for the Board of Directors in the Group EC's area of responsibility. In particular with respect to the below topics, it:

Governance
- has overall responsibility for managing operations, subject to delegation by the Board of Directors; and
- issues guidelines relating to the delegation of decision-making authority within the Group.

Strategy and structure
- ensures implementation of the Group's strategy; and
- decides on legal, financial and management structures, as delegated by the Board of Directors.

Planning
- prepares and proposes the Group business plan to the Board of Directors for approval and reviews the Business Units' business plans.

Financial Reporting
- prepares and presents to the Board of Directors the annual and interim financial statements of the Group together with segment reporting on the Business Units.

Capital Management
- establishes principles on financing through capital markets and the allocation of financial resources within the Group; and
- establishes the principles for Intra-Group Transactions and funding.

Risk Management
- establishes the principles for external retrocession and the balancing of Group-wide catastrophe and accumulated risk; and
- supervises the Group's internal control evaluation and certification process.

Business transactions
- decides on certain strategic transactions and proposes important strategic transactions to the Board of Directors for discussion and decision.

Legal, regulatory and compliance
- oversees implementation of Group-wide compliance procedures and monitors remediation of any regulatory and compliance deficiencies.

People Strategy
- has responsibility for the Group's people management, subject to the authority of the Board of Directors.

Compensation
- makes proposals for the individual compensation of selected members of senior management; and
- proposes benefit plans to the Compensation Committee for decision.

The Group EC discharges its responsibilities as a joint body, except for responsibilities delegated to the Group CEO and further individual Group EC members as outlined in the SRL & Group Bylaws.

Key responsibilities of individual members of the Group Executive Committee

Group Chief Executive Officer
The Group CEO is responsible for overseeing the operational management of the Group. This responsibility covers the Group Functions and the three Business Units Reinsurance, Corporate Solutions and Life Capital. He leads and manages the Group EC, its processes, including succession planning, cost and is responsible for its performance. He oversees the work of the Group Function heads and the Business Unit CEOs and gives them guidance on the execution of their tasks. He develops the Group Strategy together with the Group EC and submits it to the Board of Directors for approval. Once approved he focuses on the Group Strategy's implementation and its further development.

Group Chief Financial Officer
The Group CFO is responsible for the Group-wide Finance function with a focus on steering and achieving the company's financial targets. He provides guidance to the Business Unit CFOs, and gives input on the financial aspects of strategic projects and transactions. The Group CFO provides the Audit Committee and Finance and Risk Committee with regular and ad hoc financial reporting that allow the committees to fulfil their respective authorities as per their Charters.

Group Chief Investment Officer
The Group CIO is responsible for the Group-wide Asset Management function and its investment results. He manages the investment portfolio, advises the Business Units on defining their strategic asset allocation (SAA), and implements the Group and Business Units SAAs within the risk limits set by the Group EC. The Group CIO retains responsibility for decisions on investment tactics and also provides financial market advice on strategic projects and transactions. In addition, the Group CIO is responsible for the Asset Management organisation as well as operational and compliance risks pertinent to his responsibilities.

Group Chief Operating Officer
The Group COO is responsible for exercising governance and oversight of all Operations functions. This responsibility includes exercising governance on behalf of the Group in the functions under his responsibility, being a strategic partner to the Group and the Business Units in all operational matters, and providing a high quality, cost effective and differentiating operating platform for the whole Group.

Group Chief Risk Officer
The Group CRO is responsible for providing the Board of Directors and Group EC with independent assurance that all of Swiss Re's risks are being appropriately modelled, governed, managed and that adequate control instruments are in place. As part of executing these responsibilities, the Group CRO is charged with establishing the Group's Risk Management Framework for financial, insurance and operational risk (comprising people, system, internal process and external event risk).

Group Chief Strategy Officer
The Group CSO is responsible for the Group strategic process and initiates the respective discussions in the Group EC as preparation for submission of strategic content to the Board of Directors for approval. The Group CSO supports and advises the Board of Directors and the Group EC by developing and articulating a Group strategy in close cooperation with the Group Functions and Business Units. He augments the Business Unit's activities with targeted initiatives including direct investments. He also systematically monitors and steers Group Strategy implementation.

Group Chief Underwriting Officer
The Group CUO is responsible for steering capital to the most attractive areas in underwriting leading themes that are of strategic importance for the Swiss Re Group's underwriting, and providing Research & Development that improves both capital allocation and risk selection.

Regional Presidents
The Regional Presidents for the areas Americas, Asia and EMEA are responsible for representing the Swiss Re Group externally and internally, as well as enhancing the Swiss Re brand and safeguarding the Group's reputation in the geographies for which they are responsible. The Regional Presidents also assume responsibility for oversight of the Group's operating platform and coordinate activities across the Business Units in their regions.

The Business Unit Chief Executive Officers
The BU CEOs are responsible for the management and performance of the respective Business Unit Top-Level company as well as the respective Business Unit. The BU CEOs set the business and corporate agenda of the respective Business Unit, ensure high quality, performance-oriented and timely decision-making. They oversee the implementation of the decisions made and ensure the Business Unit Executive Committees fulfil their responsibilities.

Board supervision of executive management
Swiss Re Ltd's Board of Directors maintains effective and consistent oversight and monitors the execution of responsibilities it has delegated to executive management through the following control and information instruments.

Participation of Board members at executive management meetings
The Chairman of the Board is invited to all meetings of the Group EC and Business Unit Executive Committees and receives the corresponding documentation and minutes.

Special investigations
The Board committees are entitled to conduct or authorise special investigations at any time and at their full discretion into any matters within their respective scope of responsibilities, taking into consideration relevant peer group practice and general best practice. The committees are empowered to retain independent counsel, accountants or other experts if deemed necessary.

Involvement of executive management in meetings of the Board of Directors
As a matter of principle, all members of the Group EC are invited to attend the meetings of the Board of Directors. The Group EC members attend Board meetings as far as deemed appropriate by the Chairman and the other Board members. The Group EC members do not attend the constitutional meeting of the Board of Directors following the Annual General Meeting and the Board self-assessment session.

The presence of the entire Group EC was required for four Board meetings in 2016, and selected members were invited to seven further Board meetings. The overall attendance rate for the Group EC members was 95.0%.

Involvement of executive management in Board committee meetings
As a matter of principle, selected members of the Group EC as well as further senior management members participate at Board committee meetings as advisers. The Charter of the Board committees specifies management participation at committee meetings.

A detailed summary of executive management participation in Board committee meetings is provided on page 102.

Periodic reports to Board of Directors and its committees
The executive management regularly provides the Board of Directors with different types of reports, in particular the following reports:

Executive Report
This comprehensive report gives an update on current business developments, covering the Group Functions and the Business Units, including major business transactions, claims, corporate development and key projects.

US GAAP Board Report
The report provides factual financial highlights from an accounting perspective, with a focus on historical development of the business as an informational basis before the publication of results.

EVM Board Report
The report provides factual financial highlights from an economic perspective, with a focus on historical value creation.

Group Performance Management Report
The report tracks actual performance of the Group and the segments against pre-defined financial targets, analyses the impact of management actions and provides information on current challenges.

Global Outlook for Insurance, Reinsurance and Financial Markets
The report describes trends and provides forecasts regarding the economic environment, the Property & Casualty/Life & Health (re)insurance markets and the financial markets.

Benchmarking of Swiss Re against selected peers
The report provides an analysis of the performance of the Swiss Re Group compared to the performance of selected peers.

Swiss Solvency Test Report
The report provides the legally required update on the assessment of the solvency according to the Swiss Solvency Test (SST) of the Swiss Re Group, Swiss Reinsurance Company Ltd, Swiss Re Asia Ltd (former European Reinsurance Company of Zurich Ltd) and Swiss Re Corporate Solutions Ltd.

Swiss Re Liquidity Report
The report describes the liquidity position of the Swiss Re Group in current and in stressed market conditions.

In addition, reports are submitted to the Board committees, such as:
- Actuarial Report
- Claims Report
- Legal Report
- Compliance Report
- Group Internal Audit Report
- Group Tax Report
- Group Risk Report
- Derivative Use Update
- Report on Capital, Liquidity and Treasury Activities
- Group Regulatory Risk Report
- Financial Risk Management Update
- Own Risk and Solvency Assessment Report

Risk management

Swiss Re's Risk Management function provides regular risk reports to the Board of Directors, which are discussed in depth by the Finance and Risk Committee. These reports cover Swiss Re's compliance with the Group's risk tolerance criteria, major changes in risk and capital adequacy measures and a description of the Group's main risk issues, including related risk management actions. The Finance and Risk Committee regularly reports to the entire Board of Directors.

Duty to inform on extraordinary events

As soon as the Group CEO or the Group EC becomes aware of any significant extraordinary business development or event, they are obliged to inform the Board of Directors immediately. The Board has specific reporting procedures in place.

Right to obtain information

The Board of Directors has complete and open access to the Group CEO and the other members of the Group EC, the Group Chief Legal Officer, the Chief Compliance Officer and the Head of GIA. Any member of the Board of Directors who wishes to have access to any other officer or employee of the Group will coordinate such access through the Chairman. The chairpersons may approach the Group EC members as well as further key executives directly should they require information supporting the respective Board committee's duties.

Any member of the Board of Directors may demand at Board meetings to obtain information on any aspect of the Group's business. Outside Board meetings, any member can direct a request for production of information and business records to the Chairman.

Group Internal Audit

GIA is an independent assurance function, assisting the Board of Directors and Group EC to protect the assets, reputation and sustainability of the organisation. GIA assesses the adequacy and effectiveness of the Group's internal control system, and adds value through improving the Group's operations.

GIA applies a risk-based approach, performing its own risk assessment as well as making use of risk assessments performed by the Group's Risk Management and other assurance functions (after reviewing the quality of the assurance work performed). Based on the results of the risk assessment, GIA produces an annual Audit Plan for review and approval by the Audit Committee. The Audit Plan is updated on a quarterly basis according to the Group's evolving needs. GIA provides formal quarterly updates on its activities to the Audit Committee, which include audit results, the status of management actions required, the appropriateness of the resources and skills of GIA and any changes in the tools and methodologies it uses.

The Head of GIA meets at least once per quarter with the Audit Committee, and immediately reports any issue which could have a potentially material impact on the business of the Group to the Chairman of the Audit Committee.

GIA has unrestricted access to any of the Group's property and employees relevant to any function under review. All employees are required to assist GIA in fulfilling its duty. GIA has no direct operational responsibility or authority over any of the activities it reviews.

GIA staff govern themselves by following the Code of Ethics issued by the Institute of Internal Auditors (IIA). The IIA's International Standards for the Professional Practice of Internal Auditing constitute the operating guidance for the department.

External auditor

For information regarding the external auditors, please refer to pages 116–117.

Executive Management

The Group Executive Committee has management responsibility for Swiss Re Ltd and the Swiss Re Group as delegated by the Board of Directors.

Members of the Group Executive Committee

The Group Executive Committee (Group EC) consisted of the following members as of 31 December 2016:

Name	Nationality	Age	Function
Christian Mumenthaler	Swiss	47	Group Chief Executive Officer
David Cole	Dutch, American	55	Group Chief Financial Officer
John R. Dacey	American	56	Group Chief Strategy Officer
Guido Fürer	Swiss	53	Group Chief Investment Officer
Agostino Galvagni	Italian, Swiss	56	CEO Corporate Solutions
Jean-Jacques Henchoz	Swiss	52	CEO Reinsurance Europe, Middle East and Africa (EMEA)/Regional President EMEA
Thierry Léger	French, Swiss	50	CEO Life Capital
Moses Ojeisekhoba	Nigerian, British	50	CEO Reinsurance
Jayne Plunkett	American	46	CEO Reinsurance Asia/Regional President Asia
Patrick Raaflaub	Swiss, Italian	51	Group Chief Risk Officer
J. Eric Smith	American	59	CEO Swiss Re Americas/Regional President Americas
Matthias Weber	Swiss, American	55	Group Chief Underwriting Officer
Thomas Wellauer	Swiss	61	Group Chief Operating Officer

Christian Mumenthaler

Group Chief Executive Officer

Born: 1969

Nationality: Swiss

Professional experience

Christian Mumenthaler started his career in 1997 as associate with the Boston Consulting Group. He joined Swiss Re in 1999 and was responsible for key company projects. In 2002, he established and headed the Group Retro and Syndication unit. Christian Mumenthaler served as Group Chief Risk Officer between 2005 and 2007 and was Head of Life & Health between 2007 and 2010. In January 2011, he was appointed Chief Marketing Officer Reinsurance and member of the Group Executive Committee, and became Chief Executive Officer Reinsurance that October. On 1 July 2016 Christian Mumenthaler was appointed as Group Chief Executive Officer.

External appointments

- Board member of Geneva Association; of the Swiss American Chamber of Commerce and of the Society for the Promotion of the Institute of Insurance Economics, St. Gallen
- Member of Insurance Europe's Reinsurance Advisory Board (RAB); of the Pan-European Insurance Forum (PEIF); of the IMD Foundation Board; of the Global Reinsurance Forum and of the Steering Board Insurance Development Forum (IDF)
- Board member of International Risk Governance Council (IRGC)

Educational background

- PhD in Physics, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland

David Cole

Group Chief Financial Officer

Born: 1961

Nationality: Dutch and American

Professional experience

David Cole began his career in 1984 with ABN AMRO. In 1999, he was appointed Executive Vice President and regional Head of Risk Management for Latin America, located in Brazil. In 2001, he returned to Amsterdam to assume Corporate Centre responsibility within Group Risk Management. He became Chief Financial Officer of Wholesale Clients (WCS) in 2002 and was appointed Senior Executive Vice President and Chief Operating Officer of WCS in 2004. In January 2006, he became Head of Group Risk Management for ABN AMRO Bank and in 2008 was named Chief Financial Officer and Chief Risk Officer.

David Cole joined Swiss Re in November 2010 as Deputy Chief Risk Officer and was appointed Group Chief Risk Officer and member of the Group Executive Committee in March 2011. He was appointed Group Chief Financial Officer as of May 2014.

External appointments

- Member of the Board of Directors FWD Group
- Member of the Supervisory Board IMC B.V.
- Member of the Board of Directors Vontobel Holding AG

Educational background

- Bachelor of Business Administration, University of Georgia, USA
- International Business Program, Nyenrode Universiteit, The Netherlands

John R. Dacey

Group Chief Strategy Officer

Born: 1960

Nationality: American

Professional experience

John R. Dacey started his career in 1986 at the Federal Reserve Bank of New York. From 1990 to 1998, he was a consultant and subsequently Partner at McKinsey & Company. He joined Winterthur Insurance in 1998 and was its Chief Financial Officer from 2000 to 2004 as well as member of its Group Executive Board until 2007. From 2005 to 2007, he was Chief Strategy Officer and member of its risk and investment committees. He joined AXA in 2007 as Group Regional CEO and Group Vice Chairman for Asia-Pacific as well as member of their Group Executive Committee.

John R. Dacey joined Swiss Re in October 2012 and was appointed Group Chief Strategy Officer and member of the Group Executive Committee as of November 2012. He also served as Chairman Admin Re® from November 2012 to May 2015.

Educational background

- Bachelor of Arts in Economics, Washington University, St. Louis, USA
- Master in Public Policy, Harvard University, Cambridge, USA

Guido Fürer

Group Chief Investment Officer

Born: 1963

Nationality: Swiss

Professional experience

Guido Fürer commenced his career at Swiss Bank Corporation/O'Connor & Associates in 1990. During the following seven-year period, he held leading positions in option trading and at its Capital Market division in Chicago, New York, London and Zürich.

Guido Fürer joined Swiss Re in 1997 as Managing Director at Swiss Re New Markets, focusing on Alternative Risk Transfer. From 2001 to 2004, he worked for Swiss Re's Private Equity unit with responsibility for the European strategic participations. In 2004, he joined Asset Management, first taking over responsibility for tactical asset allocation prior to assuming the role of Head of Swiss Re's CIO Office with responsibility for strategic asset allocation and additionally Chief Investment Officer for the Business Units Reinsurance and Corporate Solutions. Guido Fürer has led Swiss Re Group Asset Management since his appointment as Group Chief Investment Officer and Member of the Group Executive Committee in November 2012.

Educational background

- Master's degree in Economics, University of Zurich, Switzerland
- PhD in Financial Risk Management, University of Zurich, Switzerland
- Executive MBA from INSEAD, Fontainebleau, France

Agostino Galvagni

Chief Executive Officer Corporate Solutions

Born: 1960

Nationality: Italian and Swiss

Professional experience

Agostino Galvagni joined Bavarian Re, a former Swiss Re subsidiary, in 1985 as a trainee in the fields of underwriting and marketing. He joined Swiss Re New Markets in New York in 1998. Agostino Galvagni returned to Bavarian Re in 1999 as a member of the Management Board.

In 2001, he joined Swiss Re in Zurich as Head of the Globals Business, and in 2005 was appointed to the Executive Board to head the Globals & Large Risks Division within Client Markets. In 2009, Agostino Galvagni was appointed Chief Operating Officer and member of the Group Executive Committee. He was made Chief Executive Officer Corporate Solutions in October 2010.

Educational background

- Master's Degree in Economics, Bocconi University, Milan, Italy

Jean-Jacques Henchoz

Chief Executive Officer Reinsurance Europe, Middle East and Africa (EMEA)/ Regional President EMEA

Born: 1964

Nationality: Swiss

Professional experience

Jean-Jacques Henchoz started his career in 1988 at the Swiss Federal Department of Economic Affairs and the European Bank for Reconstruction and Development.

Jean-Jacques Henchoz joined Swiss Re in 1998 as facultative property underwriter in the Europe Division, and in 1999 moved to the Swiss Re New Markets Division as finite risk underwriter. From 2000 he served as Head Financial Solutions until becoming Head of Strategy for Property & Casualty in 2003. From 2005 to 2010, he was Chief Executive Officer of Swiss Re Canada. Jean-Jacques Henchoz assumed leadership of the Europe Division in March 2011. He was appointed Chief Executive Officer Reinsurance EMEA, Regional President EMEA and member of the Group Executive Committee in January 2012.

Educational background

- Master's Degree in Political Science, University of Lausanne, Switzerland
- MBA, International Institute for Management Development (IMD), Switzerland

Thierry Léger

Chief Executive Officer Life Capital

Born: 1966

Nationality: French and Swiss

Professional experience

Thierry Léger started his career in the civil construction industry before joining Swiss Re as an engineering underwriter in 1997. In 2001 he moved to Swiss Re New Markets, providing non-traditional solutions to insurance clients. Between 2003 and 2005 he was a member of the executive team in France as leader of the sales team. From 2006 Thierry Léger assumed increasing responsibility for Swiss Re's largest clients, ultimately becoming the Head of the newly-created Globals Division in 2010 and a member of the Group Management Board. In 2013, Thierry Léger became Head of L&H Products Reinsurance. As of 1 January 2016 he was appointed Chief Executive Officer Life Capital and member of the Group Executive Committee.

Educational background

- Master's degree in Civil Engineering, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland
- Executive MBA, University of St. Gallen, Switzerland

Moses Ojeisekhoba

Chief Executive Officer Reinsurance

Born: 1966

Nationality: Nigerian and British

Professional experience

Moses Ojeisekhoba started his career in insurance as a registered representative and agent of The Prudential Insurance Company of America in 1990. From 1992 to 1996, he was a Risk and Underwriting Manager at Unico American Corporation. He then joined the Chubb Group of Insurance Companies as regional Underwriting Manager and in 1999 became Corporate Product Development Manager in New Jersey and thereafter moved to London as Strategic Marketing Manager for Chubb Europe. In 2002, he was appointed International Field Operations Officer for Chubb Personal Insurance before becoming Head Asia Pacific in 2009, a position he remained in until he joined Swiss Re.

Moses Ojeisekhoba joined Swiss Re in February 2012 and was appointed Chief Executive Officer Reinsurance Asia, Regional President Asia and member of the Group Executive Committee in March 2012. As of 1 July 2016, Moses Ojeisekhoba was appointed as Chief Executive Officer Reinsurance.

Educational background

- Master's Degree in Management, London Business School, United Kingdom
- Bachelor of Science in Statistics, University of Ibadan, Nigeria

Jayne Plunkett

Chief Executive Officer Reinsurance Asia / Regional President Asia

Born: 1970

Nationality: American

Professional experience

Jayne Plunkett started her career at John Deere Insurance Company in 1992, where she held various positions in the Commercial Lines segment in Property and Casualty. In 1999 she joined GE Insurance Solutions, where she served as Insurance Pricing Team Leader, Deputy Chief Reserving Actuary, Head of Casualty Risk Management, and Head of Planning and Analysis.

Following the acquisition of GE Insurance Solutions by Swiss Re in 2006, Jayne Plunkett joined Swiss Re as Head of the Kansas City Hub for Property & Casualty. From 2008 to 2012 she worked in Asia as Head of Casualty Underwriting for the region. In 2013 she assumed the global position as Head Casualty Reinsurance, also managing the unit dealing with large and complex transactions for P&C Reinsurance. As of 1 July 2016, Jayne Plunkett was appointed as Chief Executive Officer Reinsurance Asia, Regional President Asia and a member of the Group Executive Committee.

Jayne Plunkett is a Fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries. Additionally, she was named a Young Global Leader of the World Economic Forum in 2010.

Educational background

- Bachelor of Science in Business Administration, Drake University, USA

Patrick Raaflaub

Group Chief Risk Officer

Born: 1965

Nationality: Swiss and Italian

Professional experience

Patrick Raaflaub began his career as an economist at Credit Suisse. He then was founding member of a consulting start-up and research fellow at the University of St. Gallen. He joined Swiss Re in 1994 and was appointed Chief Financial Officer of Swiss Re Italia SpA in 1997, and then was Divisional Controller Americas Division from 2000. He worked as Head of Finance Zurich from 2003, then Regional Chief Financial Officer Europe and Asia from 2005. From 2006, he was Head of Group Capital Management, where he was responsible for capital management at Group level and global regulatory affairs. In 2008 he joined the Swiss Financial Markets Supervisory Authority FINMA as Chief Executive Officer.

Patrick Raaflaub returned to Swiss Re as Group Chief Risk Officer and member of the Group Executive Committee as of September 2014.

Educational background

- PhD in Political Science, University of St. Gallen, Switzerland

J. Eric Smith

Chief Executive Officer Swiss Re Americas/Regional President Americas

Born: 1957

Nationality: American

Professional experience

J. Eric Smith worked in various roles in property and casualty insurance with Country Financial for more than 20 years, then joined Allstate in 2003 where he rose to the rank of President, Financial Services. He moved to USAA in 2010 as President USAA Life Insurance Co.

J. Eric Smith joined Swiss Re in July 2011 as Chief Executive Officer of Swiss Re Americas and as a member of the Group Management Board. He was appointed Regional President Americas and member of the Group Executive Committee in January 2012.

Educational background

- Bachelor's Degree in Finance, University of Illinois, USA
- MBA, Kellogg School of Management, Northwestern University, USA

Matthias Weber

Group Chief Underwriting Officer

Born: 1961

Nationality: Swiss and American

Professional experience

Matthias Weber started his career at Swiss Re in Zurich in 1992 as an expert for natural perils. He moved to the Swiss Re Americas Division in 1998 and in 2000 became Regional Executive for the Western Region of the United States located in San Francisco. From 2001, he was responsible for property underwriting in the US Direct Business Unit, and in 2005 was named Head of the Americas Property Hub in Armonk. From 2008, Matthias Weber served as Division Head of Property & Specialty.

Matthias Weber was appointed Group Chief Underwriting Officer and member of the Group Executive Committee in April 2012.

Educational background

- Master's Degree in Physics, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland
- PhD in Natural Sciences, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland

Thomas Wellauer

Group Chief Operating Officer
Born: 1955
Nationality: Swiss

Professional experience

Thomas Wellauer started his career with McKinsey & Company, specialising in the financial services and pharmaceutical industry sectors, and was elected Partner in 1991 and Senior Partner in 1996. In 1997, he was named Chief Executive Officer of the Winterthur Insurance Group, which was later acquired by Credit Suisse. At Credit Suisse he was a member of the Group Executive Board, initially responsible for the group's insurance business before becoming Chief Executive Officer of the Financial Services division in 2000. From 2003 to 2006, Thomas Wellauer headed the global turnaround project at Clariant. In 2007, he joined Novartis as Head of Corporate Affairs and became member of the Executive Committee of Novartis. From April 2009 until September 2010, he was a member of the Supervisory Board of Munich Re.

Thomas Wellauer joined Swiss Re in October 2010 as Group Chief Operating Officer and member of the Group Executive Committee.

External appointments

- Chairman of the Swiss Chapter of the International Chamber of Commerce (ICC) since 2013
- Member of the global Executive Board of the International Chamber of Commerce (ICC) since 2014
- Chairman of the University Hospital Zurich Foundation

Educational background

- PhD in Systems Engineering, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland
- Master of Business Economics, University of Zurich, Switzerland

Changes in 2016

Christian Mumenthaler was appointed Group CEO as of 1 July 2016, succeeding Michel M. Liès, who has retired.

Moses Ojeisekhoba was appointed CEO Reinsurance as of 1 July 2016, succeeding Christian Mumenthaler.

Jayne Plunkett was appointed CEO Reinsurance Asia/Regional President Asia and a member of the Group EC as of 1 July 2016, succeeding Moses Ojeisekhoba.

Thierry Léger was appointed CEO Life Capital and a member of the Group EC as of 1 January 2016.

Change in 2017

Edouard Schmid will become Group Chief Underwriting Officer and a member of the Group EC as of 1 July 2017. He will succeed Matthias Weber who has decided to step down as Group Chief Underwriting Officer.

Other mandates, activities and vested interests

In line with Swiss Re Ltd's Articles of Association the members of the Group EC may not hold more than five additional mandates of which no more than one additional mandate can be with listed companies. Mandates (i) in companies which are controlled by Swiss Re Ltd or which control Swiss Re Ltd, (ii) mandates held at the request of Swiss Re Ltd or companies controlled by Swiss Re Ltd as well as (iii) mandates in associations, charitable organisations, foundations, trusts, employee welfare foundations, investment companies, equity partnerships or limited liability partnerships are not subject to the above limitations. No member of the Group EC may hold more than five mandates as set out in (ii) above and not more than 15 mandates as set out in (iii) above. Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities that are under joint control are deemed one mandate.

All Group EC members comply with the requirements on external mandates set out in the Articles of Association.

Any activities of members of the Group EC in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations as well as permanent management and consultancy functions for important Swiss and foreign interest groups and official functions and political posts, which are material, are stated in each of the Group EC members' biographies on pages 109–113.

Management contracts

Swiss Re has not entered into any management contract with any third party.

Shareholders' Participation Rights

The duties of the Independent Proxy are determined by applicable laws, rules and regulations.

Voting right restrictions, statutory group clauses and exception rules

There are no voting right restrictions and no statutory group clauses (other than the limitations on nominee registrations, page 91). Therefore, there are no procedures or conditions for cancelling restrictions and no rules on making exceptions to them. Accordingly, no such exceptions were made in 2016.

Statutory rules on participating in the General Meeting of shareholders

The share whose owner, usufructuary or nominee is entered in the share register as having voting rights on a specific qualifying day determined by the Board of Directors entitles its holder to one vote at the General Meeting of shareholders.

Swiss Re Ltd's Articles of Association allow any shareholder with voting rights to have his or her shares represented at any General Meeting of shareholders by another person authorised in writing or by the Independent Proxy. Such representatives need not be shareholders.

The Independent Proxy is elected by the General Meeting of shareholders for a term of office until completion of the next ordinary General Meeting of shareholders. The Independent Proxy whose term of office has expired is immediately eligible for re-election.

The duties of the Independent Proxy are determined by applicable laws, rules and regulations. The General Meeting of shareholders may remove the Independent Proxy with effect as per the end of the General Meeting of shareholders. If the company does not have an Independent Proxy, the Board of Directors shall appoint the Independent Proxy for the next General Meeting of shareholders.

Business firms, partnerships and corporate bodies may be represented by legal or authorised representatives or other proxies, married persons by their spouses, minors and wards by their guardians, even though such representatives are not shareholders.

AGM 2016

Statutory quorums

The General Meeting of shareholders may pass resolutions regardless of the number of shareholders present or shares represented by proxy. Resolutions pass by an absolute majority of votes validly cast (excluding blank and invalid ballots), except where the law requires otherwise.

The Chairman of the General Meeting of shareholders determines the voting procedure. Provided that the voting is not done electronically, voting shall take place openly on show of hands or by written ballot.

Convocation of the General Meeting of shareholders

In accordance with Swiss Re Ltd's Articles of Association, the Board of Directors convenes the General Meeting of shareholders through a notice published in the Swiss Official Gazette of Commerce at least 20 days before the date of the meeting. The notice must state the day, time and place of the General Meeting of shareholders, along with the agenda and proposals, which will be submitted by the Board of Directors.

Extraordinary General Meetings of shareholders may be called by a resolution of the General Meeting of shareholders or the Board of Directors, or by one or more shareholders with voting powers whose combined holdings represent at least 10% of the share capital.

Agenda

The Board of Directors announces the agenda for the General Meeting of shareholders. Shareholders with voting power whose combined holdings represent shares with a nominal value of at least CHF 100 000 may, no later than 45 days before the date of the meeting, request that further matters be included in the agenda. Such requests must be in writing and must specify the items and the proposals to be submitted.

Registrations in the share register

In recent years, Swiss Re Ltd has recognised the voting rights of shares registered no later than two working days before the General Meeting of shareholders.

Changes of Control and Defence Measures

The Board of Directors believes that the company's best protection against potential unfriendly takeover attempts is a fair valuation of its shares.

Duty to make an offer

Swiss Re Ltd has not put in place any specific measures to defend against potential unfriendly takeover attempts. The Board of Directors believes that the company's best protection is a fair valuation of its shares, and that the efficiency of a free market is preferable to artificial obstacles, which can have a negative impact on the share price in the long term.

In accordance with the Financial Markets Infrastructure Act (FMIA), whosoever acquires equity securities, which added to equity securities already owned, exceed the threshold of 33⅓% of Swiss Re Ltd shares with voting rights, either directly, indirectly or in concert with third parties, and regardless of whether these rights are exercisable or not, triggers a mandatory takeover offer for the outstanding Swiss Re Ltd shares owned by all other shareholders.

The FMIA allows companies to include an "opting up" provision in their articles of association, which raises the mandatory takeover offer threshold up to 49%, or an "opting out" provision, which waives the mandatory offer. Swiss Re Ltd's Articles of Association contain neither of these provisions.

Change of control clauses

Unvested incentive shares, share options and certain other employee benefit programmes would vest upon a change of control. In such an event, the rights of members of the Board of Directors and the Group Executive Committee (Group EC) as well as of further members of senior management are identical to those of all other employees.

The Articles of Association provide that the Board of Directors or, to the extent delegated to it, the Compensation Committee may decide on continuation, acceleration or removal of vesting, blocking or exercise conditions for the payment or grant of compensation based upon assumed target achievement, or for forfeiture.

The mandates and employment contracts of the members of the Board of Directors and of the Group EC do not contain any provisions such as severance payments, notice periods of more than 12 months or additional pension fund contributions that would benefit them in a change of control situation.

Auditors

The Audit Committee reviews and approves in advance all planned audit services and any non-audit services provided by the external auditor.

Duration of the mandate and term of office of the lead auditors
PricewaterhouseCoopers Ltd (PwC) was appointed as the external auditor of Swiss Re Ltd when the company was founded on 2 February 2011. PwC had been elected as the external auditor of the previous parent company of the Group, Swiss Reinsurance Company Ltd, at its Annual General Meeting 1991 and had been re-elected annually since then. The Annual General Meeting 2016, following the proposal of the Board of Directors based on the recommendation by the Audit Committee, re-elected PwC for a term of one year as external auditors. Alex Finn became lead auditor responsible for the auditing mandate of the former parent company, Swiss Reinsurance Company Ltd, on 23 September 2011. With Swiss Re Ltd becoming the new holding company of the Group, he also became lead auditor for the Swiss Re Ltd audit mandate. Bret Griffin was appointed as further new lead auditor following the election of PwC as auditors by the Annual General Meeting 2014.

Information tools pertaining to the external audit

Responsibilities
The external auditor is accountable to the Audit Committee, the Board of Directors and ultimately to the shareholders. The Board of Directors reviews the external auditor's professional credentials and is assisted in its oversight by the Audit Committee.

Cooperation and flow of information between the auditor and the Audit Committee
The Audit Committee liaises closely with the external auditor. The lead auditors participate as advisers at all the Audit Committee's meetings. For more information, see page 102.

Fees for audit and non-audit services

Fees (excluding value added taxes) for professional services provided by PwC in 2016 were as follows:

Fees	USD millions
Audit fees	**33.3**
Non-audit fees	
Audit-related	2.4
Corporate finance	0.9
Tax	0.4
Other non-audit	0.8
Total non-audit fees	**4.5**
Total audit and non-audit fees	**37.8**

Audit-related fees included engagements for Solvency II model validation and various assurance assignments required by Swiss Re's regulators. Corporate finance fees related primarily to the issuance of comfort letters for capital market transactions. Other non-audit fees included permitted advisory services related to various projects.

The external auditor provides the Audit Committee with regular updates on the audit work and related issues as well as with reports on topics requested by the Audit Committee.

The Audit Committee reviews and approves in advance all planned audit services and any non-audit services provided by the external auditor. It discusses the results of annual audits with the external auditor, including reports on the financial statements, necessary changes to the audit plans and critical accounting issues.

The external auditor shares with the Audit Committee its findings on the adequacy of the financial reporting process and the efficacy of the internal controls.

It informs the Audit Committee about any differences of opinion between the external auditor and management encountered during the audits or in connection with the preparation of the financial statements.

Evaluation of the external auditor

The Audit Committee, which is responsible for recommending an audit firm to the Board of Directors for election at the Annual General Meeting of shareholders, assesses the performance of the external auditor annually and presents its findings to the Board. This assessment is based on the external auditor's qualifications, independence and performance.

Qualifications

At least once a year, the external auditor submits a report to the Audit Committee describing the external auditor's own quality control procedures, including any material issues raised by its most recent internal reviews or inquiries or investigations by governmental or professional authorities within the preceding five years, as well as any steps taken to deal with any such issues.

Independence

At least once a year, the external auditor provides a formal written statement delineating all relationships with the company that might affect its independence. Any disclosed relationships or services that might interfere with the external auditor's objectivity and independence are reviewed by the Audit Committee, which then recommends appropriate action to be taken by the Board.

In accordance with the Swiss Code of Obligations and to foster external auditor independence, the lead audit partner rotates out from his or her role after seven years.

Performance

This assessment measures the external auditor's performance against a number of criteria, including: understanding of Swiss Re's business; technical knowledge and expertise; comprehensiveness of the audit plans; quality of the working relationship with management and clarity of communication. It is compiled based on the input of key people involved in the financial reporting process and the observations of the Audit Committee members.

Audit fees

The Audit Committee annually reviews the audit fees as well as any fees paid to the external auditor for non-audit services, based on recommendations by the Group CFO.

Special Auditor

Swiss Re Ltd's Articles of Association foresee that the Annual General Meeting may elect a Special Auditor for a term of three years which would be responsible for the special audit reports that are required by Swiss law in connection with changes in capital. Currently there is no Special Auditor elected.

Information policy

We use www.swissre.com to provide comprehensive, timely news and information on our activities.

As a company which manages global risk, Swiss Re's information policy goes well beyond legal requirements in establishing transparency in our communications and equal access to the facts for all investors and the public.

The official medium for publications of the company is the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*). In addition, we use our website to provide comprehensive, timely news and information on our activities as well as background discussion and analysis of issues relating to Swiss Re's business and the broader insurance and reinsurance industries. Investors and other stakeholders can subscribe to receive ad hoc disclosures and further corporate news automatically at www.swissre.com/media. Our contact details are provided on page 316.

The Chairman annually conducts a governance roadshow to meet with large shareholders in Switzerland, the UK and the US. Furthermore, our Investor Relations team holds regular meetings with institutional investors and analysts. At the 2016 Investors' Day in Zurich in December, Swiss Re provided an update on the Group's strategy, insights on the current most relevant topics related to the activities of Asset Management, Capital Management, Risk Management and Underwriting and provided business updates for each of the three Business Units Reinsurance, Corporate Solutions and Life Capital. All these presentations as well as the conference call recordings from this event are also available on our website: www.swissre.com/investors/presentations

Swiss Re observes strict close periods around the publications of the Group's annual results and quarterly results/key data. The close periods apply throughout the preparation of the results/key data and provide for an appropriate cooling-off period after the release of the results/key data. During such close periods, employees of Swiss Re and members of the Board of Directors are prohibited from trading in Swiss Re securities.

Key corporate news in 2016

Date	News	Method of dissemination
23 February	Swiss Re reports 31% rise in 2015 net income to USD 4.6 billion, increases dividend to CHF 4.60 and proposes new share buy-back; Christian Mumenthaler to become Group CEO as of 1 July 2016	News release, press conference
3 March	Swiss Re completes public share buy-back programme	News release
22 April	Swiss Re shareholders approve all proposals put forward by the Board of Directors at Swiss Re's Annual General Meeting	News release, AGM in Zurich
29 April	Swiss Re reports strong first quarter net income of USD 1.2 billion; premium income rises to USD 7.9 billion	News release, media conference call
25 May	Swiss Re's new SONAR report explores top emerging risks for the re/insurance industry and society	News release
29 July	Swiss Re reports solid half-year net income of USD 1.9 billion	News release, press conference
18 August	Preliminary sigma estimates for first-half 2016: natural catastrophes drive global insured losses to USD 31 billion	News release, sigma study
8 September	Swiss Re remains insurance industry leader in sustainability, according to 2016 Dow Jones Sustainability Indices	News release
12 September	Demand for customised reinsurance and insurance solutions is growing, Swiss Re sigma says	News release, sigma study
13 October	Swiss Re Corporate Solutions and Bradesco Seguros launch joint venture to create leading commercial large-risk insurer in Brazil	News release
3 November	Swiss Re reports strong net income of USD 3.0 billion for the first nine months of 2016; to start share buy-back programme	News release, media conference call
22 November	Sustained insurance sector growth in 2017 largely based on demand from emerging markets	News release
2 December	Swiss Re further expands its R&D capabilities to efficiently allocate capital into growing risk pools	News release

Important dates for 2017

Date	Event
23 February	2016 annual results
16 March	Publication of 2016 Annual Report and 2016 EVM results as well as of AGM 2017 invitation
21 April	153rd Annual General Meeting
4 May	Release of first quarter 2017 key financial data
4 August	Release of second quarter 2017 results
2 November	Release of third quarter 2017 key financial data

Our actions are guided by sustainable, long-term value creation and have a tangible link to our financial performance.

CONTENTS

Overview

Sustainable, long-term value creation serves as a guiding principle for our actions.

Swiss Re has a long-standing commitment to being a responsible company. A key element in our understanding of what this means is the desire to contribute to sustainable, long-term value creation. Based on our values, doing business the Swiss Re way includes:

"Taking the long-term view and playing our part in enabling sustainable progress — for stakeholders and society in general."

This approach is also in our own best interest, though: it strengthens our capabilities to identify, and address, both risks and opportunities manifesting themselves in the longer run and, as a consequence, to retain our licence to operate.

Corporate responsibility governance
At Swiss Re's highest governance level, the task of overseeing implementation of our commitment to corporate responsibility has been assigned to a committee of the Board of Directors: it is one of the responsibilities of the Chairman's and Governance Committee to monitor the Group's sustainability principles.

Regarding the development and adoption of relevant policies and strategies, the role of the Board of Directors is to endorse them, while the Group Executive Committee approves them. Group Risk Management is responsible for maintaining a suitable risk policy framework, and the Business Units drive strategic implementation within their respective areas.

Sector leader in the Dow Jones Sustainability Indices
Swiss Re was once again named insurance industry group leader in the Dow Jones Sustainability Indices for 2016. This is the tenth time since 2004 that we have led our industry group in these rankings. The award highlights our long-term commitment to sustainable business and our efforts to continuously and progressively embed sustainability into key business processes and operations.

Our approach to materiality

Reflecting the long-term view of our business, we seek to identify environmental and social issues that may undermine sustainable progress, and explore effective ways to address them. To do so, we use our deep understanding of re/insurance markets and the extensive risk expertise embedded within our company as well as insights from our ongoing dialogue with key stakeholders.

Based on these internal and external insights, in 2016 we conducted a comprehensive review of our key Corporate Responsibility Topics and developed a two-dimensional Corporate Responsibility Map to display them according to our stakeholders' expectations and their relevance for our management. You can view both the revised list of topics and this map in our 2016 Corporate Responsibility Report, which has been published concurrently with the Annual Report.

In this chapter of the Financial Report we present selected information on some of our corporate responsibility topics with a strong link to our financial performance. Climate change in particular remains a key issue for our core re/insurance business. In view of this, we use this section to start providing "Climate-related Financial Disclosures" as recommended by the Financial Stability Board (www.fsb-tcfd.org).

The table below shows where we disclose information relevant to the FSB disclosures:

Climate-related financial disclosures of the Financial Stability Board

Governance	Strategy	Risk management	Metrics and targets
A) Board oversight: → Corporate responsibility governance, p. 122	**A) Climate-related risks and opportunities:** → Understanding the risk, pp. 125–126 → Strengthening risk resilience pp. 128–129	**A) Processes for identifying and assessing climate-related risks:** → Understanding the risk pp. 125–126	**A) Metrics to assess climate-related risks and opportunities:** → Understanding the risk, pp. 125–126 → Our commitments, p. 130
B) Management's role: → Corporate responsibility governance, p. 122	**B) Impact of climate-related risks and opportunities:** → The impact of climate change p. 124 → Understanding the risk pp. 125–126 → Strengthening risk resilience, pp. 128–129	**B) Process for managing climate-related risks:** → Understanding the risk, pp. 125–126	**B) Scope 1, 2 and 3 GHG emissions:** → Tackling our carbon footprint, p. 127
	C) Potential impact of different scenarios: → not available yet	**C) Integration into overall risk management:** → Understanding the risk, pp. 125–126	**C) Targets:** → Tackling our carbon footprint, p. 127 → Our commitments, p. 130

Natural catastrophes and climate change

Natural catastrophes are a key risk in our property and casualty (P&C) businesses. The damage caused by floods, storms, earthquakes and other natural disasters can affect millions of lives and the economies of entire countries. In 2016, the total worldwide economic losses from natural and man-made catastrophes were estimated at USD 175 billion — of these, USD 54 billion were insured.

Having access to effective re/insurance protection against natural catastrophes creates significant benefits for our clients — as well as society at large. In 2016, we received USD 2.5 billion of P&C Reinsurance premiums for natural catastrophe covers (for losses larger than USD 20 million); this was equivalent to approximately 15% of total premiums in this business segment.

The impact of climate change

On average, both economic and insured losses caused by natural catastrophes have increased steadily over the past 20 years. The key reasons have been economic development, population growth, urbanisation and a higher concentration of assets in exposed areas.

This general trend will continue. But crucially, losses will be further aggravated by climate change. The scientific consensus is that a continued rise in average global temperatures will have a significant effect on weather-related natural catastrophes. According to the Special Report on Extremes (SREX, 2012) and the Fifth Assessment Report (AR5, 2014) published by the Intergovernmental Panel on Climate Change (IPCC), a changing climate gradually leads to shifts in the frequency, intensity, spatial extent, duration and timing of extreme weather events. If climate change remains unchecked, the relative importance of the main drivers will thus gradually shift, with climate change accounting for an increasingly large share of natural catastrophe losses.

As a matter of fact, we first identified the potential mid- to long-term impact of climate change on our natural catastrophe business — and on society in general — almost 30 years ago. In response, we declared it a priority issue and introduced a comprehensive climate change strategy resting on four pillars:

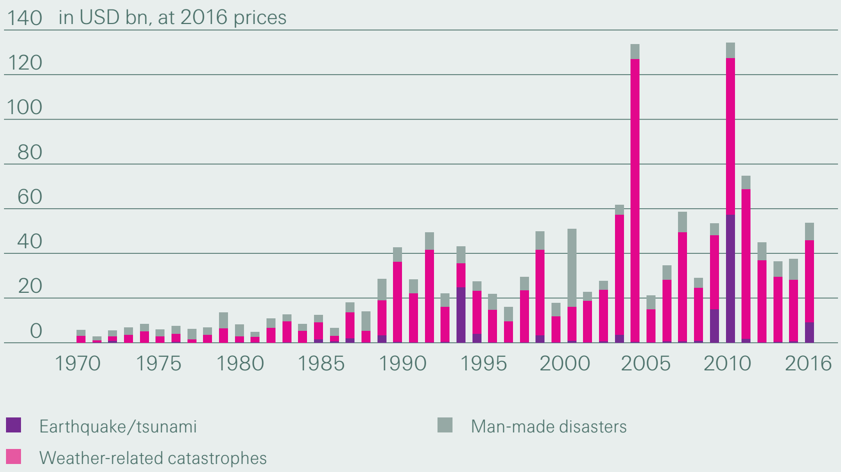
- Advancing our knowledge and **understanding** of climate change risks, quantifying and integrating them into our risk management and underwriting frameworks where relevant;
- Developing **products and services** to mitigate — or adapt to — climate risk;
- Raising **awareness** about climate change risks through dialogue with clients, employees and the public, and advocacy of a worldwide policy framework for climate change;
- Tackling our own **carbon footprint** and ensuring transparent annual emissions reporting.

USD 2.5 billion

Natural catastrophe premiums in our P&C Reinsurance business

(2015: USD 2.6 billion)

Insured catastrophe losses, 1970–2016



Source: Swiss Re Economic Research & Consulting

Understanding the risk

To assess our P&C businesses accurately and to structure sound risk transfer solutions, we need to clearly understand the economic impact of natural catastrophes and the effect of climate change. This is why we invest in proprietary, state-of-the-art natural catastrophe models and regularly collaborate with universities and scientific institutions to review underlying parameters.

It is important to note that while the effect of climate change will increase gradually over the coming decades, most of our business is renewed annually and our risk models are refined every few years. Risks are normally covered for 12 months (up to five years for cat bonds). Thus, for risk management and underwriting purposes, our models provide an estimate of the current risk, and reinsurance premiums do not reflect expected loss trends over the next decades. But as natural catastrophe losses continue to rise as a result of the different factors described above, our models will gradually reflect this trend, since they are updated and refined at regular intervals.

Natural catastrophes constitute one of the core modelled risks in Swiss Re's risk landscape. Specifically, they are one of three categories in which we classify and model our P&C insurance risks (the other two being man-made and geopolitical risks). These P&C insurance risks arise from the coverage we provide to our clients for property, liability, motor, accident plus specialty risks.

Our proprietary integrated risk model is an important tool for managing the business: we use it to determine the economic capital required to support the risks on our books as well as to allocate risk-taking capacity to the different lines of business.

The four weather-related perils with the highest gross annual expected loss per end of 2016 are shown in the table below:

Weather-related peril	Annual expected loss in USD millions
North Atlantic hurricane	550
European windstorm	180
US tornado	180
Japanese tropical cyclone	90

Together, these four perils account for approximately two-thirds of our gross annual expected losses from weather-related perils.

We also carry out insurance risk stress tests on a regular basis to estimate the potential funding requirements stemming from extreme loss events. The basis for these calculations is the risk posed by a single event with a 200-year return period (ie with a likelihood of 0.5% over the next year). Major exposures include the following four natural catastrophe scenarios: Atlantic hurricanes, European windstorms, Californian earthquakes and Japanese earthquakes, of which the former two are prone to be affected by climate change. For further details, see pages 72–73.

In our asset management, we measure our exposure to carbon emissions in listed equities and corporate bonds in a systematic manner. In order to mitigate the risk of stranded assets, we have also adopted a policy to avoid investments in companies where a substantial part of their revenues is stemming from thermal coal.

Developing products and services
With some of our re/insurance products we aim to support two objectives: mitigation of climate change and adaptation to it.

Mitigation: By "mitigation" we mean efforts to reduce CO_2 emissions. Renewable energy projects are key to this. To date our product development has focused on offshore wind, which is considered one of the most promising renewable energy sources. However, these infrastructures present highly complex risks because the technology is developing rapidly and there is little loss history to rely upon for underwriting purposes. Our Corporate Solutions Business Unit takes a special interest in offshore wind, as we have both the large capacity and the technical expertise to assess and manage the complex risks associated with it (see right and page 45).

Adaptation to climate change requires effective risk transfer instruments that help our clients to cope with some of its effects. As we continuously adjust our natural catastrophe and weather solutions to reflect changes in the underlying risk, both are suitable for this purpose. On pages 128–130 we describe some recent examples of such products, along with two corresponding commitments we have made.

Awareness raising and advocacy
We regularly share our insights into the risks created by climate change through our publications and stakeholder events, and have supported efforts to form a reliable international policy framework, eg by taking part in the United Nations' COP conferences.

Recently we have contributed to regulatory developments that aim to increase transparency regarding climate-related risks and opportunities. For example, we have provided a member of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), to which we refer in this section of our Financial Report. Starting from the premise that climate change creates physical, liability and transition risks, the TCFD aims to develop consistent and effective financial disclosures that will allow stakeholders to properly assess the climate risks faced by companies and to take appropriate actions.

We were also present at the launch event of the Sustainable Insurance Forum for Supervisors, held by the California Department for Insurance and the UN Environment Programme. The Forum's goal is to promote cooperation on critical sustainable insurance challenges, such as climate change. Insurance regulators and supervisors are increasingly exploring how these factors impact their goals of ensuring the safety, soundness and accountability of the sector. For the first time, the Forum provides an international platform to share experience and explore common approaches.

Rentel offshore wind farm
In 2016, Swiss Re Corporate Solutions signed two new offshore wind farm projects as co-lead insurer. One of them is Rentel (www.rentel.be) in the Belgian North Sea, situated approximately 34 km from Zeebrugge and 40 km from Ostend. It is being developed by a consortium of eight Belgian shareholders with a strong track record in offshore wind, who joined forces in a strategic competence centre. The insurance cover offers Rentel compensation for material damage and loss of profit both in the construction phase and the first three years of the farm's operational phase.

Rentel will comprise 42 wind turbines of 7.35 megawatts each, in total producing 309 megawatts at peak. The turbines are connected to an offshore transformer station from which the power will be transmitted to an onshore substation at Zeebrugge and then fed into the grid. The electricity generated by the wind farm will be sufficient to supply approximately 285 000 households with climate-friendly energy. Construction has started in early 2017 and is expected to be completed by the end of 2018.

CO_2 emissions per employee (full-time equivalent, FTE), Swiss Re Group

		2013[1] kg/FTE	2015[1] kg/FTE	**2016 kg/FTE**	Change in % since 2015	Change in % since 2013
Scope 1	Heating	378	303	**305**	0.7	–19.3
Scope 2	Power[2]	824	858	**877**	2.2	6.4
Scope 3	Business travel	3 713	3 736	**4 109**	10.0	10.7
	Copy paper	40	28	**24**	–14.3	–40.0
	Waste	50	44	**41**	–6.8	–18.0
	Water	12	13	**12**	–7.7	0
	Technical gases	27	24	**21**	–12.5	–22.2
	Commuting[3]	1 250	1 150	**1 150**	0	–8.0
Total		6 294	6 156	**6 539**	6.2	3.9

[1] The figures for 2013 and 2015 have been restated to account for company acquisitions and changes in emission factors.
[2] Calculation based on a market-based approach taking into account the purchase of renewable energy instruments, with the exception of the UK where the government requires companies to report an average grid factor.
[3] Commuting data are gathered bi-annually by means of a survey. The figures are rounded and fraught with considerable uncertainty.

Tackling our carbon footprint
The fourth pillar of our climate strategy focuses on the emissions from our own operations. Through our pioneering Greenhouse Neutral Programme we almost halved our emissions per employee between 2003 and 2013 and set off all remaining emissions. Our new target, valid until 2020, is to keep our per-capita emissions stable at the 2013 level even as we continue to pursue an ambitious strategy in high growth markets. In the present second phase of the Greenhouse Neutral Programme, our emissions accounting and reporting covers the following sources: heating (Scope 1), power consumption (Scope 2) and several activities along our supply chain (Scope 3). You can track the development of these emissions since 2013 in the table above.

In 2016, total CO_2 emissions per employee (FTE) increased by 6.2% and were thus 3.9% higher than in 2013. The main reason was a significant rise in business travel, which outweighed further gains we have made in reducing our energy intensity. A second factor was that we created new jobs in countries where power consumption is carbon intensive at present, eg in India. This situation is one of the reasons why we helped to establish the Climate Group's RE100 initiative (see below).

Switching to renewable energy is one of two main measures we have taken to reach our emissions reduction goals. Approximately 84% of the power we purchased in 2016 across the Group came from renewable energy sources. We are committed to raising this figure to 100%, but in some of the countries where we want to grow, reliable supplies of renewable energy are lacking. As a founding member of the RE100 initiative (theRE100.org) we work together with a number of like-minded companies to improve this situation, by talking to policy-makers and regulators at the national and sub-national level. The RE100 group grew further in 2016 and now includes more than 80 of the world's largest companies.

Becoming more energy efficient in our own operations has been the second key measure of our Greenhouse Neutral Programme. Our goal is to continuously reduce energy intensity by at least 2% per year. Recently we stepped up our efforts to create flexible office environments that offer our employees optimal working conditions while at the same time using space and resources more effectively. In combination with moving into more energy-efficient buildings, this enabled us to further reduce our energy intensity by 3.8% in 2016, resulting in a decrease of 18.5% since 2013.

For full details of our CO_2 emissions and underlying environmental data, please refer to the 2016 Corporate Responsibility Report, page 53.

Strengthening risk resilience: 2016 highlights

Throughout our long history, we have provided our clients with financial protection against risk. Traditionally, our most important client groups are insurers and large corporations. We offer them a wide range of products covering many different types of losses.

However, there remains significant unmet demand for effective, commercially viable re/insurance protection. As the graph below illustrates, the gap between total economic losses and insured losses remains substantial. Given this protection gap, we look beyond our established client base and traditional business model. In particular, we aim to expand re/insurance protection by focusing on underinsured risks, new markets, different clients and innovative risk transfer products. Many of these solutions help our clients to better cope with climate-related threats.

Some of the pioneering transactions we completed in 2016 are outlined below.

Helping to make New Orleans more resilient

More than ten years have passed since September 2005 when Hurricane Katrina hit New Orleans, causing massive damage through the ensuing storm surge and flooding. Culminating its fight back from disaster, the city's leadership launched Resilient New Orleans ("Resilient Nola", www.resilientnola.org) in 2015, the world's first comprehensive urban resilience strategy.

We have played a prominent part in this initiative, joining up with utility company Veolia to help make the city's vital systems more resilient to disasters, on the one hand, and to facilitate speedy relief and recovery on the other. At a ceremony celebrating Resilient Nola's first anniversary in September 2016, the key measures of the project were presented to the public. Since then, the baseline exposure and existing resilience of all the city's water, sanitation and related energy assets has been assessed to today's risk as well as the risk in 30 years' time, based on Swiss Re's proprietary catastrophe modelling and climate risk analysis.

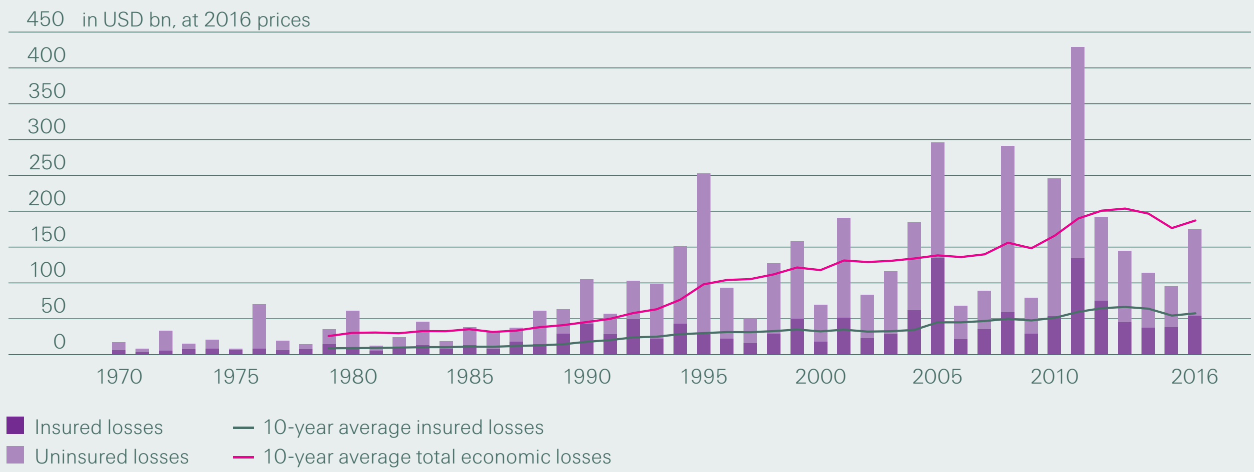
With this analysis in hand, New Orleans is exploring ways to utilise the capacity of the private sector to ensure the city can respond faster after a disaster and safeguard its economic future.

Protecting homeowners in the UK against flood risk

In the UK, we started to provide support to Flood Re (www.floodre.co.uk), a pioneering scheme to make flood insurance more affordable for residential homeowners at risk. In recent years, floods have risen in frequency and intensity in the UK, causing unprecedented damage. Given the impact of climate change on northern European winter storms, this trend will likely continue or even increase.

Based on a partnership between the UK government and the insurance industry, Flood Re manages a central fund that allows insurers to pass on the flood risk of individual policies. When a homeowner suffers damage from flooding and makes a valid claim, the scheme reimburses the respective insurer out of this fund. This reduces insurance premiums for flood-prone homes.

Insured losses vs uninsured losses, 1970–2016



Source: Swiss Re Economic Research & Consulting

Swiss Re supports the programme as a lead reinsurer. In total, Flood Re has secured GBP 2.1 billion of reinsurance cover, making it one of the five largest natural disaster schemes in the world. Ultimately, it is expected to reach some 350 000 households in the UK through cheaper flood insurance, providing valuable learnings for other countries at high risk of flooding.

Supporting a national rice insurance scheme in Thailand

Thailand is one of the world's top rice producers. Rice farming is prevalent across the entire country and provides large parts of the population with their livelihoods. However, rice farmers in the country face the latent threat of natural disasters, in particular floods and droughts. To address this, a rice insurance scheme, complementing the Government Disaster Relief Programme, was launched together with the Thai General Insurance Association (www.tgia.org) a decade ago, offering further financial assistance to farmers whose crops have been damaged by destructive weather conditions.

Unfortunately, a typical problem of such traditional crop insurance schemes is that their administration costs are often too high in the early stages when they do not yet have the critical mass of policies necessary to make them viable for its key stakeholders, ie governments, insurance companies and farmers. To overcome this obstacle and scale up the scheme, we have worked closely with the Thai government over the last two years.

As a result of these efforts, the scheme was approved for a milestone budget of THB 3 billion (approximately USD 90 million) in 2016, with the goal to cover a total of two million rice farmers. The plan for the future is to extend the scheme to further crops and to widen the policy covers.

Helping to insure small businesses in Guatemala

After the devastating earthquake that struck Haiti in 2010, Swiss Re helped set up the Microinsurance Catastrophe Risk Organisation, or MiCRO for short (www.microrisk.org). Combining the capital efficiency of the reinsurance market with donor capital, MiCRO specialises in developing attractive and affordable insurance solutions for low-income populations, especially microentrepreneurs and smallholder farmers.

In 2016, MiCRO launched a new product in Guatemala offering insurance protection against losses resulting from excessive rainfall, severe drought or earthquakes. It is an index-based solution, paying out automatically according to predetermined parameters and event data from objective sources, including NASA satellites. Local partners Banrural (www.banrural.com.gt) and Aseguradora Rural (www.aseguradorarural.com.gt) sell the policies. Swiss Re has provided technical assistance during product development and reinsures the risks.

The small business and agriculture sectors are vital to the further development of Central American economies in general, but are highly vulnerable to weather-related risks. On top of this, climate change is expected to aggravate extreme weather events, increasing both their frequency and intensity. MiCRO plans to expand such index-based insurance products to further countries, and has already submitted one for approval in El Salvador. The goal is to reach a total of 250 000 people in the region by 2019.

In 2016, we also helped to launch two large natural catastrophe pilots in two provinces of China. You can read about these programmes in our 2016 Business Report on pages 22–25.

Payouts to our clients in 2016

Innovative solutions, as described on these pages, all help to extend insurance protection. Three such solutions we have helped develop in recent years showed their practical benefit in 2016 by making payouts to their clients.

In the Caribbean, Hurricane Matthew caused many casualties and brought widespread destruction across the region. CCRIF SPC (www.ccrif.org, formerly the Caribbean Catastrophe Risk Insurance Facility), which we have been reinsuring since 2008, made payouts totalling USD 29 million to the governments of Haiti, Barbados, St. Lucia, St. Vincent and the Grenadines within two weeks of the disaster. This brought the total number of emergency payouts to 21 since 2008, worth USD 68 million.

In southern China, Typhoon Haima fortunately had a less severe human toll but destroyed many houses and crops. The city of Shanwei in Guangdong Province is one of the prefectures that earlier in the year had signed up to our parametric insurance programme against natural disaster risks and so received a payout less than a week after the impact (see 2016 Business Report, page 23).

In Mexico, the MultiCat cat bond, which we helped to develop in 2009 in cooperation with the World Bank, made a payout of USD 50 million to the Mexican government early in the year. The payment was triggered by Hurricane Patricia in October 2015. When the storm formed off Mexico's western coast, it was one of the strongest hurricanes on record. Fortunately, it weakened before making landfall and took a track over more rural areas, sparing many lives.

Our commitments …

USD 3.9 billion

Total amount of climate protection offered to sovereigns and sub-sovereigns since 2014

1 million

Smallholder farmers benefiting from the Grow Africa Partnership by 2016

… to the United Nations

Many of our recent efforts to expand insurance protection cover losses from natural catastrophes and weather volatility (eg drought or excessive rainfall). As climate change is predicted to increase these losses, such transactions also help communities to strengthen their climate resilience. Furthermore, we have found that partnering with public sector clients, especially national and regional governments, is an effective way to develop solutions.

Building on these experiences, we made a significant commitment to the United Nations at its Climate Summit in September 2014. Personally addressing the government leaders present at the summit, our then Group CEO Michel M. Liès made the following pledge: "By the year 2020, Swiss Re commits to having advised 50 sovereigns and sub-sovereigns on climate risk resilience, and to have offered them USD 10 billion against this risk."

We have agreed with the United Nations to report publicly on the progress we make on this commitment. By the end of 2016, we had advised 26 sovereigns and sub-sovereigns on climate risk resilience and offered them a total of USD 3.9 billion in re/insurance protection.

… to the Grow Africa Partnership

In our efforts to bring risk protection to underinsured communities, the African continent — Sub-Saharan Africa in particular — has been a focus area in recent years. Reflecting this engagement, we made a commitment to the Grow Africa Partnership (www.growafrica.org), an initiative launched by a number of organisations to promote public-private collaboration and investment in African agriculture. As most smallholder farmers in Sub-Saharan Africa have lacked access to insurance protection so far, addressing this problem is crucial to protect families' livelihoods, facilitate economic development and reduce poverty.

Our commitment to the Grow Africa Partnership includes the following three elements:

- Give farmers in Sub-Saharan Africa access to tools such as weather and yield index insurance products;
- Invest in resources equivalent to about USD 2 million per year to support the development of sustainable agricultural risk management markets;
- Provide agricultural insurance for up to 1.4 million smallholder farmers.

Working together with different partners, we helped to bring weather insurance to 1 million smallholder farmers in 11 Sub-Saharan countries by the end of 2016. This is less than the 1.6 million recorded in the previous year. The reasons for the decrease are twofold: Firstly, developing schemes that promise to become commercially viable continues to face significant challenges, in particular regarding the creation of effective distribution networks and overcoming market fragmentation. Secondly, the entry of additional capacity providers into some existing schemes has led to a decrease of Swiss Re's participation share in them.

Our Sustainability Risk Framework

Sometimes, business transactions that create economic value and are in compliance with all legal and regulatory requirements may nevertheless have negative impacts on the environment or certain vulnerable groups. Furthermore, such transactions may damage our brand and/or reputation.

Based on our long-standing commitment to enabling sustainable progress, we believe that it is important to recognise and address such dilemmas. Doing so requires a well-defined approach and the willingness to make decisions based on ethical principles.

Our Sustainability Risk Framework is an advanced risk management instrument specifically designed to identify and address potentially negative effects of our transactions on local communities, workforces and the environment — helping us to safeguard our reputation in the process. The framework applies to all of our business transactions, re/insurance as well as investments, to the extent that we can influence their various aspects.

The Sustainability Risk Framework consists of:
- Two umbrella policies on human rights and environmental protection, and seven guidelines on sensitive sectors or issues;
- The Sensitive Business Risk (SBR) process with an online assessment tool and a referral tool — due diligence mechanisms to assess our business transactions;
- Company exclusions; and
- Country exclusions beyond mere compliance with international trade controls.

Guidelines and policies

Our Sustainability Risk Framework is based on the principles of respecting human rights and protecting the environment. Through detailed guidelines, the framework applies these umbrella policies to seven sectors in which we perceive major sustainability risks: the defence industry; oil and gas (including oil sands and hydraulic fracturing); mining; dams; animal testing; forestry, pulp & paper and oil palm; and nuclear weapons proliferation. (The list of key concerns addressed by the policies and guidelines can be viewed at reports.swissre.com/corporate-responsibility-report/2016/cr-report/risk-intelligence/our-sustainability-risk-framework/policies.html)

7 139

Due diligence checks carried out by our underwriters to detect potential sustainability risks

(3 550 in second half of 2015, after introduction)

219

Number of sensitive business transactions referred to our team of sustainability experts

(309 in 2015)

The Sensitive Business Risks process
Each of the two umbrella policies and seven sector guidelines of our Sustainability Risk Framework contains criteria and qualitative standards which define precisely when a transaction may present a "sustainability risk".

We assess such transactions through our Sensitive Business Risk (SBR) process, which consists of two due diligence mechanisms — the SBR online assessment tool and the SBR referral tool. The online tool, which we introduced in mid-2015, enables our underwriters to quickly screen all transactions for possible impacts on the local environment and on the human rights of the people and workforces affected.

If this screening reveals any potential issues, the underwriters carry out further due diligence. Finally, the most critical transactions are referred to our team of sustainability experts, who then conduct targeted research to decide whether the transaction at hand is acceptable on ethical grounds.

This decision takes the form of a binding recommendation either to go ahead with the transaction, to go ahead with certain conditions attached or to abstain from it. If there is disagreement about the recommendation, the case can be escalated to the next management level, ultimately to the Group Chief Risk Officer and the Group Executive Committee.

When making these decisions, we refer to internationally recognised ethical principles. Swiss Re is a signatory to the UN Global Compact, which derives its human rights principles from the Universal Declaration of Human Rights, its labour principles from the ILO Declaration on Fundamental Principles and Rights at Work, its environment principles from the Rio Declaration on Environment and Development and its anti-corruption principles from the United Nations Convention against Corruption.

The online SBR assessment tool is now fully implemented. In 2016, our underwriters used it to carry out sustainability checks on 7 137 transactions. As the tool precisely identifies those transactions that require further assessment from our sustainability experts, the number of referrals has fallen since its introduction in mid-2015. Of the 219 transactions referred in 2016, we issued negative recommendations in 21 cases and positive recommendations with conditions attached in 20 cases.

Integrating anti-bribery & corruption guidance
Swiss Re prohibits all forms of bribery and corruption, as expressed by our Code of Conduct. We clearly state this position and explain what it means for daily business conduct through our Group Anti-Bribery and Corruption (ABC) Policy and detailed Group ABC Guidelines. In 2016, we took further steps to mitigate our potential exposure to bribery and corruption risks by integrating corresponding guidance in our SBR assessment tool, thus ensuring appropriate due diligence on our counterparties.

This guidance specifies both the countries and industries with a heightened risk of bribery and corruption, and instructs our underwriters how to carry out additional due diligence in order to assess the risk. In grave cases, our due diligence procedure leads to an automatic requirement to abstain from the transaction. If there is disagreement about this, the transaction needs to be discussed with our internal legal and compliance team who will provide additional advice.

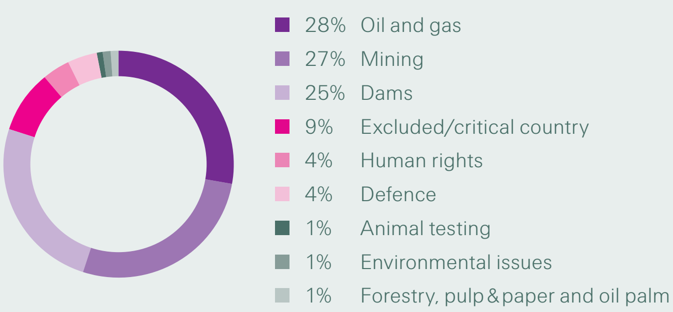
Company exclusions

The policies of our Sustainability Risk Framework specify certain criteria that may lead to the exclusion of a company from both our re/insurance transactions and our investments, to the extent that such an exclusion is permissible (eg by virtue of mandatory law or internal policies) and possible (eg if existing documentation relating to such re/insurance transactions and investments provide for it). These criteria include: involvement in prohibited war material; verifiable complicity in systemic, repeated and severe human rights violations; causing repeated, severe and unmitigated damage to the environment; unregulated proliferation of nuclear weapons; and unethical/cruel animal testing practices.

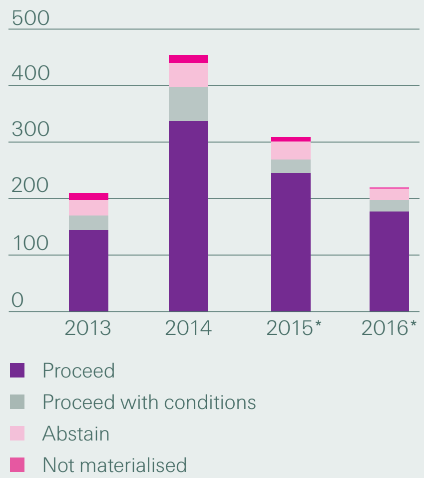
Country exclusions

Swiss Re also excludes certain countries from its business, beyond compliance with international trade controls (ITCs). The criterion for these country exclusions is a particularly poor human rights record. Our goal is not to directly underwrite risks or make investments in entities that are based in these countries. At the end of 2016, the countries excluded from our business for human rights reasons were the Central African Republic, Chad, DR Congo, North Korea, Somalia, Sudan (both North and South) and Syria. We review this list annually based on independent human rights assessments and update it if warranted. The review carried out in 2016 did not produce any changes.

Sensitive Business Risks referred to our expert team in 2016



Number of Sensitive Business Risk referrals



* Starting in mid-2015, we have refined our SBR process, which has led to a decrease in the number of referrals

Diversity and inclusion in our workforce

One of the key aspirations of our People Strategy is to attract and engage talented employees from different backgrounds by living a flexible, inclusive and open culture where dialogue and different perspectives are valued. This aspiration is reflected in our diversity and inclusion (D&I) vision: "See, feel and live diversity — diversity of gender, race, ethnicity, generation, sexual orientation (LGBT), physical abilities, personalities and experiences — at all levels, functions and regions of Swiss Re".

We are committed to this vision because it supports an environment in which our employees value each other's differences and where they can all bring their authentic selves to the workplace — an environment in which our inclusive culture enables us to truly live our "smarter together" brand promise.

Living up to this promise, our global D&I community, a committed group of business D&I Champions, local D&I Councils and inclusive Employee Networks, continued their strong efforts to ensure our diversity and inclusion framework is firmly embedded in our corporate culture. These efforts are reflected in our 2016 employee engagement results, which tell us that our employees are positive about Swiss Re's open and inclusive culture, and that they see the value we place on diversity.

Advancement of women

Almost half of Swiss Re's global workforce are women and we are steadily improving gender balance at management levels. To underline our commitment to reducing bias in talent decision-making, this year we integrated line manager training and tools into the recruiting process and across the talent life cycle. As part of our new employer brand positioning, we systematically apply D&I best practices, such as forming diverse hiring panels and using gender-sensitive language and visuals in all job advertisements.

Women in management positions, Swiss Re Group (in %)

	2014	2015	2016
Executive/senior management positions[1]	21.4	22.1	22.9
All management positions[1]	31.5	32.2	32.9
Total workforce	46.3	46.4	46.9

[1] "Executive/senior management positions" comprises the management levels of Director/Senior Vice President upwards.
"All management positions" refers to Vice President and above.

Bridging generations

To ensure Swiss Re attracts and retains the talent needed for the future and remains an employer of choice, it is important we understand the diverse needs of the multiple generations making up our workforce. In particular, we are focusing on building dialogue across different age groups to break the stereotypes attached to generational preferences and workstyles.

Agile working

Our future success depends on our ability to create a flexible, global workforce that is responsive and highly resilient in responding to the needs of our business. Swiss Re follows an integrated, future-focused strategy that brings together our physical workplace, technology and people management practices to take us to the next level. As part of our agile workplace initiative, line managers and employees are being trained in how to foster inclusiveness and engagement in teams working more flexibly.

We have made considerable efforts to ensure our employees own the way they work and can effectively collaborate in an agile and flexible working environment. This is reflected in a variety of formal and informal flexible working arrangements that focus on performance outcomes versus face time. Our trademarked programme, Own the Way You Work™, is a cultural change initiative which gives managers and employees autonomy to decide how, when and where work is carried out, in compliance with the applicable laws, rules and regulations of their particular region. This has become a differentiating part of Swiss Re's employee value proposition.

Inclusive culture

A key aspect of our People Strategy is to prevent stereotyping of individuals based on any dimensions of diversity. It centres on raising awareness of the "unconscious biases" that every one of us have and which can unintentionally influence our decision-making and our behaviour towards others. Besides the ongoing self-awareness and skills training in reducing bias throughout Swiss Re, line managers and employees participate in a variety of face-to-face and web-based training that promotes self-awareness and skills in reducing bias such as those related to generations, sexual orientation and gender.

Code of Conduct

In line with Swiss Re's policy of fostering diversity, we have strong provisions in place to penalise any infringing behaviour. Our Code of Conduct, of which we published an updated version in 2016, clearly states that discrimination in the workplace against any employee or job applicant based on the person's age, (dis)ability, origin, gender, religion or sexual orientation, or any other characteristic protected by local law, is not tolerated under any circumstances. We encourage our employees to report violations of the Code of Conduct, laws, rules or regulations, and make it clear to them that reporting in good faith is treated with discretion and that retaliation will not be tolerated.

Swiss Re is committed to a compensation framework that is balanced and performance-oriented and that aligns the interests of employees and shareholders.

CONTENTS

Report from the Compensation Committee

"During the last year, the Compensation Committee continued to monitor the alignment of the compensation framework with our long-term business strategy and shareholder interests."

C. Robert Henrikson
Chairman of the Compensation Committee

Dear shareholders,
I am pleased to share with you Swiss Re's Compensation Report for the financial year ended 31 December 2016, which has been prepared in accordance with applicable laws, rules and regulations.

Our vision "we make the world more resilient" is supported by our mission — to create smarter solutions for our clients through new perspectives, knowledge and capital. The combination of these strengths makes Swiss Re a partner of choice for our clients. At the same time Swiss Re wants to be an employer of choice for our employees. Its compensation framework is therefore designed to attract, motivate and retain the qualified talent the Group needs to succeed globally while providing superior returns to our shareholders. During the last year, the Compensation Committee continued to monitor:

- The alignment of the compensation framework with our long-term business strategy and shareholder interests;
- The effectiveness of the current performance measurement approach which assesses actual performance versus goals and then determines compensation outcomes;
- The competitiveness of compensation for the Group Board of Directors, Group Executive Committee (Group EC) and other executives; and
- Legal and regulatory developments including continued compliance of Board of Directors' and Group EC compensation with the Ordinance against Excessive Compensation at Public Corporations (the Ordinance).

It also conducted a self-assessment of its own effectiveness.

The Compensation Committee would like to acknowledge the strong shareholder support at the Annual General Meeting (AGM) 2016. Swiss Re's shareholders again approved the proposed aggregate compensation of the members of the Board of Directors and the Group EC. Additionally, all proposals for re-election and election to the Compensation Committee were approved and the 2015 Compensation Report received a positive outcome in the consultative vote.

Group business performance 2016

Key considerations for annual compensation decisions continue to cover a combination of US GAAP and Economic Value Management (EVM) based business results, qualitative factors and Swiss Re's pay-for-performance approach. Compensation decisions were made considering Swiss Re's overall performance for the reporting year in which the Group delivered good US GAAP and strong economic results. Net income was supported by all Business Units, with a strong contribution from investments. The Group's overall underwriting performance was solid, with technical profitability across all businesses. Property & Casualty Reinsurance delivered good US GAAP and solid economic results. Life & Health Reinsurance exceeded its return on equity target and reported strong economic results. The Corporate Solutions US GAAP result was driven by continued pricing pressure and large man-made losses, and the economic result was impacted by the non-recognition of intangible assets (including goodwill) related to the IHC acquisition. Life Capital delivered a strong performance across all metrics and generated significant gross cash for the Group.

Group EC changes in 2016

During 2016 significant changes to the Group EC occurred whereby Christian Mumenthaler became the new Group Chief Executive Officer on 1 July 2016, succeeding Michel Liès. All subsequent vacancies were filled with strong internal candidates who were already members of the Group EC or promoted onto the Group EC, all proof of a strong and well established talent pool. The fixed compensation and variable long-term compensation granted to the existing members of the Group EC for 2016 was within the budget approved by the shareholders at the AGM 2015. An additional amount was available to cover compensation granted in 2016 to two new members of the Group EC because of their promotions which is in accordance with Art. 23 of the Articles of Association (see detailed disclosure on pages 155 and 160 of this Compensation Report).

Compensation framework

Swiss Re's compensation framework is designed to promote long-term sustainable performance for the Group and its shareholders through a mix of fixed and variable compensation components. It comprises fixed components such as base salary, pensions and other benefits, as well as a combination of variable short- and long-term incentives as outlined later in this Compensation Report. The Compensation Committee continues to review and monitor the compensation framework of Swiss Re considering business strategy, targets, risk awareness and corporate values. External factors with respect to regulatory requirements and legal developments, the international context and relevant market data are also taken into account.

2016 was a year of stability with no material changes to our existing compensation framework.

AGM 2017

The Compensation Committee remains committed to providing compensation policies and programmes that support our business strategy and align the interests of our employees with those of our shareholders. We are therefore keen to maintain regular interactions with shareholders and other key stakeholders.

As was the case last year and in line with our Articles of Association, shareholders will again be asked to approve the following amounts:

- Aggregate amount of variable short-term compensation for the members of the Group EC for the financial year 2016;
- Maximum aggregate amount of compensation for the members of the Board of Directors for the term of office from the AGM 2017 to the AGM 2018; and
- Maximum aggregate amount of fixed compensation and variable long-term compensation for the members of the Group EC for the financial year 2018.

Separate to this and as in the past, shareholders will also be asked to support this Compensation Report in a consultative vote. The Compensation Committee is satisfied that this Compensation Report complies with applicable laws, rules and regulations and provides a comprehensive view of the compensation framework at Swiss Re and the 2016 compensation decisions.

Zurich, 16 March 2017

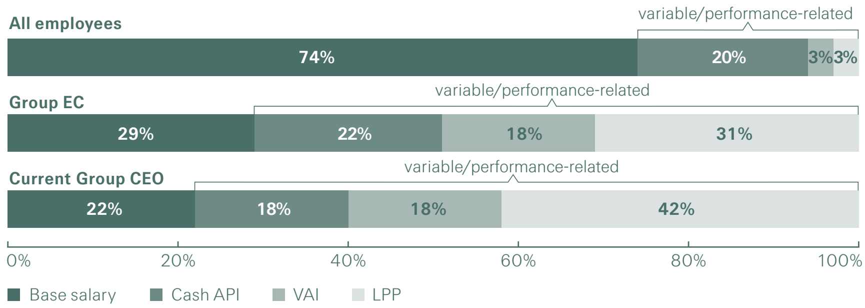
C. Robert Henrikson
Chairman of the Compensation Committee

Compensation context and highlights in 2016

Pay for performance

The Compensation Committee ensures that executive management compensation is linked to the business performance of Swiss Re by delivering a substantial portion of compensation in the form of variable and performance-related incentives.

	Fixed	Variable/performance-related	of which deferred
All employees	74%	26%	22%
Group EC	29%	71%	70%
Current Group CEO	22%	78%	76%



The Compensation Committee monitors how compensation is aligned with specific business metrics, including US GAAP net income and EVM profit.

USD millions (unless otherwise stated)	2014	2015	change	**2016**	change
US GAAP net income	3 500	4 597	31%	3 558	–23%
EVM profit	1 336	480	–64%	1 399	191%
Regular dividend payments (CHF)[1]	4.25	4.60	8%	4.85	5%
Financial Strength Rating (Standard & Poor's)	AA-	AA-		AA-	
Total equity	36 041	33 606	–7%	35 716	6%
Regular staff worldwide	12 224	12 767		14 053	
Aggregate compensation for all employees (CHFm)[2]	2 081	2 213	6%	2 265	2%
Group EC members[3,4]	13	12		14	
Aggregate Group EC compensation (CHF thousands)[2]	42 612	47 360	11%	51 430	9%

[1] Dividend payments are made in April of the following year. For 2016 an ordinary dividend of CHF 4.85 is proposed to the AGM 2017. In 2014 there was a special dividend per share of CHF 3.00.
[2] Disclosure includes all awards for a reporting year, ie the 2016 aggregated compensation values include the fair value of the Leadership Performance Plan (LPP) granted in April 2016. The API for 2016 for members of the Group EC is subject to approval by the shareholders at the AGM 2017.
[3] Represents incumbents and not positions.
[4] Including previous and current Group CEO.

Attribution of 2016 Group income (in USD millions)

- 10% Variable compensation
- 16% Income tax expense
- 54% Net income paid out as dividend or share buy-back
- 20% Net income added to retained earnings

Attribution of Group income to key stakeholders

USD millions (unless otherwise stated)	2014	%	2015	%	**2016**	%
Income before tax and variable compensation	4 629	100%	5 758	100%	4 773	100%
Variable compensation	471	10%	510	9%	466	10%
Income tax expense	658	14%	651	11%	749	16%
US GAAP net income attributable to shareholders	3 500		4 597		3 558	
of which paid out as dividend[1]	2 608	57%	1 561	27%	1 572	33%
of which share buy-back			1 018	18%	1 017[2]	21%
of which added to retained earnings within shareholders' equity	892	19%	2 018	35%	969	20%

[1] FY 2014 includes a special dividend of USD 1.1 billion. FY 2016 is estimated based on average year-to-date CHF/USD FX rates as of February 2017. The dividend is subject to AGM approval and the amount depends on the final number of dividend eligible shares and FX rates upon dividend pay out.
[2] Includes shares bought back between 4 November 2016 and 9 February 2017 as part of the buy-back programme authorised at the AGM 2016. The total amount represents an estimate translated at the 2016 average CHF/USD FX rate.

Key considerations for annual compensation decisions cover US GAAP and EVM based business results, qualitative factors and Swiss Re's pay-for-performance approach.

Swiss Re Group and Business Units
The Group delivered good US GAAP and strong economic results. Net income was supported by all Business Units, with a strong contribution from investments. The Group's overall underwriting performance was solid, with technical profitability across all businesses. Property & Casualty Reinsurance delivered good US GAAP and solid economic results. Life & Health Reinsurance exceeded its return on equity (ROE) target and reported strong economic results. The Corporate Solutions US GAAP result was driven by continued pricing pressure and large man-made losses, and the economic result was impacted by the non-recognition of intangible assets (including goodwill) related to the IHC acquisition. Life Capital delivered a strong performance across all metrics and generated significant gross cash for the Group.

US GAAP financial performance
Property & Casualty Reinsurance achieved good results in a challenging market environment. Despite various large losses, notably wildfires in Canada, Hurricane Matthew and an earthquake in New Zealand, the business segment delivered a good ROE for the year, supported by favourable prior accident year development and investment results. Life & Health Reinsurance continues to report good US GAAP results, demonstrating sustainability in its performance. Premium growth reflects the realisation of attractive opportunities, in particular through large transactions in the US, successful renewals and new business deals in Asia. The net operating margin of the business segment remains solid, underlining the quality of the in-force book and the profitability of the new business.

The Corporate Solutions result was impacted by continued pricing pressure and large man-made losses, in particular casualty losses in North America. The Business Unit continued to pursue its disciplined growth strategy. In 2016, Corporate Solutions acquired IHC Risk Solutions, LLC (IHC) in the US, opened an office in Kuala Lumpur, obtained an insurance license in Hong Kong, and signed an agreement with Bradesco Seguros, which, once completed, will make Swiss Re a leading commercial large-risk insurer in Brazil. Premiums earned increased slightly compared to 2015, driven by the IHC acquisition.

Life Capital, which includes ReAssure (formerly Admin Re®) and, as of 6 January 2016, the operations formerly known as Guardian Financial Services (Guardian), reported strong results, driven by investment performance, mainly from the Guardian portfolio, and solid underlying business performance. Gross cash generation was strong, driven by management actions and despite the unfavourable impact of decreasing interest rates in the UK.

For further details on the US GAAP financial performance, refer to pages 26–49 of this Financial Report.

Economic Value Management financial performance
The Group's EVM profit in 2016 reflects a strong investment result and a strong Life & Health Reinsurance new business result. The EVM result of P&C Reinsurance was driven by a favourable previous years' business result and a new business profit reflecting market softening and large losses. The Life & Health Reinsurance underwriting result was strong, driven by large transactions in the US, health initiatives and business growth in Asia, partially offset by higher capital costs for previous years' business. Corporate Solutions generated a small EVM new business loss primarily driven by the non-recognition of intangible assets (including goodwill) related to the IHC acquisition, continued pricing pressure and large man-made losses, partially offset by higher profit from investment activities. Life Capital reported a strong EVM profit driven by strong investment results, partially offset by new business expenses and higher capital costs due to the adoption of Solvency II and lower risk-free interest rates.

Investment activities generated a strong EVM profit in 2016 mainly driven by the impact of credit spread tightening and performance from equities and alternative investments. The largest EVM profits were in Life Capital and Life & Health Reinsurance, which hold the majority of the Group's credit investments.

For further details on the economic financial performance, refer to the EVM section on pages 59–60 of this Financial Report.

Qualitative and overall assessment
Qualitatively, Swiss Re has made noticeable improvements in 2016. Global employee engagement survey scores increased and remain above the relevant external benchmarks. Client centric behaviour also improved and is now close to the relevant externally benchmarked high performance norm. Additionally, Corporate Solutions concluded two important acquisitions (IHC in the US and Bradesco Seguros in Brazil) while Life Capital oversaw a very successful transition of the recent Guardian acquisition.

Both the Compensation Committee and the full Board of Directors assessed the 2016 performance of Swiss Re Group as solid across all metrics. The overall performance in the reported year was lower compared to the very good performance in 2015 but stronger compared to 2014. Consequently, variable compensation pools for the Group EC and other employees were set at lower levels than in 2015.

Value Alignment Incentive
Value Alignment Incentive (VAI) performance is measured for the Group and each underlying business area. The performance factor for each participant is determined based on the business area that the participant was in at the time of award. In March 2016, the Group VAI 2012 (awarded in 2013) vested with a performance factor of 101.5% (see page 145 for a detailed description of the VAI).

The VAI 2012 performance factor of 101.5%, which applies to all Group functions, was driven by slightly positive business developments and good investment performance in 2013, mostly offset by the investment underperformance in 2014 and 2015.

VAI plan year	Performance measurement period elapsed as of 31 December 2016	Swiss Re Group performance factor
2009 (awarded 2010)	3 years (closed)	104.0%
2010 (awarded 2011)	3 years (closed)	105.9%
2011 (awarded 2012)	3 years (closed)	103.0%
2012 (awarded 2013)	3 years (closed)	101.5%
2013 (awarded 2014)	3 years	to be determined
2014 (awarded 2015)	2 years	to be determined
2015 (awarded 2016)	1 year	to be determined

Leadership Performance Plan
The LPP award is consistently linked to Swiss Re Group's future achievement of multi-year performance conditions (ROE and relative Total Shareholder Return/TSR), keeping the focus on the long-term success of the Group. Swiss Re made LPP grants in 2016 consistent with this rationale. The LPP is generally part of total target compensation (see page 146 for a detailed description of the LPP).

The LPP 2013 plan was granted on 1 April 2013 and vested on 31 March 2016. The Restricted Share Unit (RSU) component is measured against an ROE performance condition. At the end of each year, the performance is assessed and one third of the RSUs are locked in within a range of 0% to 100%. At the end of the three-year period, the total number of units locked in vests. For the LPP 2013 the average performance factor for the RSUs was 99.7% for the three-year period.

The Performance Share Unit (PSU) component is based on relative TSR, measured against a pre-defined basket of peers and vests within a range of 0% to 200%. For the LPP 2013 the performance factor for the PSUs was 60% for the three-year period.

Compensation framework

Compensation Policy

Building on the overarching compensation principles included in Swiss Re's Articles of Association, the compensation framework is captured within the Swiss Re Group Compensation Policy (the Compensation Policy). The Compensation Policy governs the compensation structure and processes across all functions and locations at Swiss Re and is reviewed regularly.

The Compensation Committee has also approved an authority matrix that defines the limits to which each level of management can authorise compensation payments. Separate limits apply to each compensation element, thereby ensuring that all payments receive the appropriate level of approval. The Group CEO or the Compensation Committee, as applicable, approves all compensation that exceeds the pre-set limits. The Group CEO is not involved in decision making concerning his own compensation.

The Human Resources function conducts a regular self-assessment of Swiss Re's compliance with the Compensation Policy. The Compensation Committee reviews this self-assessment and identifies potential areas of improvement. The Compensation Committee receives reports on compensation decisions as appropriate, including a comprehensive review of the effectiveness of the annual compensation review cycle.

Swiss Re is required to assess the compliance of the Compensation Policy with the requirements of FINMA. As part of this process, the Board's Finance and Risk Committee is required to review risks related to the Compensation Policy.

To facilitate the compliance certification process, a comprehensive risk analysis of the Compensation Policy is conducted on an annual basis.

To reflect best practices, the Compensation Policy prohibits the use of any personal hedging strategies or remuneration and liability-related insurance that could undermine the risk alignment effects and economic exposure embedded in compensation arrangements.

Guiding principles

Swiss Re's compensation framework is designed to attract, motivate and retain the qualified talent the Group needs to succeed globally and to create a tangible link between performance and pay.

The aim is to provide compensation that is competitive in local labour markets and to ensure that employees focus on delivering outstanding results while supporting appropriate and controlled risk-taking. A balanced compensation package is complemented by competitive pension plans and benefits.

This approach adds to the success of the business by:
- supporting a culture of high performance with a focus on risk-adjusted financial results;
- ensuring alignment of compensation to business results, individual contribution and compliance;
- supporting Swiss Re's commitment to attract, motivate and retain key talent;
- aligning the interests of employees with those of Swiss Re's shareholders; and
- fostering compliance and supporting appropriate and controlled risk-taking.

Swiss Re has several incentive programmes that reflect the long-term nature of the business: both the VAI as the deferred part of the Annual Performance Incentive (API) and the LPP aim to reward sustained performance rather than short-term results. These programmes support closer alignment of the interests of shareholders and employees.

Overview of the compensation components for Group EC members and other employees
Swiss Re aims for total compensation that is competitive in the market.

In addition, Swiss Re seeks to ensure that total compensation is well-balanced in terms of fixed versus variable compensation and in terms of short-term versus long-term incentives. This is to encourage sustainable performance and appropriate risk-taking.

The illustration below shows a summary of Swiss Re's compensation and benefit components which are now further described.

Base salary
Base salary is the fixed compensation paid to employees for carrying out their role and is established based on the following factors:
- scope and responsibilities of the role, and qualifications required to perform the role;
- market value of the role in the location in which Swiss Re competes for talent; and
- skills and expertise of the individual in the role.

Annual Performance Incentive
Purpose
The API is a performance-based, variable component of compensation. Combined with the base salary, it provides competitive total cash compensation when both business and individual performance targets are achieved.

Structure
Swiss Re operates a Target API (TAPI) system along with a performance management framework that provides equal weighting to results-oriented and behavioural related performance criteria for all employees. API is awarded for both objectives achieved and the demonstration of desired behaviours.

A TAPI is set based on multiple factors, but primarily on the role being performed and market benchmarks. Similar to the determination of the base salary, the employee's total compensation and overall pay-mix are taken into account, when setting the TAPI. The possible payout for the API ranges from 0 to 2x TAPI. For Group EC members an additional cap applies which is 3x base salary.

Summary of compensation and benefit components

	Fixed	Variable compensation			Participation plans		
		(short-term)		(long-term)	(long-term)		
	Base salary	Cash API	VAI (deferred API)	LPP	GSPP	ISP	Benefits
Eligibility	All employees	All employees	Employees with an API at or above USD 100 000	Group EC members and other employees upon Group CEO invitation	All employees	All employees	All employees
Purpose	Attract and retain	Pay for performance	Pay for sustained performance	Alignment with future performance	Alignment to share-holders	Alignment to share-holders	Risk protection, market com-petitiveness, connection to Swiss Re values
Plan duration			3 years	5 years for Group EC members and other key executives* and 3 years for the majority of participants	3 years	1 year	
Drivers	Role and experience	Business and indivi-dual performance	Business performance	Business performance			Market practice
Settlement	Cash (immediate)	Cash and/or shares (under the ISP)	Cash (deferred)	Shares	Shares	Shares	Pension, insurances, cash
Performance KPIs		Business and individual performance	Measurement of the economic impact of profit/loss from previous years' business	Relative TSR ROE			
Performance period		1 year	3 years	3 years			
Payout range		0 to 2x TAPI	50%–150% of deferred API	RSUs: 0%–100% PSUs: 0%–200%			
Impact of share price on payout	No	No	No	Yes	Yes	Yes	No
Forfeiture rules	No	Yes	Yes	Yes	Yes (on match)	No	In certain plans
Clawback rules	No	Yes	Yes	Yes	No	No	

* Certain members of Business Unit Executive Committees (BU ECs) and all Group Managing Directors (GMDs).

Settlement
API is generally settled in cash. When the total API level for an employee exceeds a pre-defined amount, the award is split into two components: an immediate cash incentive payment (cash API) and a deferred API (VAI).

Employees can invest some or all of their cash API in shares under the Incentive Share Plan (ISP).

Value Alignment Incentive

Purpose
The VAI is a mandatory deferral of a portion of the API and introduces a time component to this performance-based, variable compensation. This supports the Group's business model by aligning a portion of variable compensation with sustained long-term results. The aim is to ensure that the ultimate value of the deferred variable compensation through VAI is affected by the longer-term performance of the relevant Business Unit and the Group.

Plan duration
The VAI supports a longer-term perspective by linking awards to performance over a three-year period.

Performance measurement
Starting with the 2015 award, the performance measurement calculation has been simplified to increase transparency. This was achieved by using fewer performance factors (at the Business Unit and Group level) and, where possible, published EVM information.

The payout factor of the VAI is calculated based on the three-year average EVM previous years' business profit margin for all prior underwriting years. EVM is Swiss Re's proprietary integrated economic valuation and accounting framework for planning, pricing, reserving, and steering the business (please refer to the EVM section on pages 59–60 of this Financial Report). The EVM previous years' business profit margin is the ratio of EVM previous years' business profit to EVM capital allocated to previous years' business in the current year.

A higher EVM previous years' profit margin (for all prior underwriting years) results in a higher payout factor. Conversely, a lower EVM previous years' profit margin results in a lower payout factor. The payout factor is a linear function that ranges from 50% to 150%.

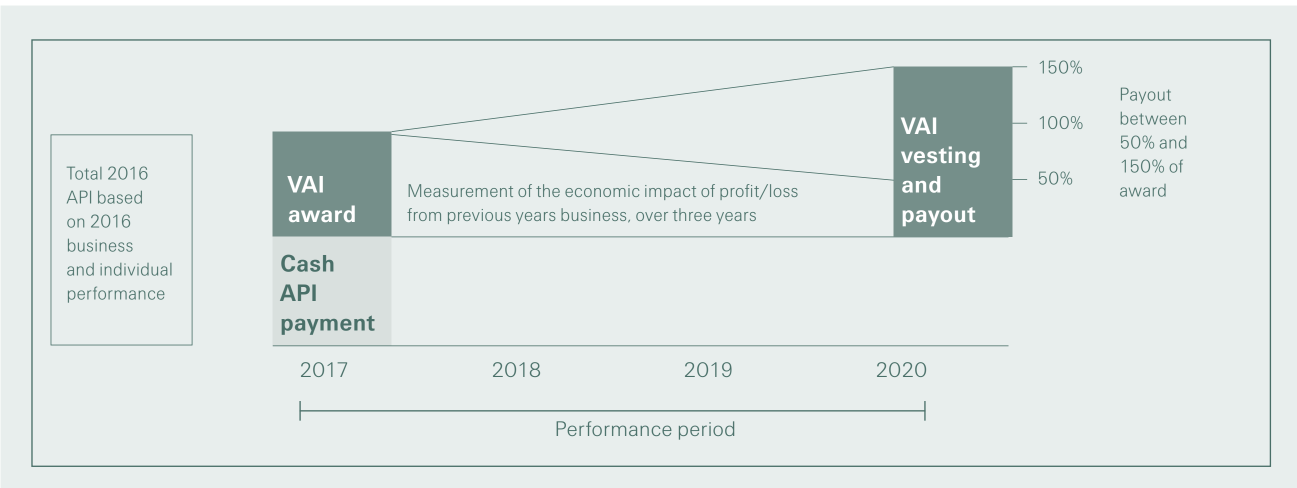
Structure
The higher the API granted, the greater the amount of compensation that remains at risk through deferral into the VAI, as shown in the table below.

Settlement
At the end of the deferral period, VAI will be settled in cash. For the full three-year performance measurement period, forfeiture conditions apply.

Additionally, clawback provisions apply in a range of events as defined in the VAI plan rules, enabling Swiss Re to seek repayment of settled awards. Examples of such events are the participant's conduct or acts which can be considered as malfeasance, fraud or misconduct.

Portion of API that is deferred

	Deferral into VAI
Group CEO	50% of API
Group EC members	45% of API
Other key executives	40% of API
All other employees	50% of the amount exceeding USD 100 000 with a minimum deferral amount of USD 5 000 at USD 100 000 and up to a maximum of 40% of API



Leadership Performance Plan

Purpose

The purpose of the LPP is to provide an incentive for Swiss Re's senior management to create sustainable company performance over the long term. The LPP is a forward-looking instrument awarded to participants with an objective to incentivise decision-making that is also in the shareholders' interest.

The intention of the LPP is to:
- focus participants' energies on earnings, capital efficiency and Swiss Re's position against peers, all of which are critical to sustained shareholder value creation;
- focus participants on long-term goals;
- attract and retain individuals of exceptional skill; and
- provide competitive compensation that rewards long-term performance.

Grant

The amounts disclosed under LPP in the section "Compensation disclosure and shareholdings 2016" reflect the grants made in April 2016. This LPP award will be measured over the period 2016 to 2018 and will vest in 2019. Grant levels are determined based on multiple factors which include the role being performed and market benchmarks.

Plan duration

For LPP awards granted to Group EC members and other key executives, the duration of the LPP is five years comprising a three-year vesting and performance measurement period and an additional two-year holding requirement. For all other participants, the vesting and performance measurement period is three years with no additional holding requirement.

Structure

At the grant date, the award amount is split into two underlying components, RSUs and PSUs, using a fair market value methodology executed by a third party.

Restricted Share Units

The performance condition for RSUs is ROE with a linear vesting line. Vesting is at 0% for an ROE at the risk-free rate* and at 100% for an ROE at a predefined premium above the risk-free rate. The premium is set at the beginning of the plan period and for LPP 2016 this premium has been set at 900 basis points above the risk-free rate. At the end of each year, the performance against the ROE condition is assessed and one third of the RSUs are locked in within a range of 0% to 100%. At the end of the three-year period, the total number of units locked in at each measurement period will vest (capped at 100%**).

Performance Share Units

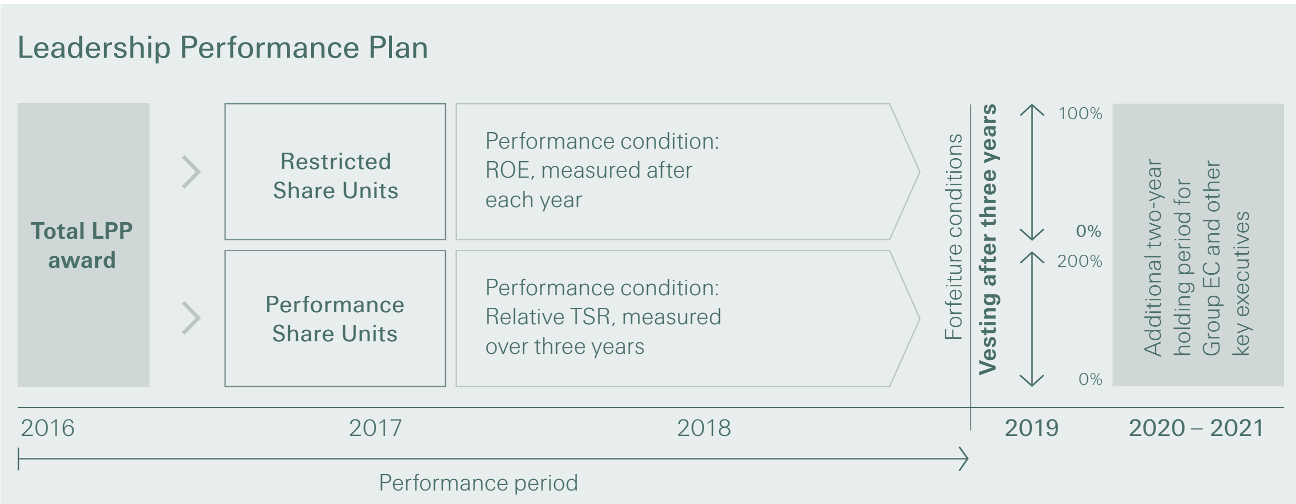
The performance condition for PSUs is relative TSR measured over three years. The PSUs vest within a range of 0% to 200%. Vesting starts at the 50th percentile of TSR relative to peers with 50% vesting and is capped at 200%** vesting at the 75th percentile relative to peers. In case of a negative TSR over three years, the Compensation Committee retains the discretion to reduce the level of vesting.

Swiss Re's TSR performance is assessed relative to the TSR of the pre-defined peer group. This peer group consists of companies that are similar in scale, have a global footprint or a similar business mix as Swiss Re. The peer group which is set at the beginning of the plan period includes Allianz SE, American International Group Inc, AXA SA, Chubb Limited, Everest Re Group Ltd, Hannover Rueck SE, Muenchener Rueckversicherungs-Gesellschaft AG, Reinsurance Group of America Inc, RenaissanceRe Holding Ltd, SCOR SE, XL Group Ltd and Zurich Insurance Group Ltd.

Settlement

At the end of the three-year measurement period, both RSUs and PSUs will typically be settled in Swiss Re Ltd shares. For the full three-year performance measurement period, forfeiture conditions apply. Additionally, clawback provisions apply in a range of events (the same as outlined under the VAI section) as defined in the LPP plan rules, enabling Swiss Re to seek repayment of settled awards.

* The annual risk-free rate is determined as the average of 12 monthly rates for 10-year US treasury Bonds of the corresponding performance year.
** Maximum vesting percentage excludes share price fluctuation until vesting.



Swiss Re also makes it possible for all LPP participants to have shares sold or automatically settled on a net basis as applicable, to cover statutory tax and social security liabilities that may arise at vesting.

Funding of the Annual Performance Incentive and Leadership Performance Plan pools

The Compensation Committee focuses on both financial results and qualitative criteria in determining global variable compensation pools.

The Compensation Committee receives proposals from management requesting the total funding for variable compensation pools for both API and LPP. The management proposal for the annual API pool is generally based on the Group's overall performance for the year. The LPP pool is reviewed in the context of sustainable business performance and affordability. The Compensation Committee considers these proposals and recommends a total pool to the full Board of Directors for approval. The Compensation Committee and the Chairman of the Board of Directors also propose an individual award for the Group CEO within this overall pool. The VAI is not funded as a separate pool: the API pool will include amounts paid in immediate cash and amounts to be deferred into the VAI.

Swiss Re uses a three-step process to assess business performance to help determine the overall Group API pool. The process comprises a financial, a qualitative and an overall assessment. The financial assessment covers ROE, net operating margin, EVM profit (% of economic net worth) and economic net worth growth measures for both the Group and each Business Unit individually. Also, multi-year comparisons and an assessment of the quality of earnings are considered. The chart below gives more detail on the criteria used to determine the size of the pool. The Business Units then allocate their pools following a similar assessment.

Global Share Participation Plan

Swiss Re offers its employees an opportunity to directly participate in the long-term success of the Group by purchasing Swiss Re Ltd shares (for up to a maximum of CHF 7 000 per year and capped at 10% of base salary), through the Global Share Participation Plan (GSPP). Swiss Re provides a 30% match on the number of shares held by employees at the end of the three-year plan cycle. The match is subject to forfeiture rules in case of termination of employment before the end of the plan cycle. The GSPP has the same core design in all locations.

Incentive Share Plan

The ISP provides employees with an opportunity to purchase with some or all of their immediate cash API Swiss Re Ltd shares. Shares are offered with a 10% discount on the Fair Market Value (FMV) and are subject to a one-year blocking period. Full shareholder rights apply during this blocking period. The ISP encourages alignment with shareholder interests. At the end of the one-year period, the employee assumes full ownership of the shares.

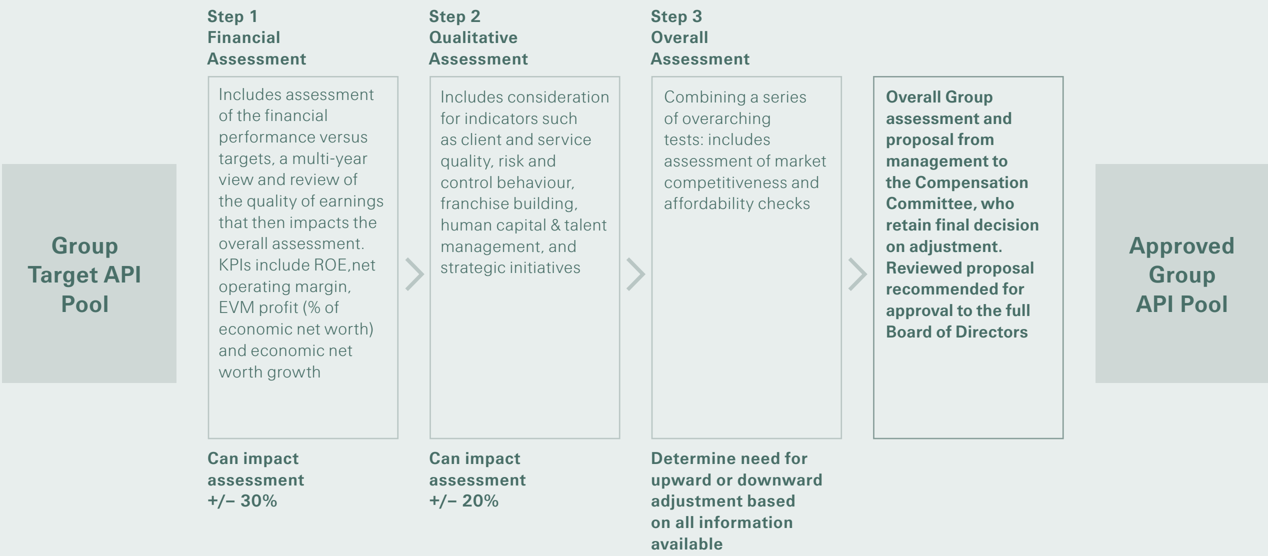
Benefits

Swiss Re aims to provide a competitive package of employee benefits. Benefits are designed and implemented under a global framework, while appropriately reflecting differing local employment market conditions.

The key objectives of Swiss Re's benefits packages are to:

- provide a degree of security for employees as they relate to pension, health matters, disability and death;
- be competitive in the markets where Swiss Re competes for talent, as such perquisites are generally provided where these are market driven; and
- connect with Swiss Re values and enhance engagement.

Group API pool funding process



Supplementary information on Group EC members

Performance assessment

The Compensation Committee assesses the performance of the Group EC including the Group CEO against the same set of quantitative and qualitative objectives. These objectives are agreed at the beginning of the year and are aligned with the Group's strategy.

Compensation approval

The determination of compensation for the Group EC including the Group CEO is ultimately subject to AGM approval as outlined in the Articles of Association.

Benchmarking

The external compensation advisor to the Compensation Committee conducts an annual review of the compensation for the Group EC relative to a group of reference companies in the financial services industry to ensure that market competitiveness is maintained. The reference companies are regularly reviewed by the Compensation Committee to ensure their continued relevance. The core peer group consists of the following globally active primary insurance and reinsurance firms: Allianz SE, American International Group Inc, Aviva PLC, AXA SA, Chubb Limited, Hannover Rueck SE, Metlife Inc, Muenchener Rueckversicherungs-Gesellschaft AG, Prudential Plc, QBE Insurance Group Ltd, Reinsurance Group of America Inc, SCOR SE, XL Group Ltd and Zurich Insurance Group Ltd.

Employment conditions

The Group EC including the Group CEO have employment contracts with notice periods of 12 months and no severance clauses. Information on "change of control" clauses is covered in the Corporate Governance section on page 115 of this Financial Report.

Group EC members are covered by the Group's standard defined-contribution pension plans.

Stock Ownership Guidelines

Swiss Re has stock ownership guidelines which articulate the levels of stock ownership expected of the Group EC including the Group CEO. The guidelines are designed to increase the alignment of the interests of senior management and shareholders.

The guidelines define target ownership by role and the ownership levels required are:

- Group CEO — 3x annual base salary; and
- Group EC members — 2x annual base salary.

Members have a five-year timeframe to achieve these targets. In addition, because Swiss Re believes that a meaningful stock ownership position is essential, restrictions on the immediate cash portion of API delivered will apply if these levels are not met within the specified timeframe.

The determination for whether a Group EC member has met the guidelines will include all vested shares that are owned directly or indirectly by the relevant member and related parties.

Compensation framework for the Board of Directors

The objective in compensating members of the Board of Directors is to attract and retain experienced individuals who are highly motivated to perform a critical role in the strategic oversight of Swiss Re and to contribute their individual business experience and expertise. The structure of compensation for members of the Board of Directors must, however, take account of the way their contribution to the success of Swiss Re differs from that of the Group EC.

It is important that the compensation components are structured to achieve a strong alignment with the interests of the other shareholders of Swiss Re. In line with best practice, a significant portion (40%) of the compensation for the Board of Directors consists of Swiss Re Ltd shares.

The aggregate maximum amount of compensation for the members of the Board of Directors is approved by the AGM in advance of the term of office for which the Board of Directors are elected. The Board of Directors receive no variable or performance-based compensation. The fee level for each Board member, subject to their re-election, is reviewed annually to ensure that it remains appropriate.

Compensation structure

Fees for the members of the Board of Directors are delivered 60% in cash and 40% in Swiss Re Ltd shares, with a four-year blocking period.

Roles and time commitment

The fees for the members of the Board of Directors reflect different responsibilities and committee memberships. The individual levels of pay therefore vary. Certain committees, such as the Audit Committee and the Finance and Risk Committee meet more frequently or hold longer meetings and hence have higher workloads.

The Chairman of the Board of Directors devotes himself full-time to his role. In defining the position of Chairman as a full-time role, Swiss Re applies best practice for highly regulated, complex financial institutions. The Chairman participates in developing the firm's strategy, supervises the implementation of the agreed strategy and organises the work of the Board of Directors and its committees so these bodies can fulfill their responsibilities and authorities. The Chairman also has the important task, together with the Group CEO, in representing the firm to outside parties including shareholders, industry associations, the media, political and regulatory authorities (including the Group regulator, FINMA), government officials and the general public, in all key locations where Swiss Re operates.

Swiss Re's Vice Chairman was appointed in 2012, acting also as the Lead Independent Director since 2014. He is a member of the Chairman's and Governance Committee, chairs the Audit Committee and is a member of the Compensation Committee. His overall responsibility is to act as a deputy of the Chairman, if the Chairman is prevented from performing his duties or if a conflict of interest situation arises. The Board of Directors may assign further tasks to the Vice Chairman.

The degree of in-depth oversight requires a high level of professional experience and expertise from each Board member in their field. Swiss Re is confident that the skill set of its Board of Directors is well balanced, which in turn ensures an effective level of supervision.

Valid cross-border comparisons of the roles and responsibilities of the Swiss Re Board against the boards of other international companies are clearly difficult to make, given both the differing legal environment and operating context within each country. Nevertheless, it is apparent that the demands on the Swiss Re Board members continue to be high.

In addition to their core responsibilities, Board members, similar to the Chairman, are regularly asked to meet with external stakeholders including regulators and investors, all of which warrant additional time, dedication and commitment from the individuals concerned.

Fee approval

The aggregate compensation of the Board of Directors for the next term of office is subject to shareholder approval at the AGM as outlined in the Articles of Association.

Subsidiary boards of directors

The majority of the members of the boards at the subsidiary level are Swiss Re executives and they receive no additional fees for their services in this role. The non-executive members of the subsidiary boards receive their fees 100% in cash.

Compensation governance

Roles and Responsibilities

Authority for decisions related to compensation at the Board and Group EC level are governed by the Articles of Association and the Corporate Bylaws including the Compensation Committee Charter (Charter). The main responsibilities of the Compensation Committee are summarised in the table on the right.

The Articles of Association of Swiss Re Ltd include rules on:
- the approval of compensation at the AGM (Art. 22);
- the additional amount for changes in the Group EC (Art. 23);
- the compensation principles for both the members of the Board of Directors and the Group EC covering short-term and long-term elements, performance-related pay, payment in shares, financial instruments or units, compensation in kind or other types of benefits (Art. 24); and
- the agreements with members of the Board of Directors and the Group EC, external mandates and credits and loans (Arts. 25 to 27).

Full details on these rules are available on the Swiss Re website: www.swissre.com — About us — Corporate governance — Corporate regulations — Articles of Association of Swiss Re Ltd.

Function	Description of role and responsibilities
Board of Directors	■ Is supported by the Compensation Committee in establishing and reviewing Swiss Re's compensation framework and guidelines and performance criteria as well as in preparing the proposals to the AGM regarding the compensation of the members of the Board of Directors and the Group EC. ■ Further details can be found in the Corporate Governance section on pages 92–107 of this Financial Report.
Compensation Committee	■ Consists of at least three independent members of the Board of Directors, and each member of the Compensation Committee is elected individually at the AGM for a term of office until completion of the next AGM. ■ Assesses the individual performance of the Group EC including the Group CEO and periodically reviews the effectiveness of the performance management process. ■ Is governed by a Charter approved by the Board of Directors, which defines the purpose, composition and procedural rules of the Compensation Committee, including its responsibilities and authorities for making proposals and decisions related to compensation of the members of the Board of Directors and the Group EC. ■ Is responsible for making recommendations and overseeing the design and implementation of compensation principles, policy, framework, plans and disclosure. ■ Reviews compensation principles, policies and share-based plans annually to ensure that they remain in line with Swiss Re's objectives and strategy, shareholders' interests, and legal and regulatory requirements. ■ Further details can be found in the Corporate Governance section on page 101 of the Financial Report.
Management	■ The Group CEO, the Group Chief Operating Officer and the Chief Human Resources Officer participate in the Compensation Committee meetings. ■ Other members of senior management may attend as deemed appropriate by the Compensation Committee and upon invitation by the Chair of the Compensation Committee. ■ No individual may attend any part of a meeting where their own compensation is discussed.
Secretary	■ The Head Reward serves as the Secretary to the Compensation Committee and attends its meetings (apart from the executive sessions).
External Advisors	■ Mercer provides information about remuneration trends, market benchmarking and advice on executive compensation issues. ■ Niederer Kraft & Frey AG provides legal advice, mainly about specific aspects of compliance and disclosure matters regarding compensation. ■ These advisors are retained by the Compensation Committee and provide the Compensation Committee with an external perspective.

Compensation approval

The table below shows the role of the Compensation Committee in approving compensation.

Decision on	Proposed	Endorsed	Approved
Maximum aggregate amount of compensation of Group Board members for the next term of office	Compensation Committee, Chairman of the Board of Directors, Board of Directors (to the AGM)		Board of Directors, AGM
Individual compensation of Group Board members	Compensation Committee, Chairman of the Board of Directors[1]		Board of Directors[2]
Maximum aggregate amount of fixed compensation and long-term compensation of Group EC members	Group CEO, Board of Directors (to the AGM)	Chairman of the Board of Directors	Compensation Committee, Board of Directors, AGM
Aggregate amount of variable short-term compensation of Group EC members	Group CEO, Board of Directors (to the AGM)	Chairman of the Board of Directors	Compensation Committee, Board of Directors, AGM
Compensation of Group CEO	Compensation Committee, Chairman of the Board of Directors		Board of Directors[3]
Individual compensation of Group EC members (excl. Group CEO)	Group CEO	Chairman of the Board of Directors	Compensation Committee[3,4]
Short-term compensation pools and long-term incentive pools for the Group and Group EC	Group CEO	Chairman of the Board of Directors, Compensation Committee	Board of Directors[2]

[1] Other than the Chairman's compensation.
[2] Within the maximum aggregate amount of compensation approved by the AGM.
[3] Within the maximum aggregate amount of compensation approved by the AGM and the additional amount available for changes in the Group EC after the AGM as per the Articles of Association respectively.
[4] Board of Directors informed.

Compensation Committee's time allocation to key topics in 2016

- 22% Variable compensation for the Group
- 14% Review of compensation framework
- 16% Compliance and regulatory
- 19% Compensation and performance of Group EC members
- 14% Executive sessions
- 15% Other topics

Compensation Committee activities

The Compensation Committee has an annual agenda to ensure that important reviews take place at the appropriate times throughout the year. The Compensation Committee also commits time to executive sessions and conducts periodic self-assessments to ensure its continued high level of effectiveness.

It held six meetings during 2016 and provided an update to the Board of Directors on topics discussed, decisions made and items for approval after each of these meetings. A summary of the topics dealt with by the Compensation Committee during the year is shown on page 152.

High-level overview of topics discussed

Variable compensation for the Group
At Swiss Re, the compensation cycle begins in December and runs through to March/April of the following year. The Compensation Committee oversees each stage of the process, starting with deciding on the variable compensation pool for the prior performance year, reviewing these decisions, and setting targets for the upcoming year.

Outlined below is an overview of the main topics discussed during 2016:

Items relating to the past performance cycle	Meeting
■ Performance assessment process and proposal of the variable compensation pool	January and February
■ Approval of performance factors for deferred compensation awards	February and April
■ Review of the decisions made during the prior compensation cycle	June

Items relating to the upcoming performance cycle	
■ Review and recommendation of the LPP pool for the upcoming year	January and February
■ Setting of the performance targets for variable compensation for the upcoming year	February

Compensation and performance of the Group EC
The review of Group EC compensation follows the same cycle as that for the Group. Again, the Compensation Committee is fully involved through all stages of the process, and all decisions are taken by the Compensation Committee and the Board of Directors.

■ Performance assessment of the prior year	January and February
■ Approval of individual compensation proposals for the Group EC[1]	February and April
■ Review and confirm reference companies for Group EC compensation benchmarking	April
■ Analysis of Group EC members' compensation relative to external peers	June

Compensation of the Board of Directors
The compensation of the Board of Directors is reviewed annually and the Compensation Committee formulates proposals for the approval of the Board of Directors accordingly[2].

■ Fees of the Board of Directors for the following compensation period	February and April
■ Approval of the Board of Directors Compensation Policy	April
■ Analysis of compensation practices for non-executive directors relative to the market	September

Compensation principles and plans	
■ Review and update of the VAI and LPP plan rules	February
■ Annual benefits review	June
■ Review of the Compensation Policy	September
■ Review and update of the ISP plan rules	September

Compliance and regulatory
The Compensation Committee spends time reviewing materials relating to regulatory or compliance requirements. In addition, the mandate of its advisors is reviewed on an ongoing basis.

■ Review and endorsement of the Compensation Report	December, January and February
■ Compliance and regulatory developments	All meetings
■ Review of the role and mandate of external advisors	September

[1] Within the maximum aggregate amount of compensation approved by the AGM and the additional amount available for changes in the Group EC after the AGM as per the Articles of Association respectively.
[2] Within the maximum aggregate amount of compensation approved by the AGM.

The role of the Control Functions in compensation

The role of Swiss Re's Control Functions (defined as Group Risk Management, Compliance and Group Internal Audit) in compensation matters is well established.

Risk and Control Related Behaviour assessment of Group and business functions

Focus on the link between compensation and risk and control related behaviours continues. The Control Functions annually perform a quantitative and qualitative assessment of each of these behaviours independently and summarise the outcomes in a consolidated Group report.

Risk and Control Related Behaviour assessment of Key Risk Takers

Key Risk Takers are defined as individuals who, by the nature of their role, can materially commit or control Swiss Re's resources, or influence its risk profile. Swiss Re bears risks in the course of its business activities, including market, credit and liquidity, underwriting, operational (including legal and compliance) and reputational risk.

In 2016, Swiss Re has identified 210 positions that qualify as Key Risk Takers. This group consists of the members of the Group EC, BU EC members, GMDs and other roles with significant risk taking authority. The list of Key Risk Takers is reviewed on an annual basis.

Influence of the behavioural assessment on compensation

The risk and control related behaviour assessment of Group and business functions provides additional input for helping determine the Group API pool and its allocation to each business function.

The Control Functions assess the risk and control related behaviour of each Key Risk Taker and deliver a report to the business, the Group Chief Risk Officer and the Chief Human Resources Officer on an annual basis. This assessment serves as an additional factor when considering individual performance and compensation outcomes.

Independence of the Control Functions

In order to ensure the continued independence of Control Functions, their compensation approval processes differ in that the annual compensation decisions for these functions are approved at the Board level.

This includes the approval by the Chairmen of the Audit and the Finance and Risk Committees, of the aggregate API pool of their respective Control Functions, and the approval of the individual compensation for the head of each respective Control Function.

Compensation disclosure and shareholdings 2016

Aggregate compensation of the Swiss Re Group

The aggregate compensation for the performance years 2015 and 2016 for all employees was as follows:

Category	Type of plan	Performance Year 2015 Number of employees[1]	Performance Year 2015 Values (in CHF millions)	**Performance Year 2016** Number of employees[1]	**Performance Year 2016** Values (in CHF millions)
Fixed compensation	Base salaries	12 767	1 228	14 053	1 312
	Pensions, social security and benefits	12 767	473	14 053	479
Annual Performance Incentive	Cash Annual Performance Incentive	11 575	372	12 609	352
	Value Alignment Incentive	918	61	810	50
Long-term variable compensation	Leadership Performance Plan	286	44	347	50
Other payments	Severance payments[2]	346	33	399	19
	Sign-on payments[3]	75	3	109	3
Total			2 214		**2 265**

[1] Regular staff.
[2] Severance payments in the table above include (i) payments under standard severance packages, (ii) other payments that are over and above what is contractually or legally required, and (iii) voluntary supplementary departure payments, but exclude similar legally permitted payments or garden leave which are aligned with local market practice for comparable positions in respect of amount, nature or duration. No severance payments were made to members of the Group EC.
[3] Covers 2015 equity sign-on awards which were not included in the 2015 Compensation Report.

As of 31 December 2016 Swiss Re Group had 14 053 employees worldwide, compared to 12 767 employees at the end of 2015.

Aggregate compensation for Key Risk Takers

The aggregate compensation of the individuals that held a key risk-taking position during the performance years 2015 and 2016 was as follows:

Category	Type of plan	Performance Year 2015 Number of employees	Performance Year 2015 Values (in CHF millions)	**Performance Year 2016** Number of employees	**Performance Year 2016** Values (in CHF millions)
Fixed compensation	Base salaries	213	77	210	79
	Pensions, social security and benefits	213	39	210	35
Annual Performance Incentive	Cash Annual Performance Incentive	212	64	210	57
	Value Alignment Incentive	211	40	209	34
Long-term variable compensation	Leadership Performance Plan	185	39	187	43
Other payments	Severance payments[1]	1	0	3	0
	Sign-on payments[2]	9	1	12	1
Total			260		**249**

[1] Severance payments in the table above include (i) payments under standard severance packages, (ii) other payments that are over and above what is contractually or legally required, and (iii) voluntary supplementary departure payments, but exclude similar legally permitted payments or garden leave which are aligned with local market practice for comparable positions in respect of amount, nature or duration. No severance payments were made to members of the Group EC.
[2] Covers 2015 equity sign-on awards which were not included in the 2015 Compensation Report.

Compensation mix for Group EC

2016

- 29% Base salary
- 22% Cash API
- 18% VAI (paid after 3 years)
- 31% LPP (paid after 5 years)

2015

- 28% Base salary
- 24% Cash API
- 21% VAI (paid after 3 years)
- 27% LPP (paid after 5 years)

Compensation decisions for members of governing bodies

The section below is in line with Swiss law and specifically with Arts. 14 to 16 of the Ordinance which requires disclosure of compensation granted to members of the Board of Directors and the Group EC. Compensation to members of the Board of Directors and the highest paid member of the Group EC is shown separately.

At the AGM 2015 and AGM 2016 the shareholders approved maximum aggregate compensation amounts for the Board of Directors and Group EC for prospective periods. For the reconciliation of these aggregate amounts to what was awarded please refer to page 160.

Compensation decisions for the Group EC

The variable compensation awarded to all members of the Group EC (including the previous and current Group CEO) totalled CHF 32.4 million for 2016, compared to CHF 32.5 million for 2015. The following table covers payments to 14 members for 2016 of whom 12 were employed for the full year. The 2015 payments cover 12 members who were all employed for the full year.

CHF thousands	12 members 2015	14 members[1] **2016**
Base salary	12 502	13 224
Allowances[2]	403	2 745
Funding of pension benefits	1 913	2 139
Total fixed compensation	14 818	**18 108**
Cash Annual Performance Incentive[3]	11 028	9 867
Value Alignment Incentive[3]	9 314	8 396
Leadership Performance Plan[4]	12 200	14 150
Total variable compensation	32 542	**32 413**
Total fixed and variable compensation[5]	47 360	**50 521**
Compensation due to members leaving[6]		909
Total compensation[7]	47 360	**51 430**

[1] Represents incumbents and not positions.
[2] Benefits or allowances paid in cash. Consisting of housing, schooling, lump sum expenses, relocation expenses/taxes, child and similar allowances.
[3] For 2016, subject to shareholder approval at the AGM 2017. For 2015, as part of the aggregate amount of short-term variable compensation approved by the shareholders at the AGM 2016.
[4] Disclosure reflects all awards for a reporting year, ie the 2015 value reflects the fair value of LPP awards granted in April 2015 and the 2016 value reflects the fair value of LPP granted in April 2016.
[5] Covers payments reflecting the time in the role as Group EC members.
[6] For Group EC members leaving during the reporting period, this covers only legally or contractually required payments for the period when the member was no longer in the role (eg base salary when on garden leave).
[7] Amounts are gross and include social security contributions of the employees. Additionally and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws which amounted to CHF 3 755 675 in 2015 and CHF 2 922 518 in 2016.

The compensation increase in 2016 compared to the previous fiscal year is mainly caused by the following factors:

- The 12 members of the Group EC of 2015 received in 2016 total compensation of CHF 45.4 million (including the effects of the Group CEO change from Michel Liès to Christian Mumenthaler as per 1 July 2016 and the promotion of Moses Ojeisekhoba to CEO Reinsurance as per 1 July 2016);
- Additional total compensation of approximately CHF 6 million was paid to the new members of the Group EC: Thierry Léger (new CEO Life Capital) for the full year 2016 and to Jayne Plunkett (new CEO Reinsurance Asia) for the second half of the year 2016. The CHF 45.4 million and CHF 6 million combine to give a total of CHF 51.4 million for the 14 members in 2016 (shown in the table above);
- The aggregate amount for fixed compensation, pensions, social security, allowances and other benefits and for long-term variable compensation of the above mentioned 12 members of the Group EC in 2016 was CHF 29.5 million and therefore within the budget of CHF 31.0 million approved by the AGM 2015 for these 12 members of the Group EC. Such amount included a reserve of 10% which was only partially used, primarily to cover foreign taxes in connection with a change of residence in accordance with Swiss Re's international assignment rules; and
- The compensation for Thierry Léger and Jayne Plunkett was not originally considered in the CHF 31 million prospective budget for 2016 given their appointments were made post the AGM 2015 (see the explanations on page 160).

Compensation decisions for the highest paid member of the Group EC

The table below shows for 2015 the compensation paid to the Group CEO Michel Liès and for 2016 the compensation paid to Christian Mumenthaler, Group CEO since 1 July 2016.

CHF thousands	2015	**2016**
Base salary	1 600	1 300
Allowances[1]	38	43
Funding of pension benefits	178	178
Total fixed compensation	1 816	**1 521**
Cash Annual Performance Incentive[2]	1 600	1 113
Value Alignment Incentive[2]	1 600	1 113
Leadership Performance Plan[3]	2 000	2 500
Total variable compensation	5 200	**4 726**
Total compensation[4]	7 016	**6 247**

[1] Benefits or allowances paid in cash. Consisting of housing, schooling, lump sum expenses, relocation expenses/taxes, child and similar allowances.
[2] For 2016, subject to shareholders approval at the AGM 2017. For 2015, as part of the aggregate amount of short-term variable compensation approved by the shareholders at the AGM 2016.
[3] Disclosure reflects all awards for a reporting year, ie the 2015 value reflects the fair value of the LPP award granted in April 2015 and the 2016 value reflects the fair value of the LPP award granted in April 2016.
[4] Amounts are gross and include social security contributions of the employees. Additionally and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws which amounted to CHF 813 446 in 2015 and CHF 308 237 in 2016.

Additional information on compensation decisions

For US GAAP and statutory reporting purposes, VAI and LPP awards are accrued over the period during which they are earned. For the purpose of the disclosure required in this Compensation Report, the value of awards granted is included as compensation in the year of performance for the years 2015 and 2016 respectively.

Each member of the Group EC including the Group CEO participates in a defined contribution pension scheme. The funding of pension benefits shown in the previous two tables reflects the actual employer contributions.

Other payments to members of the Group EC

During 2016, no payments (or waivers of claims) other than those set out in the section compensation disclosure and shareholdings in 2016 were made to current members of the Group EC or persons closely related.

Shares held by members of the Group EC

The following table reflects Swiss Re share ownership by members of the Group EC as of 31 December:

Members of the Group EC	2015	**2016**
Christian Mumenthaler, Group CEO	50 000	63 854
Michel Liès, previous Group CEO[1]	262 808	n/a
David Cole, Group Chief Financial Officer	54 207	68 061
John R. Dacey, Group Chief Strategy Officer	171	7 526
Guido Fürer, Group Chief Investment Officer	42 302	56 156
Agostino Galvagni, CEO Corporate Solutions	65 816	79 670
Jean-Jacques Henchoz, CEO Reinsurance EMEA	35 476	46 817
Thierry Léger, CEO Life Capital	n/a	57 610
Moses Ojeisekhoba, CEO Reinsurance	26 404	27 895
Jayne Plunkett, CEO Reinsurance Asia	n/a	29 095
J. Eric Smith, CEO Reinsurance Americas[2]	6 990	13 984
Matthias Weber, Group Chief Underwriting Officer	25 410	25 750
Thomas Wellauer, Group Chief Operating Officer	116 111	130 224
Total	685 695	**606 642**

[1] The number of shares held on 30 June 2016 when Michel Liès stepped down from the Group EC was 290 692.
[2] The figure shown in the 2015 Compensation Report did not reflect the sale of 10 000 shares in May 2015, which was appropriately reported as a management transaction in May 2015 according to the listing rules of the SIX Swiss Exchange.

Vested options held by members of the Group EC

For the years ended 31 December 2015 and 2016, no member of the Group EC held any vested options.

Leadership Performance Plan units held by members of the Group EC

The following table reflects total unvested LPP units (RSUs and PSUs) held by members of the Group EC as of 31 December:

	2015	2016
Christian Mumenthaler, Group CEO	49 755	75 458
Michel Liès, previous Group CEO	99 490	64 125
David Cole, Group Chief Financial Officer	49 755	49 426
John R. Dacey, Group Chief Strategy Officer	49 755	49 426
Guido Fürer, Group Chief Investment Officer	49 755	53 765
Agostino Galvagni, CEO Corporate Solutions	49 755	49 426
Jean-Jacques Henchoz, CEO Reinsurance EMEA	39 805	39 540
Moses Ojeisekhoba, CEO Reinsurance	39 805	43 011
Jayne Plunkett, CEO Reinsurance Asia	n/a	33 130
J. Eric Smith, CEO Reinsurance Americas	39 805	39 540
Thierry Léger, CEO Life Capital	n/a	43 011
Matthias Weber, Group Chief Underwriting Officer	49 755	49 426
Thomas Wellauer, Group Chief Operating Officer	49 755	49 426
Patrick Raaflaub, Group Chief Risk Officer	12 435	29 791
Total	579 625	**668 501**

Loans to members of the Group EC

As per Art. 27 of the Articles of Association, credits and loans to members of the Group EC may be granted at employee conditions applicable for the Swiss Re Group, with a cap on the total amount of such credits and loans outstanding per member.

In general, credit is secured against real estate or pledged shares. The terms and conditions of loans and mortgages are typically the same as those available to all employees of the Swiss Re Group in their particular locations to the extent possible.

Swiss-based variable-rate mortgages have no agreed maturity dates. The basic preferential interest rates equal the corresponding interest rates applied by the Zurich Cantonal Bank minus one percentage point. Where fixed or floating interest rates are preferential, the value of this benefit has been included under "allowances" in the tables covering compensation decisions for Group EC members.

The following table reflects total mortgages and loans for members of the Group EC as of 31 December:

CHF thousands	2015	2016
Total mortgages and loans to members of the Group EC	420	0
Highest mortgages and loans to an individual member of the Group EC[1]:		
J. Eric Smith, CEO Reinsurance Americas	420	n/a
Total mortgages and loans not at market conditions to former members of the Group EC	4300	**4300**

[1] The member of the Group EC having the highest mortgage in 2015 transferred the mortgage to a bank in 2015.

Compensation for the members of the Board of Directors

The following two tables illustrate (1) the individual compensation for the members of the Board of Directors for the reported financial years 2015 and 2016 and (2) the individual compensation for the members of the Board of Directors paid or payable for the term of office from AGM 2016 to AGM 2017.

(1) Individual Board compensation for the reported financial years 2015 and 2016 was:

CHF thousands	Total 2015	Fees and allowances in cash	Fees in blocked shares	**Total 2016**
Walter B. Kielholz, Chairman	4 772	2 939	1 955	4 894
Renato Fassbind, Vice Chairman, Chairman of the Audit Committee[1]	875	538	359	897
Raymund Breu, former Member[2]	89	n/a	n/a	n/a
Mathis Cabiallavetta, former Member[3]	907	63	39	102
Raymond K.F. Ch'ien, Member	340	199	133	332
Mary Francis, Member[4]	455	324	140	464
Rajna Gibson Brandon, Member	316	195	130	325
C. Robert Henrikson, Chairman of the Compensation Committee	462	284	190	474
Hans Ulrich Maerki, former Member[3]	343	63	42	105
Trevor Manuel, Member[5]	192	196	131	327
Carlos E. Represas, Member[6]	378	278	110	388
Jean-Pierre Roth, former Member[3]	267	50	33	83
Philip K. Ryan, Chairman of the Finance and Risk Committee[5,6]	708	654	239	893
Sir Paul Tucker, Member[7]	n/a	136	91	227
Susan L. Wagner, Chairman of the Investment Committee	491	344	229	573
Total compensation for the reported financial years[8,9]	10 595	**6 263**	**3 821**	**10 084**

[1] Acting also as the Lead Independent Director.
[2] Term of office expired at the AGM of 21 April 2015 and did not stand for re-election.
[3] Term of office expired at the AGM of 22 April 2016 and did not stand for re-election.
[4] Includes fees received for duties on the board of Luxembourg Group companies.
[5] Elected to Swiss Re's Board of Directors at the AGM of 21 April 2015.
[6] Includes fees received for duties on the board of US Group companies.
[7] Elected to Swiss Re's Board of Directors at the AGM of 22 April 2016.
[8] Compensation for the members of the Board of Directors includes fixed fees (cash and shares) and minimal allowances. No sign-on or severance payments have been or are made.
[9] Amounts are gross and include social security contributions of the Board member. Additionally and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws which amounted to CHF 478 385 in 2015 and CHF 410 271 in 2016. For Board members domiciled outside of Switzerland, company social security contributions are refunded, if bilateral social security agreements between Switzerland and the country of domicile apply and provide for such refund.

(2) Individual Board compensation for the term of office between the AGM 2016 and the AGM 2017.

The table below provides more detailed information on the compensation paid or payable to each Board member against the maximum aggregate amount of CHF 10 100 000 as approved by the AGM 2016 (figures in CHF thousands):

Name, function	Audit Committee	Compensation Committee	Finance and Risk Committee	Investment Committee	Base Fees	Committee Fees	Additional Fees[1]	**Total[2]**
Walter B. Kielholz, Chairman								4 900
Renato Fassbind, Vice Chairman	C	M			225	500	175	900
Raymond K.F. Ch'ien, Member		M		M	225	100		325
Mary Francis, Member	M		M		225	125	115	465
Rajna Gibson Brandon, Member			M	M	225	100		325
C. Robert Henrikson, Member		C	M		225	250		475
Trevor Manuel, Member	M			M	225	125		350
Carlos E. Represas, Member		M			225	50	113	388
Philip K. Ryan, Member	M		C		225	375	295	895
Sir Paul Tucker, Member			M	M	225	100		325
Susan L. Wagner, Member			M	C	225	350		575
Total compensation for the term of office from AGM 2016 to AGM 2017								**9 934[3]**

Legend: C = Chairperson of the respective Committee, M = Member of the respective Committee

[1] Includes Vice Chairman fees and subsidiary fees.
[2] Excluding company contributions to social security systems paid by Swiss Re in line with applicable laws.
[3] Including an amount of approximately CHF 11 000 for minimal benefits.

Shares held by members of the Board of Directors

The number of shares held by members of the Board of Directors as of 31 December were:

Members of the Board of Directors	2015	2016
Walter B. Kielholz, Chairman	447 241	414 613
Renato Fassbind, Vice Chairman, Chairman of the Audit Committee[1]	15 844	19 954
Mathis Cabiallavetta, former Member[2]	71 346	n/a
Raymond K.F. Ch'ien, Member	18 459	19 978
Mary Francis, Member	4 329	5 927
Rajna Gibson Brandon, Member	20 216	21 700
C. Robert Henrikson, Chairman of the Compensation Committee	8 896	11 065
Hans Ulrich Maerki, former Member[2]	28 969	n/a
Trevor Manuel, Member[3]	868	2 363
Carlos E. Represas, Member	11 581	12 837
Jean-Pierre Roth, former Member[2]	8 443	n/a
Philip K. Ryan, Chairman of the Finance and Risk Committee[3]	3 394	6 134
Sir Paul Tucker, Member[4]	n/a	1 036
Susan L. Wagner, Chairman of the Investment Committee	3 485	6 111
Total	643 071	**521 718**

[1] Acting also as the Lead Independent Director.
[2] Term of office expired at the AGM of 22 April 2016 and did not stand for re-election.
[3] Elected to Swiss Re's Board of Directors at the AGM of 21 April 2015.
[4] Elected to Swiss Re's Board of Directors at the AGM of 22 April 2016.

Vested options held by members of the Board of Directors

For the years ended 31 December 2015 and 2016, no member of the Board of Directors held any vested options.

Loans to members of the Board of Directors

No loans were granted to current or former members of the Board in 2016 and no loans were outstanding as of 31 December 2016.

Related parties transactions

Disclosure on compensation decisions in 2016 covers members of the Board of Directors and the Group EC as indicated, and for both include related parties to the extent applicable. Such related parties cover spouses, partners, children and other dependents or closely linked persons. In 2016 no compensation was paid to any related party.

Compensation for former members of governing bodies

During 2016, payments to the total amount of CHF 0.1 million were made to five former members of the Group EC. This amount is made up of company contributions payable by Swiss Re to governmental social security systems in line with applicable laws, benefits in the context of the outstanding mortgages and loans not at market rates, risk benefits and company commitments for tax related services.

Shareholder Compensation Resolutions and Awarded Compensation
The following explanations give an overview of the applicable framework in Swiss Re's Articles of Association based on the Ordinance, the high acceptance by the shareholders in the AGM 2016 of the respective motions by the Board of Directors and the reconciliation of the shareholders' resolutions with the compensation awarded in the reporting year 2016.

Framework of the Articles of Association
In accordance with Art. 22 of the Articles of Association, the Shareholders' Meeting shall approve annually and with binding effect the proposals of the Board of Directors in relation to:
a) the maximum aggregate amount of compensation of the Board of Directors for the next term of office;
b) the maximum aggregate amount of (i) fixed compensation and (ii) long-term compensation of the Group EC for the following financial year; and
c) the aggregate amount of short-term compensation of the Group EC for the preceding completed financial year.

AGM 2016 voting results
At the AGM on 22 April 2016, shareholders approved for the second time the maximum aggregate prospective compensation of the members of the Board of Directors (88.3% approval). Shareholders also approved (i) the maximum aggregate prospective fixed compensation and variable long-term compensation and (ii) the aggregate retrospective variable short-term compensation of the Group EC. The outcomes were 89.5% and 90.3% approval respectively. As in previous years, the 2015 Compensation Report was subject to a consultative vote and was approved by 89.5% of the shareholder votes.

Reconciliation of AGM 2015 resolutions for Group EC compensation[1]
At the AGM 2015, shareholders approved a prospective maximum aggregate amount of CHF 31.0 million for fixed compensation and variable long-term compensation for the financial year 2016 for the 12 members holding positions in the Group EC at the time of the AGM 2015.

The amount of fixed compensation and variable long-term compensation effectively granted to these 12 members of the Group EC during the financial year 2016 amounted to CHF 29.5 million and also covers adjustments in the compensation of existing members of the Group EC as a result of their promotions as per 1 July 2016 to new Group CEO and new CEO Reinsurance respectively, and the related additional costs. The amount also includes contractual salary payments in 2016 for the former Group CEO (see the comments on page 155).

The CHF 31.0 million did not account for additional fixed compensation and variable long-term compensation required as a result of the changes in the Group EC in 2016, announced after the AGM 2015. For such compensation for the year 2016 an "additional amount" (Zusatzbetrag) is available pursuant to the Ordinance and Art. 23 of the Articles of Association per person and applicable compensation period amounting to a maximum of 20% of the aggregate amount of compensation for the Group EC last approved by the Shareholders' Meeting. This additional amount available was therefore CHF 12.4 million in total for the two new members of the Group EC.

Pursuant to applicable rules, the compensation for the two new members of the Group EC, Thierry Léger promoted to CEO Life Capital as from 1 January 2016 and Jayne Plunkett promoted to CEO Reinsurance Asia as from 1 July 2016, was first allocated in the amount of CHF 1.5 million to exhaust the approved compensation amount of CHF 31.0 million and then in the amount of CHF 2.2 million against the additional amount available of CHF 12.4 million of which CHF 1.2 million relates to compensation for Thierry Léger and CHF 1.0 million for Jayne Plunkett. The variable short-term compensation for the financial year 2016 is not part of the additional amount and it will be approved retrospectively by the AGM 2017 as part of the total variable short-term compensation of the Group EC. The compensation granted to the 14 members of the Group EC, which includes the previous CEO Michel Liès, for the financial year 2016 is shown on page 155.

Reconciliation of AGM 2016 resolution for Board of Director's compensation[1]
At the AGM 2016, shareholders approved the maximum aggregate amount of compensation for the 11 members of the Board of Directors for the term of office from the AGM 2016 to the AGM 2017 of CHF 10.1 million.

As shown on page 158, the compensation paid to the 11 members of the Board of Directors for their term of office from the AGM 2016 to the AGM 2017 was CHF 9.9 million and therefore within the approved amount.

AGM 2017 motion for variable short-term compensation for the Group EC for the financial year 2016
At the AGM 2017, the Board of Directors will propose to the shareholders to approve retrospectively an aggregate amount of variable short-term compensation for the 14 members of the Group EC for the completed financial year 2016 of CHF 18 263 261. This amount has been included in the items "Cash Annual Performance Incentive" and "Value Alignment Incentive" in the table for the Group EC compensation on page 155.

[1] Reconciliations calculated using December 2016 FX rates where applicable.

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting on the
Compensation Report 2016

We have audited pages 155 to 160 of the accompanying Compensation Report included in this 2016 Financial Report of Swiss Re Ltd (the Company) for the year ended 31 December 2016.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance against Excessive Compensation at Public Corporations (the Ordinance). The Board of Directors is also responsible for designing the compensation framework and defining individual compensation packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and Articles 14 to 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with Articles 14 to 16 of the Ordinance. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the Compensation Report.

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

Opinion
In our opinion, the Compensation Report included in the 2016 Financial Report of the Company for the year ended 31 December 2016 complies with Swiss law and Articles 14 to 16 of the Ordinance.

PricewaterhouseCoopers Ltd

Bret M. Griffin

Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zurich, 15 March 2017

CONTENTS

Income statement

For the years ended 31 December

USD millions	Note	2015	2016
Revenues			
Gross premiums written	4	32 249	**35 622**
Net premiums written	4	30 442	**33 570**
Change in unearned premiums		–691	**–879**
Premiums earned	3	29 751	**32 691**
Fee income from policyholders	3	463	**540**
Net investment income – non-participating business[1]	7	3 436	**3 661**
Net realised investment gains/losses – non-participating business[2]	7	1 206	**1 484**
Net investment result – unit-linked and with-profit business	7	814	**5 382**
Other revenues		44	**28**
Total revenues		35 714	**43 786**
Expenses			
Claims and claim adjustment expenses	3	–9 848	**–12 564**
Life and health benefits	3	–9 080	**–10 859**
Return credited to policyholders		–1 166	**–5 099**
Acquisition costs	3	–6 419	**–6 928**
Operating expenses[3]		–3 248	**–3 358**
Total expenses before interest expenses		–29 761	**–38 808**
Income before interest and income tax expense		5 953	**4 978**
Interest expenses[3]		–634	**–606**
Income before income tax expense		5 319	**4 372**
Income tax expense	13	–651	**–749**
Net income before attribution of non-controlling interests		4 668	**3 623**
Income/loss attributable to non-controlling interests		–3	**3**
Net income after attribution of non-controlling interests		4 665	**3 626**
Interest on contingent capital instruments		–68	**–68**
Net income attributable to common shareholders		4 597	**3 558**
Earnings per share in USD			
Basic	12	13.44	**10.72**
Diluted	12	12.28	**9.82**
Earnings per share in CHF[4]			
Basic	12	12.93	**10.55**
Diluted	12	11.81	**9.66**

[1] Total impairments for the years ended 31 December of USD 83 million in 2015 and USD 66 million in 2016, respectively, were fully recognised in earnings.
[2] Total impairments for the years ended 31 December of USD 57 million in 2015 and USD 88 million in 2016, respectively, were fully recognised in earnings.
[3] Letter of credit fees of USD 55 million for the year ended 31 December 2015 have been reclassified from "Operating expenses" to "Interest expenses".
[4] The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

The accompanying notes are an integral part of the Group financial statements.

Statement of comprehensive income

For the years ended 31 December

USD millions	2015	2016
Net income before attribution of non-controlling interests	4 668	**3 623**
Other comprehensive income, net of tax:		
Change in unrealised investment gains/losses	–2 670	**1 711**
Change in other-than-temporary impairment	–8	**6**
Change in cash flow hedges		**–7**
Change in foreign currency translation	–1 012	**–387**
Change in adjustment for pension benefits	–191	**–119**
Total comprehensive income before attribution of non-controlling interests	787	**4 827**
Interest on contingent capital instruments	–68	**–68**
Comprehensive income attributable to non-controlling interests	–3	**3**
Total comprehensive income attributable to common shareholders	716	**4 762**

Reclassification out of accumulated other comprehensive income

For the years ended 31 December

2015 USD millions	Unrealised investment gains/losses[1]	Other-than-temporary impairment[1]	Cash flow hedges[1]	Foreign currency translation	Adjustment from pension benefits[2]	Accumulated other comprehensive income
Balance as of 1 January	5 418	–3	0	–4 675	–825	–85
Change during the period	–2 166	–10		–870	–310	–3 356
Amounts reclassified out of accumulated other comprehensive income	–1 523				74	–1 449
Tax	1 019	2		–142	45	924
Balance as of period end	2 748	–11	0	–5 687	–1 016	–3 966

2016 USD millions	Unrealised investment gains/losses[1]	Other-than-temporary impairment[1]	Cash flow hedges[1]	Foreign currency translation	Adjustment from pension benefits[2]	**Accumulated other comprehensive income**
Balance as of 1 January	2 748	–11	0	–5 687	–1 016	**–3 966**
Change during the period	2 856	6	32	–267	–201	**2 426**
Amounts reclassified out of accumulated other comprehensive income	–704	2	–39		61	**–680**
Tax	–441	–2		–120	21	**–542**
Balance as of period end	**4 459**	**–5**	**–7**	**–6 074**	**–1 135**	**–2 762**

[1] Reclassification adjustment included in net income is presented in "Net realised investment gains/losses – non-participating business".
[2] Reclassification adjustment included in net income is presented in "Operating expenses".

The accompanying notes are an integral part of the Group financial statements.

Balance sheet

As of 31 December

Assets

USD millions	Note	2015	2016
Investments	7, 8, 9		
Fixed income securities:			
Available-for-sale (including 11 897 in 2015 and 10 036 in 2016 subject to securities lending and repurchase agreements) (amortised cost: 2015: 76 155; 2016: 85 171)		79 435	**90 581**
Trading (including 1 729 in 2015 and 1 871 in 2016 subject to securities lending and repurchase agreements)		2 896	**2 695**
Equity securities:			
Available-for-sale (including 605 in 2015 and 23 in 2016 subject to securities lending and repurchase agreements) (cost: 2015: 4 294; 2016: 2 897)		4 719	**3 375**
Trading		68	**60**
Policy loans, mortgages and other loans		3 123	**3 682**
Investment real estate		1 556	**1 925**
Short-term investments (including 1 278 in 2015 and 2 960 in 2016 subject to securities lending and repurchase agreements)		7 405	**10 909**
Other invested assets		10 367	**9 611**
Investments for unit-linked and with-profit business (including fixed income securities trading: 4 069 in 2015 and 5 153 in 2016, equity securities trading: 22 783 in 2015 and 25 807 in 2016)		28 241	**32 178**
Total investments		137 810	**155 016**
Cash and cash equivalents (including 319 in 2015 and 1 169 in 2016 subject to securities lending)		8 204	**9 011**
Accrued investment income		983	**1 108**
Premiums and other receivables		11 709	**13 270**
Reinsurance recoverable on unpaid claims and policy benefits		6 578	**7 461**
Funds held by ceding companies		9 870	**8 184**
Deferred acquisition costs	6	5 471	**6 200**
Acquired present value of future profits	6	2 964	**2 003**
Goodwill		3 862	**3 965**
Income taxes recoverable		191	**291**
Deferred tax assets		5 970	**5 902**
Other assets		2 523	**2 654**
Total assets		196 135	**215 065**

The accompanying notes are an integral part of the Group financial statements.

Liabilities and equity

USD millions	Note	2015	2016
Liabilities			
Unpaid claims and claim adjustment expenses	5	55 518	**57 355**
Liabilities for life and health policy benefits	8	30 131	**41 176**
Policyholder account balances		31 422	**34 354**
Unearned premiums		10 869	**11 629**
Funds held under reinsurance treaties		3 320	**2 544**
Reinsurance balances payable		1 928	**1 913**
Income taxes payable		488	**633**
Deferred and other non-current tax liabilities		8 093	**8 583**
Short-term debt	11	1 834	**1 564**
Accrued expenses and other liabilities		7 948	**9 811**
Long-term debt	11	10 978	**9 787**
Total liabilities		162 529	**179 349**
Equity			
Contingent capital instruments		1 102	**1 102**
Common shares, CHF 0.10 par value 2015: 370 706 931; 2016: 360 072 561 shares authorised and issued		35	**34**
Additional paid-in capital		482	**341**
Treasury shares, net of tax		–1 662	**–1 763**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		2 748	**4 459**
Other-than-temporary impairment, net of tax		–11	**–5**
Cash flow hedges, net of tax			**–7**
Foreign currency translation, net of tax		–5 687	**–6 074**
Adjustment for pension and post-retirement benefits, net of tax		–1 016	**–1 135**
Total accumulated other comprehensive income		–3 966	**–2 762**
Retained earnings		37 526	**38 682**
Shareholders' equity		33 517	**35 634**
Non-controlling interests		89	**82**
Total equity		33 606	**35 716**
Total liabilities and equity		196 135	**215 065**

The accompanying notes are an integral part of the Group financial statements.

Statement of shareholders' equity

For the years ended 31 December

USD millions	2015	2016
Contingent capital instruments		
Balance as of 1 January	1 102	**1 102**
Issued		
Balance as of period end	1 102	**1 102**
Common shares		
Balance as of 1 January	35	**35**
Issue of common shares		
Cancellation of shares bought back		**–1**
Balance as of period end	35	**34**
Additional paid-in capital		
Balance as of 1 January	1 806	**482**
Cancellation of shares bought back		**–176**
Share-based compensation	17	**2**
Realised gains/losses on treasury shares	–61	**33**
Dividends on common shares[1]	–1 280	
Balance as of period end	482	**341**
Treasury shares, net of tax		
Balance as of 1 January	–1 185	**–1 662**
Purchase of treasury shares	–584	**–1 190**
Cancellation of shares bought back		**1 018**
Issuance of treasury shares, including share-based compensation to employees	107	**71**
Balance as of period end	–1 662	**–1 763**
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	5 418	**2 748**
Changes during the period	–2 670	**1 711**
Balance as of period end	2 748	**4 459**
Other-than-temporary impairment, net of tax		
Balance as of 1 January	–3	**–11**
Changes during the period	–8	**6**
Balance as of period end	–11	**–5**
Cash flow hedges, net of tax		
Balance as of 1 January	0	**0**
Changes during the period		**–7**
Balance as of period end	0	**–7**
Foreign currency translation, net of tax		
Balance as of 1 January	–4 675	**–5 687**
Changes during the period	–1 012	**–387**
Balance as of period end	–5 687	**–6 074**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–825	**–1 016**
Changes during the period	–191	**–119**
Balance as of period end	–1 016	**–1 135**
Retained earnings		
Balance as of 1 January	34 257	**37 526**
Net income after attribution of non-controlling interests	4 665	**3 626**
Interest on contingent capital instruments, net of tax	–68	**–68**
Dividends on common shares[1]	–1 328	**–1 561**
Cancellation of shares bought back		**–841**
Balance as of period end	37 526	**38 682**
Shareholders' equity	33 517	**35 634**

USD millions	2015	2016
Non-controlling interests		
Balance as of 1 January	111	**89**
Changes during the period	–25	**–4**
Income attributable to non-controlling interests	3	**–3**
Balance as of period end	89	**82**
Total equity	33 606	**35 716**

[1] The distributions to shareholders in 2015 were paid in the form of a withholding tax exempt repayment of legal reserves from capital contributions.

The accompanying notes are an integral part of the Group financial statements.

Statement of cash flow

For the years ended 31 December

USD millions	2015	2016
Cash flows from operating activities		
Net income attributable to common shareholders	4 597	**3 558**
Add net income attributable to non-controlling interests	3	**–3**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	594	**643**
Net realised investment gains/losses	–1 221	**–5 787**
Income from equity-accounted investees, net of dividends received	202	**135**
Change in:		
Technical provisions and other reinsurance assets and liabilities, net	–121	**5 845**
Funds held by ceding companies and under reinsurance treaties	764	**862**
Reinsurance recoverable on unpaid claims and policy benefits	670	**434**
Other assets and liabilities, net	87	**–37**
Income taxes payable/recoverable	–567	**–24**
Trading positions, net	404	**489**
Net cash provided/used by operating activities	5 412	**6 115**
Cash flows from investing activities		
Fixed income securities:		
Sales	45 552	**38 700**
Maturities	4 529	**4 218**
Purchases	–55 360	**–44 389**
Net purchases/sales/maturities of short-term investments	6 103	**–3 675**
Equity securities:		
Sales	1 790	**3 283**
Purchases	–2 717	**–1 702**
Securities purchased/sold under agreement to resell/repurchase, net	–2 089	**789**
Cash paid/received for acquisitions/disposal and reinsurance transactions, net	404	**318**
Net purchases/sales/maturities of other investments	2 264	**1 293**
Net purchases/sales/maturities of investments held for unit-linked and with-profit business	1 218	**2 762**
Net cash provided/used by investing activities	1 694	**1 597**
Cash flows from financing activities		
Policyholder account balances, unit-linked and with-profit business:		
Deposits	518	**658**
Withdrawals	–2 383	**–3 755**
Issuance/repayment of long-term debt	199	**762**
Issuance/repayment of short-term debt	–1 155	**–1 331**
Purchase/sale of treasury shares	–579	**–1 170**
Dividends paid to shareholders	–2 608	**–1 561**
Net cash provided/used by financing activities	–6 008	**–6 397**
Total net cash provided/used	1 098	**1 315**
Effect of foreign currency translation	–365	**–508**
Change in cash and cash equivalents	733	**807**
Cash and cash equivalents as of 1 January	7 471	**8 204**
Cash and cash equivalents as of 31 December	8 204	**9 011**

Interest paid was USD 729 million and USD 674 million (thereof USD 57 million and USD 51 million for letter of credit fees) for the years ended 31 December 2015 and 2016, respectively. Tax paid was USD 1 190 million and USD 755 million for the years ended 31 December 2015 and 2016, respectively.

The accompanying notes are an integral part of the Group financial statements.

This page intentionally left blank.

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

Nature of operations
The Swiss Re Group, which is headquartered in Zurich, Switzerland, comprises Swiss Re Ltd (the parent company) and its subsidiaries (collectively, the "Swiss Re Group" or the "Group"). The Swiss Re Group is a wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Working through brokers and a network of offices around the globe, the Group serves a client base made up of insurance companies, mid- to large-sized corporations and public sector clients.

Basis of presentation
The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law. All significant intra-group transactions and balances have been eliminated on consolidation.

Principles of consolidation
The Group's financial statements include the consolidated financial statements of Swiss Re Ltd and its subsidiaries. Voting entities which Swiss Re Ltd directly or indirectly controls through holding a majority of the voting rights are consolidated in the Group's accounts. Variable interest entities (VIEs) are consolidated when the Swiss Re Group is the primary beneficiary. The Group is the primary beneficiary when it has power over the activities that impact the VIE's economic performance and at the same time has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Companies which the Group does not control, but over which it directly or indirectly exercises significant influence, are accounted for using the equity method or the fair value option and are included in other invested assets. The Swiss Re Group's share of net profit or loss in investments accounted for under the equity method is included in net investment income. Equity and net income of these companies are adjusted as necessary to be in line with the Group's accounting policies. The results of consolidated subsidiaries and investments accounted for using the equity method are included in the financial statements for the period commencing from the date of acquisition.

Use of estimates in the preparation of financial statements
The preparation of financial statements requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosure, including contingent assets and liabilities. The Swiss Re Group's liabilities for unpaid claims and claim adjustment expenses and policy benefits for life and health include estimates for premium, claim and benefit data not received from ceding companies at the date of the financial statements. In addition, the Group uses certain financial instruments and invests in securities of certain entities for which exchange trading does not exist. The Group determines these estimates based on historical information, actuarial analyses, financial modelling and other analytical techniques. Actual results could differ significantly from the estimates described above.

Foreign currency remeasurement and translation
Transactions denominated in foreign currencies are remeasured to the respective subsidiary's functional currency at average exchange rates. Monetary assets and liabilities are remeasured to the functional currency at closing exchange rates, whereas non-monetary assets and liabilities are remeasured to the functional currency at historical rates. Remeasurement gains and losses on monetary assets and liabilities and trading securities are reported in earnings. Remeasurement gains and losses on available-for-sale securities, investments in consolidated subsidiaries and investments accounted for using the equity method are reported in shareholders' equity.

For consolidation purposes, assets and liabilities of subsidiaries with functional currencies other than US dollars are translated from the functional currency to US dollars at closing rates. Revenues and expenses are translated at average exchange rates. Translation adjustments are reported in shareholders' equity.

Valuation of financial assets
The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, commercial paper, most investment-grade corporate debt, most high-yield debt securities, exchange-traded derivative instruments, most mortgage- and asset-backed securities and listed equity securities. In markets with reduced or no liquidity, spreads between bid and offer prices are normally wider compared to spreads in highly liquid markets. Such market conditions affect the valuation of certain asset classes of the Group, such as some asset-backed securities as well as certain derivative structures referencing such asset classes.

The Group considers both the credit risk of its counterparties and own risk of non-performance in the valuation of derivative instruments and other over-the-counter financial assets. In determining the fair value of these financial instruments, the assessment of the Group's exposure to the credit risk of its counterparties incorporates consideration of existing collateral and netting arrangements entered into with each counterparty. The measure of the counterparty credit risk is estimated with incorporation of the observable credit spreads, where available, or credit spread estimates derived based on the benchmarking techniques where market data is not available. The impact of the Group's own risk of non-performance is analysed in the manner consistent with the aforementioned approach, with consideration of the Group's observable credit spreads. The value representing such risk is incorporated into the fair value of the financial instruments (primarily derivatives), in a liability position as of the measurement date. The change in this adjustment from period to period is reflected in realised gains and losses in the income statement.

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgement over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 December 2016, the Group has not provided any collateral on financial instruments in excess of its own market value estimates.

Investments
The Group's investments in fixed income and equity securities are classified as available-for-sale (AFS) or trading. Fixed income securities AFS and equity securities AFS are carried at fair value, based on quoted market prices, with the difference between the applicable measure of cost and fair value being recognised in shareholders' equity. Trading fixed income and equity securities are carried at fair value with unrealised gains and losses recognised in earnings. A trading classification is used for securities that are bought and held principally for the purpose of selling them in the near term or for securities where the Group has decided to apply the fair value option.

The cost of equity securities AFS is reduced to fair value, with a corresponding charge to realised investment losses if the decline in value, expressed in functional currency terms, is other-than-temporary. Subsequent recoveries of previously recognised impairments are not recognised in earnings.

For fixed income securities AFS that are other-than-temporary impaired and there is not an intention to sell, the impairment is separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. The estimated credit loss amount is recognised in earnings, with the remainder of the loss amount recognised in other comprehensive income. In cases where there is an intention or requirement to sell, the accounting of the other-than-temporary impairment is the same as for equity securities AFS described above.

Interest on fixed income securities is recorded in net investment income when earned and is adjusted for the amortisation of any purchase premium or discount. Dividends on equity securities are recognised as investment income on the ex-dividend date. Realised gains and losses on sales are included in earnings and are calculated using the specific identification method.

Policy loans, mortgages and other loans are carried at amortised cost. Interest income is recognised in accordance with the effective yield method.

Investment in real estate that the Group intends to hold for the production of income is carried at depreciated cost, net of any write-downs for impairment in value. Depreciation on buildings is recognised on a straight-line basis over the estimated useful life of the asset. Land is recognised at cost and not depreciated. Impairment in value is recognised if the sum of the estimated future undiscounted cash flows from the use of the real estate is lower than its carrying value. Impairment in value, depreciation and other related charges or credits are included in net investment income. Investment in real estate held for sale is carried at the lower of cost or fair value, less estimated selling costs, and is not depreciated. Reductions in the carrying value of real estate held for sale are included in realised investment losses.

Short-term investments are measured at fair value with changes in fair value recognised in net income. The Group 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.

Other invested assets include affiliated companies, equity accounted companies, derivative financial instruments, collateral receivables, securities purchased under agreement to resell, deposits and time deposits, and investments without readily determinable fair value (including limited partnership investments). Investments in limited partnerships where the Group's interest equals or exceeds 3% are accounted for using the equity method. Investments in limited partnerships where the Group's interest is below 3% and equity investments in corporate entities which are not publicly traded are accounted for at estimated fair value with changes in fair value recognised as unrealised gains/losses in shareholders' equity.

The Group enters into securities lending arrangements under which it loans certain securities in exchange for collateral and receives securities lending fees. The Group's policy is to require collateral, consisting of cash or securities, equal to at least 102% of the carrying value of the securities loaned. In certain arrangements, the Group may accept collateral of less than 102% if the structure of the overall transaction offers an equivalent level of security. Cash received as collateral is recognised along with an obligation to return the cash. Securities received as collateral that can be sold or repledged are also recognised along with an obligation to return those securities. Securities lending fees are recognised over the term of the related loans.

Derivative financial instruments and hedge accounting
The Group uses a variety of derivative financial instruments including swaps, options, forwards and exchange-traded financial futures for the Group's trading and hedging strategy in line with the overall risk management strategy. Derivative financial instruments are primarily used as a means of managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or existing liabilities and also to lock in attractive investment conditions for funds which become available in the future. The Group recognises all of its derivative instruments on the balance sheet at fair value. Changes in fair value on derivatives that are not designated as hedging instruments are recorded in income.

If the derivative is designated as a hedge of the fair value of assets or liabilities, changes in the fair value of the derivative are recognised in earnings, together with changes in the fair value of the related hedged item. If the derivative is designated as a hedge of the variability in expected future cash flows related to a particular risk, changes in the fair value of the derivative are reported in other comprehensive income until the hedged item is recognised in earnings. The ineffective portion of the hedge is recognised in earnings. When hedge accounting is discontinued on a cash flow hedge, the net gain or loss remains in accumulated other comprehensive income and is reclassified to earnings in the period in which the formerly hedged transaction is reported in earnings. When the Group discontinues hedge accounting because it is no longer probable that a forecasted transaction will occur within the required time period, the derivative continues to be carried on the balance sheet at fair value, and gains and losses that were previously recorded in accumulated other comprehensive income are recognised in earnings.

The Group recognises separately derivatives that are embedded within other host instruments if the economic characteristics and risks are not clearly and closely related to the economic characteristics and risks of the host contract and if it meets the definition of a derivative if it were a free-standing contract.

Derivative financial instrument assets are generally included in other invested assets and derivative financial instrument liabilities are generally included in accrued expenses and other liabilities.

The Group also designates non-derivative and derivative monetary financial instruments as hedges of the foreign currency exposure of its net investment in certain foreign operations. From the inception of the hedging relationship, remeasurement gains and losses on the designated non-derivative and derivative monetary financial instruments and translation gains and losses on the hedged net investment are reported as translation gains and losses in shareholders' equity.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, short-term deposits, certain short-term investments in money market funds, and highly liquid debt instruments with a remaining maturity at the date of acquisition of three months or less.

Deferred acquisition costs
The Group incurs costs in connection with acquiring new and renewal reinsurance and insurance business. Some of these costs, which consist primarily of commissions, are deferred as they are directly related to the successful acquisition of such business.

Deferred acquisition costs for short-duration contracts are amortised in proportion to premiums earned. Future investment income is considered in determining the recoverability of deferred acquisition costs for short-duration contracts. Deferred acquisition costs for long-duration contracts are amortised over the life of underlying contracts. Deferred acquisition costs for universal-life and similar products are amortised based on the present value of estimated gross profits. Estimated gross profits are updated quarterly.

Modifications of insurance and reinsurance contracts

The Group accounts for modifications of insurance and reinsurance contracts that result in a substantially unchanged contract as a continuation of the replaced contract. The associated deferred acquisition costs and present value of future profits (PVFP) will continue to be amortised. The Group accounts for modifications of insurance and reinsurance contracts that result in a substantially changed contract as an extinguishment of the replaced contract. The associated deferred acquisition costs or PVFP are written off immediately through income and any new deferrable costs associated with the replacement contract are deferred.

Business combinations

The Group applies the acquisition method of accounting for business combinations. This method allocates the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition.

Life Capital closed blocks of business can be acquired in different legal forms, either through an acquisition of an entity's share capital or through a reinsurance transaction. The Group's policy is to treat these transactions consistently regardless of the legal form of the acquisition. Accordingly, the Group records the acquired assets and liabilities directly to the balance sheet. Premiums, life and health benefits and other income statement items are not recorded in the income statement on the date of the acquisition.

The underlying assets and liabilities acquired are subsequently accounted for according to the relevant GAAP guidance. This includes specific requirements applicable to subsequent accounting for assets and liabilities recognised as part of the acquisition method of accounting, including present value of future profits, goodwill and other intangible assets.

Acquired present value of future profits

The acquired present value of future profits (PVFP) of business in force is recorded in connection with the acquisition of life and health business. The initial value is calculated as the difference between established reserves, which are set up in line with US GAAP accounting policies and assumptions of the Group, and their fair value at the acquisition date. The resulting PVFP, which could be positive or negative, is amortised on a constant yield basis over the expected revenue recognition period of the business acquired, generally over periods ranging up to 30 years, with the accrual of interest added to the unamortised balance at the earned rate. Amortisation and accrual of interest are recognised in acquisition costs. The earned rate corresponds to either the current earned rate or the original earned rate depending on the business written. The rate is consistently applied for the entire life of the applicable business. For universal-life and similar products, PVFP is amortised in line with estimated gross profits, which are updated quarterly. The carrying value of PVFP is reviewed periodically for indicators of impairment in value. Adjustments to PVFP reflecting impairment in value are recognised in acquisition costs during the period in which the determination of impairment is made, or in other comprehensive income for shadow loss recognition.

Goodwill

The excess of the purchase price of acquired businesses over the estimated fair value of net assets acquired is recorded as goodwill, which is reviewed periodically for indicators of impairment in value. Adjustments to reflect impairment in value are recognised in earnings in the period in which the determination of impairment is made.

Other assets

Other assets include deferred expenses on retroactive reinsurance, prepaid reinsurance premiums, receivables related to investing activities, real estate for own use, other classes of property, plant and equipment, accrued income, certain intangible assets and prepaid assets.

The excess of estimated liabilities for claims and claim adjustment expenses payable over consideration received in respect of retroactive property and casualty reinsurance contracts is recorded as a deferred expense. The deferred expense on retroactive reinsurance contracts is amortised through earnings over the expected claims-paying period.

Real estate for own use as well as other classes of property, plant and equipment are carried at depreciated cost. Depreciation on buildings is recognised on a straight-line basis over the estimated useful life. Land is recognised at cost and not depreciated.

Capitalised software costs

External direct costs of materials and services incurred to develop or obtain software for internal use, payroll and payroll-related costs for employees directly associated with software development and interest cost incurred while developing software for internal use are capitalised and amortised on a straight-line basis through earnings over the estimated useful life.

Income taxes
Deferred income tax assets and liabilities are recognised based on the difference between financial statement carrying amounts and the corresponding income tax bases of assets and liabilities using enacted income tax rates and laws. A valuation allowance is recorded against deferred tax assets when it is deemed more likely than not that some or all of the deferred tax asset may not be realised.

The Group recognizes the effect of income tax positions only if sustaining those positions is more likely than not. Changes in recognition or measurement are reflected in the period in which a change in judgement occurs.

Unpaid claims and claim adjustment expenses
Liabilities for unpaid claims and claim adjustment expenses for property and casualty and life and health insurance and reinsurance contracts are accrued when insured events occur and are based on the estimated ultimate cost of settling the claims, using reports and individual case estimates received from ceding companies. A provision is also included for claims incurred but not reported, which is developed on the basis of past experience adjusted for current trends and other factors that modify past experience. The establishment of the appropriate level of reserves is an inherently uncertain process involving estimates and judgements made by management, and therefore there can be no assurance that ultimate claims and claim adjustment expenses will not exceed the loss reserves currently established. These estimates are regularly reviewed, and adjustments for differences between estimates and actual payments for claims and for changes in estimates are reflected in income in the period in which the estimates are changed or payments are made.

The Group does not discount liabilities arising from prospective property and casualty insurance and reinsurance contracts, including liabilities which are discounted for US statutory reporting purposes. Liabilities arising from property and casualty insurance and reinsurance contracts acquired in a business combination are initially recognised at fair value in accordance with the acquisition method of accounting. The Group does not discount life and health claim reserves except for disability income claims in payment which are recognised at the estimated present value of the remaining ultimate net costs of the incurred claims.

Experience features which are directly linked to a reinsurance asset or liability are classified in a manner that is consistent with the presentation of that asset or liability.

Liabilities for life and health policy benefits
Liabilities for life and health policy benefits from reinsurance business are generally calculated using the net level premium method, based on assumptions as to investment yields, mortality, withdrawals, lapses and policyholder dividends. Assumptions are set at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. The assumptions are based on projections from past experience, making allowance for possible adverse deviation. Interest rate assumptions for life and health (re)insurance benefit liabilities are based on estimates of expected investment yields. Assumed mortality rates are generally based on experience multiples applied to the actuarial select and ultimate tables based on industry experience.

Liabilities for life and health policy benefits are increased with a charge to earnings if it is determined that future cash flows, including investment income, are insufficient to cover future benefits and expenses. Where assets backing liabilities for policy benefits are held as AFS these liabilities for policyholder benefits are increased by a shadow adjustment, with a charge to other comprehensive income, where future cash flows at market rates are insufficient to cover future benefits and expenses.

Policyholder account balances
Policyholder account balances relate to universal life-type contracts and investment contracts.

Universal life-type contracts are long-duration insurance contracts, providing either death or annuity benefits, with terms that are not fixed and guaranteed.

Investment contracts are long-duration contracts that do not incorporate significant insurance risk, i.e. there is no mortality and morbidity risk, or the mortality and morbidity risk associated with the insurance benefit features offered in the contract is of insignificant amount or remote probability. Amounts received as payment for investment contracts are reported as policyholder account balances. Related assets are included in general account assets except for investments for unit-linked and with-profit business, which are presented in a separate line item on the face of the balance sheet.

Amounts assessed against policyholders for mortality, administration and surrender are shown as fee income. Amounts credited to policyholders are shown as interest credited to policyholders. Investment income and realised investment gains and losses allocable to policyholders are included in net investment income and net realised investment gains/losses except for unit-linked and with-profit business, which is presented in a separate line item on the face of the income statement.

Unit-linked and with-profit business are presented together as they are similar in nature. For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by Swiss Re Group (typically 10%). Additional disclosures are provided in Note 7.

Funds held assets and liabilities

On the asset side, funds held by ceding companies' consist mainly of amounts retained by the ceding company for business written on a funds withheld basis. In addition, the account also includes amounts arising from the application of the deposit method of accounting to ceded retrocession or reinsurance contracts.

On the liability side, funds held under reinsurance treaties' consist mainly of amounts arising from the application of the deposit method of accounting to inward insurance and reinsurance contracts. In addition, the account also includes amounts retained from ceded business written on a funds withheld basis.

Funds withheld assets are assets that would normally be paid to the Group but are withheld by the cedent to reduce a potential credit risk or to retain control over investments. In case of funds withheld liabilities, it is the Group that withholds assets related to ceded business in order to reduce its credit risk or retain control over the investments.

The deposit method of accounting is applied to insurance and reinsurance contracts that do not indemnify the ceding company or the Group against loss or liability relating to insurance risk. Under the deposit method of accounting, the deposit asset or liability is initially measured based on the consideration paid or received. For contracts that transfer neither significant timing nor underwriting risk, and contracts that transfer only significant timing risk, changes in estimates of the timing or amounts of cash flows are accounted for by recalculating the effective yield. The deposit is then adjusted to the amount that would have existed had the new effective yield been applied since the inception of the contract. The revenue and expense recorded for such contracts is included in net investment income. For contracts that transfer only significant underwriting risk, once a loss is incurred, the deposit is adjusted by the present value of the incurred loss. At each subsequent balance sheet date, the portion of the deposit attributable to the incurred loss is recalculated by discounting the estimated future cash flows. The resulting changes in the carrying amount of the deposit are recognised in claims and claim adjustment expenses.

Funds withheld balances are presented together with assets and liabilities arising from the application of the deposit method because of their common deposit type character.

Shadow adjustments

Shadow adjustments are recognised in other comprehensive income reflecting the offset of adjustments to deferred acquisition costs and PVFP, typically related to universal life-type contracts, and policyholder liabilities. The purpose is to reflect the fact that certain amounts recorded as unrealised investment gains and losses within shareholders' equity will ultimately accrue to policyholders and not shareholders.

Shadow loss recognition testing becomes relevant in low interest rate environments. The test considers whether the hypothetical sale of AFS securities and the reinvestment of proceeds at lower yields would lead to negative operational earnings in future periods, thereby causing a loss recognition event. For shadow loss recognition testing, the Group uses current market yields to determine best estimate GAAP reserves rather than using locked in or current book yields. If the unlocked best estimate GAAP reserves based on current market rates are in excess of reserves based on locked in or current book yields, a shadow loss recognition reserve is set up. These reserves are recognised in other comprehensive income and do not impact net income. In addition, shadow loss recognition reserves can reverse up to the amount of losses recognised due to past loss events.

Premiums

Property and casualty reinsurance premiums are recorded when written and include an estimate for written premiums receivable at period end. Premiums earned are generally recognised in income over the contract period in proportion to the amount of reinsurance provided. Unearned premiums consist of the unexpired portion of reinsurance provided. Life reinsurance premiums are earned when due. Related policy benefits are recorded in relation to the associated premium or gross profits so that profits are recognised over the expected lives of the contracts.

Life and health reinsurance premiums for group coverages are generally earned over the term of the coverage. For group contracts that allow experience adjustments to premiums, such premiums are recognised as the related experience emerges.

Reinstatement premiums are due where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. The recognition of reinstatement premiums as written depends on individual contract features. Reinstatement premiums are either recognised as written at the time a loss event occurs or in line with the recognition pattern of premiums written of the underlying contract. The accrual of reinstatement premiums is based on actuarial estimates of ultimate losses. Reinstatement premiums are generally earned in proportion to the amount of reinsurance provided.

Insurance and reinsurance ceded

The Group uses retrocession arrangements to increase its aggregate underwriting capacity, to diversify its risk and to reduce the risk of catastrophic loss on reinsurance assumed. The ceding of risks to retrocessionaires does not relieve the Group of its obligations to its ceding companies. The Group regularly evaluates the financial condition of its retrocessionaires and monitors the concentration of credit risk to minimise its exposure to financial loss from retrocessionaires' insolvency. Premiums and losses ceded under retrocession contracts are reported as reductions of premiums earned and claims and claim adjustment expenses. Amounts recoverable for ceded short- and long-duration contracts, including universal life-type and investment contracts, are reported as assets in the accompanying consolidated balance sheet.

The Group provides reserves for uncollectible amounts on reinsurance balances ceded, based on management's assessment of the collectability of the outstanding balances.

Receivables

Premium and claims receivables which have been invoiced are accounted for at face value. Together with assets arising from the application of the deposit method of accounting that meet the definition of financing receivables they are regularly assessed for impairment. Evidence of impairment is the age of the receivable and/or any financial difficulties of the counterparty. Allowances are set up on the net balance, meaning all balances related to the same counterparty are considered. The amount of the allowance is set up in relation to the time a receivable has been due and financial difficulties of the debtor, and can be as high as the outstanding net balance.

Pensions and other post-retirement benefits

The Group accounts for its pension and other post-retirement benefit costs using the accrual method of accounting. Amounts charged to expense are based on periodic actuarial determinations.

Share-based payment transactions

As of 31 December 2016, the Group has a Leadership Performance Plan, stock option plans, restricted shares, and a Global Share Participation Plan. These plans are described in more detail in Note 15. The Group accounts for share-based payment transactions with employees using the fair value method. Under the fair value method, the fair value of the awards is recognised in earnings over the vesting period.

For share-based compensation plans which are settled in cash, compensation costs are recognised as liabilities, whereas for equity-settled plans, compensation costs are recognised as an accrual to additional paid-in capital within shareholders' equity.

Treasury shares

Treasury shares are reported at cost in shareholders' equity.

Earnings per common share

Basic earnings per common share are determined by dividing net income available to shareholders by the weighted average number of common shares entitled to dividends during the year. Diluted earnings per common share reflect the effect on earnings and average common shares outstanding associated with dilutive securities.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 15 March 2017. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers", which creates topic 606, "Revenue from Contracts with Customers". ASU 2014-09 outlines the principles that an entity should follow to provide useful information about the amount, timing and uncertainty of revenue and cash flows arising from contracts with its customers. The standard requires an entity to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Insurance contracts and financial instruments are not in the scope of the new standard. The new requirements are effective for annual and interim periods beginning after 15 December 2017, and may be applied retrospectively to each prior period presented or with a cumulative effect adjustment to retained earnings as of the date of initial application. The Group is currently assessing the impact of the new requirements.

In August 2014, the FASB issued ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity — a consensus of the FASB Emerging Issues Task Force", an update to topic 810, "Consolidation". The ASU applies to entities that are required to consolidate a collateralised financing entity (CFE) under the variable interest entity (VIE) consolidation guidance when the entity measures all financial assets and financial liabilities of the CFE at fair value, with changes in fair value recorded in earnings. Before the ASU became effective, if an entity would measure the fair value of assets and liabilities separately following applicable US GAAP rules, the aggregate fair value might have differed. The new guidance allows the use of the more observable of the fair value of the financial assets or the fair value of the financial liabilities of the CFE to measure both. The Group adopted ASU 2014-13 on 1 January 2016. The adoption did not have a material effect on the Group's financial statements.

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern", an update to subtopic 205-40, "Presentation of Financial Statements — Going Concern". The ASU requires an entity's management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are available to be issued. When management identifies such conditions or events, footnote disclosures need to be provided on the relevant conditions and events identified and on whether management's plans to mitigate those conditions or events will alleviate the substantial doubt. The Group adopted ASU 2014-15 as of year-end 2016. The adoption did not have an impact on the Group's financial statements.

In November 2014, the FASB issued ASU 2014-16, "Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity — a consensus of the FASB Emerging Issues Task Force", an update to topic 815, "Derivatives and Hedging". The ASU provides guidance on how to assess whether or not a derivative embedded in an instrument in the legal form of a share must be bifurcated and accounted for separately from its host contract. Entities are required to use "the whole instrument approach" to determine whether the nature of the host contract in a hybrid instrument issued in the form of a share is more akin to debt or to equity. Under this approach, an issuer or investor considers all stated and implied substantive terms and features of a hybrid instrument when determining the nature of the host contract. No single term or feature will necessarily determine the nature of the host contract. The Group adopted ASU 2014-16 on 1 January 2016. The adoption did not have a material effect on the Group's financial statements.

In January 2015, the FASB issued ASU 2015-01, "Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items", an update to subtopic 225-20, "Income Statement – Extraordinary and Unusual Items". The ASU eliminates the separate presentation of extraordinary items, net of tax and the related earnings per share. Extraordinary items were events and transactions that were distinguished by their unusual nature and by the infrequency of their occurrence. The ASU does not affect the requirement to disclose material items that are unusual in nature or infrequently occurring. The Group adopted ASU 2015-01 on 1 January 2016 on a prospective basis. The adoption did not have a material effect on the Group's financial statements.

In February 2015, the FASB issued ASU 2015-02, "Consolidation: Amendments to the Consolidation Analysis", an amendment to topic 810, "Consolidation". ASU 2015-02 (i) eliminates the indefinite deferral of the consolidation requirements for certain investment companies and similar entities, (ii) modifies how to evaluate partnerships and other entities under the VIE framework, (iii) eliminates the presumption that a general partner should consolidate a limited partnership, (iv) modifies consolidation analysis, particularly for decision-maker fee arrangements and related party relationships, (v) excludes from the scope of consolidation assessment the entities that are, or operate similar to, money market funds registered under the US Investment Company Act of 1940. The Group adopted ASU 2015-02 on 1 January 2016 following the modified retrospective method. The modified retrospective method does not require the restatement of prior periods. The adoption did not have a material effect on the Group's financial statements; however, it led to an increase in VIEs disclosed in Note 20 Variable interest entities.

In April 2015, the FASB issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs", an update to subtopic 835-30, "Interest — Imputation of Interest". The ASU changes the presentation of debt issuance costs in financial statements by requiring that an entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortisation of the costs is reported as interest expense. The Group adopted ASU 2015-03 on 1 January 2016 on a prospective basis. The adoption did not have an impact on the Group's financial statements.

In May 2015, the FASB issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)", an amendment to topic 820, "Fair Value Measurement". ASU 2015-07 removes the requirement to categorise within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The Group adopted

ASU 2015-07 on 1 January 2016 and removed investments for which fair values are measured using the net asset value per share practical expedient from the fair value hierarchy as of the adoption date. The amended disclosures are provided in Note 8 Fair value disclosures.

In May 2015, the FASB issued ASU 2015-09, "Disclosures about Short-Duration Contracts", an update to topic 944, "Financial Services — Insurance". ASU 2015-09 requires an insurance entity to provide additional information about insurance liabilities, including information on the nature, amount, timing, and uncertainty of future cash flows related to insurance liabilities and the effect of those cash flows on the statement of comprehensive income. Requirements include disaggregated incurred and paid claims development information by accident year, on a net basis after risk mitigation, for at least the most recent 10 years with the periods preceding the current period considered required supplementary information. In addition, for each accident year presented in the claims development tables, an insurer has to provide disaggregated information about claim frequency (unless impracticable) and the amounts of incurred but not reported (IBNR) liabilities plus the expected development on reported claims. Required disclosures also include a description of the methods for determining both IBNR and expected development on reported claims as well as information about any significant changes in methods and assumptions used in the computation of the liability for unpaid claims and claim adjustment expenses, including reasons for the changes and the impact of the changes on the most recent reporting period in the financial statements. All aforementioned disclosures have to be provided on an annual basis. In addition, insurance entities must disclose the roll-forward of the liability for unpaid claims and claim adjustment expenses in both interim and annual periods. The Group adopted the annual disclosure requirements as of year-end 2016 which are provided in Note 5. The Group will adopt the interim disclosure requirements for the half-year ending on 30 June 2017.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments", an amendment to topic 805, "Business Combinations". ASU 2015-16 is on adjustments to provisional amounts from business combinations during the measurement periods. It requires that an acquirer recognises such adjustments in the reporting period in which the adjustment amounts are determined. Further, the ASU requires that the acquirer records, in the same period's financial statements, the effect on earnings of changes in depreciation, amortisation, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. The Group adopted this guidance on 1 January 2016. The adoption did not have an effect on the Group's financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities", an update to subtopic 825-10, "Financial Instruments — Overall". The ASU requires an entity to carry investments in equity securities, including other ownership interests and limited liability companies at fair value through net income, with the exception of equity method investments, investments that result in consolidation or investments for which the entity has elected the practicability exception to fair value measurement. The practicability exception can only be applied by certain entities and only to equity investments without a readily determinable fair value. Investments under the practicability exception will be subject to an indicator-based impairment test. For financial liabilities to which the fair value option has been applied, the ASU also requires an entity to separately present the change in fair value attributable to instrument-specific credit risk in other comprehensive income rather than in net income. Specific exceptions apply to this requirement. In addition, the ASU requires an entity to assess whether a valuation allowance is needed on a deferred tax asset (DTA) related to fixed income securities AFS in combination with the entity's other DTAs rather than separately from other DTAs. The ASU also introduces changes to disclosure requirements for financial instruments not measured at fair value and introduces new requirements for equity instruments where the practicability exception to fair value measurement is applied. The new requirements are effective for annual and interim periods beginning after 15 December 2017 with early adoption permitted for requirements relating to the presentation of the impact of instrument-specific credit risk on qualifying financial liabilities in other comprehensive income. The Group is currently assessing the impact of the new requirements.

In February 2016, the FASB issued ASU 2016-02 "Leases", which creates topic 842, "Leases". The core principle of topic 842 is that a lessee should recognise the assets and liabilities that arise from leases. A lessee should recognise in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing the right to use the underlying asset for the lease term. This accounting treatment applies to finance leases and operating leases. The accounting applied by a lessor is largely unchanged from that applied under the current guidance. The new requirements are effective for the Group for annual and interim periods beginning after 15 December 2018. Early application of the ASU is permitted. The Group is currently assessing the impact of the new requirements.

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 US GAAP with a methodology that reflects expected credit losses. The standard requires for financial instruments that are measured at amortised cost and available-for-sale debt securities that an entity recognises as an allowance its estimate of expected credit losses. This standard is effective for the Group for annual and interim periods beginning after 15 December 2020. Early adoption for interim and annual periods after 15 December 2018 is permitted. The Group is currently assessing the impact of the new requirements.

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory", an update to topic 740, "Income Taxes". This ASU amends the current guidance which prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This new standard requires that an entity should recognise the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The new requirements are effective for the Group for annual and interim periods beginning after 15 December 2017. The Group is currently assessing the impact of the new requirements.

2 Information on business segments

The Group provides reinsurance and insurance throughout the world through its business segments. The business segments are determined by the organisational structure and by the way in which management reviews the operating performance of the Group.

The Group presents four core operating business segments: Property & Casualty Reinsurance, Life & Health Reinsurance, Corporate Solutions and Life Capital (which includes the former Business Unit Admin Re®). The presentation of each segment's balance sheet is closely aligned to the segment legal entity structure. The assignment of assets and liabilities for entities that span more than one segment is determined by considering local statutory requirements, legal and other constraints, the economic view of duration and currency requirements of the reinsurance business written, and the capacity of the segments to absorb risks. Interest expense is based on the segment's capital funding position. The tax impact of a segment is derived from the legal entity tax obligations and the segmentation of the pre-tax result. While most of the tax items can be directly attributed to individual segments, the tax which impacts two or more segments is allocated to the segments on a reasonable basis. Property & Casualty Reinsurance and Life & Health Reinsurance share the same year-to-date effective tax rate as both business segments belong to the Reinsurance Business Unit.

As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

Accounting policies applied by the business segments are in line with those described in the summary of significant accounting policies (please refer to Note 1).

The Group operating segments are outlined below.

Property & Casualty Reinsurance and Life & Health Reinsurance
Reinsurance consists of two segments, Property & Casualty and Life & Health. The Reinsurance Business Unit operates globally, both through brokers and directly with clients, and provides a large range of solutions for risk and capital management. Clients include stock and mutual insurance companies as well as public sector and governmental entities. In addition to traditional reinsurance solutions, Reinsurance offers insurance-linked securities and other insurance-related capital market products in both Property & Casualty and Life & Health.

Property & Casualty includes the business lines property, casualty (including motor), and specialty. Life & Health includes the life and health lines of business.

Corporate Solutions
Corporate Solutions offers innovative insurance capacity to mid-sized and large multinational corporations across the globe. Offerings range from standard risk transfer covers and multi-line programmes, to customised solutions tailored to the needs of clients. Corporate Solutions serves customers from over 50 offices worldwide.

Life Capital
Life Capital was created on 1 January 2016 to manage Swiss Re's primary life and health business. It comprises the closed and open life and health insurance books, including the existing ReAssure business and the existing primary life and health insurance business formerly conducted by Life & Health Reinsurance. Through ReAssure, Swiss Re acquires closed blocks of inforce life and health insurance business, either through reinsurance or corporate acquisition, and typically assumes responsibility for administering the underlying policies. The administration of the business may be managed directly or, where appropriate, in partnership with a third party.

Group items

Items not allocated to the business segments are included in the "Group items" column, which encompasses Swiss Re Ltd, the Groups' ultimate parent company, the former Legacy business in run-off, Principal Investments and certain Treasury units. Swiss Re Ltd charges trademark licence fees to the business segments which are reported as other revenues. Certain administrative expenses of the corporate centre functions that are not recharged to the operating segments are reported as Group items.

Consolidation

Segment information is presented net of external and internal retrocession and other intra-group arrangements. The Group total is obtained after elimination of intra-group transactions in the "Consolidation" column. This includes significant intra-group reinsurance arrangements, recharge of trademark licence fees, and intersegmental funding.

a) Business segments – income statement
For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Corporate Solutions	Life Capital[1]	Group items	Consolidation	Total
Revenues							
Gross premiums written	16 099	11 942	3 942	1 346		–1 080	32 249
Net premiums written	15 703	10 529	3 494	716			30 442
Change in unearned premiums	–613	38	–115	–1			–691
Premiums earned	15 090	10 567	3 379	715			29 751
Fee income from policyholders		49		414			463
Net investment income – non-participating business	1 097	1 330	135	939	–70	5	3 436
Net realised investment gains/losses – non-participating business	445	311	142	274	34		1 206
Net investment result – unit-linked and with-profit business		42		772			814
Other revenues	45	4	9	1	332	–347	44
Total revenues	16 677	12 303	3 665	3 115	296	–342	35 714
Expenses							
Claims and claim adjustment expenses	–7 892		–1 955		–1		–9 848
Life and health benefits		–8 012		–1 068			–9 080
Return credited to policyholders		–60		–1 106			–1 166
Acquisition costs	–3 836	–1 965	–459	–159			–6 419
Operating expenses[2,3]	–1 198	–774	–734	–365	–495	318	–3 248
Total expenses before interest expenses	–12 926	–10 811	–3 148	–2 698	–496	318	–29 761
Income/loss before interest and income tax expense	3 751	1 492	517	417	–200	–24	5 953
Interest expenses[2]	–272	–323	–24	–16	–23	24	–634
Income/loss before income tax expense/benefit	3 479	1 169	493	401	–223	0	5 319
Income tax expense/benefit	–451	–152	–134	23	63		–651
Net income/loss before attribution of non-controlling interests	3 028	1 017	359	424	–160	0	4 668
Income/loss attributable to non-controlling interests	–1		–2				–3
Net income/loss after attribution of non-controlling interests	3 027	1 017	357	424	–160	0	4 665
Interest on contingent capital instruments	–19	–49					–68
Net income/loss attributable to common shareholders	3 008	968	357	424	–160	0	4 597
Claims ratio in %	52.3		57.9				53.3
Expense ratio in %	33.4		35.3				33.7
Combined ratio in %	85.7		93.2				87.0
Management expense ratio in %		6.5					
Net operating margin in %	22.5	12.2	14.1	17.8	–67.6		17.1

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.
[2] Letter of credit fees of USD 45 million in Life & Health Reinsurance and USD 10 million in Property & Casualty Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".
[3] The Group's new internal service cost framework resulted in a reallocation of operating expenses to Group items from the business segments. Comparative information for 2015 has been adjusted accordingly.

Business segments – income statement

For the year ended 31 December

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Revenues							
Gross premiums written	18 149	12 801	4 155	1 489		–972	35 622
Net premiums written	17 768	11 459	3 662	681			33 570
Change in unearned premiums	–760	27	–159	13			–879
Premiums earned	17 008	11 486	3 503	694			32 691
Fee income from policyholders		41		499			540
Net investment income – non-participating business	985	1 279	138	1 256	101	–98	3 661
Net realised investment gains/losses – non-participating business	770	232	51	503	–72		1 484
Net investment result – unit-linked and with-profit business		15		5 367			5 382
Other revenues	37	5	5	1	346	–366	28
Total revenues	**18 800**	**13 058**	**3 697**	**8 320**	**375**	**–464**	**43 786**
Expenses							
Claims and claim adjustment expenses	–10 301		–2 263				–12 564
Life and health benefits		–8 963		–1 896			–10 859
Return credited to policyholders		–39		–5 060			–5 099
Acquisition costs	–4 405	–1 943	–517	–63			–6 928
Operating expenses	–1 204	–763	–760	–503	–473	345	–3 358
Total expenses before interest expenses	**–15 910**	**–11 708**	**–3 540**	**–7 522**	**–473**	**345**	**–38 808**
Income/loss before interest and income tax expense	**2 890**	**1 350**	**157**	**798**	**–98**	**–119**	**4 978**
Interest expenses	–293	–301	–23	–29	–79	119	–606
Income/loss before income tax expense/benefit	**2 597**	**1 049**	**134**	**769**	**–177**	**0**	**4 372**
Income tax expense/benefit	–479	–193	–1	–131	55		–749
Net income/loss before attribution of non-controlling interests	**2 118**	**856**	**133**	**638**	**–122**	**0**	**3 623**
Income/loss attributable to non-controlling interests	1		2				3
Net income/loss after attribution of non-controlling interests	**2 119**	**856**	**135**	**638**	**–122**	**0**	**3 626**
Interest on contingent capital instruments	–19	–49					–68
Net income/loss attributable to common shareholders	**2 100**	**807**	**135**	**638**	**–122**	**0**	**3 558**
Claims ratio in %	60.5		64.6				61.2
Expense ratio in %	33.0		36.5				33.6
Combined ratio in %	93.5		101.1				94.8
Management expense ratio in %		6.0					
Net operating margin in %	15.4	10.4	4.2	27.0	–26.1		13.0

Business segments – balance sheet
As of 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Corporate Solutions	Life Capital[1]	Group items	Consolidation	Total
Assets							
Fixed income securities	32 146	28 850	5 888	15 429	18		82 331
Equity securities	2 231	921	935		700		4 787
Other investments	12 105	1 976	162	1 524	6 077	–6 798	15 046
Short-term investments	3 458	1 052	1 256	588	1 051		7 405
Investments for unit-linked and with-profit business		818		27 423			28 241
Cash and cash equivalents	4 282	280	680	1 586	1 376		8 204
Deferred acquisition costs	2 051	3 020	387	13			5 471
Acquired present value of future profits		1 134		1 830			2 964
Reinsurance recoverable	2 872	1 652	6 438	1 069		–5 453	6 578
Other reinsurance assets	8 879	7 876	2 296	3 766	3	–1 241	21 579
Goodwill	1 873	1 883	106				3 862
Other[2]	8 310	5 875	934	1 213	397	–7 062	9 667
Total assets	78 207	55 337	19 082	54 441	9 622	–20 554	196 135
Liabilities							
Unpaid claims and claim adjustment expenses	39 366	9 468	10 619	1 380		–5 315	55 518
Liabilities for life and health policy benefits		15 472	257	14 409		–7	30 131
Policyholder account balances		1 368		30 187		–133	31 422
Other reinsurance liabilities	10 597	2 202	4 178	785	3	–1 648	16 117
Short-term debt	1 001	2 612			515	–2 294	1 834
Long-term debt	4 074	8 770	496	808		–3 170	10 978
Other[2]	9 799	8 871	1 187	1 925	2 731	–7 984	16 529
Total liabilities	64 837	48 763	16 737	49 494	3 249	–20 551	162 529
Shareholders' equity[2]	13 347	6 574	2 279	4 947	6 373	–3	33 517
Non-controlling interests	23		66				89
Total equity	13 370	6 574	2 345	4 947	6 373	–3	33 606
Total liabilities and equity	78 207	55 337	19 082	54 441	9 622	–20 554	196 135

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.
[2] The Group's new internal service cost framework resulted in a reallocation of operating expenses to Group items from the business segments. The resulted impact on the balance sheet has been adjusted accordingly for the comparative information 2015.

Business segments – balance sheet
As of 31 December

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Assets							
Fixed income securities	31 574	29 980	6 361	25 350	11		93 276
Equity securities	1 292	867	539		737		3 435
Other investments	11 962	3 355	141	2 421	4 785	–7 446	15 218
Short-term investments	4 672	2 558	1 272	1 456	951		10 909
Investments for unit-linked and with-profit business		548		31 630			32 178
Cash and cash equivalents	4 922	410	472	2 636	571		9 011
Deferred acquisition costs	2 280	3 465	444	11			6 200
Acquired present value of future profits		966		1 037			2 003
Reinsurance recoverable	2 449	1 580	5 698	2 210		–4 476	7 461
Other reinsurance assets	9 620	6 369	2 616	3 949	4	–1 104	21 454
Goodwill	1 852	1 810	173	130			3 965
Other	8 640	4 049	1 279	1 470	1 181	–6 664	9 955
Total assets	**79 263**	**55 957**	**18 995**	**72 300**	**8 240**	**–19 690**	**215 065**
Liabilities							
Unpaid claims and claim adjustment expenses	39 753	10 288	10 271	1 498		–4 455	57 355
Liabilities for life and health policy benefits		15 431	268	25 499		–22	41 176
Policyholder account balances		1 566		32 788			34 354
Other reinsurance liabilities	10 816	1 709	4 310	684	2	–1 435	16 086
Short-term debt	1 202	5 221		80	431	–5 370	1 564
Long-term debt	3 307	5 074	497	1 465	80	–636	9 787
Other	11 124	9 106	1 370	3 014	2 183	–7 770	19 027
Total liabilities	**66 202**	**48 395**	**16 716**	**65 028**	**2 696**	**–19 688**	**179 349**
Shareholders' equity	**13 040**	**7 562**	**2 218**	**7 272**	**5 544**	**–2**	**35 634**
Non-controlling interests	21		61				82
Total equity	**13 061**	**7 562**	**2 279**	**7 272**	**5 544**	**–2**	**35 716**
Total liabilities and equity	**79 263**	**55 957**	**18 995**	**72 300**	**8 240**	**–19 690**	**215 065**

b) Property & Casualty Reinsurance business segment – by line of business
For the year ended 31 December

2015 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	6733	6802	2564		16099
Net premiums written	6436	6767	2500		15703
Change in unearned premiums	–344	–165	–104		–613
Premiums earned	6092	6602	2396		15090
Net investment income				1097	1097
Net realised investment gains/losses				445	445
Other revenues				45	45
Total revenues	6092	6602	2396	1587	16677
Expenses					
Claims and claim adjustment expenses	–2567	–4139	–1186		–7892
Acquisition costs	–1198	–2053	–585		–3836
Operating expenses[1,2]	–664	–385	–149		–1198
Total expenses before interest expenses	–4429	–6577	–1920	0	–12926
Income before interest and income tax expense	1663	25	476	1587	3751
Interest expenses[1]				–272	–272
Income before income tax expense	1663	25	476	1315	3479
Claims ratio in %	42.1	62.7	49.5		52.3
Expense ratio in %	30.6	36.9	30.6		33.4
Combined ratio in %	72.7	99.6	80.1		85.7

[1] Letter of credit fees of USD 10 million in Property & Casualty Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".
[2] The Group's new internal service cost framework resulted in a reallocation of operating expenses to Group Items from the Property & Casualty Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

Property & Casualty Reinsurance business segment – by line of business
For the year ended 31 December

2016 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	6794	8874	2481		18149
Net premiums written	6499	8833	2436		17768
Change in unearned premiums	153	–830	–83		–760
Premiums earned	6652	8003	2353		17008
Net investment income				985	985
Net realised investment gains/losses				770	770
Other revenues				37	37
Total revenues	**6652**	**8003**	**2353**	**1792**	**18800**
Expenses					
Claims and claim adjustment expenses	–3745	–5466	–1090		–10301
Acquisition costs	–1351	–2468	–586		–4405
Operating expenses	–665	–385	–154		–1204
Total expenses before interest expenses	**–5761**	**–8319**	**–1830**	**0**	**–15910**
Income/loss before interest and income tax expense	**891**	**–316**	**523**	**1792**	**2890**
Interest expenses				–293	–293
Income/loss before income tax expense	**891**	**–316**	**523**	**1499**	**2597**
Claims ratio in %	56.3	68.3	46.4		60.5
Expense ratio in %	30.3	35.6	31.4		33.0
Combined ratio in %	86.6	103.9	77.8		93.5

c) Life & Health Reinsurance business segment – by line of business
For the year ended 31 December

2015 USD millions	Life	Health	Unallocated	Total[1]
Revenues				
Gross premiums written	8 333	3 609		11 942
Net premiums written	7 048	3 481		10 529
Change in unearned premiums	36	2		38
Premiums earned	7 084	3 483		10 567
Fee income from policyholders	49			49
Net investment income – non-participating business	865	465		1 330
Net realised investment gains/losses – non-participating business	89	42	180	311
Net investment result – unit-linked and with-profit business	42			42
Other revenues	2	2		4
Total revenues	8 131	3 992	180	12 303
Expenses				
Life and health benefits	–5 539	–2 473		–8 012
Return credited to policyholders	–60			–60
Acquisition costs	–1 260	–705		–1 965
Operating expenses[2,3]	–547	–227		–774
Total expenses before interest expenses	–7 406	–3 405	0	–10 811
Income before interest and income tax expense	725	587	180	1 492
Interest expenses[2]			–323	–323
Income/loss before income tax expense	725	587	–143	1 169
Management expense ratio in %	6.8	5.7		6.5
Net operating margin[4] in %	9.0	14.7		12.2

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.
[2] Letter of credit fees of USD 45 million in Life & Health Reinsurance have been reclassified from "Operating expenses" to "Interest expenses".
[3] The Group's new internal service cost framework resulted in a reallocation of operating expenses to Group items from the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.
[4] Net operating margin is calculated as "Income before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

Life & Health Reinsurance business segment – by line of business

For the year ended 31 December

2016 USD millions	Life	Health	Unallocated	Total
Revenues				
Gross premiums written	9026	3775		12801
Net premiums written	7773	3686		11459
Change in unearned premiums	5	22		27
Premiums earned	7778	3708		11486
Fee income from policyholders	41			41
Net investment income – non-participating business	828	451		1279
Net realised investment gains/losses – non-participating business	21	–4	215	232
Net investment result – unit-linked and with-profit business	15			15
Other revenues	5			5
Total revenues	**8688**	**4155**	**215**	**13058**
Expenses				
Life and health benefits	–6093	–2870		–8963
Return credited to policyholders	–39			–39
Acquisition costs	–1237	–706		–1943
Operating expenses	–536	–227		–763
Total expenses before interest expenses	**–7905**	**–3803**	**0**	**–11708**
Income before interest and income tax expense	**783**	**352**	**215**	**1350**
Interest expenses			–301	–301
Income/loss before income tax expense	**783**	**352**	**–86**	**1049**
Management expense ratio in %	6.2	5.5		6.0
Net operating margin[1] in %	9.0	8.5		10.4

[1] Net operating margin is calculated as "Income before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

d) Net premiums earned and fee income from policyholders by geography

Net premiums earned and fee income from policyholders by regions for the years ended 31 December

USD millions	2015	2016
Americas	13 230	15 102
Europe (including Middle East and Africa)	10 333	10 928
Asia-Pacific	6 651	7 201
Total	30 214	**33 231**

Net premiums earned and fee income from policyholders by country for the years ended 31 December

USD millions	2015	2016
United States	10 259	12 401
United Kingdom	3 516	3 759
China	2 516	2 425
Australia	1 639	1 919
Germany	1 217	1 200
Canada	1 190	1 107
Japan	960	1 105
Switzerland	745	902
Ireland	782	754
France	755	733
Republic of Korea	466	498
Other	6 169	6 428
Total	30 214	**33 231**

Net premiums earned and fee income from policyholders are allocated by country based on the underlying contract.

3 Insurance information

Premiums earned and fees assessed against policyholders
For the years ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Corporate Solutions	Life Capital[1]	Total
Premiums earned, thereof:					
Direct		39	2 732	1 197	3 968
Reinsurance	15 301	11 353	872	143	27 669
Intra-group transactions (assumed and ceded)	57	595	–57	–595	0
Premiums earned before retrocession to external parties	15 358	11 987	3 547	745	31 637
Retrocession to external parties	–268	–1 420	–168	–30	–1 886
Net premiums earned	15 090	10 567	3 379	715	29 751
Fee income from policyholders, thereof:					
Direct				323	323
Reinsurance		50		91	141
Gross fee income before retrocession to external parties		50		414	464
Retrocession to external parties		–1			–1
Net fee income	0	49	0	414	463

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Premiums earned, thereof:					
Direct		45	2 879	1 293	4 217
Reinsurance	17 166	12 204	968	173	30 511
Intra-group transactions (assumed and ceded)	113	594	–113	–594	0
Premiums earned before retrocession to external parties	17 279	12 843	3 734	872	34 728
Retrocession to external parties	–271	–1 357	–231	–178	–2 037
Net premiums earned	**17 008**	**11 486**	**3 503**	**694**	**32 691**
Fee income from policyholders, thereof:					
Direct				410	410
Reinsurance		40		89	129
Gross fee income before retrocession to external parties		40		499	539
Retrocession to external parties		1			1
Net fee income	**0**	**41**	**0**	**499**	**540**

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

Claims and claim adjustment expenses
For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Corporate Solutions	Life Capital[1]	Group items	Total
Claims paid, thereof:						
Gross claims paid to external parties	–8 651	–8 931	–2 726	–2 310	–38	–22 656
Intra-group transactions (assumed and ceded)	–739	–456	739	456		0
Claims before receivables from retrocession to external parties	–9 390	–9 387	–1 987	–1 854	–38	–22 656
Retrocession to external parties	540	1 168	278	54		2 040
Net claims paid	–8 850	–8 219	–1 709	–1 800	–38	–20 616
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:						
Gross – with external parties	567	218	754	726	37	2 302
Intra-group transactions (assumed and ceded)	941	–37	–941	37		0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	1 508	181	–187	763	37	2 302
Retrocession to external parties	–550	26	–59	–31		–614
Net unpaid claims and claim adjustment expenses; life and health benefits	958	207	–246	732	37	1 688
Claims and claim adjustment expenses; life and health benefits	–7 892	–8 012	–1 955	–1 068	–1	–18 928

Acquisition costs
For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Corporate Solutions	Life Capital[1]	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	–3 898	–2 137	–492	–233	–6 760
Intra-group transactions (assumed and ceded)	–6	–72	6	72	0
Acquisition costs before impact of retrocession to external parties	–3 904	–2 209	–486	–161	–6 760
Retrocession to external parties	68	244	27	2	341
Net acquisition costs	–3 836	–1 965	–459	–159	–6 419

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

Claims and claim adjustment expenses
For the year ended 31 December

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Claims paid, thereof:					
Gross claims paid to external parties	–8 546	–10 032	–2 563	–3 384	–24 525
Intra-group transactions (assumed and ceded)	–502	–477	502	477	0
Claims before receivables from retrocession to external parties	–9 048	–10 509	–2 061	–2 907	–24 525
Retrocession to external parties	342	1 205	223	227	1 997
Net claims paid	**–8 706**	**–9 304**	**–1 838**	**–2 680**	**–22 528**
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:					
Gross – with external parties	–2 014	392	257	833	–532
Intra-group transactions (assumed and ceded)	702	–34	–702	34	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	–1 312	358	–445	867	–532
Retrocession to external parties	–283	–17	20	–83	–363
Net unpaid claims and claim adjustment expenses; life and health benefits	**–1 595**	**341**	**–425**	**784**	**–895**
Claims and claim adjustment expenses; life and health benefits	**–10 301**	**–8 963**	**–2 263**	**–1 896**	**–23 423**

Acquisition costs
For the year ended 31 December

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	–4 458	–2 094	–589	–137	–7 278
Intra-group transactions (assumed and ceded)	–16	–59	16	59	0
Acquisition costs before impact of retrocession to external parties	–4 474	–2 153	–573	–78	–7 278
Retrocession to external parties	69	210	56	15	350
Net acquisition costs	**–4 405**	**–1 943**	**–517**	**–63**	**–6 928**

Reinsurance recoverable on unpaid claims and policy benefits

As of 31 December 2015 and 2016, the Group had a reinsurance recoverable of USD 6 578 million and USD 7 461 million, respectively. The concentration of credit risk is regularly monitored and evaluated. The reinsurance programme with Berkshire Hathaway and subsidiaries accounted for 52% of the Group's reinsurance recoverable as of year-end 2015 and 40% as of year-end 2016.

Reinsurance receivables

Reinsurance receivables as of 31 December were as follows:

USD millions	2015	**2016**
Premium receivables invoiced	1 441	1 717
Receivables invoiced from ceded re/insurance business	201	177
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	171	141
Recognised allowance	–56	–60

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. The relative percentage of participating insurance of the life and health policy benefits in 2015 and 2016 was 8% and 10%, respectively. The amount of policyholder dividend expense in 2015 and 2016 was USD 126 million and USD 279 million, respectively.

This page intentionally left blank.

4 Premiums written

For the years ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Corporate Solutions	Life Capital[1]	Consolidation	Total
Gross premiums written, thereof:						
Direct		40	2 905	1 203		4 148
Reinsurance	15 811	11 302	845	143		28 101
Intra-group transactions (assumed)	288	600	192		–1 080	0
Gross premiums written	16 099	11 942	3 942	1 346	–1 080	32 249
Intra-group transactions (ceded)	–192		–288	–600	1 080	0
Gross premiums written before retrocession to external parties	15 907	11 942	3 654	746		32 249
Retrocession to external parties	–204	–1 413	–160	–30		–1 807
Net premiums written	15 703	10 529	3 494	716	0	30 442

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Consolidation	Total
Gross premiums written, thereof:						
Direct		45	3 056	1 317		4 418
Reinsurance	17 862	12 210	960	172		31 204
Intra-group transactions (assumed)	287	546	139		–972	0
Gross premiums written	18 149	12 801	4 155	1 489	–972	35 622
Intra-group transactions (ceded)	–139		–287	–546	972	0
Gross premiums written before retrocession to external parties	18 010	12 801	3 868	943		35 622
Retrocession to external parties	–242	–1 342	–206	–262		–2 052
Net premiums written	**17 768**	**11 459**	**3 662**	**681**	**0**	**33 570**

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

5 Unpaid claims and claim adjustment expenses

A reconciliation of the opening and closing reserve balances for unpaid claims and claim adjustment expenses for the period is presented as follows:

USD millions	2015[1]	2016
Balance as of 1 January	57 954	55 518
Reinsurance recoverable	–5 103	–4 265
Deferred expense on retroactive reinsurance	–14	–340
Net balance as of 1 January	52 837	**50 913**
Incurred related to:		
Current year	20 729	25 825
Prior year	–1 126	–810
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	27	–26
Total incurred	19 630	**24 989**
Paid related to:		
Current year	–8 533	–9 720
Prior year	–12 083	–12 808
Total paid	–20 616	**–22 528**
Foreign exchange	–2 619	–1 317
Effect of acquisitions, disposals, new retroactive reinsurance and other items	1 681	1 043
Net balance as of 31 December	50 913	**53 100**
Reinsurance recoverable	4 265	4 044
Deferred expense on retroactive reinsurance	340	211
Balance as of 31 December	55 518	**57 355**

[1] The Group has adjusted its presentation of the reconciliation to include both non-life and life and health business lines for the current and the comparative reporting period.

Prior-year development

Non-life claims development during 2016 on prior years continued to be driven by favourable experience on most lines of business. Property includes adverse development from the New Zealand earthquakes that occurred in 2010 and 2011. Casualty includes adverse development on US asbestos and environmental claims, while the more recent years were in some cases strengthened in view of the unfavourable prevailing market conditions. Within specialty, the main reserve releases came from marine and engineering business lines.

For life and health lines of business, claims development on prior year business was driven by adverse claim experience across a number of lines of business and geographies. In particular, the UK critical illness portfolio strengthened reserves following adverse trends. This was partially offset by Canadian mortality and disability portfolios which had reserve releases following positive claims experience. Claims development related to prior years also includes an element of interest accretion for unpaid claims reported at the estimated present value.

A summary of prior-year net claims and claim adjustment expenses development by lines of business is shown below:

USD millions	2015	**2016**
Line of business:		
Property	–539	–335
Casualty	–571	–249
Specialty	–284	–357
Life and health	268	131
Total	–1 126	**–810**

US asbestos and environmental claims exposure

The Group's obligation for claims payments and claims settlement charges also includes obligations for long-latent injury claims arising out of policies written prior to 1986, in particular in the area of US asbestos and environmental liability.

At the end of 2016 the Group carried net reserves for US asbestos and environmental liabilities equal to USD 1 977 million. During 2016, the Group incurred net losses of USD 48 million and paid net against these liabilities of USD 164 million.

Estimating ultimate asbestos and environmental liabilities is particularly complex for a number of reasons relating in part to the long period between exposure and manifestation of claims, and in part to other factors, which include risks and lack of predictability inherent in complex litigation, changes in projected costs to resolve, and in the projected number of asbestos and environmental claims, the effect of bankruptcy protection, insolvencies, and changes in the legal, legislative and regulatory environment. As a result, the Group believes that projection of exposures for asbestos and environmental claims is subject to far less predictability relative to non-environmental and non-asbestos exposures. Management believes that its reserves for asbestos and environmental claims are appropriately established based upon known facts and the current state of the law. However, reserves are subject to revision as new information becomes available and as claims develop. Additional liabilities may arise for amounts in excess of reserves, and the Group's estimate of claims and claim adjustment expenses may change. Any such additional liabilities or increases in estimates cannot be reasonably estimated in advance but could result in charges that could be material to operating results.

The Group maintains an active commutation strategy to reduce exposure. When commutation payments are made, the traditional "survival ratio" is artificially reduced by premature payments which should not imply a reduction in reserve adequacy.

Short duration contract unpaid claims and claim adjustment expenses

Basis of presentation for claims development information

This section of the note provides claims development information on an accident year basis.

Claims development information and information on reserves for claims relating to insured events that have occurred but have not yet been reported or not enough reported ("IBNR") are generally presented by line of business for individually significant categories. Starting from a line of business split, additional aggregation or disaggregation is provided where appropriate, necessary and practicable ("disaggregation categories"). For instance, Reinsurance liability and motor lines of business are further disaggregated into proportional and non-proportional treaty types to provide more specific information on claims development whereas specialty is shown as one distinct category.

In the Property & Casualty Reinsurance and Corporate Solutions segments, all contracts that transfer significant insurance risk are included in scope to the extent they can be allocated to a disaggregation category. For many reinsurance contracts, proportional contracts in particular, ceding companies do not report losses by accident year. In these cases, the Group has allocated reported losses by underwriting year to accident year to produce the accident year tables. Similarly, IBNR is calculated on an underwriting year basis and then the liabilities are allocated to accident year.

In the Life & Health Reinsurance segment, contracts classified as short duration include group life business, certain types of disability and long-term care contracts, group accident, health coverage including critical illness and medical expenses. The Group provides claims development information for Life & Health Reinsurance where reported accident year information is available and there is potential for claims development. This primarily applies to the Group´s disability lines classified as short duration. This business is generally considered to have relatively higher claims estimation uncertainty than other life and health lines such as group life, due to longer claims development periods.

In the Life Capital segment, short duration contracts include mainly disability medical expenses business. The Group provides no claims development information for Life Capital as its short duration reserves are not material.

Amounts shown in the claims development tables are net of external retrocession and retrocession between business segments to the extent a retrocession program can be allocated to a disaggregation category. Ceded retroactive reinsurance is not included in the claims development table if it cannot be allocated on a reasonable basis to the disaggregation categories used to present claims development information.

Claims development information and information on IBNR reserves are shown on a nominal basis, also for cases where the Group discounts claims liabilities for measurement under US GAAP. Information is shown per accident year and by reporting period. The number of years shown in the claims development tables differs by business segment:

For Property & Casualty Reinsurance, the Group discloses data for ten accident years and reporting periods.

For the Life & Health Reinsurance long tail category, the Group discloses data for nine accident years and reporting periods. Disclosure of ten years of information is impracticable for all lines of business contained in this category as the Group historically has not used accident-year based information for reserving purposes in all income protection business lines.

The Corporate Solutions business segment was created in 2012. Therefore, five accident years and reporting periods will be shown for this business unit. All but an immaterial portion of claims arising from accident years prior to 2012 relate to accident years which are over ten years ago and therefore out of the required range of disclosure. Business ceded to Property & Casualty Reinsurance prior to 2012 is included in the net claims development information reported by this segment.

The current reporting period estimate of net claims liabilities for accident years older than the number of years shown in the claims development tables is presented as a total after disclosure of cumulative paid claims.

The information presented in claims development tables is presented at current balance sheet foreign exchange rates as of the date of these financial statements to permit an analysis of claims development excluding the impact of foreign exchange movements.

Some of the information provided in the following tables, is Required Supplementary Information (RSI) under US GAAP. Therefore it does not form part of these consolidated audited financial statements. Claims development information for all periods except the current reporting period and any information derived from it — including average annual percentage payout of claims incurred — is considered RSI and is identified as RSI in the tables presented.

Methodology for determining the presented amounts of liabilities for IBNR claims
The liability for unpaid claims and claim adjustment expenses is based on an estimate of the ultimate cost of settling the claims based on both information reported to us by ceding companies and internal estimates.

Non-life re/insurance contracts
Cedents report their case reserves and their estimated IBNR to the Group. The Group develops and recognises its own estimate of IBNR claims, which includes circumstances in which the cedent has not reported any claims to the Group or where the Group´s estimate of reserves needed to cover reported claims differs from the amounts reported by cedents. Reserving is done on portfolio or contract level depending on the features of the contract:

For business reviewed on a portfolio level, the expected ultimate losses are set for most lines and types of business based on analysis performed using standard actuarial techniques. In general, contracts are aggregated into portfolios by combining contracts with similar features.

In most cases, these standard actuarial techniques encompass a number of loss development factor techniques applied to claim tables of paid and reported losses. Other actuarial techniques may be applicable to specific categories. For instance, the analysis of frequency and severity could be applied in all disaggregation categories. Life contingency techniques for projecting regular payments related to bodily injury claims are applied to motor proportional, motor non-proportional, liability proportional, liability non-proportional, accident and health and similar Corporate Solutions lines, where the information is available. In some cases, techniques specific to the projection of future payments for specific risks such as asbestos or pollution claims are applied to both proportional and non-proportional liability claims, also in Corporate Solutions (see also separate section "US asbestos and environmental claims exposure" on page 201).

Contract-level reserving is based on standard actuarial techniques but requires more detailed contract, pricing, claim and exposure information than required for the business reviewed on a portfolio level.

In addition, the following applies to all non-life re/insurance business:

- For the most recent underwriting years, reliance may be made on the Group´s costing and underwriting functions for the initial estimates of claims, although the initial reserving estimates may differ from these pricing estimates if there is good reason to believe losses are likely to emerge higher or lower, and in light of the limited claims experience to date. Reviews of those initial estimates are performed regularly, forming a basis for adjustments on both the current and prior underwriting years.

- The reserving process considers any information available in respect of either a specific case or a large loss event and the impact of any unusual features in the technical accounting of information provided by cedents.

Life and health re/insurance contracts
For the Life & Health Reinsurance long tail business, the liability for IBNR claims includes provision for "not yet reported claims" expected to have been incurred in respect of both already processed and not yet processed reinsurance accounts and generally includes provisions for the cost of claims that currently are within their deferred period. The IBNR reserving calculations have been made using appropriate techniques, such as chain ladder and/or Bornhuetter-Ferguson approaches, depending upon the level of detail available and the assumed level of development of the claim. For certain lines of business, IBNR claims reserves include reported but not admitted claims, allowing for expected rates of decline for these claims.

Claims frequency information

Claims frequency information is not available for the disaggregation categories of Property & Casualty Reinsurance, as cedents do not report claims frequency information to the Group for most of the assumed reinsurance contract types. These contracts are to be found in all disaggregation categories presented.

Life & Health Reinsurance reports claims frequency information based on individual incidence. The number of reported claims is the actual number of claims booked. For Group income protection business, claims with multiple payments in a year are counted as one claim with the corresponding amount annualised. Claims that are reported but not admitted are included in the claim count.

For Corporate Solutions, claims frequency is displayed for direct business only, as individual claims information is generally not available for assumed and ceded business. Claims are counted individually per contract to produce the claims frequency table. For some direct business, summary reports are received and multiple claims are booked under a single claim code; this is usually done at a program, policy year, state, country and/or line of business level of detail. This approach may be applied to business which has a high volume of claim counts, but with only minor claims dollars associated with each claim.

Property & Casualty Reinsurance – Property

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year										
Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**	**Thereof IBNR**
2007	*2 233*	*2 167*	*2 219*	*2 181*	*2 087*	*2 121*	*2 129*	*2 127*	*2 122*	2 110	–7
2008		*2 617*	*2 228*	*2 090*	*2 008*	*2 006*	*2 026*	*2 017*	*2 017*	2 014	–14
2009			*2 221*	*2 241*	*2 122*	*2 079*	*2 059*	*2 056*	*2 053*	2 056	1
2010				*2 489*	*2 439*	*2 314*	*2 334*	*2 423*	*2 466*	2 577	–5
2011					*4 240*	*4 308*	*4 126*	*4 187*	*4 143*	4 139	123
2012						*2 637*	*2 466*	*2 273*	*2 231*	2 202	14
2013							*3 038*	*3 050*	*2 880*	2 799	–3
2014								*2 681*	*2 525*	2 351	57
2015	***RSI***								*2 781*	2 720	405
2016										3 842	2 044
Total										**26 810**	**2 615**

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									
Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
2007	*447*	*1 364*	*1 897*	*2 002*	*2 049*	*2 071*	*2 088*	*2 093*	*2 094*	2 095
2008		*541*	*1 389*	*1 689*	*1 811*	*1 936*	*1 969*	*1 984*	*1 989*	1 990
2009			*494*	*1 512*	*1 817*	*1 917*	*1 965*	*1 987*	*1 996*	2 006
2010				*394*	*1 491*	*1 783*	*1 891*	*2 089*	*2 243*	2 390
2011					*662*	*2 347*	*3 141*	*3 582*	*3 870*	3 972
2012						*243*	*1 551*	*1 938*	*2 055*	2 097
2013							*536*	*1 936*	*2 425*	2 614
2014								*465*	*1 677*	2 052
2015	***RSI***								*467*	1 632
2016										633
Total										**21 481**
All liabilities before 2007										125
Liabilities for claims and claim adjustment expenses, net of reinsurance										**5 454**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Property **(RSI)**	*18.7%*	*46.9%*	*17.1%*	*6.1%*	*4.6%*	*2.4%*	*1.9%*	*0.3%*	*0.0%*	*0.0%*

The liability for unpaid claims for property in Property & Casualty Reinsurance shows positive development on most recent years. Claims in accident year 2011 were at a high level due to several large natural catastrophes including the earthquake and tsunami in Japan, the earthquakes in Christchurch, New Zealand, and floods in Thailand. The negative development on accident year 2010 in calendar year 2016 was driven by a deterioration in loss estimates for the 2010 New Zealand earthquake. Negative IBNRs can be a feature for claims arising from Property exposure due to overestimated case reserves.

Property & Casualty Reinsurance – Liability, proportional

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year										
Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**	**Thereof IBNR**
2007	*1 464*	*1 551*	*1 482*	*1 621*	*1 519*	*1 418*	*1 382*	*1 347*	*1 350*	1 346	45
2008		*1 131*	*1 112*	*1 175*	*1 240*	*1 136*	*1 033*	*1 092*	*1 090*	1 108	88
2009			*762*	*894*	*1 008*	*964*	*958*	*928*	*939*	948	90
2010				*831*	*975*	*914*	*894*	*886*	*889*	878	148
2011					*633*	*689*	*714*	*658*	*616*	613	139
2012						*511*	*594*	*550*	*522*	495	115
2013							*719*	*742*	*749*	745	238
2014								*984*	*974*	986	518
2015	***RSI***								*1 251*	1 299	872
2016										1 705	1 398
Total										**10 123**	**3 651**

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									
Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
2007	*–6*	*107*	*334*	*498*	*806*	*921*	*1 000*	*1 053*	*1 084*	1 117
2008		*67*	*140*	*286*	*451*	*535*	*651*	*758*	*876*	928
2009			*–18*	*125*	*278*	*400*	*513*	*619*	*668*	714
2010				*30*	*157*	*315*	*405*	*512*	*607*	656
2011					*4*	*106*	*178*	*247*	*332*	378
2012						*13*	*112*	*178*	*236*	289
2013							*15*	*124*	*229*	343
2014								*24*	*155*	288
2015	***RSI***								*35*	207
2016										47
Total										**4 967**
All liabilities before 2007										596
Liabilities for claims and claim adjustment expenses, net of reinsurance										**5 752**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Liability, proportional **(RSI)**	*2.0%*	*13.6%*	*14.6%*	*12.6%*	*13.2%*	*9.7%*	*6.6%*	*6.5%*	*3.5%*	*2.5%*

The increase in incurred losses from accident year 2013 to 2016 is driven by volume increases of business written. In view of current market conditions the loss ratios for accident year 2015 were increased. In line with the Group´s policy, cash flows under loss portfolio transfers are reported through claims paid. For longer tail lines and depending on the business volume written, timing of cash flows can lead to net inward payments across the whole portfolio in the first development year of the contract for some accident years.

Property & Casualty Reinsurance – Liability, non-proportional
Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year										
Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Thereof IBNR
2007	798	787	762	718	631	582	537	529	523	537	71
2008		676	718	668	544	502	469	437	412	391	67
2009			509	520	430	428	387	354	329	315	43
2010				511	427	393	368	346	325	317	70
2011					393	422	457	419	376	343	95
2012						322	340	301	273	252	104
2013							399	380	346	291	161
2014								425	429	398	265
2015	RSI								1 709	1 747	351
2016										571	368
Total										**5 162**	**1 595**

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									
Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
2007	–4	27	71	127	213	254	287	309	333	345
2008		6	29	101	131	164	191	233	252	280
2009			–2	21	41	64	102	164	186	194
2010				4	11	34	51	86	103	122
2011					3	9	64	109	135	143
2012						–1	11	35	52	83
2013							1	11	36	59
2014								1	8	40
2015	RSI								0	87
2016										13
Total										**1 366**
All liabilities before 2007										5 891
Liabilities for claims and claim adjustment expenses, net of reinsurance										**9 687**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Liability, non-proportional **(RSI)**	0.5%	4.2%	10.3%	8.4%	11.2%	8.4%	7.5%	3.8%	5.8%	2.2%

The increase in incurred losses for accident year 2015 compared to other years is due to an increase in volume of business written. Liabilities before 2007 include reserves for historic US Asbestos and Environmental losses. In line with the Group´s policy, cash flows under loss portfolio transfers are reported through claims paid. For longer tail lines and depending on the business volume written, timing of cash flows can lead to net inward payments across the whole portfolio in the first development year of the contract for some accident years.

Property & Casualty Reinsurance – Accident & Health

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year										
Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**	**Thereof IBNR**
2007	*457*	*486*	*490*	*453*	*439*	*431*	*409*	*396*	*390*	379	0
2008		*385*	*412*	*400*	*411*	*419*	*408*	*406*	*405*	410	84
2009			*343*	*367*	*344*	*339*	*336*	*327*	*322*	314	31
2010				*271*	*223*	*229*	*217*	*215*	*217*	209	34
2011					*225*	*245*	*242*	*234*	*237*	231	33
2012						*311*	*321*	*306*	*297*	294	40
2013							*334*	*342*	*329*	320	62
2014								*297*	*329*	322	100
2015	***RSI***								*428*	426	151
2016										587	286
Total										**3 492**	**821**

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									
Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
2007	*46*	*142*	*231*	*265*	*294*	*309*	*321*	*329*	*337*	343
2008		*51*	*157*	*208*	*247*	*263*	*274*	*282*	*289*	294
2009			*32*	*135*	*190*	*215*	*232*	*245*	*250*	256
2010				*25*	*83*	*114*	*128*	*137*	*143*	147
2011					*48*	*119*	*140*	*150*	*159*	163
2012						*72*	*167*	*192*	*208*	218
2013							*51*	*132*	*172*	195
2014								*30*	*100*	142
2015	***RSI***								*60*	134
2016										73
Total										**1 965**
All liabilities before 2007										3 125
Liabilities for claims and claim adjustment expenses, net of reinsurance										**4 652**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Accident & Health **(RSI)**	*14.4%*	*26.6%*	*13.9%*	*7.2%*	*4.8%*	*3.1%*	*2.2%*	*1.9%*	*1.7%*	*1.6%*

The 2007 accident year includes the run-off of business written by entities acquired as part of the acquisition of General Electric Insurance Solutions during 2006. This business was not renewed. The increase in incurred losses for accident years 2015 and 2016 compared to previous accident years is due to an increase in the volume of workers' compensation written.

Property & Casualty Reinsurance – Motor, proportional

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year										
Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**	**Thereof IBNR**
2007	802	716	831	825	832	836	825	824	826	825	–8
2008		707	573	569	640	670	646	644	632	632	5
2009			640	637	700	724	711	717	715	713	–17
2010				570	631	667	673	669	684	684	–4
2011					972	966	938	915	927	926	–17
2012						1 427	1 419	1 416	1 393	1 384	44
2013							1 502	1 477	1 483	1 459	30
2014								1 902	1 869	1 869	26
2015	**RSI**								1 877	1 881	219
2016										2 445	1 190
Total										**12 818**	**1 468**

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									
Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
2007	182	562	737	767	775	784	790	796	800	803
2008		322	526	599	577	588	587	599	603	606
2009			158	391	580	613	624	653	669	676
2010				195	439	522	556	581	612	627
2011					260	651	830	850	879	898
2012						460	1 065	1 218	1 265	1 295
2013							559	1 132	1 308	1 354
2014								816	1 482	1 699
2015	**RSI**								781	1 413
2016										812
Total										**10 183**
All liabilities before 2007										316
Liabilities for claims and claim adjustment expenses, net of reinsurance										**2 951**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Motor, proportional **(RSI)**	34.2%	37.9%	15.7%	2.6%	2.2%	2.3%	1.8%	0.8%	0.5%	0.4%

Increase in the incurred losses from accident year 2010 onward is driven by new business volume across all regions. Proportional motor business includes both longer tailed liability business and shorter tailed hull business. The negative IBNRs are due to overestimated case reserves, mainly on the German business and 2011 includes the effects of an outwards proportional contract in inwards non-proportional business.

Property & Casualty Reinsurance – Motor, non-proportional

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year										
Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**	**Thereof IBNR**
2007	401	414	402	369	366	380	379	372	379	376	85
2008		399	469	412	317	331	329	322	318	313	52
2009			360	373	270	272	257	262	256	254	78
2010				313	277	272	259	251	244	236	43
2011					387	423	408	405	391	385	114
2012						321	337	317	303	305	101
2013							414	435	438	423	123
2014								392	424	420	161
2015	RSI								375	396	217
2016										455	345
Total										**3563**	**1319**

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									
Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
2007	9	49	83	114	136	152	175	186	192	199
2008		16	83	121	126	148	165	176	186	195
2009			0	37	55	66	79	93	103	113
2010				6	22	48	66	82	98	111
2011					–8	20	55	77	101	115
2012						3	24	49	84	109
2013							7	80	142	187
2014								5	58	101
2015	RSI								–1	33
2016										8
Total										**1171**
All liabilities before 2007										2557
Liabilities for claims and claim adjustment expenses, net of reinsurance										**4949**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Motor, non-proportional **(RSI)**	1.3%	11.8%	10.2%	7.1%	6.5%	5.1%	4.8%	3.4%	2.2%	1.9%

Claims development in non-proportional motor business is considered long-tailed as it is dominated by liability exposures leading to bodily injury claims which pay out for the lifetime of the claimant. For accident year 2011, negative claims paid in the first year are due to the commutation of external retrocession on acquired retroactive business. In line with the Group's policy, cash flows under loss portfolio transfers are reported through claims paid. For longer tail lines and depending on the business volume written, timing of cash flows can lead to net inward payments across the whole portfolio in the first development year of the contract for some accident years.

Property & Casualty Reinsurance – Specialty
Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year										
Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**	**Thereof IBNR**
2007	*1 686*	*1 690*	*1 897*	*1 773*	*1 771*	*1 718*	*1 700*	*1 682*	*1 678*	1 672	20
2008		*2 021*	*2 025*	*1 952*	*1 906*	*1 860*	*1 829*	*1 811*	*1 818*	1 804	31
2009			*1 489*	*1 621*	*1 442*	*1 375*	*1 347*	*1 325*	*1 308*	1 292	21
2010				*1 198*	*1 210*	*1 158*	*1 136*	*1 117*	*1 084*	1 064	27
2011					*1 259*	*1 239*	*1 157*	*1 078*	*1 125*	1 123	42
2012						*933*	*991*	*1 012*	*996*	997	52
2013							*1 065*	*994*	*956*	923	79
2014								*1 085*	*1 081*	983	165
2015	***RSI***								*1 208*	1 195	369
2016										1 266	840
Total										**12 319**	**1 646**

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									
Accident year	2007	2008	2009	2010	2011	2012	2013	2014	2015	**2016**
2007	*151*	*587*	*1 101*	*1 273*	*1 369*	*1 437*	*1 489*	*1 518*	*1 539*	1 553
2008		*246*	*800*	*1 280*	*1 423*	*1 534*	*1 597*	*1 640*	*1 667*	1 692
2009			*204*	*639*	*884*	*983*	*1 055*	*1 111*	*1 148*	1 171
2010				*193*	*455*	*642*	*741*	*817*	*931*	952
2011					*162*	*549*	*760*	*860*	*909*	946
2012						*122*	*430*	*661*	*750*	806
2013							*145*	*407*	*585*	693
2014								*172*	*402*	581
2015	***RSI***								*133*	379
2016										141
Total										**8 914**
All liabilities before 2007										661
Liabilities for claims and claim adjustment expenses, net of reinsurance										**4 066**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Specialty **(RSI)**	*13.9%*	*28.1%*	*21.7%*	*9.2%*	*5.8%*	*5.2%*	*2.6%*	*1.7%*	*1.3%*	*0.8%*

This category includes credit and surety business, which was adversely affected by the financial crisis in 2007–2008. The category also includes several individual large losses on marine, aviation and space lines, including the Costa Concordia claims event.

Corporate Solutions

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year						
Accident year	2012	2013	2014	2015	**2016**	**Thereof IBNR**	**Cumulative number of reported claims (in nominals)**
2012	*1 288*	*1 219*	*1 140*	*1 107*	1 104	132	12 449
2013		*1 586*	*1 570*	*1 502*	1 419	218	25 257
2014			*1 817*	*1 759*	1 691	377	19 959
2015	***RSI***			*1 875*	2 038	660	14 164
2016					1 999	1 246	8 060
Total					**8 251**	**2 633**	**79 889**

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year				
Accident year	2012	2013	2014	2015	**2016**
2012	*182*	*553*	*708*	*801*	889
2013		*271*	*670*	*936*	1 092
2014			*270*	*821*	1 110
2015	***RSI***			*349*	905
2016					373
Total					**4 369**
All liabilities before 2012					716
Liabilities for claims and claim adjustment expenses, net of reinsurance					**4 598**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5
Corporate Solutions **(RSI)**	*17.5%*	*30.4%*	*16.6%*	*9.7%*	*8.0%*

Claims incurred increased due to general volume growth from accident year 2012 to 2016. Change in claim counts in 2013 and 2014 relate mostly to agriculture business written in 2013, leading to high claim counts in those years. Adverse experience for accident year 2015 is mainly due to a few large loss developments in casualty.

Life & Health Reinsurance, long tail

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year										
Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	Thereof IBNR	Cumulative number of reported claims (in nominals)
2008	91	88	88	87	90	103	106	102	109	14	3068
2009		152	157	149	150	150	173	171	173	21	4105
2010			188	190	185	209	209	221	195	27	4451
2011				215	224	284	296	310	288	48	6105
2012					266	356	359	383	348	47	8298
2013						480	471	469	434	78	10269
2014							470	428	407	108	11021
2015	RSI							401	433	183	11825
2016									419	317	2327
Total									**2806**	**843**	**61469**

Cumulative paid claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year								
Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016
2008	5	21	38	49	57	64	68	72	76
2009		7	36	55	68	77	84	90	98
2010			8	40	62	80	93	104	114
2011				19	61	99	123	144	164
2012					27	86	138	176	208
2013						37	120	183	244
2014							32	107	195
2015	RSI							35	105
2016									13
Total									**1217**
All liabilities before 2008									272
Liabilities for Life and Health claims and claim adjustment expenses, net of reinsurance									**1861**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9
Life & Health Reinsurance, long tail **(RSI)**	6.1%	16.6%	14.6%	10.0%	7.1%	5.8%	4.1%	4.1%	3.7%

In the reporting year 2013, the Group significantly strengthened IBNR claims liabilities in Australia for some lines of business. In addition, for 2009, 2013 and 2014 the effect of business volume increase is discernible as well.

Reconciliation of gross liability for unpaid claims and claim adjustment expenses
The following table reconciles the Group´s net outstanding liabilities to the gross liabilities for unpaid claims and claim adjustment expenses.

The net outstanding liabilities correspond to the total liabilities for unpaid claims and claim adjustment expenses, net of reinsurance for each disaggregation category.

Other short duration contract lines includes reserves for business that is not material to the Group and where accident year information is not available. For Life & Health Reinsurance, in certain markets, cedents do not provide sufficient information to reinsurers to split claims incurred and claims paid by accident year. This is based on existing market practice. For these markets, an assessment of available information from other sources was made along with investigating approximations that could be used to provide claims development information by accident year. However, these alternate sources and estimates, based on currently available data and methods, could not be used to generate meaningful and representative accident year information and therefore have been excluded from disclosure. Other short duration contract lines also contain other treaties from Property & Casualty Reinsurance and Corporate Solutions which could not be allocated on a consistent basis to disaggregation categories or specific accident years.

Unallocated reinsurance recoverable on unpaid claims includes reinsurance recoverable which cannot be allocated on a reasonable basis to disaggregation categories used to present claims development information

For details on consolidation please refer to Note 2.

For the year ended 31 December 2016

USD millions	2016
Net outstanding liabilities	
Property & Casualty Reinsurance:	
Property	5 454
Liability, proportional	5 752
Liability, non-proportional	9 687
Accident & Health	4 652
Motor, proportional	2 951
Motor, non-proportional	4 949
Specialty	4 066
Corporate Solutions	4 598
Life & Health Reinsurance, long tail	1 861
Total net undiscounted outstanding liabilities excluding other short duration contract lines and before unallocated reinsurance recoverable	43 970
Discounting impact on (Life & Health Reinsurance) short duration contracts	–241
Impact of acquisition accounting	–704
Total net discounted outstanding liabilities excluding other short duration contract lines and before unallocated reinsurance recoverable	43 025
Other short duration contract lines	2 327
Unallocated reinsurance recoverable on unpaid claims	–394
Total net discounted outstanding short duration liabilities	**44 958**
Allocated reinsurance recoverables on unpaid claims	
Property & Casualty Reinsurance:	
Property	378
Liability, proportional	426
Liability, non-proportional	364
Accident & Health	247
Motor, proportional	87
Motor, non-proportional	237
Specialty	286
Corporate Solutions	5 156
Life & Health Reinsurance, long tail	
Consolidation	–4 087
Impact of acquisition accounting	–157
Other short duration contract lines	417
Unallocated reinsurance recoverable on unpaid claims	394
Total short duration reinsurance recoverable on outstanding liabilities	**3 748**
Exclusions	
Unallocated claim adjustment expenses	824
Long duration contracts	7 825
Total other reconciling items	**8 649**
Total unpaid claims and claim adjustment expenses	**57 355**

Discounting information

The following disclosure covers the discounting impact for the disaggregation categories included in the claims development information. Discounting information for Life & Health Reinsurance long tail as of 31 December:

USD millions	2015	**2016**
Carrying amount of discounted claims	1 158	1 117
Aggregate amount of the discount	–281	–241
Interest accretion[1]	24	27
Range of interest rates	2.5%–3.7%	3.1%–3.6%

[1] Interest accretion is shown as part of "Life and health benefits" in the income statement.

Please refer to Note 1 for more details about the Group´s discounting approach for unpaid claims and claim adjustment expenses.

6 Deferred acquisition costs (DAC) and acquired present value of future profits (PVFP)

As of 31 December, the DAC were as follows:

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance[1]	Corporate Solutions	Life Capital[1]	Total
Opening balance as of 1 January	1 756	2 723	360	1	4 840
Effect of change in Group structure[1]		–12		12	0
Deferred	4 132	1 018	486	35	5 671
Effect of acquisitions/disposals and retrocessions	7	2			9
Amortisation	–3 793	–560	–459	–34	–4 846
Effect of foreign currency translation	–51	–151		–1	–203
Closing balance	2 051	3 020	387	13	5 471

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Opening balance as of 1 January	2 051	3 020	387	13	5 471
Deferred	4 629	893	571	34	6 127
Amortisation	–4 379	–312	–513	–36	–5 240
Effect of foreign currency translation	–21	–136	–1		–158
Closing balance	**2 280**	**3 465**	**444**	**11**	**6 200**

[1] As of 1 January 2016, the primary life and health insurance business (individual and group) is reported in the Life Capital segment instead of the Life & Health Reinsurance segment. Comparative information for 2015 has been adjusted accordingly.

Retroceded DAC may arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation. The associated potential retrocession recoveries are determined by the nature of the retrocession agreements and by the terms of the securitisation.

As of 31 December, the PVFP was as follows:

2015 USD millions	Life & Health Reinsurance	Life Capital Positive PVFP	Negative PVFP	Total	Total
Opening balance as of 1 January	1 294	2 003	0	2 003	3 297
Effect of acquisitions/disposals and retrocessions		2		2	2
Amortisation	–159	–191		–191	–350
Interest accrued on unamortised PVFP	40	84		84	124
Effect of change in unrealised gains/losses		9		9	9
Effect of foreign currency translation	–41	–77		–77	–118
Closing balance	1 134	1 830	0	1 830	2 964

2016 USD millions	Life & Health Reinsurance	Life Capital Positive PVFP	Negative PVFP	Total	**Total**
Opening balance as of 1 January	**1 134**	1 830	0	**1 830**	**2 964**
Effect of acquisitions/disposals and retrocessions			–603	**–603**	**–603**
Amortisation	**–132**	–198	51	**–147**	**–279**
Interest accrued on unamortised PVFP	**36**	130	–19	**111**	**147**
Effect of change in unrealised gains/losses		1		**1**	**1**
Effect of foreign currency translation	**–72**	–205	50	**–155**	**–227**
Closing balance	**966**	**1 558**	**–521**	**1 037**	**2 003**

Retroceded PVFP may arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation. The associated potential retrocession recoveries are determined by the nature of the retrocession agreements and by the terms of the securitisation.

In the first quarter 2016, the Group's Business Unit Life Capital acquired Guardian Holdings Europe Limited, the holding company for operations trading under the name Guardian Financial Services ("Guardian"), and recognised negative PVFP. Upon acquisition, PVFP is calculated as the difference between the estimated fair value and established reserves, which is in line with US GAAP accounting policies and assumptions of the Group. The product mix of Guardian is weighted towards annuity business, for which the fair value of insurance and investment contract liabilities significantly exceeds the established US GAAP reserves. This excess is mainly due to differences in discount rates and risk weightings between fair value and US GAAP estimates. Overall, the excess on the annuity business outweighs the estimated future gross profits of other business and synergy expectations included in the fair value of insurance and investment contract liabilities for the business as a whole, resulting in a negative PVFP.

The subsequent measurement of negative PVFP is in alignment with the existing measurement of positive PVFP assets (please refer to Note 1).

The percentage of PVFP which is expected to be amortised in each of the next five years is 10%, 10%, 9%, 9% and 8%.

7 Investments

Investment income

Net investment income by source (excluding unit-linked and with-profit business) was as follows:

USD millions	2015	2016
Fixed income securities	2 553	2 806
Equity securities	105	98
Policy loans, mortgages and other loans	128	156
Investment real estate	158	184
Short-term investments	77	54
Other current investments	155	153
Share in earnings of equity-accounted investees	52	41
Cash and cash equivalents	35	28
Net result from deposit-accounted contracts	95	118
Deposits with ceding companies	462	441
Gross investment income	3 820	**4 079**
Investment expenses	–362	–397
Interest charged for funds held	–22	–21
Net investment income – non-participating business	3 436	**3 661**

Dividends received from investments accounted for using the equity method were USD 254 million and USD 176 million for 2015 and 2016, respectively.

Share in earnings of equity-accounted investees includes an impairment of the carrying amount of an equity-accounted investee of USD 83 million and USD 66 million for 2015 and 2016, respectively.

Realised gains and losses

Realised gains and losses for fixed income, equity securities and other investments (excluding unit-linked and with-profit business) were as follows:

USD millions	2015	2016
Fixed income securities available-for-sale:		
Gross realised gains	889	789
Gross realised losses	–283	–202
Equity securities available-for-sale:		
Gross realised gains	372	371
Gross realised losses	–69	–122
Other-than-temporary impairments	–57	–88
Net realised investment gains/losses on trading securities	64	110
Change in net unrealised investment gains/losses on trading securities	–30	–14
Net realised/unrealised gains/losses on other investments	85	118
Net realised/unrealised gains/losses on insurance-related activities	152	344
Foreign exchange gains/losses	83	178
Net realised investment gains/losses – non-participating business	1 206	**1 484**

Investment result – unit-linked and with-profit business

For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by the Group (typically 10%).

Net investment result on unit-linked and with-profit business credited to policyholders was as follows:

	2015		2016	
USD millions	Unit-linked	With-profit	Unit-linked	With-profit
Investment income – fixed income securities	90	77	100	134
Investment income – equity securities	556	28	735	69
Investment income – other	32	16	28	13
Total investment income – unit-linked and with-profit business	678	121	**863**	**216**
Realised gains/losses – fixed income securities	–75	–58	135	174
Realised gains/losses – equity securities	124	–19	3631	321
Realised gains/losses – other	28	15	53	–11
Total realised gains/losses – unit-linked and with-profit business	77	–62	**3819**	**484**
Total net investment result – unit-linked and with-profit business	755	59	**4682**	**700**

Impairment on fixed income securities related to credit losses

Other-than-temporary impairments for debt securities are bifurcated between credit and non-credit components, with the credit component recognised through earnings and the non-credit component recognised in other comprehensive income. The credit component of other-than-temporary impairments is defined as the difference between a security's amortised cost basis and the present value of expected cash flows. Methodologies for measuring the credit component of impairment are aligned to market observer forecasts of credit performance drivers. Management believes that these forecasts are representative of median market expectations.

For securitised products, a cash flow projection analysis is conducted by integrating forward-looking evaluation of collateral performance drivers, including default rates, prepayment rates and loss severities, and deal-level features, such as credit enhancement and prioritisation among tranches for payments of principal and interest. Analytics are differentiated by asset class, product type and security-level differences in historical and expected performance. For corporate bonds and hybrid debt instruments, an expected loss approach based on default probabilities and loss severities expected in the current and forecasted economic environment is used for securities identified as credit-impaired to project probability-weighted cash flows. Expected cash flows resulting from these analyses are discounted, and the present value is compared to the amortised cost basis to determine the credit component of other-than-temporary impairments.

A reconciliation of other-than-temporary impairments related to credit losses recognised in earnings was as follows:

USD millions	2015	2016
Balance as of 1 January	137	136
Credit losses for which an other-than-temporary impairment was not previously recognised	30	13
Reductions for securities sold during the period	–23	–48
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery	7	8
Impact of increase in cash flows expected to be collected	–10	–7
Impact of foreign exchange movements	–5	–5
Balance as of 31 December	136	**97**

Investments available-for-sale

Amortised cost or cost, estimated fair values and other-than-temporary impairments of fixed income securities classified as available-for-sale as of 31 December were as follows:

2015 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	12 212	612	–92		12 732
US Agency securitised products	2 937	29	–28		2 938
States of the United States and political subdivisions of the states	1 236	55	–10		1 281
United Kingdom	7 514	773	–54		8 233
Canada	3 943	520	–38		4 425
Germany	2 920	239	–31		3 128
France	2 065	223	–18		2 270
Australia	1 590	20	–4		1 606
Other	6 228	242	–142		6 328
Total	40 645	2 713	–417		42 941
Corporate debt securities	30 540	1 448	–530	–11	31 447
Mortgage- and asset-backed securities	4 970	118	–38	–3	5 047
Fixed income securities available-for-sale	76 155	4 279	–985	–14	79 435
Equity securities available-for-sale	4 294	632	–207		4 719

2016 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	13 162	481	–179		13 464
US Agency securitised products	3 415	22	–53		3 384
States of the United States and political subdivisions of the states	1 411	59	–20		1 450
United Kingdom	8 005	1 293	–97		9 201
Canada	3 916	517	–35		4 398
Germany	2 906	325	–15		3 216
France	1 931	277	–10		2 198
Australia	1 967	17	–5		1 979
Other	6 355	287	–96		6 546
Total	43 068	3 278	–510		45 836
Corporate debt securities	37 203	2 733	–181		39 755
Mortgage- and asset-backed securities	4 900	125	–30	–5	4 990
Fixed income securities available-for-sale	**85 171**	**6 136**	**–721**	**–5**	**90 581**
Equity securities available-for-sale	**2 897**	**561**	**–83**		**3 375**

The "Other-than-temporary impairments recognised in other comprehensive income" column includes only securities with a credit-related loss recognised in earnings. Subsequent recovery in fair value of securities previously impaired in other comprehensive income is also presented in the "Other-than-temporary impairments recognised in other comprehensive income" column.

Investments trading

The carrying amounts of fixed income securities and equity securities classified as trading (excluding unit-linked and with-profit business) as of 31 December were as follows:

USD millions	2015	2016
Debt securities issued by governments and government agencies	2 710	2 538
Corporate debt securities	52	45
Mortgage- and asset-backed securities	134	112
Fixed income securities trading – non-participating business	2 896	**2 695**
Equity securities trading – non-participating business	68	**60**

Investments held for unit-linked and with-profit business

The carrying amounts of investments held for unit-linked and with-profit business as of 31 December were as follows:

		2015		2016
USD millions	Unit-linked	With-profit	Unit-linked	With-profit
Fixed income securities trading	2 410	1 659	2 379	2 774
Equity securities trading	21 894	889	23 859	1 948
Investment real estate	691	366	580	298
Other	332		265	75
Total investments for unit-linked and with-profit business	25 327	2 914	**27 083**	**5 095**

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2015 and 2016, USD 12 725 million and USD 14 640 million, respectively, of fixed income securities available-for-sale were callable.

		2015		2016
USD millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	4 874	4 911	6 607	6 650
Due after one year through five years	19 370	19 671	19 180	19 623
Due after five years through ten years	16 577	17 101	19 240	20 079
Due after ten years	30 611	32 952	35 564	39 562
Mortgage- and asset-backed securities with no fixed maturity	4 723	4 800	4 580	4 667
Total fixed income securities available-for-sale	76 155	79 435	**85 171**	**90 581**

Assets pledged

As of 31 December 2016, investments with a carrying value of USD 7 249 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 14 005 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2015 and 2016, securities of USD 15 828 million and USD 16 059 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 995 million and USD 1 010 million, respectively, were recognised in accrued expenses and other liabilities for the obligation to return collateral that the Group has the right to sell or repledge.

As of 31 December 2016, a real estate portfolio with a carrying value of USD 219 million serves as collateral for a credit facility allowing the Group to withdraw funds up to CHF 650 million.

Collateral accepted which the Group has the right to sell or repledge

As of 31 December 2015 and 2016, the fair value of the equity securities, government and corporate debt securities received as collateral was USD 7 030 million and USD 7 666 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2015 and 2016 was USD 2 429 million and USD 3 469 million, respectively. The sources of the collateral are securities borrowing, reverse repurchase agreements and derivative transactions.

Offsetting of derivatives, financial assets and financial liabilities

Offsetting of derivatives, financial assets and financial liabilities as of 31 December was as follows:

2015 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	2713	–1953	760	–13	747
Reverse repurchase agreements	6401	–3000	3401	–3394	7
Securities borrowing	452		452	–452	0
Total	9566	–4953	4613	–3859	754

2015 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–2179	1477	–702	81	–621
Repurchase agreements	–2844	2475	–369	369	0
Securities lending	–1151	525	–626	582	–44
Total	–6174	4477	–1697	1032	–665

2016 USD millions	Gross amounts of recognised financial assets	Collateral set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – assets	2801	–1580	1221		**1221**
Reverse repurchase agreements	7040	–3986	3054	–3054	**0**
Securities borrowing	483	–314	169	–169	**0**
Total	**10324**	**–5880**	**4444**	**–3223**	**1221**

2016 USD millions	Gross amounts of recognised financial liabilities	Collateral set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–2610	1568	–1042	8	**–1034**
Repurchase agreements	–3991	3461	–530	527	**–3**
Securities lending	–1319	839	–480	454	**–26**
Total	**–7920**	**5868**	**–2052**	**989**	**–1063**

Collateral pledged or received between two counterparties with a master netting arrangement in place, but not subject to balance sheet netting is disclosed at fair value. The fair values represent the gross carrying value amounts at the reporting date for each financial instrument received or pledged by the Group. Management believes that master netting agreements provide for legally enforceable set-off in the event of default, which substantially reduces credit exposure. Upon occurrence of an event of default the non-defaulting party may set off the obligation against collateral received regardless if it has been offset on the balance sheet prior to the defaulting event. The net amounts of the financial assets and liabilities presented on the balance sheet were recognised in "Other invested assets", "Investments for unit-linked and with-profit business" and "Accrued expenses and other liabilities".

Recognised gross liability for the obligation to return collateral that the Group has the right to sell or repledge

As of 31 December 2015 and 2016, the gross amounts of liabilities related to repurchase agreements and securities lending by the class of securities transferred to third parties and by the remaining maturity are shown below. The liabilities are recognised for the obligation to return collateral that the Group has the right to sell or repledge.

2015 USD millions	Remaining contractual maturity of the agreements Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	Total
Repurchase agreements					
Debt securities issued by governments and government agencies	370	2 136	176	135	2 817
Corporate debt securities	3	24			27
Total repurchase agreements	373	2 160	176	135	2 844
Securities lending					
Debt securities issued by governments and government agencies	217		501	433	1 151
Total securities lending	217	0	501	433	1 151
Gross amount of recognised liabilities for repurchase agreements and securities lending					3 995

2016 USD millions	Remaining contractual maturity of the agreements Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	Total
Repurchase agreements					
Debt securities issued by governments and government agencies	219	3 023	415	334	3 991
Total repurchase agreements	**219**	**3 023**	**415**	**334**	**3 991**
Securities lending					
Debt securities issued by governments and government agencies	237	367	258	426	1 288
Corporate debt securities	13				13
Equity securities	18				18
Total securities lending	**268**	**367**	**258**	**426**	**1 319**
Gross amount of recognised liabilities for repurchase agreements and securities lending					5 310

The programme is structured in a conservative manner within a clearly defined risk framework. Yield enhancement is conducted on a non-cash basis, thereby taking no re-investment risk.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2015 and 2016. As of 31 December 2015 and 2016, USD 161 million and USD 62 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 46 million and USD 21 million, respectively, to declines in value for more than 12 months.

2015 USD millions	Less than 12 months Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total Fair value	 Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	5 993	91	11	1	6 004	92
US Agency securitised products	1 503	23	223	5	1 726	28
States of the United States and political subdivisions of the states	325	9	6	1	331	10
United Kingdom	1 551	52	56	2	1 607	54
Canada	976	14	96	24	1 072	38
Germany	860	25	131	6	991	31
France	502	13	23	5	525	18
Australia	1 085	3	9	1	1 094	4
Other	2 028	108	193	34	2 221	142
Total	14 823	338	748	79	15 571	417
Corporate debt securities	11 246	481	365	60	11 611	541
Mortgage- and asset-backed securities	2 419	32	225	9	2 644	41
Total	28 488	851	1 338	148	29 826	999

2016 USD millions	Less than 12 months Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total Fair value	 Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	6 709	179			6 709	179
US Agency securitised products	2 594	53	14	0	2 608	53
States of the United States and political subdivisions of the states	494	18	8	2	502	20
United Kingdom	1 762	87	56	10	1 818	97
Canada	1 759	26	40	9	1 799	35
Germany	1 337	15	100	0	1 437	15
France	703	10			703	10
Australia	461	2	132	3	593	5
Other	2 554	78	247	18	2 801	96
Total	18 373	468	597	42	18 970	510
Corporate debt securities	6 859	172	143	9	7 002	181
Mortgage- and asset-backed securities	1 599	26	147	9	1 746	35
Total	**26 831**	**666**	**887**	**60**	**27 718**	**726**

Mortgages, loans and real estate

As of 31 December, the carrying values of investments in mortgages, policy and other loans, and real estate (excluding unit-linked and with-profit business) were as follows:

USD millions	2015	2016
Policy loans	91	95
Mortgage loans	1 946	2 401
Other loans	1 086	1 186
Investment real estate	1 556	1 925

The fair value of mortgage loans as of 31 December 2015 and 2016 was USD 1 946 million and USD 2 411 million, respectively. The fair value of other loans as of 31 December 2015 and 2016 was USD 1 086 million and USD 1 202 million, respectively. The fair value of the real estate as of 31 December 2015 and 2016 was USD 3 211 million and USD 3 576 million, respectively. The carrying value of policy loans approximates fair value.

Depreciation expense related to income-producing properties was USD 36 million and USD 42 million for 2015 and 2016, respectively. Accumulated depreciation on investment real estate totalled USD 504 million and USD 525 million as of 31 December 2015 and 2016, respectively.

Substantially all mortgages, policy loans and other loan receivables are secured by buildings, land or the underlying policies.

8 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.

The Fair Value Measurements and Disclosures Topic requires all assets and liabilities that are measured at fair value to be categorised within the fair value hierarchy. This three-level hierarchy is based on the observability of the inputs used in the fair value measurement. The levels of the fair value hierarchy are defined as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Group has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are to be used whenever possible.

Level 2 inputs are market-based inputs that are directly or indirectly observable, but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (e. g. markets which have few transactions and where prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (e. g. interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates); and (iv) inputs derived from, or corroborated by, observable market data.

Level 3 inputs are unobservable inputs. These inputs reflect the Group's own assumptions about market pricing using the best internal and external information available.

The types of instruments valued, based on unadjusted quoted market prices in active markets, include most US government and sovereign obligations, active listed equities and most money market securities. Such instruments are generally classified within level 1 of the fair value hierarchy.

The types of instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency, include most government agency securities, investment-grade corporate bonds, certain mortgage- and asset-backed products, less liquid listed equities, and state, municipal and provincial obligations. Such instruments are generally classified within level 2 of the fair value hierarchy.

Exchange-traded derivative instruments typically fall within level 1 or level 2 of the fair value hierarchy depending on whether they are considered to be actively traded or not.

Certain financial instruments are classified within level 3 of the fair value hierarchy because they trade infrequently and therefore have little or no price transparency. Such instruments include private equity, less liquid corporate debt securities and certain asset-backed securities. Certain over-the-counter (OTC) derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. Such instruments are classified within level 3 of the fair value hierarchy. Pursuant to the election of the fair value option, the Group classifies certain liabilities for life and health policy benefits in level 3 of the fair value hierarchy. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For 2016, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

In certain situations, the Group uses inputs to measure the fair value of asset or liability positions that fall into different levels of the fair value hierarchy. In these situations, the Group will determine the appropriate level based on the lowest level input that is significant to the determination of the fair value.

Valuation techniques

US government securities typically have quoted market prices in active markets and are categorised as level 1 instruments in the fair value hierarchy. Non-US government holdings are generally classified as level 2 instruments and are valued on the basis of the quotes provided by pricing services, which are subject to the Group's pricing validation reviews and pricing vendor challenge process. Valuations provided by pricing vendors are generally based on the actual trade information as substantially all of the Group's non-US government holdings are traded in a transparent and liquid market.

Corporate debt securities mainly include US and European investment-grade positions, which are priced on the basis of quotes provided by third-party pricing vendors and first utilise valuation inputs from actively traded securities, such as bid prices, bid spreads to Treasury securities, Treasury curves, and same or comparable issuer curves and spreads. Issuer spreads are determined from actual quotes and traded prices and incorporate considerations of credit/default, sector composition, and liquidity and call features. Where market data is not available, valuations are developed based on the modelling techniques that utilise observable inputs and option-adjusted spreads and incorporate considerations of the security's seniority, maturity and the issuer's corporate structure.

Values of mortgage- and asset-backed securities are obtained both from third-party pricing vendors and through quoted prices, some of which may be based on the prices of comparable securities with similar structural and collateral features. Values of certain asset-backed securities (ABS) for which there are no significant observable inputs are developed using benchmarks to similar transactions or indices. For both residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS), cash flows are derived based on the transaction-specific information, which incorporates priority in the capital structure, and are generally adjusted to reflect benchmark yields, market prepayment data, collateral performance (default rates and loss severity) for specific vintage and geography, credit enhancements, and ratings. For certain RMBS and CMBS with low levels of market liquidity, judgements may be required to determine comparable securities based on the loan type and deal-specific performance. CMBS terms may also incorporate lock-out periods that restrict borrowers from prepaying the loans or provide disincentives to prepay and therefore reduce prepayment risk of these securities, compared to RMBS. The factors specifically considered in valuation of CMBS include borrower-specific statistics in a specific region, such as debt service coverage and loan-to-value ratios, as well as the type of commercial property. Mortgage- and asset-backed securities also includes debt securitised by credit card, student loan and auto loan receivables. Pricing inputs for these securities also focus on capturing, where relevant, collateral quality and performance, payment patterns, and delinquencies.

The Group uses third-party pricing vendor data to value agency securitised products, which mainly include collateralised mortgage obligations (CMO) and mortgage-backed government agency securities. The valuations generally utilise observable inputs consistent with those noted above for RMBS and CMBS.

Equity securities held by the Group for proprietary investment purposes are mainly classified in level 1. Securities classified in level 1 are traded on public stock exchanges for which quoted prices are readily available.

The category "Other invested assets" includes the Group's private equity and hedge fund investments which are made directly or via ownership of funds. Valuation of direct private equity investments requires significant management judgement due to the absence of quoted market prices and the lack of liquidity. Initial valuation is based on the acquisition cost, and is further refined based on the available market information for the public companies that are considered comparable to the Group's holdings in the private companies being valued, and the private company-specific performance indicators; both historic and projected. Subsequent valuations also reflect business or asset appraisals, as well as market transaction data for private and public benchmark companies and the actual companies being valued, such as financing rounds and mergers and acquisitions activity. The Group's holdings in private equity and hedge funds are generally valued utilising net asset values (NAV), subject to adjustments, as deemed necessary, for restrictions on redemption (lock-up periods and amount limitations on redemptions). These investments are included under investments measured at net asset value as a practical expedient.

The Group holds both exchange-traded and OTC interest rate, foreign exchange and equity derivative contracts for hedging and trading purposes. The fair values of exchange-traded derivatives measured using observable exchange prices are classified in level 1. Long-dated contracts may require adjustments to the exchange-traded prices which would trigger reclassification to level 2 in the fair value hierarchy. OTC derivatives are generally valued by the Group based on internal models, which are consistent with industry standards and practices, and use both observable (dealer, broker or market consensus prices, spot and forward rates, interest rate and credit curves and volatility indices) and unobservable inputs (adjustments for liquidity, inputs derived from the observable data based on the Group's judgements and assumptions).

The Group's OTC interest rate derivatives primarily include interest rate swaps, futures, options, caps and floors, and are valued based on the cash flow discounting models which generally utilise as inputs observable market yield curves and volatility assumptions.

The Group's OTC foreign exchange derivatives primarily include forward, spot and option contracts and are generally valued based on the cash flow discounting models, utilising as main inputs observable foreign exchange forward curves.

The Group's investments in equity derivatives primarily include OTC equity option contracts on single or baskets of market indices and equity options on individual or baskets of equity securities, which are valued using internally developed models (such as the Black-Scholes type option pricing model and various simulation models) calibrated with the inputs, which include underlying spot prices, dividend curves, volatility surfaces, yield curves, and correlations between underlying assets.

Governance around level 3 fair valuation

The Asset Valuation Committee, endorsed by the Group Executive Committee, has a primary responsibility for governing and overseeing all of the Group's asset and derivative valuation policies and operating parameters (including level 3 measurements). The Asset Valuation Committee delegates the responsibility for implementation and oversight of consistent application of the Group's pricing and valuation policies to the Pricing and Valuation Committee.

The Pricing and Valuation Committee, which is a joint Risk Management & Finance management control committee, is responsible for the implementation and consistent application of the pricing and valuation policies. Key functions of the Pricing and Valuation Committee include: oversight over the entire valuation process, approval of internal valuation methodologies, approval of external pricing vendors, monitoring of the independent price verification (IPV) process and resolution of significant or complex valuation issues.

A formal IPV process is undertaken monthly by members of the Valuation Risk Management team within the Financial Risk Management function. The process includes monitoring and in-depth analyses of approved pricing methodologies and valuations of the Group's financial instruments aimed at identifying and resolving pricing discrepancies.

The Risk Management function is responsible for independent validation and ongoing review of the Group's valuation models. The Product Control group within Finance is tasked with reporting of fair values through the vendor- and model-based valuations, the results of which are also subject to the IPV process.

Assets and liabilities measured at fair value on a recurring basis

As of 31 December, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

2015 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities held for proprietary investment purposes	12 900	69 038	393		82 331
Debt securities issued by US government and government agencies	12 900	1 922			14 822
US Agency securitised products		2 952			2 952
Debt securities issued by non-US governments and government agencies		27 877			27 877
Corporate debt securities		31 119	380		31 499
Mortgage- and asset-backed securities		5 168	13		5 181
Fixed income securities backing unit-linked and with-profit business		4 069			4 069
Equity securities held for proprietary investment purposes	4 753		34		4 787
Equity securities backing unit-linked and with-profit business	22 783				22 783
Short-term investments held for proprietary investment purposes	3 438	3 967			7 405
Short-term investments backing unit-linked and with-profit business		64			64
Derivative financial instruments	25	2 241	447	–1 953	760
Interest rate contracts	6	1 300			1 306
Foreign exchange contracts		318			318
Equity contracts	16	617	334		967
Credit contracts		1	1		2
Other contracts	3	5	112		120
Other invested assets	579	50	1 595		2 224
Funds held by ceding companies		245			245
Total assets at fair value	44 478	79 674	2 469	–1 953	124 668
Liabilities					
Derivative financial instruments	–24	–1 574	–581	1 477	–702
Interest rate contracts	–5	–786			–791
Foreign exchange contracts		–201			–201
Equity contracts	–12	–582	–38		–632
Credit contracts			–19		–19
Other contracts	–7	–5	–524		–536
Liabilities for life and health policy benefits			–165		–165
Accrued expenses and other liabilities	–812	–2 524			–3 336
Total liabilities at fair value	–836	–4 098	–746	1 477	–4 203

[1] The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

2016 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Investments measured at net asset value as practical expedient	Total
Assets						
Fixed income securities held for proprietary investment purposes	13 078	79 016	1 182			93 276
Debt securities issued by US government and government agencies	13 078	2 076				15 154
US Agency securitised products		3 423				3 423
Debt securities issued by non-US governments and government agencies		29 797				29 797
Corporate debt securities		38 625	1 175			39 800
Mortgage- and asset-backed securities		5 095	7			5 102
Fixed income securities backing unit-linked and with-profit business		5 153				5 153
Equity securities held for proprietary investment purposes	3 426	5	4			3 435
Equity securities backing unit-linked and with-profit business	25 807					25 807
Short-term investments held for proprietary investment purposes	5 409	5 500				10 909
Short-term investments backing unit-linked and with-profit business		6				6
Derivative financial instruments	30	2 310	461	–1 580		1 221
Interest rate contracts	14	1 044				1 058
Foreign exchange contracts		765				765
Equity contracts	4	433	341			778
Other contracts		5	120			125
Contracts backing unit-linked and with-profit business	12	63				75
Investment real estate			209			209
Other invested assets	266	183	496		937	1 882
Other investments backing unit-linked and with-profit business		42				42
Funds held by ceding companies		225				225
Total assets at fair value	**48 016**	**92 440**	**2 352**	**–1 580**	**937**	**142 165**
Liabilities						
Derivative financial instruments	–5	–1 941	–664	1 568		–1 042
Interest rate contracts	–3	–709				–712
Foreign exchange contracts		–591				–591
Equity contracts	–1	–569	–39			–609
Other contracts		–5	–625			–630
Contracts backing unit-linked and with-profit business	–1	–67				–68
Liabilities for life and health policy benefits			–144			–144
Accrued expenses and other liabilities	–384	–4 084				–4 468
Total liabilities at fair value	**–389**	**–6 025**	**–808**	**1 568**		**–5 654**

[1] The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

As of 31 December, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs was as follows:

2015 USD millions	Fixed income securities	Equity securities	Derivative assets	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities								
Balance as of 1 January	401	39	521	1 812	2 773	–757	–187	–944
Realised/unrealised gains/losses:								
Included in net income	4		–12	–2	–10	190	22	212
Included in other comprehensive income	–14	–5		–42	–61			0
Purchases	31		30	156	217			0
Issuances					0	–90		–90
Sales	–47		–21	–380	–448	15		15
Settlements	–46		–79		–125	62		62
Transfers into level 3[1]	65		8	70	143	–1		–1
Transfers out of level 3[1]					0			0
Impact of foreign exchange movements	–1			–19	–20			0
Closing balance as of 31 December	393	34	447	1 595	2 469	–581	–165	–746

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

2016 USD millions	Fixed income securities	Equity securities	Derivative assets	Investment real estate	Other invested assets	**Total assets**	Derivative liabilities	Liabilities for life and health policy benefits	**Total liabilities**
Assets and liabilities									
Balance as of 1 January	393	34	447		1 595	**2 469**	–581	–165	**–746**
Impact of Accounting Standards Updates[1]				274	–1 120	**–846**	–207		**–207**
Realised/unrealised gains/losses:									
Included in net income	3		58	32	–20	**73**	188	20	**208**
Included in other comprehensive income	24	1			6	**31**			**0**
Purchases	577		2		43	**622**	4		**4**
Issuances						**0**	–141		**–141**
Sales	–37		–13	–59	–3	**–112**	101		**101**
Settlements	–59		–39			**–98**	–52		**–52**
Transfers into level 3[2]	302		6		12	**320**	–5		**–5**
Transfers out of level 3[2]	–6	–29				**–35**			**0**
Impact of foreign exchange movements	–15	–2		–38	–17	**–72**	29	1	**30**
Closing balance as of 31 December	**1 182**	**4**	**461**	**209**	**496**	**2 352**	**–664**	**–144**	**–808**

[1] Impact of ASU 2015-02 (Investment real estate and Derivative liabilities) and ASU 2015-07 (Other invested assets). Please refer to Note 1 for more details.
[2] Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (level 3) for the years ended 31 December were as follows:

USD millions	2015	2016
Gains/losses included in net income for the period	202	281
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	–12	134

Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 December were as follows:

USD millions	2015 Fair value	2016 Fair value	Valuation technique	Unobservable input	Range (weighted average)
Assets					
Corporate debt securities	380	**1 175**			
Private placement corporate debt	241	506	Corporate Spread Matrix	Credit spread	62 bps–661 bps (181 bps)
Infrastructure loans	86	486	Discounted Cash Flow Model	Valuation spread	95 bps–242 bps (168 bps)
Private placement credit tenant leases	51	48	Discounted Cash Flow Model	Illiquidity premium	75 bps–175 bps (132 bps)
Derivative equity contracts	334	**341**			
OTC equity option referencing correlated equity indices	334	341	Proprietary Option Model	Correlation	–45%–100% (27.5%)[1]
Investment real estate		**209**	Discounted Cash Flow Model	Discount rate	5% per annum
Liabilities					
Derivative equity contracts	–38	**–39**			
OTC equity option referencing correlated equity indices	–38	–39	Proprietary Option Model	Correlation	–45%–100% (27.5%)[1]
Other derivative contracts and liabilities for life and health policy benefits	–689	**–769**			
Variable annuity and fair valued GMDB contracts	–567	–500	Discounted Cash Flow Model	Risk margin Volatility Lapse Mortality adjustment Withdrawal rate	4% (n.a.) 4%–42% 0.5%–33% –10%–0% 0%–90%
Swap liability referencing real estate investments		–161	Discounted Cash Flow Model	Discount rate	5% per annum
Weather contracts	–82	–41	Proprietary Option Model	Risk Margin Correlation Volatility (power/gas) Volatility (temperature) Index value (temperature)	8%–11% (9.7%) –59%–48% (–19.7%) 23%–104% (43.4%) 87–386 (222) HDD/CAT[2] 440–3890 (1896) HDD/CAT[2]

[1] Represents average input value for the reporting period.
[2] Heating Degree Days (HDD); Cumulative Average Temperature (CAT).

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

The significant unobservable input used in the fair value measurement of the Group's private placement corporate debt securities is credit spread. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable input used in the fair value measurement of the Group's private placement credit tenant leases is illiquidity premium. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable input used in the fair value measurement of the Group's infrastructure loans is valuation spread. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable input used in the fair value measurement of the Group's OTC equity option referencing correlated equity indices is correlation. Where the Group is long correlation risk, a significant increase (decrease) in this input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short correlation risk, a significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable input used in the fair value measurement of the Group's investment real estate and swap liability referencing real estate investment is the rate used to discount future cash flows from property sales. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Group's variable annuity and fair valued guaranteed minimum death benefit (GMDB) contracts are: risk margin, volatility, lapse, mortality adjustment rate and withdrawal rate. A significant increase (decrease) in isolation in each of the following inputs: risk margin, volatility and withdrawal rate would result in a significantly higher (lower) fair value of the Group's obligation. A significant increase (decrease) in isolation in a lapse rate for in-the-money contracts would result in a significantly lower (higher) fair value of the Group's obligation, whereas for out-of-the-money contracts, an isolated increase (decrease) in a lapse assumption would increase (decrease) fair value of the Group's obligation. Changes in the mortality adjustment rate impact the fair value of the Group's obligation differently for living-benefit products, compared to death-benefit products. For the former, a significant increase (decrease) in the mortality adjustment rate (i.e. increase (decrease) in mortality, respectively) in isolation would result in a decrease (increase) in fair value of the Group's liability. For the latter, a significant increase (decrease) in the mortality adjustment rate in isolation would result in an increase (decrease) in fair value of the Group's liability.

The significant unobservable inputs used in the fair value measurement of the Group's weather contracts are risk margin, correlation, volatility and index value. Where the Group has a long position, a significant increase (decrease) in the risk margin input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group has a long volatility or correlation position, a significant increase (decrease) in the correlation and volatility inputs would result in a significantly higher (lower) fair value measurement. Where the Group has a long index position, an increase (decrease) in the index value input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group has a short position, a significant increase (decrease) in the risk margin input in isolation would result in a significantly lower (higher) fair value measurement. Where the Group has a short volatility or correlation position a significant increase (decrease) in the correlation and volatility inputs would result in a significantly lower (higher) fair value measurement. Where the Group has a short index position, an increase (decrease) in the index value input in isolation would result in a significantly lower (higher) fair value measurement.

Other invested assets measured at net asset value

Other invested assets measured at net asset value as of 31 December were as follows:

USD millions	2015 Fair value	2016 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	686	562	125	non-redeemable	n.a.
Hedge funds	135	106		redeemable[1]	45–95 days[2]
Private equity direct	121	80		non-redeemable	n.a.
Real estate funds	203	189	49	non-redeemable	n.a.
Total	1 145	**937**	**174**		

[1] The redemption frequency varies by position.
[2] Cash distribution can be delayed for an extended period depending on the sale of the underlyings.

The hedge fund investments employ a variety of strategies, including global macro, relative value, event-driven and long/short equity across various asset classes.

The private equity direct portfolio consists of equity and equity-like investments directly in other companies. These investments have no contractual term and are generally held based on financial or strategic intent.

Private equity and real estate funds generally have limitations imposed on the amount of redemptions from the fund during the redemption period due to illiquidity of the underlying investments. Fees may apply for redemptions or transferring of interest to other parties. Distributions are expected to be received from these funds as the underlying assets are liquidated over the life of the fund, which is generally from 10 to 12 years.

The redemption frequency of hedge funds varies depending on the manager as well as the nature of the underlying product. Additionally, certain funds may impose lock-up periods and redemption gates as defined in the terms of the individual investment agreement.

Fair value option

The fair value option under the Financial Instruments Topic permits the choice to measure specified financial assets and liabilities at fair value on an instrument-by-instrument basis. The Group elected the fair value option for positions in the following line items:

Other invested assets

The Group elected the fair value option for certain investments classified as equity method investees within other invested assets in the balance sheet. The Group applied the fair value option, as the investments are managed on a fair value basis. The changes in fair value of these elected investments are recorded in earnings.

Funds held by ceding companies

For operational efficiencies, the Group elected the fair value option for funds held by the cedent under three of its reinsurance agreements. The assets are carried at fair value and changes in fair value are reported as a component of earnings.

Other investments backing unit-linked and with-profit business

For operational efficiencies, the Group elected the fair value option for equity-linked deposits from one of its unit-linked businesses. The assets are carried at fair value and changes in fair value are reported as a component of earnings. In the balance sheet and the following fair value disclosures, this item is included under "Investments for unit-linked and with-profit business".

Liabilities for life and health policy benefits

The Group elected the fair value option for existing GMDB reserves related to certain variable annuity contracts which are classified as universal life-type contracts. The Group has applied the fair value option, as the equity risk associated with those contracts is managed on a fair value basis and it is economically hedged with derivative options in the market.

Other derivative liabilities

For operational efficiencies, the Group elected the fair value option on a hybrid financial instrument, where the host contract is a debt instrument and the embedded derivative is pegged to the performance of the fund's real estate portfolio. The liability is carried at fair value and changes in fair value are reported as a component of earnings. In the balance sheet and the following fair value disclosures, this item is included under "Accrued expenses and other liabilities".

Assets and liabilities measured at fair value pursuant to election of the fair value option

Pursuant to the election of the fair value option for the items described, the balances as of 31 December were as follows:

USD millions	2015	2016
Assets		
Other invested assets	10 367	9 611
of which at fair value pursuant to the fair value option	449	442
Funds held by ceding companies	9 870	8 184
of which at fair value pursuant to the fair value option	245	225
Investments for unit-linked and with-profit business		32 178
of which at fair value pursuant to the fair value option		42
Liabilities		
Liabilities for life and health policy benefits	–30 131	–41 176
of which at fair value pursuant to the fair value option	–165	–144
Accrued expenses and other liabilities		–9 811
of which at fair value pursuant to the fair value option		–161

Changes in fair values for items measured at fair value pursuant to election of the fair value option

Gains/losses included in earnings for items measured at fair value pursuant to election of the fair value option including foreign exchange impact for the years ended 31 December were as follows:

USD millions	2015	2016
Other invested assets	–32	–19
Funds held by ceding companies	7	6
Investments for unit-linked and with-profit business		9
Liabilities for life and health policy benefits	21	20
Accrued expenses and other liabilities		17
Total	–4	**33**

Fair value changes from other invested assets and funds held by ceding companies are reported in "Net investment income — non-participating business". Fair value changes from investments for unit-linked and with-profit business are reported in "Net investment result — unit-linked and with-profit". Fair value changes from accrued expenses and other liabilities are reported in "Net realised investment gains/losses — non-participating business". Fair value changes from the GMDB reserves are shown in "Life and health benefits".

Assets and liabilities not measured at fair value but for which the fair value is disclosed

Assets and liabilities not measured at fair value but for which the fair value is disclosed as of 31 December, were as follows:

2015 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		91	91
Mortgage loans		1946	1946
Other loans		1086	1086
Investment real estate		3211	3211
Total assets	0	6334	6334
Liabilities			
Debt	–8681	–5674	–14355
Total liabilities	–8681	–5674	–14355

2016 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		95	95
Mortgage loans		2411	2411
Other loans		1202	1202
Investment real estate		3367	3367
Total assets	**0**	**7075**	**7075**
Liabilities			
Debt	–8201	–4938	–13139
Total liabilities	**–8201**	**–4938**	**–13139**

Policy loans, other loans and certain mortgage loans are classified as level 3 measurements, as they do not have an active exit market. Some of these positions need to be assessed in conjunction with the corresponding insurance business, whilst the fair value of some other positions do not differ materially from the carrying amount. Considering these circumstances for these positions, the Group presents the carrying amount as an approximation for the fair value. For certain commercial mortgage loans and infrastructure loans, which are included in mortgage loans and other loans respectively, the fair value can be estimated using discounted cash flow models which are based on discount curves and spread inputs that require management's judgement.

Investments in real estate are fair valued primarily by external appraisers based on proprietary discounted cash flow models that incorporate applicable risk premium adjustments to discount yields and projected market rental income streams based on market-specific data. These fair value measurements are classified in level 3 in the fair value hierarchy.

Debt positions, which are fair valued based on executable broker quotes or based on the discounted cash flow method using observable inputs, are classified as level 2 measurements. Fair value of the majority of the Group's level 3 debt positions is judged to approximate carrying value due to the highly tailored nature of the obligation and short-notice termination provisions.

9 Derivative financial instruments

The Group uses a variety of derivative financial instruments including swaps, options, forwards, credit derivatives and exchange-traded financial futures in its trading and hedging strategies, in line with the Group's overall risk management strategy. The objectives include managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or liabilities, as well as locking in attractive investment conditions for future available funds.

The fair values represent the gross carrying value amounts at the reporting date for each class of derivative contract held or issued by the Group. The gross fair values are not an indication of credit risk, as many over-the-counter transactions are contracted and documented under ISDA master agreements or their equivalent. Management believes that such agreements provide for legally enforceable set-off in the event of default, which substantially reduces credit exposure.

Fair values and notional amounts of derivative financial instruments

As of 31 December, the fair values and notional amounts of the derivatives outstanding were as follows:

2015 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	63 485	1 306	–791	515
Foreign exchange contracts	14 230	281	–201	80
Equity contracts	16 374	967	–632	335
Credit contracts	188	2	–19	–17
Other contracts	18 113	120	–536	–416
Total	112 390	2 676	–2 179	497
Derivatives designated as hedging instruments				
Foreign exchange contracts	2 151	37		37
Total	2 151	37	0	37
Total derivative financial instruments	114 541	2 713	–2 179	534
Amount offset				
Where a right of set-off exists		–1 162	1 162	
Due to cash collateral		–791	315	
Total net amount of derivative financial instruments		760	–702	58

2016 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	42 622	1 120	–780	340
Foreign exchange contracts	19 138	350	–574	–224
Equity contracts	12 512	788	–609	179
Credit contracts				
Other contracts	16 226	125	–630	–505
Total	**90 498**	**2 383**	**–2 593**	**–210**
Derivatives designated as hedging instruments				
Foreign exchange contracts	9 303	418	–17	401
Total	**9 303**	**418**	**–17**	**401**
Total derivative financial instruments	**99 801**	**2 801**	**–2 610**	**191**
Amount offset				
Where a right of set-off exists		–1 122	1 122	
Due to cash collateral		–458	446	
Total net amount of derivative financial instruments		**1 221**	**–1 042**	**179**

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in "Other invested assets" and "Investments for unit-linked and with-profit business", and the fair value liabilities are included in "Accrued expenses and other liabilities". The fair value amounts that were not offset were nil as of 31 December 2015 and 2016.

Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in "Net realised investment gains/losses — non-participating business" and "Net investment result — unit-linked and with-profit business" in the income statement. For the years ended 31 December, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

	2015	**2016**
Derivatives not designated as hedging instruments		
Interest rate contracts	51	391
Foreign exchange contracts	435	–116
Equity contracts	–192	–217
Credit contracts	–5	–1
Other contracts	247	181
Total gains/losses recognised in income	536	**238**

Hedging activities

The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 31 December 2015 and 2016, the following hedging relationships were outstanding:

Fair value hedges

The Group enters into foreign exchange swaps to reduce the exposure to foreign exchange volatility for certain of its issued debt positions and fixed income securities. These derivative instruments are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in "Net realised investment gains/losses — non-participating business" in the income statement. For the years ended 31 December, the gains and losses attributable to the hedged risks were as follows:

		2015		**2016**
USD millions	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Foreign exchange contracts	119	–119	250	–250
Total gains/losses recognised in income	119	–119	**250**	**–250**

Cash flow hedges

The Group entered into a cross-currency swap to reduce the exposure to foreign exchange and interest rate volatility for a long-term debt instrument issued in the second quarter of 2016. These derivative instruments are designated as cash flow hedging instruments.

For the year ended 31 December 2016, the Group recorded a gain of USD 32 million on derivatives in accumulated other comprehensive income. For the year ended 31 December 2016, the Group reclassified a gain of USD 39 million from accumulated other comprehensive income into income.

As of 31 December 2016, the maximum length of time over which the Group hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was six years.

The Group believes that the net gains and losses associated with cash flow hedges expected to be reclassified from accumulated other comprehensive income within the next twelve months cannot be reasonably estimated as they relate to foreign exchange volatility.

Hedges of the net investment in foreign operations

The Group designates derivative and non-derivative monetary financial instruments as hedging the foreign currency exposure of its net investment in certain foreign operations.

For the years ended 31 December 2015 and 2016, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 1 631 million and a gain of USD 2 448 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss
In consideration of the rights of set-off and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2015 and 2016 was approximately USD 1 551 million and USD 1 679 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, excluding cash collateral.

Credit risk-related contingent features
Certain derivative instruments held by the Group contain provisions that require its debt to maintain an investment-grade credit rating. If the Group's credit rating were downgraded or no longer rated, the counterparties could request immediate payment, guarantee or an ongoing full overnight collateralisation on derivative instruments in net liability positions.

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 106 million and USD 107 million as of 31 December 2015 and 2016, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of nil as of 31 December 2015 and 2016, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 107 million additional collateral would have had to be posted as of 31 December 2016. The total equals the amount needed to settle the instruments immediately as of 31 December 2016.

10 Acquisitions and disposals

IHC Risk Solutions, LLC

On 31 March 2016, the Group acquired IHC Risk Solutions, LLC (IHC), a leading US employer stop loss company and the direct employer stop loss business of Independence Holding Company. The cost of the acquisition was USD 153 million. The transaction includes IHC's operations, its team of experts and business portfolio, including in-force, new and renewal business and is reflected in the Corporate Solutions Business Unit results. This acquisition broadens the Group's current employer stop loss capabilities in the small- and middle-market self-funded healthcare benefits segment.

Qualifying purchased intangible assets, including distribution/customer relationships and goodwill, have been established.

The following table presents details of acquired intangible assets subject to amortisation as of the date of acquisition:

USD millions	Weighted – average amortisation period	Carrying value
Distribution / customer relationship	6 years	67
Other intangibles	1 year	16

The goodwill of USD 65 million relates to the Corporate Solutions Business Unit. The goodwill is expected to be deductible for tax purposes.

Guardian Holdings Europe Limited

On 6 January 2016, the Group acquired 100% of the shares of Guardian Holdings Europe Limited, the holding company for operations trading under the name Guardian Financial Services ("Guardian") from private equity company Cinven. Guardian provides insurance solutions to financial institutions and insurance companies, either through the acquisition of closed books of business or through entering reinsurance agreements with its customers.

The transaction has further demonstrated progress against the strategy of the Group's Business Unit Life Capital (formerly Admin Re®) as a leading closed life book consolidator in the UK, adding approximately 900 000 policies including a mixture of annuities, life insurance and pensions. As a result, the policyholder and asset base of the Group has expanded and Life Capital has diversified its current business mix, with a total of approximately four million policies under administration.

The results of the operations of Guardian have been included in the Group's consolidated financial statements since 6 January 2016. For the period 6 January until 31 December 2016, Guardian generated USD 1 965 million in revenues (including net investment result — unit-linked and with-profit business of USD 1 015 million) and USD 490 million in net income for the Group.

Determination and allocation of the purchase price

The total cost of acquisition as of 6 January 2016 was USD 2.3 billion in cash, paid in the form of the following components:

USD millions	2016
Share purchase	1 211
Debt repayment	1 118
Total cost of acquisition	**2 329**
Goodwill	153
Total net assets acquired	**2 176**

The purchase price has been allocated based on estimated fair values of assets acquired and liabilities assumed as of the date of acquisition. The allocation required significant judgement. The estimated fair values of assets acquired and liabilities assumed as of the date of the acquisition were as follows:

USD millions	2016
Assets	
Fixed income securities	11 321
Equity securities	1
Policy loans, mortgages and other loans	1 240
Short-term investments	117
Other invested assets	590
Investments for unit-linked and with-profit business	8 023
Total investments	**21 292**
Cash and cash equivalents	2 775
Accrued investment income	265
Premiums and other receivables	39
Reinsurance recoverable[1]	1 676
Negative acquired present value of future profits	–641
Deferred tax assets	119
Other assets	11
Total assets acquired	**25 536**
Liabilities	
Unpaid claims and claim adjustment expenses	56
Liabilities for life and health policy benefits[1]	16 460
Policyholder account balances	6 157
Reinsurance balances payable	9
Income taxes payable	6
Deferred and other non-current tax liabilities	294
Accrued expenses and other liabilities	378
Total liabilities assumed	**23 360**
Total net assets acquired	**2 176**

[1] Due to new information obtained in Q2 2016, based on facts and circumstances existing as of the date of acquisition, reinsurance recoverable and liabilities for life and health policy benefits have been adjusted in Q2 2016 with no impact on goodwill. As of Q1 2016, the estimated reinsurance recoverable and liabilities for life and health policy benefits were USD 1 751 million and USD 16 535 million, respectively.

Intangible assets
Historical intangible assets including goodwill have been eliminated. The Group has established negative acquired PVFP, which qualifies as a purchased intangible liability, and goodwill.

The negative PVFP of USD 641 million is amortised over a weighted average amortisation period of 12 years. The residual amount is expected to be nil.

The goodwill of USD 153 million recognised upon acquisition is attributed to the Life Capital Business Unit. It is mainly the result of synergies, which the Group expects to receive from cost savings, capital savings and asset allocation management actions. These do not qualify for separate recognition. The recorded goodwill is not expected to be deductible for tax purposes and, as of 31 December 2016, remained unchanged at constant foreign exchange rates.

Receivables
Receivables acquired consisted of the following:

2016 USD millions	Fair value	Gross contractual amount
Receivables from ceded re/insurance business	39	39
Other debtors	15	15
Total	**54**	**54**

The receivables are expected to be collectible.

Pro forma financial information (unaudited)
The following table shows the Group's unaudited pro forma consolidated financial information for the year ended 31 December 2015, assuming that the acquisition had occurred on 1 January 2015:

USD millions	2015
Total revenues	36 852
Net income	4 794

The pro forma information for the period 1 January 2016 to 5 January 2016 is immaterial.

The pro forma financial information are presented for informational purposes and in order to illustrate the financial effect on the Group's income statement only. Consequently, they neither reflect the results that would have occurred had the acquisition been closed on the assumed date, nor necessarily indicate future results.

Aurora National Life Assurance Company
In the fourth quarter of 2014, the Group entered into an agreement to sell Aurora National Life Assurance Company (Aurora), a US subsidiary, to Reinsurance Group of America, Incorporated (RGA). Aurora primarily consists of bonds and policyholder liabilities. In the second quarter of 2015, the Group completed the sale following the receipt of all necessary regulatory approvals. The purchase price included a cash payment of USD 184 million.

11 Debt and contingent capital instruments

The Group enters into long- and short-term debt arrangements to obtain funds for general corporate use and specific transaction financing. The Group defines short-term debt as debt having a maturity at the balance sheet date of not greater than one year and long-term debt as having a maturity of greater than one year. For subordinated debt positions, maturity is defined as the first optional redemption date (notwithstanding that optional redemption could be subject to regulatory consent). Interest expense is classified accordingly.

The Group's debt as of 31 December was as follows:

USD millions	2015	2016
Senior financial debt		590
Senior operational debt	765	431
Subordinated financial debt	1 069	543
Short-term debt – financial and operational debt	1 834	**1 564**
Senior financial debt	3 688	3 734
Senior operational debt	467	423
Subordinated financial debt	4 103	3 381
Subordinated operational debt	2 720	2 249
Long-term debt – financial and operational debt	10 978	**9 787**
Total carrying value	12 812	**11 351**
Total fair value	14 355	**13 139**

As of 31 December 2015 and 2016, operational debt, i. e. debt related to operational leverage, amounted to USD 4.0 billion (thereof USD 3.0 billion limited- or non-recourse) and USD 3.1 billion (thereof USD 2.2 billion limited- or non-recourse), respectively. Operational leverage is subject to asset/liability matching and is excluded from rating agency financial leverage calculations.

Maturity of long-term debt

As of 31 December, long-term debt as reported above had the following maturities:

USD millions	2015	2016
Due in 2017	1 143	0[1]
Due in 2018	0	0
Due in 2019	2 663	2 367
Due in 2020	204	195
Due in 2021	210	209
Due after 2021	6 758	7 016
Total carrying value	10 978	**9 787**

[1] Balance was reclassified to short-term debt.

Senior long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2019	Syndicated senior bank loans	2014	GBP	550	variable	680
2019	Senior notes[1]	1999	USD	234	6.45%	254
2019	Bilateral senior bank loans	2016	NGN	6 360	various	21
2022	Senior notes	2012	USD	250	2.88%	249
2023	Senior notes	2016	EUR	750	1.38%	784
2024	EMTN	2014	CHF	250	1.00%	245
2026	Senior notes[1]	1996	USD	397	7.00%	497
2027	EMTN	2015	CHF	250	0.75%	247
2030	Senior notes[1]	2000	USD	193	7.75%	268
2042	Senior notes	2012	USD	500	4.25%	489
Various	Payment undertaking agreements	various	USD	353	various	423
Total senior long-term debt as of 31 December 2016						**4 157**
Total senior long-term debt as of 31 December 2015						4 155

[1] Assumed in the acquisition of GE Insurance Solutions.

Subordinated long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	First call in	Book value in USD millions
2024	Subordinated contingent write-off loan note	2013	USD	750	6.38%	2019	795
2042	Subordinated fixed-to-floating rate loan note	2012	EUR	500	6.63%	2022	522
2044	Subordinated fixed rate resettable callable loan note	2014	USD	500	4.50%	2024	497
2045	Subordinated contingent write-off securities	2013	CHF	175	7.50%	2020	195
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 819	4.92%		2 250
	Subordinated perpetual loan note	2007	GBP	500	6.30%	2019	617
	Perpetual subordinated fixed-to-floating rate callable loan note	2015	EUR	750	2.60%	2025	754
Total subordinated long-term debt as of 31 December 2016							**5 630**
Total subordinated long-term debt as of 31 December 2015							6 823

Interest expense on long-term debt and contingent capital instruments

Interest expense on long-term debt for the years ended 31 December was as follows:

USD millions	2015	2016
Senior financial debt	118	121
Senior operational debt	13	10
Subordinated financial debt	236	179
Subordinated operational debt	137	122
Total	504	**432**

In addition to the above, interest expense on contingent capital instruments classified as equity was USD 68 million and USD 68 million for the years ended 31 December 2015 and 2016, respectively.

Long-term debt issued in 2016

In May 2016, Swiss Re Admin Re Ltd issued senior notes due 2023. The notes have a face value of EUR 750 million, with a fixed coupon of 1.375% per annum.

Subordinated debt facility established in 2016

In April 2016, Swiss Re Ltd established a subordinated debt facility with a termination date of 15 February 2031. The facility allows Swiss Re Ltd to issue at any time subordinated fixed rate callable notes with a face value of up to USD 400 million, having a first optional redemption date of 15 February 2031 and a scheduled maturity date of 15 February 2056. Swiss Re Ltd pays a fee of 3.92% per annum on the available commitment under the facility. Notes issued under the facility have a fixed coupon of 6.05% per annum.

In June 2016, Swiss Re Ltd established a subordinated debt facility with a termination date of 15 August 2027. The facility allows Swiss Re Ltd to issue at any time subordinated fixed-to-floating rate callable notes with a face value of up to USD 800 million, having a first optional redemption date of 15 August 2027 and a scheduled maturity date of 15 August 2052. Swiss Re Ltd pays a fee of 3.67% per annum on the available commitment under the facility. Notes issued under the facility have a fixed coupon of 5.625% per annum until the first optional redemption date and a floating rate coupon thereafter.

In these financial statements, the facility fees are classified as interest expense. Notes, when issued under these facilities, will be classified as subordinated debt. As of 31 December 2016, no notes have been issued under either facility.

Contingent capital instruments

In February 2012, Swiss Reinsurance Company Ltd issued a perpetual subordinated instrument with stock settlement. The instrument has a face value of CHF 320 million, with a fixed coupon of 7.25% per annum until the first optional redemption date (1 September 2017).

In March 2012, Swiss Reinsurance Company Ltd issued a perpetual subordinated capital instrument with stock settlement. The instrument has a face value of USD 750 million, with a fixed coupon of 8.25% per annum until the first optional redemption date (1 September 2018).

Both instruments may be converted, at the option of the issuer, into Swiss Re Ltd shares at any time through an "at market" conversion using the retrospective five-day volume weighted average share price with a 3% discount or within six months following a solvency event at a pre-set floor price (CHF 26 for the instrument with face value of CHF 320 million and USD 32 for the instrument with face value of USD 750 million, respectively). These instruments are referred to in these financial statements as "contingent capital instruments".

12 Earnings per share

All of the Group's companies prepare statutory financial statements based on local laws and regulations. Most jurisdictions require reinsurers to maintain a minimum amount of capital in excess of statutory definition of net assets or maintain certain minimum capital and surplus levels. In addition, some jurisdictions place certain restrictions on amounts that may be loaned or transferred to the parent company. The Group's ability to pay dividends may be restricted by these requirements.

Dividends are declared in Swiss francs. In the year ended 31 December 2015, the Group paid a dividend per share of CHF 4.25, as well as an additional special dividend of CHF 3.00, which were paid in the form of withholding tax exempt repayment of legal reserves from capital contributions. In the year ended 31 December 2016, the Group paid a dividend per share of CHF 4.60.

Earnings per share for the years ended 31 December were as follows:

USD millions (except share data)	2015	**2016**
Basic earnings per share		
Net income	4 668	3 623
Non-controlling interests	–3	3
Interest on contingent capital instruments[1]	–68	–68
Net income attributable to common shareholders	4 597	**3 558**
Weighted average common shares outstanding	341 951 654	331 767 651
Net income per share in USD	13.44	**10.72**
Net income per share in CHF[2]	12.93	**10.55**
Effect of dilutive securities		
Change in income available to common shares due to contingent capital instruments[1]	68	68
Change in average number of shares due to contingent capital instruments	35 745 192	35 745 192
Change in average number of shares due to employee options	2 241 636	1 768 217
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	4 665	**3 626**
Weighted average common shares outstanding	379 938 482	369 281 060
Net income per share in USD	12.28	**9.82**
Net income per share in CHF[2]	11.81	**9.66**

[1] Please refer to Note 11 "Debt and contingent capital instruments".
[2] The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

At the 151st Annual General Meeting held on 21 April 2015 and at the 152nd Annual General Meeting held on 22 April 2016, the Group's shareholders authorised the Group Board of Directors to repurchase up to a maximum CHF 1 billion purchase value of the Group's own shares through public share buy-back programmes for cancellation purposes prior to the 2016 and 2017 Annual General Meetings, respectively. The buy-back programme prior to the 152nd Annual General Meeting was completed as of 2 March 2016. The total number of shares repurchased amounted to 10.6 million, of which 4.4 million and 6.2 million shares were repurchased as of 31 December 2015 and between 1 January and 2 March 2016, respectively. The 152nd Annual General Meeting resolved the cancellation of the repurchased 10.6 million shares by way of share capital reduction. The shares were cancelled as of 18 July 2016, after completion of the procedure in respect of the share capital reduction as set forth in Article 732 et seqq. of the Swiss Code of Obligations. As of 31 December 2016, 5.5 million shares were repurchased through the buy-back programme launched on 4 November 2016.

13 Income taxes

The Group is generally subject to corporate income taxes based on the taxable net income in various jurisdictions in which the Group operates. The components of the income tax charge were:

USD millions	2015	**2016**
Current taxes	582	728
Deferred taxes	69	21
Income tax expense	651	**749**

Tax rate reconciliation

The following table reconciles the expected tax expense at the Swiss statutory tax rate to the actual tax expense in the accompanying income statement:

USD millions	2015	**2016**
Income tax at the Swiss statutory tax rate of 21.0%	1 117	918
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	303	191
Impact of foreign exchange movements	–180	–5
Tax exempt income/dividends received deduction	–93	–44
Change in valuation allowance	–72	–256
Basis differences in subsidiaries	–306	–3
Change in liability for unrecognised tax benefits including interest and penalties	–126	–116
Other, net	8	64
Total	651	**749**

The Group reported a tax charge of USD 749 million on a pre-tax income of USD 4 372 million for 2016, compared to a charge of USD 651 million on a pre-tax income of USD 5 319 million for 2015. This translates into an effective tax rate in the current and prior-year reporting periods of 17.1% and 12.2%, respectively.

The tax rate in 2016 was largely driven by benefits from the effective settlement of tax audits in certain jurisdictions and releases of valuation allowance on net operating losses partially offset by tax on profits earned in higher tax jurisdictions. The lower rate in 2015 was largely driven by a tax benefit arising from a local statutory accounting adjustment for restructuring of subsidiaries and higher tax benefits from foreign currency translation differences between statutory and US GAAP accounts.

Deferred and other non-current taxes

The components of deferred and other non-current taxes were as follows:

USD millions	2015	2016
Deferred tax assets		
Income accrued/deferred	295	354
Technical provisions	685	640
Pension provisions	330	378
Benefit on loss carryforwards	3 467	2 914
Currency translation adjustments	394	339
Unrealised gains in income	226	424
Other	1 397	1 381
Gross deferred tax asset	6 794	6 430
Valuation allowance	–789	–505
Unrecognised tax benefits offsetting benefits on loss carryforwards	–35	–23
Total deferred tax assets	5 970	**5 902**
Deferred tax liabilities		
Present value of future profits	–514	–336
Income accrued/deferred	–923	–600
Bond amortisation	–639	–124
Deferred acquisition costs	–914	–961
Technical provisions	–2 685	–3 547
Unrealised gains on investments	–702	–1 072
Untaxed realised gains	–224	–393
Foreign exchange provisions	–352	–527
Other	–760	–778
Total deferred tax liabilities	–7 713	**–8 338**
Liability for unrecognised tax benefits including interest and penalties	–380	–245
Total deferred and other non-current tax liabilities	–8 093	**–8 583**
Net deferred and other non-current taxes	–2 123	**–2 681**

As of 31 December 2016, the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised amount to approximately USD 2.2 billion. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

As of 31 December 2016, the Group had USD 8 697 million net operating tax loss carryforwards, expiring as follows: USD 25 million in 2018, USD 51 million in 2019, USD 19 million in 2020, USD 7 650 million in 2021 and beyond, and USD 952 million never expire.

The Group also had capital loss carryforwards of USD 1 030 million, expiring as follows: USD 82 million in 2019, USD 37 million in 2020, USD 4 million in 2021 and USD 907 million never expire.

Net operating tax losses of USD 1 713 million and net capital tax losses of USD 236 million were utilised during the period ended 31 December 2016.

Income taxes paid in 2015 and 2016 were USD 1 190 million and USD 755 million, respectively.

Unrecognised tax benefits

A reconciliation of the opening and closing amount of gross unrecognised tax benefits (excluding interest and penalties) is as follows:

USD millions	2015	2016
Balance as of 1 January	579	343
Additions based on tax positions related to current year	35	37
Additions based on tax positions related to prior years	115	21
Current year acquisitions	0	24
Reduction for tax positions of prior years	–266	–106
Statute expiration	0	–47
Settlements	–98	–53
Other (including foreign currency translation)	–22	–3
Balance as of 31 December	343	**216**

The amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately USD 345 million and USD 215 million at 31 December 2015 and 31 December 2016, respectively.

Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. Such expense in 2016 was USD 21 million (USD 35 million in 2015). As of 31 December 2015 and 31 December 2016, USD 72 million and USD 52 million, respectively, were accrued for the payment of interest (net of tax benefits) and penalties. The accrued interest balance as of 31 December 2016 is included within the deferred and other non-current taxes section reflected in the balance sheet.

The balance of gross unrecognised tax benefits as of 31 December 2016 presented in the table above excludes accrued interest and penalties (USD 52 million).

During the year, certain tax positions and audits in Switzerland, Germany, Italy, France, United Kingdom, Canada and the United States were effectively settled.

The Group continually evaluates proposed adjustments by taxing authorities. The Group believes that it is reasonably possible (more than remote and less than likely) that the balance of unrecognised tax benefits could increase or decrease over the next 12 months due to settlements or expiration of statutes. However, quantification of an estimated range cannot be made at this time.

The following table summarises jurisdictions and tax years that remain subjects to examination:

Australia	2010–2016
Belgium	2010–2016
Brazil	2011–2016
Canada	2008–2016
China	2007–2016
Colombia	1999, 2009, 2014–2016
Denmark	2010–2016
France	2008,2012–2016
Germany	2014–2016
Hong Kong	2010–2016
India	2004–2016
Ireland	2012–2016
Israel	2008–2016
Italy	2012–2016
Japan	2012–2016
Korea	2013–2016
Luxembourg	2012–2016
Malaysia	2013–2016
Mexico	2011–2016
Netherlands	2012–2016
New Zealand	2009–2016
Singapore	2013–2016
Slovakia	2012–2016
South Africa	2011–2016
Spain	2011–2016
Switzerland	2013–2016
United Kingdom	2008, 2011–2016
United States	2011–2016

14 Benefit plans

Defined benefit pension plans and post-retirement benefits

The Group sponsors various funded defined benefit pension plans. Employer contributions to the plans are charged to income on a basis which recognises the costs of pensions over the expected service lives of employees covered by the plans. The Group's funding policy for these plans is to contribute annually at a rate that is intended to maintain a level percentage of compensation for the employees covered. A full valuation is prepared at least every three years.

The Group also provides certain healthcare and life insurance benefits for retired employees and their dependants. Employees become eligible for these benefits when they become eligible for pension benefits.

The measurement date of these plans is 31 December for each year presented.

2015 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 685	2 389	371	6 445
Service cost	111	8	5	124
Interest cost	42	79	10	131
Actuarial gains/losses	236	–67	–2	167
Benefits paid	–189	–74	–16	–279
Employee contribution	26			26
Acquisitions/disposals/additions		2		2
Effect of settlement, curtailment and termination	2			2
Effect of foreign currency translation	–36	–131	–5	–172
Benefit obligation as of 31 December	3 877	2 206	363	6 446
Fair value of plan assets as of 1 January	3 535	2 354	0	5 889
Actual return on plan assets	36	7		43
Company contribution	94	85	16	195
Benefits paid	–189	–74	–16	–279
Employee contribution	26			26
Acquisitions/disposals/additions		1		1
Effect of settlement, curtailment and termination	2			2
Effect of foreign currency translation	–25	–138		–163
Fair value of plan assets as of 31 December	3 479	2 235	0	5 714
Funded status	–398	29	–363	–732

2016 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 877	2 206	363	6 446
Service cost	113	8	5	126
Interest cost	31	76	10	117
Actuarial gains/losses	71	349	9	429
Benefits paid	–140	–72	–16	–228
Employee contribution	25			25
Acquisitions/disposals/additions				0
Effect of settlement, curtailment and termination	1			1
Effect of foreign currency translation	–62	–209	–2	–273
Benefit obligation as of 31 December	**3 916**	**2 358**	**369**	**6 643**
Fair value of plan assets as of 1 January	3 479	2 235	0	5 714
Actual return on plan assets	128	256		384
Company contribution	95	62	16	173
Benefits paid	–140	–72	–16	–228
Employee contribution	25			25
Acquisitions/disposals/additions				0
Effect of settlement, curtailment and termination	1			1
Effect of foreign currency translation	–56	–224		–280
Fair value of plan assets as of 31 December	**3 532**	**2 257**	**0**	**5 789**
Funded status	**–384**	**–101**	**–369**	**–854**

Amounts recognised in "Other assets" and "Accrued expenses and other liabilities" in the Group's balance sheet as of 31 December were as follows:

2015 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		232		232
Current liabilities		–3	–15	–18
Non-current liabilities	–398	–200	–348	–946
Net amount recognised	–398	29	–363	–732

2016 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		140		140
Current liabilities		–2	–15	–17
Non-current liabilities	–384	–239	–354	–977
Net amount recognised	**–384**	**–101**	**–369**	**–854**

Amounts recognised in accumulated other comprehensive income, gross of tax, as of 31 December were as follows:

2015 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	1 133	384	–43	1 474
Prior service cost/credit	–78	2	–67	–143
Total	1 055	386	–110	1 331

2016 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	1 113	513	–30	1 596
Prior service cost/credit	–69	2	–58	–125
Total	**1 044**	**515**	**–88**	**1 471**

Components of net periodic benefit cost

The components of pension and post-retirement cost for the years ended 31 December were as follows:

2015 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	111	8	5	124
Interest cost	42	79	10	131
Expected return on assets	–113	–95		–208
Amortisation of:				
Net gain/loss	76	22	–4	94
Prior service cost	–9		–10	–19
Effect of settlement, curtailment and termination	2			2
Net periodic benefit cost	109	14	1	124

2016 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	113	8	5	126
Interest cost	31	76	10	117
Expected return on assets	–113	–89		–202
Amortisation of:				
Net gain/loss	76	11	–4	83
Prior service cost	–9		–9	–18
Effect of settlement, curtailment and termination	1			1
Net periodic benefit cost	**99**	**6**	**2**	**107**

Other changes in plan assets and benefit obligations recognised in other comprehensive income for the years ended 31 December were as follows:

2015 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	313	21	–2	332
Amortisation of:				
Net gain/loss	–76	–22	4	–94
Prior service cost	9		10	19
Effect of settlement, curtailment and termination				0
Exchange rate gain/loss recognised during the year		–22		–22
Total recognised in other comprehensive income, gross of tax	246	–23	12	235
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	355	–9	13	359

2016 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	56	182	9	247
Amortisation of:				
Net gain/loss	–76	–11	4	–83
Prior service cost	9		9	18
Effect of settlement, curtailment and termination				0
Exchange rate gain/loss recognised during the year		–42		–42
Total recognised in other comprehensive income, gross of tax	**–11**	**129**	**22**	**140**
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	**88**	**135**	**24**	**247**

The estimated net loss and prior service credit for the defined benefit pension plans that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2017 are USD 104 million and USD 9 million, respectively. The estimated net gain and prior service credit for the other defined post-retirement benefits that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2017 are USD 2 million and USD 9 million, respectively.

The accumulated benefit obligation (the current value of accrued benefits excluding future salary increases) for pension benefits was USD 6 016 million and USD 6 205 million as of 31 December 2015 and 2016, respectively.

Pension plans with an accumulated benefit obligation in excess of plan assets as of 31 December were as follows:

USD millions	2015	**2016**
Projected benefit obligation	4 883	5 478
Accumulated benefit obligation	4 843	5 441
Fair value of plan assets	4 283	4 854

Principal actuarial assumptions

	Swiss plan		Foreign plans weighted average		Other benefits weighted average	
	2015	**2016**	2015	**2016**	2015	**2016**
Assumptions used to determine obligations at the end of the year						
Discount rate	0.8%	0.6%	3.7%	2.9%	2.7%	2.4%
Rate of compensation increase	2.0%	1.8%	2.9%	3.1%	2.1%	2.1%
Assumptions used to determine net periodic pension costs for the year ended						
Discount rate	1.1%	0.8%	3.5%	3.7%	2.7%	2.7%
Expected long-term return on plan assets	3.3%	3.3%	4.3%	4.1%		
Rate of compensation increase	2.3%	2.0%	2.9%	2.9%	2.1%	2.1%
Assumed medical trend rates at year end						
Medical trend – initial rate					6.1%	5.1%
Medical trend – ultimate rate					4.6%	3.8%
Year that the rate reaches the ultimate trend rate					2020	2021

The expected long-term rates of return on plan assets are based on long-term expected inflation, interest rates, risk premiums and targeted asset category allocations. The estimates take into consideration historical asset category returns.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have had the following effects for 2016:

USD millions	1 percentage point increase	1 percentage point decrease
Effect on total of service and interest cost components	1	–1
Effect on post-retirement benefit obligation	27	–23

Plan asset allocation by asset category

The actual asset allocation by major asset category for defined benefit pension plans as of the respective measurement dates in 2015 and 2016 was as follows:

	Swiss plan allocation			Foreign plans allocation		
	2015	**2016**	**Target allocation**	2015	**2016**	**Target allocation**
Asset category						
Equity securities	26%	27%	25%	26%	23%	23%
Debt securities	47%	44%	47%	68%	51%	53%
Real estate	21%	22%	20%	0%	0%	1%
Other	6%	7%	8%	6%	26%	23%
Total	100%	**100%**	**100%**	100%	**100%**	**100%**

Actual asset allocation is determined by a variety of current economic and market conditions and considers specific asset class risks.

Equity securities include Swiss Re common stock of USD 6 million (0.1% of total plan assets) and USD 7 million (0.1% of total plan assets) as of 31 December 2015 and 2016, respectively.

The Group's pension plan investment strategy is to match the maturity profiles of the assets and liabilities in order to reduce the future volatility of pension expense and funding status of the plans. This involves balancing investment portfolios between equity and fixed income securities. Tactical allocation decisions that reflect this strategy are made on a quarterly basis.

Assets measured at fair value

For a description of the different fair value levels and valuation techniques see Note 8 "Fair value disclosures".

Certain items reported as pension plan assets at fair value in the following table are not within the scope of Note 8, namely two positions: real estate and an insurance contract.

Real estate positions classified as level 1 and level 2 are exchange traded real estate funds where a market valuation is readily available. Real estate reported on level 3 is property owned by the pension funds. These positions are accounted for at the capitalised income value. The capitalisation based on sustainable recoverable earnings is conducted at interest rates that are determined individually for each property, based on the property's location, age and condition. If properties are intended for disposal, the estimated selling costs and taxes are recognised in provisions. Sales gains or losses are allocated to income from real estate when the contract is concluded.

The fair value of the insurance contract is based on the fair value of the assets backing the contract.

Other assets classified within level 3 mainly consist of private equity investments valued with the same methodology as mentioned in Note 8.

As of 31 December, the fair values of pension plan assets by level of input were as follows:

2015 USD millions	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
Assets				
Fixed income securities:				
Debt securities issued by the US government and government agencies	34	149		183
Debt securities issued by non-US governments and government agencies		799		799
Corporate debt securities		2 179		2 179
Residential mortgage-backed securities		16		16
Commercial mortgage-backed securities		1		1
Other asset-backed securities		4		4
Equity securities:				
Equity securities held for proprietary investment purposes	917	572		1 489
Derivative financial instruments	–9			–9
Real estate	129	9	596	734
Other assets	19	79	142	240
Total assets at fair value	1 090	3 808	738	5 636
Cash	82	–4		78
Total plan assets	1 172	3 804	738	5 714

2016 USD millions	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Investments measured at net asset value as practical expedient	Total
Assets					
Fixed income securities:					
Debt securities issued by US government and government agencies	28	145			173
Debt securities issued by non-US governments and government agencies		348			348
Corporate debt securities		2 069	9		2 078
Residential mortgage-backed securities		26			26
Commercial mortgage-backed securities		4			4
Other asset-backed securities		6			6
Equity securities:					
Equity securities held for proprietary investment purposes	1 004	451	97		1 552
Derivative financial instruments		–6			–6
Real estate			612		612
Other assets		514		387	901
Total assets at fair value	**1 032**	**3 557**	**718**	**387**	**5 694**
Cash	97	–2			95
Total plan assets	**1 129**	**3 555**	**718**	**387**	**5 789**

Assets measured at fair value using significant unobservable inputs (level 3)

For the years ended 31 December, the reconciliation of fair value of pension plan assets using significant unobservable inputs were as follows:

2015 USD millions	Real estate	Other assets	Total
Balance as of 1 January	578	139	717
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	10	–13	–3
Relating to assets sold during the period		17	17
Purchases, issuances and settlements	12	6	18
Transfers in and/or out of level 3			0
Impact of foreign exchange movements	–4	–7	–11
Closing balance as of 31 December	596	142	738

2016 USD millions	Real estate	Other assets	Total
Balance as of 1 January	596	142	738
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	17	–14	3
Relating to assets sold during the period		13	13
Purchases, issuances and settlements	8	21	29
Transfers in and/or out of level 3		–53	–53
Impact of foreign exchange movements	–9	–3	–12
Closing balance as of 31 December	**612**	**106**	**718**

Expected contributions and estimated future benefit payments

The employer contributions expected to be made in 2017 to the defined benefit pension plans are USD 151 million and to the post-retirement benefit plan are USD 15 million.

As of 31 December 2016, the projected benefit payments, which reflect expected future service, not adjusted for transfers in and for employees' voluntary contributions, are as follows:

USD millions	Swiss plan	Foreign plans	Other benefits	Total
2017	196	71	15	282
2018	193	75	15	283
2019	186	78	16	280
2020	185	80	17	282
2021	180	82	18	280
Years 2022–2026	847	446	101	1 394

Defined contribution pension plans

The Group sponsors a number of defined contribution plans to which employees and the Group make contributions. The accumulated balances are paid as a lump sum at the earlier of retirement, termination, disability or death. The amount expensed in 2015 and in 2016 was USD 77 million and USD 69 million, respectively.

15 Share-based payments

As of 31 December 2015 and 2016, the Group had the share-based compensation plans as described below.

Total compensation cost for share-based compensation plans recognised in net income was USD 61 million and USD 66 million in 2015 and 2016, respectively. The related tax benefit was USD 13 million and USD 14 million, respectively.

Stock option plans

No options were granted under stock option plans from 2007 onwards. Options issued vest at the end of the fourth year and have a maximum life of ten years.

A summary of the activity of the Group's stock option plans for the year ended 31 December 2016 is as follows:

	Weighted average exercise price in CHF	Number of options
Outstanding as of 1 January	82	100000
Options sold	82	–100000
Outstanding as of 31 December		**0**
Exercisable as of 31 December		**0**

The total intrinsic value of the options sold was CHF 1 million. The fair value of the option grant was estimated on the date of grant using a binomial option-pricing model. The underlying strike price for the outstanding options has been adjusted for the special dividend payout in 2013, 2014 and 2015.

Restricted shares

The Group granted 7 776 and 47 795 restricted shares to selected employees in 2015 and 2016, respectively. Moreover, as an alternative to the Group's cash bonus programme, 288 125 and 300 382 shares were delivered during 2015 and 2016, respectively, which are not subject to forfeiture risk.

A summary of the movements in shares relating to outstanding awards granted under the restricted share plans for the year ended 31 December 2016 is as follows:

	Weighted average grant date fair value in CHF[1]	Number of shares
Non-vested at 1 January	79	531018
Granted	88	348177
Delivery of restricted shares	78	–339103
Forfeited	62	–11420
Outstanding as of 31 December	**86**	**528672**

[1] Equal to the market price of the shares on the date of grant.

Leadership Performance Plan

The Leadership Performance Plan (LPP) awards are expected to be settled in shares, and the requisite service as well as the maximum contractual term are three years. For LPP 2014, LPP 2015 and LPP 2016 awards, an additional two-year holding period applies for all members of the Group EC and other key executives. At grant date the award is split equally into two underlying components — Restricted Share Units (RSUs) and Performance Share Units (PSUs). The RSUs are measured against a ROE performance condition and will vest within a range of 0–100%. The PSUs are based on relative total shareholder return, measured against a pre-defined group of peers and will vest within a range of 0–200%. The fair values of both components are measured separately, based on stochastic models.

The fair value assumptions included in the grant valuation are based on market estimates for dividends (and an additional special dividend of CHF 4.00 for the LPP 2013, a special dividend of CHF 4.15 for the LPP 2014, and a special dividend of CHF 3.00 for the LPP 2015 respectively) and the risk free rate based on the average of the 5-year US government bond rate (for LPP 2013, LPP 2014 and LPP 2015) and the average of the 10-year US government bond rate (for LPP 2016) taken monthly over each year in the performance period. This resulted in risk free rates between 1.0% and 3.1% for all LPP plans.

For the year ended 31 December 2016, the outstanding units were as follows:

RSUs	LPP 2013	LPP 2014	LPP 2015	LPP 2016
Non-vested at 1 January	329 860	354 090	324 690	
Granted				364 472
Forfeitures		–4 130	–3 885	–3 685
Vested	–329 860			
Outstanding as of 31 December	**0**	**349 960**	**320 805**	**360 787**
Grant date fair value in CHF	**61.19**	**60.85**	**67.65**	**67.91**

PSUs	LPP 2013	LPP 2014	LPP 2015	LPP 2016
Non-vested at 1 January	383 880	357 840	358 080	
Granted				494 518
Forfeitures		–4 170	–4 295	–4 999
Vested	–383 880			
Outstanding as of 31 December	**0**	**353 670**	**353 785**	**489 519**
Grant date fair value in CHF	**52.59**	**60.21**	**61.37**	**50.04**

Unrecognised compensation costs

As of 31 December 2016, the total unrecognised compensation cost (net of forfeitures) related to non-vested, share-based compensation awards was USD 57 million and the weighted average period over which that cost is expected to be recognised is 1.9 years.

The number of shares authorised for the Group's share-based payments to employees was 3 554 592 and 3 665 794 as of 31 December 2015 and 2016, respectively. The Group's policy is to ensure that sufficient treasury shares are available at all times to settle share-based compensation plans.

Global Share Participation Plan

In June 2013, Swiss Re introduced the Global Share Participation Plan, which is a share purchase plan that was rolled out for the benefit of employees of companies within the Group. Swiss Re makes a financial contribution to participants in the Plan, by matching the commitment that they make during the plan cycle with additional Swiss Re shares.

If the employee is still employed by Swiss Re at the end of a plan cycle, the employee will receive an additional number of shares equal to 30% of the total number of purchased and dividend shares held at that time. In 2015 and 2016, Swiss Re contributed USD 10 million and USD 12 million to the plans and authorised 211 472 and 178 233 shares as of 31 December 2015 and 2016, respectively.

This page intentionally left blank.

16 Compensation, participations and loans of members of governing bodies

The disclosure requirements under Swiss Company Law in respect of compensation and loans to the members of the Board of Directors and of the Group Executive Committee, as well as closely related persons, are detailed in the Compensation report on pages 155–160 of the Financial Report of the Swiss Re Group.

The disclosure requirements under Swiss Company Law in respect of participations of members of the Board of Directors and the Group Executive Committee, as well as closely related persons, are detailed on pages 292–293 of the Annual Report of Swiss Re Ltd.

17 Related parties

The Group defines the following as related parties to the Group: subsidiaries of Swiss Re Ltd, entities in which the Group has significant influence, pension plans, members of the Board of Directors (BoD) and the Group Executive Committee (EC) and their close family members, and entities which are directly and indirectly controlled by members of governing bodies of the Group and their close family members.

As part of the consolidation process, transactions between Swiss Re Ltd and subsidiaries are eliminated in consolidation and are not disclosed in the notes.

As of 31 December 2015 and 2016, the Group's investment in mortgages and other loans included USD 287 million and USD 292 million, respectively, of loans due from employees, and USD 196 million and USD 184 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

Contributions made to defined benefit pension plans and post-retirement benefit plans are disclosed in Note 14 Benefit plans. Plan assets of the defined benefit pension plans include Swiss Re common stock of USD 6 million (0.1% of total plan assets) and USD 7 million (0.1% of total plan assets) as of 31 December 2015 and 2016, respectively.

Share ownership and loans extended to members of BoD and Group EC are disclosed in Note 16 Compensation, participations and loans of members of governing bodies. The total number of shares, options and related instruments held by members of the BoD and the Group EC and persons closely related to, amounts to less than 1% of the shares issued by Swiss Re Ltd. None of the members of BoD and the Group EC has any significant business connection with Swiss Re Ltd or any of its Group companies. The Group BoD member Susan L. Wagner is also board member of BlackRock, Inc. BlackRock, Inc is acting as external asset manager for the Group.

Share in earnings and dividends received from equity-accounted investees for the years ended 31 December, were as follows:

USD millions	2015	**2016**
Share in earnings of equity-accounted investees	52	41
Dividends received from equity-accounted investees	254	176

18 Commitments and contingent liabilities

Leasing commitments

As part of its normal business operations, the Group enters into a number of lease agreements. As of 31 December, such agreements, which are operating leases, total the following obligations for the next five years and thereafter:

USD millions	2016
2017	82
2018	69
2019	57
2020	51
2021	41
After 2021	297
Total operating lease commitments	**597**
Less minimum non-cancellable sublease rentals	23
Total net future minimum lease commitments	**574**

Minimum rentals for all operating leases (except those with terms of a month or less that were not renewed) for the years ended 31 December 2015 and 2016 were USD 63 million and USD 76 million, respectively.

Other commitments

As a participant in limited and other investment partnerships, the Group commits itself to making available certain amounts of investment funding, callable by the partnerships for periods of up to ten years. The total commitments remaining uncalled as of 31 December 2016 were USD 1 234 million.

The Group entered into a real estate construction contract. The commitments under the contract amount to USD 92 million over the next four years.

The Group enters into a number of contracts in the ordinary course of reinsurance and financial services business which, if the Group's credit rating and/or defined statutory measures decline to certain levels, would require the Group to post collateral or obtain guarantees. The contracts typically provide alternatives for recapture of the associated business.

Legal proceedings

In the normal course of business operations, the Group is involved in various claims, lawsuits and regulatory matters. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the Group's business, consolidated financial position, results of operations or cash flows.

19 Significant subsidiaries and equity investees

		Share capital (millions)	Affiliation in % as of 31.12.2016	Method of consolidation
Europe				
Germany				
Swiss Re Germany GmbH, Munich	EUR	45	100	f
Ireland				
Ark Life Assurance Company dac, Dublin	EUR	19	100	f
Jersey				
ReAssure Holdings Limited, St Helier	GBP	0	100	f
ReAssure Jersey One Limited, St Helier	GBP	1	100	f
ReAssure Jersey Two Limited, St Helier	GBP	3	100	f
Swiss Re Admin Re Limited, St Helier	GBP	3	100	f
Swiss Re ReAssure Midco Limited, St Helier	GBP	0	100	f
Liechtenstein				
Elips Life AG, Triesen	CHF	12	100	f
Elips Versicherungen AG, Triesen	CHF	5	100	f
Luxembourg				
iptiQ Life S.A., Luxembourg	EUR	6	100	f
Swiss Re Europe Holdings S.A., Luxembourg	EUR	105	100	f
Swiss Re Europe S.A., Luxembourg	EUR	350	100	f
Swiss Re Finance (Luxembourg) S.A., Luxembourg	EUR	0	100	f
Swiss Re Funds (Lux) I, Senningerberg[1]	EUR	12 316	100	f
Swiss Re International SE, Luxembourg	EUR	182	100	f
Netherlands				
Algemene Levensherverzekering Maatschappij N.V., Amstelveen	EUR	1	100	f
Switzerland				
Swiss Re Asia Ltd, Zurich	CHF	312	100	f
Swiss Re Asset Management Geneva SA, Carouge	CHF	0	100	f
Swiss Re Corporate Solutions Ltd, Zurich	CHF	100	100	f
Swiss Re Direct Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Holding Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Ltd, Zurich	CHF	1	100	f
Swiss Re Life Capital Ltd, Zurich	CHF	0	100	f
Swiss Re Management Ltd, Adliswil	CHF	0	100	f
Swiss Re Principal Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Reinsurance Holding Company Ltd, Zurich	CHF	0	100	f
Swiss Reinsurance Company Ltd, Zurich	CHF	34	100	f

Method of consolidation

f full
e equity
fv fair value
[1] Net asset value instead of share capital

		Share capital (millions)	Affiliation in % as of 31.12.2016	Method of consolidation
United Kingdom				
Pension Insurance Corporation Group Limited, London	GBP	757	4	fv
ReAssure FSH UK Limited, Shropshire	GBP	710	100	f
ReAssure Group Limited, Shropshire	GBP	949	100	f
ReAssure Life Limited, Shropshire	GBP	0	100	f
ReAssure Limited, Shropshire	GBP	289	100	f
Swiss Re Services Limited, London	GBP	2	100	f
Swiss Re Specialised Investments Holdings (UK) Limited, London	GBP	1	100	f
Americas and Caribbean				
Barbados				
European Finance Reinsurance Company Ltd., Bridgetown	USD	5	100	f
European International Reinsurance Company Ltd., Bridgetown	USD	1	100	f
Milvus I Reassurance Limited, Bridgetown	USD	397	100	f
Swiss Re (Barbados) Finance Limited, Bridgetown	GBP	0	100	f
Bermuda				
CORE Reinsurance Company Limited, Hamilton	USD	0	100	f
Swiss Re Global Markets Limited, Hamilton	USD	0	100	f
Brazil				
Sul America S.A., Rio de Janeiro	BRL	2 320	15	e
Swiss Re Brasil Resseguros S.A., São Paulo	BRL	295	100	f
Cayman Islands				
Ampersand Investments (UK) Limited, George Town	GBP	0	100	f
FWD Group Ltd, George Town	USD	0	15	e
PEP SR I Umbrella L.P., George Town	USD	671	100	f
Swiss Re Strategic Investments UK Limited, George Town	GBP	0	100	f
Colombia				
Compañía Aseguradora de Fianzas S.A. Confianza, Bogotá	COP	224 003	51	f

		Share capital (millions)	Affiliation in % as of 31.12.2016	Method of consolidation
United States				
Claret Re Inc., Burlington	USD	5	100	f
Facility Insurance Holding Corporation, Dallas	USD	0	100	f
First Specialty Insurance Corporation, Jefferson City	USD	5	100	f
North American Capacity Insurance Company, Manchester	USD	4	100	f
North American Elite Insurance Company, Manchester	USD	4	100	f
North American Specialty Insurance Company, Manchester	USD	13	100	f
Pecan Re Inc., Burlington	USD	5	100	f
Pillar RE Holdings LLC, Wilmington	USD	0	100	f
SR Corporate Solutions America Holding Corporation, Wilmington	USD	0	100	f
Sterling Re Inc., Burlington	USD	219	100	f
Swiss Re America Holding Corporation, Wilmington	USD	0	100	f
Swiss Re Capital Markets Corporation, New York	USD	0	100	f
Swiss Re Corporate Solutions Global Markets Inc., New York	USD	0	100	f
Swiss Re Financial Markets Corporation, Wilmington	USD	0	100	f
Swiss Re Financial Products Corporation, Wilmington	USD	2 116	100	f
Swiss Re Life & Health America Holding Company, Wilmington	USD	0	100	f
Swiss Re Life & Health America Inc., Jefferson City	USD	4	100	f
Swiss Re Management (US) Corporation, Wilmington	USD	0	100	f
Swiss Re Partnership Holding, LLC, Dover	USD	308	100	f
Swiss Re Risk Solutions Corporation, Wilmington	USD	0	100	f
Swiss Re Treasury (US) Corporation, Wilmington	USD	0	100	f
Swiss Reinsurance America Corporation, Armonk	USD	10	100	f
Washington International Insurance Company, Manchester	USD	4	100	f
Westport Insurance Corporation, Jefferson City	USD	6	100	f
Africa				
South Africa				
Swiss Re Life and Health Africa Limited, Cape Town	ZAR	2	100	f
Asia-Pacific				
Australia				
Swiss Re Australia Ltd, Sydney	AUD	845	100	f
Swiss Re Life & Health Australia Limited, Sydney	AUD	980	100	f
China				
Alltrust Insurance Company of China Limited, Shanghai	CNY	2 178	5	fv
Swiss Re Corporate Solutions Insurance China Ltd, Shanghai	CNY	500	100	f
Vietnam				
Vietnam National Reinsurance Corporation, Hanoi	VND	1 310 759	25	e

20 Variable interest entities

The adoption of ASU 2015-02 as of 1 January 2016 led to an increase in the number of variable interest entities (VIEs), mainly due to the evaluation of partnerships and investment funds.

The Group enters into arrangements with VIEs in the normal course of business. The involvement ranges from being a passive investor to designing, structuring and managing the VIEs. The variable interests held by the Group arise primarily as a result of the Group's involvement in certain insurance-linked securitisations, life and health funding transactions, swaps in trusts, debt financing, investment, senior commercial mortgage and infrastructure loans as well as other entities, which meet the definition of a VIE.

When analysing whether the entity is a VIE, the Group mainly assesses if (1) the equity is sufficient to finance the entity's activities without additional subordinated financial support, (2) the equity holders have the right to make significant decisions affecting the entity's operations and (3) the holders of the voting rights substantively participate in the gains and losses of the entity.

When one of these criteria is not met, the entity is considered a VIE and is assessed for consolidation under the VIE section of the Consolidation Topic.

The party that has a controlling financial interest is called a primary beneficiary and consolidates the VIE. The party is deemed to have a controlling financial interest if it has both of the following:

- the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- the obligation to absorb the entity's losses that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

For all its variable interests in VIEs, the Group assesses whether it has a controlling financial interest in these entities and, thus, is the primary beneficiary. The Group identifies the activities that most significantly impact the entity's performance and determines whether the Group has the power to direct those activities. In conducting the analysis, the Group considers the purpose, the design and the risks that the entity was designed to create and pass through to its variable interest holders. Additionally, the Group assesses if it has the obligation to absorb losses or if it has the right to receive benefits of the VIE that could potentially be significant to the entity. If both criteria are met, the Group has a controlling financial interest in the VIE and consolidates the entity.

The Group monitors changes to the facts and circumstances of the existing involvement with legal entities to determine whether they require reconsideration of the entity's designation as a VIE or voting interest entity. For VIEs, the Group reassesses regularly the primary beneficiary determination.

Insurance-linked securitisations
The insurance-linked securitisations transfer pre-existing insurance risk to investors through the issuance of insurance-linked securities. In insurance-linked securitisations, the securitisation vehicle assumes the insurance risk from a sponsor through insurance or derivative contracts. The securitisation vehicle generally retains the issuance proceeds as collateral, which consists of investment-grade securities. The Group does not have potentially significant variable interest in these vehicles and therefore is not a primary beneficiary.

Typically, the variable interests held by the Group arise through ownership of insurance-linked securities, in which case the Group's maximum loss equals the principal amount of the securities held by the Group.

Life and health funding vehicles

The Group participates in certain structured transactions that retrocede longevity and mortality risks to captive reinsurers with an aim to provide regulatory capital credit to a transaction sponsor through creation of funding notes by a separate funding vehicle which is generally considered a VIE. The Group's participation in these transactions is generally limited to providing contingent funding support via a financial contract with a funding vehicle, which represents a potentially significant variable interest in the funding vehicle. The Group does not have power to direct activities of the funding vehicles and therefore is not a primary beneficiary of the funding vehicles in these transactions. The Group's maximum exposure in these transactions equals either the total contract notional or outstanding balance of the funding notes issued by the vehicle, depending on the specific contractual arrangements.

Swaps in trusts

The Group provides interest rate and foreign exchange risk hedges to certain asset securitisation trusts which qualify as VIEs. As the Group's involvement is limited to interest rate and foreign exchange derivatives, it does not have power to direct any activities of the trusts and therefore does not qualify as primary beneficiary of any of these trusts. These activities are in run-off.

Debt financing vehicles

The Group consolidates a debt-financing vehicle created to collateralise reinsurance coverage provided by the Group. The Group manages the asset portfolio in the vehicle and absorbs the variability of the investment return of the vehicle's portfolio, thereby satisfying both criteria for a controlling financial interest: power over activities most significant to the vehicle's economic performance and significant economic interest.

The Group consolidates a debt-financing vehicle created to borrow locally part of the funding for a strategic investment. The Group established and capitalised the entity, decided terms of its debt and provides debt guarantee to the lender, thereby satisfying both criteria for a controlling financial interest: power over activities most significant to the vehicle's economic performance and potentially significant economic interest.

As part of a broader run-off transaction, the Group holds equity in and borrows funds from a VIE. The assets held by the VIE consist primarily of investment grade securities and the majority of their returns is absorbed by a third party, minimising the Group's maximum exposure. The Group is not a primary beneficiary of the VIE, because it does not have power over most significant activities of the VIE and its interests are not potentially significant.

Investment vehicles

The ASU 2015-02 implementation resulted in consolidation by the Group of a real estate investment entity, which holds real estate backing annuities business. The Group is its primary beneficiary, because it has both power over the entity's investment decisions, as well as a significant variable interest in the entity.

The Group's variable interests in investment partnerships arise through ownership of the limited partner interests. Many investment partnerships are VIEs under ASU 2015-02, because the limited partners as a group lack kick-out or participating rights. The Group does not hold the general partner interest in the limited partnerships and therefore does not direct investment activities of the entity. Therefore, the Group lacks power over the relevant activities of the vehicles and, consequently, does not qualify as the primary beneficiary. The Group is exposed to losses when the values of the investments held by the investment vehicles decrease. The Group's maximum exposure to loss equals the Group's share of the investment.

The Group is a passive investor in structured securitisation vehicles issuing residential and commercial mortgage-backed securities (RMBS and CMBS, respectively) and other asset-backed securities (ABS). The Group's investments in RMBS, CMBS and other ABS are passive in nature and do not obligate the Group to provide any financial or other support to the issuer entities. By design, RMBS, CMBS and ABS securitisation entities are not adequately capitalised and therefore considered VIEs. The Group is not the primary beneficiary, because it does not have power to direct most significant activities. These investments are accounted for as available-for-sale as described in the investment Note 7 and not included in the tables below.

The Group consolidates an investment vehicle, because the Group holds the entire interest in the entity and makes investment decisions related to the entity. The investment vehicle is a VIE under ASU 2015-02, because it is structured as an umbrella company comprised of multiple sub-funds. The majority of the investments held in this vehicle are accounted for as available-for-sale and are disclosed in the investment note and not included in the tables below.

Investment vehicles (unit-linked business)
Additionally, the Group invests on behalf of the policyholders as a passive investor in a variety of investment funds across various jurisdictions. By design, many of these funds meet a VIE definition. While the Group may have a potentially significant variable interest in some of these entities due to its share of the fund's total net assets, it never has power over the fund's investment decisions, or unilateral kick-out rights relative to the decision maker.

The Group is not exposed to losses in the aforementioned investment vehicles, as the investment risk is borne by the policyholder.

Senior commercial mortgage and infrastructure loans
The Group also invests in structured commercial mortgage and infrastructure loans, which are held for investment.

The commercial mortgage loans are made to non-recourse special purpose entities collateralised with commercial real estate. The entities are adequately capitalised and generally structured as voting interest entities. Occasionally, the borrower entities can be structured as limited partnerships where the limited partners do not have kick-out or participating rights, which results in the VIE designation.

The infrastructure loans are made to non-recourse special purpose entities collateralised with infrastructure project assets. Some borrower entities may have insufficient equity investment at risk, which results in the VIE designation.

The Group does not have power over the activities most significant to the aforementioned borrower entities designated as VIEs and therefore does not consolidate them.

The Group's maximum exposure to loss from its investments equals the loan outstanding amount.

Other
The Group consolidates a vehicle providing reinsurance to its members, because it serves as a decision maker over the entity's investment and underwriting activities, as well as provides retrocession for the majority of the vehicle's insurance risk and receives performance-based fees. Additionally, the Group is obligated to provide the vehicle with loans in case of a deficit. The vehicle is a VIE, primarily because its total equity investment at risk is insufficient and the members lack decision-making rights.

The Group did not provide financial or other support to any VIEs during 2016 that it was not previously contractually required to provide.

Consolidated VIEs

The following table shows the total assets and liabilities on the Group's balance sheet relating to VIEs of which the Group is the primary beneficiary as of 31 December:

USD millions	2015	2016
Fixed income securities available-for-sale	3 876	3 715
Investment real estate		209
Short-term investments	88	128
Other invested assets	26	
Cash and cash equivalents	147	42
Accrued investment income	42	33
Premiums and other receivables	34	33
Deferred acquisition costs	9	9
Deferred tax assets	38	94
Other assets	8	12
Total assets	4 268	**4 275**
Unpaid claims and claim adjustment expenses	53	65
Unearned premiums	26	25
Reinsurance balances payable	2	6
Deferred and other non-current tax liabilities	96	213
Accrued expenses and other liabilities	17	178
Long-term debt	2 720	2 270
Total liabilities	2 914	**2 757**

The assets of the consolidated VIEs may only be used to settle obligations of these VIEs and to settle any investors' ownership liquidation requests. There is no recourse to the Group for the consolidated VIEs' liabilities. The assets of the consolidated VIEs are not available to the Group's creditors.

Non-consolidated VIEs

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December:

USD millions	2015	**2016**
Fixed income securities available-for-sale	52	525
Equity securities available-for-sale		492
Policy loans, mortgages and other loans	1	876
Other invested assets	1 706	2 387
Investments for unit-linked and with-profit business		8 770
Premiums and other receivables		3
Total assets	1 759	**13 053**
Accrued expenses and other liabilities	45	78
Total liabilities	45	**78**

The following table shows the Group's assets, liabilities and maximum exposure to loss related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December:

			2015			**2016**
USD millions	Total assets	Total liabilities	Maximum exposure to loss[1]	Total assets	Total liabilities	Maximum exposure to loss[1]
Insurance-linked securitisations	52		52	336		331
Life and health funding vehicles	2	1	1 777	2	1	1 948
Swaps in trusts	146	44	–[2]	164	77	–[2]
Debt financing	361		27	302		22
Investment vehicles	1 009		1 011	2 423		2 424
Investment vehicles for unit-linked and with-profit business				8 770		
Commercial mortgage/infrastructure loans				1 053		1 053
Other	189		189	3		3
Total	1 759	45	–[2]	**13 053**	**78**	**–[2]**

[1] Maximum exposure to loss is the loss the Group would absorb from a variable interest in a VIE in the event that all of the assets of the VIE are deemed worthless.
[2] The maximum exposure to loss for swaps in trusts cannot be meaningfully quantified due to their derivative character.

The assets and liabilities for the swaps in trusts represent the positive and negative fair values of the derivatives the Group has entered into with the trusts.

This page intentionally left blank.

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Re Ltd
Zurich

Report of the statutory auditor on the consolidated financial statements
As statutory auditor, we have audited the consolidated financial statements of Swiss Re Ltd and its subsidiaries (the 'Company'), which comprise the consolidated balance sheet as of 31 December 2016, and the related consolidated income statement, statement of comprehensive income, statement of shareholders' equity, statement of cash flow and notes (pages 164 to 274) for the year ended 31 December 2016.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 and fair presentation of the consolidated 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 consolidated 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2016, the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America and comply with Swiss law.

Other matter
Accounting principles generally accepted in the United States of America require that the supplementary information based on the requirements of ASU 2015-09, Disclosures about Short-Duration Contracts, on pages 206 to 214 be presented to supplment the consolidated financial statements. Such information, although not part of the consolidated financial statements, is required by the Financial Accounting Standards Board, which considers it an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Unobservable or interpolated inputs used for the valuation of certain level 2 and 3 investments

Key audit matter

Given the ongoing market volatility and macroeconomic uncertainty, investment valuation continues to be an area of inherent risk. The risk is not the same for all investment types and is greatest for those listed below, where the investments are more difficult to value because quoted prices are not always available:

- Fixed income securitised products
- Fixed income mortgage and asset-backed securities
- Private placements
- Private equity
- Derivatives — equity funds
- Derivatives — credit contracts
- Derivatives — rates
- Other derivatives and insurance-related financial products

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of selected key controls of the valuation models for level 2 and 3 investments, including the Company's independent price verification process.

In relation to the matters set out opposite, our substantive testing procedures included the following:

- Evaluating the methodology and assumptions, in particular, the yield curves, discounted cash flows, perpetual growth rates and liquidity premiums used in the valuation models.
- Comparing the assumptions used against appropriate benchmarks and investigating significant differences.
- Testing the operation of data integrity and change management controls relating to the models.
- Engaging our own valuation experts to perform independent valuations, where applicable.

On the basis of the work performed, we consider the assumptions used by management to be appropriate and that the investments classified as level 2 and 3 are properly valued as of 31 December 2016.

Valuation of actuarially determined Property & Casualty ('P&C') loss reserves

Key audit matter

The valuation of actuarially determined P&C loss reserves involves a high degree of subjectivity and complexity. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses at a given date. The Company uses a range of actuarial methodologies and methods to estimate these provisions. Actuarially determined P&C loss reserves require significant judgement relating to certain factors and assumptions. Among the most significant reserving assumptions are the A-priori loss ratios, which typically drive the estimates of P&C loss reserves for the most recent contract years. Other assumptions include, but are not limited to, interest rates, inflation trends, claims trends, regulatory decisions, historical claims information and the growth of exposure.

In particular, 'long tail' lines of business (for example, Liability, US Asbestos and Environmental, Motor Liability and Workers' Compensation) are generally more difficult to project. This is due to the protracted period over which claims can be reported as well as the fact that claims settlements are often less frequent but of higher impact. They are also subject to greater uncertainties than claims relating to 'short-tail' business. Long-tailed lines of business generally rely on many assumptions based on experts' judgement.

Moreover, not all natural catastrophe events and/or significant man-made losses can be modelled using traditional actuarial methodologies, which increases the degree of judgement needed in establishing reserves for these events.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of selected key controls relating to the application of the actuarial methodology, data collection and analysis, as well as the processes for determining the assumptions used by management in the valuation of actuarially determined P&C loss reserves.

In relation to the matters set out opposite, our substantive testing procedures included the following:

- Testing the completeness and accuracy of underlying data utilised by the Company's actuaries in estimating P&C loss reserves.
- Applying IT audit techniques to analyse claims through the recalculation of claims triangles.
- Involving PwC's internal actuarial specialists to test independently management's estimates of P&C loss reserves, and evaluating the reasonableness of the methodology and assumptions used by comparing them with recognised actuarial practices and by applying our industry knowledge and experience.
- Performing independent projections of selected product lines. For these product lines, we compared our calculations of projected reserves with those of the Company taking into account the available corroborating and contrary evidence and challenging management's assumptions as appropriate.
- Assessing the process and related judgements of management in relation to natural catastrophes and other large losses, including using our industry knowledge to assess the reasonableness of market loss estimates and other significant assumptions.
- Performing sensitivity testing and evaluating the appropriateness of any significant adjustments made by management to P&C loss reserve estimates.

On the basis of the work performed, we consider that the methodology, assumptions and underlying data used in the valuation of actuarially determined P&C loss reserves to be reasonable and in line with financial reporting requirements and accepted industry practice.

Valuation of actuarially determined Life & Health (L&H) reserves

Key audit matter

The Company's valuation of liabilities for L&H policy benefits and policyholder account balances involves complex judgements about future events affecting the business. Actuarial assumptions selected by the Company with respect to interest rates, investment returns, mortality, morbidity, lapse in coverage, longevity, persistency, expenses, stock market volatility and future policyholder behaviour may result in material impacts on the valuation of L&H reserves. The methodology and methods used can also have a material impact on the valuation of actuarially determined L&H reserves.

The valuation of actuarially determined L&H reserves depends on the use of complex models. The Company continues to migrate actuarial data and models from legacy systems and/or spreadsheets to new actuarial modelling systems. At the same time, management is validating models to ensure that new models are fit for use. Moving from one modelling platform to another is a complex and time-consuming process, frequently taking several years. Any resulting adjustments to reserves need to be assessed in terms of appropriateness and classified as changes in estimates or as an out-of-period adjustment.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of selected key controls relating to the application of actuarial methodology, data collection and analysis, as well as the processes for determining the assumptions used by management in the valuation of actuarially determined L&H reserves.

In relation to the matters set out opposite, our substantive testing procedures included the following:

- Testing the completeness and accuracy of the underlying data by vouching against the source documentation.
- Testing the migration of actuarial data from legacy systems and/or spreadsheets to the new actuarial systems for completeness and accuracy.
- Performing independent model validation procedures, including detailed testing of models, independent recalculations and back testing.
- Involving our own life insurance actuarial specialists to test the methodology and assumptions used by management, with particular consideration of industry studies, the Company's experience and management's liability adequacy test procedures.
- Challenging the Company's methodology and methods, focusing on changes to L&H actuarial methodology and methods during the year, by applying our industry knowledge and experience to check whether the methodology and methods are consistent with recognised actuarial practices and reporting requirements.

On the basis of the work performed, we consider that the methodology, assumptions and underlying data used in the valuation of actuarially determined L&H reserves to be reasonable and in line with financial reporting requirements and accepted industry practice.

Valuation of uncertain tax items — initial probability assessment

Key audit matter

The Company is carrying a provision for uncertain tax items on its books. The valuations of these items are based on management's estimates and 'more-likely-than-not' tax assessments. Fluctuations in the estimates of uncertain tax items have an impact (through income tax expense) on the results.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of selected key controls of the completeness of the uncertain tax items and management's assessment of them.

In relation to the matters set out opposite, our substantive testing procedures included the following:

- Critically reviewing the 'more-likely-than-not' tax assessments to evaluate the Company's judgements and estimates of the probabilities and the amounts.
- Assessing how the Company had considered new information or changes in tax law or case law, and assessing the Company's judgement of how these impact the Company's position or measurement of the required provision.

On the basis of the work performed, we consider management's initial assessment relating to the valuation of the uncertain tax items to be appropriate.

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 article 11 AOA) 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 consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Alex Finn Audit expert Auditor in charge	**Bret Griffin**

Zurich, 15 March 2017

Group financial years 2007–2016

USD millions	2007[1]	2008[1]	2009[1]
Income statement			
Revenues			
Premiums earned	26 337	23 577	22 664
Fee income	794	746	847
Net investment income	8 893	7 331	6 399
Net realised investment gains/losses	–615	–8 677	875
Other revenues	251	249	178
Total revenues	35 660	23 226	30 963
Expenses			
Claims and claim adjustment expenses	–10 035	–9 222	–8 336
Life and health benefits	–9 243	–8 381	–8 639
Return credited to policyholders	–1 763	2 611	–4 597
Acquisition costs	–5 406	–4 950	–4 495
Other operating costs and expenses	–4 900	–4 358	–3 976
Total expenses	–31 347	–24 300	–30 043
Income/loss before income tax expense	4 313	–1 074	920
Income tax expense	–853	411	–221
Net income/loss before attribution of non-controlling interests	3 460	–663	699
Income/loss attributable to non-controlling interests			
Net income/loss after attribution of non-controlling interests	3 460	–663	699
Interest on contingent capital instruments			–203
Net income/loss attributable to common shareholders	3 460	–663	496
Balance sheet			
Assets			
Investments	201 221	154 053	151 341
Other assets	70 198	71 322	81 407
Total assets	271 419	225 375	232 748
Liabilities			
Unpaid claims and claim adjustment expenses	78 195	70 944	68 412
Liabilities for life and health policy benefits	44 187	37 497	39 944
Unearned premiums	6 821	7 330	6 528
Other liabilities	95 172	73 366	73 336
Long-term debt	18 898	17 018	19 184
Total liabilities	243 273	206 155	207 404
Shareholders' equity	28 146	19 220	25 344
Non-controlling interests			
Total equity	28 146	19 220	25 344
Earnings/losses per share in USD	9.94	–2.00	1.46
Earnings/losses per share in CHF	11.95	–2.61	1.49

[1] The Group changed its reporting currency from CHF into USD in 2010. Periods prior to 2010 have been translated to USD for informational purposes only based on the Group's average exchange rates for the income statements and year-end rates for the balance sheets.
[2] The Group updated its balance sheet presentation of deferred tax assets and liabilities. Deferred tax assets and liabilities are presented on a gross basis as per the first quarter 2013. The comparative period has been adjusted accordingly and is consistent with the relevant income tax disclosure in the notes to the financial statements in the prior year.

2010	2011	2012[2]	2013	2014	2015	**2016**
19 652	21 300	24 661	28 276	30 756	29 751	**32 691**
918	876	785	542	506	463	**540**
5 422	5 469	5 302	4 735	4 992	4 236	**4 740**
2 783	388	2 688	3 325	1 059	1 220	**5 787**
60	50	188	24	34	44	**28**
28 835	28 083	33 624	36 902	37 347	35 714	**43 786**
–7 254	–8 810	–7 763	–9 655	–10 577	–9 848	**–12 564**
–8 236	–8 414	–8 878	–9 581	–10 611	–9 080	**–10 859**
–3 371	–61	–2 959	–3 678	–1 541	–1 166	**–5 099**
–3 679	–4 021	–4 548	–4 895	–6 515	–6 419	**–6 928**
–3 620	–3 902	–3 953	–4 268	–3 876	–3 882	**–3 964**
–26 160	–25 208	–28 101	–32 077	–33 120	–30 395	**–39 414**
2 675	2 875	5 523	4 825	4 227	5 319	**4 372**
–541	–77	–1 125	–312	–658	–651	**–749**
2 134	2 798	4 398	4 513	3 569	4 668	**3 623**
–154	–172	–141	–2		–3	**3**
1 980	2 626	4 257	4 511	3 569	4 665	**3 626**
–1 117		–56	–67	–69	–68	**–68**
863	2 626	4 201	4 444	3 500	4 597	**3 558**
156 947	162 224	152 812	150 075	143 987	137 810	**155 016**
71 456	63 675	68 691	63 445	60 474	58 325	**60 049**
228 403	225 899	221 503	213 520	204 461	196 135	**215 065**
64 690	64 878	63 670	61 484	57 954	55 518	**57 355**
39 551	39 044	36 117	36 033	33 605	30 131	**41 176**
6 305	8 299	9 384	10 334	10 576	10 869	**11 629**
72 524	65 850	62 020	57 970	53 670	55 033	**59 402**
18 427	16 541	16 286	14 722	12 615	10 978	**9 787**
201 497	194 612	187 477	180 543	168 420	162 529	**179 349**
25 342	29 590	34 002	32 952	35 930	33 517	**35 634**
1 564	1 697	24	25	111	89	**82**
26 906	31 287	34 026	32 977	36 041	33 606	**35 716**
2.52	7.68	11.85	12.97	10.23	13.44	**10.72**
2.64	6.79	11.13	12.04	9.33	12.93	**10.55**

Annual Report Swiss Re Ltd

Swiss Re Ltd (the Company), domiciled in Zurich, Switzerland, is the ultimate holding company of the Swiss Re Group. Its principal activity is the holding of investments in Swiss Re Group companies.

Income statement

Net income for 2016 amounted to CHF 3 972 million (2015: CHF 3 865 million) and was mostly driven by cash dividends from subsidiaries and affiliated companies of CHF 3 517 million.

The Company earned trademark licence fees of CHF 339 million and other revenues of CHF 263 million, mainly consisting of net realised foreign exchange gains of CHF 252 million. In addition, the Company incurred administrative expenses of CHF 147 million, of which CHF 143 million were charges for services provided by Swiss Re Management Ltd and Swiss Reinsurance Company Ltd, and other expenses of CHF 70 million, due to financing costs related to subordinated debt facilities of CHF 63 million and capital and indirect taxes of CHF 7 million.

Assets

Total assets increased from CHF 21 840 million as of 31 December 2015 to CHF 23 173 million as of 31 December 2016.

Current assets decreased by CHF 683 million to CHF 3 596 million as of 31 December 2016, mainly driven by a decrease in short-term investments due to the funding of the acquisition of Guardian Financial Services.

Non-current assets increased from CHF 17 561 million as of 31 December 2015 to CHF 19 577 million as of 31 December 2016. Loans to subsidiaries and affiliated companies increased by CHF 103 million due to a new credit facility with Swiss Re Management Ltd. Investments in subsidiaries and affiliated companies increased from CHF 17 561 million as of 31 December 2015 to CHF 19 474 million as of 31 December 2016 due to capital contributions to Swiss Re Life Capital Ltd of CHF 1 736 million, Swiss Re Management Ltd of CHF 100 million and Swiss Re Principal Investments Company Ltd of CHF 77 million.

Liabilities

Total liabilities decreased from CHF 371 million as of 31 December 2015 to CHF 352 million as of 31 December 2016.

Short-term liabilities increased by CHF 121 million to CHF 239 million as of 31 December 2016, mainly due to an increase in accrued expenses of CHF 80 million and payables to subsidiaries and affiliated companies of CHF 40 million.

Long-term liabilities decreased by CHF 140 million to CHF 113 million as of 31 December 2016, mainly due to a reduction in the provision for currency fluctuations of CHF 154 million, partially offset by an increase in the tax provision of CHF 14 million.

Shareholders' equity

Shareholders' equity increased from CHF 21 469 million as of 31 December 2015 to CHF 22 821 million as of 31 December 2016, mainly due to net income of CHF 3 972 million, partially offset by dividends to shareholders of CHF 1 525 million and share buy-back programmes of CHF 1 091 million.

Share capital decreased by CHF 1 million to CHF 36 million as of 31 December 2016 and legal profit reserves decreased by CHF 903 million to CHF 8 265 million as of 31 December 2016 resulting from the cancellation of own shares.

Legal capital reserves decreased by CHF 65 million to CHF 192 million as of 31 December 2016 due to the cancellation of own shares of CHF 96 million, partially offset by net realised gains on sale of own shares of CHF 31 million.

Own shares (directly held by the Company) increased by CHF 125 million to CHF 1 555 million as of 31 December 2016 due to net purchases of own shares of CHF 34 million and share buy-back programmes of CHF 1 091 million, partially offset by the cancellation of own shares of CHF 1 000 million.

Income statement Swiss Re Ltd

For the years ended 31 December

CHF millions	Notes	2015	2016
Revenues			
Investment income	2	3 563	**3 613**
Trademark licence fees		306	**339**
Other revenues		156	**263**
Total revenues		4 025	**4 215**
Expenses			
Administrative expenses	3	–112	**–147**
Investment expenses	2	–1	**–1**
Other expenses		–20	**–70**
Total expenses		–133	**–218**
Income before income tax expense		3 892	**3 997**
Income tax expense		–27	**–25**
Net income		3 865	**3 972**

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

Balance sheet Swiss Re Ltd

As of 31 December

Assets

CHF millions	Notes	2015	2016
Current assets			
Cash and cash equivalents		26	**6**
Short-term investments	4	1 917	**1 158**
Receivables from subsidiaries and affiliated companies		49	**170**
Other receivables and accrued income		0	**2**
Loans to subsidiaries and affiliated companies		2 287	**2 260**
Total current assets		4 279	**3 596**
Non-current assets			
Loans to subsidiaries and affiliated companies		0	**103**
Investments in subsidiaries and affiliated companies	5	17 561	**19 474**
Total non-current assets		17 561	**19 577**
Total assets		21 840	**23 173**

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

Liabilities and shareholders' equity

CHF millions	Notes	2015	2016
Liabilities			
Short-term liabilities			
Payables to subsidiaries and affiliated companies		0	**40**
Other liabilities and accrued expenses		118	**199**
Total short-term liabilities		118	**239**
Long-term liabilities			
Provisions		253	**113**
Total long-term liabilities		253	**113**
Total liabilities		371	**352**
Shareholders' equity	7		
Share capital	9	37	**36**
Legal reserves from capital contributions	*10*	*192*	***192***
Other legal capital reserves		*65*	***0***
Legal capital reserves		257	**192**
Legal profit reserves		9 168	**8 265**
Reserve for own shares (indirectly held by subsidiaries)		18	**17**
Voluntary profit reserves		9 550	**11 890**
Retained earnings brought forward		4	**4**
Net income for the financial year		3 865	**3 972**
Own shares (directly held by the Company)	8	–1 430	**–1 555**
Total shareholders' equity		21 469	**22 821**
Total liabilities and shareholders' equity		21 840	**23 173**

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

Notes Swiss Re Ltd

1 Significant accounting principles

Basis of presentation
The financial statements are prepared in accordance with Swiss Company Law.

Time period
The financial year 2016 comprises the accounting period from 1 January 2016 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.

Payables to 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 payable in a subsequent financial year.

Provisions

Provisions contain provision for currency fluctuation and provision for taxation.

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.

The provision for taxation represents an estimate of taxes payable in respect of the reporting year.

Other legal capital reserves

Other legal capital reserves reflect gains and losses from sale of own shares (directly held by the Company).

Reserve for own shares (indirectly held by subsidiaries)

Reserve for own shares is accounted for at the book value of those shares in the statutory financial statements of the respective subsidiary.

Own shares (directly held by the Company)

Own shares are carried at cost and presented as a deduction in shareholders' equity.

Foreign exchange transaction gains and losses

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

Dividends from subsidiaries and affiliated companies

Dividends from subsidiaries and affiliated companies are recognised as investment income in the year in which they are declared.

Trademark licence fees

Trademark licence fees are charged by the Company to its direct and indirect subsidiaries and their branches that benefit from the use of the Swiss Re brand.

Capital and indirect taxes

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

Income tax expense

As a holding company incorporated in Switzerland, Swiss Re Ltd is exempt from income taxation at cantonal/communal level. On the federal level, dividends from subsidiaries and affiliated companies are indirectly exempt from income taxation (participation relief). However, income tax is payable on trademark licence fees charged to certain subsidiaries and affiliated companies.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 15 March 2017. This is the date on which the financial statements are available to be issued.

2 Investment income and expenses

CHF millions	2015	2016
Cash dividends from subsidiaries and affiliated companies	3 539	**3 517**
Realised gains on sale of investments	4	**7**
Income from short-term investments	2	**2**
Income from loans to subsidiaries and affiliated companies	17	**35**
Investment management income	1	**1**
Other interest revenues	0	**51**
Investment income	3 563	**3 613**

CHF millions	2015	2016
Realised losses on sale of investments	0	**0**
Investment management expenses	1	**1**
Other interest expenses	0	**0**
Investment expenses	1	**1**

3 Administrative expenses and personnel information

Swiss Re Ltd receives management and other services from Swiss Re Management Ltd and Swiss Reinsurance Company Ltd and has no employees of its own.

4 Securities lending

As of 31 December 2016, securities of CHF 1 034 million were lent to Group companies under securities lending agreements, whereas in 2015 securities of CHF 545 million were lent to Group companies. As of 31 December 2016 and 2015, there were no securities lent to third parties.

5 Investments in subsidiaries and affiliated companies

As of 31 December 2016 and 2015, Swiss Re Ltd held directly the following investments in subsidiaries and affiliated companies:

As of 31 December 2016	Domicile	Currency	Share capital (millions)	Affiliation in %	Voting interest in %
Swiss Reinsurance Company Ltd	Zurich	CHF	34.4	100	100
Swiss Re Corporate Solutions Ltd	Zurich	CHF	100.0	100	100
Swiss Re Life Capital Ltd	Zurich	CHF	0.1	100	100
Swiss Re Investments Holding Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Principal Investments Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Management Ltd	Zurich	CHF	0.1	100	100
Swiss Re Specialised Investments Holdings (UK) Ltd	London	GBP	1.0	100	100

As of 31 December 2015	Domicile	Currency	Share capital (millions)	Affiliation in %	Voting interest in %
Swiss Reinsurance Company Ltd	Zurich	CHF	34.4	100	100
Swiss Re Corporate Solutions Ltd	Zurich	CHF	100.0	100	100
Swiss Re Life Capital Ltd	Zurich	CHF	0.1	100	100
Swiss Re Investments Holding Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Principal Investments Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Specialised Investments Holdings (UK) Ltd	London	GBP	1.0	100	100

Further disclosures in respect of investments in significant indirect subsidiaries and affiliated companies are detailed in note 19 "Significant subsidiaries and equity investees" on pages 267 to 269 in the notes to the Group financial statements, where the voting interests are equal to the affiliations disclosed, except of Sul América S.A. where the voting rights are equal to 10%.

6 Commitments

In November 2015, the Company established a subordinated debt facility with a termination date of 15 August 2025. The facility allows the Company to issue at any time subordinated fixed-to-floating rate callable notes with a face value of up to USD 700 million, having a first optional redemption date of 15 August 2025 and a maturity date of 15 August 2050. The Company pays a fee of 3.53% per annum on the available commitment under the facility. Notes issued under the facility have a fixed coupon of 5.75% per annum until the first optional redemption date. Notes, when issued under the facility, will be classified as subordinated debt. As of 31 December 2016, no notes have been issued under the facility.

In November 2015, the Company entered into a subordinated funding facility with its subsidiary Swiss Reinsurance Company Ltd under which Swiss Reinsurance Company Ltd has the right, among others, to issue subordinated notes to the Company of up to USD 700 million at any time before August 2030. For its various rights, Swiss Reinsurance Company Ltd owes the Company an unconditional fixed commitment fee, payable in annual instalments calculated as 5.80% on the total facility amount. Annually, Swiss Reinsurance Company Ltd receives a partial reimbursement of the commitment fee equal to 2.22% per annum on the undrawn facility amount. As of 31 December 2016, the facility was undrawn.

In April 2016, the Company established a subordinated debt facility with a termination date of 15 February 2031. The facility allows the Company to issue at any time subordinated fixed rate callable notes with a face value of up to USD 400 million, having a first optional redemption date of 15 February 2031 and a scheduled maturity date of 15 February 2056. The Company pays a fee of 3.92% per annum on the available commitment under the facility. Notes issued under the facility have a fixed coupon of 6.05% per annum. Notes, when issued under the facility will be classified as subordinated debt. As of 31 December 2016, no notes have been issued under the facility.

In April 2016, the Company entered into a subordinated funding facility with its subsidiary Swiss Reinsurance Company Ltd under which Swiss Reinsurance Company Ltd has the right, among others, to issue subordinated notes to the Company of up to USD 400 million at any time before February 2036. For its various rights, Swiss Reinsurance Company Ltd owes the Company an unconditional fixed commitment fee, payable in annual instalments calculated as 6.10% on the total facility amount. Annually, Swiss Reinsurance Company Ltd receives a partial reimbursement of the commitment fee equal to 2.13% per annum on the undrawn facility amount. As of 31 December 2016, the facility was undrawn.

In June 2016, the Company established a subordinated debt facility with a termination date of 15 August 2027. The facility allows the Company to issue at any time subordinated fixed-to-floating rate callable notes with a face value of up to USD 800 million, having a first optional redemption date of 15 August 2027 and a scheduled maturity date of 15 August 2052. The Company pays a fee of 3.67% per annum on the available commitment under the facility. Notes issued under the facility have a fixed coupon of 5.625% per annum until the first optional redemption date and a floating rate coupon thereafter. Notes, when issued under the facility will be classified as subordinated debt. As of 31 December 2016, no notes have been issued under the facility.

In June 2016, the Company entered into a subordinated funding facility with its subsidiary Swiss Reinsurance Company Ltd under which Swiss Reinsurance Company Ltd has the right, among others, to issue subordinated notes to the Company of up to USD 800 million at any time before August 2032. For its various rights, Swiss Reinsurance Company Ltd owes the Company an unconditional fixed commitment fee, payable in annual instalments calculated as 5.68% on the total facility amount. Annually, the Company receives a partial reimbursement of the commitment fee equal to 1.95% per annum on the undrawn facility amount. As of 31 December 2016, the facility was undrawn.

7 Change in shareholders' equity

CHF millions	Share capital	Legal capital reserves	Legal profit reserves	Reserves for own shares	Voluntary profit reserves	Retained earnings brought forward	Net income for the financial year	Own shares	Total Shareholders' equity
Shareholders' equity 1.1.2016	37	257	9 168	18	9 550	4	3 865	–1 430	21 469
Allocations relating to the dividend paid					3 865		–3 865		0
Dividend for the financial year 2015					–1 525				–1 525
Net income for the financial year							3 972		3 972
Share buy-back programme 2015[1]								–570	–570
Share cancellation[1]	–1	–96	–903					1 000	0
Share buy-back programme 2016[2]								–521	–521
Other movements in own shares		31		–1				–34	–4
Shareholders' equity 31.12.2016	**36**	**192**	**8 265**	**17**	**11 890**	**4**	**3 972**	**–1 555**	**22 821**

CHF millions	Share capital	Legal capital reserves	Legal profit reserves	Reserves for own shares	Voluntary profit reserves	Retained earnings brought forward	Net income for the financial year	Own shares	Total Shareholders' equity
Shareholders' equity 1.1.2015	37	2 682	9 177	9	5 440	4	4 110	–956	20 503
Allocations relating to the dividend paid		–2 490			6 600		–4 110		0
Dividend for the financial year 2014					–2 490				–2 490
Net income for the financial year							3 865		3 865
Share buy-back programme 2015[1]								–430	–430
Other movements in own shares		65	–9	9				–44	21
Shareholders' equity 31.12.2015	37	257	9 168	18	9 550	4	3 865	–1 430	21 469

[1] At the 151st Annual General Meeting held on 21 April 2015, the Group's shareholders authorised the Group Board of Directors to repurchase up to a maximum CHF 1 billion purchase value of the Group's own shares prior to the 2016 Annual General Meeting through a public share buy-back programme for cancellation purposes. The buy-back programme was completed on 2 March 2016. The total number of shares repurchased amounted to 10.6 million, of which 4.4 million and 6.2 million shares were repurchased by 31 December 2015 and between 1 January and 2 March 2016, respectively. On 22 April 2016, the 152nd Annual General Meeting resolved the cancellation of the repurchased 10.6 million shares by way of share capital reduction. The shares were cancelled on 18 July 2016, after completion of the procedure in respect of a share capital reduction as set forth in Article 732 et seqq. of the Swiss Code of Obligation.

[2] At the 152nd Annual General Meeting held on 22 April 2016, the Group's shareholders authorised the Group Board of Directors to repurchase up to a maximum CHF 1 billion purchase value of the Group's own shares prior to the 2017 Annual General Meeting through a public share buy-back programme for cancellation purposes.

8 Own shares (directly and indirectly held by the Company)

Number of own shares	2015	2016
Own shares held by subsidiaries	*112 788*	***211 472***
Own shares held by Swiss Re Ltd direct	*28 395 225*	***32 755 754***
Opening balance own shares	28 508 013	**32 967 226**
Purchase of own shares[1]	1 615 389	**987 559**
Sale of own shares[2]	–1 576 176[5]	**–983 451**
Share buy-back programme (151st AGM 2015)[3]	4 420 000	**6 214 370**
Cancellation of shares bought back (151st AGM 2015)	0	**–10 634 370**
Share buy-back programme (152nd AGM 2016)[4]	0	**5 542 500**
Own shares as of 31 December	32 967 226	**34 093 834**

[1] Purchased at average price CHF 88.73 (2015: CHF 92.91)
[2] Sold at average price CHF 87.97 (2015: CHF 93.31)
[3] Purchased at average price CHF 91.73 (2015: CHF 97.27)
[4] Purchased at average price CHF 94.00
[5] Number of sold own shares has been updated by 522 shares from a subsidiary

9 Major shareholders

As of 31 December 2016, there was one shareholder with a participation exceeding the 3% threshold of Swiss Re Ltd's share capital:

Shareholder	Number of shares	% of voting rights and share capital[1]	Creation of the obligation to notify
BlackRock, Inc.	18 218 492	5.06	10 October 2016

[1] The percentage of voting rights is calculated at the date the obligation was created and notified.

In addition, Swiss Re Ltd held, as of 31 December 2016, directly and indirectly 34 093 834 (2015: 32 967 226) own shares, representing 9.47% (2015: 8.89%) of voting rights and share capital. Swiss Re Ltd cannot exercise the voting rights of own shares held.

10 Legal reserves from capital contributions

CHF millions	2015	2016
Opening balance of legal reserves from capital contributions	2 682	**192**
Reclassification to voluntary profit reserves for dividend payments	–2 490	**0**
Legal reserves from capital contributions as of 31 December	192	**192**
thereof confirmed by the Swiss Federal Tax Administration[1]	***1***	***1***

[1] Under current Swiss tax legislation, the amount of legal reserves from capital contributions, which has been confirmed by the Swiss Federal Tax Administration, can be paid out as dividends exempt from Swiss withholding tax, and for Swiss resident individual shareholders holding shares in private wealth also exempt from Swiss income taxes.

11 Release of undisclosed reserves

In 2016 and 2015 no net undisclosed reserves were released.

12 Share ownership, options and related instruments of governing bodies

This section is in line with Articles 663c para. 3 and 959c para. 2 cif. 11 of the Swiss Code of Obligations, which requires disclosure of shareholdings, options and related instruments held by members of the Board of Directors and Group Executive Committee (Group EC) at the end of the reporting year and of share-based compensation for the Board of Directors during the reporting year. Further disclosures in respect of board and management compensation, and persons closely related, are detailed in the Compensation Report on pages 155 to 160 of the Financial Report of the Swiss Re Group.

Share ownership

The number of shares held as of 31 December were:

Members of the Group EC	2015	**2016**
Christian Mumenthaler, Group CEO	50 000	63 854
Michel Liès, previous Group CEO[1]	262 808	n/a
David Cole, Group Chief Financial Officer	54 207	68 061
John R. Dacey, Group Chief Strategy Officer	171	7 526
Guido Fürer, Group Chief Investment Officer	42 302	56 156
Agostino Galvagni, CEO Corporate Solutions	65 816	79 670
Jean-Jacques Henchoz, CEO Reinsurance EMEA	35 476	46 817
Thierry Léger, CEO Life Capital	n/a	57 610
Moses Ojeisekhoba, CEO Reinsurance	26 404	27 895
Jayne Plunkett, CEO Reinsurance Asia	n/a	29 095
J. Eric Smith, CEO Reinsurance Americas[2]	6 990	13 984
Matthias Weber, Group Chief Underwriting Officer	25 410	25 750
Thomas Wellauer, Group Chief Operating Officer	116 111	130 224
Total	685 695	**606 642**

[1] The number of shares held on 30 June 2016 when Michel Liès stepped down from the Group EC was 290 692.
[2] The figure shown in the 2015 Compensation Report did not reflect the sale of 10 000 shares in May 2015, which was appropriately reported as a management transaction in May 2015 according to the listing rules of the SIX Swiss Exchange.

Members of the Board of Directors	2015	**2016**
Walter B. Kielholz, Chairman	447 241	414 613
Renato Fassbind, Vice Chairman, Chairman of the Audit Committee[1]	15 844	19 954
Mathis Cabiallavetta, former Member[2]	71 346	n/a
Raymond K.F. Ch'ien, Member	18 459	19 978
Mary Francis, Member	4 329	5 927
Rajna Gibson Brandon, Member	20 216	21 700
C. Robert Henrikson, Chairman of the Compensation Committee	8 896	11 065
Hans Ulrich Maerki, former Member[2]	28 969	n/a
Trevor Manuel, Member[3]	868	2 363
Carlos E. Represas, Member	11 581	12 837
Jean-Pierre Roth, former Member[2]	8 443	n/a
Philip K. Ryan, Chairman of the Finance and Risk Committee[3]	3 394	6 134
Sir Paul Tucker, Member[4]	n/a	1 036
Susan L. Wagner, Chairman of the Investment Committee	3 485	6 111
Total	643 071	**521 718**

[1] Acting also as the Lead Independent Director.
[2] Term of office expired at the AGM of 22 April 2016 and did not stand for re-election.
[3] Elected to Swiss Re's Board of Directors at the AGM of 21 April 2015.
[4] Elected to Swiss Re's Board of Directors at the AGM of 22 April 2016.

Share-based compensation

The share-based compensation for the members of the Board of Directors for 2015 and 2016 was:

Members of the Board of Directors	2015 Fees in blocked shares[1] (CHF thousands)	2015 Number of shares[2]	2016 Fees in blocked shares[1] (CHF thousands)	2016 Number of shares[2]
Walter B. Kielholz, Chairman	1 906	21 531	1 955	22 372
Renato Fassbind, Vice Chairman, Chairman of the Audit Committee[3]	350	3 955	359	4 110
Raymund Breu, former Member[4]	36	403	n/a	n/a
Mathis Cabiallavetta, former Member[5]	359	4 059	39	449
Raymond K.F. Ch'ien, Member	136	1 538	133	1 519
Mary Francis, Member	136	1 538	140	1 598
Rajna Gibson Brandon, Member	126	1 429	130	1 484
C. Robert Henrikson, Chairman of the Compensation Committee	185	2 088	190	2 169
Hans Ulrich Maerki, former Member[5]	136	1 538	42	483
Trevor Manuel, Member[6]	77	868	131	1 495
Carlos E. Represas, Member	107	1 209	110	1 256
Jean-Pierre Roth, former Member[5]	107	1 209	33	380
Philip K. Ryan, Chairman of the Finance and Risk Committee[6]	168	1 894	239	2 740
Sir Paul Tucker, Member[7]	n/a	n/a	91	1 036
Susan L. Wagner, Chairman of the Investment Committee	197	2 218	229	2 626
Total	**4 026**	**45 477**	**3 821**	**43 717**

[1] Represents the portion (40%) of the total fees for the members of the Board of Directors that is delivered in Swiss Re Ltd shares, with a four-year blocking period.
[2] The number of shares is calculated by dividing the portion (40%) of the total fees with the average closing price of the shares on the SIX Swiss Exchange during the ten trading days preceding the AGM less the amount of any dividend resolved by the AGM.
[3] Acting also as the Lead Independent Director.
[4] Term of office expired at the AGM of 21 April 2015 and did not stand for re-election.
[5] Term of office expired at the AGM of 22 April 2016 and did not stand for re-election.
[6] Elected to Swiss Re's Board of Directors at the AGM of 21 April 2015.
[7] Elected to Swiss Re's Board of Directors at the AGM of 22 April 2016.

Restricted shares

For the years ended 31 December 2015 and 2016, neither the members of the Board of Directors nor the members of the Group EC held any restricted shares.

Vested options

For the years ended 31 December 2015 and 2016, neither the members of the Board of Directors nor the members of the Group EC held any vested options.

Proposal for allocation of disposable profit

The Board of Directors proposes to the Annual General Meeting to be held in Zurich on 21 April 2017 to approve the following allocations and dividend payment:

CHF millions	2015	2016
Retained earnings brought forward	4	**4**
Net income for the financial year	3 865	**3 972**
Disposable profit	3 869	**3 976**
Allocation to voluntary profit reserves	–3 865	**–3 972**
Retained earnings after allocation	4	**4**

CHF millions	2015	2016
Voluntary profit reserves brought forward	9 550	**11 890**
Allocation from retained earnings	3 865	**3 972**
Ordinary dividend payment out of voluntary profit reserves	–1 525[1]	**–1 581**[2]
Voluntary profit reserves after allocation and dividend payment	11 890	**14 281**

[1] Since the Board of Directors' proposal for allocation of disposable profit, included in the Annual Report 2015, the number of registered shares eligible for dividend, at the dividend payment date of 28 April 2016, decreased due to the share buy-back programme of 6 214 370 shares and transfer of 39 300 shares for employee participation purposes from not eligible to eligible for dividend. This resulted in a lower dividend of CHF 29 million, compared to the Board of Directors' proposal, and higher voluntary profit reserves by the same amount.
[2] The Board of Directors' proposal to the Annual General Meeting of 21 April 2017, is subject to the actual number of shares outstanding and eligible for dividend.

Dividend

If the Board of Directors' proposal for allocations and dividend payment is accepted, an ordinary dividend of CHF 4.85 per share will be paid on 27 April 2017 from voluntary profit reserves.

Share structure per 31 December 2016	Number of registered shares	Nominal capital in CHF
Eligible for dividend[1]	325 978 727	**32 597 873**
Not eligible for dividend	34 093 834	**3 409 383**
Total shares issued	360 072 561	**36 007 256**

[1] The Board of Directors' proposal to the Annual General Meeting of 21 April 2017 is subject to the actual number of shares outstanding and eligible for dividend.

Zurich, 15 March 2017

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Re Ltd
Zurich

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Swiss Re Ltd (the "Company"), which comprise the income statement, balance sheet and notes (pages 283 to 294), for the year ended 31 December 2016.

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 judgement, 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 the 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 year ended 31 December 2016 comply with Swiss law and the Company's Articles of Association.

Report on a key audit matter based on the circular 1/2015 of the Federal Audit Oversight Authority

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Impairment assessment of investments in subsidiaries and affiliated companies

Key audit matter

The Company applies individual valuation in accordance with Swiss Accounting Law.

In performing impairment assesments of investments in subsidiaries and affiliated companies, management uses considerable judgement in determining different valuation-method inputs.

In the current year, the Company provided capital contributions to a subsidiary for the funding of acquisitions; as a result, the underlying business structure was newly set up in the business year. Accordingly, the approach to determining fair value for the impairment assessment for this particular subsidiary was revised by management.

The impairment assessment is considered a key audit matter due to the considerable judgement in performing the impairment assessment.

How our audit addressed the key audit matter

In relation to the matter set out opposite, our substantive testing procedures included the following:

- Evaluating management's method and assumptions to determine a value in use.
- Assessing whether the model applied for each subsidiary is reasonable.
- Understanding changes in the approach and discussing these with management to ensure they are in accordance with our own expectation based on our knowledge of the business and industry.

On the basis of the work performed, we consider the methods and assumptions used by management to be reasonable. We agree with their conclusion that the book value for all investments in subsidiaries is recoverable.

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 article 11 AOA) 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

Bret M. Griffin

Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zurich, 15 March 2017

This page intentionally left blank.

Headquartered in Zurich, Switzerland, Swiss Re has operations across the globe. Our success is built on our solid client relationships, capital strength and risk knowledge company approach. We make the world more resilient.

CONTENTS

Glossary

Acquisition costs
That portion of an insurance premium which represents the cost of obtaining the insurance business: it includes the intermediaries' commission, the company's sales expense and other related expenses.

Asset-backed securities
Securities backed by notes or receivables against financial assets such as auto loans, credit cards, royalties, student loans and insurance profits.

Asset-liability management (ALM)
Management of an insurance business in a way that coordinates investment-related decisions on assets and liabilities. Specifically, the ongoing process of formulating, implementing, monitoring and revising investment strategies related to assets and liabilities in an attempt to achieve financial objectives, while managing exposure to financial market risks, such as interest rates, credit spreads and currency movements.

Aviation insurance
Insurance of accident and liability risks, as well as hull damage, connected with the operation of aircraft.

Book value per share
The ratio of ordinary shareholders' equity to the number of common shares entitled to dividend.

Business interruption
Insurance covering the loss of earnings resulting from, and occurring after, destruction of property; also known as "loss of profits" or "business income protection insurance".

Capacity
Maximum amount of risk that can be accepted in insurance. Capacity also refers to the amount of insurance coverage allocated to a particular policyholder or in the marketplace in general.

Type of insurance — mainly comprising accident and liability business — which is separate from property, engineering and life insurance.

Catastrophe bonds
Securities used by insurance and reinsurance companies to transfer peak insurance risks, including natural catastrophes, to the capital markets. Catastrophe bonds help to spread peak exposures (see insurance-linked securities).

Cession
Insurance that is reinsured: the passing of the insurer's risks to the reinsurer against payment of a premium. The insurer is referred to as the ceding company or cedent.

Claim
Demand by an insured for indemnity under an insurance contract.

Claims handling
Activities in connection with the investigation, settlement and payment of claims from the time of their occurrence until settlement.

Claims incurred and claim adjustment expenses
All claims payments plus the adjustment in the outstanding claims provision of a business year and claim adjustment expenses.

Claims ratio
Sum of claims paid and change in the provisions for unpaid claims and claim adjustment expenses in relation to premiums earned.

Coinsurance
Arrangement by which a number of insurers and/or reinsurers share a risk.

Combined ratio
The ratio is a combination of the non-life claims ratio and the expense ratio.

Commission	Remuneration paid by the insurer to its agents, brokers or intermediaries, or by the reinsurer to the insurer, for costs in connection with the acquisition and administration of insurance business.
Commutation	The termination of a reinsurance contract by agreement of the parties on the basis of one or more lump sum payments by the reinsurer which extinguish its liability under the contract. The payment made by the reinsurer commonly relates to incurred losses under the contract.
Cover	Insurance and reinsurance protection of one or more specific risk exposures based on a contractual agreement.
Credit insurance	Insurance against financial losses sustained through the failure, for commercial reasons, of policyholders' clients to pay for goods or services supplied to them.
Credit spreads	Difference in yield between a fixed income security which has default risk and one which is considered to be risk-free, such as U.S. Treasury securities.
Directors' and officers' liability insurance (D&O)	Liability insurance for directors and officers of an entity, providing cover for their personal legal liability towards shareholders, creditors, employees and others arising from wrongful acts such as errors and omissions.
Disability insurance	Insurance against the incapacity to exercise a profession as a result of sickness or other infirmity.
Earnings per share (EPS)	Portion of a company's profit allocated to each outstanding share of common stock. Earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period.
Expense ratio	Sum of acquisition costs and other operating costs and expenses, in relation to premiums earned.
Guaranteed minimum death benefit (GMDB)	A feature of variable annuity business. The benefit is a predetermined minimum amount that the beneficiary will receive upon the death of the insured.
G-SIIs	Globally systemically important insurers.
Health insurance	Generic term applying to all types of insurance indemnifying or reimbursing for losses caused by bodily injury or sickness or for expenses of medical treatment necessitated by sickness or accidental bodily injury.
Incurred but not reported (IBNR)	Provision for claims incurred but not reported by the balance sheet date. In other words, it is anticipated that an event will affect a number of policies, although no claims have been made so far, and is therefore likely to result in liability for the insurer.

Insurance-linked securities (ILS)	Security for which the payment of interest and/or principal depends on the occurrence or severity of an insurance event. The underlying risk of the security is a peak or volume insurance risk.
Layer	Section of cover in a non-proportional reinsurance programme in which total coverage is divided into a number of consecutive layers starting at the retention or attachment point of the ceding company up to the maximum limit of indemnity. Individual layers may be placed with different insurers or reinsurers.
Liability insurance	Insurance for damages that a policyholder is obliged to pay because of bodily injury or property damage caused to another person or entity based on negligence, strict liability or contractual liability.
Life insurance	Insurance that provides for the payment of a sum of money upon the death of the insured, or upon the insured surviving a given number of years, depending on the terms of the policy. In addition, life insurance can be used as a means of investment or saving.
Longevity risk	The risk to which a pension fund or life insurance company could be exposed as a result of higher-than-expected payout ratios. Increasing life expectancy trends among policyholders and pensioners can result in payout levels that are higher than originally expected.
Marine insurance	Line of insurance which includes coverage for property in transit (cargo), means of transportation (except aircraft and motor vehicles), offshore installations and valuables, as well as liabilities associated with marine risks and professions.
Mark-to-market	Adjustment of the book value or collateral value of a security, portfolio or account to current fair market value.
Motor insurance	Line of insurance which offers coverage for property, accident and liability losses involving motor vehicles.
Net reinsurance assets	Receivables related to deposit accounting contracts (contracts which do not meet risk transfer requirements) less payables related to deposit contracts.
Non-life insurance	All classes of insurance business excluding life insurance.
Non-proportional reinsurance	Form of reinsurance in which coverage is not in direct proportion to the original insurer's loss; instead the reinsurer is liable for a specified amount which exceeds the insurer's retention; also known as "excess of loss reinsurance".
Operating margin ratio	The operating margin is calculated as operating result divided by total operating revenues. The operating result is before interest expenses, taxes and net realised gains/losses.
Operating revenues	Premiums earned plus net investment income plus other revenues.
Operational risk	Risk arising from failure of operational processes, internal procedures and controls leading to financial loss.
Premium	The payment, or one of the periodical payments, a policyholder agrees to make for an insurance policy.
Premiums earned	Premiums an insurance company has recorded as revenues during a specific accounting period.
Premiums written	Premiums for all policies sold during a specific accounting period.

Principal Investments and Acquisitions	Principal Investments and Acquisitions is a unit of Swiss Re that manages all strategic acquisition activities of the Group as well as a portfolio of minority holdings in primarily insurance and insurance-related businesses with the goal of generating long-term value.
Product liability insurance	Insurance covering the liability of the manufacturer or supplier of goods for damage caused by their products.
Professional indemnity insurance	Liability insurance cover which protects professional specialists such as physicians, architects, engineers, lawyers, accountants and others against third-party claims arising from activities in their professional field; policies and conditions vary according to profession.
Property insurance	Collective term for fire and business interruption insurance as well as burglary, fidelity guarantee and allied lines.
Proportional reinsurance	Form of reinsurance arrangement in which the premiums earned and the claims incurred of the cedent are shared proportionally by the cedent and the reinsurer.
Present value of future profits (PVFP)	Intangible asset primarily arising from the purchase of life and health insurance companies or portfolios.
Quota share reinsurance	Form of proportional reinsurance in which a defined percentage of the premiums earned and the claims incurred by the cedent in a specific line is reinsured for a given period. Quota share reinsurance arrangements represent a sharing of business in a fixed ratio or proportion.
Reinsurance	Insurance which lowers the risk carried by primary insurance companies. Reinsurance includes various forms such as facultative, financial, non-proportional, proportional, quota share, surplus and treaty reinsurance.
Reserves	Amount required to be carried as a liability in the financial statements of an insurer or reinsurer to provide for future commitments under outstanding policies and contracts.
Retention	Amount of risk which the policyholder or insurer does not insure or reinsure but keeps for its own account.
Retrocession	Amount of the risk accepted by the reinsurer which is then passed on to other reinsurance companies.
Return on equity	Net income as a percentage of time-weighted shareholders' equity.
Return on investments	Investment related operating income as a percentage of invested assets. Invested assets include investments, securities in transit, certain financial liabilities and exclude policy loans, minority interests, cash and cash equivalents, as well as assets related to securities lending, repurchase agreements and collateral balances.
Risk	Condition in which there is a possibility of injury or loss; also used by insurance practitioners to indicate the property insured or the peril insured against.
Risk management	Management tool for the comprehensive identification and assessment of risks based on knowledge and experience in the fields of natural sciences, technology, economics and statistics.
Running yield	Net investment income on long-term fixed income positions, including coupon income and amortisation, as a percentage of the average market value of the long-term fixed income portfolio.

Securitisation	Financial transaction in which future cash flows from financial assets (or insurable risks) are pooled, converted into tradable securities and transferred to capital market investors. The financial assets are commonly sold to a special-purpose entity, which purchases them with cash raised through the issuance of beneficial interests (usually debt instruments) to third-party investors.
Solvency II	New regulatory framework for EU re/insurance solvency rules that introduces comprehensive, economic and risk-based regulation and includes prudential requirements on solvency capital, risk modelling, supervisory control and disclosure.
Stop-loss reinsurance	Form of reinsurance that protects the ceding insurer against an aggregate amount of claims over a period, in excess of either a stated amount or a specified percentage of estimated benefit costs. An example of this is employer stop-loss (ESL) coverage, which is used by US companies to cap losses on self-funded group health benefit programmes. The stop-loss can apply to specific conditions or aggregate losses.
Surety insurance	Sureties and guarantees issued to third parties for the fulfilment of contractual liabilities.
Surplus reinsurance	Form of proportional reinsurance in which risks are reinsured above a specified amount.
Swiss Solvency Test (SST)	An economic and risk-based insurance regulation, similar to the objectives of Solvency II to which all insurance and reinsurance companies writing business in Switzerland are subject. Since 1 January 2011, the SST-based target capital requirement is in force and companies must achieve economic solvency.
Tail VaR	See "Value at risk".
	An investment strategy process which analyses trends in the global economy and the associated impact on financial markets to assess the overall financial market outlook as well as their implications for various asset classes and risk exposures.
Total return on investments	Investment related operating income plus the change in unrealised gains/losses on available-for-sale securities as well as the fair value of real estate and certain loans as a percentage of invested assets. Invested assets include investments, securities in transit, certain financial liabilities and exclude policy loans, minority interests, cash and cash equivalents, as well as assets related to securities lending, repurchase agreements and collateral balances.
Treaty reinsurance	Participation of the reinsurer in certain sections of the insurer's business as agreed by treaty, as opposed to single risks.
Underwriting result	Premiums earned less the sum of claims paid, change in the provision for unpaid claims and claim adjustment expenses and expenses (acquisition costs and other operating costs and expenses).
Unearned premium	Part of written premium (paid or owed) which relates to future coverage and for which services have not yet been provided; this is carried in an unearned premium reserve and may be refundable if the contract is cancelled before expiry.
Unit-linked policy	A life insurance contract which provides policyholder funds linked to an underlying investment product or fund. The performance of the policyholder funds is for the account of the policyholder.
US GAAP	United States generally accepted accounting principles.

Value at risk (VaR)	Maximum possible loss in market value of an asset portfolio within a given time span and at a given confidence level. 99% VaR measures the level of loss likely to be exceeded in only one year out of a hundred, while 99.5% VaR measures the loss likely to be exceeded in only one year out of two hundred. 99% tail VaR estimates the average annual loss likely to occur with a frequency of less than once in one hundred years.
With-profit policy	An insurance contract that has additional amounts added to the sum insured, or paid/credited separately to the policyholder as a bonus, which result from a share of the profit generated by the with-profits insurance funds, including these funds' interests in other blocks of business.

Some of the terms included in the glossary are explained in more detail in Note 1 to the Group financial statements.

Swiss Re uses some of the term definitions provided by the glossary of the International Association of Insurance Supervisors (IAIS).

Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" 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 Group's actual results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause the Group to not achieve its published targets.

Such factors include, among others:

- further instability affecting the global financial system and developments related thereto;
- further deterioration in global economic conditions;
- the Group's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group's financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group's investment assets;
- changes in the Group's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that the Group's hedging arrangements may not be effective;

- the lowering or loss of financial strength or other ratings of one or more Group companies, and developments adversely affecting the Group's ability to achieve improved ratings;
- the cyclicality of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting the Group or its ceding companies and the interpretation of legislation or regulations by regulators;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- 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. The Group operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. The Group undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.

Note on risk factors

General impact of adverse market conditions

The operations of Swiss Re Ltd ("Swiss Re") and its subsidiaries (collectively, the "Group") as well as its investment returns are subject to market volatility and macro-economic factors, which are outside of the Group's control and are often inter-related.

Market sentiment is dominated in large part by concerns over the trends exemplified by the outcome of the US presidential election and the UK referendum on European Union (EU) membership. Growth forecasts among the principal global economies remain uneven and uncertain in an environment of elevated political uncertainty. Stable, but uneven growth, in the Eurozone could suffer as a result of the potential impact of populism and anti-globalisation sentiments on upcoming elections in the Netherlands, France and Germany, and potentially Italy, during 2017. The planned withdrawal of the United Kingdom from the EU has created uncertainty not only for the United Kingdom but for the rest of the EU, and negotiations over withdrawal will likely continue to contribute to volatility and pose significant challenges for the EU, while also calling into question the ability of the EU to address significant ongoing structural challenges. The long-term effects of a withdrawal of the United Kingdom from the EU will depend in part on any agreements the United Kingdom makes to retain access to the single market within the European Economic Area (EEA) following such withdrawal, the scope and nature of which currently remain highly uncertain. As China's economy undergoes structural changes, recent near-term growth stabilisation may be reversed. Growth in China remains heavily dependent on government stimulus and credit expansion; it continues to face significant capital outflows, reflecting concerns over foreign currency, and its banking sector could be adversely impacted by rising interest rates. The foregoing may be exacerbated by geopolitical tensions, fears over security and migration, and uncertainty created generally by the policy pronouncements that have been, and may in the coming months be, announced by the new US administration on a range of trade, security, foreign policy, environmental protection and other issues having global implications, as well as by the consequences of the implementation of such policy pronouncements.

With fewer options available to policymakers and concerns generally over the absence of realistic confidence-building measures, and with heightened risk that volatility or depressed conditions in one sector, one market, one country or one region could have far broader implications, volatility can be expected to continue. Further adverse developments or the continuation of adverse trends that, in turn, have a negative impact on financial markets and economic conditions could limit the Group's ability to access the capital markets and bank funding markets, could adversely affect the ability of counterparties to meet their obligations to the Group and could adversely affect the confidence of the ultimate buyers of insurance and reinsurance.

Any of the foregoing factors, developments and trends could have an adverse effect on the Group's investment results, which in the current low interest rate environment and soft insurance cycle could have a material adverse effect on the Group's overall results, make it difficult to determine the value of certain assets in the Group's portfolio, make it more difficult to acquire suitable investments to meet its risk and return criteria and otherwise have a material adverse effect on its business and operations.

Regulatory changes

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

While some regulation is national in scope, the global nature of the Group's business means that its operations are subject in effect to a patchwork of global, national and regional standards. Swiss Re and its subsidiaries are subject to group supervision and Swiss Re's subsidiaries are also subject to applicable regulation in each of the jurisdictions in which they conduct business, particularly Switzerland, the United States, the United Kingdom, Luxembourg and Germany. The Group is subject to the Swiss Solvency Test and, through its legal entities organised in the EEA, Solvency II.

While certain regulatory processes are designed in part to foster convergence and achieve recognition of group supervisory schemes, the Group continues to face risks of extra-territorial application of regulations, particularly as to group supervision and group solvency requirements. In addition, regulators in jurisdictions beyond those where the Group has core operations increasingly are playing a far greater oversight role, requiring more localised resources and, despite a predominantly local focus, also raise issues of a cross-border nature. Furthermore, evolving regulatory schemes and requirements may be inconsistent or may conflict with each other, thereby subjecting the Group, particularly in light of the increasing focus on legal entities in isolation, to higher compliance and legal costs, as well as the possibility of higher operational, capital and liquidity costs. The effect of these trends could be exacerbated to the extent that the current political environment results in a return to more bilateral, and less harmonised, cross-border regulatory efforts.

There is an evolving focus on classifying certain insurance companies as systemically important as well. The Group could be designated as a global systemically important financial institution ("SIFI") under the framework for SIFIs developed by the Financial Stability Board, or as a systemically important non-bank financial company by the Financial Stability Oversight Council ("FSOC") in the United States. Separately, the International Association of Insurance Supervisors, an international body that represents insurance regulators and supervisors, has published and since refined its methodology for identifying global systemically important insurers ("G-SIIs") and also published a framework for supervision of internationally active insurance groups. If and when reinsurers are included in the list of G-SIIs, the Group could be so designated. Were the Group to be designated as a G-SII, it could be subject to one or both of the resulting regimes, once implemented, including capital standards under both regimes (the basic capital requirement for G-SIIs and the insurance capital standard for internationally active insurance groups), which would have various implications for the Group, including additional compliance costs and reporting obligations as well as heightened regulatory scrutiny in various jurisdictions. In addition, the Group ultimately will be subject to oversight of its Swiss regulator in respect of recovery and resolution planning.

The Group cannot predict which legislative and/or regulatory initiatives will be enacted or promulgated, what the scope and content of these initiatives ultimately will be, when they will be effective and what the implications will be for the industry, in general, and for the Group, in particular. The Group may be subject to changes in views of its regulators in respect of the models that the Group uses for capital and solvency purposes, and could be adversely affected if, for example, it is required to use standard models rather than internal models. Generally, legal and regulatory changes could have a material impact on the Group's business. Uncertainty triggered by the outcome of the UK referendum on EU membership could also impact the legislative and/or regulatory regimes to which the Group is subject, both in the United Kingdom and in the European Union.

In addition, regulatory changes could occur in areas of broader application, such as competition policy and tax laws. Changes in tax laws, for example, could increase the taxes the Group pays, the attractiveness of products offered by the Group, the Group's investment activities and the value of deferred tax assets. Any number of these changes could apply to the Group and its operations. These changes, or inconsistencies between the various regimes that apply to the Group, could increase the costs of doing business, reduce access to liquidity, limit the scope of current or future business or affect the competitive balance, or could make reinsurance less attractive to primary insurers.

Market risk

Volatility and disruption in the global financial markets could expose the Group to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices and foreign currency exchange rates, which may adversely impact the Group's financial condition, results of operations, liquidity and capital position. The Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. In general, a low interest rate environment, such as the one experienced in recent years, poses significant challenges to the insurance and reinsurance industries, with earnings capacity under stress unless lower investment returns from fixed income assets can be offset by lower combined ratios or higher returns from other asset classes. Economic weakness, fiscal tightening and monetary policies are keeping government yields low, which impacts investment yields and affects the profitability of life savings products with interest rate guarantees. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the Group's investment portfolio can increase, as could other-than-temporary impairments.

The Group is exposed to changes in the level and volatility of equity prices, as they affect the value of equity securities themselves as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. The Group is also subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably variable annuity business, are tied to financial market values; to the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent this exposure is not hedged. While the Group has an extensive hedging programme covering its existing variable annuity business that it believes is sufficient, certain risks cannot be hedged, including actuarial risks, basis risk and correlation risk. Exposure to foreign exchange risk arises from exposures to changes in spot prices and forward prices as well as to volatile movements in exchange rates.

These risks can have a significant effect on investment returns and market values of securities positions, which in turn may affect both the Group's results of operations and financial condition. The Group continues to focus on asset-liability management for its investment portfolio, but pursuing even this strategy has its risks — including possible mismatch — that in turn can lead to reinvestment risk. The Group seeks to manage the risks inherent in its investment portfolio by repositioning the portfolio from time to time, as needed, and to reduce risk and fluctuations through the use of hedges and other risk management tools.

Credit risk

If the credit markets were again to deteriorate and further asset classes were to be impacted, the Group could experience losses. Changes in the market value of the underlying securities and other factors impacting their price could give rise to market value losses. If the credit markets were to deteriorate again, the Group could also face write-downs in other areas of its portfolio, including other structured instruments, and the Group and its counterparties could face difficulties in valuing credit-related instruments. Differences in opinion with respect to valuations of credit-related instruments could result in legal disputes among the Group and its counterparties as to their respective obligations, the outcomes of which are difficult to predict and could be material.

The Group is also subject to credit and other risks in its credit business, including reliance on banks that underwrite and monitor facilities in which the Group participates and potential default by borrowers under those facilities.

Liquidity risks

The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its re/insurance obligations, and that this would continue to be the case following the occurrence of any foreseeable event or series of events, including extreme catastrophes, that would trigger insurance or reinsurance coverage obligations. The Group's uses of funds include obligations arising in its insurance and reinsurance businesses (including claims and other payments as well as insurance provision repayments due to portfolio transfers, securitisations and commutations), which may include large and unpredictable claims (including catastrophe claims), funding of capital requirements and operating costs, payment of principal and interest on outstanding indebtedness and funding of acquisitions. The Group also has unfunded capital commitments in its private equity and hedge fund investments, which could result in funding obligations at a time when it is subject to liquidity constraints. In addition, the Group has potential collateral requirements in connection with a number of reinsurance arrangements, the amounts of which may be material and the meeting of which could require the Group to liquidate cash equivalents or other securities.

The Group manages liquidity and funding risks by focusing on the liquidity stress that is likely to result from extreme capital markets scenarios or from extreme loss events or combinations of the two. Generally, the ability to meet liquidity needs could be adversely impacted by factors that the Group cannot control, such as market dislocations or interruptions, adverse economic conditions, severe disruption in the financial and worldwide credit markets and the related increased constraints on the availability of credit; changes in interest rates, foreign exchange rates and credit spreads; or by perceptions among market participants of the extent of the Group's liquidity needs.

Unexpected liquidity needs (including to meet collateral calls) could require the Group to incur indebtedness or liquidate investments or other assets. The Group may not be able to secure new sources of liquidity or funding, should projected or actual liquidity fall below levels it requires. The ability to meet liquidity needs through asset sales may be constrained by market conditions and the related stress on valuations, and through third-party funding may be limited by constraints on the general availability of credit and willingness of lenders to lend. In addition, the Group's ability to meet liquidity needs may also be constrained by regulatory requirements that require regulated entities to maintain or increase regulatory capital, or that restrict intra-group transactions, the timing of dividend payments from subsidiaries or the fact that certain assets may be encumbered or otherwise non-tradable. Failure to meet covenants in lending arrangements could give rise to collateral-posting or defaults, and further constrain access to liquidity. Finally, any adverse ratings action could trigger a need for further liquidity (for example, by triggering termination provisions or collateral delivery requirements in contracts to which the Group is a party) at a time when the Group's ability to obtain liquidity from external sources is limited by such ratings action.

Counterparty risks

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

The Group could also be adversely affected by the insolvency of, or other credit constraints affecting, counterparties in its insurance and reinsurance operations. Moreover, the Group could be adversely affected by liquidity issues at ceding companies or at third parties to whom the Group has retroceded risk, and such risk could be exacerbated to the extent any such exposures are concentrated.

Risks relating to credit rating downgrades

Ratings are an important factor in establishing the competitive position of reinsurance companies. Third-party rating agencies assess and rate the financial strength of reinsurers and insurers. These ratings are intended to measure a company's ability to repay its obligations and are based upon criteria established by the rating agencies. Ratings may be revised downward or revoked at the sole discretion of the rating agencies.

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

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

Legal and regulatory risks

In the ordinary course of business, the Group is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which determine rights and obligations under insurance, reinsurance and other contractual agreements. From time to time, the Group may institute, or be named as a defendant in, legal proceedings, and the Group may be a claimant or respondent in arbitration proceedings. These proceedings could involve coverage or other disputes with ceding companies, disputes with parties to which the Group transfers risk under reinsurance arrangements, disputes with other counterparties or other matters. The Group cannot predict the outcome of any of the foregoing, which could be material for the Group.

The Group is also involved, from time to time, in investigations and regulatory proceedings, which could result in adverse judgements, settlements, fines and other outcomes. The number of these investigations and proceedings involving the financial services industry has increased in recent years, and the potential scope of these investigations and proceedings has also increased, not only in respect of matters covered by the Group's direct regulators, but also in respect of compliance with broader business conduct rules, including those in respect of market abuse, bribery, money laundering, trade sanctions and data protection and privacy. The Group also is subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures and interest and penalties. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to risks arising from potential employee misconduct, including non-compliance with internal policies and procedures and malfeasance, such as undertaking or facilitating cyber attacks on internal systems. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously affect its business.

Insurance, operational and other risks

As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits; risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, acts of terrorism, man-made disasters such as industrial accidents, explosions, and fires, and pandemics) may expose the Group to unexpected large losses (and related uncertainties in estimating future claims in respect of such events); changes in the insurance industry that affect ceding companies, particularly those that further increase their sensitivity to counterparty risk; competitive conditions (including as a result of consolidation and the availability of significant levels of alternative capacity); cyclicality of the industry; risks related to emerging claims and coverage issues (including, for example, trends to establish stricter building standards (which can lead to higher industry losses for earthquake cover based on higher replacement values) and the UK Ministry of Justice's decision on whether to change the personal injury discount rate (based on the so-called Ogden tables) in the United Kingdom (which could have a significant impact on claims payouts and reserving)); macro developments giving rise to emerging risks, such as climate change and technological developments (including greater exposure to cyber risks, which could have a range of consequences from operational disruption, to loss of proprietary or customer data, to greater regulatory burdens and potential liability); risks arising from the Group's dependence on policies, procedures and expertise of ceding companies; risks related to investments in emerging markets; and risks related to the failure of, or attacks directed at, the Group's operational systems and infrastructure. Any of the foregoing, as well as the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate, could have a material adverse effect on the Group, and could also give rise to reputational risk.

Use of models; accounting matters

The Group is subject to risks relating to the preparation of estimates and assumptions that management uses, for example, as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements, including assumed and ceded business. For example, the Group estimates premiums pending receipt of actual data from ceding companies, which actual data could deviate from the estimates. In addition, particularly with respect to large natural catastrophes, it may be difficult to estimate losses, and preliminary estimates may be subject to a high degree of uncertainty and change as new information becomes available. Deterioration in market conditions could have an adverse impact on assumptions used for financial reporting purposes, which could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisition costs or goodwill. Moreover, regulators could require the use of standard models instead of permitting the use of internal models. To the extent that management's estimates or assumptions prove to be incorrect, it could have a material impact on underwriting results (in the case of risk models) or on reported financial condition or results of operations, and such impact could be material.

The Group's results may be impacted by changes in accounting standards, or changes in the interpretation of accounting standards. Changes in accounting standards could impact future reported results or require restatement of past reported results. The Group's results may also be impacted if regulatory authorities take issue with any conclusions the Group may reach in respect of accounting matters.

The Group uses non-GAAP financial measures in its external financial reporting, including in this report. These measures are not prepared in accordance with US GAAP or any other comprehensive set of accounting rules or principles, and should not be viewed as substitutes for measures prepared in accordance with US GAAP. Moreover, these may be different from, or otherwise inconsistent with, non-GAAP financial measures used by other companies. These measures have inherent limitations, are not required to be uniformly applied and are not audited.

The Group also publishes, on an annual basis, a report of its results, including financial statements and an accompanying independent assurance report, prepared in accordance with the Group's proprietary economic value management ("EVM") principles ("EVM report"). Financial information included in the EVM report contains non-GAAP financial measures. The EVM principles differ significantly from US GAAP and, accordingly, the Group's results prepared in accordance with US GAAP will differ from its EVM results, and those differences could be material. The Group's annual EVM results can be more volatile than the US GAAP results because, among other things, assets and liabilities are measured on a market-consistent basis, profit recognition on new contracts is recognised at inception rather than over the lifetime of the contract, and life and health actuarial assumptions are on a best estimate basis as opposed to generally being locked-in. The Group's EVM financial statements should not be viewed as a substitute for the Group's US GAAP financial statements.

Risks related to the Swiss Re corporate structure

Swiss Re is a holding company, a legal entity separate and distinct from its subsidiaries, including Swiss Reinsurance Company Ltd. As a holding company with no operations of its own, Swiss Re is dependent upon dividends and other payments from Swiss Reinsurance Company Ltd and its other principal operating subsidiaries. The Group expects that, over time, its structure will continue to evolve, and while to date all of the Group's principal operations remain wholly owned, in the future it may elect to partner with minority investors in or within one or more of the Group's Business Units or sub-groups within its Business Units, which could alter historical approaches taken in respect of capital, liquidity, funding and/or dividends, as well as other governance matters, including strategy for such Business Unit or sub-group.

This page intentionally left blank.

Contacts

Swiss Re has more than 80 office locations in more than 30 countries. For a full list of our office locations and service offerings, please visit www.swissre.com.

Investor Relations
Telephone +41 43 285 4444
Fax +41 43 282 4444
investor_relations@swissre.com

Media Relations
Telephone +41 43 285 7171
Fax +41 43 282 7171
media_relations@swissre.com

Share Register
Telephone +41 43 285 6810
Fax +41 43 282 6810
share_register@swissre.com

Head office

Swiss Re Ltd
Mythenquai 50/60, P.O. Box,
8022 Zurich, Switzerland
Telephone +41 43 285 2121
Fax +41 43 285 2999

Americas

Armonk
175 King Street
Armonk, New York 10504
Telephone +1 914 828 8000

Overland Park
5200 Metcalf Avenue
Overland Park, KS 66202
Telephone +1 913 676 5200

New York
55 East 52nd Street
New York, NY 10055
Telephone +1 212 317 5400

Toronto
150 King Street West
Toronto, Ontario M5H 1J9
Telephone +1 416 408 0272

Mexico City
Insurgentes Sur 1898, Piso 8
Torre Siglum
Colonia Florida
México, D.F. 01030
Telephone +52 55 5322 8400

Westlake Village
112 South Lakeview Canyon Road, Suite 220
Westlake Village, CA 91362
Telephone +1 805 728 8300

São Paulo
Avenida Paulista, 500
Bela Vista
São Paulo, SP 01310-000
Telephone +55 11 3073 8000

Europe (incl. Middle East and Africa)

Zurich
Mythenquai 50/60
8022 Zurich
Telephone +41 43 285 2121

London
30 St Mary Axe
London
EC3A 8EP
Telephone +44 20 7933 3000

Munich
Arabellastrasse 30
81925 Munich
Telephone +49 89 3844-0

Cape Town
2nd Floor
Beechwood House
The Boulevard
Searle Street
Cape Town, 7925
Telephone +27 21 469 8400

Madrid
Paseo de la Castellana, 95
Edificio Torre Europa
28046 Madrid
Telephone +34 91 598 1726

Paris
11–15, rue Saint-Georges
75009 Paris
Telephone +33 1 4318 3000

Rome
Via dei Giuochi Istmici, 40
00135 Rome
Telephone +39 06 323931

Asia-Pacific

Hong Kong
61/F Central Plaza
18 Harbour Road
G.P.O. Box 2221
Wanchai, HK
Telephone +852 2827 4345

Sydney
International Towers Sydney, Tower Two
Level 36, 200 Barangaroo Avenue,
Barangaroo
Sydney, NSW 2000
Telephone +61 2 8295 9500

Singapore
Asia Square Tower 2
12 Marina View
Singapore 018961
Telephone +65 6532 2161

Beijing
23rd Floor, East Tower, Twin Towers,
No. B12, Jianguomenwai Avenue
Chaoyang District
Beijing 100022
Telephone +86 10 6563 8888

Tokyo
Otemachi First Square 9F
5–1 Otemachi 1 chome
Chiyoda-ku
Tokyo 100-0004
Telephone +81 3 5219 7800

Mumbai
A 701, One BKC
Plot No C-66, G Block
Bandra-Kurla Complex
Bandra (East)
Mumbai 400051
Telephone +91 22 6661 2121

Corporate calendar

21 April 2017
153rd Annual General Meeting

4 May 2017
Release of first quarter 2017 key financial data

4 August 2017
Release of second quarter 2017 results

2 November 2017
Release of third quarter 2017 key financial data

Title:
2016 Financial Report

Design:
MerchantCantos, London
Swiss Re Corporate Real Estate & Services/
Media Production, Zurich

Photography:
Geri Krischker
Marc Wetli
Stephan Birrer, Swiss Re
Deniz Kenber, Swiss Re

All other images provided by Getty Images
and Shutterstock

Printing:
Multicolor Print AG, Baar

printed in
switzerland

ClimatePartner°
climate neutral
Print | ID 11020-1702-1007

MIX
Paper from
responsible sources
FSC® C022369
FSC
www.fsc.org

This report is printed on sustainably
produced paper and climate neutral.
The wood used comes from forests
certified to 100% by the Forest
Stewardship Council (FSC).

Original version in English.

The 2016 Annual Report is also available
in German. The web version of the
2016 Annual Report is available at:
reports.swissre.com

Order no: 1490793_17_en

3/17, 3800 en

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

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