Swiss Re

2016 Annual Report
Letter to Shareholders

For a resilient future

SRE004E

Key information

Good 2016 results were supported by a continued solid underwriting performance.

Financial strength rating
Standard & Poor's

AA–

stable
(as of 25.11.2016)

Moody's

Aa3

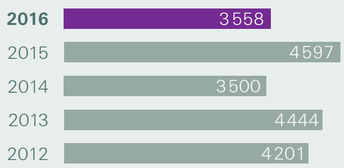
stable
(as of 15.12.2015)

A.M. Best

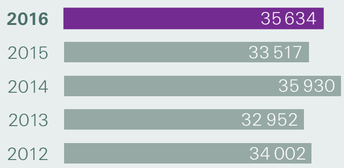
A+

stable
(as of 16.12.2016)

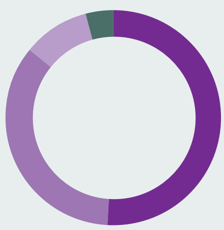
Net income
(USD millions)



Shareholders' equity
(USD millions)



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



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

Proposed regular dividend per share for 2016
(CHF)

4.85

(CHF 4.60 for 2015)

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.

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 the 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

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.

Corporate calendar

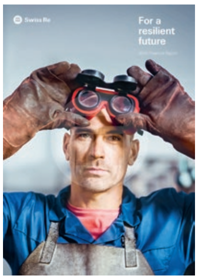
21 April 2017
153rd Annual General Meeting

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

2016 Annual Report
We present our business performance, strategy and economic position. We also show concrete examples of how our knowledge-led approach is helping to build a resilient future.



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