Swiss Re

Economic Value Management
2015 Annual Report

We make the world more resilient.

Key Information

Financial highlights
For the years ended 31 December

USD millions, unless otherwise stated	2014	2015	Change in %
Group			
EVM profit	1 336	**480**	–64
EVM income	5 189	**3 672**	–29
Premiums and fees	35 869	**40 562**	13
Economic net worth	38 365	**37 358**	–3
Economic net worth per share in USD	112.11	**110.61**	–1
Profit margin – new business	7.7%	**2.4%**	
Profit margin – previous years´ business	0.1%	**3.2%**	
Property & Casualty Reinsurance			
EVM profit	1 219	**1 697**	39
EVM income	2 367	**2 724**	15
Premiums and fees	16 908	**18 693**	11
Profit margin – new business	11.8%	**9.7%**	
Profit margin – previous years´ business[1]	12.4%	**8.5%**	
Life & Health Reinsurance			
EVM profit	168	**283**	68
EVM income	2 034	**1 568**	–23
Premiums and fees	14 692	**18 320**	25
Profit margin – new business	6.7%	**9.9%**	
Profit margin – previous years´ business[1]	–12.3%	**–0.7%**	
Corporate Solutions			
EVM profit	81	**26**	–68
EVM income	357	**197**	–45
Premiums and fees	3 764	**3 549**	–6
Profit margin – new business	2.9%	**–1.1%**	
Profit margin – previous years´ business	3.6%	**19.8%**	
Admin Re®			
EVM profit	43	**–972**	–
EVM income	304	**–329**	–
Premiums and fees	505		
Profit margin – new business	4.6%	**–4.2%**	
Profit margin – previous years´ business	–1.5%	**–0.3%**	

[1] The overall previous years´ business profit margin for the Business Unit Reinsurance is 0.6% and 2.7% for 2014 and 2015, respectively.

Content

Introduction

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

Economic Value Management (EVM) is Swiss Re Group's proprietary integrated economic valuation and accounting framework for planning, pricing, reserving, and steering our business.

EVM allows us to see the connection between risk-taking and value creation and provides a consistent framework to evaluate the outcome of controlled risk-taking and capital allocation decisions throughout a performance cycle. We are able to compare economic returns across business and product lines and therefore steer capital capacity, taking into account risk appetite constraints.

We separate performance evaluation between underwriting and investment activities. This separation allows our underwriters to focus on the costing parameters that require their expert judgement, while our investment professionals apply their expertise to decisions on systematic financial market risk. Economic value for shareholders is created if underwriting deploys capital in a manner that generates economic profit from core cash flows (after the cost of capital is charged), and investments outperform a minimum risk benchmark that is linked to underwriting liabilities (after the cost of capital is charged).

The performance cycle for underwriting is measured consistently over time by comparing costing at inception with the subsequent development of the business written. The underlying cause for any subsequent development can be analysed and fed back into costing and ultimately strategy. Investment activities are evaluated based on the performance of asset allocation decisions, taking into account our liability driven risk budgeting framework. The overall performance is then considered in compensation discussions.

EVM provides a consistent measurement tool to support business steering decisions underlying value creation.

The EVM framework rests on a set of formal valuation and accounting principles. These include:
- market consistent valuation of assets and liabilities,
- exclusion of potential future new business (closed book approach),
- recognition of profits and losses on new business at inception and of changes in estimates as they occur,
- best estimates of future projected cash flows,
- performance measurement after capital costs,
- performance segmented between underwriting and investment activities.

The EVM valuation and reporting principles are consistently applied to all assets, liabilities and business activities of Swiss Re and are subject to strict governance guidelines.

In assessing whether changes to the EVM accounting principles are required, we monitor developments in other frameworks such as US Generally Accepted Accounting Principles (US GAAP), the European Solvency II framework (Solvency II), the Swiss Solvency Test (SST) and other relevant sources. A more detailed description of the EVM valuation and reporting principles is included in Note 1 to the EVM financial statements.

Our EVM financial statements provide an economic view of our business performance and include an economic balance sheet, income statement and related notes.

EVM profit
EVM profit is a risk-adjusted measure of performance that can be compared across all business activities.

EVM income
EVM income is the total return generated for shareholders and includes the release of capital costs. EVM income is therefore not a risk-adjusted performance measure.

Economic net worth
Economic net worth (ENW) is defined as the difference between the market consistent value of assets and liabilities. ENW is an economic measure of shareholders' equity and the starting point in determining available capital under the Swiss Solvency Test (SST).

EVM capital
EVM capital is the capital required to support uncertainty related to estimated cash flows arising from existing underwriting and investment activities.

Profit margin
Profit margin is calculated for new business, previous years' business and investment activities. The new business profit margin is the ratio of new business profit (loss) to EVM capital allocated to new business over the lifetime of the business. The previous years' business profit margin is the ratio of previous years' business profit (loss) to EVM capital allocated to previous years' business in the current year. Investment profit margin is the ratio of investment profit (loss) to EVM capital allocated to investment activities in the current year. These ratios can be used to compare profitability across all underwriting and investment activities on a consistent risk-adjusted basis.

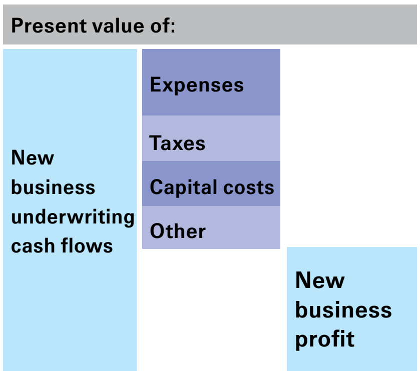
The composition of the EVM balance sheet is illustrated as follows:

Assets are carried at market consistent values. The market consistent value of liabilities is determined by replicating best estimate liability cash flows using a portfolio of traded financial market instruments. It takes into account the time value of money by using risk free interest rates for discounting. Since EVM is based on replication, no liquidity premium is included in the interest rates used to value liabilities and hence in the determination of the Group's ENW.

The EVM income statement includes:
- new business profit from underwriting,
- changes in previous years' business profit from underwriting,
- the result from investment activities.

New business is defined as business that incepted in the current reporting year. In determining new business profit, all cash flows resulting from new reinsurance and insurance contracts that incepted in the current reporting year are recognised at inception on a present value basis. Embedded financial options and guarantees are valued on a market consistent basis.

The composition of new business profit is illustrated as follows:



The underwriting result from previous years' business represents the present value of all changes in estimated cash flows on reinsurance and insurance contracts incepting in prior reporting years. These changes in cash flows reflect changes in best estimates as they occur.

In addition, many contracts written in prior years have a policy term that extends into the current year (e.g. contracts incepting on 1 April, for a 12-month policy term). Therefore, the impact of insurance events occurring in the current reporting year can be included in the result of previous years' business.

The EVM concept of investment performance

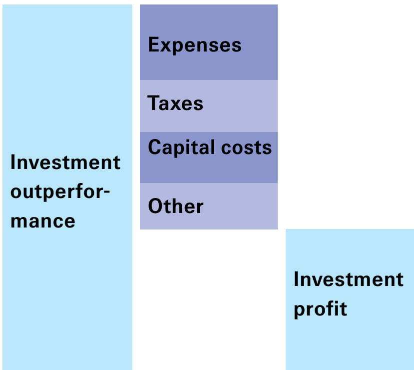
Mark-to-market return
Includes net investment income, realised gains and losses and changes in unrealised gains and losses reported under US GAAP. In addition, it includes changes in market value of investment positions carried at amortised cost under US GAAP. It excludes the following US GAAP items: investment income from cedants, unit linked and with profit business and certain loans as well as minority interest and depreciation.

Liability-based benchmark return
Changes in the economic value of liabilities as a result of changes in risk free discount rates, the passage of time, changes in credit spreads, changes in equity prices or changes in the economic value of embedded options and guarantees.

Outperformance
Defined as the difference between the mark-to-market return and the return on the liability-based benchmark.

In determining the result from investment activities, the investment outperformance represents the mark-to-market return on invested assets, after deducting the liability-based benchmark return. The return on the liability-based benchmark is deducted because it is credited to underwriting activities in determining the underwriting profit. This ensures that our client facing and costing teams are evaluated on the success in delivering economic value through underwriting profitability, while our investment activities are evaluated on the success in delivering risk-adjusted investment returns.

The composition of investment profit can be illustrated as follows:



EVM explicitly recognises that there is a cost to shareholders of taking risk and thus value creation needs to be assessed after taking these costs into account. Capital costs include:

- base cost of capital reflected through a charge for risk free return on available capital and market risk premiums. Market risk premiums compensate for systematic, non-diversifiable risk exposure, mainly assumed through investment activities,
- frictional capital costs, which compensate for agency costs, cost of potential financial distress and regulatory (illiquidity) costs,
- an allowance for double taxation on the risk free return on capital allocated to underwriting activities.

The EVM information in this report contains non-GAAP financial measures. The EVM framework differs significantly from the accounting principles generally accepted in the United States of America (US GAAP), which is the basis on which Swiss Re prepares its consolidated financial statements, and should not be viewed as a substitute for US GAAP financial measures.

Swiss Re's EVM income statement (and its line items) should not be viewed as a substitute for the income statement (and its line items) in Swiss Re's US GAAP consolidated financial statements, and Swiss Re's EVM economic net worth (ENW) should not be viewed as a substitute for shareholders' equity as reported in Swiss Re's US GAAP consolidated balance sheet. EVM results may be subject to significant volatility as assets and liabilities are measured on a market consistent basis. Nonetheless, Swiss Re believes that EVM provides meaningful additional measures to evaluate its business. As it is a proprietary framework, Swiss Re may change its EVM methodology from time to time.

The most significant differences between EVM and US GAAP are as follows:

Comparison of EVM and US GAAP

	EVM	US GAAP
Profit recognition on new contracts	At inception	Over lifetime of the contract
Actuarial assumptions	Best estimate	Non-life business: best estimate Life & Health business: generally locked-in assumptions
Liability cash flows	Discounted using risk free rates	Non-life business: generally no discounting Life & Health business: generally discounted at locked-in historical rates and without market consistent valuation of embedded options and guarantees
Investment assets	Market values	Mostly market values, with exceptions such as real estate and own used property
Goodwill and intangibles	Not recognised	Recognised, subject to impairment test
Debt	Market values	Generally at amortised cost
Changes in interest rates	Asset change offset by change in insurance liability	Unrealised gains or losses on available-for-sale securities recognised in shareholders' equity; Generally no change in insurance liability
Capital cost recognition	Yes	No

Group EVM results

Overall solid underwriting results with strong new business contribution from Life & Health Reinsurance

Swiss Re reported an EVM income of USD 3.7 billion in 2015 compared to USD 5.2 billion in 2014. EVM profit amounted to USD 480 million, below the 2014 result of USD 1.3 billion.

The Group EVM profit in 2015 reflected solid underwriting performance in Property & Casualty Reinsurance. The Life & Health Reinsurance underwriting result was also strong driven by large transactions and favourable assumption changes. Corporate Solutions generated a small EVM new business loss more than offset by previous years' business profit from favourable prior-year reserve development. Admin Re® reported an EVM loss mainly driven by the provision for the estimated loss on the Guardian transaction and a negative investment result.

Profit margin for new business amounted to 2.4% in 2015, decreasing from 7.7% in 2014. The profit margin for previous years' business was 3.2% in 2015 compared to 0.1% in 2014. The profit margin for investment activities was –10.5% compared to –7.2% in 2014.

Property & Casualty Reinsurance reported an EVM profit of USD 1.7 billion in 2015 compared to USD 1.2 billion in 2014. The 2015 result was driven by solid underwriting and benign natural catastrophe experience, partially offset by a higher overall burden of man-made losses. The profit from investment activities amounted to USD 92 million primarily due to the performance of alternative investments, partially offset by the impact of credit spread widening on credit investments.

Life & Health Reinsurance reported an EVM profit of USD 283 million in 2015 compared to USD 168 million in 2014. The 2015 result includes a strong new business profit of USD 732 million, mainly driven by large transactions in Australia and the UK. Life & Health Reinsurance recorded a previous years' business loss of USD 51 million, mainly due to changes in intra-group retrocessions, updated premium modelling in Canada and persistency losses in the US, partially offset by mortality assumption changes in Canada. The EVM result from investment activities amounted to a loss of USD 398 million mainly due to widening credit spreads.

Corporate Solutions delivered an EVM profit of USD 26 million in 2015 compared to USD 81 million in 2014. The new business loss amounted to USD 41 million, down from an EVM profit of USD 99 million in 2014. The drop reflects the challenging market environment, higher large man-made losses and the completion of the acquisition of Swiss Re Corporate Solutions Insurance China Ltd. in the third quarter of 2015. Previous years' business profit was USD 121 million due to favourable reserve development and low impact of large losses on contracts incepting in the previous years. Investment activities generated an EVM loss of 54 million, mainly due to credit spread widening and losses on equity investments.

Admin Re® generated an EVM loss of USD 972 million in 2015 compared to an EVM profit of USD 43 million in 2014. While the 2014 result was driven by the sale of Aurora National Life Assurance Company and a transaction in the UK, the 2015 result included a provision for the expected loss on the Guardian transaction of USD 673 million. The EVM loss from investment activities was USD 214 million, stemming from the impact of credit spread widening.

In 2015, an EVM loss of USD 554 million was reported in Group items compared to a loss of USD 175 million in 2014. The EVM loss from new business was USD 166 million in 2015, driven by overhead expenses and partially offset by trademark license fees charged to the business segments. Previous years' business profit was USD 20 million, mainly driven by an updated valuation of an intra-group loan. The EVM loss from investment activities recorded in Group items was USD 408 million in 2015, driven by underperformance in Principal Investments.

New business

The new business profit was USD 992 million, a decline of USD 1.2 billion compared to 2014. The drop was mainly driven by the provision on the estimated loss on the Guardian transaction and lower Property & Casualty and Corporate Solutions new business profits, partially offset by a stronger new business result for Life & Health Reinsurance.

Premiums and fees amounted to USD 40.6 billion in 2015 compared to USD 35.9 billion in 2014. The increase was mainly driven by Reinsurance due to large Life & Health transactions in Australia and the UK and growth in Casualty.

Claims and benefits amounted to USD 26.6 billion, an increase of USD 4.6 billion compared to 2014, driven by large transactions in Life & Health Reinsurance.

Commissions amounted to USD 7.1 billion, an increase of USD 1.3 billion compared to 2014. The increase was primarily driven by large Life & Health Reinsurance transactions in Australia and the UK. Property & Casualty Reinsurance added to the increase with higher business volumes and a greater share of proportional business.

Expenses amounted to USD 3.2 billion in 2015 compared to USD 3.5 billion in 2014. The decrease was mainly driven by Admin Re® as new business expenses for the Guardian transaction were included in the provision for the expected loss on that transaction which is reported in the 'Other' line.

Capital costs on new business amounted to USD 1.1 billion in 2015, a decrease of USD 426 million compared to 2014. Capital costs for the Guardian transaction are reported in the 'Other' line.

Previous years' business

EVM profit from previous years' business amounted to USD 470 million in 2015 compared to USD 5 million in 2014. The result was primarily driven by mortality trend assumption updates in Canada and favourable claims experience in Property & Casualty Reinsurance and Corporate Solutions.

Investment activities

Investment activities generated an EVM loss of USD 982 million in 2015 compared to a loss of USD 823 million in 2014. The 2015 loss is mainly driven by the impact of credit spread widening and losses within Principal Investments, partially offset by outperformance across equities and alternative investments. The loss from investment activities in 2014 was primarily driven by the negative impact of declining interest rates on a short duration position.

EVM income statement

USD millions	2014	2015	Change in %
Underwriting result			
New business result			
Premiums and fees	35 869	40 562	13
Claims and benefits	–22 025	–26 601	21
Commissions	–5 710	–7 053	24
Expenses	–3 468	–3 161	–9
Taxes	–1 117	–829	–26
Capital costs	–1 573	–1 147	–27
Other	178	–779	–
New business profit (loss)	**2 154**	**992**	**–54**
Previous years' business profit (loss)	**5**	**470**	**–**
Underwriting profit (loss)	**2 159**	**1 462**	**–32**
Investment result			
Outperformance (underperformance)	739	193	–74
Expenses	–301	–275	–9
Taxes	–134	–3	–98
Capital costs	–1 204	–971	–19
Other	77	74	–4
Investment profit (loss)	**–823**	**–982**	**19**
EVM profit (loss)	**1 336**	**480**	**–64**
Cost of debt	–404	–151	–63
Release of current year capital costs	2 801	2 520	–10
Additional taxes	1 456	823	–43
EVM income	**5 189**	**3 672**	**–29**

Profit margin	2014	2015	Change in pp
New business	7.7%	2.4%	–5.3
Previous years' business	0.1%	3.2%	3.1
Investment	–7.2%	–10.5%	–3.3

Summary EVM income statement by business segment

USD millions	2014	2015	Change in %
New business result (by business segment)			
Property & Casualty Reinsurance	1 547	1 219	–21
Life & Health Reinsurance	519	732	41
Corporate Solutions	99	–41	–
Admin Re®	173	–752	–
Group items	–184	–166	–10
New business profit (loss)	**2 154**	**992**	**–54**
Previous years' business result (by business segment)			
Property & Casualty Reinsurance	484	386	–20
Life & Health Reinsurance	–441	–51	–88
Corporate Solutions	9	121	–
Admin Re®	–33	–6	–82
Group items	–14	20	–
Previous years' business profit (loss)	**5**	**470**	**–**
Investment result (by business segment)			
Property & Casualty Reinsurance	–812	92	–
Life & Health Reinsurance	90	–398	–
Corporate Solutions	–27	–54	100
Admin Re®	–97	–214	121
Group items	23	–408	–
Investment profit (loss)	**–823**	**–982**	**19**
EVM profit (loss)	**1 336**	**480**	**–64**
Cost of debt	–404	–151	–63
Release of current year capital costs	2 801	2 520	–10
Additional taxes	1 456	823	–43
EVM income	**5 189**	**3 672**	**–29**

Property & Casualty Reinsurance

Strong results through diversified earnings stream and large and tailored transactions

Property & Casualty Reinsurance reported an EVM profit of USD 1.7 billion for 2015 compared to USD 1.2 billion in 2014.

EVM profit from new business decreased from USD 1.5 billion in 2014 to USD 1.2 billion for 2015. Previous years' business profit was USD 386 million compared to USD 484 million in 2014. Profit from investment activities increased to USD 92 million from a loss of USD 812 million in 2014.

As of 31 December 2015, economic net worth was USD 16.1 billion compared to USD 16.6 billion as of 31 December 2014. The decline was driven by dividend payments to Swiss Re Ltd and foreign exchange translation losses which were only partially offset by EVM income in 2015.

New business

Property & Casualty Reinsurance reported an EVM profit from new business of USD 1.2 billion in 2015 compared to USD 1.5 billion in 2014. The decrease was primarily driven by market softening, most notably in Property and a higher man-made loss burden, particularly due to the explosion in Tianjin, China. This was only partially offset by lower capital costs, driven by the reduced risk capital due to foreign exchange effects and model changes.

The new business profit margin was 9.7% in 2015 compared to 11.8% in 2014.

Premiums increased by USD 1.8 billion to USD 18.7 billion. The increase was driven by growth in EMEA, mainly due to a large deal in Casualty, and share increases in proportional contracts in Americas, partly offset by the impact of foreign exchange movements.

Claims increased by USD 2.1 billion to USD 11.2 billion in 2015, largely in line with the change in business mix and increased premium volume.

Commissions increased to USD 4.1 billion in 2015 compared to USD 3.7 billion in 2014. The increase was driven by the overall growth in premiums compared to the prior year.

The ratio of expenses to premiums (expense ratio) decreased to 7.1% in 2015 from 8.2% in 2014 mainly due to the increase in premiums.

In 2015, Property & Specialty's new business profit was USD 968 million compared to USD 1.4 billion in 2014, mainly due to a lower net release of expected loss reserves and a higher ratio of commissions to premiums (commission ratio) due to the underlying change in business mix.

In 2015, Casualty's new business profit increased to USD 251 million from USD 99 million in 2014. This was mainly driven by a strong underwriting performance, decreasing taxes and lower capital costs.

Previous years' business

The profit from previous years' business was USD 386 million in 2015, benefiting from favourable claims experience. In 2014, the profit from previous years' business was USD 484 million, mainly due to favourable claims experience and the release of a premium tax provision in Asia.

Investment activities

Investment activities resulted in a profit of USD 92 million, primarily due to the performance of alternative investments. The result also includes positive performance on a net short duration position during 2015 as interest rates generally increased. This gain was partially offset by the impact of spread widening on credit investments.

The profit from investment activities compares to a loss in 2014 of USD 812 million, largely driven by the negative impact of declining interest rates on a short duration position.

Property & Casualty Reinsurance

USD millions	2014	2015	Change in %
Underwriting result			
New business result			
Premiums and fees	16 908	18 693	11
Claims and benefits	–9 072	–11 202	23
Commissions	–3 711	–4 144	12
Expenses	–1 388	–1 330	–4
Taxes	–666	–496	–26
Capital costs	–550	–297	–46
Other	26	–5	–
New business profit (loss)	**1 547**	**1 219**	**–21**
Previous years' business profit (loss)	**484**	**386**	**–20**
Underwriting profit (loss)	**2 031**	**1 605**	**–21**
Investment result			
Outperformance (underperformance)	–373	595	–
Expenses	–107	–93	–13
Taxes	111	–141	–
Capital costs	–481	–306	–36
Other	38	37	–3
Investment profit (loss)	**–812**	**92**	**–**
EVM profit (loss)	**1 219**	**1 697**	**39**
Cost of debt	–149	–56	–62
Release of current year capital costs	1 203	887	–26
Additional taxes	94	196	109
EVM income	**2 367**	**2 724**	**15**

Profit margin	2014	2015	Change in pp
New business	11.8%	9.7%	–2.1
Previous years' business	12.4%	8.5%	–3.9
Investment	–24.1%	3.1%	27.2

Life & Health Reinsurance

Strong new business from large transactions partially offset by unfavourable investment performance

Life & Health Reinsurance reported an EVM profit of USD 283 million in 2015 compared to USD 168 million in 2014. The higher result was primarily driven by a favourable underwriting result from large new transactions partially offset by losses from investment activities due to the impact of spread widening on credit investments.

New business

The new business profit was USD 732 million in 2015, compared to USD 519 million in 2014, with both results benefiting from large transactions. The 2015 new business profit included a large transaction in Australia, while new business profit in 2014 included a large health transaction in Japan. Both years included longevity deals in the UK.

Premiums and fees were 25% higher than in 2014, which was primarily attributable to the new large transaction in Australia, growth in US medical business and large longevity transactions in the UK, partly offset by an unfavourable foreign exchange impact from a strengthening US dollar. The prior-year figure included a large health transaction in Japan and large longevity deals in the UK. Excluding these large transactions, premiums and fees were 5% higher than in 2014, driven by US in-force transactions and medical business, and favourable repricing in Canada.

Claims and benefits amounted to USD 13.4 billion in 2015, an increase of 23% compared to 2014, primarily driven by new large transactions in Australia and the UK.

The ratio of commissions to premiums and fees (commission ratio) was 13.0% in 2015 compared to 10.0% in 2014. The increase was mainly driven by the large transaction in Australia in 2015, which had a comparatively high commission ratio.

The ratio of expenses to premiums and fees (expense ratio) was 4.7% in 2015 compared to 5.8% in 2014. The lower expense ratio was driven by premium increases, while expenses were in line with 2014.

In 2015, the new business profit for Life was USD 622 million or 103% higher than in 2014. This was mainly attributable to a new large transaction in Australia and longevity transactions in the UK.

In 2015, the new business profit for Health was USD 110 million, 48% lower than in 2014, mainly due to the non-recurrence of a large health transaction in Japan.

Previous years' business

The loss from previous years' business was USD 51 million in 2015 compared to a loss of USD 441 million in 2014. The loss in 2014 was mainly driven by in-force updates and model conversions and updates in Americas.

Investment activities

Investment activities generated a loss of USD 398 million in 2015, primarily driven by the impact of spread widening on credit investments. The loss compares to a gain of USD 90 million in 2014, primarily due to the favourable impact of declining interest rates on the segment's long duration position.

Life & Health Reinsurance

USD millions	2014	2015	Change in %
Underwriting result			
New business result			
Premiums and fees	14 692	18 320	25
Claims and benefits	–10 915	–13 419	23
Commissions	–1 463	–2 389	63
Expenses	–859	–865	1
Taxes	–284	–314	11
Capital costs	–596	–543	–9
Other	–56	–58	4
New business profit (loss)	**519**	**732**	**41**
Previous years' business profit (loss)	**–441**	**–51**	**–88**
Underwriting profit (loss)	**78**	**681**	**–**
Investment result			
Outperformance (underperformance)	627	–94	–
Expenses	–82	–79	–4
Taxes	–144	37	–
Capital costs	–330	–281	–15
Other	19	19	0
Investment profit (loss)	**90**	**–398**	**–**
EVM profit (loss)	**168**	**283**	**68**
Cost of debt	–242	–53	–78
Release of current year capital costs	781	812	4
Additional taxes	1 327	526	–60
EVM income	**2 034**	**1 568**	**–23**

Profit margin	2014	2015	Change in pp
New business	6.7%	9.9%	3.2
Previous years' business	–12.3%	–0.7%	11.6
Investment	1.9%	–11.0%	–12.9

Corporate Solutions

Reduced economic result in a challenging market

Corporate Solutions reported an EVM profit of USD 26 million in 2015 compared to USD 81 million in 2014. The decrease was driven by:

- insurance in derivative form (decrease of USD 33 million), impacted by mild weather in December 2015, and
- investment activities (decrease of USD 27 million), primarily driven by the negative impact of spread widening on credit investments and reduced performance of equity investments.

Both periods were impacted by the non-recognition of intangible assets (including goodwill) related to acquisitions (USD 41 million in 2015 and USD 52 million in 2014).

New business

The new business profit margin was –1.1% in 2015 compared to 2.9% in 2014. The EVM loss from new business was USD 41 million in 2015 compared to a profit of USD 99 million in 2014. The decrease was driven by the reduced business volume, higher large man-made losses and higher expenses as a result of investment in long-term growth.

Premiums were USD 3.5 billion in 2015, a decrease of 6% compared to 2014, with the largest decrease in Europe and North America. At constant exchange rates, premiums decreased by 2%. Gross premiums (premiums excluding external and internal retrocession) were USD 3.8 billion in 2015 compared to USD 4.0 billion in 2014.

Property & Specialty's new business profit was USD 32 million in 2015 compared to USD 136 million in 2014. The decrease was driven by reduced business volume, most notably in Property in North America and Latin America, while 2014 Specialty lines included a large multi-year transaction in Europe. Both periods benefited from the absence of major natural catastrophe losses, partially offset by higher large man-made losses.

Casualty generated a new business loss of USD 52 million in 2015 compared to a loss of USD 13 million in 2014, driven by a lower underwriting result across most regions, especially in North America, which incurred a large man-made loss.

Other new business resulted in a loss of USD 21 million in 2015 compared to a loss of USD 24 million in 2014. The 2015 result was driven by the non-recognition of intangible assets (including goodwill) on the Swiss Re Corporate Solutions Insurance China Ltd. acquisition, partially offset by gains from insurance business in derivative form. The EVM result of insurance business in derivative form is reported in the line item 'Other'. This business offers protection against weather perils and other insurable risks.

Previous years' business

The profit from previous years' business increased to USD 121 million in 2015 compared to USD 9 million in 2014. The increase was mainly driven by favourable prior-year business development from the two most recent underwriting years.

Property & Specialty's profit from previous years' business decreased to USD 12 million in 2015 from USD 40 million in 2014. The decline was driven by increased capital costs due to an update in capital allocation, primarily on Property, partially offset by favourable prior-year business development on Property and Marine.

Casualty previous years' business generated a profit of USD 108 million in 2015 compared to a loss of USD 84 million in 2014, driven by favourable prior-year business development, especially in North America and Europe, with lower large man-made losses compared to the prior year.

Other previous years' business resulted in a profit of USD 1 million in 2015 compared to a profit of USD 53 million in 2014. The 2014 result benefited from a gain on insurance business in derivative form and lower capital costs due to an updated collateral allocation.

Investment activities

Investment activities generated a loss of USD 54 million in 2015 compared to a loss of USD 27 million in 2014. The result was primarily driven by the impact of spread widening on credit investments and reduced performance of equity investments.

Corporate Solutions

USD millions	2014	2015	Change in %
Underwriting result			
New business result			
Premiums and fees	3 764	3 549	–6
Claims and benefits	–2 024	–1 980	–2
Commissions	–536	–520	–3
Expenses	–797	–823	3
Taxes	–135	–78	–42
Capital costs	–158	–161	2
Other	–15	–28	87
New business profit (loss)	**99**	**–41**	**–**
Previous years' business profit (loss)	**9**	**121**	**–**
Underwriting profit (loss)	**108**	**80**	**–26**
Investment result			
Outperformance (underperformance)	58	10	–83
Expenses	–23	–23	0
Taxes	–12	4	–
Capital costs	–55	–50	–9
Other	5	5	0
Investment profit (loss)	**–27**	**–54**	**100**
EVM profit (loss)	**81**	**26**	**–68**
Cost of debt	15	–15	–
Release of current year capital costs	195	241	24
Additional taxes	66	–55	–
EVM income	**357**	**197**	**–45**

Profit margin	2014	2015	Change in pp
New business	2.9%	–1.1%	–4.0
Previous years' business	3.6%	19.8%	16.2
Investment	–5.3%	–11.4%	–6.1

Admin Re®

EVM loss driven by the Guardian transaction and the impact of credit spread widening

Admin Re® reported an EVM loss of USD 972 million in 2015 compared to a profit of USD 43 million in 2014. The primary driver for this result was the Guardian transaction, which resulted in the recognition of a provision for the expected loss of USD 673 million. There was also a USD 214 million loss on investments driven by the impact of spread widening on credit investments.

New business

The loss from new business was USD 752 million in 2015 compared to a profit of USD 173 million in 2014.

In addition to the estimated loss of USD 673 million on the Guardian transaction, the new business loss included expenses allocated to acquisition costs.

Previous years' business

The loss from previous years' business amounted to USD 6 million in 2015 compared to a loss of USD 33 million in 2014.

The loss was mainly driven by unfavourable persistency changes in the Admin Re® US business, combined with expense reserve strengthening in the Admin Re® UK business. This was partially offset by favourable mortality across each of the Admin Re® businesses, mainly in the UK, reflecting favourable experience combined with updated industry expectations for mortality.

Investment activities

Investment activities generated a loss of USD 214 million in 2015 compared to a loss of USD 97 million in 2014. The loss was mainly driven by the impact of spread widening on credit investments and the impact of changes in interest rates on the segment's duration position.

Admin Re®

USD millions	2014	2015	Change in %
Underwriting result			
New business result			
Premiums and fees	505		
Claims and benefits	–14		
Commissions			
Expenses	–366	–63	–83
Taxes	–32	3	–
Capital costs	–129	–16	–88
Other	209	–676	–
New business profit (loss)	**173**	**–752**	**–**
Previous years' business profit (loss)	**–33**	**–6**	**–82**
Underwriting profit (loss)	**140**	**–758**	**–**
Investment result			
Outperformance (underperformance)	131	–59	–
Expenses	–36	–32	–11
Taxes	–28	20	–
Capital costs	–179	–156	–13
Other	15	13	–13
Investment profit (loss)	**–97**	**–214**	**121**
EVM profit (loss)	**43**	**–972**	**–**
Cost of debt	–5	–8	60
Release of current year capital costs	302	254	–16
Additional taxes	–36	397	–
EVM income	**304**	**–329**	**–**

Profit margin	2014	2015	Change in pp
New business	4.6%	–4.2%	–8.8
Previous years' business	–1.5%	–0.3%	1.2
Investment	–9.8%	–69.3%	–59.5

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EVM income statement

For the years ended 31 December

USD millions	2014	2015
Underwriting result		
New business result		
Premiums and fees	35 869	40 562
Claims and benefits	–22 025	–26 601
Commissions	–5 710	–7 053
Expenses	–3 468	–3 161
Taxes	–1 117	–829
Capital costs	–1 573	–1 147
Other	178	–779
New business profit (loss)	**2 154**	**992**
Previous years' business profit (loss)	**5**	**470**
Underwriting profit (loss)	**2 159**	**1 462**
Investment result		
Outperformance (underperformance)	739	193
Expenses	–301	–275
Taxes	–134	–3
Capital costs	–1 204	–971
Other	77	74
Investment profit (loss)	**–823**	**–982**
EVM profit (loss)	**1 336**	**480**
Cost of debt	–404	–151
Release of current year capital costs	2 801	2 520
Additional taxes	1 456	823
EVM income	**5 189**	**3 672**

The accompanying notes are an integral part of the Swiss Re Group EVM financial statements.

EVM balance sheet

As of 31 December

USD millions	2014	2015
Assets		
Investments	154 939	146 856
Cash and cash equivalents	7 466	8 204
In-force business assets	194 255	191 179
External retrocession assets	28 474	25 355
Other assets	3 198	2 890
Total assets	**388 332**	**374 484**
Liabilities		
In-force business liabilities	288 848	281 403
External retrocession liabilities	24 376	21 178
Provision for capital costs	6 759	5 933
Future income tax liabilities	5 865	5 102
Debt	17 370	15 385
Other liabilities	6 749	8 125
Total liabilities	**349 967**	**337 126**
Economic net worth	**38 365**	**37 358**

The accompanying notes are an integral part of the Swiss Re Group EVM financial statements.

Statement of economic net worth

For the years ended 31 December

USD millions	2014	2015
Economic net worth as of 1 January	37 188	38 365
Changes in EVM accounting principles	1 470	0
Restated economic net worth as of 1 January	**38 658**	**38 365**
EVM income	5 189	3 672
Dividends and share buy-back	−3 129	−3 055
Other, including foreign exchange on economic net worth	−2 353	−1 624
Economic net worth as of 31 December	**38 365**	**37 358**
Common shares outstanding as of 31 December	**342 199 440**	**337 739 705**
Economic net worth per share in USD as of 31 December	**112.11**	**110.61**

The accompanying notes are an integral part of the Swiss Re Group EVM financial statements.

Notes to the EVM financial statements

Note 1 Organisation and summary of significant EVM principles

Economic Value Management (EVM) is Swiss Re's proprietary integrated economic measurement and steering framework used for planning, pricing, reserving and steering the business. In addition, the EVM balance sheet provides the basis for determining available capital under the Swiss Solvency Test (SST). EVM best estimate cash flow information also forms the basis for the calculation of Solvency II technical provisions.

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 EVM financial statements have been prepared in accordance with the Group's EVM principles. All significant intra-group transactions and balances have been eliminated on consolidation.

Principles of consolidation
The Group's EVM financial statements follow the same consolidation principles as used in the preparation of the Group's consolidated US GAAP financial statements, except for holdings with minority interests to which proportionate consolidation is applied to reflect Swiss Re's economic share.

Use of estimates in the preparation of financial statements
The preparation of EVM financial statements requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The valuation of assets and liabilities reflects best estimates of underlying cash flows (e.g. premiums, claims, commissions, expenses, etc), using models and taking into consideration all relevant information available at the balance sheet date. In line with other valuation methods based on projections of future cash flows, EVM involves significant judgement when establishing assumptions to be used. The Group actively and carefully reviews assumptions, selecting those which are considered appropriate and seeking consistency among business activities. Valuations are updated at each balance sheet date as experience develops and more information becomes available. In-force business assets and liabilities include estimates for premiums as well as claims and benefit payments not received from ceding companies at the balance sheet date. In addition, the Group has certain assets and liabilities for which liquid market prices do not exist. These estimates are determined on a market consistent basis using all relevant information available at the time of valuation. However, actual results could differ significantly from these estimates.

Foreign currency translation
Assets and liabilities denominated in foreign currencies are translated to the reporting currency at year-end exchange rates. Revenues and expenses denominated in foreign currencies are translated to the reporting currency at average exchange rates for the reporting year. Foreign currency translation gains and losses are recognised directly in economic net worth with no impact on the EVM income statement.

Closed book principle
EVM excludes the recognition of all potential future new business activities, including future renewals. EVM recognises all profits and losses resulting from expected cash flows from contractual rights and obligations at inception or the effective date of a business transaction. Acquisitions do not result in the recording of goodwill or intangible assets. Changes to previous assumptions and estimates are recognised as they occur.

The closed book principle does not imply that EVM is a run-off reporting framework. Capital costs and expenses are projected on a going concern basis, reflecting diversification benefits and economies of scale.

The closed book principle is largely in line with other economic valuation frameworks such as Solvency II or SST.

Valuation of assets and liabilities

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

As of 31 December, selected risk free rates used for discounting estimated future cash flows were as follows:

	2014	**2015**
USD		
1 year	0.3%	0.8%
5 years	1.7%	1.8%
10 years	2.3%	2.4%
15 years	2.5%	2.7%
20 years	2.5%	2.8%
30 years	2.9%	3.2%
GBP		
1 year	0.4%	0.4%
5 years	1.2%	1.4%
10 years	1.8%	2.0%
15 years	2.2%	2.5%
20 years	2.5%	2.8%
30 years	2.7%	2.8%
EUR		
1 year	0.0%	–0.3%
5 years	0.1%	0.0%
10 years	0.7%	0.9%
15 years	1.2%	1.4%
20 years	1.5%	1.7%
30 years	1.7%	1.9%
CAD		
1 year	1.0%	0.5%
5 years	1.4%	0.8%
10 years	1.9%	1.5%
15 years	2.3%	2.1%
20 years	2.4%	2.3%
30 years	2.4%	2.2%

In-force business assets and liabilities

In-force business assets are assets associated with (re-)insurance contracts and include estimated future premiums and other expected cash inflows related to those contracts. They are carried at market consistent values as described above.
In-force business liabilities are liabilities associated with (re-)insurance contracts and include best estimate reserves for expected claims, commissions and expenses. They are carried at market consistent values as described above.

External retrocession assets and liabilities

External retrocessions are carried at market consistent values consistent with the methods applied to inward business.
A market consistent allowance for counterparty credit risk is applied to uncollateralised external net retrocession assets.

Investments
All investments are carried at fair value. For non-traded assets, fair values are determined using a mark-to-model approach or other market consistent techniques.

Cash and cash equivalents
Cash and cash equivalents include cash at 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.

Tax assets and liabilities
The EVM valuation of tax assets and liabilities is determined in two steps. In step one, the portion of total EVM tax expense relevant for business steering and performance measurement is determined by applying standard tax rates to pre-tax results driven by the respective EVM cash flows. This portion of the total EVM tax expense is recognised in EVM profit. In step two, the total EVM tax expense is determined as the sum of (a) the change in US GAAP tax assets and liabilities and (b) the change in deferred tax assets and liabilities for temporary balance sheet valuation differences between US GAAP and EVM. The difference between the total EVM tax expense (step two) and the portion of the total EVM expense recognised in EVM profit (step one) is recognised in EVM income and presented in a separate line below EVM profit as "additional taxes".

Other assets
Other assets include receivables related to investing activities, real estate for own use, property, plant and equipment, accrued income, and prepaid assets. Real estate for own use is carried at fair value.

Other liabilities
Other liabilities include derivative financial instrument liabilities, payables related to investing activities, provisions for employee incentive plans, pension and other post-retirement benefits, and a provision for estimated future overhead expenses.

Debt
Swiss Re's external debt, including hybrid instruments, is valued at fair value. Where available, market prices are used to determine the fair value of debt. Debt that is not publicly traded is valued using market consistent valuation techniques, which take into account, where applicable, the impact of own credit risk. In EVM, all hybrid debt instruments, including convertible instruments, are treated as liabilities.

The line item 'Cost of debt' in the EVM income statement includes the impact of changes in Swiss Re's credit spreads, the unwind of the discount attributable to Swiss Re's credit spreads, and letter of credit fees. The impact of changes in risk free interest rates and the unwind of the discount attributable to risk free interest rates are included in the benchmark return charged to investment activities.

Provision for capital costs
Frictional capital costs provide compensation to shareholders for agency costs, costs for potential financial distress and regulatory (illiquidity) costs. Frictional capital costs include risk capital costs and funding costs. Risk capital costs are charged at 4% of eligible economic capital which consists of economic net worth and eligible hybrid debt. Funding costs are charged or credited at the legal entity level depending on the liquidity the respective legal entity uses or generates. In addition, the provision for capital costs includes an allowance for double taxation on the risk free return on capital allocated to underwriting activities.

Premiums and fees
Premiums and fees in the EVM income statement represent the present value of all estimated future premiums and fees on contracts written during the year. Changes in premium estimates on contracts written in prior years are reflected in previous years' business profit, along with changes in other underwriting cash flows relating to previous years.

Claims and benefits
Claims and benefits in the EVM income statement represent the present value of all estimated future claims and benefits on contracts written during the year. Changes in estimates of claims and benefits payable on contracts written in prior years are reflected in previous years' business profit, along with changes in other underwriting cash flows relating to previous years. For example, many property and casualty contracts written in the previous year cover losses in the current year (e.g. natural catastrophes) which are included in previous years' business profit.

EVM profit and EVM income

EVM profit is a risk adjusted measure of performance that can be compared across all business activities. EVM income is the total return generated for shareholders and includes the release of capital costs. EVM income is therefore not a risk adjusted performance measure.

EVM profit consists of profit from underwriting activities and profit from investment activities. The profit from underwriting activities in turn segregates results from new business and previous years' business. New business is defined as business with an inception date within the current reporting year. For property and casualty business, performance resulting from contracts written or renewed within the reporting year is recognised as new business. This also applies to multi-year transactions. For life and health business, new business includes new individual business cessions in the year, renewals of and additions to existing group schemes, new group schemes, new Admin Re® blocks and new cessions on existing blocks still open to new business, and renewals of business that is subject to active annual renewal. Previous years' business results reflect the impact of changes in cash flow projections on contracts incepting in previous accounting periods.

Investment activities are marked to market and recognised as new business. The result from investment activities reflects the extent to which our investment management business has outperformed the liability-based benchmark returns.

EVM capital

EVM capital is the capital required to support uncertainty related to estimated cash flows arising from existing underwriting and investment activities.

Economic net worth

Economic net worth (ENW) is defined as the difference between the market consistent value of assets and liabilities. ENW is an economic measure of shareholders' equity and the starting point in determining available capital under the Swiss Solvency Test (SST).

Profit margin

Profit margin is calculated for new business, previous years' business and investment activities. The new business profit margin is the ratio of new business profit (loss) to EVM capital allocated to new business over the lifetime of the business. The previous years' business profit margin is the ratio of previous years' business profit (loss) to EVM capital allocated to previous years' business in the current year. Investment profit margin is the ratio of investment profit (loss) to EVM capital allocated to investment activities in the current year.

Performance separation between underwriting and investment activities

EVM values and discloses underwriting and investment activities separately. Underwriting activities create value by writing insurance contracts at a higher price than their economic production costs including the cost of taking risk (capital costs). The performance of investment activities is assessed on a risk adjusted basis. This enables consistent comparison of underwriting and investment activities.

Performance measurement after capital costs

EVM explicitly recognises opportunity costs for shareholder capital. Capital charges cover the base cost of capital and frictional capital costs. The base cost of capital consists of the risk free return on economic net worth and market risk premiums. Market risk premiums provide a market-derived estimate of the premium required by investors for taking systematic financial market risk. Market risk premiums are charged to EVM profit as part of the capital costs to assess performance on a risk adjusted basis. The majority of the Group's market risk premiums stem from market risk embedded in the investment portfolios.

Adjustments relating to prior reporting periods

In 2015, the adjustments relating to prior reporting periods included a tax adjustment in Admin Re® related to the sale of Aurora in 2014 and the impact of model updates and conversions in Life & Health Reinsurance. In 2014, the adjustments relating to prior reporting periods included the impact of model conversions and updates in Life & Health Reinsurance, the inclusion of accrued interest in the valuation of debt, and a tax adjustment related to an intra-group loan.

For the years ended 31 December, the adjustments relating to prior reporting periods were as follows:

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	**Total**
Underwriting result						
New business profit (loss)						
Previous years' business profit (loss)		–549	34	29		–486
Underwriting profit (loss)		**–549**	**34**	**29**		**–486**
Investment profit (loss)						
EVM profit (loss)		**–549**	**34**	**29**		**–486**
Cost of debt	–51	–84			–1	–136
Release of current year capital costs						
Additional taxes		117				117
EVM income	**–51**	**–516**	**34**	**29**	**–1**	**–505**

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	**Total**
Underwriting result						
New business profit (loss)						
Previous years' business profit (loss)		–119				–119
Underwriting profit (loss)		**–119**				**–119**
Investment profit (loss)						
EVM profit (loss)		**–119**				**–119**
Cost of debt						
Release of current year capital costs						
Additional taxes				402		402
EVM income		**–119**		**402**		**283**

Change in EVM methodology

As of 1 January 2015, the Group revised the capital cost treatment for investments supporting insurance business. Prior to 1 January 2015, all investment activities were charged frictional capital costs. However, investors also incur benefits when taking investment risks through insurance companies that were previously not recognised in EVM. The benefits relate to lower leverage costs and the reduction of sovereign default risk concentration. Therefore, starting 1 January 2015, the frictional capital cost rate for investments supporting insurance liabilities was set to zero. The base cost of capital continues to include capital costs for investments supporting insurance liabilities. This change in EVM methodology does not apply to investment activities not supporting insurance business. These activities are largely comprised of Principal Investments, which are funded through excess capital. As such they are still charged frictional costs as no offsetting benefits exist.

The 2014 investment result included a USD 0.3 billion frictional capital cost charge on investments supporting insurance liabilities. This change in EVM methodology does not affect the Group's economic net worth as capital costs for investment activities in the current year are fully released in the same year.

Forward-looking change in EVM methodology

In advance of the new performance cycle starting 1 January 2016, Swiss Re Group performed a holistic review of the EVM framework, with a particular focus on the methodology for setting EVM capital cost assumptions and other parameters subject to management discretion. As a result of the review, Swiss Re Group decided to implement the following changes in EVM methodology as of 1 January 2016:

- The methodology for setting EVM capital cost parameters will be changed to align the total EVM capital costs with the total cost of equity estimated on the basis of external benchmarks. As a result of the methodology change, the debt funding cost rates for non-life business will be lowered, the liquidity benefit credited to subsidiaries will be eliminated, and the risk frictional capital costs will increase from 4% to 4.5%.
- Where applicable, the methodology for calculating EVM capital will be changed to apply a factor to shortfall rather than explicitly linking EVM capital to SST target capital.
- The methodology for projecting Life & Health Reinsurance EVM capital will be aligned with the internal capital adequacy model. Under the existing methodology, Life & Health Reinsurance EVM capital intensities are based on costing assumptions.
- To increase consistency with the other business units, the recognition of leverage funding will be allowed also for business written by Life Capital entities. Currently, the EVM methodology assumes that the entire Life Capital funding requirements are financed by equity capital.
- The methodology for setting market risk premiums for total return assets (e.g., listed equity and private equity investments) will be changed to align the EVM base cost of capital to market implied forward looking total return expectations. As a result of this change, the market risk premiums for those asset classes will increase.
- The methodology of modelling non-life expenses will be changed and aligned to US GAAP unallocated loss adjustment expenses (ULAE).
- The methodology for estimating Group overhead expenses will be refined.
- The internal asset management fees charged to underwriting activities and credited to investment activities will be increased to reflect external benchmarks.

With the exception of the increase in internal asset management fees, the transition impact of the above changes in EVM methodology will be recorded, where applicable, as an adjustment to the opening balance of 2016 economic net worth. According to current estimates, this adjustment will reduce economic net worth by approximately USD 2.1 billion.

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Note 2 Information on business segments

The definition of business segments used in this report is aligned with the Group's US GAAP business segment reporting. The Group presents four core operating business segments: Property & Casualty Reinsurance, Life & Health Reinsurance, Corporate Solutions and 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.

Items not allocated to the business segments are included in the "Group items" column, which encompasses Swiss Re Ltd, the Group's ultimate parent company, the former Legacy business in run-off, Principal Investments and certain Treasury items.

a) Business segment results – income statement

For the year ended 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	**Total**
Underwriting result						
New business result						
Premiums and fees	16 908	14 692	3 764	505		35 869
Claims and benefits	–9 072	–10 915	–2 024	–14		–22 025
Commissions	–3 711	–1 463	–536			–5 710
Expenses	–1 388	–859	–797	–366	–58	–3 468
Taxes	–666	–284	–135	–32		–1 117
Capital costs	–550	–596	–158	–129	–140	–1 573
Other	26	–56	–15	209	14	178
New business profit (loss)	**1 547**	**519**	**99**	**173**	**–184**	**2 154**
Previous years' business profit (loss)	**484**	**–441**	**9**	**–33**	**–14**	**5**
Underwriting profit (loss)	**2 031**	**78**	**108**	**140**	**–198**	**2 159**
Investment result						
Outperformance (underperformance)	–373	627	58	131	296	739
Expenses	–107	–82	–23	–36	–53	–301
Taxes	111	–144	–12	–28	–61	–134
Capital costs	–481	–330	–55	–179	–159	–1 204
Other	38	19	5	15		77
Investment profit (loss)	**–812**	**90**	**–27**	**–97**	**23**	**–823**
EVM profit (loss)	**1 219**	**168**	**81**	**43**	**–175**	**1 336**
Cost of debt	–149	–242	15	–5	–23	–404
Release of current year capital costs	1 203	781	195	302	320	2 801
Additional taxes	94	1 327	66	–36	5	1 456
EVM income	**2 367**	**2 034**	**357**	**304**	**127**	**5 189**

Profit margin						
New business	11.8%	6.7%	2.9%	4.6%	n/a	7.7%
Previous years' business[1]	12.4%	–12.3%	3.6%	–1.5%	n/a	0.1%
Investment	–24.1%	1.9%	–5.3%	–9.8%	1.2%	–7.2%

[1] The overall previous years' business profit margin for the Business Unit Reinsurance is 0.6%.

Business segment results – income statement

For the year ended 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Total
Underwriting result						
New business result						
Premiums and fees	18 693	18 320	3 549			40 562
Claims and benefits	–11 202	–13 419	–1 980			–26 601
Commissions	–4 144	–2 389	–520			–7 053
Expenses	–1 330	–865	–823	–63	–80	–3 161
Taxes	–496	–314	–78	3	56	–829
Capital costs	–297	–543	–161	–16	–130	–1 147
Other	–5	–58	–28	–676	–12	–779
New business profit (loss)	**1 219**	**732**	**–41**	**–752**	**–166**	**992**
Previous years' business profit (loss)	**386**	**–51**	**121**	**–6**	**20**	**470**
Underwriting profit (loss)	**1 605**	**681**	**80**	**–758**	**–146**	**1 462**
Investment result						
Outperformance (underperformance)	595	–94	10	–59	–259	193
Expenses	–93	–79	–23	–32	–48	–275
Taxes	–141	37	4	20	77	–3
Capital costs	–306	–281	–50	–156	–178	–971
Other	37	19	5	13		74
Investment profit (loss)	**92**	**–398**	**–54**	**–214**	**–408**	**–982**
EVM profit (loss)	**1 697**	**283**	**26**	**–972**	**–554**	**480**
Cost of debt	–56	–53	–15	–8	–19	–151
Release of current year capital costs	887	812	241	254	326	2 520
Additional taxes	196	526	–55	397	–241	823
EVM income	**2 724**	**1 568**	**197**	**–329**	**–488**	**3 672**

Profit margin						
New business	9.7%	9.9%	–1.1%	–4.2%	n/a	2.4%
Previous years' business[1]	8.5%	–0.7%	19.8%	–0.3%	n/a	3.2%
Investment	3.1%	–11.0%	–11.4%	–69.3%	–20.4%	–10.5%

[1] The overall previous years' business profit margin for the Business Unit Reinsurance is 2.7%.

b) Business segment results – balance sheet

As of 31 December

2014 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
Assets							
Investments	50 527	38 103	8 202	55 901	8 289	–6 083	154 939
Cash and cash equivalents	5 069	574	730	1 029	64		7 466
In-force business assets	13 191	177 458	2 475	11 424	–1	–10 292	194 255
External retrocession assets	4 199	23 183	6 224	9 034		–14 166	28 474
Other assets	5 046	1 047	118	688	362	–4 063	3 198
Total assets	**78 032**	**240 365**	**17 749**	**78 076**	**8 714**	**–34 604**	**388 332**
Liabilities							
In-force business liabilities	47 698	180 381	12 062	62 355	518	–14 166	288 848
External retrocession liabilities	838	23 304	1 177	9 349		–10 292	24 376
Provision for capital costs	–367	5 916	175	1 036	–1		6 759
Future income tax liability	2 029	2 812	466	658	–100		5 865
Debt	5 712	13 637	500	862	545	–3 886	17 370
Other liabilities	5 477	4 773	354	523	1 882	–6 260	6 749
Total liabilities	**61 387**	**230 823**	**14 734**	**74 783**	**2 844**	**–34 604**	**349 967**
Economic net worth	**16 645**	**9 542**	**3 015**	**3 293**	**5 870**	**0**	**38 365**

Business segment results – balance sheet

As of 31 December

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	**Total**
Assets							
Investments	51 596	33 750	8 178	52 304	7 848	–6 820	146 856
Cash and cash equivalents	4 281	433	675	1 439	1 376		8 204
In-force business assets	14 484	173 231	2 607	9 656	3	–8 802	191 179
External retrocession assets	3 180	20 654	5 458	8 161		–12 098	25 355
Other assets	5 594	2 220	192	2 021	225	–7 362	2 890
Total assets	**79 135**	**230 288**	**17 110**	**73 581**	**9 452**	**–35 082**	**374 484**
Liabilities							
In-force business liabilities	47 799	175 285	11 471	58 458	488	–12 098	281 403
External retrocession liabilities	540	20 384	1 024	8 032		–8 802	21 178
Provision for capital costs	–584	5 250	125	1 139	3		5 933
Future income tax liability	1 711	2 586	471	323	11		5 102
Debt	5 654	13 376	498	811	516	–5 470	15 385
Other liabilities	7 869	3 239	532	1 215	3 982	–8 712	8 125
Total liabilities	**62 989**	**220 120**	**14 121**	**69 978**	**5 000**	**–35 082**	**337 126**
Economic net worth	**16 146**	**10 168**	**2 989**	**3 603**	**4 452**	**0**	**37 358**

2015 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	**Total**
Economic net worth as of 1 January	16 645	9 542	3 015	3 293	5 870	0	38 365
EVM income	2 724	1 568	197	–329	–488		3 672
Dividends and share buy-back	–2 711	–250	–200	–401	507		–3 055
Other, including foreign exchange on economic net worth[1]	–512	–692	–23	1 040	–1 437		–1 624
Economic net worth as of 31 December	**16 146**	**10 168**	**2 989**	**3 603**	**4 452**	**0**	**37 358**

[1] Admin Re® contains a capital contribution of USD 1.6bn from Group items for the Guardian transaction

Note 3 Acquisitions and disposals

Acquisition of Guardian Holdings Europe Limited

In the third quarter of 2015, the Group agreed to acquire Guardian Holdings Europe Limited, the holding company for operations trading under the name Guardian Financial Services ("Guardian") from private equity company Cinven for GBP 1.6 billion in cash. Guardian provides life insurance solutions to financial institutions and insurance companies, either through the acquisition of closed books or through entering reinsurance agreements with its customers. The estimated loss of USD 673 million on the acquisition of Guardian was reflected in the line item 'Other' in the 2015 underwriting new business result of the Admin Re® segment. The acquisition closed on 6 January 2016.

Disposal of 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. The estimated gain of USD 209 million on the disposal of Aurora was reflected in the line item 'Other' in the 2014 underwriting new business result of the Admin Re® segment.

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. In 2015, the Group reduced an initially estimated gain of USD 209 million by USD 15 million.

Note 4 Reconciliation to US GAAP

2014 USD billions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
US GAAP shareholders' equity	**14.2**	**6.9**	**2.3**	**6.4**	**6.1**	**0.0**	**35.9**
Discounting	3.7	–0.5	0.0	–3.6	0.0	0.0	–0.4
Investments and debt	1.2	–2.2	0.0	0.0	0.5	0.0	–0.5
Reserving basis							
GAAP margins	0.0	13.4	0.0	1.6	0.0	0.0	15.0
Other	0.4	0.1	0.9	–0.5	–0.5	0.0	0.4
Recognition differences	0.1	0.3	0.1	–0.1	0.0	0.0	0.4
Goodwill and other intangibles	–2.1	–2.0	–0.2	0.0	–0.4	0.0	–4.7
Taxes	–1.4	–0.8	–0.2	0.5	0.1	0.0	–1.8
Capital costs	0.9	–5.8	0.0	–1.0	0.0	0.0	–5.9
Other	–0.4	0.1	0.1	0.0	0.1	0.0	0.0
Total EVM valuation adjustments	**2.4**	**2.6**	**0.7**	**–3.1**	**–0.2**	**0.0**	**2.5**
Economic net worth	**16.6**	**9.5**	**3.0**	**3.3**	**5.9**	**0.0**	**38.4**

2015 USD billions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Admin Re®	Group items	Consolidation	Total
US GAAP shareholders' equity	**13.3**	**6.6**	**2.3**	**4.9**	**6.4**	**0.0**	**33.5**
Discounting	4.4	–0.3	0.1	–1.9	0.0	0.0	2.3
Investments and debt	1.4	–1.9	0.0	0.1	0.5	0.0	0.1
Reserving basis							
GAAP margins	0.0	13.6	0.0	1.4	0.0	0.0	15.0
Other	0.1	–0.1	1.0	–0.3	–0.5	0.0	0.2
Recognition differences	–0.1	0.3	0.0	0.2	–1.6	0.0	–1.2
Goodwill and other intangibles	–2.0	–1.9	–0.2	0.0	–0.5	0.0	–4.6
Taxes	–1.7	–0.9	–0.3	0.2	0.0	0.0	–2.7
Capital costs	0.9	–5.2	0.0	–1.1	0.0	0.0	–5.4
Other	–0.2	0.0	0.1	0.1	0.2	0.0	0.2
Total EVM valuation adjustments	**2.8**	**3.6**	**0.7**	**–1.3**	**–1.9**	**0.0**	**3.9**
Economic net worth	**16.1**	**10.2**	**3.0**	**3.6**	**4.5**	**0.0**	**37.4**

Discounting: For EVM, all future expected cash flows are discounted using risk free interest rates. Under US GAAP, most property and casualty reserves are undiscounted (except for purchase GAAP adjustments), whereas life and health reserves are usually discounted based on locked-in interest rate assumptions.

Investments and debt: For EVM, all investments and debt positions are carried at fair value. Under US GAAP, real estate and debt are carried at depreciated and amortised cost, respectively.

Reserving basis: For EVM, best estimate current assumptions are used for all insurance/reinsurance reserves. Under US GAAP, life and health assumptions are usually locked-in and can include a provision for adverse deviation.

Recognition differences: EVM considers counterparty credit risk in the valuation of insurance-related assets.

Goodwill and other intangibles: EVM excludes the recognition of potential future new business activities as well as potential renewals. As a result, no goodwill or intangible assets are carried on the EVM balance sheet. Goodwill and acquired intangibles are written off as of the acquisition date.

Taxes: For EVM, deferred tax assets and liabilities are recognised for temporary differences between US GAAP and EVM.

Capital costs: EVM recognises opportunity costs for shareholder capital. The present value of capital costs allocated to existing contracts is recognised in the EVM balance sheet. US GAAP does not usually recognise a capital cost reserve (with the exception of purchase GAAP adjustments).

Independent Assurance Report

To the Board of Directors of Swiss Re Ltd on the Group Economic Value Management financial statements as of 31 December 2015

We have been engaged to perform a reasonable assurance engagement on the Economic Value Management ("EVM") consolidated financial statements of Swiss Re Ltd (the "Company") for the year ended 31 December 2015 (the "Group EVM financial statements") as set out on pages 19 to 35 of the enclosure.

All other information included in the Company's EVM Annual Report 2015 was not subject to assurance procedures and, accordingly, we do not report on this information.

Criteria

The reporting criteria used by Swiss Re are described in Note 1 'Organisation and summary of significant EVM principles' on page 22 to 27 of the Group EVM financial statements enclosed (hereafter referred to as "EVM principles").

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the Group EVM financial statements in accordance with the Company's EVM principles including data, valuation and accounting principles, assumptions and factors used and the related internal controls as determined necessary to enable the preparation of the Group EVM financial statements that are free from material misstatement.

Our responsibility

Our responsibility is to express an opinion on the Group EVM financial statements based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standards on Assurance Engagements 3000 'Assurance engagements other than audits or reviews of historical financial information' issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform this engagement to obtain reasonable assurance about the conclusions.

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (art. 728 of the Swiss Code of Obligations and art. 11 AOA) and that there are no circumstances incompatible with our independence.

A reasonable assurance engagement involves performing procedures to obtain evidence about the execution of the valuation and accounting for the purpose of the Group EVM financial statements in accordance with the Company's EVM principles. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Group EVM financial statements, whether due to omissions, misrepresentation, fraud or error. In making those risk assessments, we consider internal controls relevant to the preparation of the Group EVM financial statements in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls regarding the Group EVM financial statements. A reasonable assurance engagement also includes evaluating the appropriateness of the policies used and reasonableness of significant estimates made, as well as evaluating the adequacy of the overall presentation of the Group EVM financial statements in accordance with the Company's EVM principles.

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

This report does not extend to any other financial statements of the Company.

Opinion

In our opinion, the Group EVM financial statements of the Company for the year ended 31 December 2015 are prepared, in all material respects, in accordance with the Company's EVM principles applied as explained in Note 1 to the Group EVM financial statements.

PricewaterhouseCoopers Ltd.

Alex Finn

Bret M. Griffin

Alex Finn
Audit expert

Bret Griffin

Zurich, 15 March 2016

Sensitivities

Estimated sensitivities of EVM new business profit and ENW to changes in key EVM assumptions are as follows:

	Property & Casualty Reinsurance	
USD billions	Change in 2015 EVM new business profit	Change in Economic net worth as of 31.12.2015
Change in frictional capital costs:		
Increase by 100bps (from 4% to 5%)	–0.2	–0.2
Financial market shocks:		
10% decrease in equity values	–0.4	–0.4
10% decrease in property values	–0.4	–0.4
100bps increase in credit spreads	n/a	–0.7
Change in reference rates (yield curve):[1]		
Increase by 100bps	n/a	0.4
Decrease by 100bps	n/a	–0.5
Inclusion of a liquidity premium in the valuation of EVM net insurance liabilities:		
Set reference rates equal to government rates plus 10bps	n/a	0.2
Set reference rates equal to government rates plus 50bps	n/a	1.0
Set reference rates equal to government rates plus 100bps	n/a	1.8
Reduce lapse rates by 10% (e.g. from 8.0% to 7.2%)	n/a	n/a
Mortality and morbidity rates reduced by 5%:[2]		
Mortality	n/a	n/a
Longevity	n/a	n/a
Morbidity	n/a	n/a
Remove all allowance for future mortality improvement:[3]		
Mortality	n/a	n/a
Longevity	n/a	n/a
Mortality/Longevity trend rates:[4]		
Set future mortality improvement assumption at 100bps p.a. (mortality business)	n/a	n/a
Increase future mortality improvement assumption by 100bps p.a. (longevity business)	n/a	n/a
Change in weighted average term to settlement:		
Increase by 10%	0.1	0.5
Decrease by 10%	–0.1	–0.5
Projected future claims cost:		
Increase new business claims by 10% (e.g. increase loss ratio from 60% to 66%)	–0.9	–0.9

[1] This sensitivity illustrates the impact of parallel shifts in risk free interest rates on the balance sheet. The business volume is assumed to be constant.
[2] The assumption is that future mortality/morbidity rates are lower than those assumed in the base calculations by a uniform 5% in all future years. The related impact on profit share agreements and changes in premium rates have been reflected.
[3] The base calculations reflect gradual future improvements in mortality rates. The impact of excluding such future improvements is illustrated here. The related impact on profit share agreements and changes in premium rates have been reflected.
[4] For the mortality business this sensitivity illustrates the impact of setting the improvement in mortality rates equal to 100bps for all ages throughout the projections in place of the allowance made in the base calculations. For the longevity business this sensitivity illustrates the impact of increasing the improvement in mortality rates by 100bps for all ages throughout the projections. In both cases, the related impact on profit share agreements and changes in premium rates have been reflected.
All sensitivities exclude the impact on additional taxes.

Life & Health Reinsurance		Corporate Solutions		Admin Re®		Swiss Re Group	
Change in 2015 EVM new business profit	Change in Economic net worth as of 31.12.2015	Change in 2015 EVM new business profit	Change in Economic net worth as of 31.12.2015	Change in 2015 EVM new business profit	Change in Economic net worth as of 31.12.2015	Change in 2015 EVM new business profit	Change in Economic net worth as of 31.12.2015
–0.1	–0.6	–0.0	–0.0	–0.1	–0.3	–0.5	–1.2
–0.1	–0.1	–0.1	–0.1	–0.1	–0.1	–1.0	–1.0
–0.0	–0.0	–0.0	–0.0	–0.0	–0.0	–0.4	–0.4
n/a	–1.7	n/a	–0.2	n/a	–1.8	n/a	–4.4
n/a	–0.3	n/a	0.0	n/a	–0.2	n/a	–0.1
n/a	0.4	n/a	–0.0	n/a	0.3	n/a	0.2
n/a	0.2	n/a	0.0	n/a	0.3	n/a	0.7
n/a	0.7	n/a	0.1	n/a	1.3	n/a	3.1
n/a	1.3	n/a	0.2	n/a	2.6	n/a	6.0
0.1	0.9	n/a	n/a	0.0	0.0	0.1	0.9
0.2	2.1	n/a	n/a	0.0	0.1	0.2	2.2
–0.1	–0.3	n/a	n/a	–0.1	–0.2	–0.2	–0.5
0.1	0.5	n/a	n/a	0.0	0.0	0.1	0.5
–0.4	–7.5	n/a	n/a	0.0	–0.1	–0.4	–7.6
0.2	0.8	n/a	n/a	0.2	0.4	0.4	1.2
0.0	0.1	n/a	n/a	0.0	0.0	0.0	0.1
–0.2	–0.7	n/a	n/a	–0.2	–0.4	–0.4	–1.1
n/a	n/a	0.0	0.0	n/a	n/a	0.1	0.5
n/a	n/a	–0.0	–0.0	n/a	n/a	–0.1	–0.6
n/a	n/a	–0.2	–0.2	n/a	n/a	–1.0	–1.0

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 Swiss Re'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 Swiss Re to not achieve its published targets.

Such factors include, among others:

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- Swiss Re'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 Swiss Re'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 Swiss Re's investment assets;
- changes in Swiss Re'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 Swiss Re'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 Swiss Re's hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting Swiss Re'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 Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re 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. Swiss Re operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re 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.

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

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