Swiss Re

Resilience in action

2017 Financial Report

Financial highlights

FINANCIAL HIGHLIGHTS

For the years ended 31 December

USD millions, unless otherwise stated	2016	**2017**	Change in %
Group			
Net income attributable to common shareholders	3 558	331	–91
Gross premiums written	35 622	34 775	–2
Premiums earned and fee income	33 231	33 705	1
Earnings per share in CHF	10.55	1.02	–90
Common shareholders' equity	34 532	33 374	–3
Return on equity in %[1]	10.6	1.0	
Return on investments in %	3.4	3.9	
Net operating margin in %	13.0	2.8	
Number of employees[2]	14 053	14 485	3
Property & Casualty Reinsurance			
Net income/loss attributable to common shareholders	2 100	–413	–
Gross premiums written	18 149	16 544	–9
Premiums earned	17 008	16 667	–2
Combined ratio in %	93.5	111.5	
Net operating margin in %	15.4	–1.3	
Return on equity in %[1]	16.4	–3.5	
Life & Health Reinsurance			
Net income attributable to common shareholders	807	1 092	35
Gross premiums written	12 801	13 313	4
Premiums earned and fee income	11 527	11 980	4
Net operating margin in %	10.4	13.1	
Return on equity in %[1]	12.8	15.3	
Corporate Solutions			
Net income/loss attributable to common shareholders	135	–741	–
Gross premiums written	4 155	4 193	1
Premiums earned	3 503	3 651	4
Combined ratio in %	101.1	133.4	
Net operating margin in %	4.2	–23.5	
Return on equity in %[1]	6.0	–32.2	
Life Capital			
Net income attributable to common shareholders	638	161	–75
Gross premiums written	1 489	1 761	18
Premiums earned and fee income	1 193	1 407	18
Gross cash generation[3]	721	998	38
Net operating margin in %	27.0	10.9	
Return on equity in %[1]	10.4	2.2	

[1] Return on equity is calculated by dividing net income/loss attributable to common shareholders by average common shareholders' equity.
[2] Regular staff.
[3] Gross cash generation is the change in excess capital available over and above the target capital position, with the target capital being the minimum statutory capital plus the additional capital required by Life Capital's capital management policy.

In this report
We provide a detailed record of our financial and operational performance for 2017.

Contents

Business Units at a glance

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

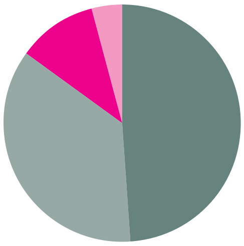
BUSINESS UNIT		NET PREMIUMS EARNED AND FEE INCOME (USD BILLIONS)	NET INCOME/LOSS (USD MILLIONS)
Reinsurance Reinsurance provides clients and brokers with reinsurance products, insurance-based capital market instruments and risk management services. Reinsurance operates globally through two segments – Property & Casualty and Life & Health.	**Property & Casualty**		
	2017	16.7	–413
	2016	17.0	2 100
	Life & Health		
	2017	12.0	1 092
	2016	11.5	807
Corporate Solutions Corporate Solutions provides risk transfer solutions to large and mid-sized corporations around the world. Its innovative, highly customised products and standard insurance covers help to make businesses more resilient, while its industry-leading claims service provides additional peace of mind.	2017	3.7	–741
	2016	3.5	135
Life Capital Life Capital manages closed and open life and health insurance books. It provides alternative access to the life and health risk pool, helping to generate stable returns and seize attractive new opportunities.	2017	1.4	161
	2016	1.2	638
Total (After consolidation)	2017	33.7	331
	2016	33.2	3 558

OPERATING PERFORMANCE	RETURN ON EQUITY
111.5% (93.5% 2016) **Combined ratio**	–3.5% (Over-the-cycle target: 10%–15%)
13.1% (10.4% 2016) **Net operating margin**	15.3% (Over-the-cycle target: 10%–12%)
133.4% (101.1% 2016) **Combined ratio**	–32.2% (Over-the-cycle target: 10%–15%)
998m (USD 721m 2016) **Gross cash generation**	2.2% (Mid-term target: 6%–8%)
1.0% (10.6% 2016) **Return on equity**	+700 bps Over-the-cycle ROE target of at least 700 bps greater than Swiss Re's designated risk-free rate, currently 10-yr US government bonds.

DIVERSIFIED AND GLOBAL

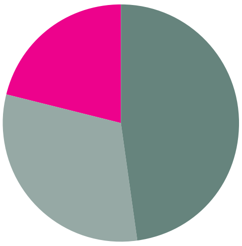
Net premiums earned and fee income by business segments
(Total USD 33.7 billion)

- 49% P&C Reinsurance
- 36% L&H Reinsurance
- 11% Corporate Solutions
- 4% Life Capital



Net premiums earned and fee income by region
(Total USD 33.7 billion)

- 48% Americas
- 31% EMEA
- 21% Asia-Pacific



Swiss Re's strategy helped navigate a turbulent 2017

Walter B. Kielholz
Chairman of the Board of Directors

Dear shareholders,
2017 was a turbulent year. It will go down in history as a year in which insurers – especially reinsurers – faced many claims from major natural catastrophes. Insurers saw their accounts hit by no fewer than three hurricanes in the North Atlantic, two earthquakes in Mexico, two large forest fires in California and storms in Australia. But after all, this is our business and the reason why we're here. That's why we provide a detailed overview of the 2017 natural catastrophes and their impact in our Annual Report. Incidentally, history shows that loss concentrations of this kind occur at a practically biblical rhythm of every five to seven years.

Proposed regular dividend per share for 2017
(CHF)

5.00

(CHF 4.85 for 2016)

The high storm activity clearly illustrated the potential consequences of climate change. While the frequency of storms in 2017 was not actually extraordinary when viewed in a multi-year comparison, it did show us what could happen if major storms were really to occur more frequently on a lasting basis, year after year. No one can predict how the insurance industry would actually deal with such a trend. In any case, Swiss Re will help contribute to managing the implications of climate change – both through our insurance solutions and our investment strategy. Mind you, this is also something that major institutional investors increasingly and vigorously call for.

It will be interesting to see how the insurance markets will respond to a year like 2017. Prices for insurance cover normally begin to drop after a series of "good" years, or in other words, years without large claims. This has been the case for quite some time now. But prices are set to rise again in the wake of a year such as 2017 – and this has been the case since the start of 2018, although the increases in the overall market are somewhat more muted than we would have expected. I am intrigued to see how the market dynamics will continue to develop. What we already know is that 2017 didn't particularly weaken insurance market capitalisation, which may indicate a more moderate correction in prices. This remains to be seen.

Geopolitical risks

A year ago, I commented on geopolitical risks, at that time in the wake of Brexit and the US elections. Do I feel reassured, one year later? No, I do not. However, the reasons for my concern about the geopolitical situation have shifted somewhat. I now take a slightly more optimistic view of the situation in Europe, with respect to both the political and economic conditions. While the situation in the UK remains very uncertain and the potential consequences of Brexit are still somewhat unclear, I am encouraged by developments in other European countries.

While the US is demonstrating economic strength that we haven't seen for years, the country is still bitterly divided on key issues – which will presumably worsen. I believe that the US is in the midst of a more substantial transformation than is suggested by the media's focus on President Trump and his Twitter activity. At the same time, the Middle East continues to be the scene of great political upheaval, and unfortunately, no rays of hope are discernible on the horizon at present.

Please be assured that the management and the Board of Directors of Swiss Re take these geopolitical developments very seriously and continue to monitor them closely – we remain vigilant.

Growth, inflation and interest rates

We are obviously pleased that the global economy has entered a growth phase, even more so as our business can only grow when other industries outside of the financial sector are growing too. The inflation so long-awaited by many could, however, be a headache for us if it gets out of control. Let's remember that we are vulnerable to inflation, especially in the liability business. In the past, it was very difficult to adjust for strong and sudden inflation hikes. Of course, we haven't reached that point yet. But the phase of highly expansionary monetary policy – whether traditional or non-traditional – is over, and there is little doubt that yield curves will change again – move upwards and get steeper.

In fact, we are happy to experience an almost normal economic situation of this kind; but the road leading there will be painful for the insurance industry, because it implies a long and sustained bond bear market. This is a nightmare for a re/insurance company like Swiss Re that holds nearly 77% of its financial assets in bonds – and the reason why we are striving all the more to keep a check on the negative medium-term effects. Ultimately, I am convinced that the near future will see the establishment of a new reality in the financial markets, in which we will also be able to operate very successfully again.

"I personally remain optimistic and confident that Swiss Re will continue its success story – thanks to our resources, financial latitude, global network and our employees' wealth of knowledge and expertise."

Knowledge and experience sets us apart

154 years

Digitalisation, big data, robotics, artificial intelligence

Forward-looking concepts in the fields of digitalisation and artificial intelligence are currently at the top of the agenda – and everyone is talking about these topics. People are either euphoric or concerned about them, depending on their standpoints and interests: some discussions suggest that business models run the risk of becoming obsolete sooner or later. Meanwhile, individuals are worried about their jobs and the world with which they are familiar. They wonder if their knowledge and skills, which they have worked hard to nurture, might cease to be needed from one day to the next.

I am convinced that today's concept of eco-system insurance will undergo drastic changes. A year ago, I already commented that I consider the distribution and production (intermediation) costs associated with insurance to be far too high given the modern technologies available. This also applies to other financial services, where the current situation has similarly attracted an almost frantic focus. We know, of course, that these far-reaching changes will probably take more time – but we also know that their effects will be felt all the more profoundly and rapidly when they do take hold. I believe that modern technologies will completely disrupt the insurance industry's value chains and pose great challenges to the entire industry's structure.

We have to be strategically prepared for this. We believe that digital disruption will have a less immediate impact on reinsurance and major risk business than on direct insurance business. And we believe that having an agile personnel and organisational infrastructure will be advantageous for purposes of flexibly adapting traditional business models. Nevertheless, we are not naïve: we certainly cannot allow ourselves to become complacent in such a radical phase of change – on the contrary, we want to play an active role in shaping it. Waiting anxiously and doing nothing is never a useful strategy. Swiss Re is therefore examining various strategic options that will enable us to respond rapidly to the digital transformation and fully capitalise on its future potential.

Meanwhile, this all comes down to the main aspect of our strategy: the allocation of capital and resources to emerging business models as well as the leveraging of newly established intermediaries to gain access to risk pools and end customers to which our traditional primary insurance partners have little access. Of course, we also aim to find new ways of assessing and evaluating risks – thanks to new analytical methodologies in a highly interconnected world of infinite data volumes.

Who knows where this journey will lead… but we are definitely living in exciting times. I personally remain optimistic and confident that Swiss Re will continue its success story – thanks to our resources, financial latitude, global network and our employees' wealth of knowledge and expertise.

In conclusion, let me draw your attention to a few important personnel changes: In light of the ongoing renewal of the Board of Directors – a process that we launched some years ago – I am very pleased that we have attracted three outstanding individuals to stand for election to the Board. At the next Annual General Meeting on 20 April 2018, we will propose Karen Gavan, Eileen Rominger and Larry Zimpleman as new, non-executive and independent members.

Karen Gavan has over 35 years' experience in various senior-level finance and management positions in insurance companies, both in life insurance and property and casualty business. Eileen Rominger is a recognised investment professional with extensive investment management experience. Larry Zimpleman boasts a successful 44-year career with the Principal Financial Group, an investment management firm that provides insurance solutions and asset management and pension products to private individuals and institutional clients. In the course of their diverse careers, all three have accumulated extensive international experience and sound insurance expertise, as well as wide-ranging skills in the field of new digital insurance solutions and offerings.

After 17 years as a member of the Board of Directors, Rajna Gibson Brandon has decided to step down. Mary Francis and C. Robert Henrikson, current members of the Board of Directors, also plan to retire at the next Annual General Meeting. I would like to thank Rajna Gibson Brandon, Mary Francis and C. Robert Henrikson for their great dedication and valuable contribution – not to mention the strategic advice and knowledge they have placed at our disposal over the years.

As already communicated, there is also a change to our Group Executive Committee: John R. Dacey will become the new Group Chief Financial Officer, succeeding David Cole, with effect from 1 April 2018. John R. Dacey joined Swiss Re's Group Executive Committee as Group Chief Strategy Officer more than five years ago, and has successfully led several strategic initiatives. His career in the re/insurance industry spans over 20 years, during which time he has held a range of management positions. After more than seven years at Swiss Re, David will step down as Group CFO on 31 March 2018 to pursue a non-executive career. He will, however, remain a member of the board of directors of several Swiss Re subsidiaries. We would like to thank David Cole for his management expertise and outstanding contribution to Swiss Re.

In addition, I would like to thank our approximately 14 500 employees around the world – also on behalf of the Board of Directors and the Group Executive Committee – for their impressive commitment in 2017. It was largely thanks to their efforts that we were able to successfully navigate a very demanding year. And, finally, I would also like to thank you, our shareholders, for your trust and ongoing support and I wish you a successful 2018.

Zurich, 23 February 2018

Walter B. Kielholz
Chairman of the Board of Directors

Industry trends

An overview of some of the observed trends that are likely to have an impact on the re/insurance industry.

Geopolitical risk

In line with recent geopolitical trends, international commitment to cooperation in terms of trade, security and free movement of people is deteriorating. After a prolonged period of cooperation following the financial crisis, regulators today also seem to have less of an appetite for globally-aligned policy reforms. The chances of global re/insurance regulatory standards being agreed and implemented have diminished and a more territorial approach to supervision seems to be on the rise. The resulting fragmentation limits diversification possibilities and regulatory predictability, and it increases operational costs by requiring more local regulatory considerations. Additionally, more fragmented regulatory approaches will be less effective in promoting financial stability. Such developments may eventually lead to trade barriers and market access issues around the globe. They could also undermine re/insurers' ability to support economic activity and close the protection gap.

Monetary policy shift

The US Federal Reserve (Fed) is expected to raise interest rates further. The central bank will need to walk a thin line between monetary policy normalisation and avoiding an unwarranted tightening in financial conditions. Inflation is the key risk that could force the Fed to hike rates more aggressively and trigger adverse financial market reactions. Re/insurance growth is often linked to GDP growth and strong global economic growth helps re/insurance make progress in bridging the protection gap.

Transformation of business models

We are experiencing the emergence of new business models that create customer centric digital journeys extending beyond what end users could previously obtain. These developments trigger new re/insurance demand, or change customer expectations for example with regards to digital interaction. Newly transformed customer centric business models will trigger further demand for novel insurance products and distribution channels, while at the same time increasing requirements for innovative solutions and data privacy. However, existing regulatory frameworks that are not appropriately geared to technology-driven innovation could limit the ability of insurers to deploy technology-based solutions, at least in the long-term.

Climate change

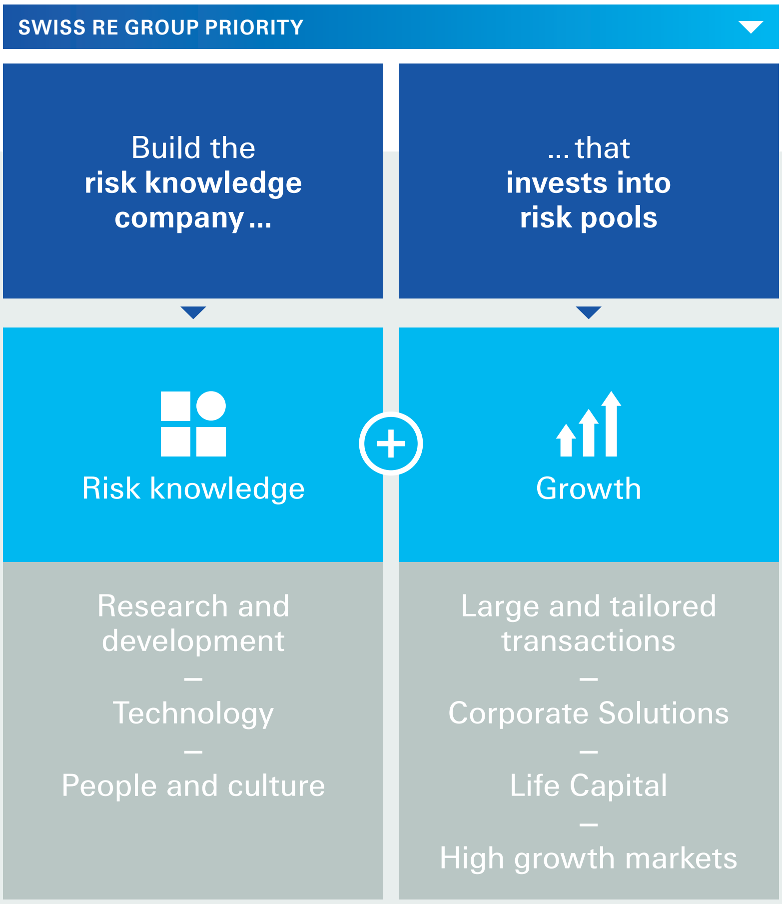
Physical risks posed by climate change could potentially affect three areas of the re/insurance business: reduction/disruption of insurers' operations, modelling and pricing weather-related natural perils, and impact on the economic viability of re/insurance for risks exposed to extreme weather events. In the face of these risks, it becomes increasingly imperative that insurers are able to diversify risks globally. It is therefore important that governments work to remove remaining re/insurance market access barriers.

Swiss Re maintains its commitment to creating long-term value

Christian Mumenthaler
Group Chief Executive Officer

Dear shareholders,
2017 was a demanding year for our industry – and for Swiss Re. I'm sure you remember the news headlines about Cyclone Debbie in Australia, the hurricanes in the US and Caribbean, the earthquakes in Mexico or the wildfires in California. Above all else, disasters like these are human tragedies. I was troubled and deeply moved by the devastation to families and whole communities.

In such difficult times, we are here to help people and businesses get back on their feet. That has always been our purpose. And it's what makes working here so rewarding for me personally. I'll remember 2017 as another year of truth for Swiss Re: it was and remains our priority to support our clients and the people affected by severe natural catastrophes.



Despite the estimated large insurance claims of 2017, we reported a full year net income of USD 331 million. Our decisions in recent years to keep excess capital on our balance sheet and to be disciplined in our underwriting mean that – even after the losses – our capital position is very strong and our financial flexibility remains high. Our commitment to creating long-term value for you, our shareholders, as well as for our clients remains unchanged.

Unfortunately, last year's natural disasters also highlighted the fact that a lot of people do not have insurance. That can be due to a variety of reasons, such as lack of access or awareness. In fact, the number of people around the world who are not protected has been increasing. This is due to population growth and more people living in areas that are prone to natural disasters – Florida is one example.

We've been determined to tackle this gap in insurance coverage – we call it the protection gap – for many years. In 2015, the global protection gap amounted to around USD 153 billion for natural catastrophe risk. In my opinion, this number is far too big. It represents too many people that will not have the financial support necessary to rebuild their lives when natural catastrophes strike in the future. It also represents a threat to entire economies.

Our industry plays a major role in ensuring financial stability and, therefore, we need to keep working hard to close this protection gap. This will require more than traditional reinsurance solutions. It's my ambition over the coming years to strongly position Swiss Re as a risk knowledge company. What do I mean by this? I mean that Swiss Re applies its 154 years of risk knowledge and partners with our clients so that, together, we can develop innovative insurance solutions that reach more people. In doing so, we are making the world more resilient.

Moving the needle on investments

Swiss Re is among the first in the re/insurance industry to systematically integrate environmental, social and governance (ESG) benchmarks into its investment decisions.

Reducing risks

We're in it for the long-run. And so are our investments. As an early adopter of ESG investment principles, Swiss Re is leading the way towards a more resilient future by increasing its environmental, social and governance accountability. Responsible investment has been for a long time part of our DNA, and our recent switch to ESG benchmarks has helped us further mitigate risk in our investments while still benefiting from the upside potential.

Further challenges

The integration of ESG considerations along the entire investment process makes economic sense, as it results in superior risk-adjusted returns over the long term. However, broader adoption of responsible investment approaches requires regulatory harmonisation, clear industry standards and consistent ESG integration in company analysis.

Swiss Re remains a leading player in the industry, supporting the development of robust regulatory and benchmarking frameworks with clear definitions, standards and methodologies that will also enable the creation of suitable investment products needed to secure widespread adoption of ESG criteria.

Growing impact

We continually explore options to further integrate ESG criteria into our investment decisions. With this move, we hope to encourage the development of business models that help make economies more resilient and improve longer-term financial market stability. The impact of applying ESG criteria into the entire USD 75 trillion institutional asset base could have a transformational effect on our world.

Full year net income
in USD millions, 2017

331

(2016: USD 3.6 billion)

Innovative solutions to make the world more resilient

We made progress towards that goal in 2017. We co-led the World Bank's Pandemic Emergency Financing Facility (PEF). In case of a disease outbreak, cash will be automatically paid to response agencies and national governments to finance emergency interventions. Payouts will be made when a set of pre-determined thresholds are met, such as number of deaths or infections within a given timeframe. PEF was developed in response to the Ebola crisis of 2014 where, as you may remember, response funds only became available months into the outbreak. PEF will allow funds to reach affected countries in as little as ten days. In that sense, we expect it to save lives and prevent an outbreak from becoming a larger international crisis.

Solutions like this are only possible with the latest technology. And, in general, technology is having a big, mostly positive impact right across the insurance value chain. For example, Magnum – our underwriting software for life and health insurance products – enables our primary insurance clients to automate the risk assessment process, providing instant underwriting decisions. In 2017, Magnum processed more than 10 million applications globally. Furthermore, it provides our clients with meaningful data insights, so that they can better understand their customers and develop products that are even more tailored to their needs. At the same time, we gain insights into the drivers of profitability in the biometric risk business. In this way, we work together with our clients to extend insurance coverage.

Technology is also changing insurance distribution channels. Just as we can buy books or groceries online, you can easily buy life insurance online, too. Our digital life insurance platform, provided through our iptiQ business, makes it possible to reach the people who don't buy insurance through traditional insurance distribution channels, such as agents – and for the price of a coffee per day. With the platform, our clients can take advantage of our technology and knowledge, but distribute products under their own brand. There's great potential to provide security and peace of mind to millions of people.

At the same time, with digital solutions we're improving our international business capabilities to better support our commercial insurance clients around the world. We work with our clients – from retail operators to real estate companies and from schools to hotels – to provide a better understanding of the current and future risks they face and develop innovative solutions that meet their specific needs and risk exposure. Insured businesses are more resilient businesses because in the event of a disaster, we help them get back to work and serving their own customers quicker.

> "Our strategy and near-term priorities set us up well to continue partnering with our clients and applying our knowledge to develop solutions that directly tackle the protection gap."

Let me share a tangible example: when hurricanes Harvey, Irma and Maria hit last year, we received more than 200 loss notices from our commercial insurance clients in the days immediately after the hurricanes made landfall. To handle the claims quickly, we reallocated staff across regions and lines of business and we were able to get back to clients within one business day. In one case, we provided a fast, substantial payment to a school that was significantly damaged in one of the most affected areas. With this money, we helped the school start reconstruction quickly, and it's on track to re-open in time to host the graduation ceremonies for its senior class.

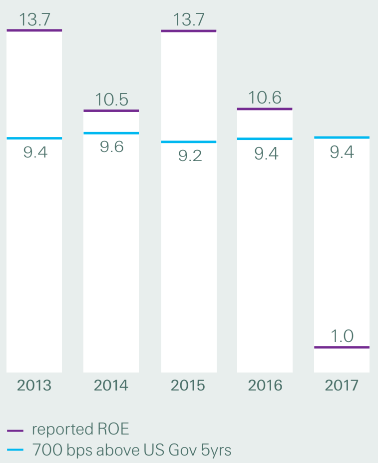
Our financial performance in 2017

After several years with below average natural catastrophe activity and corresponding very strong returns for shareholders in our property and casualty (P&C) businesses, the events of 2017 – totalling USD 4.7 billion in expected claims – took a toll on our results: P&C Reinsurance reported a loss of USD 413 million and Corporate Solutions reported a loss of USD 741 million. As the US is the largest market for our commercial business, Corporate Solutions' result was particularly impacted by the natural catastrophes there. We remain fully committed to the Business Unit and, as we previously communicated, we have strengthened its capital position with a USD 1.0 billion capital injection.

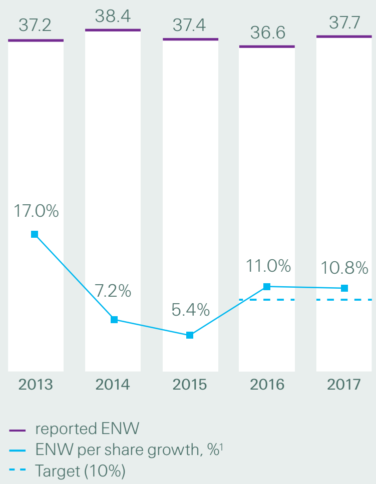
Following such large re/insurance losses that affect the whole industry, the prices for re/insurance products tend to rise. In the January 2018 renewals, we saw a 2% increase in prices which was most pronounced in the property lines affected by natural catastrophe losses. This is positive for us, our industry and, in my view, is necessary. With the majority of loss affected property business in the US still to be renewed in July, we will keep steering pricing towards levels that are more appropriate for the risks we take on – also to ensure the long-term sustainability of the insurance value chain.

OUR FINANCIAL TARGETS

Return on equity
(in %)



Economic net worth
(in USD billions)



[1] The 10% ENW per share growth target is calculated as follows: (current-year closing ENW per share + current-year dividends per share) / (prior-year closing ENW per share + current-year opening balance sheet adjustments per share). This new target applies from 1 January 2016. The reported figures for 2013, 2014 and 2015 have been adjusted for consistency with the new target definition and are provided for reference purposes only.

In contrast to our P&C businesses, our life and health businesses thrived in 2017. For the third year in a row, our Life & Health Reinsurance performance was strong and we increased our net income to USD 1.1 billion – a result we achieved through a strong investment performance and solid underwriting results. In Life Capital, our Business Unit which manages closed and open life and health insurance books, we generated gross cash of USD 998 million in 2017. We also achieved two important milestones in ReAssure, a UK subsidiary of Life Capital, through which we buy books of policies that are no longer sold by a life insurer but need to be actively managed until they close. I'm delighted that MS&AD, a Japanese insurance group that we've had a relationship with for 103 years, made a minority investment in ReAssure. This significantly boosts our capacity to finance closed books of business. And, you may have read that in late 2017 we purchased 1.1 million life insurance policies from Legal & General Group PLC, a UK financial service provider. We now protect 3.4 million people through ReAssure. At the same time, we generated significant growth in Life Capital's individual and group life insurance businesses in 2017.

I'm also pleased that our investment performance for 2017 was very strong with an ROI of 3.9% and that we continued to pave the way in responsible investing. We are especially proud to be among the first in the industry to switch to benchmarks that systematically integrate environmental, social and governance (ESG) criteria. This helps generate sustainable long-term investment returns and reduces downside risks.

I am convinced that the outlook for our industry is now more positive than it has been in the last four years. I expect that changes in the market environment, such as adjusting price levels and increased interest rates, will be good for our business.

Our strategy and near-term priorities set us up well to continue partnering with our clients and applying our knowledge to develop solutions that directly tackle the protection gap. Even after 19 years with Swiss Re, I'm still impressed by my colleagues' dedication to doing this every day – for that, I sincerely thank them. I also thank you, our shareholders, for your trust in us, the employees of your company, Swiss Re.

Zurich, 23 February 2018

Christian Mumenthaler
Group Chief Executive Officer

PROTECTION GAP

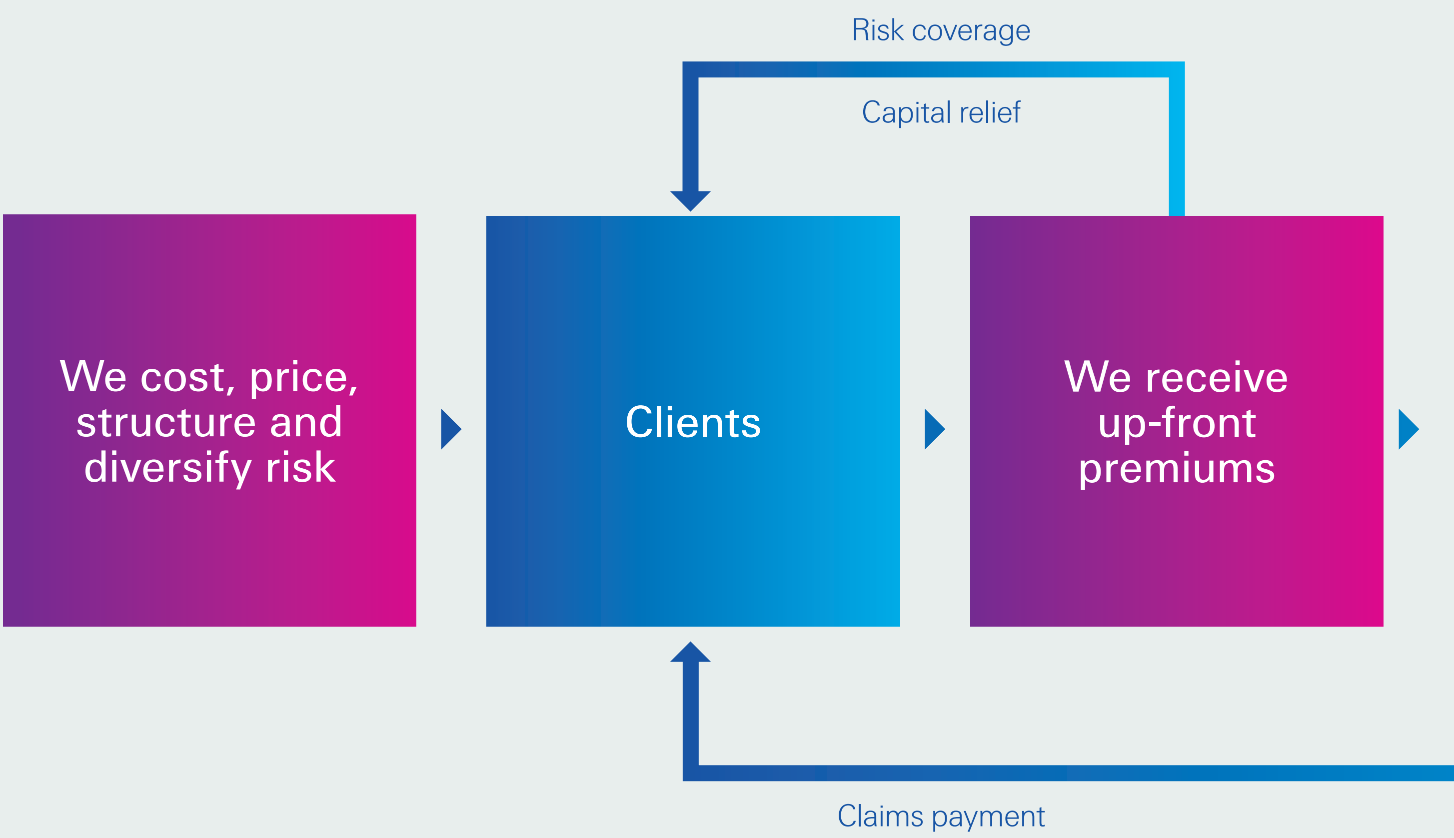
For Swiss Re, the protection gap refers to underinsured risk pools around the globe that could potentially lead to high economic losses. Population growth, increasing human concentration in natural disaster-prone areas, or lack of awareness or perception of risk are some of the factors that can contribute to a widening protection gap worldwide. Swiss Re leverages over 150 years of re/insurance expertise to help society better manage its risks. Combining knowledge and technology advancements, we work with our clients and the relevant governmental institutions to develop innovative solutions that broaden the scope of our service coverage to help narrow the protection gap and contribute to making the world more resilient.

RISK POOLS

For Swiss Re, risk pools represent the landscape of insurable risks worldwide. They evolve constantly, requiring close monitoring of their scope, frequency and magnitude. The cyclicality of natural catastrophes, new and emerging risks, such as cybersecurity, changes in the regulatory environment and insurance buying behaviour are all factors that affect the size and nature of risk pools worldwide. As a risk knowledge company, we actively seek access to those risk pools, directly or through our clients, to further diversify our risk portfolio.

How re/insurance works

The re/insurance industry plays a pivotal social and economic role by protecting people and businesses against risk.



OUR DIFFERENTIATING FEATURES

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

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

Our role and our mission
We help insurance companies to manage their risks by absorbing some of their biggest losses, especially losses stemming from natural catastrophes that are among the largest and most complex risks that exist. Therefore, we play a major role in preparing people, businesses and governments to face new and old threats. We make constant capital allocation decisions, exercising disciplined underwriting and focusing on the most attractive risk pools. The premiums we receive in exchange for protection need to be invested smartly in various financial assets, which means our investments contribute to the real economy and to strengthening infrastructure. The capital remains invested until we need it to pay claims following a loss. As a knowledge company, we generate and share risk knowledge, helping society thrive and progress.

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

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

Swiss Re delivered a Group net income of USD 331 million, supported by a continued solid underwriting performance and a strong investment result.

Contents

The global economy and financial markets

Global growth improved in 2017. Long-term bond yields remained low while equity markets rallied.

Global growth improved in 2017, while inflation remained moderate. Long-term bond yields remained low despite a reduction of monetary stimulus by some of the major central banks. Stock markets performed well in this environment.

Global economy

The US economy, after a weak first quarter, returned to robust growth in the third quarter of 2017, despite disruptions caused by hurricanes Harvey and Irma. The Euro area economy outperformed expectations and accelerated significantly compared to 2016. The pick-up in growth was broadly based across Euro area member countries. Nevertheless, the level of real economic output has still not recovered to pre-global-financial-crisis levels in a number of countries, including Greece, Italy and Portugal. Growth in the United Kingdom was weaker than in the Euro area as Brexit-related uncertainty hampered business investment. Elevated inflation in the United Kingdom eroded consumer purchasing power and thus spending. The Japanese economy outperformed expectations in the first half of 2017, driven mainly by a recovery in exports.

Headline inflation continued to increase in the major markets, driven by the price of oil, which was higher on average in 2017 compared to 2016. However, underlying inflation (excluding energy prices) as well as wage increases remained moderate despite broad-based declines in unemployment. In the US, wage gains decelerated to about 2.5% year on year in 2017, down from 2.9% in December 2016. Similarly, wage growth in the UK slowed in 2017 compared to 2016, despite record low unemployment.

Economic performance in emerging markets varied. GDP growth in emerging Asia remained strong. China's economy continued to grow at a rapid pace, despite increasing government efforts to de-risk the financial sector and reduce excess industrial capacity. Growth in India slowed in 2017, likely due to the government's demonetisation programme initiated in November 2016. Growth in the Middle East also slowed, mainly driven by a contraction in Saudi Arabia and a slowdown in UAE and Iran. In Central and Eastern Europe (CEE), the economic expansion accelerated significantly in 2017, driven primarily by CEE EU-member countries, although the Russian economy also expanded after having contracted in the previous two years.

Overall, economic growth in Africa improved in 2017, but varied significantly by region. Growth in the commodity-intensive countries in sub-Saharan Africa benefited from stronger commodity prices. While South Africa, Nigeria and Angola emerged from recession, economic recovery has been weak. Non-commodity intensive markets continued to deliver solid-to-strong growth based on infrastructure investments. Latin America's aggregate real GDP growth also improved in 2017 as Brazil and Argentina returned to growth. The expansion in the region, however, remained modest overall.

Interest rates

Some of the major central banks reduced their monetary stimulus measures in 2017. The US Federal Reserve (Fed), which had already increased interest rates in late 2015 and 2016 by 25 basis points each, raised interest rates three more times in 2017. In addition, the Fed stopped reinvesting some of the maturing debt securities as of October 2017, which will lead to a gradual reduction of its balance sheet.

The Bank of England raised interest rates for the first time in over a decade in November 2017, reversing the post-Brexit vote emergency cut. In October,

US 10-year Treasury bond yield
Year-end 2017

2.4%

German 10-year Bund yield
Year-end 2017

0.4%

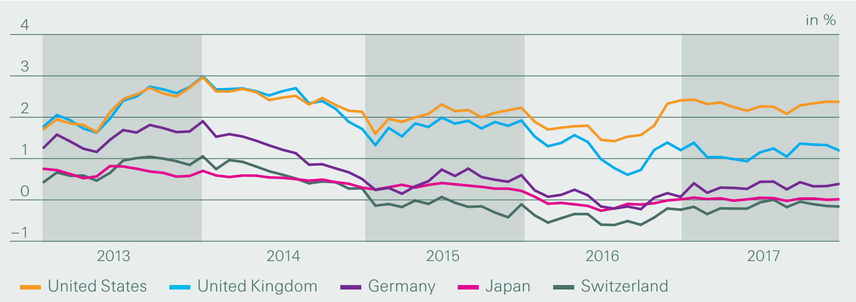
the European Central Bank (ECB) announced an extension of its monthly asset purchases until September 2018 or beyond, while stating that it planned to reduce the volume of monthly purchases in half as of January 2018. Despite these adjustments, central bank monetary policies in advanced markets remain very loose overall. Low levels of inflation provided scope for monetary policy easing in a number of emerging markets, including Brazil, Russia and India.

Despite initial moves towards less accommodative monetary policies in some advanced markets and stronger growth, long-term government bond yields were broadly unchanged on the year (see interest rates chart). The US 10-year yield ended the year at 2.4%, the UK yield at 1.2% and the Japanese yield at 0%. The yield on the German 10-year government bond was up modestly and ended the year at 0.4%, compared to 0.2% at the end of 2016.

Stock market performance
Stronger growth, moderate inflation and continued support from central banks supported stock markets in 2017 (see stock markets chart). The US S&P 500 gained 19%, the Japanese TOPIX 18% and the Swiss Market Index 14%. The Eurostoxx50 and the MSCI UK increased by a more moderate 6% and 7%, respectively.

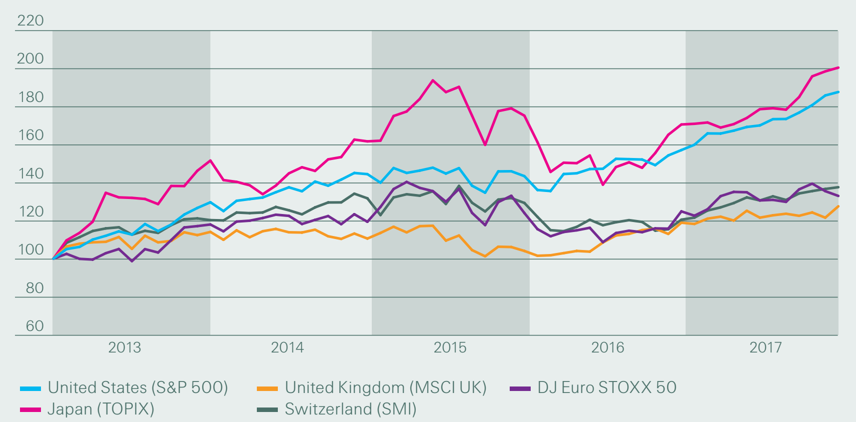
Currency movements
The US dollar weakened versus other major currencies during 2017. The election of Donald Trump in November 2016 had raised expectations of stronger growth, higher inflation and higher interest rates, which caused the US dollar to appreciate in late 2016. During the course of 2017, expectations of increased US public spending and tax cuts were scaled back, causing the US dollar to weaken again. The British pound was up 10% versus the US dollar in 2017, and the euro gained 14%, helped

INTEREST RATES FOR 10-YEAR GOVERNMENT BONDS 2013–2017



Source: Datastream

STOCK MARKETS 2013–2017



Source: Datastream

by stronger than expected growth in the Euro area. The Japanese yen and the Swiss franc were up by a more moderate 4% and 5% versus the US dollar, respectively. The latter two currencies are typically perceived as "safe havens" and became relatively less attractive as economic confidence improved.

Economic risks affecting re/insurers

There are both upside opportunities and downside risks to the economic outlook. China stepped up efforts to deleverage corporate debt in 2017. This has helped contain, but not resolve, the problem of lingering credit risks in China. The risk of protectionism has increased under the current US administration. This could result in a global trade war that has the potential to harm growth on a global scale. There are also worries about the impact that the scaling back of central banks' "quantitative easing" measures will have on markets. However, central banks have been very diligent so far in communicating their plans and have adopted a gradual approach that is likely to mitigate this risk. Nevertheless, this risk could become more significant in a rising inflation environment. Political risks in Europe that dominated the headlines in early 2017 (eg, elections in France and the Netherlands) have lessened, although the risk of a disorderly Brexit arguably increased during 2017 given the slow progress in the Brexit negotiations. In addition, geopolitical risks (North Korea, Middle East, etc.) remain elevated, but their economic consequences are hard to quantify.

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

Upside opportunities could result in stronger growth and would be beneficial for the re/insurance industry. Investment yields would improve, albeit only slowly, and premium volumes would rise along with economic activity. However, inflation may increase along with stronger growth. Should inflation remain elevated over several years, this could have a sizeable impact on re/insurance claims, especially in casualty lines.

One key upside risk comes from US fiscal policy. The tax bill passed in late 2017 included more front-loaded benefits than earlier drafts. A resulting fiscal boost is expected to add modestly to growth in 2018 and 2019. If those benefitting from the tax cut spend a larger proportion of the windfall than currently expected, growth could turn out to be even stronger. Other upside risks include stronger performance in the Euro area as the cyclical upswing may prove to be more robust than expected, and a resilient UK economy if Brexit is less damaging than predicted. Finally, China could maintain growth of near 7% rather than slow gradually, benefiting Asia overall and global commodity exporters in particular.

ECONOMIC INDICATORS 2016–2017

	USA		Eurozone		UK		Japan		China	
	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**
Real GDP growth[1]	1.5	**2.3**	1.8	**2.5**	1.9	**1.7**	0.9	**1.6**	6.7	**6.9**
Inflation[1]	1.3	**2.1**	0.2	**1.5**	0.7	**2.7**	–0.1	**0.5**	2.0	**1.6**
Long-term interest rate[2]	2.5	**2.4**	0.2	**0.4**	1.2	**1.3**	0.1	**0.1**	3.1	**3.9**
USD exchange rate[2,3]	–	**–**	105	**120**	123	**135**	0.85	**0.89**	14.4	**15.4**

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

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

SWISS RE AND LSE JOIN FORCES IN RESEARCH PARTNERSHIP

Insurers play a central role in facilitating financial market resilience by providing risk transfer solutions, and by investing premiums into the real economy. Swiss Re engages with all stakeholders with the aim of creating an environment conducive to long-term investment and sustainable economic growth.

An example of our commitment to financial market resilience is the research partnership between the recently formed Swiss Re Institute (SRI) and the London School of Economics (LSE) focusing on monetary policy and long-term investment. The partnership, which continued in 2017, examines two questions. The first concerns the changing structure of central banks' balance sheets and potential implications for the functioning of markets.

Since the global financial crisis in 2007/08, the combined balance sheet of the world's five largest central banks had increased from about USD 7 trillion to over USD 20 trillion by the end of 2017. In that time, central banks have become the dominant investors in financial markets, at the cost of the private sector. Among others, the private sector includes the insurance industry and pension funds, and therefore also the households investing their savings through insurance and pension products. It is key that capital markets are strengthened so that this private risk capital is put to its best use as financing for the real economy.

The second research question focus is the effect of loose monetary policy on structural reform of the economy. Empirical results show that loose monetary policy leads to a slowdown in the pace of structural reform implementation. The prevailing monetary policy environment of recent years has allowed governments to borrow at essentially zero cost, and that has reduced the incentive to implement reforms.

The SRI/LSE research has been presented at several forums, including the annual Jackson Hole Economic Policy Symposium (organised by the Federal Reserve Bank of Kansas City) and at the Peterson Institute for International Economics. Furthermore, together with the LSE, we hosted two roundtable discussions bringing together central bank officials, policy makers, private-sector agents and researchers. Looking ahead, Swiss Re will continue to contribute actively to the dialogue. Our goal is to strengthen the capacity of the insurance industry as a risk absorber and facilitator of financial market and economic resilience, and to ensure that investors are able to act on a long-term basis.

Primary non-life

Market size in USD billions
Estimated global premium income in 2017

2 200

Market performance
Estimated global premium growth in 2017

3%

Market overview

The global non-life industry generated around USD 2 200 billion of premium income in 2017, of which around 20% came from emerging markets. Non-life insurance ranges from standardised motor and household insurance to sophisticated tailor-made liability and property covers, including specialty commercial and industrial risk insurance.

Market performance

Premiums have risen moderately in almost all countries/regions in 2017 due to stronger economic growth. Global non-life premiums are up an estimated 3% in real terms, after a 2.3% gain in 2016. Underwriting conditions have remained soft, particularly in commercial insurance.

In the advanced economies, real premiums have grown by about 2% in 2017, up slightly from 1.5% in 2016. The US market expanded by 4.7%, fueled by strong growth in motor premiums. In Western Europe, stronger motor business in Germany, France, Spain and the UK supported premium growth. Growth was weak again in Italy due to continued softening in motor, albeit at a more moderate pace than in previous years. In Japan, premiums resumed mild real growth of 1% in 2017, after a 0.5% decline in 2016, which was driven by a sharp decline of long-term fire products. Compulsory motor premiums declined due to premium rates cut. In Australia, premiums were up 2%, while growth in personal lines remained solid and commercial insurance premiums returned to growth on the back of better economic performance and rising premium rates.

Non-life premiums in the emerging markets have grown by an estimated 6% in 2017, up slightly from 2016 and 2015, but slower than the 8% annual average growth between 2010 and 2014. The deceleration has been due to continued economic stagnation, and positive but slow premium growth in Latin America and Africa. Meanwhile, premiums in emerging Asia are up almost 10% driven by double-digit growth in China and India, its largest markets. In Central and Eastern Europe (CEE), premiums have grown by less than 5% this year due to contraction in Russia.

Global non-life industry profitability has declined in 2017, with return on equity (ROE) down to 3% from 6% in 2016, and well below 10% in 2013 and 2014. The 2017 results have been driven by three main factors: soft underwriting conditions, low investment yields and large natural catastrophe losses in the US. Investment returns for non-life insurers remain under pressure. Average yields are low and operating cash flows are weak given slowing premium growth and weak underwriting results. The contribution of investment returns to profitability has declined further in 2017 to around 9% of net premiums earned.

In the US, losses from hurricanes Harvey, Irma and Maria are to add a significant natural catastrophe loss burden for 2017. We expect a full-year 2017 combined ratio of around 109% for the US property & casualty (P&C) industry.

During the first half of 2017, the personal lines´ combined ratio deteriorated by 0.9 percentage points to 103.8%. The combined ratio for commercial lines, however, improved 0.4 percentage points to 96.4%. Underwriting profitability in Europe was more or less stable in the first half of 2017 compared to the full-year 2016. Generally, the markets profited from low natural catastrophe losses, which helped property lines. Claims costs in motor insurance continued to trend upwards in the most important markets. In Germany, underwriting profitability fell by 1 percentage point during the first half of 2017 due to increased claims in virtually all lines of business. In Italy, the Nordics and Switzerland, underwriting profits have remained stable. Non-life insurers´ profitability in Australia has improved in 2017, despite higher natural catastrophe losses. This reflects higher premium rates, reserve releases and higher reinsurance protection. In Japan, domestic non-life insurers are estimated to have had stable underwriting profits in 2017, driven mainly by benign natural catastrophe losses.

Outlook

The global economic outlook for 2018 and 2019 is positive and demand for non-life insurance is expected to increase. Premium growth momentum is expected to accelerate slightly in nominal terms, supported by economic activity and moderate price increases. Emerging markets are expected to be the main driver of growth, with premiums forecast to rise by 6% to 7% in real terms in 2018 and 2019.

Assuming average natural catastrophe losses, overall underwriting profitability globally is expected to improve in 2018. Positive rate dynamics and demand for new types of cover is expected to support premium growth in the coming years.

[1] The calculation of the industry average profitability is based on data for the following eight leading non-life insurance markets: Australia, Canada, France, Germany, Italy, Japan, the UK and the US.

Reinsurance non-life

Market size in USD billions
Estimated global premium income in 2017

170

Market performance
Estimated global premium growth in 2017

3%

Market overview
Global non-life reinsurance premiums in 2017 totalled about USD 170 billion, around 27% of which was attributable to ceding companies in emerging markets. In general, reinsurance demand is a function of the size and capital resources of primary insurance companies, as well as of the risk profile of the insurance products provided.

Market performance
Global premiums in non-life reinsurance are estimated to have grown by 3% in 2017 in real terms, based on rapidly increasing cessions from emerging markets.

After five quiet years with low natural catastrophe losses, the global non-life reinsurance industry is facing heavy losses from the hurricane season in the Caribbean and the US in 2017. The season´s three major storms – Harvey, Irma and Maria – alone are estimated to have caused significant insured losses. The combined ratio for 2017 is estimated to be around 110%, with most of the increase due to the hurricane losses, as well as a number of other natural catastrophes including Cyclone Debbie in Australia, earthquakes in Mexico, and wildfires in California and Southern Europe. Accordingly, overall global industry profitability as measured by return on equity (ROE) for the full-year is estimated to come in at around 1%. Apart from the unusually high burden from natural catastrophes, the reinsurance industry has also continued to suffer from the ongoing low interest rate environment and the overall softening of underwriting conditions. Consequently, the industry ROE declined from around 15% between 2012 and 2014 to 11% in 2016. For the first six months of 2017, the industry ROE further dropped to 9%, based on a combined ratio of 93% and a return on investment (ROI) of 2.5%.

The soft underwriting conditions of recent years partly reflected benign claims developments, but were mostly a direct consequence of excess capital in the market. Reinsurance capacity was abundant due to the considerable influx of alternative capacity (AC). Since 2010, the size of AC more than tripled and was estimated to be around USD 79 billion in the first half of 2017. A significant amount of AC has been absorbed by the third-quarter hurricane losses, especially collateralised capacity in the retrocession market, and therefore will not be available as active capacity in the upcoming renewals season. Most of this capacity, however, was re-loaded through the injection of new capital from investors.

The capital position of global reinsurers was more or less stable over the recent years. Capital growth has been managed increasingly via dividend payments and share buy-back programmes, hence returning almost all of the industry´s net income to shareholders. Nevertheless, there was still some excess capital in traditional reinsurance by mid 2017, and this has been significantly reduced by the losses from hurricanes Harvey, Irma and Maria.

Outlook
The three major hurricane events of 2017 led to rate hardening for both for loss-affected accounts, and to a lesser extent for loss-free accounts at the January 2018 renewals. Capital abundance in traditional reinsurance has been reduced, and AC will require additional funds from investors to operate at the same level as before the hurricane losses.

In 2018, advanced markets non-life reinsurance premium growth will likely reflect a hardening of rates and slightly stronger nominal growth in the primary market. Demand should also be supported by new solvency regulations: non-life reinsurance has become more attractive for European insurers under Solvency II, since it better reflects the risk mitigating effect of reinsurance.

Primary life

Market size in USD billions
Estimated global premium income in 2017

2800

Market performance
Estimated global premium growth in 2017

3%

Market overview

The global life insurance industry generated about USD 2 800 billion in premium income in 2017, of which about 20% came from emerging markets. Around 85% of premium income in life insurance is derived from savings and retirement products. The protection business, which covers mortality and morbidity risks and represents the balance of the market, has a declining share of premium income.

Market performance

Global primary life insurance premiums are estimated to have risen by about 3% in 2017 in real terms, up from 2% in 2016. Emerging markets, and in particular China, account for most of the recent acceleration. Life premiums in advanced markets remain flat, which is at least an improvement from the 2% decline in 2016.

Performance in the different regions has been mixed in 2017, reflecting underlying country drivers. In North America, premiums are estimated to have declined by 2%, driven mainly by lower premium income in the US particularly of individual annuity premiums due to uncertainty around the finalisation and implementation of new Department of Labor fiduciary rules. In Canada, on the other hand, premium development has contributed positively to regional performance. For Western Europe, estimates indicate that after adjusting for inflation, life premium income stagnated in 2017. Based on partial-year data, real premiums are estimated to have remained flat in the UK while declining in France. In Germany, premiums fell slightly, due largely to weaker sales of single-premium business. In developed Asia-Pacific, life premium income is estimated to have risen modestly in 2017 (+1%), driven by a sharp pick-up in Japan following a decline in 2016, and strong growth in Hong Kong, Singapore and Taiwan. In Hong Kong, individual life policies, especially non-linked whole life and non-linked endowment products, remain popular with mainland China residents.

Life and health premiums in the emerging markets are estimated to have risen by around 17% in 2017, after a 19% gain in 2016. Sustained robust growth in emerging Asia has been the most important driver; for example, in China growth was supported by vigorous sales of ordinary life products (which received a boost from regulatory promotion of protection-type solutions). Growth of emerging markets was supplemented by a healthy recovery in CEE markets, while, on the other hand, growth has remained weak in Africa, and has decelerated sharply in Latin America and the Middle East.

In the ongoing low interest rate environment, low government bond yields remain a significant headwind for life insurers. The challenge is particularly pronounced in Europe, Japan, South Korea and Australia, where many insurers are barely generating sufficient investment returns: on the one hand to meet their obligations to policyholders, reflecting the legacy of existing life insurance obligations with embedded guarantees, and the restricted ability to offer sufficiently attractive returns on new business to compete with alternative retail savings products. In this business environment, life insurers´ overall profitability remains under pressure.

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

Outlook

Global life insurance premiums in real terms are forecast to rise by around 4% in 2018. The major drivers are likely to remain the emerging markets, where stable, robust economic growth, expanding populations, urbanisation and a rising middle class underpin the positive outlook. Life premium growth in the emerging markets is expected to be around 10% in 2018. Premiums in the advanced markets are expected to grow by a more modest 1–2% after adjusting for inflation, with the Asia-Pacific region forecast to grow by 2–3%.

Life & health reinsurance

Market size in USD billions
Estimated global premium income in 2017

70

Market performance
Estimated global premium growth in 2017

4%

Market overview

The size of the global life reinsurance business was around USD 70 billion in 2017. Most (65%) of this is attributable to the US, Canada and the UK. Ceding companies from emerging markets accounted for only 14% of global demand. Life reinsurers are increasingly diversifying away from traditional mortality business.

Market performance

The life reinsurance industry registered a 4% increase in 2017. Underlying reinsurance premium growth in traditional reinsurance areas like mortality and morbidity risk has remained relatively subdued this year with an estimated growth rate of 1% in real terms in 2017. In mature markets, slight contractions in the US and UK were set off by positive developments in Canada, Japan, Australia and Continental Europe. In the emerging markets, premiums grew by 11%, driven largely by China, with other emerging markets seeing more modest growth.

Against this background, life reinsurers have sought to increase revenues through large, individual risk transfer transactions that help primary insurers stabilise income and/or bolster their balance sheets. The introduction of risk-based capital regimes has prompted much of this activity. In Europe, for example, Solvency II has underpinned interest in reinsurance to boost available capital, reduce required regulatory capital or to economise on reserves.

Another area of growth for reinsurers has been longevity risk transfer. The availability of longevity reinsurance has become key to the pricing of annuity transactions, as insurers offering those transactions to pension funds typically look to simultaneously access reinsurance capacity to hedge at least part of the associated longevity risk inherent in these lines. Such "back-to-back" reinsurance arrangements enable primary insurers to monetise their expertise in sourcing, analysing and pricing risk, without having to commit full balance sheet capacity to hold the business for its full duration.

The operating margin of the life reinsurance industry was a mere 7% of revenues in 2017, stable compared to 2015 and 2016. The contribution from investments further declined, due to the ongoing low interest rate environment.

Outlook

Continued recovery in primary insurance should support growth in life reinsurance revenues, including a recovery in traditional renewable business. Premium growth will nonetheless likely remain modest, especially in the large advanced markets. In real terms, global life reinsurance premiums are forecast to increase by just over 1% in 2018. Premiums in the advanced markets are projected to decline after adjusting for inflation, driven by developments in the US where cession rates continue their long-term down trend and growth in the primary market remains weak. In Western Europe, where cession rates are usually lower, reinsurance premiums are forecast to grow by about 1%. The strongest contribution to real growth in the advanced markets will likely come from developed Asia.

Our strategy

Meeting our financial targets and making the world more resilient.

GROUP STRATEGIC FRAMEWORK

1 Allocate capital

2 Broaden client base

3 Optimise resource allocation

4 Emphasise differentiation

Growth

Growth through systematic capital allocation will help us to deliver sustainable shareholder value

Risk knowledge

Swiss Re is a risk knowledge company that invests in risk pools. We apply our knowledge to support capital allocation

NEAR TERM PRIORITIES

Large and tailored transactions

Large and tailored transactions in Reinsurance provide an attractive growth opportunity. They reinforce our differentiation through tailored offerings, leveraging our strong risk knowledge base.

Corporate Solutions

Corporate Solutions represents a successful platform to access the large pool of commercial risks. It will continue to focus on growth and is expected to benefit from pricing improvements following the 2017 natural catastrophe events.

Life Capital

Life Capital increases access to attractive and growing risk pools in open and closed life and health books. It aims to build a balanced portfolio, benefiting from the diversity of the risks and differentiating itself through leading underwriting and servicing capabilities.

High growth markets

We intend to maintain our leading position in high growth markets, establishing a strong presence. These world regions continue to remain a key element of our strategy, even when they are temporarily challenged.

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

Growth

In 2017 we witnessed a back-to-back series of natural catastrophes that have had a significant short-term financial impact. The ability to face these challenges and continue to focus on growth shows the success of our strategy as we remain committed to disciplined underwriting and long-term success.

Our focus on growth is threefold: catering to the specific clients' needs with large and tailored transactions in Reinsurance, getting closer to the policyholders through Corporate Solutions and Life Capital, as well as maintaining our leading position in high growth markets through increased presence.

Research and development

Building knowledge and competence through R&D has historically been our core focus. The creation of the Swiss Re Institute further strengthens our steering of R&D activities.

Technology

Our technology strategy is tightly embedded in the business strategy. Technological innovation gives us the opportunity to further differentiate and support our clients.

People and culture

Our employees provide a wide range of technical expertise. Their wide range of backgrounds enables us to develop unique solutions and offer a deeper pool of talent to drive growth.

Risk knowledge

Swiss Re is a risk knowledge company. At the heart of our differentiation is the Swiss Re Institute. The Swiss Re Institute leverages and steers our research and development activities, building on our role as a knowledge partner for our clients.

Technological innovation is another source of differentiation, especially when we can use it to deliver unique products and solutions, such as CatNet and Magnum. CatNet plots hazard, loss, exposure and insurance information over maps and satellite imagery to help visualise the risk of individual locations or entire client portfolios. Magnum is the market-leading automated life and health underwriting and claims solution for assessing biometric risk across the spectrum of protection insurance products. Magnum helps our clients get closer to their customers and deliver products that are more tailored to their needs.

Summary of financial statements

INCOME STATEMENT

USD millions	2016	**2017**	Change in %
Revenues			
Gross premiums written	35 622	34 775	–2
Net premiums written	33 570	32 316	–4
Change in unearned premiums	–879	803	–
Premiums earned	32 691	33 119	1
Fee income from policyholders	540	586	9
Net investment income – non-participating business	3 661	3 708	1
Net realised investment gains/losses – non-participating business	1 484	1 727	16
Net investment result – unit-linked and with-profit business	5 382	3 315	–38
Other revenues	28	32	14
Total revenues	43 786	**42 487**	–3
Expenses			
Claims and claim adjustment expenses	–12 564	–16 730	33
Life and health benefits	–10 859	–11 083	2
Return credited to policyholders	–5 099	–3 298	–35
Acquisition costs	–6 928	–6 977	1
Operating expenses	–3 358	–3 308	–1
Total expenses before interest expenses	–38 808	**–41 396**	7
Income before interest and income tax expense	4 978	**1 091**	–78
Interest expenses	–606	–566	–7
Income before income tax expense	4 372	525	–88
Income tax expense	–749	–132	–82
Net income before attribution of non-controlling interests	3 623	**393**	–89
Income/loss attributable to non-controlling interests	3	5	67
Net income after attribution of non-controlling interests	3 626	**398**	–89
Interest on contingent capital instruments, net of tax	–68	–67	–1
Net income attributable to common shareholders	3 558	**331**	–91

Changes in equity

USD millions	2016	**2017**	Change in %
Total shareholders' equity as of 1 January	33 517	35 634	6
Net income attributable to common shareholders	3 558	331	–91
Dividends	–1 561	–1 559	–
Change in unrealised gains/losses on securities, net	1 711	287	–83
Change in other-than-temporary impairment, net of tax	6	3	–50
Change in foreign currency translation	–387	526	–
Purchase/sale of treasury shares and share based payments	–1 084	–1 100	1
Other changes in equity	–126	2	–
Total shareholders' equity as of 31 December	35 634	**34 124**	–4
Non-controlling interests	82	170	107
Total equity as of 31 December	35 716	**34 294**	–4

SUMMARY BALANCE SHEET

USD millions	2016	2017	Change in %
Assets			
Fixed income securities	93 276	101 786	9
Equity securities	3 435	3 865	13
Other investments	15 218	16 234	7
Short-term investments	10 909	4 846	–56
Investments for unit-linked and with-profit business	32 178	35 166	9
Cash and cash equivalents	9 011	6 806	–24
Deferred acquisition costs	6 200	6 871	11
Acquired present value of future profits	2 003	1 989	–1
Reinsurance recoverable	7 461	7 942	6
Other reinsurance assets	21 454	22 989	7
Goodwill	3 965	4 172	5
Other	9 955	9 860	–1
Total assets	215 065	**222 526**	3
Liabilities and equity			
Unpaid claims and claim adjustment expenses	57 355	66 795	16
Liabilities for life and health policy benefits	41 176	42 561	3
Policyholder account balances	34 354	37 537	9
Other reinsurance liabilities	16 086	15 914	–1
Short-term debt	1 564	433	–72
Long-term debt	9 787	10 148	4
Other	19 027	14 844	–22
Total liabilities	179 349	**188 232**	5
Shareholders' equity	35 634	**34 124**	–4
Non-controlling interests	82	170	107
Total equity	35 716	**34 294**	–4
Total liabilities and equity	215 065	**222 526**	3

Group results – Swiss Re reported a full-year net income of USD 331 million, despite the large natural catastrophes of 2017.

Christian Mumenthaler
Group Chief Executive Officer

"In a year marked by disasters, Swiss Re could demonstrate the critical role re/insurance plays in enabling people and economies to recover."

Swiss Re's estimated insurance claims from large natural catastrophes, including Cyclone Debbie in Australia, the Atlantic hurricanes, the Mexican earthquakes and the Californian wildfires amounted to USD 4.7 billion in 2017, net of retrocession and before tax. In 2016, the Group had reported a net income of USD 3.6 billion, incurring natural catastrophe claims of USD 0.8 billion.

Return on equity for 2017 was 1.0%, down from 10.6% in the previous year. Common shareholders' equity decreased to USD 33.4 billion as of 31 December 2017, a reduction of 3.4% compared to the end of 2016.

Reinsurance generated a net income of USD 679 million, compared to USD 2.9 billion in 2016. Property & Casualty Reinsurance reported a net loss of USD 413 million in 2017, down from a net income of USD 2.1 billion in 2016. This loss stemmed from estimated insurance claims in the aftermath of a string of large natural catastrophes, which amounted to USD 3.7 billion, net of retrocession and before tax. The net operating margin was –1.3%, compared to 15.4% in the prior-year period.

Life & Health Reinsurance contributed a net income of USD 1.1 billion in 2017, up from USD 807 million in 2016, driven by a stable underwriting result and strong investment performance. The net operating margin increased to 13.1% in 2017 from 10.4% in the previous year.

Corporate Solutions incurred a net loss of USD 741 million in 2017, compared to a net income of USD 135 million in the prior year, significantly impacted by large natural catastrophes, which generated insurance claims of USD 1.0 billion, net of retrocession and before tax. The net operating margin was –23.5% and 4.2% for 2017 and 2016, respectively.

Life Capital delivered a net income of USD 161 million in 2017, compared to USD 638 million in 2016. Large one-off realised gains on the investment portfolio in the prior year were, as expected, not repeated in 2017. As a result, Life Capital's net operating margin declined to 10.9% in 2017, compared to 27.0% for 2016.

The Group's net operating margin for 2017 was 2.8%, down from 13.0% in the prior year.

Common shareholders' equity, excluding non-controlling interests and the impact of contingent capital instruments, decreased to USD 33.4 billion at the end of 2017, down from USD 34.5 billion at the end of 2016. The decline mainly reflected a payment to shareholders of USD 2.6 billion for the 2016 regular dividend and the share buy-back programmes, partially offset by a change in unrealised gains and favourable foreign exchange rate movements.

Swiss Re achieved a return on equity of 1.0% for 2017, compared to 10.6% for 2016. Earnings per share for 2017 were CHF 1.02 or USD 1.03, compared to CHF 10.55 (USD 10.72) for 2016.

Book value per common share stood at USD 106.09 or CHF 103.37 at the end of 2017, compared to USD 105.93 or CHF 107.64 at the end of 2016. Book value per common share is based on common shareholders' equity and excludes non-controlling interests and the impact of contingent capital instruments.

Business performance

Premiums earned and fee income for the Group amounted to USD 33.7 billion for 2017, an increase of 1.4% year-on-year. At constant exchange rates, premiums and fees rose by 1.6%. Gross premiums written decreased in the same period by 2.4% to USD 34.8 billion, driven by a reduction in deployed capacity in Property & Casualty Reinsurance.

Property & Casualty Reinsurance contributed USD 16.7 billion of premiums earned in 2017, a drop from USD 17.0 billion in 2016. The decline was driven by continued underwriting discipline and active portfolio management. The Property & Casualty Reinsurance combined ratio was 111.5% in 2017, up from 93.5% in the prior year due to the severe large natural catastrophe losses, partially offset by favourable prior-year development.

Life & Health Reinsurance premiums earned and fee income totalled USD 12.0 billion in 2017, an increase of 3.9% year-on-year, driven by new business in the Americas and Asia.

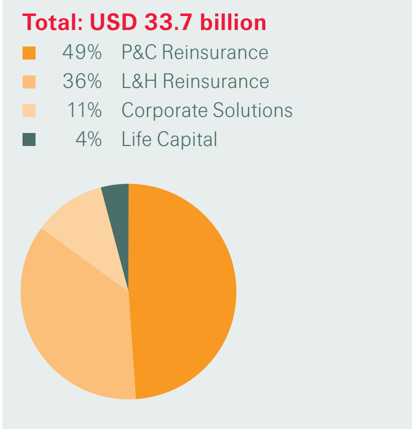
Corporate Solutions premiums earned were USD 3.7 billion for 2017, an increase of 4.2% compared to the previous year. The Corporate Solutions combined ratio was 133.4% in 2017, up from 101.1% in the previous year, reflecting the significant natural catastrophe losses in 2017.

Premiums earned and fee income for Life Capital increased by 17.9% to USD 1.4 billion, mainly driven by growth in the open book life and health insurance business. Life Capital continued to generate strong gross cash amounting to USD 998 million in 2017, up from USD 721 million in 2016, benefiting from strong underlying surplus, including an update to mortality assumptions and the finalisation of the 2016 year-end Solvency II statutory valuation.

Investment result and expenses

Swiss Re's return on investments for 2017 was very strong at 3.9%, compared to 3.4% in 2016. Non-participating net investment income remained broadly stable at USD 3.7 billion. The Group reported non-participating net realised investment gains of USD 1.7 billion in 2017 compared to USD 1.5 billion in 2016,

NET PREMIUMS AND FEES EARNED BY BUSINESS SEGMENT, 2017



supported by additional realised gains from sales of equity securities, which were partially offset by the absence of gains from derivatives.

Acquisition costs for the Group amounted to USD 7.0 billion in 2017, slightly up from USD 6.9 billion in 2016.

Operating expenses of USD 3.3 billion in 2017 decreased by 1.5% year-on-year.

Interest expenses were USD 566 million, down by 6.6% year-on-year.

The Group reported a tax charge of USD 132 million on a pre-tax income of USD 525 million for 2017, compared to a tax charge of USD 749 million on a pre-tax income of USD 4.4 billion for 2016. This translated into an effective tax rate in the current and prior-year reporting periods of 25.1% and 17.1%, respectively. The tax rate in 2017 was largely driven by profits earned in higher tax jurisdictions, tax charges from foreign currency translation differences between statutory and US GAAP accounts and expenses not allowed for local tax purposes, partially offset by tax benefits of USD 93 million from US tax law changes.

Group underwriting

Edouard Schmid
Group Chief Underwriting Officer

"Focused and targeted R&D will maintain our market leading ability to steer through allocating capital to risk pools, and distinctively underwrite risks."

Competitive advantage in underwriting
In the world of re/insurance underwriting, Swiss Re can outperform in two ways. First, we can change the capital allocated to particular risk pools as markets move and we develop new insights. Second, we can be selective in underwriting individual risks.

Systematic allocation of capital to risk pools is at the heart of our Group strategy. An annual top-down capital allocation underpins our business planning process; throughout the year, we actively steer our deployed capacity to maximise return. This activity is rooted in our ability to take a forward-looking perspective on the economics of risk pools and allocate capital accordingly.

Risk selection is a capability honed at Swiss Re through more than 150 years of experience. We succeed by continually investing in our ability to align our interests with those of our clients, understand individual risks and their drivers, select good risks and accurately assess the costs of taking a particular one. At its core, this is a knowledge-based capability – combining the art of the underwriter with scientific rigour.

The common thread is our investment in R&D, which equips our underwriters with distinctive knowledge and insights into the future of risk pools. The launch of the Swiss Re Institute in 2017 embodies our commitment to creating and benefiting from cutting-edge knowledge and conducting fundamental research into trends that could have an impact on our business.

Our investment includes 450 people in core and extended R&D teams committed either wholly or partially to developing our knowledge assets. To give just a few examples, in the past year alone we have investigated long-term mortality trends, evaluated the impact of distracted driving, evaluated changes in the propensity to litigate and estimated the impact of changing mid-Atlantic temperatures. We combine data and innovative analytical tools, and partner with academics from institutions around the world, consultants, professionals from all disciplines, start-ups, institutions and others. This translates into real bottom-line impact through services to our clients, automated pricing tools, inputs to underwriters and research behind our forward-looking perspectives on risk pools.

It is this investment in focused and targeted R&D that will maintain our market-leading ability to steer through allocating capital to risk pools, and distinctively underwrite risks.

Underwriting performance in 2017

Notwithstanding the natural catastrophes in 2017, the Group's overall underwriting performance was solid across all businesses. Financial year results were dominated by insured natural catastrophe losses figuring among the largest on record, and further influenced by a continued softening market environment in 2017.

The Group's claims ratio for property and casualty increased from 61.2% in 2016 to 82.3% in 2017.

The 2017 loss burden totalled USD 4.7 billion, driven by losses associated with Cyclone Debbie in Australia, hurricanes Harvey, Irma and Maria as well as the Mexico earthquakes and the Californian wildfires.

The total life and health benefits increased from USD 9.0 billion in 2016 to USD 9.2 billion in 2017. The increase was mainly due to the earnings development of US Individual Life transactions that were closed in late 2016, a large transaction win in Europe starting in July 2017 and from Asia, where we experienced very strong organic growth in several business lines.

Market environment and outlook

In recent years, new capital flowing into the industry has depressed prices and driven certain areas of risk pools to unsustainable levels of return. The significant natural catastrophe losses of 2017 have seen a reversal of this trend. We expect this increased pricing discipline to be maintained in the near term, supporting further profitable growth. Overall, we expect a further improvement in pricing, especially in lines directly affected by the 2017 natural catastrophe events.

The underlying pool of insurable risks will continue to grow in the context of the continuing cyclical upswing in the global economy. The small inflation rises of the past year will not significantly impact claims severity in our view, but we remain cautious about potential long-term effects.

Our outlook is more positive than in the last few years, and we see opportunities available to us through three distinctive abilities. Our ability to engage in large and tailored transactions has created a market in which few others are even able to operate. We continue to see growing demand for solutions and services that deploy our R&D to clients. Finally, we retain our ability to rapidly and flexibly deploy capital across industry-leading products and geographic franchises.

We anticipate that our very strong capitalisation will allow us to realise opportunities not available to others. However, we will only seek opportunities where prices meet our hurdle rates.

Group investments

Guido Fürer
Group Chief Investment Officer

"Our strong investment result and steady performance provide a significant value driver for the Group."

Strategy
Swiss Re's investment portfolio maintained its track record of sustainable performance results, with another strong contribution in 2017. All asset classes contributed to the result, reflecting the diversification of investment income sources as well as the quality of the investment portfolio. During 2017, Swiss Re increased its overall allocation to government bonds and credit investments alongside a reduction in cash and short-term investments, enhancing income with low-duration risk. The allocation to equities and alternative investments remained relatively stable. While the investment portfolio is well-positioned overall, the Group maintains suitable flexibility should it be presented with attractive market opportunities or a change in the investment outlook.

Financial markets overview
Financial markets continued to centre on monetary policy and broader political developments in 2017. On the political front, while the French presidential election in April and May ultimately turned out as expected, uncertainty in the US and the UK remained high due to economic policy and Brexit, respectively.

That being said, financial markets largely shrugged off the political uncertainty. Equity markets rallied through most of the year, with the S&P 500 reaching new all-time highs and returning more than 20% in 2017. Investment-grade corporate bond spreads tightened further, reaching multi-year lows, while government bond yields ended 2017

Net investment income
in USD billion, 2017

3.7

(2016: USD 3.7 billion)

Group return on investments
2017

3.9%

(2016: 3.4%)

Fixed Income Running Yield
2017

2.9%

(2016: 2.9%)

at levels broadly similar to those at the beginning of the year. Notably, financial market volatility has remained exceptionally low across the major asset classes.

The positive investor sentiment and benign market environment was supported by stronger-than-expected economic growth data, with the global recovery becoming more solid and broad-based across regions. At the same time, inflationary pressures remained subdued, which allowed central banks to slowly and carefully start to normalise monetary policy.

Investment result

The Group's investment portfolio, excluding unit-linked and with-profit investments, increased to USD 131.7 billion at the end of 2017, compared to USD 130.5 billion at the end of 2016. The increase was driven by positive returns from most asset classes and a weakening of the US dollar.

The return on investments for 2017 was very strong at 3.9%, with over 85% of the result attributable to net investment income as well as net realised gains from equities and alternative investments. This compared to a return on investments of 3.4% in 2016, with the increase primarily due to additional net realised gains related to equity securities. The Group's non-participating net investment income was relatively stable at USD 3.7 billion in 2017 compared to the prior year. The Group's fixed income running yield was steady at 2.9%.

The Group reported non-participating net realised investment gains of USD 1.7 billion in 2017 compared to USD 1.5 billion in 2016, as additional realised gains from sales within the equity portfolio were partially offset by the absence of gains from derivatives.

Outlook

The focus in 2018 is set to remain on central bank policy, inflation and global political developments. In terms of economic outlook, global economic growth is expected to stay solid, both in developed and emerging market economies, while inflation is forecast to modestly increase globally. This, in turn, should allow the key central banks to continue their cautious policy normalisation path. The Federal Reserve is set to hike rates further (while slowly reducing the size of its balance sheet), and the European Central Bank is likely to fully wind down its asset purchase programmes by the end of the year. From a regional perspective, growth should stay solid in both the US and the Eurozone, but be more modest in the UK amid continued Brexit-related uncertainty. Meanwhile, economic growth in China next year is expected to moderately slow from current levels.

Risks to the outlook are seen as broadly balanced, with inflation and political developments (eg Brexit negotiations, Italian elections, the formation of a grand coalition in Germany) being the key factors to watch. Still, given the current stage of the economic cycle set against the backdrop of generally high asset valuations, we will maintain a well-diversified and high-quality investment portfolio.

Reinsurance – While our 2017 performance was clearly impacted by significant natural catastrophes, our role for our clients and in society has rarely been more evident.

Moses Ojeisekhoba
CEO, Reinsurance

"Differentiation remains at the heart of our strategy."

Strategy and priorities
The world experienced a number of severe natural catastrophes during 2017 that impacted our Property & Casualty segment, but they also helped us show the value that Swiss Re brings to our clients. It is at times such as these that our clients see the tangible benefits of having reinsurance coverage with Swiss Re.

Our Reinsurance Business Unit strategy remains focused on differentiation and profitable growth through allocation of capital to both existing and new risk pools. We believe that macro factors such as demographic changes and the expected rise in global GDP will continue to expand these risk pools in both Property & Casualty and Life & Health Reinsurance. The significant global protection gap, which exists today in both lines of business, is expected to continue to widen and will also contribute significantly to creating new risk pools in the future. As a result, we expect to see further business opportunities, particularly in high-growth markets, but also in countries with mature economies. The numerous natural catastrophes experienced in 2017 also highlight the gap that exists between insured losses and the much higher level of economic loss. Closing this protection gap will deliver a clear benefit to our clients and will help make the world more resilient.

Differentiation and client relationships

We differentiate ourselves by understanding the specific needs of our clients. Client segmentation is a foundational element of our differentiation approach and is built on a deep understanding of our clients, facilitating delivery of tailored offerings.

We interact with clients across all levels and functions, enabling strategic discussions between the right people at the right time. This dedicated delivery model — serving global, large as well as regional and national clients — continues to be effective.

Clients are always looking for solutions to solve their business challenges. In parallel with our engagement approach, we have established teams to marry our clients' needs, which expand on traditional reinsurance, with our knowledge, risk bearing capacity and innovation. Taken together, such tailored transactions and solutions help clients to sustainably grow their business.

The role of technology

The use of ever-changing technology is a crucial aspect of our business. We identify challenges along the entire insurance value chain that technology could solve. We also work with our partners to exploit new developments and advances. Our focus is on solving business challenges, whether for our clients or ourselves.

We leverage technology to understand risks better, improve underwriting and pricing and to increase efficiency. To help our clients improve their performance, we have developed new solutions such as an end-to-end telematics platform, predictive analytics to identify non-smokers or mobile underwriting platforms for life insurance.

We also prioritise internal efficiency. One example is our P&C Business Management Intelligence tool, which leverages big data techniques for claims management. Technology is a critical catalyst for change which we will continue to use in order to more effectively address the needs of both our clients' and ourselves.

SWISS RE FURTHER STRENGTHENS ITS POSITION IN ASIA WITH THE LAUNCH OF ITS NEW REGIONAL HEADQUARTERS

Swiss Re has been associated with Asia since 1913 and has over 1900 employees in the region.

In 2017, Swiss Re announced plans to strengthen its presence in Asia with its regional headquarters, Swiss Re Asia Pte. Ltd. (Swiss Re Asia), reinforcing its commitment to this key region. Swiss Re Asia was registered in Singapore on 31 December 2017, marking the launch of the new headquarters.

The company is wholly-owned by its Zurich-based global parent, Swiss Re Ltd, and shares Swiss Re's group credit rating. The company's operations in Asia is strongly capitalised in line with regulatory requirements and its local business is supported by the financial resources of the Swiss Re Group.

This move also aligns the company's legal entity structure across its Asia, Europe and Americas regions. Swiss Re Asia will continue to serve its clients and partners through its network of offices, mirroring its existing footprint in Australia, China, Hong Kong, India, Japan, Korea, Malaysia and Singapore.

The Asian insurance sector has seen strong growth over the past decade, with the region now accounting for one third of global insurance premiums (based on 2017 estimate), compared to 20% in 2007. The outlook remains robust. Swiss Re expects the region's non-life and life premiums to grow by 5% and 6% respectively, in real terms per annum in the coming decade. Emerging Asian insurance markets will grow even faster.

Property & Casualty Reinsurance

Property & Casualty Reinsurance reported a net loss for 2017 of USD 413 million compared to a net income of USD 2.1 billion in 2016. The decrease was mainly driven by the adverse large loss experience (estimated total insurance claims of USD 3.7 billion) mainly stemming from Cyclone Debbie, hurricanes Harvey, Irma and Maria in the Americas, the two earthquakes in Mexico and the wildfires in California. These losses were only partially offset by favourable prior-year development and a strong overall investment result. The net operating margin was –1.3% in 2017, down from 15.4% in 2016.

The overall investment result was USD 1.6 billion in 2017 compared to USD 1.8 billion in 2016. Net investment income was USD 1.0 billion in 2017, reflecting higher income from alternative investments. Net realised gains of USD 613 million decreased compared to 2016 by USD 157 million, as the prior year included a favourable impact from foreign exchange remeasurement.

Premiums

Net premiums earned were USD 16.7 billion in 2017 (–2.0%) compared to USD 17.0 billion in 2016. The decline in gross premiums written to USD 16.5 billion in 2017 (–8.8%) compared to USD 18.1 billion in 2016 was the result of a reduction in deployed capacity where prices did not meet Swiss Re's profitability expectations.

Combined ratio

Property & Casualty Reinsurance reported a combined ratio of 111.5% for 2017, compared to 93.5% in the prior year. The impact from natural catastrophes in 2017 was 14.8 percentage points above the expected level for 2017 of 7.1 percentage points. The favourable development of prior accident years improved the combined ratio by 3.3 percentage points in 2017, compared to a 3.0 percentage point improvement in 2016.

PROPERTY & CASUALTY RESULTS

USD millions	2016	**2017**	Change in %
Revenues			
Gross premiums written	18 149	16 544	–9
Net premiums written	17 768	16 031	–10
Change in unearned premiums	–760	636	–
Premiums earned	17 008	**16 667**	–2
Net investment income	985	1 017	3
Net realised investment gains/losses	770	613	–20
Other revenues	37	48	30
Total revenues	18 800	**18 345**	–2
Expenses			
Claims and claim adjustment expenses	–10 301	–13 172	28
Acquisition costs	–4 405	–4 253	–3
Operating expenses	–1 204	–1 159	–4
Total expenses before interest expenses	–15 910	**–18 584**	17
Income/loss before interest and income tax expense	2 890	–239	–
Interest expenses	–293	–280	–4
Income/loss before income tax expense	2 597	**–519**	–
Income tax expense/benefit	–479	125	–
Net income/loss before attribution of non-controlling interests	2 118	**–394**	–
Income/loss attributable to non-controlling interests	1		–
Net income/loss after attribution of non-controlling interests	2 119	**–394**	–
Interest on contingent capital instruments, net of tax	–19	–19	–
Net income/loss attributable to common shareholders	2 100	**–413**	–
Claims ratio in %	60.5	79.0	
Expense ratio in %	33.0	32.5	
Combined ratio in %	93.5	111.5	

Administrative expense ratio

The administrative expense ratio of 7.0% in 2017 was in line with the 7.1% ratio in 2016.

Lines of business

The Property combined ratio increased to 119.9% in 2017, compared to 86.6% in 2016, primarily due to the large natural catastrophe loss burden in 2017.

The Casualty combined ratio increased to 108.8% in 2017, compared to 103.9% in 2016, driven by adverse developments in Motor in both EMEA and the US.

The Specialty combined ratio increased to 98.4% for 2017, compared to 77.8% in 2016, primarily due to large losses in the marine lines of business from hurricanes in the Americas and Cyclone Debbie in Australia.

Investment result
The return on investments was 3.5% for 2017, compared to 3.1% in 2016, reflecting an increase in the investment result of USD 155 million.

Net investment income increased by USD 30 million to USD 922 million for 2017, mainly due to additional income from alternative investments.

Net realised gains were USD 590 million for 2017, compared to USD 475 million for the prior year, with the increase stemming from additional gains from sales of equity securities, partially offset by a reduction in gains from sales of fixed income securities.

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

Shareholders' equity
Common shareholders' equity decreased to USD 10.8 billion as of 31 December 2017 from USD 12.7 billion as of 31 December 2016, primarily driven by dividends paid to the Group of USD 1.95 billion and the net loss for the year. The return on equity for 2017 was –3.5% compared to 16.4% in 2016. The decrease was due to the net loss in 2017.

Outlook
Recent natural catastrophe events led to rate increases for Property in loss-affected markets with ranges depending on the client and market loss. Rates have increased more moderately in most other markets.

We observed notable differences by line of business for Specialty lines with rate increases for loss-affected lines and markets, and moderately improving conditions in general.

Pressure on general contract provisions also eased. Overall, trading conditions improved for most Property and Specialty lines.

For Casualty, rates increased in segments where price levels appeared inadequate due to claims emergence (eg. UK Motor, US Motor and Liability). We also saw commissions reducing to address non performance.

Lastly, we continued to see some good opportunities for transactions and participated on those that met our requirements.

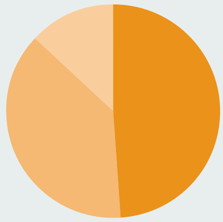
For Property and Casualty generally, we reduced our participation or exited accounts where we could not get the rate adjustment or terms and conditions that we deemed appropriate. Our focus remains on the bottom line in a recovering but still challenging market environment.

We seek to execute our successful differentiation strategy and to support our clients to reach their ambitions.

PREMIUMS EARNED BY LINE OF BUSINESS, 2017

Total: USD 16.7 billion

- 49% Casualty
- 38% Property
- 13% Specialty



Life & Health Reinsurance

Net income was USD 1.1 billion for 2017, a significant increase from the previous year's net income of USD 807 million, mainly due to higher realised gains from sales of equity securities and stable underwriting performance. The underwriting result in the current year reflected the transactions closed and continued growth in the US and Asian markets and net positive valuation updates, partly impacted by adverse claims experience in the US individual life and UK critical illness portfolios. The return on equity was 15.3%, compared to 12.8% reported for 2016.

Premiums

Net premiums earned and fee income in 2017 increased by 3.9% to USD 12.0 billion compared to USD 11.5 billion for the prior year. Gross premiums written increased by 4.0% to USD 13.3 billion compared to USD 12.8 billion for the prior year. The increase in premiums was mainly due to new business wins and growth in the US and Asia.

Net operating margin

The net operating margin for 2017 was 13.1%, increasing significantly from 10.4% in 2016 mainly due to higher realised gains.

Management expense ratio

The management expense ratio was 5.7%, a slight decrease from 6.0% in 2016.

Lines of business

Income before interest and income tax expense (EBIT) for the Life segment increased to USD 935 million for 2017, from USD 867 million in the prior year. The results in 2017 reflected the new business wins and growth across markets, supported by a higher investment income allocation. In addition, the experience in the US individual life portfolio was less unfavourable in the current year.

EBIT for the Health segment increased to USD 345 million for 2017 from USD 268 million in the prior year. The current year reflected the significant growth in the health portfolio in Asia and net favourable valuation updates.

LIFE & HEALTH RESULTS

USD millions	2016	**2017**	Change in %
Revenues			
Gross premiums written	12 801	13 313	4
Net premiums written	11 459	11 826	3
Change in unearned premiums	27	25	–7
Premiums earned	11 486	**11 851**	3
Fee income from policyholders	41	129	–
Net investment income – non-participating business	1 279	1 308	2
Net realised investment gains/losses – non-participating business	232	591	155
Net investment result – unit-linked and with-profit business	15	81	–
Other revenues	5	3	–40
Total revenues	13 058	**13 963**	7
Expenses			
Life and health benefits	–8 963	–9 211	3
Return credited to policyholders	–39	–119	–
Acquisition costs	–1 943	–2 064	6
Operating expenses	–763	–754	–1
Total expenses before interest expenses	–11 708	**–12 148**	4
Income before interest and income tax expense	1 350	**1 815**	34
Interest expenses	–301	–315	5
Income before income tax expense	1 049	**1 500**	43
Income tax expense	–193	–360	87
Net income before attribution of non-controlling interests	856	**1 140**	33
Income/loss attributable to non-controlling interests			
Net income after attribution of non-controlling interests	856	**1 140**	33
Interest on contingent capital instruments, net of tax	–49	–48	–2
Net income attributable to common shareholders	807	**1 092**	35
Management expense ratio in %	6.0	5.7	
Net operating margin in %	10.4	13.1	

This was partly offset by the adverse performance in the UK critical illness business and a lower investment income allocation.

Investment result

The return on investments for 2017 was 4.3%, compared to 3.6% in 2016, reflecting an increase in the investment result of USD 280 million.

Net investment income increased slightly by USD 5 million to USD 1 105 million in 2017. The fixed income running yield for 2017 was 3.3%.

Net realised gains were USD 459 million in 2017, compared to USD 184 million for the prior year, reflecting additional gains from sales of equity securities and corporate bonds.

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

Shareholders' equity

Common shareholders' equity increased to USD 7.5 billion as of 31 December 2017 from USD 6.8 billion as of 31 December 2016. The movement of USD 659 million in equity reflected the net income increase and changes in net unrealised gains, partly offset by dividends of USD 650 million paid to the Group.

Return on equity was strong at 15.3% in 2017, compared to 12.8% in 2016. The increase was due to a higher net income in 2017, partly offset by a higher average equity balance.

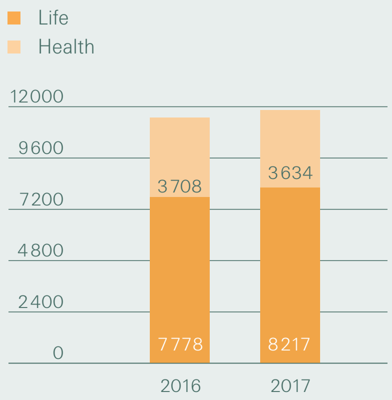
Outlook

We expect life and health reinsurance business to be relatively flat in mature markets and to increase in high-growth markets. In mature markets, the prolonged low interest rate environment continues to have an unfavourable impact on long-term life business. Cession rates in the US have decreased in recent years as primary insurers retain more risk, but have now generally levelled off. However, we see a strong focus on capital, risk and balance sheet optimisation in mature markets, leading to opportunities for large transactions. High-growth markets are expected to see strong increases in primary life and health volumes and cession rates are expected to be stable.

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

PREMIUMS EARNED BY LINE OF BUSINESS, 2017

Total: USD 11.9 billion



Corporate Solutions – Corporate Solutions results were significantly impacted by natural catastrophe events.

Agostino Galvagni
CEO, Corporate Solutions

"2017 was a difficult year for Corporate Solutions, however we are well positioned to benefit from a gradual improving market following the sizable natural catastrophe losses in 2017. Also, we continue to build our capabilities for future growth."

Strategy and priorities
Swiss Re strengthened Corporate Solutions' capital position, underlining the Group's commitment to the business and its long-term strategy. Corporate Solutions continued to make progress on its strategy with investment into its Primary Lead capabilities and further broadened its footprint.

In July 2017, Corporate Solutions finalised the previously announced transaction and began its joint venture with Bradesco Seguros S.A. in Brazil – now one of the leading large-risk insurers in the country – to bring our innovative product offering to an even wider segment of mid-sized and large corporate clients. Corporate Solutions is now concentrating its efforts on the integration of Bradesco's large-risk portfolio and leveraging its established distribution network.

During 2017, the Business Unit opened offices in Kuala Lumpur, Malaysia and Manchester, United Kingdom, focusing on servicing large and mid-sized companies in these countries.

CORPORATE SOLUTIONS RESULTS

USD millions	2016	**2017**	Change in %
Revenues			
Gross premiums written	4155	4 193	1
Net premiums written	3662	3 600	–2
Change in unearned premiums	–159	51	–
Premiums earned	3 503	**3 651**	4
Net investment income	138	161	17
Net realised investment gains/losses	51	128	151
Other revenues	5	5	–
Total revenues	3 697	**3 945**	7
Expenses			
Claims and claim adjustment expenses	–2 263	–3 558	57
Acquisition costs	–517	–554	7
Operating expenses	–760	–759	–
Total expenses before interest expenses	–3 540	**–4 871**	38
Income/loss before interest and income tax expense	157	**–926**	–
Interest expenses	–23	–23	–
Income/loss before income tax expense	134	**–949**	–
Income tax expense/benefit	–1	203	–
Net income/loss before attribution of non-controlling interests	133	**–746**	–
Income/loss attributable to non-controlling interests	2	5	150
Net income/loss attributable to common shareholders	135	**–741**	–
Claims ratio in %	64.6	97.4	
Expense ratio in %	36.5	36.0	
Combined ratio in %	101.1	133.4	

Performance
Net loss was USD 741 million in 2017, compared to net income of USD 135 million in 2016, with a net operating margin of –23.5%, down from 4.2%. The 2017 result was significantly impacted by higher large natural catastrophe losses, which amounted to USD 1.0 billion, and continued pricing pressure throughout most of the year. The investment result was higher in 2017 compared to 2016, driven by net realised gains mainly from the sale of equity securities.

Premiums
Net premiums earned were USD 3.7 billion in 2017, an increase of 4.2% compared to 2016. The increase was driven by organic and inorganic growth across most lines of business. Gross premiums written and premiums for insurance in derivative form, net of internal fronting for the Reinsurance Business Unit, remained broadly unchanged at USD 4.1 billion in 2017. The expansion into Primary Lead compensated for declining rates in the excess layer segment.

Combined ratio
The combined ratio increased to 133.4% in 2017 compared to 101.1% in 2016, due to the large natural catastrophe losses, mainly driven by hurricanes Harvey, Irma and Maria in the third quarter of 2017.

Lines of business
The Property combined ratio for 2017 deteriorated by 89.6 percentage points to 174.0%, reflecting the impact of the above-mentioned hurricanes, Californian wildfires, the earthquake in Puebla, Mexico and tropical Cyclone Debbie in Australia earlier in the year.

The Casualty combined ratio increased to 122.0% in 2017 compared to 115.9% in 2016. Both periods experienced large liability losses in North America. The majority of the large losses reported in the current period occurred in 2015/2016. The magnitude and responsibility for these losses were only established in 2017.

The Specialty combined ratio for 2017 decreased slightly by 0.6 percentage points to 101.6%. 2017 was impacted by higher marine and engineering losses due to the natural catastrophe events and a large aviation loss. The credit and surety portfolio returned to technical profitability.

Investment result
The return on investments was 3.4% for 2017, compared to 2.5% in 2016, reflecting an increase in the investment result of USD 86 million, stemming from higher net realised gains.

Net investment income increased by USD 25 million to USD 183 million for 2017, mainly due to additional income from government bonds, partially driven by a higher asset volume.

Net realised gains were USD 118 million compared to USD 57 million in 2016, reflecting additional gains from sales of equity securities.

Insurance-related derivative results and foreign exchange gains/losses are not included in the investment figures.

Corporate Solutions offers insurance protection against weather perils and other risks, which is accounted for as derivatives. Insurance in derivative form reported net realised gains of USD 12 million in 2017, compared to USD 16 million in 2016, reflecting the impact of the unseasonably mild winter in both periods and the extremely cold weather in the US at the end of 2017.

Shareholders' equity
Common shareholders' equity increased by USD 0.2 billion to USD 2.4 billion at the end of 2017, due to the Group's injection of USD 1 billion capital in the fourth quarter, partially offset by the net loss for the period and a dividend of USD 150 million paid to the Group in the second quarter of the year. The return on equity was –32.2% in 2017, compared to 6.0% in 2016.

Outlook
Prices for commercial insurance have been under significant pressure in the past years, with a majority of segments operating at unsustainable rate levels since 2015. We expect a medium-paced, steady increase of prices over the next 12 to 18 months following the recent natural catastrophe events, with most pronounced increases in property in the US and a reinforced focus on terms and conditions. Corporate Solutions will maintain its commitment to underwriting discipline.

2017 CLAIMS COMMITMENT – A DIFFERENCE THAT CUSTOMERS AND BROKERS FEEL

The commercial insurance claims management process can be complex.

Through our industry-leading Claims Commitment, we aim to keep it simple and tailor our approach to our customers' needs and preferences. Working with our customers and brokers, our claims professionals promptly investigate, evaluate and develop an appropriate resolution strategy. Where we have a duty to defend, we will work to determine, as early as possible, our customer's preferred approach to whether the claim should be settled or defended.

In the event of an insured first-party property loss, we help our insureds get back to business quicker by making advance payments of up to 50% of our covered loss estimate.

Being there when our customer needs us is a top priority. We value a personal connection, and are committed to:
- Contacting our client, or their representative, within one business day of receiving a loss notification when we lead the primary claim.
- Returning phone calls and emails within one business day. When out of the office, we provide additional contacts, should immediate assistance be needed.
- Completing initial investigations on claims, in most instances, within 30 days.
- Paying covered claims within a period that meets our client's business needs, in most instances, within five business days.

We believe that "how" a claim is handled is often as important as the outcome itself, and our clients and brokers tell us that they feel a difference. In the last few years, we have received top Claims ratings in several global broker and risk manager surveys, including a #1 global ranking in 2017 by one of the top brokers and #1 ranking in the 2017 Risk Manager Choice Awards, a national (US) survey conducted by Flaspöhler and commissioned by National Underwriter/Property Casualty 360.

Life Capital – Life Capital's strategy is to create alternative access to attractive life and health risk pools.

Thierry Léger
CEO, Life Capital

"In 2017, Life Capital continued to see strong growth, both organic and inorganic; delivering against our strategy and strengthening our market position."

Strategy and priorities

During 2017, the open book businesses saw significant growth in the number of policies sold. For the closed book business, ReAssure continued to pursue selective growth.

In October 2017, Swiss Re reached an agreement with MS&AD Insurance Group Holdings Inc (MS&AD) for an investment of up to GBP 800 million in ReAssure, strengthening its ability to pursue growth. In December, ReAssure agreed to purchase 1.1 million Legal & General life policies for GBP 650 million, in line with its strategy to acquire closed life books in the UK and further strengthen its market position.

Life Capital seeks to optimise capital and asset management and to maximise cash generation and return on equity. In the closed book business, the focus remains on achieving operational efficiencies by leveraging our operating platform. In the open book business, Life Capital continued to invest in its technology platform during 2017, to position both elipsLife and iptiQ to grasp growth opportunities in their respective businesses.

LIFE CAPITAL RESULTS

USD millions	2016	**2017**	Change in %
Revenues			
Gross premiums written	1 489	1 761	18
Net premiums written	681	859	26
Change in unearned premiums	13	91	–
Premiums earned	694	**950**	37
Fee income from policyholders	499	457	–8
Net investment income – non-participating business	1 256	1 193	–5
Net realised investment gains/losses – non-participating business	503	133	–74
Net investment result – unit-linked and with-profit business	5 367	3 234	–40
Other revenues	1	2	100
Total revenues	8 320	**5 969**	–28
Expenses			
Life and health benefits	–1 896	–1 872	–1
Return credited to policyholders	–5 060	–3 179	–37
Acquisition costs	–63	–106	68
Operating expenses	–503	–514	2
Total expenses before interest expenses	–7 522	**–5 671**	–25
Income before interest and income tax expense	798	**298**	–63
Interest expenses	–29	–35	21
Income before income tax expense	769	**263**	–66
Income tax expense	–131	–102	–22
Net income attributable to common shareholders	638	**161**	–75

Performance
In 2017, net income for Life Capital was USD 161 million, a decline from USD 638 million in 2016, with the 2016 performance benefiting from large one-off realised gains on the investment portfolio that were, as expected, not repeated. The underlying performance in 2017 was supported by realised gains on sales of fixed income securities and favourable UK investment market performance.

The net operating margin in 2017 was 10.9% compared to 27.0% in the prior year, in line with movements in net income.

Life Capital generated significant gross cash of USD 998 million during 2017, compared to USD 721 million in the prior year. The gross cash generated in 2017 was driven by the strong underlying surplus on the ReAssure business. It further benefited from an update to mortality assumptions and the finalisation of the 2016 year-end Solvency II statutory valuation.

Life Capital paid a dividend of USD 1.1 billion to the Group during June 2017, driven by the strong capital position of the ReAssure business.

Premiums
Gross premiums written increased by 18.3% to USD 1.8 billion during 2017, mainly driven by growth in the open book businesses, offsetting the run-off of the closed books, as well as foreign exchange rate movements. Net premiums earned increased from growth in the open book life and health insurance businesses.

Investment result
The return on investments was 3.4% for 2017, compared to 4.0% in 2016. The prior-year result included significant net realised gains from interest rate derivatives as well as higher net investment income.

Net investment income decreased by USD 48 million to USD 894 million in 2017, mainly due to a negative impact from foreign exchange rate movements.

Net realised gains decreased by USD 110 million to USD 111 million in 2017, reflecting the lower impact from interest rate derivatives.

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

Operating expenses
Operating expenses were USD 514 million in 2017 compared to USD 503 million in 2016, including investment in 2017 for the open book expansion.

Shareholders' equity
Common shareholders' equity decreased by USD 0.2 billion to USD 7.1 billion, compared to 31 December 2016. The decrease was mainly driven by a USD 1.1 billion dividend paid to the Group, partially offset by net income and higher unrealised gains in 2017. The annualised return on equity was 2.2% for 2017, compared to 10.4% for 2016. The year-on-year decrease was due to lower net income in 2017.

Outlook
Life Capital continues to pursue selective acquisition opportunities within the closed book market in the UK and is focused on growing its individual and group life and health businesses in Europe and the US. The ambition is to build a leading primary life and health business, with attractive returns for shareholders.

EMBRACING THE DIGITAL REVOLUTION THROUGH PARTNERSHIPS

Since its creation, iptiQ has successfully onboarded, and has been contributing to the success of 12 distribution partners.

Growth at Life Capital relies largely on the strategic exploration of new digital capabilities to access attractive primary life and health risk pools.

One of the ways Life Capital does this is through its B2B2C entity iptiQ, which partners with distributors to help individuals address their protection needs. Main products offered include term-life, whole of life, disability and critical illness. In the past year, iptiQ's new policy sales more than doubled driven by the successful onboarding of new distribution partners, the extension of products and higher convergence of sales leads.

In 2017, iptiQ enabled a large Swiss Re Property and Casualty reinsurance client to become a multi-product insurer in a new country, adding a digital life insurance solution to their line in less than six months. The client was able to enhance their value proposition while maintaining their branding and customer journey. iptiQ's simple and transparent digital solution was the client's preferred choice in a highly competitive market for a number of reasons:

- Full branding control
- Ability to launch a new line of products within just months
- Ability to access a digital end-to-end solution without investment costs
- Ability to provide customers with a best-in-class experience and optimised customer journey without disruption

By forging strategic B2B partnerships using agile tech and smart data, iptiQ is tackling one of our key industry challenges: to provide simple, affordable and digital insurance solutions.

The digital revolution is here to stay. Through promising start-ups such as iptiQ, Life Capital will continue investing in technology to provide protection for as many families as possible.

Share performance

Swiss Re shares

Swiss Re had a market capitalisation of CHF 31.9 billion on 31 December 2017, with 349.5 million shares outstanding, of which 314.6 million were entitled to dividends. Swiss Re shares are listed in accordance with the International Reporting Standard on the SIX Swiss Exchange (SIX) and are traded under the ticker symbol SREN.

American Depositary Receipts (ADR)

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

Share price performance

Swiss Re shares opened the year at CHF 97.15. An intra-day high of CHF 98.50 was achieved on 4 January 2017. On 8 September 2017, the shares experienced an intra-day low of CHF 81.65. The year-end share price was CHF 91.25.

During 2017 the STOXX Europe 600 Insurance index (SXIP) increased by 6.9% and the broader index of Swiss blue chips (SMI) increased by 14.1%. The Swiss Re share decreased by 5.4%.

Share trading

The average on-exchange daily trading volume for 2017 was 1.3 million shares. Trading volume peaked at 2.9 million shares on 11 September 2017.

Swiss Re's dividend policy

Swiss Re's dividend policy is a central element of Swiss Re's capital management priorities.

The Group aims to ensure a superior capitalisation at all times and maximise financial flexibility, growing the regular dividend with long-term earnings and at a minimum maintaining it. Swiss Re will then deploy capital for business growth where it meets its strategy and profitability requirements and finally repatriate further excess capital to shareholders, with the preferred form of future capital repatriation being share buy-back programmes.

Dividends are typically paid out of current earnings and Swiss Re pays its dividend annually. Shares are ex-dividend two working days after the Annual General Meeting (AGM). Dividend payment is typically two working days after the ex-dividend date. The corresponding dates in 2018 are 24 and 26 April.

Dividends

The Board of Directors proposes a regular dividend of CHF 5.00 per share for 2017. As the tax privileged legal reserves from capital contributions were exhausted with the payment of the 2014 dividend, the dividend paid for 2017 will be subject to 35% Swiss withholding tax.

Public share buy-back programme

The Board of Directors launched on 3 November 2017 the public share buy-back programme authorised by the 2017 AGM. This programme was completed on 16 February 2018.

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

The Board of Directors proposes to the 2018 AGM to authorise the company to repurchase own shares for the purpose of cancellation by way of a public share buy-back programme of up to CHF 1.0 billion purchase value to be executed before the 2019 AGM.

Unlike in previous years, beyond the Board of Directors' and regulatory approval, and considering the Group's capital management priorities, there will be no other pre-conditions to the commencement of the new programme.

Swiss Re will ask the AGM in April 2019 permission to cancel the repurchased shares by way of share capital reduction.

GENERAL INFORMATION ON SWISS RE SHARES

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

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

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

Weighting in indices

As of 31 December 2017	Index weight (in %)
Swiss/blue chip indices	
SMI	3.01
SPI	2.16
Insurance indices	
STOXX Europe 600 Insurance	5.02
Bloomberg Europe 500 Insurance	4.73
FTSEurofirst 300 Insurance	5.77
Dow Jones Insurance Titans 30	2.22
Sustainability indices	
Dow Jones Sustainability Europe	0.71
Dow Jones Sustainability World	0.29
FTSE4Good Global	5.00

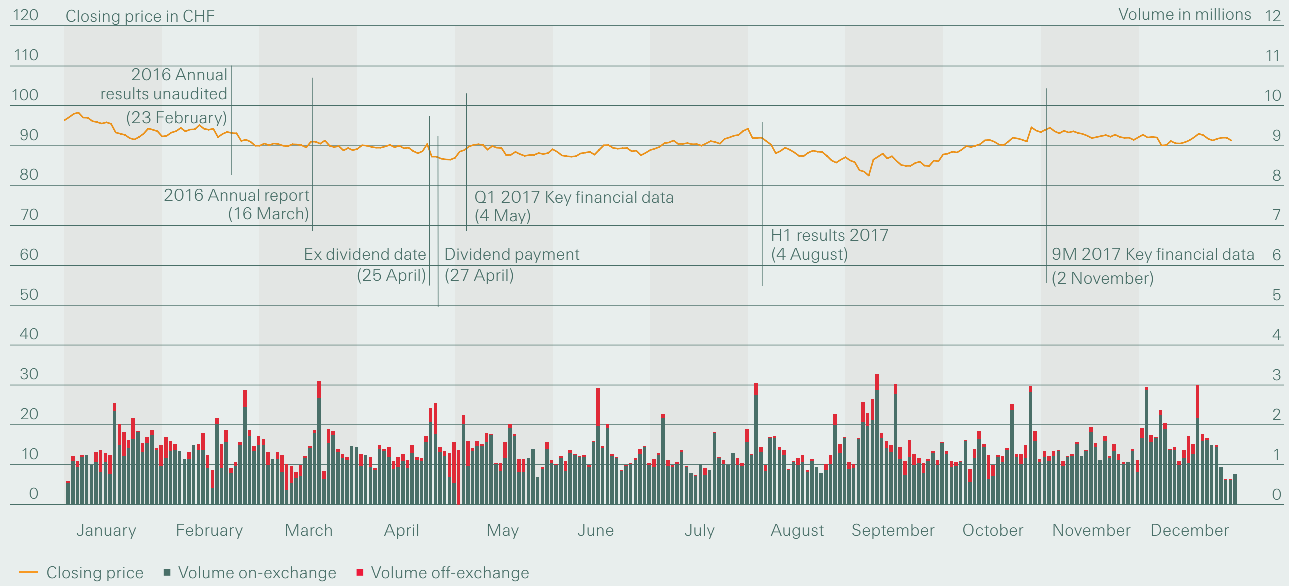
Index representation

In addition to its relevant industry indices, Swiss Re is also represented in various Swiss, European and global indices, including the SMI and the SXIP. Swiss Re is also a member of various sustainability indices, including the Dow Jones Sustainability World and Europe, FTSE4Good, Euronext Vigeo Europe 120, the MSCI ESG Leaders and MSCI Global Socially Responsible (2017) index families. In May 2017, Swiss Re received a AAA rating on the MSCI ESG assessment.

Information for investors

More information is available on Swiss Re's website: www.swissre.com/investors

SWISS RE SHARE PRICE AND TRADING VOLUME IN 2017



KEY SHARE STATISTICS 2013–2017

As of 31 December	2013	2014	2015	2016	2017
Shares outstanding[1]	370 706 931	370 706 931	370 706 931	360 072 561	349 452 281
of which Treasury shares and shares reserved for corporate purposes	28 511 298	28 507 491	32 967 226[2]	34 093 834[3]	34 866 516[4]
Shares entitled to dividend	342 195 633	342 199 440	337 739 705	325 978 727	314 585 765

CHF unless otherwise stated					
Dividend paid per share	3.50[5]	3.85[6]	4.25[7]	4.60	4.85
Dividend yield[8] (in %)	4.30	4.60	4.33	4.77	5.32
Earnings per share[9]	12.04	9.33	12.93	10.55	1.02
Book value per share[10]	82.76	101.12	96.04	107.64	103.37
Price per share year-end	82.05	83.65	98.15	96.50	91.25
Price per share year high (intra-day)	84.75	86.55	99.75	97.85	98.50
Price per share year low (intra-day)	66.10	69.25	74.95	79.00	81.65
Daily trading volume (in CHF millions)	78	95	134	120	129
Market capitalisation[11] (in CHF millions)	30 417	31 010	36 385	34 747	31 888
ADR price at year-end (in USD)	92.38	84.57	24.53[12]	23.76	23.38

[1] Nominal value of CHF 0.10 per share.
[2] Includes 4.4m shares repurchased under the share buy-back programme launched on 12 November 2015, which concluded on 2 March 2016.
[3] Includes 5.5m shares repurchased under the share buy-back programme launched on 4 November 2016, which concluded on 9 February 2017.
[4] Includes 6.3m shares repurchased under the share buy-back programme launched on 3 November 2017, which concluded on 16 February 2018.
[5] In addition to the regular dividend of CHF 3.50 per share a special dividend of CHF 4.00 per share was paid in 2013.
[6] In addition to the regular dividend of CHF 3.85 per share a special dividend of CHF 4.15 per share was paid in 2014.
[7] In addition to the regular dividend of CHF 4.25 per share a special dividend of CHF 3.00 per share was paid in 2015.
[8] Dividend divided by year-end share price of corresponding year.
[9] Calculated by dividing net income by the weighted average number of common shares outstanding.
[10] Based on shareholders' equity (excluding convertible perpetual capital instruments) divided by the number of external common shares entitled to dividend.
[11] Based on shares outstanding.
[12] Since 15 June 2015 every Swiss Re ADR represents one quarter of a Swiss Re share. Prior to close of business on 12 June 2015, one ADR represented one Swiss Re share.

Swiss Re achieved its over-the-cycle economic net worth per share growth target with a growth rate of 10.8%.

Contents

EVM performance

Underwriting losses in Property & Casualty Reinsurance and Corporate Solutions due to natural catastrophes, offset by strong new business contribution in Life & Health Reinsurance as well as a strong investment result.

Read online a description of the summary of significant EVM principles and sensitivities.

David Cole
Group Chief Financial Officer

"EVM allows Swiss Re to measure sustainable, long-term value creation."

Economic Value Management (EVM) is Swiss Re's proprietary integrated economic valuation and steering framework, consistently measuring economic performance across all businesses.

Swiss Re reported a total contribution to economic net worth (ENW) of USD 1.9 billion in 2017 compared to USD 4.2 billion in 2016. On a risk-adjusted basis, Swiss Re reported an EVM loss of USD 9 million, implying that the required cost of capital was essentially covered in 2017. This result was in contrast to the reported EVM profit of USD 1.4 billion in 2016.

EVM profit
in USD millions, 2017

−9

(2016: USD 1.4 billion)

ENW per share growth
over-the-cycle target: 10%

10.8%

(2016: 11.0%)

Total contribution to ENW
in USD billions, 2017

1.9

(2016: USD 4.2 billion)

Group performance

The EVM loss of USD 9 million in 2017 reflected the impact of Cyclone Debbie in Australia as well as hurricanes, earthquakes and wildfires in the Americas that adversely impacted the Property & Casualty Reinsurance and Corporate Solutions economic results. These losses were partially offset by a strong new business result in Life & Health Reinsurance, as well as a strong overall investment result, mainly due to tightening credit spreads.

The EVM loss on new business was USD 1.3 billion compared to an EVM profit on new business of USD 884 million in 2016. The drop was mainly driven by lower Property & Casualty Reinsurance and Corporate Solutions new business results following large natural catastrophe events in the Americas in the second half of 2017. This was partially offset by a strong new business result in Life & Health Reinsurance.

The EVM loss from previous years' business amounted to USD 148 million in 2017 compared to an EVM loss of USD 579 million in 2016. The result was primarily driven by large man-made and natural catastrophe loss development in Corporate Solutions, partially offset by favourable claims experience in Property & Casualty Reinsurance.

Investment activities generated an EVM profit of USD 1.5 billion in 2017 compared to a profit of USD 1.1 billion in 2016. The results in both years reflected a positive impact from credit spread tightening and performance across equities and alternative investments, while the 2017 result also reflected a favourable performance from Principal Investments.

Economic net worth (ENW) per share growth was 10.8% in 2017, achieving the over-the-cycle target of 10%, driven by the total contribution to ENW and favourable foreign exchange impacts.

KEY INFORMATION

USD millions, unless otherwise stated	2016	**2017**	Change in %
EVM profit	1 399	−9	–
Total contribution to ENW	4 231	1 867	−56
Economic net worth (ENW)	36 648	37 667	3
Economic net worth per share in USD	112.42	119.74	7
Economic net worth per share growth, %[1]	*11.0*	*10.8*	
Profit margin – new business, %	*3.1*	*−4.1*	
Profit margin – previous years' business, %	*−2.9*	*−0.8*	
Profit margin – investments, %	*12.0*	*16.5*	

[1] ENW per share growth is calculated as follows: (current-year closing ENW per share + current year dividends per share) / (prior-year closing ENW per share + current year opening balance sheet adjustments per share).

Business segment performance
Property & Casualty Reinsurance reported an EVM loss of USD 1.2 billion in 2017 compared to a profit of USD 562 million in 2016. The EVM loss on new business of USD 1.5 billion was driven by severe natural catastrophe events, which included hurricanes Harvey, Irma and Maria, two earthquakes in Mexico and the wildfires in California. EVM profit on previous years' business was USD 120 million, driven by favourable experience in property and specialty, partially offset by losses from Cyclone Debbie and negative casualty development in the motor business in both the US and the UK. Investment activities generated an EVM profit of USD 212 million in 2017 compared to a loss of USD 29 million in 2016. The 2017 profit was driven by performance across equities and alternative investments, and from credit investments, while the prior year was impacted by a negative rates performance on a short duration position.

Life & Health Reinsurance reported an EVM profit of USD 1.6 billion in 2017 compared to USD 1.2 billion in 2016. The 2017 result included a strong new business profit of USD 987 million, driven by large transactions in EMEA and continued growth in Asia. The 2017 previous years' business profit was USD 11 million. This was mainly driven by positive results from model conversions and the restructuring of an intra-group retrocession agreement in Australia and lower capital costs, partially offset by mortality and critical illness assumption updates in the US and UK, respectively. Investment activities generated an EVM profit of USD 627 million in 2017 compared to USD 596 million in 2016. The results in both years were positively impacted by credit spread tightening as well as performance from equity securities.

Corporate Solutions reported an EVM loss of USD 917 million in 2017 compared to a loss of USD 111 million in 2016. The EVM loss on new business was USD 595 million higher compared to 2016, significantly impacted by hurricanes Harvey, Irma and Maria, the earthquake in Puebla, Mexico and the California wildfires, partially offset by a lower impact from the non-recognition of intangible assets relating to acquisitions. The EVM loss on the Bradesco acquisition in 2017 was USD 81 million, whereas the EVM loss on the IHC acquisition in 2016 was USD 148 million. The EVM loss on previous years' business was USD 257 million, driven by less favourable reserve development and higher natural catastrophe losses. Investment activities generated an EVM profit of USD 79 million in 2017 compared to a profit of USD 59 million in 2016, with results in both years reflecting a positive impact from credit spread tightening as well as performance from equity securities.

Life Capital generated an EVM profit of USD 572 million in 2017 compared to a profit of USD 115 million in 2016. The 2017 profit reflected a strong investment result as well as a favourable result from large transactions, while the 2016 profit reflected a strong investment result which was partially offset by losses from previous years' business. The investment result in both years was driven by performance from all asset classes.

In 2017, an EVM loss of USD 128 million was reported in Group items compared to a loss of USD 364 million in 2016. The EVM loss from new business was USD 232 million in 2017, driven by capital costs on excess capital and expenses, partially offset by trademark licence fees charged to the business segments. The previous years' business loss was USD 42 million, mainly driven by an increase in overhead expenses. Investment activities generated an EVM profit of USD 146 million in 2017 compared to a loss of USD 216 million in 2016, with the favourable variance reflecting an improved result from Principal Investments.

BUSINESS SEGMENTS – KEY INFORMATION

USD millions, unless otherwise stated	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	**Total**
2016						
EVM profit	562	1 197	–111	115	–364	1 399
Total contribution to ENW	1 589	1 916	140	599	–13	4 231
Profit margin – new business, %	*1.9*	*11.0*	*–4.2*	*–*		*3.1*
Profit margin – previous years' business, %	*5.1*	*–4.7*	*–2.1*	*–17.8*		*–2.9*
Profit margin – investments, %	*–1.0*	*14.7*	*10.9*		*–15.7*	*12.0*
2017						
EVM profit	–1 161	1 625	–917	572	–128	–9
Total contribution to ENW	–954	2 180	–750	987	404	1 867
Profit margin – new business, %	*–10.2*	*8.6*	*–21.2*	*4.3*		*–4.1*
Profit margin – previous years' business, %	*1.9*	*0.1*	*–18.3*	*1.0*		*–0.8*
Profit margin – investments, %	*7.2*	*16.0*	*14.6*		*11.0*	*16.5*

EVM financial information

EVM INCOME STATEMENT

For the years ended 31 December

USD millions, unless otherwise stated	2016	2017
Underwriting result		
Gross premiums and fees	47 235	41 846
Gross premiums and fees growth rate, %	*15.3*	*–11.4*
Premiums and fees	46 566	40 796
Premiums and fees retention rate, %	*98.6*	*97.5*
Premiums and fees growth rate, %	*14.8*	*–12.4*
Claims and benefits	–31 668	–30 017
Commissions	–8 492	–7 413
Other	–240	136
Gross underwriting result – new business	**6 166**	**3 502**
Expenses	–3 314	–3 390
Net underwriting result – new business	**2 852**	**112**
Taxes	–744	18
Capital costs	–1 224	–1 475
EVM profit – new business	**884**	**–1 345**
EVM profit – previous years' business	**–579**	**–148**
EVM profit – underwriting	**305**	**–1 493**
Investment result		
Mark-to-market investment result	7 500	5 132
Benchmark investment result	–4 266	–1 761
Gross outperformance (underperformance)	**3 234**	**3 371**
Other	121	125
Expenses	–274	–253
Net outperformance (underperformance)	**3 081**	**3 243**
Taxes	–743	–747
Capital costs	–1 244	–1 012
EVM profit – investments	**1 094**	**1 484**
EVM profit	**1 399**	**–9**
Cost of debt	–461	–626
Release of current year capital costs	2 778	2 792
Additional taxes	515	–290
Total contribution to ENW	**4 231**	**1 867**
Profit margin – new business, %	*3.1*	*–4.1*
Profit margin – previous years' business, %	*–2.9*	*–0.8*
Profit margin – investments, %	*12.0*	*16.5*

EVM BALANCE SHEET

As of 31 December

USD millions	2016	2017
Assets		
Investments	164 314	162 873
Cash and cash equivalents	9 007	6 467
In-force business assets	197 647	224 231
Retrocession assets	24 457	25 000
Other assets	3 017	3 998
Total assets	**398 442**	**422 569**
Liabilities		
In-force business liabilities	304 359	331 288
Retrocession liabilities	19 663	19 835
Provision for capital costs	9 260	9 034
Future income tax liabilities	4 606	4 914
Debt	14 199	13 095
Other liabilities	9 707	6 736
Total liabilities	**361 794**	**384 902**
Economic net worth	**36 648**	**37 667**
Total liabilities and economic net worth	**398 442**	**422 569**

STATEMENT OF ECONOMIC NET WORTH

For the years ended 31 December

USD millions	2016	2017
Economic net worth as of 1 January	37 358	36 648
Change in EVM methodology	–1 699	
Adjusted economic net worth as of 1 January	**35 659**	**36 648**
Total contribution to ENW	4 231	1 867
Dividends and share buy-back	–2 662	–2 629
Other, including foreign exchange on economic net worth	–580	1 781
Economic net worth as of 31 December	**36 648**	**37 667**
Common shares outstanding as of 31 December	325 978 727	314 585 765
Economic net worth per share in USD as of 31 December	112.42	119.74

BUSINESS SEGMENTS - EVM INCOME STATEMENT

For the year ended 31 December

USD millions, unless otherwise stated	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	**Total**
2016						
Underwriting result						
Gross premiums and fees	18493	23796	4067	879		47235
Gross premiums and fees growth rate, %	*−1.7*	*34.7*	*8.7*	*17.2*		*15.3*
Premiums and fees	18440	24060	3708	358		46566
Premiums and fees retention rate, %	*99.7*	*101.1*	*91.2*	*40.7*		*98.6*
Premiums and fees growth rate, %	*−1.4*	*33.9*	*4.5*	*0.6*		*14.8*
Claims and benefits	−11539	−17748	−2092	−289		−31668
Commissions	−4308	−3609	−570	−5		−8492
Other	−34	−57	−137	−5	−7	−240
Gross underwriting result – new business	**2559**	**2646**	**909**	**59**	**−7**	**6166**
Expenses	−1335	−862	−842	−188	−87	−3314
Net underwriting result – new business	**1224**	**1784**	**67**	**−129**	**−94**	**2852**
Taxes	−346	−408	−68	15	63	−744
Capital costs	−598	−281	−143	−49	−153	−1224
EVM profit – new business	**280**	**1095**	**−144**	**−163**	**−184**	**884**
EVM profit – previous years' business	**311**	**−494**	**−26**	**−406**	**36**	**−579**
EVM profit – underwriting	**591**	**601**	**−170**	**−569**	**−148**	**305**
Investment result						
Mark-to-market investment result	1626	2317	261	3211	85	7500
Benchmark investment result	−1073	−1086	−100	−1960	−47	−4266
Gross outperformance (underperformance)	**553**	**1231**	**161**	**1251**	**38**	**3234**
Other	53	23	8	37		121
Expenses	−88	−69	−19	−52	−46	−274
Net outperformance (underperformance)	**518**	**1185**	**150**	**1236**	**−8**	**3081**
Taxes	−124	−289	−36	−296	2	−743
Capital costs	−423	−300	−55	−256	−210	−1244
EVM profit – investments	**−29**	**596**	**59**	**684**	**−216**	**1094**
EVM profit	**562**	**1197**	**−111**	**115**	**−364**	**1399**
Cost of debt	−212	−154	−14	−63	−18	−461
Release of current year capital costs	1008	757	202	426	385	2778
Additional taxes	231	116	63	121	−16	515
Total contribution to ENW	**1589**	**1916**	**140**	**599**	**−13**	**4231**
Profit margin – new business, %	*1.9*	*11.0*	*−4.2*	*–*		*3.1*
Profit margin – previous years' business, %[1]	*5.1*	*−4.7*	*−2.1*	*−17.8*		*−2.9*
Profit margin – investments, %	*−1.0*	*14.7*	*10.9*		*−15.7*	*12.0*

[1] The overall previous years' business profit margin for the Business Unit Reinsurance was −1.1%.

BUSINESS SEGMENTS - EVM INCOME STATEMENT

For the year ended 31 December

USD millions, unless otherwise stated	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	**Total**
2017						
Underwriting result						
Gross premiums and fees	17 668	18 923	4 088	1 167		41 846
Gross premiums and fees growth rate, %	*–4.5*	*–20.5*	*0.5*	*32.8*		*–11.4*
Premiums and fees	17 495	18 974	3 685	642		40 796
Premiums and fees retention rate, %	*99.0*	*100.3*	*90.1*	*55.0*		*97.5*
Premiums and fees growth rate, %	*–5.1*	*–21.1*	*–0.6*	*79.3*		*–12.4*
Claims and benefits	–13 253	–13 330	–2 929	–505		–30 017
Commissions	–4 156	–2 628	–561	–68		–7 413
Other	–47	–37	–92	309	3	136
Gross underwriting result – new business	**39**	**2 979**	**103**	**378**	**3**	**3 502**
Expenses	–1 320	–909	–843	–203	–115	–3 390
Net underwriting result – new business	**–1 281**	**2 070**	**–740**	**175**	**–112**	**112**
Taxes	172	–369	129	22	64	18
Capital costs	–384	–714	–128	–65	–184	–1 475
EVM profit – new business	**–1 493**	**987**	**–739**	**132**	**–232**	**–1 345**
EVM profit – previous years' business	**120**	**11**	**–257**	**20**	**–42**	**–148**
EVM profit – underwriting	**–1 373**	**998**	**–996**	**152**	**–274**	**–1 493**
Investment result						
Mark-to-market investment result	1 287	1 912	273	1 099	561	5 132
Benchmark investment result	–542	–757	–116	–295	–51	–1 761
Gross outperformance (underperformance)	**745**	**1 155**	**157**	**804**	**510**	**3 371**
Other	58	26	9	32		125
Expenses	–87	–63	–14	–38	–51	–253
Net outperformance (underperformance)	**716**	**1 118**	**152**	**798**	**459**	**3 243**
Taxes	–162	–260	–35	–184	–106	–747
Capital costs	–342	–231	–38	–194	–207	–1 012
EVM profit – investments	**212**	**627**	**79**	**420**	**146**	**1 484**
EVM profit	**–1 161**	**1 625**	**–917**	**572**	**–128**	**–9**
Cost of debt	–352	–170	–39	–40	–25	–626
Release of current year capital costs	881	871	186	382	472	2 792
Additional taxes	–322	–146	20	73	85	–290
Total contribution to ENW	**–954**	**2 180**	**–750**	**987**	**404**	**1 867**
Profit margin – new business, %	*–10.2*	*8.6*	*–21.2*	*4.3*		*–4.1*
Profit margin – previous years' business, %[1]	*1.9*	*0.1*	*–18.3*	*1.0*		*–0.8*
Profit margin – investments, %	*7.2*	*16.0*	*14.6*		*11.0*	*16.5*

[1] The overall previous years' business profit margin for the Business Unit Reinsurance was 0.8%.

BUSINESS SEGMENTS – EVM BALANCE SHEET

As of 31 December

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
2016							
Assets							
Investments	51 155	37 082	8 252	68 155	6 420	–6 750	164 314
Cash and cash equivalents	4 922	410	469	2 636	570		9 007
In-force business assets	14 725	177 930	2 891	10 003		–7 902	197 647
Retrocession assets	2 640	18 541	4 697	9 021		–10 442	24 457
Other assets	5 631	1 258	401	438	955	–5 666	3 017
Total assets	**79 073**	**235 221**	**16 710**	**90 253**	**7 945**	**–30 760**	**398 442**
Liabilities							
In-force business liabilities	48 803	180 098	11 170	74 072	658	–10 442	304 359
Retrocession liabilities	472	18 520	983	7 590		–7 902	19 663
Provision for capital costs	212	7 033	214	1 801			9 260
Future income tax liabilities	1 541	2 574	317	251	–77		4 606
Debt	5 111	12 536	497	1 590	513	–6 048	14 199
Other liabilities	8 655	3 708	721	1 148	1 841	–6 366	9 707
Total liabilities	**64 794**	**224 469**	**13 902**	**86 452**	**2 935**	**–30 758**	**361 794**
Economic net worth	**14 279**	**10 752**	**2 808**	**3 801**	**5 010**	**–2**	**36 648**
Total liabilities and economic net worth	**79 073**	**235 221**	**16 710**	**90 253**	**7 945**	**–30 760**	**398 442**

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
2017							
Assets							
Investments	54 625	38 384	9 323	64 776	6 284	–10 519	162 873
Cash and cash equivalents	1 335	1 595	651	2 623	263		6 467
In-force business assets	16 446	223 346	2 962	32 100	3	–50 626	224 231
Retrocession assets	2 776	35 944	4 637	25 378		–43 735	25 000
Other assets	6 675	652	485	1 657	1 651	–7 122	3 998
Total assets	**81 857**	**299 921**	**18 058**	**126 534**	**8 201**	**–112 002**	**422 569**
Liabilities							
In-force business liabilities	54 174	218 935	12 608	88 590	717	–43 736	331 288
Retrocession liabilities	537	40 151	912	28 861		–50 626	19 835
Provision for capital costs	97	7 179	198	1 560			9 034
Future income tax liabilities	1 513	3 259	79	239	–176		4 914
Debt	4 697	14 071	526	2 246	60	–8 505	13 095
Other liabilities	8 429	3 245	817	1 060	2 315	–9 130	6 736
Total liabilities	**69 447**	**286 840**	**15 140**	**122 556**	**2 916**	**–111 997**	**384 902**
Economic net worth	**12 410**	**13 081**	**2 918**	**3 978**	**5 285**	**–5**	**37 667**
Total liabilities and economic net worth	**81 857**	**299 921**	**18 058**	**126 534**	**8 201**	**–112 002**	**422 569**

BUSINESS SEGMENTS – STATEMENT OF ECONOMIC NET WORTH

For the year ended 31 December

USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	**Total**
2017							
Economic net worth as of 1 January	**14 279**	**10 752**	**2 808**	**3 801**	**5 010**	**–2**	**36 648**
Total contribution to ENW	–954	2 180	–750	987	404		1 867
Dividends and share buy-back	–1 950	–650	–150	–1 058	1 179		–2 629
Other, including foreign exchange on economic net worth	1 035	799	1 010	248	–1 308	–3	1 781
Economic net worth as of 31 December	**12 410**	**13 081**	**2 918**	**3 978**	**5 285**	**–5**	**37 667**

Comparison of EVM and US GAAP

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

- **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 reserves acquired in business combinations), 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, different treatment applies for certain investments (eg real estate is held at depreciated cost) and debt is carried at amortised cost rather than at fair value.
- **Reserving basis:** For EVM, best-estimate current assumptions are used for all re/insurance reserves. Under US GAAP, life and health assumptions are usually locked-in and can include a provision for adverse deviation.
- **Recognition differences:** EVM considers the economic value related to annual management charges on unit-linked funds and adjusts for counterparty credit risk in the valuation of insurance related net assets. In addition, EVM does not show minority interests on the balance sheet, but consolidates assets and liabilities based on the proportion of the interest held by Swiss Re.
- **Goodwill and other intangibles:** EVM excludes the recognition of potential future new business activities, including potential renewals. As a result, no goodwill or intangible assets are carried in the EVM balance sheet.
- **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 shareholders' capital. The present value of capital costs allocated to existing contracts are recognised in the EVM balance sheet.

BUSINESS SEGMENTS – RECONCILIATION TO US GAAP

As of 31 December

USD billions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Total
2016						
US GAAP shareholders' equity	**13.0**	**7.6**	**2.2**	**7.3**	**5.5**	**35.6**
Discounting	4.1	−0.4	0.2	−3.8	0.0	0.1
Investments and debt	1.3	−2.1	0.0	0.0	0.4	−0.4
Reserving basis						
GAAP margins	0.0	15.2	0.0	2.8	0.0	18.0
Other	−0.3	−0.2	1.0	−0.6	−0.6	−0.7
Recognition differences	−0.1	0.1	0.0	−0.7	0.0	−0.7
Goodwill and other intangibles	−2.0	−1.8	−0.3	−0.1	−0.5	−4.7
Taxes	−1.5	−0.5	−0.3	0.6	0.1	−1.6
Capital costs	0.2	−7.1	−0.1	−1.7	−0.1	−8.8
Other	−0.5	0.0	0.1	0.0	0.2	−0.2
Total EVM valuation adjustments	**1.2**	**3.2**	**0.6**	**−3.5**	**−0.5**	**1.0**
Economic net worth	**14.2**	**10.8**	**2.8**	**3.8**	**5.0**	**36.6**
2017						
US GAAP shareholders' equity	**10.7**	**8.2**	**2.4**	**7.1**	**5.7**	**34.1**
Discounting	4.4	−0.3	0.4	−4.2	0.0	0.3
Investments and debt	1.8	−2.3	0.0	0.0	0.5	0.0
Reserving basis						
GAAP margins	0.0	17.3	0.0	3.3	0.0	20.6
Other	−0.1	0.1	1.0	−0.5	−0.7	−0.2
Recognition differences	0.0	0.0	−0.1	−0.5	0.0	−0.6
Goodwill and other intangibles	−2.0	−1.9	−0.4	−0.2	−0.5	−5.0
Taxes	−2.0	−0.9	−0.3	0.6	0.1	−2.5
Capital costs	0.0	−7.1	−0.2	−1.6	0.0	−8.9
Other	−0.4	0.0	0.1	0.0	0.2	−0.1
Total EVM valuation adjustments	**1.7**	**4.9**	**0.5**	**−3.1**	**−0.4**	**3.6**
Economic net worth	**12.4**	**13.1**	**2.9**	**4.0**	**5.3**	**37.7**

Independent Assurance Report

To the Board of Directors of Swiss Re Ltd on the Economic Value Management financial information as of 31 December 2017

We have been engaged to perform a reasonable assurance engagement on the Economic Value Management ("EVM") financial information of Swiss Re Ltd (the "Company") for the year ended 31 December 2017 (the "EVM financial information"). The EVM financial information consists of the income statement, balance sheet, statement of economic net worth and information on business segments as set out on pages 57 to 63 in the Company's 2017 Annual Report.

All other EVM information included in, or made available outside, the Company's 2017 Annual Report was not subject to assurance procedures and, accordingly, we express no conclusion on this information.

Criteria

The reporting criteria used by the Company are described in the summary of significant EVM principles (hereafter referred to as 'EVM principles') as published on the Company's website (swissre.com/EVM_principles).

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the EVM financial information 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 EVM financial information that is free from material misstatement.

Our responsibility

Our responsibility is to perform a reasonable assurance engagement to express a conclusion on the EVM financial information as set out on pages 57 to 63 in the Company's 2017 Annual Report. We conducted our reasonable assurance engagement in accordance with International Standards on Assurance Engagements 3000 (Revised) '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 plan and perform this engagement to obtain reasonable assurance about the assurance conclusions.

A reasonable assurance engagement involves performing procedures to obtain evidence about the execution of the valuation and accounting for the purpose of the EVM financial information in accordance with the Company's EVM principles. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the EVM financial information, whether due to omissions, misrepresentation, fraud or error. In making those risk assessments, we consider internal controls relevant to the preparation of EVM financial information 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 EVM financial information. 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 EVM financial information 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 assurance conclusion.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

In our opinion, the EVM financial information of the Company for the year ended 31 December 2017 as set out on pages 57 to 63 is prepared, in all material respects, in accordance with the Company's EVM principles applied as published on the Company's website (swissre.com/EVM_principles).

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

PricewaterhouseCoopers Ltd

Alex Finn

Bret Griffin

Zurich, 14 March 2018

Despite a challenging year, Swiss Re maintained a very strong capital position. Controlled risk-taking and active capital management underpin our financial strength.

Contents

Overview

Our capital strength enables us to respond to market developments.

Despite large industry losses, we remained strongly capitalised. This reflects our efficient capital allocation and effective risk governance and steering approach throughout the Group.

David Cole
Group Chief Financial Officer

Patrick Raaflaub
Group Chief Risk Officer

"Our capital position is very strong and we continue to have ample financial flexibility."

"Our risk appetite framework forms the basis for controlled risk-taking and protects our financial strengths."

Capitalisation

Swiss Re maintained a very strong capital position during 2017 despite a challenging year. This allowed us to allocate capital to potential market opportunities while continuing to distribute excess capital to our shareholders. The Group's Swiss Solvency Test ratio remains comfortably above Swiss Re's respectability level of 220%. Rating agencies A.M. Best, Moody's and Standard & Poor's (S&P) rated Swiss Re's financial strength 'superior', 'excellent' and 'very strong', respectively (see page 72).

Our overall goal for capital management is to maintain a capital structure that operates efficiently within constraints imposed by regulators and requirements from rating agencies as well as maximises our financial flexibility. Our underwriting and investment decisions are steered to make capital and liquidity fungible to the Group wherever possible, while complying with local regulations and client needs. Cash dividends paid to the Group's parent holding company, Swiss Re Ltd, totalled USD 22.4 billion since 2012.

As part of the Group's target capital structure, Swiss Re created further financial flexibility by establishing a USD 750 million pre-funded truly perpetual subordinated debt facility that has a fixed credit spread for life (see page 70).

Based on the Group's capital strength, the Board of Directors proposes a 2017 regular dividend of CHF 5.00 per share. In addition, the Board of Directors proposes a public share buy-back programme of up to CHF 1.0 billion purchase value, commencing at the discretion of the Board of Directors after the AGM's approval.

Liquidity

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

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

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

Risk Management

Group Risk Management is key to the controlled risk-taking that underpins our financial strength. Risk Management is mandated to ensure that the Group and the legal entities have the necessary expertise, frameworks and infrastructure to support good risk-taking. In addition, it monitors and ensures adherence to applicable frameworks and also performs reserving and reporting activities.

Risk Management is embedded throughout our business. We have dedicated Chief Risk Officers and risk teams for all major legal entities and regions. These are closely aligned to Swiss Re's business structure, in order to ensure effective risk oversight, but remain part of our Risk Management function under the Group CRO, thus ensuring their independence as well as a consistent Group-wide approach to overseeing and controlling risks. They are supported in this by central risk teams that provide specialised risk expertise and oversight.

The Group's risk-taking is steered by our Risk Appetite Framework, which consists of two interlinked components: risk appetite and risk tolerance. The risk appetite statement facilitates discussions about where and how Swiss Re should deploy its capital, liquidity and other resources under a risk-return view, while the risk tolerance sets clear boundaries to risk-taking.

Our proprietary integrated risk model provides a meaningful assessment of the risks to which the Group is exposed and represents an important tool for managing our business. It determines the capital requirements for internal purposes and forms the basis for regulatory reporting under the Swiss Solvency Test (SST) and under Solvency II for our legal entities in continental Europe. With the approval of our internal model under FINMA's revised process, we achieved a key milestone in 2017.

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

Swiss Re's risk profile in 2017

During 2017, Swiss Re's overall risk remained broadly stable at USD 19.7 billion (compared to USD 19.5 billion at the end of 2016), as an increase in insurance risk was largely offset by lower financial market and credit risk.

Property and casualty risk increased, mainly driven by the strengthening of major currencies against the US dollar as well as an increase in property reserves following the 2017 natural catastrophe events. Natural catastrophe exposures decreased overall as a result of the Group's active cycle management.

The increase in life and health risk was driven in particular by the appreciation of major currencies against the US dollar and lower interest rates, as well as higher lethal pandemic and critical illness exposure.

The decrease in financial risk was mainly driven by a lower credit spread and lower credit risk.

Capital management

Superior capitalisation despite a challenging year.

Despite the large industry losses from natural catastrophe events, Swiss Re has remained strongly capitalised throughout 2017, allowing us to respond to potential market developments while continuing to repatriate excess capital to our shareholders.

Superior capitalisation despite severe events

Swiss Re's policy of ensuring superior capitalisation at all times has meant that even in the face of large insurance claims from the 2017 natural catastrophe events, we maintain a very strong capital position and high financial flexibility. Our financial strength enables us to respond to potential market developments in the aftermath of such severe events and to stay committed to creating long-term shareholder value.

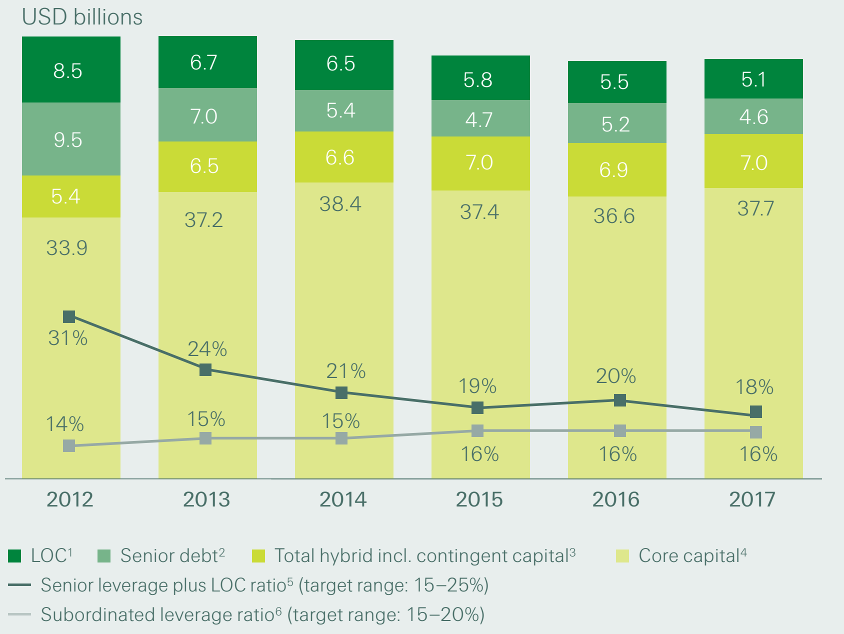
Key achievements in 2017

In June 2017, Swiss Re Ltd established a USD 750 million truly perpetual pre-funded subordinated debt facility that has a fixed credit spread for life providing the Group with a permanent source of 'on-demand' non-dilutive capital irrespective of market conditions at the time. This is our fourth pre-funded subordinated debt facility, bringing the total amount of such facilities to USD 2.65 billion, further enhancing the Group's financial flexibility while increasing its resilience.

Swiss Reinsurance Company Ltd redeemed three subordinated debt instruments totalling USD 0.9 billion on their first call date and further reduced senior leverage by USD 1.0 billion due to maturities.

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

TARGET LEVERAGE MAINTAINED



[1] Unsecured LOC capacity and related instruments (usage is lower).
[2] Senior debt excluding non-recourse positions.
[3] Includes SRL's pre-funded dated subordinated debt facilities and contingent capital instruments accounted for as equity.
[4] Core capital of Swiss Re Group is defined as economic net worth (ENW).
[5] Senior debt plus LOCs divided by total capital.
[6] Subordinated debt divided by sum of subordinated debt and ENW.

Distribution to shareholders since 2012 (USD)

15.4 billion

Business Unit structure and capital allocation

Our Business Unit structure enables us to allocate capital opportunistically to maximise shareholder returns. Following the string of severe natural disasters and supported by the Group's strong capitalisation, we strengthened Corporate Solutions' capital position in 2017. This underlines our commitment to the Business Unit's long-term strategy, given the attractiveness of the commercial insurance market. Furthermore, the Group continues to invest in the growth of Life Capital's open book businesses, while we remain disciplined in repatriating excess capital to our shareholders.

The cash dividends paid to Swiss Re Ltd since 2012 totalled USD 22.4 billion, providing the basis for the Group's high financial flexibility. The total amount of capital returned to shareholders since the implementation of the new Group structure in 2012 is USD 15.4 billion.

External dividends to shareholders

Based on the Group's capital strength, the Board of Directors proposes an increase in the 2017 regular dividend to CHF 5.00 per share, up from CHF 4.85 in 2016. In addition, the Board of Directors proposes a public share buy-back programme of up to CHF 1.0 billion purchase value, commencing at the discretion of the Board of Directors after the AGM's approval.

Unlike prior years, beyond the Board and regulatory approval and considering the capital management priorities, there will be no other preconditions to the commencement of the proposed share buy-back programme.

Swiss Re Group's capital adequacy

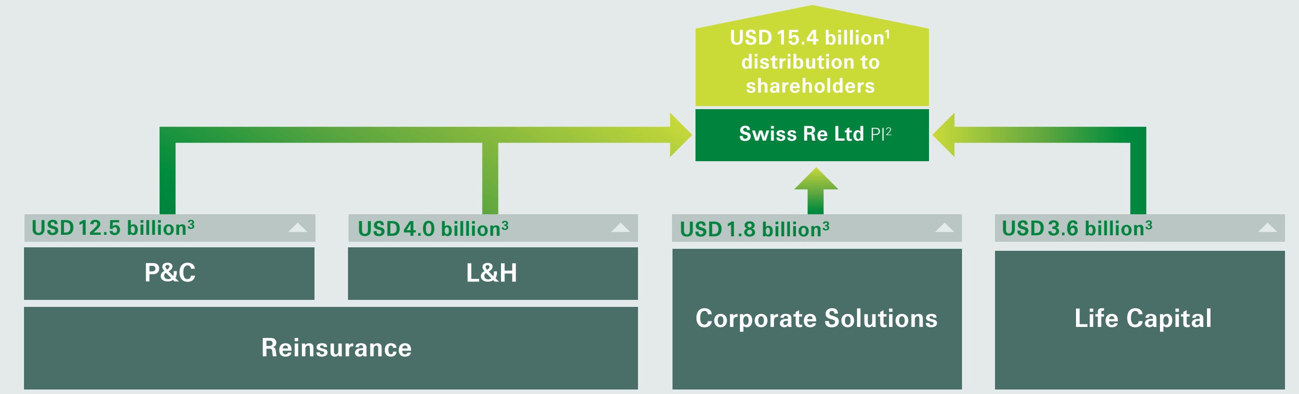
Regulatory capital requirements

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

Swiss Re provides regulatory solvency reporting to FINMA under the rules of the Insurance Supervision Ordinance. This SST report is based on an economic view. We calculate available capital based on our Economic Value Management (EVM) framework and required capital under the SST using our internal risk model (see pages 54–63 for further information on EVM). The minimum requirement for the SST is a ratio of 100%. Swiss Re's SST ratio materially exceeds the minimum requirement.

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

CAPITAL RETURNED TO SHAREHOLDERS SINCE NEW STRUCTURE CREATED IN 2012



[1] Reflects total external dividend and public share buy-back programmes between January 2012 and December 2017.
[2] Principal Investments has paid to Group dividends of USD 0.5bn between January 2012 and December 2017.
[3] Internal dividend flows from January 2012 to December 2017.

Rating agency capital requirements

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

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

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

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

On 24 November 2017, S&P affirmed the AA– financial strength of Swiss Re and its core subsidiaries. The outlook on the rating is "stable". The rating reflects Swiss Re's extremely strong capital adequacy in excess of the 'AAA' benchmark and competitive position build on market leadership, long-standing reputation, and wide distribution networks across both life and non-life reinsurance.

On 7 December 2017, A.M. Best upgraded Swiss Re's long-term issuer credit rating to "aa" from "aa–" and affirmed the A+ (superior) financial strength of Swiss Re and its core subsidiaries. The rating outlook is "stable". The rating is a result of Swiss Re's balance sheet strength, which A.M. Best categorises as strongest, as well as strong operating performance, very favourable business profile and very strong enterprise risk management.

On 19 December 2017, Moody's affirmed Swiss Re's insurance financial strength rating and outlook at "Aa3" stable. The rating reflects Swiss Re's excellent market position, very strong business and geographic diversification and strong balance sheet in terms of capital and financial flexibility.

SWISS RE'S FINANCIAL STRENGTH RATINGS

As of 31 December 2017	Financial strength rating	Outlook	Last update
Moody's	Aa3	Stable	19 December 2017
Standard & Poor's	AA–	Stable	24 November 2017
A.M. Best	A+	Stable	7 December 2017

Liquidity management

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

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

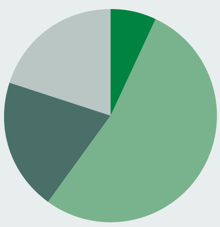
To manage these risks, we have a range of liquidity policies and measures in place. In particular, we aim to ensure that:

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

COMPOSITION OF ONE-YEAR SPOT LIQUIDITY IN THE SRZ[1] LIQUIDITY POOL

as of 31 December 2017
(Total USD 10.6 billion)

- 7% Cash short-term investments and reverse repos
- 53% Government bonds AAA rated & US
- 20% Other developed market government bonds investment grade
- 20% Developed market supranational agencies and municipal bonds



[1] Swiss Reinsurance Company Ltd

Liquidity risk management

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

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

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

The primary liquidity stress test is based on a one-year time horizon, a loss event corresponding to 99% tail value at risk (see pages 81–82), and a three-notch ratings downgrade.

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

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

The SRZ liquidity pool is the primary liquidity pool of the Group. The estimated total liquidity sources in the SRZ liquidity pool available within one year, after haircuts and net of short-term loans from Swiss Re Ltd and securities lending, amounted to USD 17.9 billion as of 31 December 2017, compared with USD 18.5 billion as of 31 December 2016. The 2017 total includes USD 10.6 billion of liquid assets and cash, referred to as "one-year spot liquidity", compared with USD 13.4 billion in 2016. Based on the internal liquidity stress tests described above, we estimate that the SRZ liquidity pool holds surplus liquidity after dividends to Swiss Re Ltd.

In 2017, the amount of surplus liquidity reduced slightly. This reduction was largely due to a management decision to reduce external debt, as well as the impact of the exceptional natural catastrophe losses in the third quarter. These negative impacts were partially offset by foreign exchange rate movements, which increased surplus liquidity.

Risk management

Our Risk Management provides independent oversight, continuously monitors changes in our risk landscape and ensures controlled risk-taking.

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

Taking and managing risk is central to Swiss Re's business. All risk-related activities, regardless of the legal entity in which they are undertaken, are subject to the Group's risk management framework. Consequently, the framework is applied at Group level and cascaded to all legal entity levels whereby the three entities Swiss Reinsurance Company Ltd (SRZ), Swiss Re Corporate Solutions Ltd (SRCS) and Swiss Re Life Capital Ltd (SRLC) represent the top-level legal entities for the Business Units Reinsurance, Corporate Solutions and Life Capital.

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

The framework comprises the following major elements:
- Risk governance documentation, incl. Group Risk Policy
- Key risk management principles
- Fundamental roles for delegated risk-taking
- Risk culture
- Organisation of risk management, including responsibilities at Board and executive level
- Risk control framework
- Risk appetite framework, including limits

Swiss Re applies a differentiated governance approach at legal entity level, depending on the materiality of individual entities. SRZ, SRCS and SRLC, as well as major legal entities within the Group that are designated as so-called "Level I entities", are subject to enhanced governance, which includes the following requirements:
- Develop and maintain corporate and risk governance documentation that governs the responsibilities of the legal entity Board, committees and management
- Establish an Audit Committee as well as a Finance and Risk Committee to support the legal entity Board in performing its oversight responsibility for risk and capital steering
- Designate a Chief Risk Officer and Chief Financial Officer

Risk governance documentation

Swiss Re's risk management framework is set out in risk governance documentation at Group and legal entity level. Risk governance is the subset of corporate governance that describes the risk management framework and documents risk management practices. Group-level risk documents form the basis for all risk governance across Swiss Re. Additional risk governance for legal entities is prepared as an addendum to the Group or parent entity document.

Group risk governance documents are organised hierarchically across five levels, which are mirrored by equivalent documents at legal entity (LE) level:

- At the highest level, the Swiss Re Ltd (SRL) Bylaws and the charter for the Group Finance and Risk Committee outline the ultimate authority for risk management, assigning responsibilities to the Group Board of Directors and the Group Executive Committee.
- The Group Risk Policy is defined by the Group Board and articulates Swiss Re's risk appetite framework (risk appetite and tolerance) as well as fundamental risk and capital structure principles.
- The Group Risk Management Standards outline how the Group organises and applies its risk management practices.
- Risk category standards describe how risk practices are implemented for a specific category.
- The lowest level comprises risk management methodology and process documentation.

Key risk management principles

Swiss Re's risk management is based on four fundamental principles. These apply consistently across all risk categories at Group and legal entity level:

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

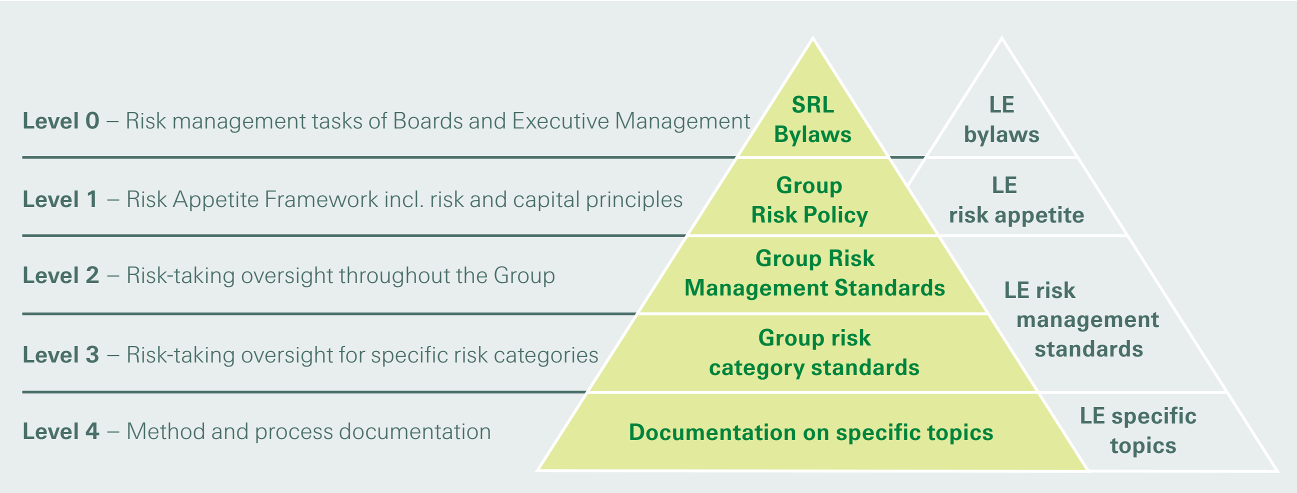
Fundamental roles for delegated risk-taking

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

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

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

RISK GOVERNANCE DOCUMENTATION HIERARCHY



Risk culture

Swiss Re fosters and maintains a strong risk culture to promote risk awareness, rigour and discipline across all its activities. This risk culture stands for the risk and control related values, knowledge and behaviour shared by all employees. Its principal components are summarised in a framework that builds on the Group Code of Conduct as well as on key risk management principles in the Group Risk Policy.

The risk culture framework serves to influence appropriate behaviour in four key aspects, which are assessed annually for all employees in the performance and compensation process:

- Leadership in providing clear vision and direction
- Consideration of risk-relevant information in decision-making
- Risk governance and accountability of risk takers as well as transparent flow of risk information
- Embedding of risk management skills and competencies

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

Key risk takers across Swiss Re are a particular focus in promoting good risk and control-related behaviours. The relevant positions are identified in a regular process, and those who hold them are subject to additional behavioural objectives and assessments.

Risk culture is directly linked to Swiss Re's performance management, which is based not only on business results but also on behaviours. Swiss Re's compensation framework aims to foster compliance and support sensible risk-taking. Swiss Re also has a range of incentive programmes that reflect the long-term nature of its business by rewarding sustained performance rather than short-term results. This helps to align shareholder and employee interests.

Swiss Re's compensation principles and framework are captured within the Swiss Re Group Compensation Policy. The Group's Finance and Risk Committee conducts a regular risk assessment for all changes to this policy.

KEY RISK MANAGEMENT BODIES AND RESPONSIBILITIES

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

Group Executive Committee
Develops and implements the risk management framework, sets and monitors risk capacity limits; some responsibilities are delegated to the Group CRO and major legal entities.

Group CRO
Principal independent risk controller; leads the Risk Management function, represents it within the Group Executive Committee, and reports to the Board's Finance and Risk Committee as well as to the Group CEO.

Central Risk Management units
Oversight of financial market and credit risk as well as liquidity risk; provide shared risk management expertise such as risk modelling, risk governance, political risks, sustainability and emerging risk; provide strategic control services such as operational and regulatory risk management.

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

Legal entity management
Responsible for managing underwriting decisions and operational risks in their area.

Legal entity CROs
Responsible for risk oversight and establishing risk governance in their respective legal entities; supported by functional, regional and subsidiary CROs as well as dedicated risk teams.

Compliance
Oversees compliance with applicable laws and Code of Conduct and manages compliance risks.

Organisation of risk management

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

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

The Group Executive Committee is responsible for developing and implementing Swiss Re's Group-wide risk management framework. It also sets and monitors risk capacity limits, oversees the Economic Value Management framework (see page 54), determines product policy and underwriting standards, and manages regulatory interactions and legal obligations. The Group Executive Committee has delegated various risk management responsibilities to the Group Chief Risk Officer (Group CRO) as well as to certain legal entity CROs, in particular the CROs of the legal entities SRZ, SRCS and SRLC.

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

The Group CRO leads the independent Risk Management function, which is responsible for risk oversight and control across Swiss Re. It thus forms an integral part of Swiss Re's business model and risk management framework. The Risk Management function comprises dedicated risk teams for legal entities and regions, as well as central teams that provide specialised risk expertise and oversight.

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

Legal entity risk teams are led by dedicated CROs who report directly or indirectly to their top-level entity CRO, with a secondary reporting line to their respective legal entity CEO. These legal entity CROs are responsible for risk oversight in their respective entities, as well as for establishing the proper risk governance to ensure efficient risk identification, assessment and control. They are supported by functional, regional and subsidiary CROs who are responsible for overseeing risk management issues that arise at regional or subsidiary level.

The central risk teams oversee Group liquidity and capital adequacy and maintain the Group frameworks for controlling these risks throughout Swiss Re. They also support CROs at Group and legal entity level in discharging their oversight responsibilities. They do so by providing services, such as:
- Financial risk management
- Specialised risk category expertise and accumulation control
- Risk modelling and analytics
- Regulatory relations management
- Maintaining the central risk governance framework

Risk Management is also in charge of actuarial reserving and monitoring of reserve holdings for SRCS and SRLC as well as their subsidiaries, while for SRZ and its subsidiaries the setting of the reserves is performed by valuation actuaries within the P&C and L&H Business Management units.

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

Risk control framework

Swiss Re operates within a clearly defined risk control framework. This is set out in the Group Risk Management Standards and comprises a body of standards that establish an internal control system for taking and managing risk. These standards set responsibilities for risk takers and risk controllers. The risk control framework defines five key tasks, which are the core components of Swiss Re's risk management cycle:
- Risk tolerance and appetite assessment of plan – ensures that the risk implications of plans are understood, and determines whether business and investment plans adhere to risk appetite framework (risk appetite and tolerance).
- Risk identification – ensures that all risks to which Swiss Re is exposed are transparent in order to make them controllable and manageable.
- Risk measurement – enables Swiss Re to understand the magnitude of its risks and to set quantitative controls that limit its risk-taking.
- Risk exposure control – allows Swiss Re to control its risk-taking decisions and total risk accumulations, including the passive risk we are exposed to through our operations.
- Risk reporting – creates internal risk transparency and enables Swiss Re to meet external disclosure requirements.

In addition, Risk Management performs several risk control activities across multiple components of the risk management cycle, in particular:
- Model and tool assurance
- Valuation assurance
- Insurance risk reviews, to assess the quality of decision-making in the taking of underwriting risks by performing independent assessments of costing, pricing, wording and claims handling

Swiss Re has implemented a principle-based integrated internal control system to mitigate identified operational risks including financial reporting and compliance risks, as well as risks that could impair the effectiveness and efficiency of operations. This control system represents a subset of Swiss Re's risk control framework and is based on international standards established by COSO (the Committee of Sponsoring Organisations of the Treadway Commission). It is applied on multiple organisational levels, including Group, functions, regions and legal entities.

Find more information about the risk control framework in our interactive online report.

Risk transfer

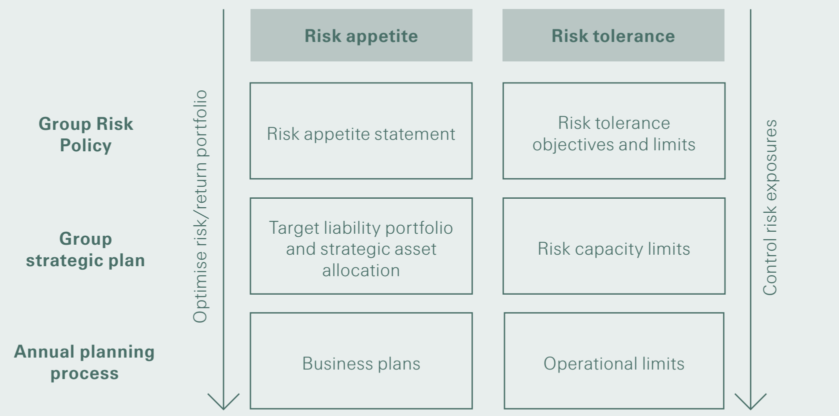
To efficiently manage capital across the Group and ensure that risk-taking in individual legal entities is well diversified, the Group employs internal retrocession and funding agreements. These serve to improve the fungibility of capital and consequently Group-wide diversification. In addition, the Group aims to maximise the amount of funds available centrally by optimising the excess capital held within its subsidiaries and branches.

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

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

RISK APPETITE FRAMEWORK

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



Find more information about the risk appetite framework in our interactive online report.

In the context of business strategy and planning, the risk appetite statement facilitates discussions about where and how Swiss Re should deploy its capital, liquidity and other resources under a risk-return view, while the risk tolerance sets clear boundaries to risk-taking.

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

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

The Group Board further details Swiss Re's risk appetite through its approval or review of the following key steering frameworks as part of the Group's planning process: target liability portfolio, strategic asset allocation and the Group's target capital structure.

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

Swiss Re's risk tolerance is based on three objectives:
- To protect the shareholders' franchise by ensuring that the Group is able to continue operating the business following an extreme loss event.
- To maintain capital and liquidity at respectability levels that are sufficiently attractive from a client perspective, and that meet regulatory requirements and expectations.
- To avoid material operational risks that could subject the Group to large operational losses with corresponding consequences from an economic, reputational or regulatory perspective.

To meet the first objective, the Group Risk Policy defines an extreme loss absorption limit with conditions that must be fulfilled following the realisation of a loss corresponding to a 99% Group shortfall event. To meet the second objective, the Group's risk tolerance criteria includes respectability limits, which need to be met under normal operating conditions. These limits ensure that Swiss Re has adequate capital and liquidity above minimum requirements to be considered a respectable counterparty by external stakeholders. To meet the third objective, the Group has established a Group-wide risk matrix methodology in which key operational risks are assessed against an acceptable level of expected losses.

The Group Board is responsible for approving the risk tolerance criteria, as well as for monitoring and reviewing risk tolerance through its Finance and Risk Committee. Breaches or anticipated breaches of limits established to control the risk tolerance criteria must be communicated to the Group Finance and Risk Committee.

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

Risk assessment

In 2017, our overall risk remained broadly stable, as an increase in insurance risk was largely offset by lower financial market and credit risk.

Swiss Re's internal risk model was approved by FINMA in November 2017. The model is used to measure the Group's risk position and related capital requirements as well as for defining the risk tolerance, risk limits, and liquidity stress tests.

Based on the internal risk model, our overall risk in terms of 99% tail value at risk (tail VaR) remained broadly stable at USD 19.7 billion in 2017 (compared to USD 19.5 billion at the end of 2016).

Alternative risk measurements — 99% and 99.5% VaR — remained stable at USD 14.6 billion and USD 17.4 billion, respectively.

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

- Property and casualty risk increased by 5% to USD 9.8 billion, mainly due to the strengthening of major currencies against the US dollar and higher reserve exposure following the 2017 natural catastrophe events.
- Life and health risk increased by 4% to USD 7.7 billion, driven mainly by the strengthening of major currencies against the US dollar and lower interest rates, as well as higher lethal pandemic and critical illness exposure.
- Financial market risk decreased by 3% to USD 11.9 billion; this was mainly driven by lower credit spread risk reflecting the minority investment of MS&AD Insurance Group Holdings Inc (MS&AD) into ReAssure.
- Credit risk decreased by 3% to USD 3.3 billion; an important driver of the change was the minority investment of MS&AD into ReAssure.

Find more information about the internal risk model in our interactive online report.

GROUP CAPITAL REQUIREMENT BASED ON ONE-YEAR 99% TAIL VAR

in USD billions, as of 31 December	2016	2017	Change in %	cross reference information
Property & Casualty	9.4	**9.8**	5	see page 84
Life & Health	7.4	**7.7**	4	see page 85
Financial market	12.3	**11.9**	–3	see page 86
Credit[1]	3.4	**3.3**	–3	see page 87
Simple sum	32.5	**32.7**	1	
Diversification effect	–12.9	–13.0		
Swiss Re Group	19.5	**19.7**	1	

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

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

ALTERNATIVE RISK MEASUREMENTS TO 99% TAIL VAR FOR SWISS RE GROUP

in USD billions, as of 31 December	2016	2017	Change in %
99% VaR	14.5	**14.6**	1
99.5% VaR	17.4	**17.4**	0

Swiss Re's risk landscape

The risk categories shown in the table below are discussed on the following pages. Across these categories we identify and evaluate emerging threats and opportunities through a systematic framework that includes the assessment of potential surprise factors that could affect known loss potentials. Liquidity risk management is discussed on page 73.

CORE RISKS IN SWISS RE'S INTERNAL MODEL

INSURANCE RISK		FINANCIAL RISK	
PROPERTY & CASUALTY	**LIFE & HEALTH**	**FINANCIAL MARKET**	**CREDIT**
■ Natural catastrophe ■ Man-made ■ Costing and reserving ■ Claims inflation	■ Lethal pandemic ■ Mortality trend ■ Longevity ■ Critical illness ■ Income protection ■ Lapse	■ Credit spread ■ Equity ■ Foreign exchange ■ FM inflation ■ Interest rate ■ Real estate	■ Default risk ■ Migration risk

OTHER SIGNIFICANT RISKS

OPERATIONAL	LIQUIDITY	MODEL	VALUATION
REGULATORY	POLITICAL	STRATEGIC	SUSTAINABILITY
EMERGING RISKS			

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

- *Property and Casualty (P&C) insurance risk* arises from coverage provided for property, liability, motor, and accident risks, as well as for specialty risks such as engineering, agriculture, aviation and marine. It includes underlying risks inherent in the business Swiss Re underwrites, such as inflation or uncertainty in pricing and reserving.
- *Life and Health (L&H) insurance risk* arises from coverage provided for mortality (death), longevity (annuity) and morbidity (illness and disability) as well as from acquiring closed books of business. In addition to potential shock events (such as a severe pandemic), it includes underlying risks inherent in life and health contracts that arise when mortality, morbidity, or lapse experience deviates from expectations.
- *Financial market (FM) risk* represents the potential impact on assets or liabilities that may arise from movements in financial market prices or rates, such as equity prices, interest rates, credit spreads, foreign exchange rates or real estate prices. Financial market risk originates from two main sources: investment activities and the sensitivity of the economic value of liabilities to financial market fluctuations.
- *Credit risk* reflects the potential financial loss that may arise due to diminished creditworthiness or default of counterparties of Swiss Re or of third parties; credit risk arises from investment and treasury activities, structured transactions and retrocession, as well as from liabilities underwritten by credit and surety insurance units.

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

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

- *Operational risk* represents the potential economic, reputational or compliance impact of inadequate or failed internal processes, people and systems or from external events, including legal risk and the risk of a material misstatement in financial reporting. Swiss Re has implemented a capital model for operational risk, which is used for Solvency II purposes.
- *Strategic risk* represents the possibility that poor strategic decision-making, execution or response to industry changes or competitor actions could harm Swiss Re's competitive position and thus its franchise value.
- *Regulatory risk* arises from changes to insurance regulations and supervisory regimes as well as from interactions with regulatory authorities and supervisory regimes of the jurisdictions in which Swiss Re operates.
- *Political risk* comprises the consequences of political events or actions that could have an adverse impact on Swiss Re's business or operations.
- *Model risk* reflects the potential impact of model errors or the inappropriate use of model outputs. It may arise from data errors or limitations, operational or simulation errors, or limitations in model specification, calibration or implementation; model risk may also be caused by insufficient knowledge of the model and its limitations, in particular by management and other decision-makers.
- *Valuation risk* represents uncertainty around the appropriate value of assets or liabilities. It may arise from product complexity, parameter uncertainty, quality and consistency of data, valuation methodology, or changes in market conditions and liquidity. Swiss Re is exposed to financial valuation risk from investment assets it holds as well as reserve valuation risk from insurance liabilities that result from the coverage it underwrites.
- *Sustainability risk* comprises the environmental, social and ethical risks that may arise from individual business transactions or the way Swiss Re conducts its operations.
- Across all risk categories, Swiss Re actively identifies *emerging risks* and threats as part of its risk identification process; this includes new risks as well as changes to previously known risks that could create new risk exposures, or increase the potential exposure or interdependency between existing risks.

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

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

Insurance risk

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

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

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

Property and casualty risk

Change from 2016 99% tail VaR: +5%

Developments in 2017

Property and casualty risk, net of retrocession and securitisation, grew by 5% to USD 9.8 billion. This increase was mainly driven by the strengthening of major currencies against the US dollar as well as higher property reserves following the major natural catastrophes in the second half of 2017. These effects were partly offset by a reduction in natural catastrophe exposures in 2017 as a result of disciplined underwriting in a challenging market environment.

The 200-year event losses from major natural catastrophe scenarios, net of retrocession and securitisation, are shown on page 85.

The Atlantic hurricane and Californian earthquake scenarios decreased by 10% and 5%, respectively, reflecting the reduction in exposures mentioned above. The European windstorm scenario remained broadly stable as the reduction in exposure was largely offset by the strengthening of the euro against the US dollar. The Japanese earthquake scenario also remained stable.

Management

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

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

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

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

INSURANCE RISK STRESS TESTS: SINGLE EVENT LOSSES WITH A 200-YEAR RETURN PERIOD[1]

Pre-tax impact on economic capital in USD billions, as of 31 December	2016	**2017**	Change in %
Natural catastrophes			
Atlantic hurricane	−5.1	**−4.5**	−10
Californian earthquake	−3.4	**−3.2**	−5
European windstorm	−2.6	**−2.5**	−1
Japanese earthquake	−3.1	**−3.1**	1
Life insurance			
Lethal pandemic	−2.4	**−2.8**	15

[1] Single event losses with a 200-year return period show for example that there is a 0.5% probability over the next year that the loss from a single Atlantic hurricane event could exceed USD 4.5 billion. The impact excludes earned premiums for the business written and reinstatement premiums that could be triggered as a result of the event.

Life and health risk

Change from 2016 99% tail VaR: +4%

Developments in 2017

Overall life and health risk increased by 4% to USD 7.7 billion, driven mainly by the strengthening of major currencies against the US dollar as well as lower interest rates.

In addition, higher lethal pandemic and critical illness exposure contributed to the increase. The growth was driven in part by new business written in Europe and Asia, particularly in China.

The 200-year lethal pandemic event shown in the table above rose by 15%. The increase is in line with the increase in lethal pandemic tail VaR and is driven by the strengthening of major currencies against the US dollar as well as by the higher exposure mentioned above.

Management

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

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

In addition to underwriting and capacity limits, Swiss Re's limit framework includes aggregate Group limits for L&H risk as well as separate limits for mortality, longevity and lethal pandemic risk. At SRZ and SRLC level, acceptance of life and health risks is governed by aggregated limits. Market exposure limits are in place for catastrophe and stop loss business. Swiss Re pays particular attention to densely populated areas and applies limits for individual buildings to guard against risk exposure accumulations.

Financial risk

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

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

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

All activities with financial market and credit risk are subject to limits at various levels of the organisation (eg Group, lines of business and legal entities). At the highest level, the Group Board of Directors sets a financial risk concentration limit which defines how much of the Group's risk exposure can derive from financial risk. As part of the business planning process, the Group Executive Committee establishes limits for aggregate financial market and credit risk at Group level as well as for major legal entities, with additional limits set for individual risk factors, business lines, portfolio managers, corporate counterparty and country. Risk limits may be expressed in terms of losses in a stress scenario, value at risk based on historic market moves, linear sensitivities to a particular risk factor or different methodologies of exposure aggregation.

Financial market risk

Change from 2016 99% tail VaR: –3%

Developments in 2017

In terms of tail VaR, overall financial market risk decreased by 3% to USD 11.9 billion. The reduction was primarily driven by lower credit spread risk, which decreased due to the minority investment of MS&AD into ReAssure; to a lesser extent the decrease is also due to a simplified aggregation methodology for bond portfolios and lower risk factor volatilities. These effects were partly offset by the strengthening of the British pound and additional government bond and credit investments.

The sensitivities on page 87 show the pre-tax impact of various market scenarios on Swiss Re's economic capital. They differ from tail VaR, in particular as they do not take into account the historic volatility of the underlying assets.

Management

Financial market risk is monitored and controlled by dedicated experts within the Group's Financial Risk Management team. Financial Risk Management regularly reports on key financial market risks and risk aggregations, as well as on specific limits for internally and externally managed investment mandates. These reports track exposures, document limit usage and provide information on key risks that could affect the portfolio. The reports are presented and discussed with those responsible for the relevant business line at the weekly Financial Market Risk Council.

The reporting process is complemented by regular risk discussions between Financial Risk Management, Asset Management and the Group's external investment managers, as well as by regular interactions with other key units that take financial market risk, such as Principal Investments and Acquisitions, Treasury, and the respective business teams that write transactions.

FINANCIAL MARKET AND CREDIT RISK STRESS TESTS

Pre-tax impact on economic capital in USD billions, as of 31 December	2016	**2017**	Change in %
Market scenarios			
100bp increase in credit spreads	–4.4	**–4.4**	0
30% fall in equity markets (incl. hedge funds)	–2.5	**–2.7**	8
15% fall in real estate markets	–0.7	**–0.7**	11
100bp parallel increase in global yield curves	–0.1	**–0.1**	–20
Credit stress test			
Credit default stress	–2.9	**–3.0**	3

Credit risk

Change from 2016 99% tail VaR: –3%

Developments in 2017

In 2017, Swiss Re's credit risk – which includes default and migration (deterioration in credit rating) risk – decreased slightly to USD 3.3 billion.

The main driver for the decrease in credit risk was lower exposure as a result of the minority investment of MS&AD into ReAssure as well as due to the implementation of counterparty default hedges.

The table above shows the pre-tax impact of various market scenarios on Swiss Re's economic capital. The credit default stress is calculated as the change in expected loss of the credit exposure in a stress event.

Management

Credit risk is monitored and controlled by experts within the Financial Risk Management team. Financial Risk Management regularly monitors and reports on credit exposures and limits. In addition, it is responsible for regularly monitoring corporate counterparty credit quality and exposures, and compiling watch lists of cases that merit close attention. These reports are presented and discussed with those responsible for the relevant business line at the weekly Credit Council.

The reporting process is supported by a Group-wide credit exposure information system that contains all relevant data, including counterparty details, ratings, credit risk exposures, credit limits and watch lists. Key credit practitioners across Swiss Re have access to this system, thus providing the necessary transparency to implement specific exposure management strategies for individual counterparties, industry sectors and geographic regions.

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

Management of other significant risks

Operational risk

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

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

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

Swiss Re's operational risk tolerance limits are based on a combination of the quantitative and qualitative impact as well as the probability of loss. The residual risk – the risk after mitigation – is assessed and reported on a quarterly basis to executive management and Boards of Directors at Group and legal entity level.

All operational events and issues are recorded and managed in a central Operational Risk Management system in order to address the identified problems and avoid the recurrence of similar events.

In 2017, Swiss Re has evolved its operational risk framework and refined the Group's integrated Internal Control System. As a result, a centrally governed global operational risk register with a global control catalogue provide a sound basis for the quarterly risk and control self-assessments and reporting. Throughout 2017, Swiss Re focused on further improvements on data analytics and visualisation as well as a software solution to better manage end-user applications.

Group Operational Risk Management actively participates in various research projects on topics such as risk boundaries, scenario analysis and cyber risk.

Strategic risk

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

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

Regulatory risk

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

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

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

In 2017, Swiss Re was again not designated as Global Systemically Important Insurer (G-SII). The non-designation confirms that the international supervisory community continues to assess Swiss Re as neither causing nor amplifying systemic risk.

While prudential regulation in most regions is developing towards more risk-sensitive and economic-based capital regimes, regulatory fragmentation is increasing. Regulators show declining appetite for globally aligned policy reforms. Local capitalisation rules often fail to fully recognise the benefits of risk mitigation and diversification. In addition, there are moves to limit the use of internal models influenced by post-crisis banking regulation. Swiss Re strongly supports the use of internal models, full recognition of risk mitigation and diversification, appropriate consideration of counterparty default and concentration risk, and efficient application of eligible capital instruments. Uncoordinated regulatory approaches will be less effective in promoting financial stability and could undermine re/insurers' ability to support economic activity and closing the protection gap.

Growing national protectionism restricts the free flow of risk and capital. Swiss Re is advocating for the removal or reduction of market access barriers, so that policyholders, governments, taxpayers and national economies can fully benefit from international diversification and therefore reliable, quality and affordable risk cover.

Political risk

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

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

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

The timing and consequences of the Brexit are not clear yet and depend on the outcome of the negotiations between the EU and the UK. Swiss Re operates in the UK through branches of our Luxembourg entities and some UK-domiciled entities. We are thus closely monitoring developments and are actively engaging with the relevant UK and EEA regulators in defining and aligning our Brexit contingency plans.

Model risk

Swiss Re uses models throughout its business processes and operations, in particular to price insurance products, value financial assets and liabilities, assess reserves and portfolio cash flows, and estimate risk and capital requirements. Model owners have primary responsibility for model-related risks and are required to adhere to a robust tool development process, including testing, peer review, documentation and sign-off. A similar process also applies to model maintenance.

Swiss Re's model governance is based on Group-wide standards for model validation and model changes. These standards seek to ensure that each material model has a clear scope, is based on sound mathematical and scientific concepts, has been implemented correctly and produces appropriate results given the stated purpose. Furthermore, the calibration of model parameters (and the data on which calibration relies) must be trustworthy, while expert judgments are required to be sensible, documented and evidenced.

Analytical or financial models that are used for costing, valuation and risk capital calculations are governed by Swiss Re's Model and Tool Assurance Framework. This requires the appropriateness of models to be assessed in an independent end-to-end validation process that includes specification, algorithms, calibration, implementation, results and testing. Material models used for costing, valuation of reserves and assets as well as Swiss Re's internal risk model are validated by dedicated teams within Risk Management. These teams provide independent assurance that the framework has been adhered to, and also conduct independent validations. Swiss Re's risk model is also subject to regulatory scrutiny.

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

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

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

Reserve valuation risk is managed by Swiss Re's Actuarial Control function, with dedicated teams for property and casualty, and life and health valuation. These teams ensure that Swiss Re's reserve setting process uses an appropriate governance framework, including defined accountabilities and decision-making processes for risk takers (as the first line of control) as well as for Actuarial Control. The framework ensures that there is independent assurance on the data, assumptions, models and processes used for valuation purposes; for all property and casualty business and selected life and health portfolios, it also includes an independent valuation of coverage provided to ensure that reserves are within an adequate range. Regular deep-dive investigations are performed into selected portfolios in order to review the appropriateness of both the reserves and the applied reserving approach.

In 2017, Actuarial Control extended the independent valuation of coverage provided to ensure that reserves are within an adequate range to segments of life and health business.

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

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

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

Swiss Re is a founding signatory to the UN Principles for Sustainable Insurance (UN PSI) and is currently a board member of this initiative. The UN PSI provide a global framework for managing environmental, social and governance challenges. Swiss Re has been actively contributing to the initiative for several years, co-chaired it from 2013 to 2015 and publicly reports progress against the principles in its annual Corporate Responsibility Report; the 2017 edition has been published together with the 2017 Financial Report.

In June 2017, Swiss Re decided to develop a carbon risk steering mechanism that will help guide our business towards a low-carbon world and support our clients in their transition. The first part of the carbon steering mechanism will take form of a thermal coal policy, which will be integrated in the Sustainability Risk Framework by mid-2018. It will apply across all lines of business on direct, facultative and treaty side. This transition will take some time and constructive dialogue with clients.

Reflecting our strong overall commitment to corporate responsibility, Swiss Re continued to be included in leading sustainability indexes and rankings such as FTSE4Good, Euronext Vigeo World 120, Ethibel Excellence Global, oekom Prime Investment and the Dow Jones Sustainability Index. For more information on our sustainability practices, see also the Corporate Responsibility section on page 138 as well as our 2017 Corporate Responsibility report.

Emerging risk

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

For this purpose, Swiss Re's risk identification processes are supported by a systematic framework that identifies, assesses and monitors emerging risks and opportunities across all areas of Swiss Re's risk landscape. This framework combines a bottom-up approach driven by employee input with central and regional experts on emerging risk. The resulting information is complemented with insights from external organisations such as think tanks, academic networks and international organisations, as well as from interaction with clients.

Findings are reported to management and internal stakeholders, including a prioritised overview of newly identified emerging risks and an estimate of their potential impact on Swiss Re's business. Swiss Re also publishes an annual emerging risk report (Swiss Re SONAR) to raise awareness within the Group and across the industry, and initiate a risk dialogue with key external stakeholders.

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

Swiss Re's corporate governance is embedded in our culture.

Contents

Overview

Measuring a company's corporate governance based on environmental, social and governance (ESG) criteria gains in importance.

Walter B. Kielholz
Chairman of the Board of Directors

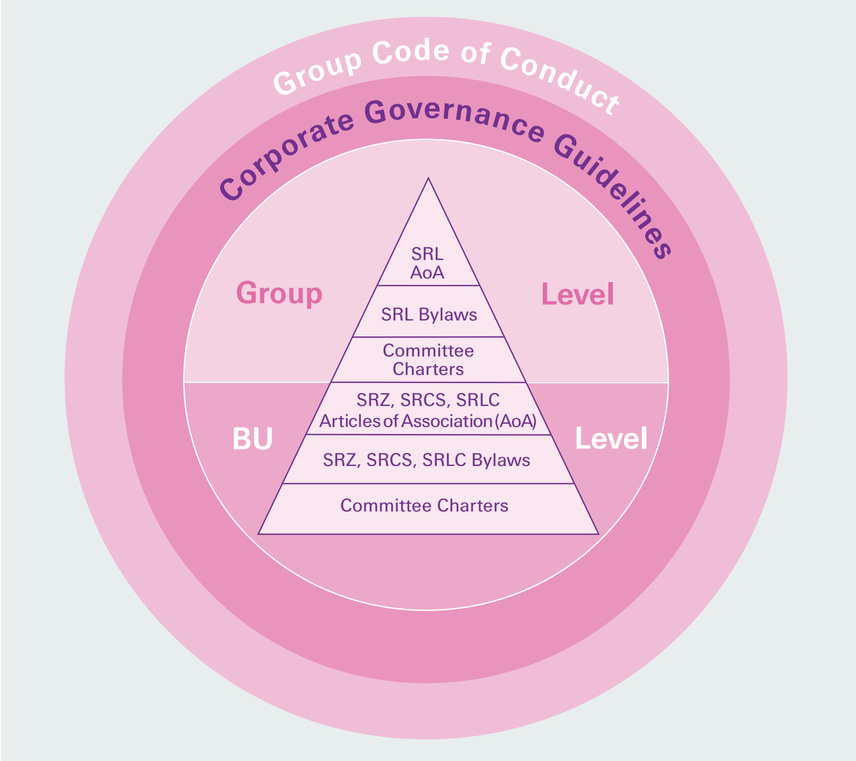
"The Board of Directors forms Swiss Re's corporate governance to support Swiss Re's positive contribution to society."

Corporate governance developments and trends are changing rapidly and are based on enhanced regulation and evolving political parameters representing a comprehensive topic for the Board of Directors to deal with. A company's corporate governance does not only need to incorporate legal and regulatory requirements but also has to respond to increasing stakeholder expectations. Measuring a company's corporate governance based on environmental, social and governance (ESG) criteria gains in importance. The Board of Directors regularly assesses Swiss Re's corporate governance against regulatory developments, relevant best practice standards and new stakeholder demands. The Board of Directors closely monitors Swiss and global corporate governance developments and considers relevant studies and surveys. The Board of Directors adapts Swiss Re's corporate governance where it deems it appropriate and beneficial for Swiss Re, its shareholders and further stakeholders. The Board of Directors values feedback on Swiss Re's corporate governance by its stakeholders and engages in a dialogue with its shareholders, proxy advisors and corporate governance consulting firms.

INFORMATION ON COMPENSATION

Information on compensation, shareholdings and loans of the members of the Board of Directors and the Group Executive Committee (Group EC) are included in the Compensation Report beginning on page 154 of this Financial Report.

SWISS RE'S GOVERNANCE DOCUMENTS



The Board of Directors ensures that Swiss Re's corporate governance takes into account all mentioned aspects and that the company's corporate governance is ready to respond to upcoming needs.

Swiss Re's corporate governance framework

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

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

In addition, they include at the Business Unit level:

- the Articles of Association of Swiss Reinsurance Company Ltd (SRZ), Swiss Re Corporate Solutions Ltd (SRCS) and Swiss Re Life Capital Ltd (SRLC), defining the legal and organisational framework of the Business Unit (BU) top-level companies SRZ, SRCS and SRLC;
- the SRZ, SRCS, SRLC Bylaws, defining the governance framework of the legal entities SRZ, SRCS and SRLC, their interactions with the respective BU Reinsurance, Corporate Solutions and Life Capital from a functional responsibility point of view, including the responsibilities and authorities of the SRZ, SRCS and SRLC Board of Directors, the SRZ, SRCS and SRLC Board Committees and the SRZ, SRCS and SRLC Executive Committees, as well as the relevant reporting procedures; and
- the Board Committee Charters, outlining the duties and responsibilities of the board committees of SRZ, SRCS and SRLC.

2017 key focus areas

Corporate Bylaws revised in 2017 to anticipate developments and trends

The SRL, SRZ, SRCS and SRLC Bylaws were revised in 2017 to incorporate stakeholder feedback as well as to anticipate corporate governance, legal and regulatory developments and trends. It is our goal to constantly develop further our corporate documents in order to align them to changing company needs, the evolving regulatory landscape as well as stakeholder feedback.

Enhanced conflicts of interest framework

Conflicts of interest may arise where personal interests or relationships might interfere with those of Swiss Re. They may improperly influence judgement, objectivity or loyalty and expose Swiss Re to material adverse reputational and financial risks. We are committed to conducting business in a manner that ensures that we act in the best interests of Swiss Re without actual or perceived influence by our personal interests or relationships. We act with integrity at all times and foster an open and fair environment by being transparent in disclosing our conflicts of interest.
We define our conflicts of interest standards and procedures in a series of documents such as in our Group Code of Conduct as well as in the Bylaws. In the reporting year we have implemented the "Global Standard on Conflicts of Interest" (the Standard) throughout the Group with the aim to enhance the existing processes with respect to conflicts of interest across the Group. The improvements also address FINMA's general requirements to have defined principles for a process and structure to identify and avoid and/or resolve conflicts of interest.

Board of Directors educational sessions and trainings

In line with the Board of Directors' aim to constantly broaden its know-how on important business and new emerging topics, the Board of Directors held several educational sessions and trainings in 2017. The following topics were among the ones discussed:

- **Asset Liability Management (ALM) and Minimum Risk Benchmark (MRB)**
  The Board members deepened their knowledge on the scope and objective of the ALM and on the processes and governance underlying the ALM and the MRB. The Board members were presented with the structure and the main components of the MRB and its limitations and challenges.
- **P&C Reserving**
  The Board members deepened their know-how on Swiss Re's reserving (methodology, strength as well as uncertainties) and the link between P&C reserving and MRB. The Board members also got insights on recent feedback on Swiss Re's reserving provided by analysts and investors.
- **Swiss Re's internal risk model**
  The Board of Directors appraises the internal risk model's central role in core risk management activities. It is therefore key to understand the internal risk model and its outputs. During that training session, the Board members received a refresher on the basic principles of the techniques applied, generic modelling approaches as well as statistical measures that are being used. Furthermore, the Board members were provided with insights on the interpretation of the results, the linking of the business view to the risk view and the input of risk figures into other reports and processes (eg EVM).

SWISS RE'S CORPORATE GOVERNANCE ADHERES TO

- the SIX Swiss Exchange's Directive on Information Relating to Corporate Governance, including its annex;
- the principles of the Swiss Code of Best Practice for Corporate Governance (Swiss Code) of September 2014, issued by economiesuisse, the Swiss business federation; and
- the Swiss Financial Market Supervisory Authority (FINMA) provisions on corporate governance, risk management and internal control systems.

Swiss Re's corporate governance furthermore complies with applicable local rules and regulations in all jurisdictions where it conducts business.

HIGHLIGHTS 2017/2018

Board of Directors

Composition

- Jay Ralph, Joerg Reinhardt and Jacques de Vaucleroy were elected as new members to the Board of Directors by the shareholders at the Annual General Meeting which took place in Zurich on 21 April 2017.
- Carlos E. Represas did not stand for re-election.
- The Annual General Meeting 2017 re-elected Walter B. Kielholz for a further one-year term of office as Chairman of the Board of Directors.
- Raymond K.F. Ch'ien, Renato Fassbind, Mary Francis, Rajna Gibson Brandon, C. Robert Henrikson, Trevor Manuel, Philip K. Ryan, Sir Paul Tucker and Susan L. Wagner were individually re-elected by the Annual General Meeting 2017 for a further one-year term of office as members of the Board of Directors.
- The Annual General Meeting 2017 re-elected Raymond K.F. Ch'ien, Renato Fassbind and Robert Henrikson as members, and elected Joerg Reinhardt as a new member of the Compensation Committee for a one-year term of office.
- The Board of Directors nominated Karen Gavan, Eileen Rominger and Larry Zimpleman to be proposed to the Annual General Meeting 2018 for election as new members of the Board of Directors, whereas Mary Francis, Rajna Gibson Brandon and C. Robert Henrikson will not stand for re-election.

Cyber awareness

In the evolving cyber threat landscape Swiss Re must remain vigilant, agile and responsive to new cyber attack vectors.

- Swiss Re's cyber threats are no different to other players in the industry: Swiss Re has to defend its client data, business and employees against a wide range of internal and external threat actors, including cyber criminals or nation sponsored attackers conducting espionage.
- Cyber Security has become a strategic capability in Swiss Re's Digital Information & Technology Strategy.
- Swiss Re's crisis and incident management and escalation process spans across all operational and management levels, including the Board of Directors.
- In the year under review the Board of Directors was provided with a major cyber crisis walk through to increase its cyber incident awareness and readiness.
- Cyber risk is also a regular topic on the agenda of the Board meetings and forms part of the onboarding programme for new Board members.

Shareholder dialogue

Swiss Re welcomes the dialogue with its shareholders. Swiss Re is of the opinion that it is part of good corporate governance to have procedures in place addressing shareholder queries. Accordingly, Swiss Re has reviewed those procedures in 2017.

Group EC

Composition

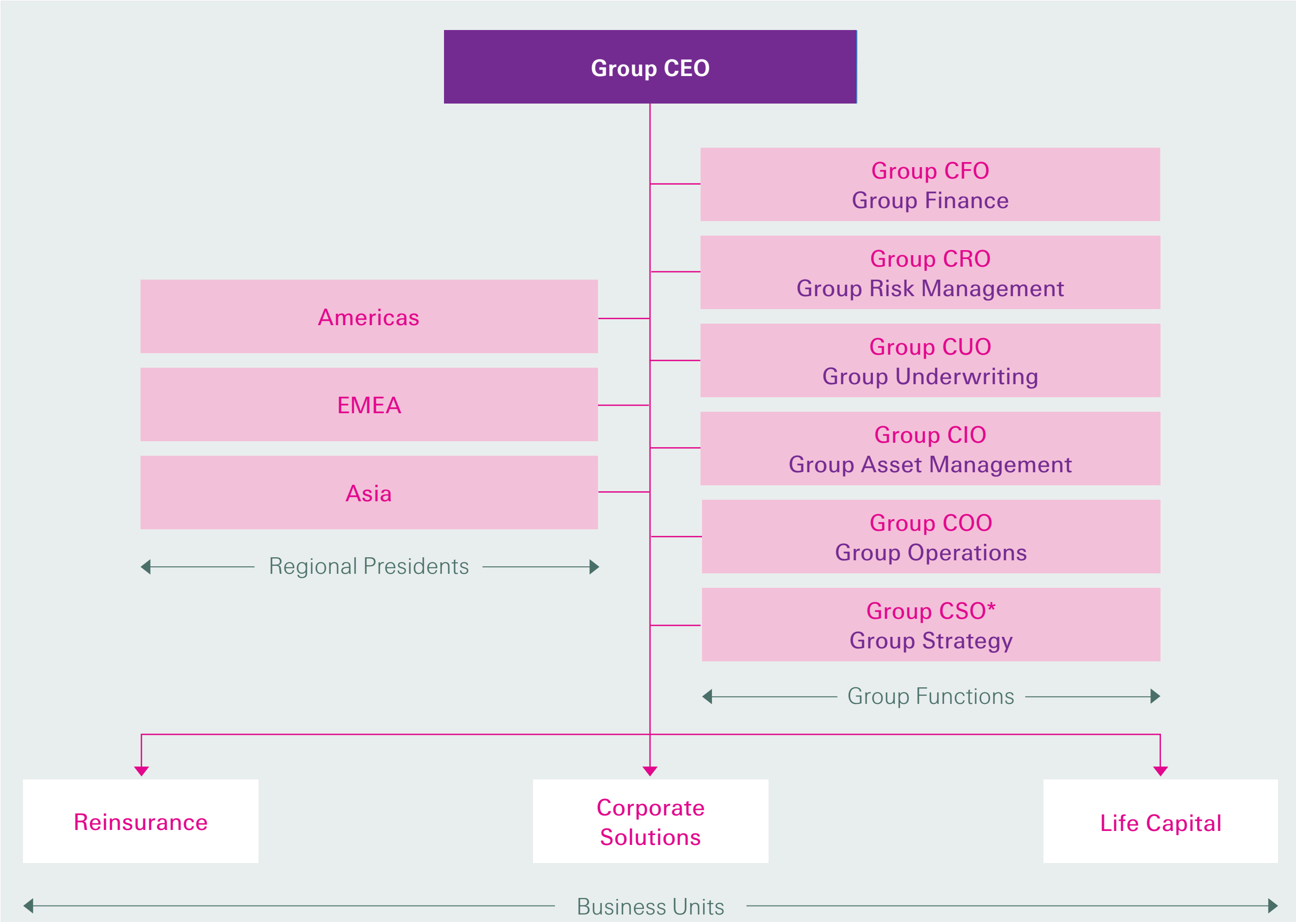
- Edouard Schmid became Group Chief Underwriting Officer and a member of the Group EC as of 1 July 2017, succeeding Matthias Weber who has decided to step down as Group Chief Underwriting Officer.
- John Dacey, Group Chief Strategy Officer, will become Group Chief Financial Officer as of 1 April 2018, succeeding David Cole who has decided to step down as Group Chief Financial Officer. With that change, the two roles of Group Chief Financial Officer and Group Chief Strategy Officer will be merged.
- As of 1 April 2018, the Group EC will consist of 12 members as opposed to 13 members up to March 2018.

Technology transformation

is a regular agenda item of the Group EC meetings. Amongst the topics discussed are the technology developments and its effects on Swiss Re or Swiss Re's approach to technology across the Group.

Group structure and shareholders

OPERATIONAL GROUP STRUCTURE



* The Group CSO role will be merged with the Group CFO role effective 1 April 2018.

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

Information on its market capitalisation is provided on page 51 of this Financial Report. No other Group companies have shares listed. More information on the Group companies is provided in Note 19 to the Group financial statements on pages 284–286.

Swiss Re Ltd has a level I American Depositary Receipts (ADRs) programme in the US. The ADRs are traded over the counter (OTC) (ISIN US8708861088, OTC symbol SSREY). One Swiss Re Ltd share equals four ADRs. Neither the ADRs, nor the underlying Swiss Re Ltd shares are listed on a securities exchange in the US. Shares or other Deposited Securities represented by ADRs for which no specific voting instructions are received by the depositary from the holder shall not be voted.

Significant shareholders and shareholder structure
Under the Financial Markets Infrastructure Act (FMIA), anyone holding shares in a company listed on the SIX Swiss Exchange is required to notify the company and the SIX Swiss Exchange if its direct or indirect holding reaches, falls below or exceeds the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, $33\frac{1}{3}\%$, 50% or $66\frac{2}{3}\%$ of the voting rights pursuant to the entry into the

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

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

SIGNIFICANT SHAREHOLDERS

Shareholder[1]	Number of shares	% of voting rights and share capital	Creation of the obligation to notify
BlackRock, Inc.	17 278 451[2]	4.94	14 December 2017

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

[2] In compliance with Article 120 of the Financial Markets Infrastructure Act (FMIA), BlackRock, Inc., New York, U.S.A. (BlackRock), notified Swiss Re Ltd (Swiss Re) on 15 December 2017 following a disposal of collateral (acquisition and share position obligation) that it holds as of 14 December 2017 a total of 17 278 451 voting rights corresponding to 4.94% of the voting rights in Swiss Re. With recommendation of the Disclosure Office dated 15 July 2016, BlackRock was granted easing provisions from the obligation to disclose the direct shareholders according to Article 120 para. 1 FMIA in conjunction with Article 11 let. b and Article 22 para. 1 let. e and para. 3 FMIO-FINMA when disclosing holdings according to Article 18 para. 1 and 4 FMIO-FINMA. However, collective investment schemes within the meaning of Article 18 para. 2 let. a FMIO-FINMA that hold individually 3% or more of the voting rights of the relevant issuer will be mentioned in the relevant disclosure notification. Any person shall, at his/her request and without prove of interest, receive information about the direct shareholders within the meaning of Article 11 let. b and Article 22 para. 1 let. e and para. 3 FMIO-FINMA. Such request has to be addressed via email to the Disclosure Office: offenlegung@six-group.com. The information will be provided within five trading days from receipt of the relevant request by BlackRock. The information will be provided in electronic format with a reference date not older than one month. The easing provisions are granted until 15 July 2019. The 17 278 451 voting rights result from (i) the holding of 14 449 273 registered shares of Swiss Re (corresponding to 4.13% of the voting rights), of which 308 219 voting rights (corresponding to 0.09% of the voting rights) are due to repos (on the purchaser side) and/or collateral received with the title transfer (non-repo), (ii) 2 728 435 voting rights (corresponding to 0.78% of the voting rights) delegated by a third party and which can be exercised at BlackRock's own discretion and (iii) contracts for difference and one equity linked note (with expiry date of 9 February 2018) conferring a total of 100 743 voting rights (corresponding to 0.03% of the voting rights) in Swiss Re. In addition, BlackRock disclosed sales positions arising from contracts for difference amounting to 138 033 voting rights corresponding to 0.04% of the voting rights in Swiss Re.

In addition, Swiss Re Ltd and Group companies held, as of 31 December 2017, directly and indirectly, 34 866 516 shares, which includes 6 347 500 shares repurchased under the public share buy-back programme Swiss Re Ltd launched on 3 November 2017. This represents 9.98% of voting rights and share capital. The public share buy-back programme was completed on 16 February 2018. Neither Swiss Re Ltd nor the Group companies can exercise the voting rights of these shares. All notifications received in 2017 are published at www.swissre.com/investors/shares/disclosure_of_shareholdings/

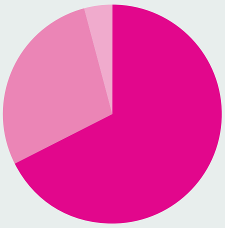
For further details on the share buy-back programmes please visit: www.swissre.com/investors/shares/share_buyback/

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

REGISTERED SHAREHOLDERS BY TYPE

as of 31 December 2017

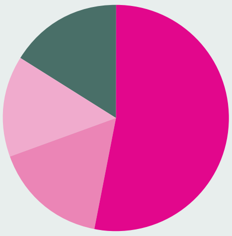
- 66.8% Institutional shareholders
- 28.8% Individual shareholders
- 4.4% Swiss Re employees



REGISTERED SHAREHOLDINGS BY COUNTRY

as of 31 December 2017

- 56.3% Switzerland
- 17.0% United Kingdom
- 13.4% USA
- 13.3% Other registered shareholders



SHAREHOLDER STRUCTURE

Registered — unregistered shares

As of 31 December 2017	Shares	in %
Registered shares[1]	181 406 549	51.9
Unregistered shares[1]	133 179 216	38.1
Shares held by Swiss Re	28 519 016	8.2
Share buy-back programme	6 347 500	1.8
Total shares issued	**349 452 281**	**100.0**

[1] Without Swiss Re's holdings.

Registered shares with voting rights by shareholder type

As of 31 December 2017	Shareholders	in %	Shares	in %
Individual shareholders	76 788	87.7	52 335 927	28.8
Swiss Re employees	6 726	7.7	7 913 591	4.4
Total individual shareholders	**83 514**	**95.4**	**60 249 518**	**33.2**
Institutional shareholders	**4 006**	**4.6**	**121 157 031**	**66.8**
Total	**87 520**	**100.0**	**181 406 549**	**100.0**

Registered shares with voting rights by country

As of 31 December 2017	Shareholders	in %	Shares	in %
Switzerland	75 672	86.5	102 051 861	56.3
United Kingdom	1 434	1.6	30 922 499	17.0
USA	1 451	1.7	24 386 217	13.4
Other	8 963	10.2	24 045 972	13.3
Total	**87 520**	**100.0**	**181 406 549**	**100.0**

Registered shares with voting rights by size of holding

As of 31 December 2017	Shareholders	in %	Shares	in %
Holdings of 1–2 000 shares	81 394	93.0	31 128 724	17.2
Holdings of 2 001–200 000 shares	6 040	6.9	56 345 983	31.0
Holdings of > 200 000 shares	86	0.1	93 931 842	51.8
Total	**87 520**	**100.0**	**181 406 549**	**100.0**

Cross-shareholdings

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

MORE INFORMATION

More information on the Swiss Re shares, such as the price performance and trading volume in 2017, Swiss Re's dividend policy and dividends, the share buy-back programme and an overview on the key share statistics since 2013, is included in the section "Share performance" on pages 50–51 of the Financial Report 2017.

Capital structure

Capital

As a result of the cancellation of shares repurchased under the share buy-back programme which was completed on 9 February 2017, the fully paid-in share capital of Swiss Re Ltd as of 31 December 2017 amounted to CHF 34 945 228.10. It is divided into 349 452 281 registered shares, each with a par value of CHF 0.10.

The table on page 102 of this Financial Report provides an overview of the issued, conditional and authorised capital of Swiss Re Ltd as of 31 December 2017 and 31 December 2016, respectively.

More information is provided in the sections "Conditional and authorised capital in particular" below and "Changes in capital" on page 102 of this Financial Report.

Conditional and authorised capital in particular

Conditional capital

As of 31 December 2017, the conditional capital of Swiss Re Ltd consisted of the following:

Conditional capital for Equity-Linked Financing Instruments

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

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

Existing shareholders' subscription rights are excluded. The then current holders of the conversion and/or option rights granted in connection with Equity-Linked Financing Instruments shall be entitled to subscribe for the new registered shares. Subject to the Articles of Association, the Board of Directors may decide to restrict or exclude existing shareholders' advance subscription rights with regard to these Equity-Linked Financing Instruments. Such a decision may be made in order to issue Equity-Linked Financing Instruments on national and/or international capital markets or by way of private placements in connection with (i) mergers, acquisitions (including takeover) of companies, parts of companies, equity stakes (participations) or new investments planned by the company and/or Group companies, financing or refinancing of such mergers, acquisitions or new investments, or (ii) improving the regulatory capital position of the company or Group companies.

If advance subscription rights are excluded, then (i) the Equity-Linked Financing Instruments are to be placed at market conditions, (ii) the exercise period is not to exceed ten (10) years for option rights and thirty (30) years for conversion rights, and (iii) the conversion or exercise price or the calculation methodology for such price of the new registered shares is to be set in line with the market conditions and practice prevailing at the date on which the Equity-Linked Financing Instruments are issued or converted into new registered shares.

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

Authorised capital

As of 31 December 2017, the authorised capital of Swiss Re Ltd was as presented in the table on page 102.

According to the Articles of Association, the Board of Directors is authorised to increase the share capital of the company at any time up to 21 April 2019 by an amount not exceeding CHF 8 500 000 through the issue of up to 85 000 000 registered shares, payable in full, each with a nominal value of CHF 0.10. Increases by underwriting as well as partial increases are permitted. The Board of Directors determines the date of issue, the issue price, the type of contribution and any possible acquisition of assets, the date of dividend entitlement as well as the expiry or allocation of non-exercised subscription rights.

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

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

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

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

The total of registered shares issued from (i) authorised capital, where the existing shareholders' subscription rights were excluded and (ii) shares issued from conditional capital, where the existing shareholders' advance subscription rights on the Equity-Linked Financing Instruments were excluded, may not exceed 70 000 000 registered shares up to 21 April 2019.

Changes in capital

Changes in 2017

The Annual General Meeting 2017 approved the reduction of the ordinary share capital by CHF 1 062 028.00 from CHF 36 007 256.10 to CHF 34 945 228.10 by cancelling 10 620 280 shares with a nominal value of CHF 0.10 repurchased by Swiss Re Ltd on a second trading line on the SIX Swiss Exchange, via Cantonal Bank of Zurich as agent. The 10 620 280 shares were repurchased under the share buy-back programme lasting from 4 November 2016 until 9 February 2017. The purchase value of the repurchased own shares corresponded to CHF 999 999 942.06.

The reduction of the ordinary share capital could only take place after the required three notices to creditors had been published in the Swiss Gazette of Commerce (*Schweizerisches Handelsamtsblatt*) as stipulated in Art. 733 of the Swiss Code of Obligations. The reduction of the ordinary share capital approved by the Annual General Meeting on 21 April 2017 was published in the Swiss Gazette of Commerce on 25 July 2017.

On 21 April 2017 the Annual General Meeting authorised the Board of Directors to repurchase up to a maximum of CHF 1 billion purchase value of Swiss Re Ltd's own shares prior to the Annual General Meeting 2018 by way of a buy-back programme for cancellation purposes. The programme was launched on 3 November 2017 and completed on 16 February 2018. The purchase value of the repurchased own shares corresponded to CHF 999 999 975.78.

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

The Annual General Meeting 2017 approved that the authority to issue registered shares from authorised capital as set forth in the Articles of Association be renewed to 21 April 2019. It approved that the limitation included in the provisions of the Articles of Association to issue registered shares from authorised capital where the existing shareholders' subscription rights are excluded and to issue registered shares from conditional capital where the existing shareholders' advance subscription rights on the Equity-Linked Financing Instruments are excluded be extended to 21 April 2019. The Annual General Meeting 2017 approved that the maximum number of registered shares that may be issued according to the above limitation be set at 70 000 000 from previously 74 000 000.

Changes in 2016

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

	31 December 2016		**31 December 2017**	
	Capital in CHF	Shares	**Capital in CHF**	**Shares**
Share capital	36 007 256.10	360 072 561	34 945 228.10	349 452 281
Conditional capital				
for Equity-Linked Financing Instruments	5 000 000.00	50 000 000	5 000 000.00	50 000 000
Authorised capital	8 500 000.00	85 000 000	8 500 000.00	85 000 000

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

Changes in 2015

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

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

Changes in previous years

Information about changes in share capital of Swiss Re Ltd as well as of our former parent company Swiss Reinsurance Company Ltd for earlier years is provided in the Annual Reports of these companies for the respective years. For details please visit: www.swissre.com/investors/financial_information/

Shares

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

The company cannot exercise the voting rights of treasury shares. As of 31 December 2017, shareholders had registered 181 406 549 shares for the purpose of exercising their voting rights, out of a total of 349 452 281 shares issued. As of 31 December 2017, 314 585 765 shares were entitled to dividend payment.

Profit-sharing and participation certificates

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

Limitations on transferability and nominee registrations

Free transferability

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

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

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

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

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

Admissibility of nominee registrations

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

Convertible bonds and options

Convertible bonds

As of 31 December 2017, neither Swiss Re Ltd nor any of its subsidiaries has any bonds outstanding that are convertible into equity securities of Swiss Re Ltd solely at the option of bondholders. The same applied as of 31 December 2016 and 31 December 2015.

In 2012, Swiss Reinsurance Company Ltd issued USD 750 000 000 of 8.25% perpetual subordinated capital instruments with stock settlement, which provide Swiss Reinsurance Company Ltd with options to initiate settlement of the subordinated securities by delivery of shares of Swiss Re Ltd. In 2012, Swiss Reinsurance Company Ltd had also issued CHF 320 000 000 of 7.25% perpetual subordinated notes which it redeemed in 2017.

Options

Valid exercise of stock options granted to Swiss Re employees are either cash or physically settled (with treasury shares). The number of issued shares will not be affected. For details on stock options granted to Swiss Re employees, see Note 15 to the Group financial statements on pages 276–277 of the Financial Report 2017.

Board of Directors

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

MEMBERS OF THE BOARD OF DIRECTORS

According to the Articles of Association, the Board of Directors of Swiss Re Ltd, the holding company of the Swiss Re Group, consists of at least seven members. As of 31 December 2017 the Board of Directors consisted of the following members:

Name	Nationality	Age	Initial election
Walter B. Kielholz (Chairman)	Swiss	66	1998[1]
Renato Fassbind (Vice Chairman, Lead Independent Director)	Swiss	62	2011
Raymond K.F. Ch'ien	Chinese	65	2008[1]
Mary Francis	British	69	2013
Rajna Gibson Brandon	Swiss	55	2000[1]
C. Robert Henrikson	American	70	2012
Trevor Manuel	South African	61	2015
Jay Ralph	American, Swiss	58	2017
Joerg Reinhardt	German	61	2017
Philip K. Ryan	American	61	2015
Sir Paul Tucker	British	59	2016
Jacques de Vaucleroy	Belgian	56	2017
Susan L. Wagner	American	56	2014

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

Company Secretary
Felix Horber

Felix Horber, attorney-at-law, has been the Company Secretary since 2007. He holds a PhD in Law, an Executive Master in European and International Business Law and is a Certified Director for Board Effectiveness.

Walter B. Kielholz

Chairman, non-executive
Born: 1951
Nationality: Swiss

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

Professional experience

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

External appointments

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

Educational background

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

Renato Fassbind

Vice Chairman and Lead Independent Director, non-executive and independent
Born: 1955
Nationality: Swiss

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

Professional experience

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

External appointments

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

Educational background

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

Raymond K.F. Ch'ien

Member, non-executive and independent
Born: 1952
Nationality: Chinese

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

Professional experience

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

External appointments

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

Educational background

- PhD in Economics, University of Pennsylvania, USA

Mary Francis, CBE
Member, non-executive and independent
Born: 1948
Nationality: British

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

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

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

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

Rajna Gibson Brandon
Member, non-executive and independent
Born: 1962
Nationality: Swiss

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

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

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

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

C. Robert Henrikson
Member, non-executive and independent
Born: 1947
Nationality: American

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

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

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

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

Trevor Manuel

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

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

Professional experience

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

External appointments

- Chairman of the Board of Directors of Old Mutual Group Holdings Ltd and board member of Old Mutual plc
- Deputy Chairman of Rothschild South Africa
- Professor Extraordinaire, University of Johannesburg
- Honorary Professor, University of Cape Town

Educational background

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

Jay Ralph

Member, non-executive and independent
Born: 1959
Nationality: American and Swiss

Jay Ralph was elected to the Board of Directors of Swiss Re Ltd in 2017. He is a member of the Finance and Risk Committee.

Professional experience

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

External appointments

- Member of the Siemens Pension Advisory Board

Educational background

- MBA in Finance and Economics, University of Chicago, USA
- BBA in Finance and Accounting, University of Wisconsin, USA
- Certified Public Accountant (CPA), Chartered Financial Analyst (CFA) and Fellow, Life Management Institute (FLMI)

Joerg Reinhardt

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

Joerg Reinhard was elected to the Board of Directors of Swiss Re Ltd in 2017. He is a member of the Compensation Committee.

Professional experience

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

External appointments

- Chairman of the Board of Directors of Novartis Inc.
- Chairman of the Board of Trustees of the Novartis Foundation

Educational background

- PhD in Pharmaceutical Sciences, Saarland University, Germany

Philip K. Ryan

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

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

Professional experience

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

External appointments

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

Educational background

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

Sir Paul Tucker

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

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

Professional experience

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

External appointments

- Chairman of the Systemic Risk Council
- Fellow at the Harvard Kennedy School of Government
- Board member of the Financial Services Volunteers Corps
- Member of the Advisory Committee of Autonomous Research
- Senior Fellow at the Harvard Center for European Studies
- Governor of the Ditchley Foundation

Educational background

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

Jacques de Vaucleroy

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

Jacques de Vaucleroy was elected to the Board of Directors of Swiss Re Ltd in 2017. He is a member of the Investment Committee. He is also Chairman of Swiss Re Europe Holdings S.A.

Professional experience

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

External appointments

- Vice Chairman of the Board of Directors of Ahold Delhaize
- Board member of Fidelity International Limited, Zabka Polska SA and MyMicroInvest SA
- Board member of the Simõn I. Patiño Foundation and the TADA non-profit organisation

Educational background

- Master in Law, Université Catholique de Louvain, Belgium
- Master in Business Law, Vrije Universiteit Brussel, Belgium

Susan L. Wagner

Member, non-executive and independent

Born: 1961

Nationality: American

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

Professional experience

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

External appointments

- Board member of Apple Inc. and BlackRock, Inc.
- Member of the Board of Trustees of Wellesley College, USA

Educational background

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

Independence

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

Conflicts of interest

The members of the Board of Directors are also subject to procedures to avoid any action, position or interest that conflicts with an interest of Swiss Re Ltd or the Swiss Re Group or gives the appearance of a conflict. Each member must disclose any conflict of interest relating to a matter to be discussed at a meeting, as soon as the member becomes aware of the conflict, to the Chairman. The respective member must not participate in the discussion and decision-making involving the interest at stake. The Chairman informs the Board of Directors of the existence of the conflict and it is reflected in the meeting minutes. Each member must disclose any conflict of interest generally arising to the Group Chief Legal Officer (Group CLO), or in his absence to the Group Chief Compliance Officer (Group CCO), in line with the standards and procedures set forth by the Personal Conflicts of Interest Instructions. The Group CLO (or in his absence the Group CCO) ensures that such reported conflict of interest is dealt with according to these standards and procedures.

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

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

Other mandates, activities and functions

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

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

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

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

Any activities of Board members in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations, as well as permanent management and consultancy functions for important Swiss and foreign interest groups and official functions and political posts, are stated in each of the directors' biographies, which can be found on pages 105–109.

Changes in 2017

At the Annual General Meeting on 21 April 2017, Jay Ralph, Joerg Reinhardt and Jacques de Vaucleroy were elected as new non-executive and independent members of the Board of Directors for a one-year term of office. These elections are another step towards the Board of Directors' aim to complete the generation change in its composition initialised a few years ago. At the same time, the shareholders re-elected Walter B. Kielholz (Chairman), Raymond K.F. Ch'ien, Renato Fassbind, Mary Francis, Rajna Gibson Brandon, C. Robert Henrikson, Trevor Manuel, Philip K. Ryan, Sir Paul Tucker and Susan L. Wagner for a one-year term of office as members of the Board of Directors. Carlos E. Represas did not stand for re-election.

Election, succession planning, qualifications and term of office

Election procedure

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

Succession planning

Succession planning is of high relevance to the Board of Directors. It regularly analyses its composition to confirm that its members' qualifications, skills and experience correspond to the Board's needs and requirements. The Board of Directors initiates the evaluation of potential new Board members timely with the continued aim to obtain among its members the desired qualifications and experience as well as to further diversify and renew its composition. The Chairman's and Governance Committee evaluates candidates for Board membership and makes recommendations to the Board of Directors for election or re-election proposals. The Board of Directors nominates candidates for Board membership for election at the General Meeting of shareholders, ensuring that the Board retains an adequate size and well-balanced composition and that at least three-quarters of its members are independent. With regard to its succession planning, the Board of Directors aims to safeguard the stability of its composition while also renewing the Board in a sensible way.

Qualifications

The Board of Directors needs to assemble the necessary qualifications, skills and diversity to perform all required responsibilities. It must assemble among its members the balance of managerial expertise and knowledge from different fields required for the fulfilment of the oversight responsibility as well as for sound independent decision-making in line with the needs of the business.

The Board of Directors defines the selection criteria against which candidates for Board membership are assessed. The requirements which potential Board members have to meet in terms of knowledge in various key areas and the industry are constantly increasing.

Membership on the Board of Directors requires experience in key sectors such as insurance and reinsurance, finance, accounting, capital markets, risk management and regulatory matters as well as leadership and decision-making experience in a large, complex financial institution. The mandate also demands significant commitment, integrity and intercultural communication competence.

As determined by applicable law, a Board member may not have any management or executive function within the Swiss Re Group.

The prevalence of these qualifications and skills ensures that Swiss Re Ltd has the relevant expertise required for active involvement and supervision of an international listed company.

Board diversity

The principles of gender and age diversity, inclusion, nationality, regional representation, transparency and the avoidance of conflicts of interest also play an important role in the nomination process.

Board members' training

The Board of Directors has a unique role in the company oversight. The company therefore strives on building a strong and effective Board culture, supported by ongoing learning, which is an important component to foster board effectiveness. Newly elected Board members receive a comprehensive onboarding programme consisting of a total of 21 hours of sessions in order to gain a sound understanding of the Group's organisation, business and its environment. Additionally, the Board members update and enhance their knowledge of emerging business trends and risks through regular meetings with internal and external experts throughout the year. One-to-one educational sessions are offered any time through the year with our top executives and experts. Please also see the 2017 key focus areas and highlights 2017/2018 on pages 96-97 for more details on education and trainings the Board members completed in the reporting year.

Term of office

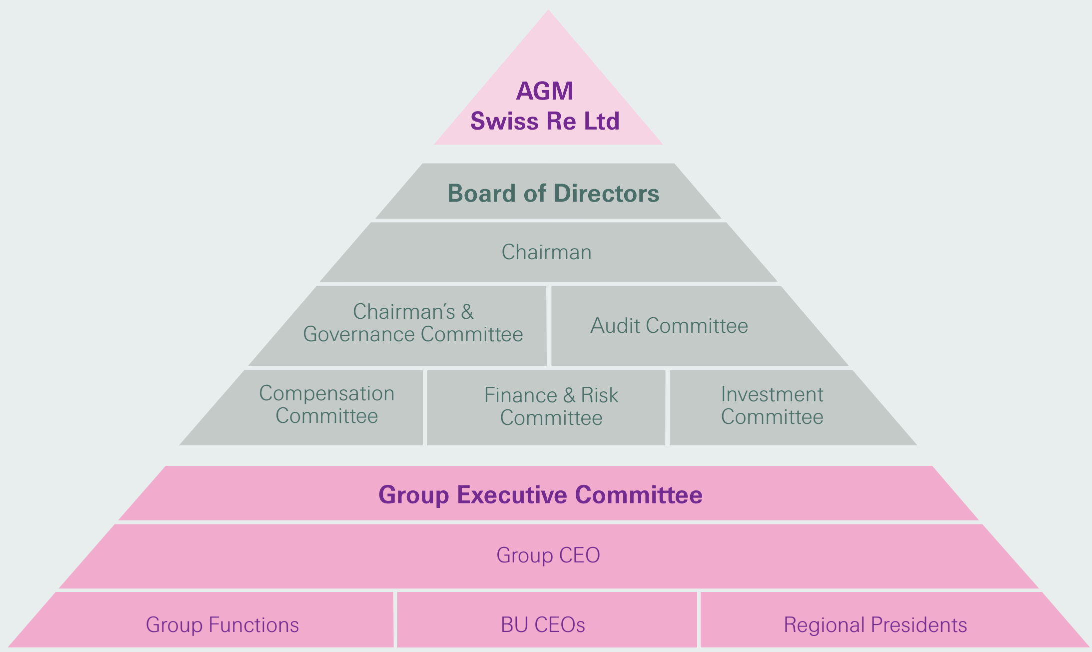
Effective since the Annual General Meeting 2014, the members of the Board of Directors are elected for a term of office until completion of the next General Meeting of shareholders. Members whose term has expired are immediately eligible for re-election.

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

First election date

The initial election year of each member is stated in the table on page 104.

SWISS RE'S GOVERNANCE FRAMEWORK



Nominations for re-election and election by the Annual General Meeting on 20 April 2018

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

- Walter B. Kielholz
- Raymond K.F. Ch'ien
- Renato Fassbind
- Trevor Manuel
- Jay Ralph
- Joerg Reinhardt
- Philip K. Ryan
- Sir Paul Tucker
- Jacques de Vaucleroy
- Susan L. Wagner

The Board of Directors proposes that **Walter B. Kielholz** be re-elected as **Chairman of the Board of Directors** for a further one-year term.
Walter B. Kielholz is a very experienced Chairman with our company. This proposal is in line with the Board of Directors' aim to ensure stability in the Board of Directors' composition and work.

Mary Francis, Rajna Gibson Brandon and C. Robert Henrikson will not stand for re-election.

Furthermore, the Board of Directors proposes:

- Karen Gavan
- Eileen Rominger
- Larry Zimpleman

to the Annual General Meeting 2018 for **first-time election** as members of the Board of Directors for a one-year term of office.

Karen Gavan started her career in finance roles at Prudential Insurance, Imperial Life and Canada Life. Afterwards, at Transamerica Life Canada/AEGON Canada, Karen Gavan worked as Chief Financial Officer and then Chief Operating Officer. Until her retirement in November 2016, she served for five years as Chief Executive Officer at Economical Insurance, one of Canada's leading property and casualty insurance companies, preparing the company for its initial public offering. During her leadership, the company also launched SONNET, Canada's first fully digital insurer.

Since 2015, she has been a member of the Board of Swiss Re America Holding Corporation and she has been a Board member at Mackenzie Financial Corporation since 2007.

Karen Gavan is a Canadian citizen born in 1961. She graduated with a Honours Bachelor of Commerce from the Lakehead University, Canada. She is a Fellow at the Institute of Chartered Accountants of Ontario, Canada.

Eileen Rominger began her career at Oppenheimer Capital, where she worked for 18 years as an equity portfolio manager, serving as a Managing Director and a member of the Executive Committee. Eileen Rominger then joined Goldman Sachs Asset Management in 1999, where she held a number of senior leadership positions, becoming the company's Global Chief Investment Officer. She subsequently served from 2011 to 2012 as the Director of the Division of Investment Management at the United States Securities and Exchange Commission, where she was instrumental in formulating and implementing regulatory policy for mutual funds and federally registered investment advisors.

Since 2013, Eileen Rominger has held roles including being a senior advisor at CamberView Partners, a leading provider of advice to public companies on shareholder engagement, corporate governance and activism.

Eileen Rominger is a US citizen born in 1954. She graduated with a Bachelor of English from the Fairfield University, USA, and holds an MBA in Finance from The Wharton Graduate School of Business, USA.

Larry Zimpleman started his career in 1971 as actuarial intern at The Principal Financial Group, an investment management company that offers insurance solutions, asset management and retirement services to individual and institutional clients. From 1976 to 2006 he held various senior management and leadership positions at The Principal. He became President and Chief Executive Officer in 2008 and Chairman in 2009. In August 2015, Larry Zimpleman stepped down as President and CEO and retired as a full-time employee in 2016 after a long, successful career, while continuing to serve as non-executive Chairman.

Larry Zimpleman is a US citizen born in 1951. He graduated with a Bachelor of Science from the Drake University, USA, and holds an MBA from the same university.

The Board of Directors furthermore proposes that **Raymond K.F. Ch'ien, Renato Fassbind and Joerg Reinhardt** be re-elected as members and **Jacques de Vaucleroy** be elected as a **new member** of the **Compensation Committee,** succeeding C. Robert Henrikson, all for a one-year term.

Organisational structure of the Board of Directors

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

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

Allocation of tasks within the Board of Directors

Chairman of the Board of Directors

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

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

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

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

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

Vice Chairman

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

Lead Independent Director

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

Committees of the Board of Directors

As determined by applicable law and the Articles of Association, the Board of Directors has inalienable and non-transferable responsibilities and authorities. The Board of Directors has established Board committees which support the Board in fulfilling its duties. The Board of Directors has delegated certain responsibilities, including the preparation and execution of its resolutions, to the following five committees: the Chairman's and Governance Committee, the Audit Committee, the Compensation Committee, the Finance and Risk Committee and the Investment Committee (see page 111).

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

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

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

The committees have the following overall responsibilities:

Chairman's and Governance Committee

Responsibilities

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

Members

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

BOARD COMMITTEE MEMBERSHIPS

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

Audit Committee

Responsibilities

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

Members

- Renato Fassbind, Chair
- Mary Francis
- Trevor Manuel
- Philip K. Ryan

Independence and other qualifications

All members of the Audit Committee are non-executive and independent. In addition to the independence criteria applicable to Board members in general, additional independence criteria apply to members of the Audit Committee. They are required to possess such additional attributes as the Board of Directors may, from time to time, specify. Each member of the Audit Committee has to be financially literate. At least one member must qualify as an Audit Committee financial expert, as determined appropriate by the Board of Directors. Members of the Audit Committee should not serve on audit committees of more than four listed companies outside the Swiss Re Group. Audit Committee members have to advise the Chairman of Swiss Re Ltd before accepting any further invitation to serve on an audit committee of another listed company outside the Group and observe the limitations set in the Articles of Association in relation to external mandates (see other mandates, activities and functions on page 109).

Compensation Committee

Responsibilities

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

Members

- C. Robert Henrikson, Chair
- Raymond K.F. Ch'ien
- Renato Fassbind
- Joerg Reinhardt (since AGM 2017)
- Carlos E. Represas (until AGM 2017)

Finance and Risk Committee

Responsibilities

The Finance and Risk Committee annually reviews the Group Risk Policy and proposes it for approval to the Board of Directors, reviews risk and capacity limits approved by the Group EC as well as their usage across the Swiss Re Group and reviews the Risk Control Framework. It reviews the most important risk exposures in all major risk categories as well as new products or strategic expansions of the Swiss Re Group's areas of business. It reviews the risk aspects of Control Transactions. In terms of risk and economic performance measurement it reviews critical principles used in internal risk measurement, valuation of assets and liabilities, capital adequacy assessment and economic performance management. It also reviews the capital adequacy and the Swiss Re Group's treasury strategy.

Members

- Philip K. Ryan, Chair
- Mary Francis
- Rajna Gibson Brandon
- C. Robert Henrikson
- Sir Paul Tucker
- Susan L. Wagner
- Jay Ralph (since AGM 2017)

Investment Committee

Responsibilities

The Investment Committee endorses the strategic asset allocation and reviews tactical asset allocation decisions. It reviews the performance of the financial assets of the Swiss Re Group and endorses or receives information on Participations and Principal Investments.

It reviews the risk analysis methodology as well as the valuation methodology related to each asset class and ensures that the relevant management processes and controlling mechanisms in asset management are in place.

Members

- Susan L. Wagner, Chair
- Raymond K.F. Ch'ien
- Rajna Gibson Brandon
- Trevor Manuel
- Sir Paul Tucker
- Jacques de Vaucleroy (since AGM 2017)

BOARD OF DIRECTORS AND BOARD COMMITTEE MEETINGS IN 2017

Body	Number of meetings Average duration Average attendance (of Board members)	Invitees in advisory capacity, in addition to members
Board of Directors	12 meetings 4 hours 92.3%	Group EC members, Group CLO, Company Secretary
Chairman's and Governance Committee	5 meetings 2 hours 96.5%	Group CEO, Company Secretary
Audit Committee	8 meetings 3 hours 96.8%	Group CEO, Group CFO, Group CRO, Group COO, Group CLO, Chief Compliance Officer, Head Group Internal Audit, Chief Accounting Officer, lead auditors of external auditor, Company Secretary
Compensation Committee	6 meetings[1] 3 hours 100%	Group CEO, Group COO, Chief Human Resource Officer, Head Reward, advisors[2]
Finance and Risk Committee	6 meetings 4 hours 98.1%	Group CEO, Group CFO, Group CRO, Group CSO, Group CUO, Group CIO, Group COO, Group Treasurer, CEO Reinsurance, CEO Corporate Solutions, CEO Life Capital, Company Secretary
Investment Committee	5 meetings 3 hours 95.5%	Group CEO, Group CFO, Group CRO, Group CSO, Group CIO, Head Financial Risk Management, CFO Asset Management, Group Treasurer, Company Secretary

Overall attendance rate of 94.6%

[1] In addition, two decisions by circular resolution.
[2] The human resources consulting firm Mercer and the law firm Niederer Kraft&Frey Ltd (NKF) provided support and advice for compensation issues during the reporting year. Representatives of Mercer and NKF participated at all committee meetings in 2017.

INDIVIDUAL ATTENDANCE RATES OF BOARD MEMBERS:[1] BOARD OF DIRECTORS AND BOARD COMMITTEE MEETINGS IN 2017

Attendance in %	Number of Board members (Total 14 members)[2]
100	8
95–99.9	2
90–94.9	–
85–89.9	3
80–84.9	–
75–79.9	1

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

Work methods of the Board of Directors and its committees

Convening meetings and invitation

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

Resolutions and quorum

A Board meeting has a quorum if at least the Chairman, the Vice Chairman or the Lead Independent Director and the majority of the members of the Board of Directors are present in person, by telephone or by video conference. A Board committee has a quorum if the majority of the Board committee members are present or participate by telephone or video conference.

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

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

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

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

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

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

The table on page 115 provides an overview of the meetings of the Board of Directors and its committees held in 2017.

Self-assessment

An open, transparent and critical board room culture forms the basis for the Board of Directors' annual review of its own performance and effectiveness. The Board of Directors evaluates its work on one hand and the performance of the Chairman on the other. It conducts the self-assessment on the basis of questionnaires which deal with the Board's composition, organisation and processes, the Board's responsibilities governed by the SRL Bylaws as well as with the focus areas and goals of the year under review. The topics are discussed and take-aways defined to be incorporated in the goals for the upcoming year. In addition, each Board committee annually reviews the adequacy of its composition, organisation and processes as well as the scope of its responsibilities, assesses their accomplishment and evaluates the achievement of the goals set and its performance.

Board of Directors and Group EC: areas of responsibility

Non-transferable duties

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

Delegation of management

The Board of Directors has delegated the management of Swiss Re Ltd and the Swiss Re Group to the Group EC (see section Executive Management, starting on page 122). Such delegated tasks are within the responsibility of the entire Group EC. The Group EC also supports the Board of Directors in fulfilling its duties and prepares proposals for consideration and decision-making by the Board of Directors related to the following key responsibilities with Group relevance: strategy, business plan, organisational structure, accounting principles, risk tolerance levels, share capital and any share repurchase programme, along with principles of financing through capital markets as well as for important strategic transactions. The tables on pages 117–118 provide a summary of the key responsibilities of the Board of Directors and delegations to the Group EC. They are not to be understood as exhaustive.

KEY RESPONSIBILITIES OF THE BOARD OF DIRECTORS

Strategy and overall direction of the company

- defines the strategy of the Swiss Re Group based on proposals by the Group EC;
- approves the capital allocation plan for both Underwriting and Asset Management;
- approves the Swiss Re Group risk strategy and risk policy, which defines the Group's risk appetite and tolerance, key principles for risk taking and control and key capital structuring principles;
- approves the entry into new business activities and the exit of existing activities, provided they are of strategic relevance;
- approves significant corporate transactions, participations and principal investments and approves an annual capital expenditure plan;
- approves the financial objectives and the means necessary to achieve them; and
- approves all matters where such decisions exceed the authorities delegated to the Board committees, the Group CEO, the Group EC and individual Group EC members and overrules decisions if necessary.

Governance and organisation

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

Accounting, financial control and financial planning

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

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

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

Capital

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

General Meetings of shareholders

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

KEY RESPONSIBILITIES OF THE GROUP EXECUTIVE COMMITTEE

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

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

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

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

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

Capital management
- establishes principles on financing through capital markets and the allocation of financial resources within the Group; and
- establishes the principles for intra-Group transactions and funding.

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

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

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

People Strategy
- has responsibility for the Group's people management, subject to the authority of the Board of Directors.

Compensation
- makes proposals for the individual compensation of selected members of senior management; and
- proposes benefit plans to the Compensation Committee for decision.

The Group EC discharges its responsibilities as a joint body, except for responsibilities delegated to the Group CEO and further individual Group EC members as outlined in the SRL Bylaws.

Board supervision of executive management

Swiss Re Ltd's Board of Directors maintains effective and consistent oversight and monitors the execution of responsibilities it has delegated to executive management through the following control and information instruments.

Participation of Board members at executive management meetings

The Chairman is invited to all meetings of the Group EC and Business Unit Executive Committees and receives the corresponding documentation and minutes.

Special investigations

The Board committees are entitled to conduct or authorise special investigations at any time and at their full discretion into any matters within their respective scope of responsibilities, taking into consideration relevant peer group practice and general best practice. The committees are empowered to retain independent counsel, accountants or other experts if deemed necessary.

Involvement of executive management in meetings of the Board of Directors

As a matter of principle, all members of the Group EC are invited to attend the meetings of the Board of Directors. The Group EC members attend Board meetings as far as deemed appropriate by the Chairman and the other Board members. The Group EC members do not attend the constitutional meeting of the Board of Directors following the Annual General Meeting of shareholders and the Board self-assessment session.

The presence of the entire Group EC was required for four Board meetings in 2017, and selected members were invited to eight further Board meetings. The overall attendance rate for the Group EC members was 95.4%.

Involvement of executive management in Board committee meetings

As a matter of principle, selected members of the Group EC as well as further senior management members participate at Board committee meetings as advisors. The Charter of the Board committees specifies management participation at committee meetings.

A detailed summary of executive management participation in Board committee meetings is provided on page 115.

Periodic reports to Board of Directors and its committees

The executive management regularly provides the Board of Directors with different types of reports, in particular the following reports:

Executive Report
This comprehensive report gives an update on current business developments, covering the Group Functions and the Business Units, including major business transactions, claims, corporate development and key projects.

US GAAP Board Report
The report provides factual financial highlights from an accounting perspective, with a focus on historical development of the business as an informational basis before the publication of results.

EVM Board Report
The report provides factual financial highlights from an economic perspective, with a focus on historical value creation.

Group Performance Management Report
The report tracks actual performance of the Group and the segments against pre-defined financial targets, analyses the impact of management actions and provides information on current challenges.

Global Outlook for Insurance, Reinsurance and Financial Markets
The report describes trends and provides forecasts regarding the economic environment, the Property & Casualty/ Life & Health (re)insurance markets and the financial markets.

Benchmarking of Swiss Re against selected peers
The report provides an analysis of the performance of the Swiss Re Group compared to the performance of selected peers.

Swiss Solvency Test Report
The report provides the legally required update on the assessment of the solvency according to the Swiss Solvency Test (SST) of the Swiss Re Group, Swiss Reinsurance Company Ltd, Swiss Re Asia Ltd (former European Reinsurance Company of Zurich Ltd) and Swiss Re Corporate Solutions Ltd.

Swiss Re Liquidity Report
The report describes the liquidity position of the Swiss Re Group in current and in stressed market conditions.

In addition, reports are submitted to the Board committees, such as:
- Actuarial Report
- Claims Report
- Legal Report
- Compliance Report
- Group Internal Audit Report
- Group Tax Report
- Group Risk Report
- Derivative Use Update
- Report on Capital, Liquidity and Treasury Activities
- Global Regulatory Risk Report
- Financial Risk Management Update
- Own Risk and Solvency Assessment Report

Risk management

Swiss Re's Risk Management function provides regular risk reports to the Board of Directors, which are discussed in depth by the Finance and Risk Committee. These reports cover Swiss Re's compliance with the Group's risk tolerance criteria, major changes in risk and capital adequacy measures and a description of the Group's main risk issues, including related risk management actions. The Finance and Risk Committee regularly reports to the entire Board of Directors.

Duty to inform on extraordinary events

As soon as the Group CEO or the Group EC becomes aware of any significant extraordinary business development or event, they are obliged to inform the Board of Directors immediately. The Board has specific reporting procedures in place.

Right to obtain information

The Board of Directors has complete and open access to the Group CEO and the other members of the Group EC, the Group Chief Legal Officer, the Chief Compliance Officer and the Head of GIA. Any member of the Board of Directors who wishes to have access to any other officer or employee of the Group will coordinate such access through the Chairman. The chairpersons may approach the Group EC members as well as further key executives directly should they require information supporting the respective Board committee's duties.

Any member of the Board of Directors may demand at Board meetings to obtain information on any aspect of the Group's business. Outside Board meetings, any member can direct a request for production of information and business records to the Chairman.

Group Internal Audit

GIA is an independent assurance function, assisting the Board of Directors and Group EC to protect the assets, reputation and sustainability of the organisation. GIA assesses the adequacy and effectiveness of the Group's internal control system, and adds value through improving the Group's operations.

GIA applies a risk-based approach, performing its own risk assessment as well as making use of risk assessments performed by the Group's Risk Management and other assurance functions (after reviewing the quality of the assurance work performed). Based on the results of the risk assessment, GIA produces an annual audit plan for review and approval by the Audit Committee. The audit plan is updated on a quarterly basis according to the Group's evolving needs. GIA provides formal quarterly updates on its activities to the Audit Committee, which include audit results, the status of management actions required, the appropriateness of the resources and skills of GIA and any changes in the tools and methodologies it uses.

The Head of GIA meets at least once per quarter with the Audit Committee, and immediately reports any issue which could have a potentially material impact on the business of the Group to the Chair of the Audit Committee.

GIA has unrestricted access to any of the Group's property and employees relevant to any function under review. All employees are required to assist GIA in fulfilling its duty. GIA has no direct operational responsibility or authority over any of the activities it reviews.

GIA staff govern themselves by following the Code of Ethics issued by the Institute of Internal Auditors (IIA). The IIA's International Standards for the Professional Practice of Internal Auditing constitute the operating guidance for the department.

External auditor

For information regarding the external auditors, please refer to page 132.

Executive Management

The Group Executive Committee has management responsibility for Swiss Re Ltd and the Swiss Re Group as delegated by the Board of Directors.

MEMBERS OF THE GROUP EXECUTIVE COMMITTEE

The Group Executive Committee (Group EC) consisted of the following members as of 31 December 2017:

Name	Nationality	Age	Function
Christian Mumenthaler	Swiss	48	Group Chief Executive Officer
David Cole	Dutch, American	56	Group Chief Financial Officer
John R. Dacey	American	57	Group Chief Strategy Officer
Guido Fürer	Swiss	54	Group Chief Investment Officer
Agostino Galvagni	Italian, Swiss	57	CEO Corporate Solutions
Jean-Jacques Henchoz	Swiss	53	CEO Reinsurance Europe, Middle East and Africa (EMEA)/ Regional President EMEA
Thierry Léger	French, Swiss	51	CEO Life Capital
Moses Ojeisekhoba	Nigerian, British	51	CEO Reinsurance
Jayne Plunkett	American	47	CEO Reinsurance Asia/Regional President Asia
Patrick Raaflaub	Swiss, Italian	52	Group Chief Risk Officer
Edouard Schmid	Swiss	53	Group Chief Underwriting Officer
J. Eric Smith	American	60	CEO Reinsurance Americas/Regional President Americas
Thomas Wellauer	Swiss	62	Group Chief Operating Officer

Christian Mumenthaler

Group Chief Executive Officer

Born: 1969

Nationality: Swiss

Professional experience

Christian Mumenthaler started his career in 1997 as associate with the Boston Consulting Group. He joined Swiss Re in 1999 and was responsible for key company projects. In 2002, he established and headed the Group Retro and Syndication unit. Christian Mumenthaler served as Group Chief Risk Officer between 2005 and 2007 and was Head of Life & Health between 2007 and 2010. In January 2011, he was appointed Chief Marketing Officer Reinsurance and member of the Group Executive Committee, and became Chief Executive Officer Reinsurance that October. In July 2016 Christian Mumenthaler was appointed as Group Chief Executive Officer.

External appointments

- Board member of the Geneva Association; of economiesuisse; of the Swiss American Chamber of Commerce; and of the Society for the Promotion of the Institute of Insurance Economics, St. Gallen
- Member of Insurance Europe's Reinsurance Advisory Board; of the Pan-European Insurance Forum; of the IMD Foundation Board; of the Global Reinsurance Forum; of the Steering Board Insurance Development Forum; and of the Board of Trustees of the St. Gallen Foundation for International Studies

Educational background

- PhD in Physics, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland

David Cole

Group Chief Financial Officer

Born: 1961

Nationality: Dutch and American

Professional experience

David Cole began his career in 1984 with ABN AMRO. In 1999, he was appointed Executive Vice President and regional Head of Risk Management for Latin America, located in Brazil. In 2001, he returned to Amsterdam to assume Corporate Centre responsibility within Group Risk Management. He became Chief Financial Officer of Wholesale Clients (WCS) in 2002 and was appointed Senior Executive Vice President and Chief Operating Officer of WCS in 2004. In January 2006, he became Head of Group Risk Management for ABN AMRO Bank and in 2008 was named Chief Financial Officer and Chief Risk Officer.

David Cole joined Swiss Re in November 2010 as Deputy Chief Risk Officer and was appointed Group Chief Risk Officer and member of the Group Executive Committee in March 2011. He was appointed Group Chief Financial Officer as of May 2014.

External appointments

- Member of the Board of Directors FWD Group
- Member of the Supervisory Board IMC B.V.
- Member of the Board of Directors Vontobel Holding AG

Educational background

- Bachelor of Business Administration, University of Georgia, USA
- International Business Program, Nyenrode Universiteit, The Netherlands

John R. Dacey

Group Chief Strategy Officer

Born: 1960

Nationality: American

Professional experience

John R. Dacey started his career in 1986 at the Federal Reserve Bank of New York. From 1990 to 1998, he was a consultant and subsequently Partner at McKinsey & Company. He joined Winterthur Insurance in 1998 and was its Chief Financial Officer from 2000 to 2004 as well as member of its Group Executive Board until 2007. From 2005 to 2007, he was Chief Strategy Officer and member of its risk and investment committees. He joined AXA in 2007 as Group Regional CEO and Group Vice Chairman for Asia-Pacific as well as member of their Group Executive Committee.

John R. Dacey joined Swiss Re in October 2012 and was appointed Group Chief Strategy Officer and member of the Group Executive Committee as of November 2012. He also served as Chairman Admin Re® from November 2012 to May 2015.

Educational background

- Bachelor of Arts in Economics, Washington University, St. Louis, USA
- Master in Public Policy, Harvard University, Cambridge, USA

Guido Fürer
Group Chief Investment Officer
Born: 1963
Nationality: Swiss

Professional experience

Guido Fürer commenced his career at Swiss Bank Corporation/O'Connor & Associates in 1990. During the following seven-year period, he held leading positions in option trading and at its capital market division in Chicago, New York, London and Zurich.

Guido Fürer joined Swiss Re in 1997 as Managing Director at Swiss Re New Markets, focusing on alternative risk transfer. From 2001 to 2004, he worked for Swiss Re's Private Equity unit with responsibility for the European strategic participations. In 2004, he joined Asset Management, first taking over responsibility for tactical asset allocation prior to assuming the role of Head of Swiss Re's CIO Office with responsibility for strategic asset allocation and additionally Chief Investment Officer for the Business Units Reinsurance and Corporate Solutions. Guido Fürer has led Swiss Re Group Asset Management since his appointment as Group Chief Investment Officer and Member of the Group Executive Committee in November 2012.

Educational background

- Master's degree in Economics, University of Zurich, Switzerland
- PhD in Financial Risk Management, University of Zurich, Switzerland
- Executive MBA from INSEAD, Fontainebleau, France

Agostino Galvagni
Chief Executive Officer Corporate Solutions
Born: 1960
Nationality: Italian and Swiss

Professional experience

Agostino Galvagni joined Bavarian Re, a former Swiss Re subsidiary, in 1985 as a trainee in the fields of underwriting and marketing. He joined Swiss Re New Markets in New York in 1998. Agostino Galvagni returned to Bavarian Re in 1999 as a member of the Management Board.

In 2001, he joined Swiss Re in Zurich as Head of the Globals Business, and in 2005 he was appointed to the Executive Board to head the Globals & Large Risks Division within Client Markets. In 2009, Agostino Galvagni was appointed Chief Operating Officer and member of the Group Executive Committee. He was made Chief Executive Officer Corporate Solutions in October 2010.

Educational background

- Master's degree in Economics, Bocconi University, Milan, Italy

Jean-Jacques Henchoz
Chief Executive Officer Reinsurance Europe, Middle East and Africa (EMEA)/ Regional President EMEA
Born: 1964
Nationality: Swiss

Professional experience

Jean-Jacques Henchoz started his career in 1988 at the Swiss Federal Department of Economic Affairs and the European Bank for Reconstruction and Development.

Jean-Jacques Henchoz joined Swiss Re in 1998 as facultative property underwriter in Division Europe, and in 1999 he moved to the Swiss Re New Markets Division as finite risk underwriter. From 2000 he served as Head Financial Solutions until becoming Head of Strategy for Property & Casualty in 2003. From 2005 to 2010, he was Chief Executive Officer of Swiss Re Canada. Jean-Jacques Henchoz assumed leadership of the Europe Division in March 2011. He was appointed Chief Executive Officer Reinsurance EMEA, Regional President EMEA and member of the Group Executive Committee in January 2012.

Educational background

- Master's degree in Political Science, University of Lausanne, Switzerland
- MBA, International Institute for Management Development (IMD), Switzerland

Thierry Léger

Chief Executive Officer Life Capital

Born: 1966

Nationality: French and Swiss

Moses Ojeisekhoba

Chief Executive Officer Reinsurance

Born: 1966

Nationality: Nigerian and British

Jayne Plunkett

Chief Executive Officer Reinsurance Asia/Regional President Asia

Born: 1970

Nationality: American

Professional experience

Thierry Léger started his career in the civil construction industry before joining Swiss Re as an engineering underwriter in 1997. In 2001 he moved to Swiss Re New Markets, providing non-traditional solutions to insurance clients. Between 2003 and 2005 he was a member of the executive team in France as leader of the sales team. From 2006 Thierry Léger assumed increasing responsibility for Swiss Re's largest clients, ultimately becoming the Head of the newly-created Globals Division in 2010 and a member of the Group Management Board. In 2013, Thierry Léger became Head of L&H Products Reinsurance. As of January 2016 he was appointed Chief Executive Officer Life Capital and member of the Group Executive Committee.

Educational background

- Master's degree in Civil Engineering, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland
- Executive MBA, University of St. Gallen, Switzerland

Professional experience

Moses Ojeisekhoba started his career in insurance as a registered representative and agent of The Prudential Insurance Company of America in 1990. From 1992 to 1996, he was a Risk and Underwriting Manager at Unico American Corporation. He then joined the Chubb Group of Insurance Companies as regional Underwriting Manager and in 1999 became Corporate Product Development Manager in New Jersey and thereafter moved to London as Strategic Marketing Manager for Chubb Europe. In 2002, he was appointed International Field Operations Officer for Chubb Personal Insurance before becoming Head Asia Pacific in 2009, a position he remained in until he joined Swiss Re.

Moses Ojeisekhoba joined Swiss Re in February 2012 and was appointed Chief Executive Officer Reinsurance Asia, Regional President Asia and member of the Group Executive Committee in March 2012. In July 2016, Moses Ojeisekhoba was appointed as Chief Executive Officer Reinsurance.

Educational background

- Master's degree in Management, London Business School, United Kingdom
- Bachelor of Science in Statistics, University of Ibadan, Nigeria

Professional experience

Jayne Plunkett started her career at John Deere Insurance Company in 1992, where she held various positions in the Commercial Lines segment in Property and Casualty. In 1999 she joined GE Insurance Solutions, where she served as Insurance Pricing Team Leader, Deputy Chief Reserving Actuary, Head of Casualty Risk Management, and Head of Planning and Analysis.

Following the acquisition of GE Insurance Solutions by Swiss Re in 2006, Jayne Plunkett joined Swiss Re as Head of the Kansas City Hub for Property & Casualty. From 2008 to 2012 she worked in Asia as Head of Casualty Underwriting for the region. In 2013 she assumed the global position as Head Casualty Reinsurance, also managing the unit dealing with large and complex transactions for P&C Reinsurance. As of July 2016, Jayne Plunkett was appointed as Chief Executive Officer Reinsurance Asia, Regional President Asia and a member of the Group Executive Committee.

Jayne Plunkett is a fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries. Additionally, she was named a Young Global Leader of the World Economic Forum in 2010.

Educational background

- Bachelor of Science in Business Administration, Drake University, USA

Patrick Raaflaub

Group Chief Risk Officer

Born: 1965

Nationality: Swiss and Italian

Professional experience

Patrick Raaflaub began his career as an economist at Credit Suisse. He then was a founding member of a consulting start-up and research fellow at the University of St. Gallen. He joined Swiss Re in 1994 and was appointed Chief Financial Officer of Swiss Re Italia SpA in 1997, and then was Divisional Controller Americas Division from 2000. He worked as Head of Finance Zurich from 2003, then Regional Chief Financial Officer Europe and Asia from 2005. From 2006, he was Head of Group Capital Management, where he was responsible for capital management at Group level and global regulatory affairs. In 2008 he joined the Swiss Financial Markets Supervisory Authority FINMA as Chief Executive Officer.

Patrick Raaflaub returned to Swiss Re as Group Chief Risk Officer and member of the Group Executive Committee as of September 2014.

Educational background

- PhD in Political Science, University of St. Gallen, Switzerland

Edouard Schmid

Group Chief Underwriting Officer

Born: 1964

Nationality: Swiss

Professional experience

Edouard Schmid joined Swiss Re in 1991 as a risk analyst, developing catastrophe models and supporting property catastrophe underwriting on a global basis. Since 1996, he was a team leader in the Cat Perils unit, until he became Head Cat Perils & Retrocession in 2002. From 2003 until 2008 he was based in Hong Kong as Chief Underwriter Property & Specialty Asia. He returned to Zurich in 2008 and served as Head Property & Casualty Risk and Actuarial Management, and, concurrently, as Chief Risk Officer Corporate Solutions from 2011. In May 2012 he became Head Property & Specialty Reinsurance.

Edouard Schmid was appointed Group Chief Underwriting Officer and member of the Group Executive Committee as of 1 July 2017.

Educational background

- Master's degree in Physics, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland

J. Eric Smith

Chief Executive Officer Reinsurance Americas/Regional President Americas

Born: 1957

Nationality: American

Professional experience

J. Eric Smith worked in various roles in property and casualty insurance with Country Financial for more than 20 years, then joined Allstate in 2003, where he rose to the rank of President, Financial Services. He moved to USAA in 2010 as President USAA Life Insurance Co.

J. Eric Smith joined Swiss Re in July 2011 as Chief Executive Officer Reinsurance Americas and as a member of the Group Management Board. He was appointed Regional President Americas and member of the Group Executive Committee in January 2012.

Educational background

- Bachelor's degree in Finance, University of Illinois, USA
- MBA, Kellogg School of Management, Northwestern University, USA

Thomas Wellauer

Group Chief Operating Officer

Born: 1955

Nationality: Swiss

Professional experience

Thomas Wellauer started his career with McKinsey & Company, specialising in the financial services and pharmaceutical industry sectors, and was elected Partner in 1991 and Senior Partner in 1996. In 1997, he was named Chief Executive Officer of the Winterthur Insurance Group, which was later acquired by Credit Suisse. At Credit Suisse he was a member of the Group Executive Board, initially responsible for the group's insurance business before becoming Chief Executive Officer of the Financial Services division in 2000. From 2003 to 2006, Thomas Wellauer headed the global turnaround project at Clariant. In 2007, he joined Novartis as Head of Corporate Affairs and became member of the Executive Committee of Novartis. From April 2009 until September 2010, he was a member of the Supervisory Board of Munich Re.

Thomas Wellauer joined Swiss Re in October 2010 as Group Chief Operating Officer and member of the Group Executive Committee.

External appointments

- Chairman of the Swiss Chapter of the International Chamber of Commerce (ICC)
- Member of the global Executive Board of the International Chamber of Commerce (ICC)
- President of the Board of the University Hospital Zurich Foundation

Educational background

- PhD in Systems Engineering, Swiss Federal Institute of Technology (ETH), Zurich, Switzerland
- Master of Business Economics, University of Zurich, Switzerland

Change in 2017

Edouard Schmid was appointed Group Chief Underwriting Officer and a member of the Group EC as of 1 July 2017, succeeding Matthias Weber who decided to step down as Group Chief Underwriting Officer.

Changes in 2018

John R. Dacey, Group Chief Strategy Officer, will become Group Chief Financial Officer as of 1 April 2018, succeeding David Cole who has decided to step down as Group Chief Financial Officer. With that change, the two roles of Group Chief Financial Officer and Group Chief Strategy Officer will be merged.

As of 1 April 2018, the Group EC will consist of 12 members, whereas it is composed of 13 members up to March 2018.

Other mandates, activities and vested interests

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

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

Any activities of members of the Group EC in governing and supervisory bodies of important Swiss and foreign organisations, institutions and foundations as well as permanent management and consultancy functions for important Swiss and foreign interest groups and official functions and political posts are stated in each of the Group EC members' biographies on pages 123–127.

Management contracts

Swiss Re has not entered into any management contract with any third party.

KEY RESPONSIBILITIES OF THE GROUP EXECUTIVE COMMITTEE MEMBERS

The Board of Directors has delegated the management of Swiss Re Ltd and the Swiss Re Group to the Group EC. Such delegated tasks are within the responsibility of the entire Group EC. For an overview of the Group EC's key responsibilities, please see page 129.

The Group EC discharges its responsibilities as a joint body, except for responsibilities delegated to the Group CEO and further individual Group EC members as outlined in the SRL Bylaws. The next page provides an overview of the Group EC members' individual key responsibilities.

KEY RESPONSIBILITIES OF INDIVIDUAL MEMBERS OF THE GROUP EXECUTIVE COMMITTEE

Group Chief Executive Officer
The Group CEO is responsible for overseeing the operational management of the Group. This responsibility covers the Group Functions and the three Business Units Reinsurance, Corporate Solutions and Life Capital. He leads and manages the Group EC, its processes, including succession planning and costs, and is responsible for its performance. He oversees the work of the Group Function heads and the Business Unit CEOs and gives them guidance on the execution of their tasks. He develops the Group Strategy together with the Group EC and submits it to the Board of Directors for approval. Once approved he focuses on the Group Strategy's implementation and its further development.

Group Chief Financial Officer
The Group CFO is responsible for the Group-wide Finance function with a focus on steering and achieving the company's financial targets. He provides guidance to the Business Unit CFOs, and gives input on the financial aspects of strategic projects and transactions. The Group CFO provides the Audit Committee and Finance and Risk Committee with regular and ad hoc financial reporting that allow the committees to fulfil their respective authorities as per their Charters.

Group Chief Investment Officer
The Group CIO is responsible for the Group-wide Asset Management function and its investment results. He manages the investment portfolio, advises the Business Units on defining their strategic asset allocation (SAA), and implements the Group and Business Units SAAs within the risk limits set by the Group EC. The Group CIO retains responsibility for decisions on investment tactics and also provides financial market advice on strategic projects and transactions. In addition, the Group CIO is responsible for the Asset Management organisation as well as operational and compliance risks pertinent to his responsibilities.

Group Chief Operating Officer
The Group COO is responsible for the Group-wide Operations functions. This responsibility includes exercising governance in the functions under his responsibility, being a strategic partner to the Group and the Business Units in all operational matters, and providing a high quality, cost effective and differentiating operating platform for the whole Group.

Group Chief Risk Officer
The Group CRO is responsible for providing the Board of Directors and Group EC with independent assurance that all of Swiss Re's risks are being appropriately modelled, governed, managed and that adequate controls are in place. As part of executing these responsibilities, the Group CRO is charged with establishing the Group's Risk Management Framework for all risk categories including but not limited to financial, insurance and operational risk (the latter comprising reporting risks, legal and compliance risks and other operational risks).

Group Chief Strategy Officer
The Group CSO is responsible for the Group strategic process and initiates the respective discussions in the Group EC as preparation for submission of strategic content to the Board of Directors for approval. The Group CSO supports and advises the Board of Directors and the Group EC by developing and articulating a Group strategy in close cooperation with the Group Functions and Business Units. He augments the Business Unit's activities with targeted initiatives including direct investments and the Swiss Re Institute. He also systematically monitors and steers Group Strategy implementation.

Group Chief Underwriting Officer
The Group CUO is responsible for steering capital to the most attractive areas in underwriting leading themes that are of strategic importance for the Swiss Re Group's underwriting, and providing research and development that improves both capital allocation and risk selection.

Regional Presidents
The Regional Presidents for the areas Americas, Asia and EMEA are responsible for representing the Swiss Re Group externally and internally, as well as enhancing the Swiss Re brand and safeguarding the Group's reputation in the geographies for which they are responsible. The Regional Presidents also assume responsibility for oversight of the Group's operating platform and coordinate activities across the Business Units in their regions.

The Business Unit Chief Executive Officers
The BU CEOs are responsible for the management and performance of the respective Business Unit Top-Level company as well as the respective Business Unit. The BU CEOs set the business and corporate agenda of the respective Business Unit, ensure high quality and performance-oriented and timely decision-making. They oversee the implementation of the decisions made and ensure the Business Unit Executive Committees fulfil their responsibilities.

Shareholders' participation rights

The General Meeting of shareholders passes its resolutions by an absolute majority, except where the law requires otherwise.

Voting right restrictions, statutory group clauses and exception rules
There are no voting right restrictions and no statutory group clauses (other than the limitations on nominee registrations, page 103). Therefore, there are no procedures or conditions for cancelling restrictions and no rules on making exceptions to them. Accordingly, no such exceptions were made in 2017.

Statutory rules on participating in the General Meeting of shareholders
The share whose owner, usufructuary or nominee is entered in the share register as having voting rights on a specific qualifying day determined by the Board of Directors entitles its holder to one vote at the General Meeting of shareholders.

Swiss Re Ltd's Articles of Association allow any shareholder with voting rights to have his or her shares represented at any General Meeting of shareholders by another person authorised in writing or by the Independent Proxy. Such representatives need not be shareholders.

The Independent Proxy is elected by the General Meeting of shareholders for a term of office until completion of the next ordinary General Meeting of shareholders. The Independent Proxy whose term of office has expired is immediately eligible for re-election.

The duties of the Independent Proxy are determined by applicable laws, rules and regulations. The General Meeting of shareholders may remove the Independent Proxy with effect as per the end of the General Meeting of shareholders. If the company does not have an Independent Proxy, the Board of Directors shall appoint the Independent Proxy for the next General Meeting of shareholders.

Business firms, partnerships and corporate bodies may be represented by legal or authorised representatives or other proxies, married persons by their spouses and minors and wards by their guardians, even though such representatives are not shareholders.

AGM 2017

Statutory quorums
The General Meeting of shareholders may pass resolutions regardless of the number of shareholders present or shares represented by proxy. Resolutions pass by an absolute majority of votes validly cast (excluding blank and invalid ballots), except where the law requires otherwise.

The Chairman of the General Meeting of shareholders determines the voting procedure. Provided that the voting is not done electronically, voting shall take place openly on show of hands or by written ballot.

Convocation of the General Meeting of shareholders
In accordance with Swiss Re Ltd's Articles of Association, the Board of Directors convenes the General Meeting of shareholders through a notice published in the Swiss Official Gazette of Commerce at least 20 days before the date of the meeting. The notice must state the day, time and place of the General Meeting of shareholders, along with the agenda and proposals, which will be submitted by the Board of Directors.

Extraordinary General Meetings of shareholders may be called by a resolution of the General Meeting of shareholders or the Board of Directors, or by one or more shareholders with voting powers whose combined holdings represent at least 10% of the share capital.

Agenda
The Board of Directors announces the agenda for the General Meeting of shareholders. Shareholders with voting power whose combined holdings represent shares with a nominal value of at least CHF 100 000 may, no later than 45 days before the date of the meeting, request that further matters be included in the agenda. Such requests must be in writing and must specify the items and the proposals to be submitted.

Registrations in the share register
In 2017, Swiss Re Ltd recognised the voting rights of shares registered no later than four working days before the General Meeting of shareholders.

Changes of control and defence measures

The Board of Directors believes that Swiss Re Ltd's best protection is a fair valuation of its shares.

Duty to make an offer
Swiss Re Ltd has not put in place any specific measures to defend against potential unfriendly takeover attempts. The Board of Directors believes that the company's best protection is a fair valuation of its shares, and that the efficiency of a free market is preferable to artificial obstacles, which can have a negative impact on the share price in the long term.

In accordance with the Financial Markets Infrastructure Act (FMIA), whosoever acquires equity securities, which added to equity securities already owned exceed the threshold of 33⅓% of Swiss Re Ltd shares with voting rights, either directly, indirectly or in concert with third parties, and regardless of whether these rights are exercisable or not, triggers a mandatory takeover offer for the outstanding Swiss Re Ltd shares owned by all other shareholders.

The FMIA allows companies to include an "opting up" provision in their articles of association, which raises the mandatory takeover offer threshold up to 49%, or an "opting out" provision, which waives the mandatory offer. Swiss Re Ltd's Articles of Association contain neither of these provisions.

Change of control clauses
Unvested deferred compensation may vest and employee participation plan rules may be amended upon a change of control. In such an event, the rights of members of the Board of Directors and the Group Executive Committee (Group EC) as well as of further members of senior management are identical to those of all other employees.

The Articles of Association provide that the Board of Directors (or to the extent delegated to it, the Compensation Committee) may decide on continuation, acceleration, amendment or removal of any vesting, blocking or exercise conditions for the payment or grant of deferred compensation. It may also decide to replace the award with shares of the entity assuming control.

The mandates and employment contracts of the members of the Board of Directors and of the Group EC do not contain any provisions such as severance payments, notice periods of more than 12 months or additional pension fund contributions that would benefit them in a change of control situation.

Auditors

The external auditor is accountable to the Audit Committee, the Board of Directors and ultimately to the shareholders.

Duration of the mandate and term of office of the lead auditors

PricewaterhouseCoopers Ltd (PwC) was appointed as the external auditor of Swiss Re Ltd when the company was founded on 2 February 2011. PwC had been elected as the external auditor of the previous parent company of the Group, Swiss Reinsurance Company Ltd, at its Annual General Meeting 1991 and had been re-elected annually since then. The Annual General Meeting 2017, following the proposal of the Board of Directors based on the recommendation by the Audit Committee, re-elected PwC for a term of one year as external auditors. Alex Finn became lead auditor responsible for the auditing mandate of the former parent company, Swiss Reinsurance Company Ltd, on 23 September 2011. With Swiss Re Ltd becoming the new holding company of the Group, he also became lead auditor for the Swiss Re Ltd audit mandate. Bret Griffin was appointed as further new lead auditor following the election of PwC as auditors by the Annual General Meeting 2014.

Information tools pertaining to the external audit

Responsibilities

The external auditor is accountable to the Audit Committee, the Board of Directors and ultimately to the shareholders. The Board of Directors reviews the external auditor's professional credentials and is assisted in its oversight by the Audit Committee.

Cooperation and flow of information between the auditor and the Audit Committee

The Audit Committee liaises closely with the external auditor. The lead auditors participate as advisors at all Audit Committee's meetings. For more information, see page 115.

FEES FOR AUDIT AND NON-AUDIT SERVICES

Fees (excluding value added taxes) for professional services provided by PwC in 2017 were as follows:

Fees	USD millions
Audit fees	**30.5**
Non-audit fees	
Audit-related	1.3
Corporate finance	0.2
Tax	0.4
Other non-audit	0.2
Total non-audit fees	**2.1**
Total audit and non-audit fees	**32.6**

Audit-related fees included an independent validation of Swiss Re's internal risk model in preparation for FINMA's approval process as well as assurance services required by Swiss Re's regulators. Corporate finance fees related to the issuance of comfort letters for capital market transactions. Tax fees comprised advice and support on a number of tax assignments, and other non-audit fees included permitted advisory services related to various projects.

The external auditor provides the Audit Committee with regular updates on the audit work and related issues as well as with reports on topics requested by the Audit Committee.

The Audit Committee reviews and approves in advance all planned audit services and any non-audit services provided by the external auditor. It discusses the results of annual audits with the external auditor, including reports on the financial statements, necessary changes to the audit plans and critical accounting issues.

The external auditor shares with the Audit Committee its findings on the adequacy of the financial reporting process and the efficacy of the internal controls.

It informs the Audit Committee about any differences of opinion between the external auditor and management encountered during the audits or in connection with the preparation of the financial statements.

Evaluation of the external auditor

The Audit Committee, which is responsible for recommending an audit firm to the Board of Directors for election at the Annual General Meeting of shareholders, assesses the performance of the external auditor annually and presents its findings to the Board. This assessment is based on the external auditor's qualifications, independence and performance.

Qualifications

At least once a year, the external auditor submits a report to the Audit Committee describing the external auditor's own quality control procedures, including any material issues raised by its most recent internal reviews or inquiries or investigations by governmental or professional authorities within the preceding five years, as well as any steps taken to deal with any such issues.

Independence

At least once a year, the external auditor provides a formal written statement delineating all relationships with the company that might affect its independence. Any disclosed relationships or services that might interfere with the external auditor's objectivity and independence are reviewed by the Audit Committee, which then recommends appropriate action to be taken by the Board.

In accordance with the Swiss Code of Obligations and to foster external auditor independence, the lead audit partner rotates out from his or her role after seven years.

Performance

This assessment measures the external auditor's performance against a number of criteria, including: understanding of Swiss Re's business; technical knowledge and expertise; comprehensiveness of the audit plans; quality of the working relationship with management and clarity of communication. It is compiled based on the input of key people involved in the financial reporting process and the observations of the Audit Committee members.

Audit fees

The Audit Committee annually reviews the audit fees as well as any fees paid to the external auditor for non-audit services, based on recommendations by the Group CFO.

Special Auditor

Swiss Re Ltd's Articles of Association foresee that the Annual General Meeting may elect a Special Auditor for a term of three years which would be responsible for the special audit reports that are required by Swiss law in connection with changes in capital. Currently there is no Special Auditor elected.

Information policy

As a globally operating company, we strive to inform all our stakeholders in a transparent, open and consistent way – going well beyond legal information requirements.

We regularly communicate to the general public, the media and capital market players, informing our key stakeholders on our financial results, performance, strategy and activities, through meetings, road shows and news releases. We provide printed and online annual and half-year reports and other key quarterly financial information, as well as an annual Corporate Responsibility Report.

We regularly update our website, www.swissre.com, to provide our latest news and research, to circulate our publications, background discussion and analysis of issues relating to Swiss Re's business and the broader re/insurance industry. We also publish a detailed financial calendar below and hold annual and semi-annual media and analysts' conferences.

All interested internal and external stakeholders can subscribe to receive ad hoc disclosures and all relevant corporate news automatically at www.swissre.com/media/contacts. Our contact details are provided on page 332.

The official medium for publications of the company is the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*).

The Chairman annually conducts a corporate governance roadshow to meet with large shareholders in Switzerland, the UK and the US. Throughout the year, our Investor Relations team holds regular meetings with institutional investors and analysts, including roadshows and conferences. At the Investors' Day in Rueschlikon (Zurich) in December 2016, Swiss Re provided an update on the Group's strategy, insights on the current most relevant topics related to the activities of Asset Management, Capital Management, Risk Management and Underwriting, and provided business updates for each of the three Business Units Reinsurance, Corporate Solutions and Life Capital. The presentations as well as the conference call recordings from this event are available on: www.swissre.com/investors/presentations

Swiss Re observes strict close periods around the publications of the Group's annual and half-year results and of the Q1 and 9M financial key data. The close periods apply throughout the preparation of the results or financial key data and provide for an appropriate cooling-off period after the release of the results or financial key data. During such close periods, employees of Swiss Re and members of the Board of Directors are prohibited from trading in Swiss Re securities.

IMPORTANT DATES IN 2018

23 February	2017 annual results
15 March	Publication of 2017 Annual Report and 2017 EVM results as well as of AGM 2018 invitation
4 April	Investors' Day in Zurich
20 April	154th Annual General Meeting
4 May	Release of first quarter 2018 key financial data
3 August	Half-year 2018 results
1 November	Release of nine months 2018 key financial data

KEY CORPORATE NEWS IN 2017

Date	News	Method of dissemination
23 January	Swiss Re receives branch license to offer reinsurance in India	News release
10 February	Swiss Re completes public share buy-back programme	News release
23 February	Swiss Re reports good results, with full-year net income of USD 3.6 billion for 2016; proposes new share buy-back	News release, press conference
16 March	Swiss Re proposes a regular dividend of CHF 4.85 per share, bringing total pay-out to shareholders for 2016 up to CHF 2.5 billion and a new CHF 1.0 billion share buy-back programme for 2017	News release
28 March	Global insured losses from disaster events were USD 54 billion in 2016, up 43% from 2015, latest Swiss Re Institute *sigma* says	News release, *sigma* study
13 April	Swiss Re estimates its losses from Cyclone Debbie at approximately USD 350 million	News release
18 April	Swiss Re strengthens its commitment to Asia	News release
21 April	Swiss Re shareholders approve all proposals put forward by the Board of Directors at Swiss Re's Annual General Meeting	News release
28 April	Swiss Re informs about the format and scope of its adjusted first and third quarter financial reporting going forward	News release
4 May	Swiss Re reports solid first quarter net income of USD 656 million	News release, media conference call
6 July	Swiss Re among first in the re/insurance industry to integrate ESG benchmarks into its investment decisions	News release
7 July	Swiss Re partners with Ping An to offer China's first mobile-enabled typhoon property parametric insurance solution	News release
4 August	Underwriting performance and strong investment results support Swiss Re half-year 2017 net income of USD 1.2 billion	News release, press conference
17 August	Preliminary *sigma* estimates for first half of 2017: catastrophes cause global total economic losses of USD 44 billion	News release, *sigma* study
3 October	Swiss Re opens modern office building on Zurich's Mythenquai: Swiss Re Next	News release, press conference
6 October	Swiss Re agrees GBP 800 million minority investment into ReAssure by MS&AD	News release
20 October	Swiss Re estimates its claims burden from hurricanes Harvey, Irma and Maria and the Mexico earthquakes at USD 3.6 billion	News release
2 November	Swiss Re reports nine months 2017 loss of USD 468 million after large insurance claims from recent natural catastrophe events	News release, conference call
21 November	Large natural catastrophe losses in 2017 and current low prices likely to lead to improved pricing in non-life re/insurance	News release, press conference
21 November	Jerome Jean Haegeli to become Swiss Re's Group Chief Economist as of January 2018	News release
8 December	Swiss Re announces changes to its Group Executive Committee and proposes new members to the Board of Directors	News release

Our actions are guided by sustainable, long-term value creation and have a tangible link to our financial performance.

Contents

Climate-related financial disclosures (TCFD)

These disclosures provide a foundation to improve investors' and other stakeholders' ability to appropriately assess and price climate-related risk and opportunities.

Swiss Re has a long-standing commitment to being a responsible company. A key element in our understanding of what this means is the desire to contribute to sustainable, long-term value creation. Based on our values, doing business the Swiss Re way includes:

"Taking the long-term view and playing our part in enabling sustainable progress – for stakeholders and society in general."

This approach is also in our own best interest: it strengthens our capabilities to identify, and address, both risks and opportunities manifesting themselves in the longer run and, as a consequence, to retain our licence to operate.

Climate-related financial disclosures
Among issues that may threaten sustainable progress, climate change represents a key concern for the re/insurance business. This is why we have recently played an active part in a task force set up by the Financial Stability Board to develop "climate-related financial disclosures" (www.fsb-tcfd.org).

Starting from the premise that climate change creates physical, liability and transition risks, the TCFD's aim is to offer consistent and effective financial disclosures that allow investors and other stakeholders to properly assess the climate risks faced by companies and to take appropriate action.

We began to implement the recommended TCFD disclosures in our 2016 Financial Report and are significantly expanding them in the present report, devoting the whole "corporate responsibility" chapter to this important topic. The table on the right provides an overview of the core elements of the disclosures, which are covered on the following pages.

To learn more about our overarching commitment as a responsible company and a full account of our recent actions and achievements, we invite you to read our stand-alone 2017 Corporate Responsibility Report at reports.swissre.com/corporate-responsibility-report/2017/

TCFD Governance

Swiss Re's governance around climate-related risks and opportunities.

At Swiss Re's highest governance level, two Board of Directors (BoD) committees are in charge of overseeing implementation of Swiss Re's climate change strategy. The Chairman's and Governance Committee, steered by the Chairman, has the overall task of monitoring the Group's sustainability principles, including initiatives and actions specifically addressing climate change. The Investment Committee reviews Swiss Re's Asset Management related activities and, as part of this, receives regular updates on Group Asset Management's responsible investing approach.

Regarding the development and adoption of sustainability policies and strategies, the role of the Board of Directors is to review and endorse them, while the Group Executive Committee approves them.

Group Risk Management is responsible for maintaining a suitable risk policy framework, and the Business Units drive strategic implementation within their respective areas. Group Asset Management is in charge of developing and implementing Swiss Re's responsible investing strategy under consideration of the Group-wide sustainability principles, which include specific considerations on climate change.

CLIMATE-RELATED FINANCIAL DISCLOSURES OF THE FINANCIAL STABILITY BOARD

Governance	Strategy	Risk management	Metrics and targets
A) Board oversight	A) Climate-related risks and opportunities	A) Processes for identifying and assessing climate-related risks	A) Metrics to assess climate-related risks and opportunities
B) Management's role	B) Impact of climate-related risks and opportunities	B) Process for managing climate-related risks	B) Scope 1, 2 and 3 greenhouse gas emissions
	C) Potential impact of different scenarios	C) Integration into overall risk management	C) Targets

TCFD Strategy

We regularly assess the actual and potential impacts of climate-related risks and opportunities on our businesses, strategy and financial planning.

There is clear empirical evidence that the global climate has been changing, and a far-reaching scientific consensus that this change has been due to human activity, primarily the burning of fossil fuels and agriculture. Swiss Re recognises that climate change, if left unmitigated, will potentially have disastrous effects on society and the global economy. In view of this, we are committed to playing an active role in the transition towards a low-carbon economy and to supporting our private- and public-sector clients in this transition.

Natural catastrophes are a key risk in our property and casualty (P&C) businesses. The damage caused by storms, floods, droughts and other natural catastrophe perils (including earthquakes) can affect millions of lives and the economies of entire countries. In 2017, we received USD 2.3 billion of P&C Reinsurance premiums from our clients for all natural catastrophe covers (for losses larger than USD 20 million). This represents approximately 14% of total premiums in this business segment, which shows the value our clients place on getting re/insurance protection against natural catastrophe risks.

On average, insured losses due to natural catastrophes have increased steadily over the past 20 years. The key reasons have been economic development, population growth, urbanisation and a higher concentration of assets in exposed areas. At the same time, the "protection gap", ie the difference between insured and total economic losses, has remained substantial in all regions (see graph on page 149).

In view of the high potential relevance of climate change for our P&C businesses, we have addressed the issue with a strategy combining four pillars:

- Advancing our knowledge and understanding of climate change risks, quantifying and integrating them into our risk management and underwriting frameworks where relevant;
- Developing products and services to mitigate – or adapt to – climate risk;
- Raising awareness about climate change risks through dialogue with clients, employees and the public, and advocacy of a worldwide policy framework for climate change;
- Tackling our own carbon footprint and ensuring transparent annual emissions reporting.

Furthermore, climate change remains the focus of two of our Corporate Responsibility (CR) Topics: "Managing climate and natural disaster risk" and "Advancing sustainable energy solutions". You can find out more about these and our other CR Topics in the 2017 Corporate Responsibility Report, pages 11–16. As our climate strategy shows, understanding the risks posed by climate change and spotting the potential to create suitable products and services have both been priorities for Swiss Re.

Climate-related risks

PHYSICAL RISKS

Physical risks posed by climate change could potentially affect three areas of our business:

- Reduction/disruption of our own operations
- Modelling and pricing of weather-related natural perils
- Impact on the economic viability of re/insurance for risks exposed to extreme weather events

Our own operations

According to our in-house catastrophe loss models, severe weather risks are potentially of importance for some of our operations, mainly in Florida and on the northeastern coast of the US. However, even assuming an extreme climate change scenario, we do not expect any of these locations to be exposed to risk levels that would question their economic viability. In 2012, Hurricane Sandy in New York showed that some of Swiss Re's offices are already exposed to severe weather risks today. In response, we have sharpened the Group's business continuity management to minimise property losses and business interruption. Thanks to these investments, we are able to swiftly transfer work tasks to unaffected areas if required and to keep potential financial impacts minimal.

Modelling and pricing of weather-related perils

Based on our proprietary loss modelling, we calculate the annual expected losses (AEL) of the major weather-related natural catastrophes; the four perils with the largest AEL at present are disclosed on page 148 (North Atlantic hurricane, US tornado, European windstorm, Japanese tropical cyclone). Our models show that with the current climate, the dominant factor is natural variability affecting both the frequency and severity of extreme weather events in all regions. We expect this to remain the case both in the short and medium term (ie 2025 and 2030), in line with the latest scientific findings (see the IPCC Fifth Assessment Report, chapter 11).

In addition, we expect weather risk to remain assessable by scientific methods, meaning we can continue to update our loss models in the future to assure adequate costing of extreme weather events. Since most of the re/insurance contracts with our clients have a duration of one year, we can thus adequately price natural catastrophe risks by updating our models to reflect the current climate.

Regarding the long-term time horizon (2040), we expect a substantial need to adjust some of our weather risk models, based on current scientific knowledge. We are confident, however, that future research will give us sufficient guidance on the magnitude and direction of these adjustments.

Impact on the economic viability of re/insurance protection

An increase in the frequency and severity of extreme weather events can restrict the affordability of re/insurance in certain regions, especially in coastal areas, by requiring a rise in premiums. While climate projections are associated with a large range of uncertainty, especially when it comes to storms making landfall, increases in the frequency and severity of tropical storms are likely. Natural variability is expected to remain the dominant factor in the short and medium time horizon (2025 and 2030). In the longer term (2040), though, sea level rise will lead to non-linear increases in the storm surge risk for coastal areas. Additionally, warmer temperatures will lead to more extreme rainfall events that may increase flood risk.

If rises in re/insurance premiums necessitated by increasing extreme weather risks remain modest, ie re/insurance protection remains economically viable for our clients, the overall premium volume will actually grow. Larger increases, however, will reverse this effect eventually by pushing re/insurance prices for certain exposed risks beyond the limits of economic viability. This is particularly relevant for areas with inadequate construction planning and development. In addition, timing is also of crucial importance: if measures to exclude a particular risk are taken too early and without broader market support, we can offer our clients less insurance protection and may lose significant market share; if measures are taken too late, we may end up with increased loss potential.

In line with independent external studies, we have shown through a series of scenario assessments (Economics of Climate Adaptation studies, ECA) that in many regions, climate adaptation measures need to be taken to limit expected increases in natural catastrophe damages and thus to ensure the economic viability of re/insurance in the future. This is a key reason why Swiss Re actively engages with the United Nations, the public sector, clients, industry peers and employees to advocate cost-effective adaptation to climate change.

Conclusion: Although the physical risks arising from climate change will have significant economic consequences over time, especially from a wider societal perspective, they represent a limited and manageable risk for Swiss Re.

TRANSITION RISKS IN OUR RE/INSURANCE BUSINESS

"Transition risks" may arise as a result of the extensive policy, legal, technology and market changes that are required to make the transition to a low-carbon economy. We have carefully assessed the two transition risks that may potentially affect our business:

- Climate-related litigation risks
- Risks from technological and market shifts

Climate-related litigation risks
We first assessed potential climate-related litigation risks several years ago through our own research. Our latest round of monitoring has shown that litigation activities against large greenhouse gas emitters and associated insurance coverage disputes have in fact declined substantially in recent years and that there have been very few shareholder class actions.

As a result, Swiss Re has not faced any claims from climate-related litigations in recent years and the results of the litigations, which were in favour of the defendants, suggest that this trend is likely to continue.

Technological and market shifts
The re/insurance sector is likely to experience the technological transition in two ways. Firstly, new technologies by definition do not have loss histories and thus may be challenging to cost accurately. Thus, research and development is required to develop possible loss scenarios and the related expenses. Once these are developed and tested, though, new technologies are likely to present the sector with an opportunity to offer new solutions (see "Climate-related opportunities", page 144).

Secondly, the new green energy technologies are likely to gradually displace traditional, fossil-based ones. This will alter the energy market and, as a result, gradually change the nature of re/insured assets.

This transition does not automatically translate into a financial risk for Swiss Re, though. To illustrate, motor insurance is the most important business line of the re/insurance sector, globally: According to a recent study, it currently represents 42% of all non-life gross premium of the total property and casualty insurance market and is expected to grow by a further 6.8% until 2026.[1]

Driven by intensifying efforts to curb climate change, the global vehicle inventory will shift from combustion to electric engines. However, this change is expected to be gradual. As motor insurance contracts are renewed annually, re/insurers will thus be able to develop the appropriate underwriting experience, loss adjustment and claims handling.

To address the residual risk, we have recently started to develop a carbon risk steering mechanism. Its key component will be a carbon risk model designed to measure our carbon intensity and associated risks embedded in our re/insurance business.

The initial part of this carbon risk steering mechanism will take the form of a thermal coal policy, to be integrated in our Sustainability Risk Framework by mid-2018. It will apply across all lines of business on the direct, facultative and treaty sides. This transition will take some time and constructive dialogue with our clients.

Conclusion: Overall, the transition to a low-carbon economy does not present a significant financial risk for Swiss Re. Mainly due to the annual renewal of contracts, the associated risks can be managed effectively.

[1] The future of motor insurance, a joint whitepaper by HERE and Swiss Re, 2016.

TRANSITION RISKS IN OUR INVESTMENTS

Climate-related risks can also impact the value of our investments. A key risk for asset owners is that a changing environment for a particular company or industry sector may lead to stranded assets in investment portfolios, eg the devaluation of investments due to unfavourable changes, such as statutory requirements or taxes. With regard to climate change, the market environment could shift to address mitigation and adaptation requirements related to achieve a 2°C world.

In the current disclosures, we focus on "policy and legal" as well as "technology" risks as we mainly expect developments and changes within these two dimensions that impact the asset values. In this way, we aim to capture those industries and groups of companies that are most exposed to these risks in a positive or negative way and may therefore require adjustments in the near term.

Industries and companies that are particularly exposed to changes in policy and legal as well as technological developments show elevated risk exposures either in the production process, in raw materials, in transportation/logistics or distribution and store operations due to high carbon footprints in these areas. Furthermore, the industries and companies may face increased costs due to higher or more volatile energy prices, compliance costs in the production and distribution process, and cost from product demand substitution. All these changes may cause increased price volatility of the underlying assets.

Based on Swiss Re's commitment to support the transition to a low-carbon environment, we started to measure the weighted average carbon intensity[2] of our listed equities and credit portfolio from the end of 2015. Measurement results are presented in the "Metrics and targets" section (pages 150–151). The assessment of the portfolio coincided with the decision to stop investing in companies that generate 30% or more of their revenues from thermal coal mining or that use at least 30% thermal coal for power generation. Furthermore, we divested from all related equity positions and the vast majority of our fixed income holdings.

[2] Weighted average carbon intensity = (company CO_2/company revenue) * (investment/portfolio)

Climate-related opportunities

Climate change does not just create risks, it also presents companies with new opportunities. Developing such products and services has long formed one of the four pillars of our climate strategy. With these offerings we pursue two different but complementary objectives: mitigation of climate change and adaptation to some of its effects.

Opportunities related to physical risks in our re/insurance business

Since most of our re/insurance contracts are renewed on an annual basis, we can offer our clients effective natural catastrophe protection that helps them cope with current climate risks. The same applies to our weather insurance solutions.

In addition, we undertake special efforts to help expand re/insurance protection, by focusing on non-traditional clients (in particular from the public sector), underdeveloped markets and innovative risk transfer instruments. You can read about some innovative transactions we have recently completed in our 2017 Corporate Responsibility Report, pages 20–24.

Opportunities related to transition risks in our re/insurance business

While Swiss Re is active in all types of renewable energy re/insurance, we have recently become recognised as a "lead market" for offshore wind risks. Swiss Re Corporate Solutions has continuously built up and refined the technical expertise required to understand and manage these risks and, in 2015, opened a Centre of Competence for Wind Power in Copenhagen. Over the next decade, we expect many new development opportunities to arise, which will create demand for re/insurance protection in numerous business lines (credit, engineering, property, liability, etc).

You can read about our involvement in two new offshore wind farm projects in our 2017 Corporate Responsibility Report, page 26.

Opportunities for our investments

The consistent and broad-based integration of environmental, social and governance (ESG) factors in the investment process is expected to improve the risk/return relationship particularly over the longer term. We consider sustainability risks, such as climate change, in our investment process to make the portfolio more resilient against financial market shocks. This is all the more important as such risk factors are not yet considered as fully reflected in current market valuations.

The transition to a low-carbon economy also creates opportunities for specific asset classes:

Green bonds

Green bond proceeds are used to exclusively finance environmentally sustainable projects that address key areas of concern including climate change, but also natural resources depletion, loss of biodiversity and/or pollution control. With the movement towards a low-carbon economy, the green bond market saw an impressive increase from about USD 3 billion in 2010 to USD 81 billion in 2016[3]. Currently, the market shows an annual growth rate of approx. 70%, with a growing variety of issuers besides supranationals, sovereigns and agencies (SSA). In the near term, we target a green bond portfolio worth at least USD 1.5 billion.

Infrastructure renewables

For our infrastructure loan mandates, we work with best-in-class managers to gain access to and invest in renewable energy projects that reflect our risk appetite, provide attractive long-term returns and help build a more sustainable energy supply for the future.

Real estate

In the real estate area, we apply the following sustainability criteria: energy source in relation to the market value of properties and MINERGIE® certifications. MINERGIE® is a Swiss sustainability brand for new and refurbished buildings. By the end of 2017, the combined value of our MINERGIE®-certified buildings reached USD 0.4 billion, or 22% of our Swiss portfolio of direct real estate investments. The total energy consumption surface in accordance with the MINERGIE® standard was 82 497 m^2 at the end of 2017. In addition, more than 59 000 m^2 was sold to third parties.

In the US, our approach to sustainability includes some of the most recognised certificates and guidelines, such as "GreenGuide: Sustainable Property Operations", a best practice guideline for sustainable and efficient real estate operations; and the LEED certification of the US Green Building Council (USGBC).

[3] "Why We Think Green Bonds Will Continue to Grow: A Primer", Morgan Stanley, September 21, 2017

Swiss Re's climate resilience under different scenarios

The TCFD requests companies to describe the resilience of their strategy taking into account different climate-related scenarios, including one of a 2°C increase or less. In principle, it would be possible for us to compute the potential long-term effects caused by climate change on Annual Expected Losses (AEL) based on today's re/insurance book. However, we do not consider this to be meaningful, for the following reasons.

Looking at climate effects in isolation would mean ignoring all the other factors that will shape Swiss Re's future re/insurance book and thus also our future AELs. These include the company's strategy and risk appetite, market conditions, capital costs, insurance penetration, storm hardening and other climate adaptation measures. Since our re/insurance book and current AELs are the result of a complex interaction between all these factors, any future scenario would have to consider all of them, in the process obliterating the effect of climate change on the resulting AEL.

Moreover, the future AELs for Swiss Re's weather-related re/insurance book can be seen as a compound assessment of the company's future market share and scenario projections of overall future business volume and profitability. Independent studies have shown a wide uncertainty range for future market volumes, though (see eg Kunreuther et. al., 2012)[4].

On a societal level, our Economics of Climate Adaptation (ECA) studies show that climate change can lead to an increase of economic losses due to weather risks of up to 30% within the next 25 years. More importantly, though, economic development, urbanisation, higher population densities and asset concentrations in flood plains are expected to be the dominant factors in increasing weather-related economic losses. As they continue to rise, our models will gradually factor in this trend, since they are updated and refined at regular intervals.

To summarise, we do not consider climate change to be a single factor posing a fundamental threat to the resilience of our business. It is one of many equally important factors we will need to take into account in shaping our future business strategy. A key precondition for our ability to continue acting as ultimate risk-taker is diversification, with regard to regions, business lines, sectors and clients. In a world of strong or unmitigated climate change, however, the proportion of weather-related risks we could re/insure would decline and the protection gap would likely increase further.

[4] Kunreuther, Howard; Michel-Kerjan, Erwann; and Ranger, Nicola, "Insuring Future Climate Catastrophes" (2012). *Published Articles & Papers*. Paper 171.

TCFD Risk management

The processes we use to identify, assess and manage climate-related risks are integrated into our risk management, underwriting and asset management.

Sound risk management, underwriting and asset management lie at the core of the re/insurance business. This enables us to use our existing processes and instruments to address climate-related risks.

Physical risks

To assess our P&C businesses accurately and to structure sound risk transfer solutions, we need to clearly understand the economic impact of natural catastrophes and the potential effect of climate change on their frequency and severity.

Natural catastrophes constitute one of the core risks modelled in Swiss Re's risk landscape. Specifically, they are one of three categories in which we classify and model our P&C re/insurance risks (the other two being man-made and geopolitical risks). These risks arise from the coverage we provide to our clients for property, liability, motor, accident plus specialty risks.

We have an internal property risk modelling team of around 50 people that builds, maintains and updates sophisticated models for all relevant natural catastrophe risks (flood, tropical cyclones, wind storms, earthquakes). The models are based on current scientific knowledge and are regularly updated to include new scientific findings and to make use of advances in computing capabilities. Using statistical data spanning 100 years, our models are capable of simulating probabilistic "daughter" events that may have never occurred in reality but that may occur in the future.

Swiss Re's full proprietary integrated risk model is an important tool for managing the business: we use it to determine the economic capital required to support the risks on our books as well as to allocate risk-taking capacity to the different lines of business.

Transition risks in our re/insurance business

To ensure appropriate management of transition risks, we have set up an annual monitoring system that combines expertise in risk management, casualty underwriting and relevant legislation to understand the developments in the US market, in particular, and to assess any potential impacts on our business. An underwriting guideline regulates the limits and triggers for the more exposed types of risks. Any deviation from the guideline must be discussed and documented in the underwriting file.

For the other types of transition risks (as well as opportunities) described above we also have risk management systems in place. Technological developments are monitored through Swiss Re's respective underwriting units and pricing of associated covers is reviewed on an annual basis.

General sustainability risks in our re/insurance business

We consistently use our Sustainability Risk Framework to identify and address potential sustainability risks in all our underwriting and investment transactions. This framework continuously evolves to reflect scientific knowledge and internal standards. With respect to climate change, this framework prevents us from offering any re/insurance cover to off-shore drilling activities in the Arctic and use predefined quality criteria to screen transactions in the areas of oil sands, fracking and shale oil.

As a further refinement of our approach to managing sustainability risks, we have recently started to develop a carbon risk steering mechanism. Its key component will be a carbon risk model designed to measure our carbon intensity and associated risks embedded in our re/insurance business.

The initial part of this carbon risk steering mechanism will take form of a thermal coal policy, to be integrated in the Sustainability Risk Framework by mid-2018. It will apply across all lines of business on the direct, facultative and treaty sides. This transition will take some time and constructive dialogue with our clients.

Investments

Swiss Re is a long-term investor. Therefore, it is important that we also take a long-term view on the risk factors that may have an adverse impact on our portfolio, such as climate change. Hence, sustainability and climate change are essential topics for our Asset Management. Our Sustainability Risk Framework enables us to identify and address environmental and human rights concerns throughout our business. Its criteria are fully applied to our investments. For further details, see above and our 2017 Corporate Responsibility Report, pages 28–32.

Swiss Re is committed to investing its assets responsibly via a controlled and structured investment process, integrating ESG criteria. As part of our continuous improvement, we switched to benchmarks composed of higher ESG rated companies for our active listed equity and credit portfolios.

For our dedicated approach towards climate risk management, we review our credit and listed equity portfolio along the development of our carbon footprint on a regular basis. We also monitor our portfolio on coal related investments. As part of our active risk management, we stopped investing in coal-related companies (for details, see page 143).

Further actions to support the transition to a low carbon economy are described in the section "Opportunities for our investments" on page 144.

TCFD Metrics and targets

We use a number of metrics and targets to assess and manage relevant climate-related risks and opportunities.

We assess and manage climate-related risks and opportunities in our re/insurance business (the "liability" side), our own operations and our investments.

Re/insurance

Annual expected losses (AEL)

AEL for weather-related natural perils can be used as an indicator for our average current climate-related risk exposure, while it does not capture the potential losses in years with intense natural catastrophe activity like 2017. (On page 85 you can see our risk exposures to four major natural catastrophe scenarios, ie single event losses with a 200-year return period.) The figures are the compound result of the expected weather activities, the vulnerability of insured objects, their values and the volume and structure of our insurance products. Changes in the AEL figures will show the evolution of our climate risk exposure. This could be due to climate change, but also due to changes in the vulnerability of insured objects, their values or changes in our business strategy. AEL figures are updated on an annual basis.

As per end of 2017, the four weather-related perils with the highest gross annual expected loss for our whole business were:

Weather-related catastrophes: insured vs uninsured losses

There is a substantial "protection gap" between total economic losses from weather-related catastrophes and insured losses in all regions. These data do not represent a company-specific metric but are an important overall risk indicator (see table on the upper right).

Climate protection offered to (sub-)sovereigns

Cover against natural catastrophes accounts for approximately 14% of premiums in our P&C Reinsurance business. As we regularly update our risk models to reflect any changes in the underlying parameters and renew contracts annually, we are in position to offer our clients effective re/insurance protection against current climate-related risks.

Reflecting our efforts to help expand re/insurance protection by working with public-sector clients, we made this commitment to the United Nations: to advise up to 50 sovereigns and sub-sovereigns on climate risk resilience and to offer them USD 10 billion against this risk by 2020. You can see the progress we have made against this goal in the middle table on the right.

Aligning our carbon intensity

We have recently started to develop a carbon business steering mechanism. This will help us to steer the overall carbon footprint embedded in our re/insurance business and align it to the Paris Climate Agreement and related Nationally Determined Contributions (NDCs), set with a view to limiting global warming to 1.5–2°C above pre-industrial levels.

WEATHER-RELATED PERILS: ANNUAL EXPECTED LOSSES, SWISS RE GROUP

As of 31 December 2017	In USD millions
North Atlantic hurricane	480
US tornado	220
European windstorm	180
Japanese tropical cyclone	130

INSURED VS UNINSURED WEATHER-RELATED CATASTROPHE LOSSES, PER REGION

CLIMATE PROTECTION OFFERED TO (SUB-)SOVEREIGNS

	2015	2016	2017
Number of (sub-)sovereigns advised	13	26	66
Amount of climate protection offered (in USD)	2.1 billion	3.9 billion	5.3 billion

Scope 1, 2 and 3 greenhouse gas emissions

Reducing our carbon footprint is one of the four pillars of our climate strategy. As part of the Greenhouse Gas Programme, we have publicly reported on our Scope 1 and 2 greenhouse gas emissions plus a major source of Scope 3 emissions (business travel) since its launch in 2003. From 2013, we have expanded our reporting to include further Scope 3 emissions (see table below).

You can find out more about the Greenhouse Neutral Programme in our 2017 Corporate Responsibility Report, pages 51–55.

CO_2 EMISSIONS PER EMPLOYEE (FULL-TIME EQUIVALENT, FTE), SWISS RE GROUP

		2013 kg/FTE	2016 kg/FTE	**2017 kg/FTE**	Change in % since 2016	Change in % since 2013
Scope 1	Heating	378	305	**264**	–13.4	–30.2
Scope 2	Power[1]	824	877	**651**	–25.8	–21.0
Scope 3	Business travel	3 713	4 109	**4 126**	0.4	11.1
	Copy paper	40	24	**17**	–29.2	–57.5
	Waste	50	41	**34**	–17.0	–32.0
	Water	12	12	**12**	0	0
	Technical gases	27	21	**21**	0	–22.2
	Commuting[2]	1 250	1 150	**1 050**	–8.7	–16.0
Total		6 294	6 539	**6 175**	–5.6	–1.9

[1] Calculation based on a market-based approach taking into account the purchase of renewable energy instruments, with the exception of the UK where the government requires companies to report an average grid factor.
[2] Commuting data are gathered bi-annually by means of a survey. The figures are rounded and fraught with considerable uncertainty.

Investments

We measure and monitor the level of integration of our climate-related investment activities.

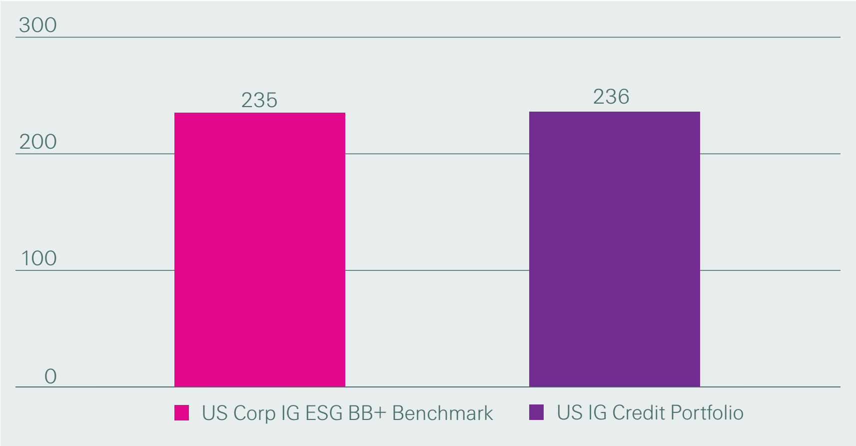
Green bonds

Green bonds, whose proceeds are used to finance environmentally sustainable projects facilitating the transition towards a low carbon economy. In the near term, we have committed to build a portfolio of at least USD 1.5 billion and are well advanced in the investment process.

Carbon footprint of our investment portfolio

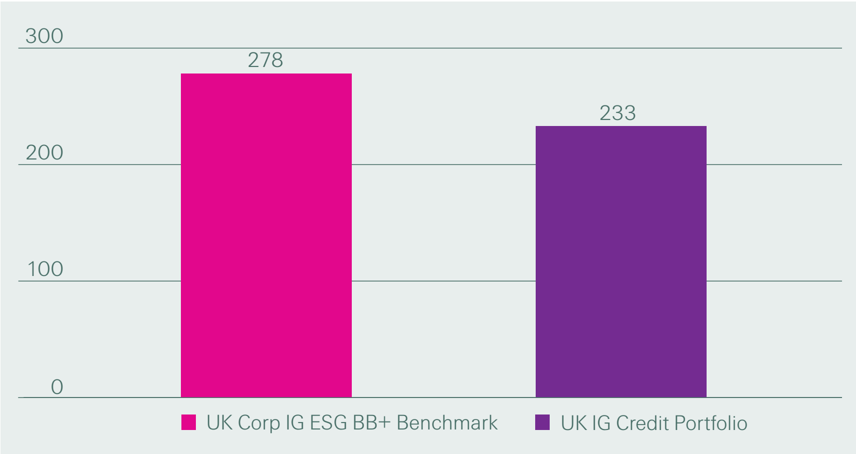
In line with TCFD guidelines, we monitor the carbon footprint of our corporate credit and listed equity portfolio on a regular basis. We also evaluated the size of our private equity investments in coal related activities. For the carbon footprint, we use the metric "weighted average carbon intensity", which defines the portfolio carbon intensity based on relative investment share.

WEIGHTED AVERAGE CARBON INTENSITY COMPARISON OF THE US CREDIT PORTFOLIO VERSUS CORRESPONDING BENCHMARK PER END OF 2017



The US credit portfolio is closely aligned with the corresponding benchmark in terms of weighted average carbon intensity.

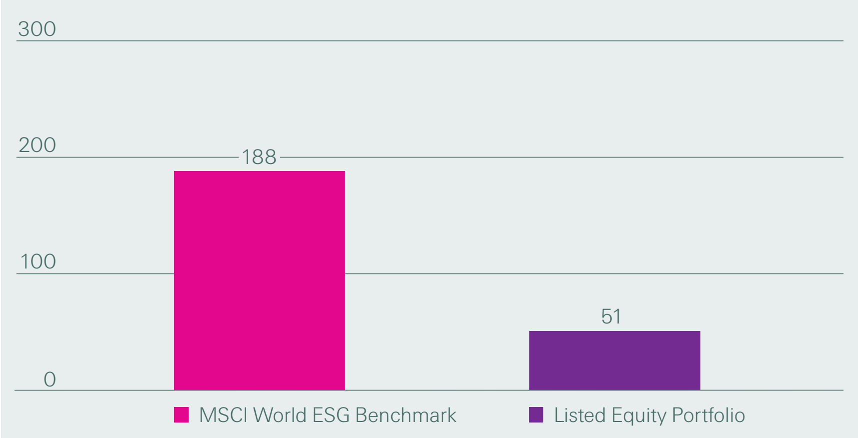
WEIGHTED AVERAGE CARBON INTENSITY COMPARISON OF THE UK CREDIT PORTFOLIO VERSUS CORRESPONDING BENCHMARK PER END OF 2017



The weighted average carbon intensity of the UK credit portfolio is comparable to the US portfolio, but is below its corresponding ESG benchmark at the end of 2017.

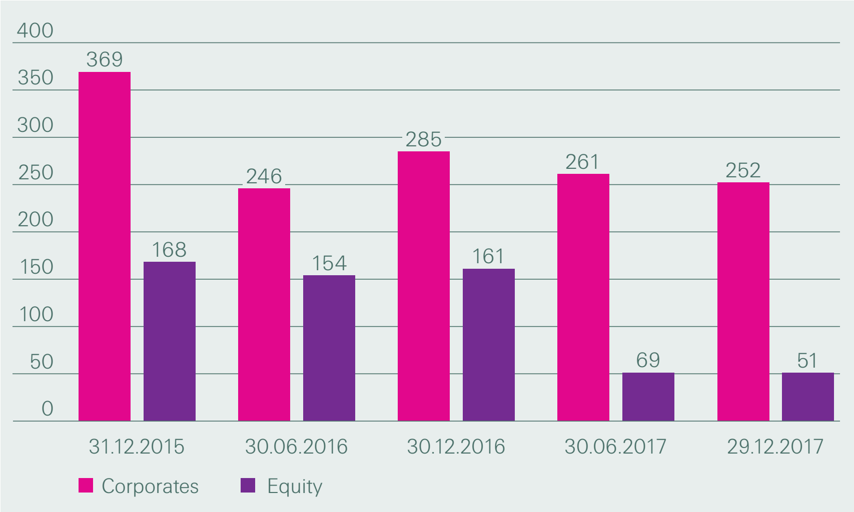
At the index level, the UK benchmark experiences higher carbon intensity compared to the US benchmark given the larger weight to the typically carbon intense utility sector in the UK index. The reduction of companies with high exposure to coal helped to drive the portfolio's carbon intensity well below its benchmark.

WEIGHTED AVERAGE CARBON INTENSITY COMPARISON OF THE LISTED EQUITY PORTFOLIO VERSUS CORRESPONDING BENCHMARK PER END OF 2017



Listed equities in Swiss Re's portfolio are much less carbon intense compared to their corresponding benchmark due to the active reduction of coal-related companies that exceeded the threshold of 30% and the single name selection of less carbon intense names across industries.

WEIGHTED AVERAGE CARBON INTENSITY COMPARISON OF CREDIT AND LISTED EQUITIES PORTFOLIOS SINCE MEASUREMENT INCEPTION



Since the end of 2015, carbon intensities in both the credit and the listed equity portfolio decreased substantially as part of our thermal coal divestment of more than USD 1.3 billion. On the credit side, carbon intensity has been reduced as we stopped investing in thermal coal-related companies. On the listed equity side, the effect of avoiding coal was larger and led to a reduction of the intensity to one third of the amount at the end of 2015.

Swiss Re is committed to a compensation framework that is balanced and performance-oriented and that aligns the interests of employees and shareholders.

Contents

Report from the Compensation Committee

C. Robert Henrikson
Chairman of the Compensation Committee

"During the past year, the Compensation Committee continued to monitor the alignment of Swiss Re's compensation framework with shareholders' interests and with our long-term business and risk strategy."

Dear shareholders,
I am pleased to share with you Swiss Re's Compensation Report for the financial year ended 31 December 2017, which has been prepared in accordance with applicable laws, rules and regulations.

Swiss Re's vision "we make the world more resilient" is supported by our mission – to create smarter solutions for our clients through new perspectives, knowledge and capital. The combination of these strengths makes Swiss Re a partner of choice for our clients. At the same time Swiss Re wants to be an employer of choice for our employees. Its compensation framework is therefore designed to attract, motivate and retain the qualified talent the Group needs to succeed globally while providing superior returns to our shareholders. During the past year, the Compensation Committee continued to monitor:

- the alignment of Swiss Re's compensation framework with shareholders' interests and with our long-term business and risk strategy;
- the effectiveness of the current performance measurement approach which assesses actual performance versus goals and then determines compensation outcomes;
- the competitiveness of compensation for the Board of Directors, Group Executive Committee (Group EC) and other executives; and

- legal and regulatory developments, including the alignment of the compensation framework with the amended Swiss Financial Market Supervisory Authority (FINMA) and SIX Swiss Exchange (SIX) regulations, and continued compliance of the Board of Directors and Group EC compensation with the Ordinance against Excessive Compensation at Public Corporations (the Ordinance).

Furthermore, the Compensation Committee also conducted a self-assessment of its own effectiveness.

On behalf of the Compensation Committee, I would like to acknowledge the strong shareholder support at the Annual General Meeting (AGM) 2017. Swiss Re's shareholders again approved the proposed aggregate compensation of the members of the Board of Directors and the Group EC. Additionally, all proposals for re-election and election to the Compensation Committee were approved and the 2016 Compensation Report again received a positive outcome in the consultative vote.

Through discussions with key investors and proxy advisors, Swiss Re continued to identify potential areas of enhanced compensation disclosure. As a result, the 2017 Compensation Report contains additional information, particularly in the areas of variable compensation and committee fees paid to the members of the Board of Directors.

Group business performance 2017

Key considerations for annual compensation decisions continue to cover a combination of US GAAP and Economic Value Management (EVM) based business results, qualitative factors and Swiss Re's pay-for-performance approach. Compensation decisions were made considering Swiss Re's performance for the reporting year, in which the Group's US GAAP and economic results were significantly impacted by the large natural catastrophe events in 2017, partially offset by the very strong investment result.

- The Property & Casualty Reinsurance reported US GAAP and economic results reflected high insurance claims in the aftermath of a string of natural catastrophes in Australia, over the Atlantic Ocean, in Mexico and in California.
- Life & Health Reinsurance exceeded its return on equity target and reported strong economic results, demonstrating sustainability in its performance, driven by a good underwriting result and continued strong investment performance.
- The Corporate Solutions' US GAAP and economic results were heavily impacted by the large natural catastrophes, resulting in a loss for the year.
- Life Capital delivered strong performance across all metrics and generated significant gross cash for the Group.

Group Annual Performance Incentive 2017

In years with relatively benign natural catastrophe environments, variable compensation payouts were positive but not excessive. Conversely, in adverse environments, the negative impact is substantive but also proportionate, given the need to carefully manage key talent and retention risk. Given the significantly lower financial performance compared to last year mainly due to the large natural catastrophes, the strong qualitative performance and the value sharing measurement for shareholders, the Compensation Committee and the Board of Directors have agreed to lower but still balanced variable compensation payouts.

Compensation framework

Swiss Re's compensation framework is designed to promote long-term sustainable performance for the Group and its shareholders through a mix of fixed and variable compensation components. It comprises fixed components such as base salary, pensions and other benefits, as well as a combination of variable short- and long-term incentives as outlined later in this Compensation Report. The Compensation Committee continues to review and monitor the compensation framework of Swiss Re considering business strategy, targets, risk awareness and corporate values. External factors with respect to regulatory requirements and legal developments, the international context in which we operate and relevant market data are also taken into account.

There were no material changes to our compensation framework in 2017.

AGM 2018

The Compensation Committee remains committed to recommending compensation policies and programmes that support our business strategy and align the interests of our employees with those of our shareholders. We are therefore keen to maintain regular interactions with shareholders and other key stakeholders.

Consistent with last year and in line with our Articles of Association, shareholders will again be asked to approve the following amounts:

- maximum aggregate amount of compensation for the members of the Board of Directors for the term of office from the AGM 2018 to the AGM 2019;
- maximum aggregate amount of fixed compensation and variable long-term compensation for the members of the Group EC for the financial year 2019; and
- aggregate amount of variable short-term compensation for the members of the Group EC for the financial year 2017.

Separately from this and as in the past, shareholders will also be asked to support this Compensation Report in a consultative vote. The Compensation Committee is satisfied that this Compensation Report complies with applicable laws, rules and regulations and provides a comprehensive view of the compensation framework at Swiss Re and the 2017 compensation decisions.

Zurich, 15 March 2018

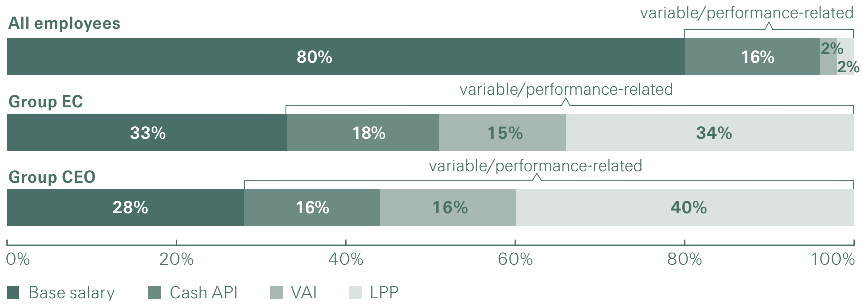
C. Robert Henrikson

C. Robert Henrikson
Chairman of the Compensation Committee

Compensation highlights in 2017

Pay for performance
The Compensation Committee ensures that Group EC compensation is linked to the business performance of Swiss Re by delivering a substantial portion of compensation in the form of variable and performance-related incentives.

	Base salary	Variable/performance-related	of which deferred
All employees	80%	20%	23%
Group EC	33%	67%	73%
Group CEO	28%	72%	78%



The Compensation Committee monitors how compensation is aligned with specific business metrics, including US GAAP net income and EVM profit.

USDm (unless otherwise stated)	2015	2016	change	**2017**	change
US GAAP net income	4 597	3 558	–23%	331	–91%
EVM profit	480	1 399	191%	–9	–
Regular dividend payments (CHF)[1]	4.60	4.85	5%	5.00	3%
Financial Strength Rating (Standard & Poor's)	AA–	AA–		AA–	
Total equity	33 606	35 716	6%	34 294	–4%
Regular staff worldwide	12 767	14 053		14 485	
Aggregate compensation for all employees (CHF millions)[2]	2 213	2 265	2%	2 165	–4%
Group EC members[3]	12	14		14	
Aggregate Group EC compensation (CHF thousands)[2, 3]	47 360	51 430	9%	43 159	–16%

[1] Dividend payments are made in April of the following year. For 2017 an ordinary dividend of CHF 5.00 is proposed to the AGM 2018.
[2] Disclosure includes all awards for a reporting year, ie the 2017 aggregated compensation values include the fair value of the Leadership Performance Plan (LPP) granted in April 2017. The Annual Performance Incentive (API) for 2017 for members of the Group EC is subject to approval by the shareholders at the AGM 2018.
[3] Including Group CEO.

ATTRIBUTION OF GROUP INCOME TO KEY STAKEHOLDERS

USDm (unless otherwise stated)	2015	%	2016	%	**2017**	%
Income before tax and variable compensation	5 758	100%	4 773	100%	814	100%
Variable Compensation	510	9%	466	10%	351	43%
Income tax expense	651	11%	749	16%	132	16%
US GAAP net income attributable to shareholders	4 597		3 558		331	
of which paid out as dividend[1]	1 561	27%	1 559	33%	1 650	203%
of which share buy-back	1 018	18%	1 006	21%	1 016[2]	125%
of which added to retained earnings within shareholders' equity	2 018	35%	993	20%	–2 335	

[1] FY 2017 is estimated based on average year-to-date CHF/USD FX rates as of February 2018. The dividend is subject to AGM approval and the amount depends on the final number of dividend eligible shares and FX rates upon dividend payout.
[2] Includes shares bought back between 3 November 2017 and 16 February 2018 as part of the buy-back programme authorised at the AGM 2017. The total amount represents an estimate translated at the 2017 average CHF/USD exchange rate.

Compensation framework

Compensation Policy

Building on the overarching compensation principles included in Swiss Re's Articles of Association, the compensation framework is captured within the Swiss Re Group Compensation Policy (the Compensation Policy). The Compensation Policy governs the compensation structure and processes across all functions and locations at Swiss Re and is reviewed regularly.

The Compensation Committee has also approved an authority matrix that defines the limits to which each level of management can authorise compensation payments. The Group CEO or the Compensation Committee, as applicable, approves all compensation that exceeds the pre-set limits. The Group CEO is not involved in decision-making concerning his own compensation.

The Human Resources function conducts a regular self-assessment of Swiss Re's compliance with the Compensation Policy. The Compensation Committee reviews this self-assessment and identifies potential areas for improvement. The Compensation Committee receives reports on compensation decisions as appropriate, including a comprehensive review of the effectiveness of the annual compensation review cycle.

Swiss Re is required to assess the Compensation Policy against the requirements of FINMA. As part of this process, the Board's Finance and Risk Committee is required to review risks related to the Compensation Policy. A comprehensive risk analysis of the Compensation Policy is therefore conducted on an annual basis.

To reflect best practices, the Compensation Policy prohibits the use of any personal hedging strategies or remuneration and liability-related insurance that could undermine the risk alignment effects and economic exposure embedded in compensation arrangements.

Guiding principles

Swiss Re's compensation framework is designed to attract, motivate and retain the qualified talent the Group needs to succeed globally and to create a tangible link between performance and pay.

The aim is to provide compensation that is competitive in local labour markets and to ensure that our employees focus on delivering outstanding results while supporting appropriate and controlled risk-taking. A balanced compensation package is complemented by competitive pension plans and benefits.

This approach adds to the success of the business by:

- supporting a culture of high performance with a focus on risk-adjusted financial results;
- ensuring alignment of compensation to business results, individual contribution and compliance;
- supporting Swiss Re's commitment to attract, motivate and retain key talent;
- aligning the interests of employees with those of Swiss Re's shareholders; and
- fostering compliance and supporting appropriate and controlled risk-taking.

Swiss Re aims for total compensation that is competitive in the market.

In addition, Swiss Re seeks to ensure that total compensation is well balanced in terms of fixed versus variable compensation and in terms of short-term versus long-term incentives. This is to encourage sustainable performance and appropriate risk-taking in line with the business and risk strategy.

Swiss Re has several incentive programmes that reflect the long-term nature of the business: both the Value Alignment Incentive (VAI) as the deferred part of the Annual Performance Incentive (API) and the Leadership Performance Plan (LPP) aim to reward sustained performance rather than short-term results. These programmes support closer alignment of the interests of shareholders and employees.

OVERVIEW OF COMPENSATION AND BENEFITS COMPONENTS FOR GROUP EC MEMBERS AND OTHER EMPLOYEES

	Fixed		Variable compensation			Participation plans	
			(short-term)		(long-term)	(long-term)	
	Base salary	Benefits	Cash API	VAI (deferred API)	LPP	GSPP	ISP
Eligibility	All employees	All employees	All employees	Employees with an API at or above USD 100 000	Group EC members and other employees upon Group CEO invitation	All employees	All employees
Purpose	Attract and retain	Risk protection, market competitiveness, connection to Swiss Re values	Pay for performance	Pay for sustained performance	Alignment with future performance	Alignment to shareholders	Alignment to shareholders
Plan duration				3 years	5 years for Group EC members and other key executives* and 3 years for the majority of participants	3 years	1 year
Drivers	Role and experience	Market practice	Business and individual performance	Business performance	Business performance		
Settlement	Cash (immediate)	Pension, insurances, cash	Cash and/or shares (under the ISP)	Cash (deferred)	Shares	Shares	Shares
Performance KPIs			Business and individual performance	Measurement of the economic impact of profit/loss from previous years' business	Relative TSR ROE		
Performance period			1 year	3 years	3 years		
Payout range			0 to 2 × TAPI**	50% to 150% of deferred API	RSUs: 0% to 100% PSUs: 0% to 200%		
Share price impact	No	No	No	No	Yes	Yes	Yes
Forfeiture rules	No	In certain plans	Yes	Yes	Yes	Yes (on match)	No
Clawback rules	No		Yes	Yes	Yes	No	No

* Certain members of Business Unit Executive Committees (BU ECs) and all Group Managing Directors (GMDs).
** For Group EC members the API payout range is additionally capped at 3 × annual base salary.

Swiss Re aims for total compensation that is competitive in the market. Swiss Re also seeks to ensure that total compensation is well-balanced in terms of fixed versus variable compensation and in terms of short-term versus long-term incentives.

Base salary
Base salary is the fixed compensation paid to employees for carrying out their role and is established based on the following factors:
- scope and responsibilities of the role, and qualifications required to perform the role;
- market value of the role in the location in which Swiss Re competes for talent; and
- skills and expertise of the individual in the role.

Benefits
Swiss Re aims to provide a competitive package of employee benefits. Benefits are designed and implemented under a global framework, while appropriately reflecting differing local employment market conditions.

The key objectives of Swiss Re's benefits packages are to:
- provide a degree of security for employees as they relate to pension, health matters, disability and death;
- be competitive in the markets where Swiss Re competes for talent; and
- connect with Swiss Re values and enhance engagement.

Additionally, forfeiture provisions apply in certain plans.

Annual Performance Incentive

Purpose

The API is a performance-based, variable component of compensation. Combined with the base salary, it provides competitive total cash compensation when both business and individual performance targets are achieved.

Structure

Swiss Re operates a Target API (TAPI) system along with a performance management framework that provides equal weighting to results-oriented and behavioural-related performance criteria for all employees. API is awarded for both objectives achieved and the demonstration of desired behaviours.

A TAPI is set based on multiple factors, but primarily on the role being performed and market benchmarks. Similar to the determination of the base salary, the employee's total compensation and overall pay-mix are taken into account when setting the TAPI. The possible payout for the API ranges from 0 to 2 × TAPI.

For Group EC members an additional cap applies which is 3 × annual base salary.

In 2017, for the members of the Group EC including the Group CEO, the total of the aggregate TAPIs amounted to CHF 16.42 million. For the Group CEO the TAPI was CHF 2.25 million for the same year.

Funding

Swiss Re uses a three-step process to assess business performance to help determine the overall Group API pool. The process comprises a financial, a qualitative and an overall assessment. The financial assessment covers four equally weighted performance factors: return on equity (ROE), net operating margin, EVM profit (% of economic net worth) and economic net worth growth measured for both the Group and each Business Unit individually. Also, multi-year comparisons and an assessment of the quality of earnings are considered. The chart below gives more detail on the criteria used to determine the size of the pool.

The Business Units then allocate their pools following a similar assessment.

Settlement

API is generally settled in cash. When the total API level for an employee exceeds a pre-defined amount, the award is split into two components: an immediate cash incentive payment (cash API) and a deferred API (VAI).

Employees can invest some or all of their cash API in shares under the Incentive Share Plan (ISP).

Forfeiture of unsettled awards and clawback provisions for settled awards apply in a range of events, enabling Swiss Re to seek repayment where appropriate. Examples of such events are acts which can be considered as malfeasance, fraud or misconduct.

GROUP API POOL FUNDING PROCESS

Value Alignment Incentive

Purpose
The VAI is a mandatory deferral of a portion of the API and introduces a time component to this performance-based, variable compensation. This supports the Group's business model by aligning a portion of variable compensation with sustained long-term results. The aim is to ensure that the ultimate value of the deferred variable compensation through VAI is affected by the longer-term performance of the relevant Business Unit and the Group.

Plan duration
The VAI supports a longer-term perspective by linking awards to performance over a three-year period.

Performance measurement
Starting with the 2015 award, the performance measurement calculation has been simplified to increase transparency. This was achieved by using fewer performance factors (at the Business Unit and Group level) and, where possible, published EVM information (ie EVM profit – previous years' business).

The performance factors of the VAI are calculated based on the three-year average of the published EVM previous years' business profit margin. EVM is Swiss Re's proprietary integrated economic valuation and accounting framework for planning, pricing, reserving, and steering the business (please refer to the EVM section on pages 54–63 of this Financial Report). The EVM previous years' business profit margin is the ratio of EVM previous years' business profit to EVM capital allocated to previous years' business in the current year.

A higher EVM previous years' business profit margin (for all prior underwriting years) results in a higher performance factor. Conversely, a lower EVM previous years' business profit margin results in a lower performance factor. The performance factor is a linear function whereby payout ranges from 50% to 150%.

Structure
The higher the API granted, the greater the amount of compensation that remains at risk through deferral into the VAI, as shown in the table below.

Funding
The VAI is not funded as a separate pool. The Group API pool includes amounts paid in cash and amounts to be deferred into the VAI.

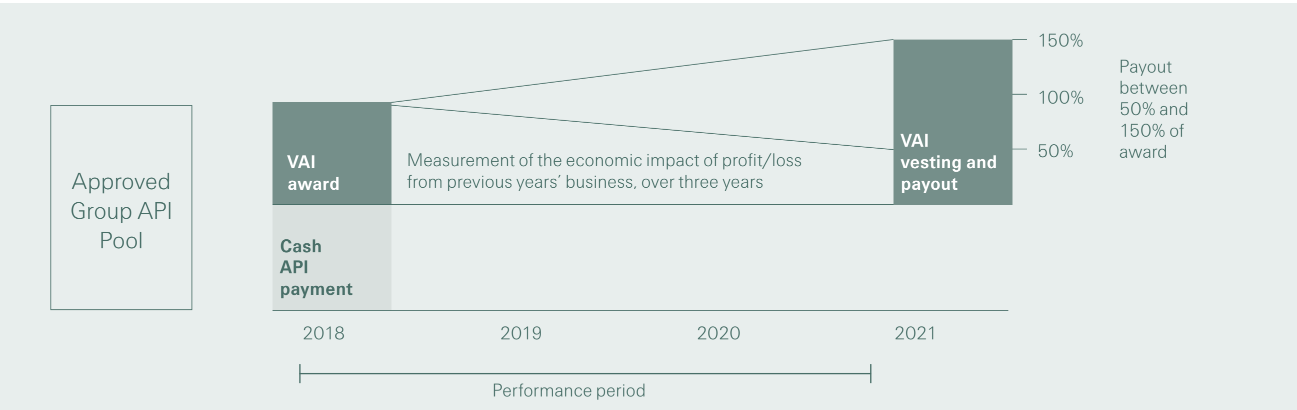
Settlement
At the end of the deferral period, VAI will be settled in cash. For the full three-year performance measurement period, forfeiture conditions apply.

Additionally, clawback provisions apply in a range of events as defined in the VAI plan rules, enabling Swiss Re to seek repayment of settled awards. Examples of such events are the participant's conduct or acts which can be considered as malfeasance, fraud or misconduct.

For VAI performance outcomes over past years please refer to page 170.

PORTION OF API THAT IS DEFERRED

	Deferral into VAI
Group CEO	50% of API
Other Group EC members	45% of API
Other key executives	40% of API
All other employees	50% of the amount exceeding USD 100 000 with a minimum deferral amount of USD 5 000 at USD 100 000 and up to a maximum of 40% of API



Leadership Performance Plan

Purpose

The purpose of the LPP is to provide an incentive for Swiss Re's senior management to create sustainable company performance over the long term. The LPP is a forward-looking instrument awarded to participants to incentivise decision-making that is also in the shareholders' interest.

The design of the LPP is to:

- focus participants' energies on earnings, capital efficiency and Swiss Re's position against peers, all of which are critical to sustained shareholder value creation;
- focus participants on long-term goals;
- attract and retain individuals of exceptional skill; and
- provide competitive compensation that rewards long-term performance.

Grant

The amounts disclosed under LPP in the section "Compensation disclosure and shareholdings 2017" reflect the grants made in April 2017. The LPP 2017 will be measured over the period 2017 to 2019 and vests in 2020. Grant levels are determined based on multiple factors including the role being performed and market benchmarks.

The individual grant level for each member of the Group EC is based on a stable CHF amount which in any year cannot exceed 1.5 × annual base salary for each member of the Group EC excluding the Group CEO and 2 × annual base salary for the Group CEO. In 2017, the total of the LPP grants awarded to members of the Group EC including the Group CEO amounted to CHF 13.5 million. The LPP grant awarded to the Group CEO amounted to CHF 2.0 million.

Plan duration

The vesting and performance measurement period is three years with no additional holding requirement. For LPP awards granted to Group EC members and other key executives, the duration of the LPP is five years comprising a three-year vesting and performance measurement period and an additional two-year holding requirement.

Structure

At the grant date, the award amount is split into two underlying components: Restricted Share Units (RSUs) and Performance Share Units (PSUs). A fair market value methodology executed by a third party determines the number of RSUs and PSUs granted.

Restricted Share Units

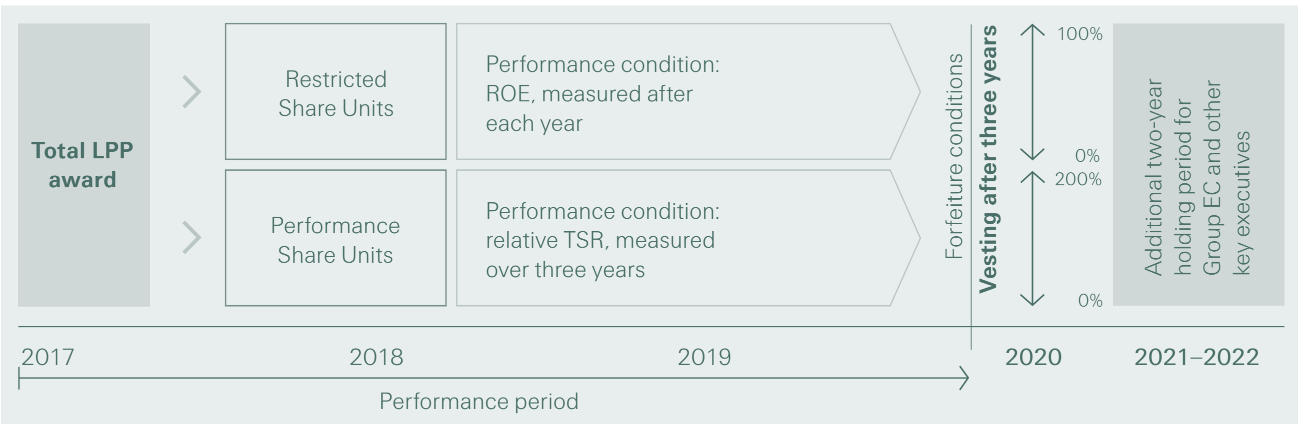
The performance condition for RSUs is ROE with a linear vesting line. Vesting is at 0% for an ROE at the risk-free rate* and at 100% for an ROE at a predefined premium above the risk-free rate. The premium is set at the beginning of the plan period and for LPP 2017 this premium has been set at 900 basis points above the risk-free rate. At the end of each year, the performance against the ROE condition is assessed and one third of the RSUs are locked in within a range of 0% to 100%. At the end of the three-year period, the total number of units locked in at each measurement period will vest (capped at 100%**).

Performance Share Units

The performance condition for PSUs is relative Total Shareholder Return (TSR) measured over three years. The PSUs vest within a range of 0% to 200%. Vesting starts at the 50th percentile of TSR relative to peers with 50% vesting and is capped at 200%** vesting at the 75th percentile relative to peers. In case of a negative TSR over three years, the Compensation Committee retains the discretion to reduce the level of vesting.

* The annual risk-free rate is determined as the average of 12 monthly rates for ten-year US Treasury bonds of the corresponding performance year.
** Maximum vesting percentage excludes share price fluctuation until vesting.

LEADERSHIP PERFORMANCE PLAN



Swiss Re's TSR performance is assessed relative to the TSR of the pre-defined peer group. This peer group consists of companies that are similar in scale, have a global footprint or a similar business mix as Swiss Re. The peer group which is set at the beginning of the plan period has been increased to 16 companies in total, and includes Allianz SE, American International Group Inc, Aviva PLC, AXA SA, Chubb Limited, Everest Re Group Ltd, Hannover Rueck SE, MetLife Inc, Muenchener Rueckversicherungs-Gesellschaft AG, Prudential PLC, QBE Insurance Group Ltd, Reinsurance Group of America Inc, RenaissanceRe Holdings Ltd, SCOR SE, XL Group Ltd and Zurich Insurance Group Ltd.

Funding

The LPP pool granted each year is reviewed in the context of sustainable business performance and affordability, and funded as part of the total variable compensation pool.

Settlement

At the end of the three-year measurement period, both RSUs and PSUs will typically be settled in shares.

Forfeiture and clawback provisions apply in a range of events (the same as outlined in the VAI section) as defined in the LPP plan rules, enabling Swiss Re to seek repayment where appropriate.

Swiss Re also makes it possible for all LPP participants to have shares sold or automatically settled on a net basis as applicable, to cover statutory tax and social security liabilities that may arise at vesting. For LPP performance outcomes over past years please refer to page 171.

Global Share Participation Plan

Swiss Re offers its employees an opportunity to directly participate in the long-term success of the Group by purchasing shares (for up to a maximum of CHF 7 000 per year of a plan cycle and capped at 10% of base salary), through the Global Share Participation Plan (GSPP). Swiss Re provides a 30% match on the number of shares held by employees at the end of the three-year plan cycle. The match is subject to forfeiture in case of termination of employment before the end of the plan cycle.

The GSPP has the same core design in all locations.

Incentive Share Plan

The ISP provides employees with an opportunity to purchase shares with some or all of their immediate cash API. Shares are offered with a 10% discount on the fair market value and are subject to a one-year blocking period. Full shareholder rights apply during this blocking period. The ISP encourages alignment with shareholder interests. At the end of the one-year period, the employee assumes full ownership of the shares.

Supplementary information on Group EC members

Performance assessment

The Compensation Committee assesses the performance of the Group EC including the Group CEO against the same set of quantitative and qualitative objectives. These objectives are agreed at the beginning of the year and are aligned with the Group's strategy.

Compensation approval

The determination of compensation for the Group EC including the Group CEO is ultimately subject to AGM approval as outlined in the Articles of Association.

Benchmarking

The external compensation advisor to the Compensation Committee conducts an annual review of the compensation of the Group EC relative to a group of reference companies in the financial services industry to ensure that market competitiveness is maintained. The reference companies are regularly reviewed by the Compensation Committee to ensure their continued relevance. The core peer group consists of the following globally active primary insurance and reinsurance firms: Allianz SE, American International Group Inc, Aviva PLC, AXA SA, Chubb Limited, Hannover Rueck SE, MetLife Inc, Muenchener Rueckversicherungs-Gesellschaft AG, Prudential PLC, QBE Insurance Group Ltd, Reinsurance Group of America Inc, SCOR SE, XL Group Ltd and Zurich Insurance Group Ltd.

Employment conditions

The Group EC including the Group CEO have employment contracts with notice periods of 12 months and no severance clauses. Information on "change of control" clauses is covered in the Corporate Governance section on page 131 of this Financial Report.

Group EC members are covered by the Group's standard defined contribution pension plans.

Stock Ownership Guidelines

Swiss Re has stock ownership guidelines which articulate the levels of stock ownership expected of the Group EC including the Group CEO. The guidelines are designed to increase the alignment of the interests of senior management and shareholders.

The guidelines define target ownership by role and the ownership levels required are:

- Group CEO – 3 × annual base salary; and
- Group EC members – 2 × annual base salary.

Members have a five-year timeframe to achieve these targets. In addition, because Swiss Re believes that a meaningful stock ownership position is essential, restrictions on the immediate cash portion of API delivered will apply if these levels are not met within the specified timeframe.

The determination whether a Group EC member has met the guidelines will include all vested shares that are owned directly or indirectly by the relevant member and related parties.

Compensation framework for the Board of Directors

The objective in compensating members of the Board of Directors is to attract and retain experienced individuals who are highly motivated to perform a critical role in the strategic oversight of Swiss Re and to contribute their individual business experience and expertise. The structure of compensation for members of the Board of Directors must, however, take account of the way their contribution to the success of Swiss Re differs from that of the members of the Group EC.

It is important that the compensation components are structured to achieve a strong alignment with the interests of the shareholders of Swiss Re. In line with best practice, a significant portion (40%) of the compensation for the Board members consists of shares.

The maximum aggregate amount of compensation for the members of the Board of Directors is approved by the AGM in advance of the term of office for which the Board members are elected. The Board members receive no variable or performance-based compensation. The fee level for each Board member, subject to their re-election, is reviewed annually.

Compensation structure

Fees for the members of the Board of Directors are delivered 60% in cash and 40% in shares. The shares have a four-year blocking period.

Roles and time commitment

The requirements for memberships of boards of directors of complex, international listed companies, in terms of qualifications and skills, are constantly increasing. Swiss Re Ltd's Board of Directors has a special skill set including international, industry or sector specific experience. These skills ensure that Swiss Re Ltd has the relevant expertise in place required for effective supervision. The fees for the members of the Board of Directors reflect different responsibilities and committee memberships. The individual levels of pay therefore vary.

Certain committees, such as the Audit Committee and the Finance and Risk Committee, meet more frequently or hold longer meetings, and hence have higher workloads. The table on page 115 of the Financial Report provides an overview of the meetings of the Board of Directors and its committees held in 2017.

The Chairman of the Board of Directors devotes himself full-time to his role. In defining the position of Chairman as a full-time role, Swiss Re applies best practice for regulated, complex financial institutions. The Chairman's task is to make sure the Board of Directors can fulfil its responsibilities and authorities. In particular, he leads the Board of Directors, coordinates the work of the Board of Directors and its committees, convenes the Board and committee meetings, establishes the agendas and presides over Board meetings. The Chairman also leads the Chairman's and Governance Committee, which develops and continually adapts Swiss Re's governance to regulatory and corporate requirements. The Chairman represents, besides the Group CEO, its shareholders in industry associations and in the interaction with other stakeholders such as the media, political and regulatory authorities, government officials and the general public. The Chairman keeps regular contact with our Group regulator (FINMA).

The Vice Chairman, who is also the Lead Independent Director, acts as a deputy of the Chairman, if the Chairman is prevented from performing his duties or in potential conflict of interest situations. The Board of Directors may assign further tasks to the Vice Chairman.

Fee approval

In line with Swiss law, and as outlined in the Articles of Association, the aggregate compensation for the members of the Board of Directors, for the next term of office, is subject to shareholder approval at the AGM.

Subsidiaries boards of directors

The majority of the board members at subsidiary level are Swiss Re executives. They do not receive any additional fee for their services in these roles. The non-executive members of the subsidiary boards receive their fees 100% in cash. When a member of the Board of Directors of Swiss Re Ltd also serves on the board of a subsidiary, the aggregate compensation of the Board of Directors proposed to the AGM for approval also includes any subsidiary board fees.

Compensation governance

Authority for decisions related to compensation at the Board and Group EC level are governed by the Articles of Association and the Bylaws of Swiss Re Ltd, including the Charter of the Compensation Committee (Charter). The main responsibilities of the Compensation Committee are summarised in the table on the right.

THE ARTICLES OF ASSOCIATION OF SWISS RE LTD INCLUDE RULES ON:

- the annual and binding approval by the AGM of the maximum aggregate amounts of compensation of members of the Board of Directors and of the Group EC (Art. 22);
- the supplementary amount for changes in the Group EC (Art. 23), if the maximum aggregate amount of compensation approved by the AGM is not sufficient to also cover compensation of a new Group EC member;
- the compensation principles for both the members of the Board of Directors and of the Group EC covering short-term and long-term elements, performance-related pay, payment in shares, financial instruments or units, compensation in kind or other types of benefits (Art. 24); and
- the agreements with members of the Board of Directors and the Group EC, external mandates and credits and loans (Arts. 25 to 27).

The Articles of Association are available on the Swiss Re website: www.swissre.com – About us – Corporate governance – Corporate regulations – Articles of Association of Swiss Re Ltd.

ROLES AND RESPONSIBILITIES IN RESPECT OF COMPENSATION

Function	Description of roles and responsibilities
Board of Directors	■ Establishes and periodically reviews Swiss Re's compensation framework, including guidelines and performance criteria. ■ Prepares the proposals to the AGM regarding Board of Directors and Group EC compensation. ■ Further details can be found in the Corporate Governance section on pages 104–121 of this Financial Report.
Compensation Committee	■ Consists of at least four independent members of the Board of Directors. Each member of the Compensation Committee is elected individually at the AGM for a term of office until completion of the next AGM. ■ Is governed by a Charter approved by the Board of Directors, which defines the purpose, composition and procedural rules of the Compensation Committee, including its responsibilities and authorities for making proposals and decisions related to compensation of the members of the Board of Directors and the Group EC. ■ Assesses the individual performance of the members of the Group EC, including the Group CEO, and periodically reviews the effectiveness of the performance management process. ■ Is responsible for making recommendations to the Board of Directors and overseeing the design and implementation of compensation principles, policy, framework, plans and disclosure. ■ Reviews compensation principles, policies and share-based plans annually to ensure that they remain in line with Swiss Re's objectives and strategy, shareholders' interests and legal and regulatory requirements. ■ Further details can be found in the Corporate Governance section on page 114 of the Financial Report.
Management	■ The Group CEO, the Group COO and the Chief Human Resource Officer participate in the Compensation Committee meetings. ■ Other members of senior management may attend as deemed appropriate by the Compensation Committee and upon invitation by the Chair of the Compensation Committee. ■ No individual may attend any part of a meeting where their own compensation is discussed.
Secretary	■ The Head of Reward serves as the Secretary to the Compensation Committee and attends its meetings (apart from the executive sessions).
External Advisors	■ Mercer provides information about remuneration trends, market benchmarking and advice on executive compensation issues. ■ Niederer Kraft & Frey Ltd provide legal advice, mainly about specific aspects of compliance and disclosure matters regarding compensation. ■ These advisors are retained by the Compensation Committee and provide the Compensation Committee with an external perspective.

COMPENSATION APPROVAL

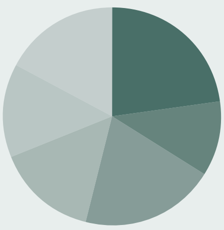
The table below shows the approval processes for key compensation decisions:

Decision on	Proposed	Endorsed	Approved
Maximum aggregate amount of compensation for the members of the Board of Directors for the next term of office	Compensation Committee, Chairman of the Board of Directors, Board of Directors (to the AGM)		Board of Directors, AGM
Individual compensation for the members of the Board of Directors	Compensation Committee, Chairman of the Board of Directors[1]		Board of Directors[2]
Maximum aggregate amount of fixed compensation and long-term variable compensation for the members of the Group EC	Group CEO, Board of Directors (to the AGM)	Chairman of the Board of Directors	Compensation Committee, Board of Directors, AGM
Aggregate amount of variable short-term compensation for the members of the Group EC	Group CEO, Board of Directors (to the AGM)	Chairman of the Board of Directors	Compensation Committee, Board of Directors, AGM
Compensation for Group CEO	Compensation Committee, Chairman of the Board of Directors		Board of Directors[3]
Individual compensation for the members of the Group EC (excl. Group CEO)	Group CEO	Chairman of the Board of Directors	Compensation Committee[3, 4]
Short-term compensation pools and long-term incentive pools for the Group and Group EC (excl. Group CEO)	Group CEO	Chairman of the Board of Directors, Compensation Committee	Board of Directors[2]
Variable compensation pools for the Control Functions and individual compensation of the Heads of the Control Functions	Group CEO	Compensation Committee	Board of Directors, Chairs of the Audit Committee and the Finance and Risk Committee

[1] Other than the Chairman's compensation.
[2] Within the maximum aggregate amount of compensation approved by the AGM.
[3] Within the maximum aggregate amount of compensation approved by the AGM and the additional amount available for changes in the Group EC after the AGM as per the Articles of Association respectively.
[4] Board of Directors is informed.

COMPENSATION COMMITTEE'S TIME ALLOCATION TO KEY TOPICS IN 2017

- 23% Variable compensation for the Group
- 11% Review of compensation framework
- 20% Compliance and regulatory
- 15% Compensation and performance of Group EC members
- 14% Executive sessions
- 17% Other topics



Compensation Committee activities

The Compensation Committee operates as the Group's global compensation committee and oversees the compensation system applied at all entities of the Swiss Re Group with its decisions and guidance.

The Compensation Committee has an annual agenda to ensure that important reviews take place at the appropriate times throughout the year. The Compensation Committee also commits time to executive sessions and conducts periodic self-assessments to ensure its continued high level of effectiveness. It held six meetings during 2017 and provided an update to the Board of Directors on topics discussed, decisions made and items for approval after each of these meetings. A summary of the topics dealt with by the Compensation Committee during the year is shown on page 166.

HIGH-LEVEL OVERVIEW OF TOPICS DISCUSSED

Variable compensation for the Group

At Swiss Re, the compensation cycle begins in December and runs through to April of the following year. The Compensation Committee oversees each stage of the process, starting with deciding on the variable compensation pool for the prior performance year, reviewing this decision, and setting targets for the upcoming year.

Outlined below is an overview of the main topics discussed during 2017:

Items relating to the past performance cycle	Meeting
■ Performance assessment process and proposal of the variable compensation pool	January and February
■ Approval of performance factors for deferred compensation awards	February and April
■ Review of the decisions made during the prior compensation cycle	June

Items relating to the upcoming performance cycle	
■ Review and recommendation of the LPP pool for the upcoming year	January and February
■ Setting of the performance targets for variable compensation for the upcoming year	February

Compensation and performance of the Group EC

The review of Group EC compensation follows the same cycle as that for the Group. Again, the Compensation Committee is fully involved through all stages of the process, and all decisions are taken by the Compensation Committee and the Board of Directors.

■ Performance assessment of the prior year	January and February
■ Approval of individual compensation proposals for the Group EC[1]	February
■ Review and confirm reference companies for Group EC compensation benchmarking	April
■ Analysis of Group EC members' compensation relative to external peers	June

Compensation of the Board of Directors

The compensation of the Board of Directors is reviewed annually, and the Compensation Committee formulates proposals for the approval of the Board of Directors accordingly[2].

■ Fees of the Board of Directors for the following compensation period	April
■ Approval of the Board of Directors' Compensation Policy	April
■ Review and update of the Entity Board Compensation Guidelines	June
■ Analysis of compensation practices for non-executive directors relative to the market	September

Compensation principles and plans

■ Review and update of the GSPP plan rules	January
■ Review and update of the VAI and LPP plan rules	February
■ Annual benefits review	June
■ Review and update of the ISP plan rules	September

Compliance and regulatory

The Compensation Committee spends time reviewing materials relating to regulatory or compliance requirements. In addition, the mandate of its advisors is reviewed on an ongoing basis.

■ Review and endorsement of the Compensation Report	December, January and February
■ Compliance and regulatory developments	All meetings
■ Review of the role and mandate of external advisors	September and December

[1] Within the maximum aggregate amount of compensation approved by the AGM and the additional amount available for changes in the Group EC after the AGM as per the Articles of Association respectively.
[2] Within the maximum aggregate amount of compensation approved by the AGM.

The role of the Control Functions in compensation

The role of Swiss Re's Control Functions (defined as Group Risk Management, Compliance and Group Internal Audit) in compensation matters is well established.

Risk and Control Related Behaviour assessment of Group and business functions

The focus on risk and control related behaviours continues. The Control Functions annually perform an independent assessment of risk and control related behaviours and summarise the outcomes in a consolidated report.

Risk and Control Related Behaviour assessment of Key Risk Takers

Swiss Re bears risks in the course of its business activities, including market, credit and liquidity, underwriting, operational (including legal and compliance) and reputational risk. Swiss Re's Key Risk Takers are executives in core risk-taking positions, who decide on business and people strategies, approve budgets, and can materially influence financial results or expose Swiss Re to significant operational or reputational risks.

In 2017, Swiss Re identified 180 positions that qualify as Key Risk Takers. This group consists of the members of the Group EC, BU EC members, other key executives and roles with core risk-taking authority. The list of Key Risk Takers is reviewed on a regular basis by Risk Management and Human Resources.

Influence of the behavioural assessment on compensation

The risk and control related behaviour assessment of Group and business functions provides additional input for helping determine the Group API pool and its allocation to each business function.

The Control Functions assess the risk and control related behaviour of each Key Risk Taker and deliver a report to key executives, including the Group Chief Risk Officer and the Chief Human Resource Officer on an annual basis. This assessment serves as an additional factor when considering individual performance and compensation outcomes.

Independence of the Control Functions

In order to ensure the continued independence of Control Functions, their compensation approval processes differ in that key annual compensation decisions for these functions are approved at the Board level.

This includes the approval of the aggregate API pools of the Control Functions, and the approval of the individual compensation for the head of each Control Function by the Board of Directors, including the Chairs of the Audit Committee and the Finance and Risk Committee.

Performance outcomes 2017

Key considerations for annual compensation decisions cover US GAAP and EVM based business results, qualitative factors and Swiss Re's pay-for-performance approach.

The outcomes of the financial, qualitative and overall assessment, all part of Swiss Re's three-step funding process (as described on page 159 of this Financial Report), again determined the Group API pool for 2017.

Financial assessment (Step 1)

Swiss Re Group and Business Units
In 2017, the Group's US GAAP performance and EVM results were significantly impacted by large natural catastrophe events including Cyclone Debbie in Australia, the North Atlantic hurricanes, the Mexican earthquakes and the wildfires in California. The destructive force of these events was reflected in both the Property & Casualty Reinsurance and Corporate Solutions results. The very strong investment results across all Business Units partially offset the impact from the large natural catastrophe losses. Life & Health Reinsurance delivered solid US GAAP and economic results, additionally benefiting from a good underwriting performance. Life Capital delivered a strong performance across all metrics and generated significant gross cash for the Group.

US GAAP financial performance
Property & Casualty Reinsurance reported a net loss in 2017, stemming from insurance claims in the aftermath of the large natural catastrophes during the year. Life & Health Reinsurance continued to report good US GAAP results, demonstrating sustainability in its performance, driven by a good underwriting result and continued strong investment performance. Premium growth reflects growth in the Americas and Asia.

The Corporate Solutions result was heavily impacted by the large natural catastrophes, resulting in a net loss for the year. Investment for long-term growth continues (organic and inorganic), despite the challenging market. The joint venture with Bradesco Seguros in Brazil began in July 2017. Corporate Solutions is now focused on the integration of Bradesco's large-risk portfolio and the use of its established distribution network. Premiums earned increased slightly compared to 2016.

Life Capital delivered strong results, although large one-off gains on the investment portfolio reported in the prior-year period were not repeated in 2017. A strong investment result, mainly stemming from realised gains on sales of fixed income securities and favourable linked market movements, added to a solid underlying performance. The gross cash generation in the current year was driven by strong underlying surplus on the ReAssure business, and further benefited from an update to mortality assumptions and the finalisation of the 2016 year-end statutory valuation.

For further details on the US GAAP financial performance, refer to pages 182–297 of this Financial Report.

EVM financial performance
The EVM underwriting result of Property & Casualty Reinsurance was driven by adverse large-loss experience, stemming from the large natural catastrophe events in 2017. This was partially offset by investment performance across equities and alternative investments as well as a positive impact from spread tightening on credit investments. The Life & Health Reinsurance underwriting profit was strong, mainly due to large transactions in EMEA, as well as continued growth in Asia. Investment activities further contributed to the positive result, primarily driven by credit spread tightening as well as performance from equity securities.

Corporate Solutions generated an EVM new business loss primarily driven by large natural catastrophe losses, and the non-recognition of intangible assets (including goodwill) related to the Bradesco joint venture as well as continued pricing pressure and large man-made losses. This was partially offset by profit from investment activities, with a positive impact from spread tightening as well as performance from equity securities.

Life Capital reported an EVM profit primarily driven by a favourable result from large transactions. Investment activities further contributed to the positive result, mainly driven by the impact of spread tightening on UK credit investments and profit from implied equity exposure arising from the unit-linked business.

For further details on the EVM financial performance, refer to the EVM chapter on pages 54–63 of this Financial Report.

Qualitative assessment (Step 2)

Swiss Re performed well on its qualitative dimension in 2017. The positive efforts on client centricity were reflected in high client satisfaction scores in various external benchmarks.

The focus on strengthening the franchise remained strong: we continued to demonstrate thought leadership externally and strengthened our recognised voice in long-term investing policy dialogue at major industry events such as the G20, World Economic Forum and Monte Carlo. A highlight was the nomination as industry leader in Responsible Investing for our sustainable approach to long-term value creation. We closely co-operated with our clients and public and private partners to create innovative solutions in the areas of climate, natural disaster and agricultural risks, sustainable energy and funding longer lives.

Our innovation capabilities were again recognised by the market resulting in numerous awards for various products.

The assurance functions continually assess our risk and control related behaviour, and concluded that our tone at the top continues to be clear and appropriate. They also confirmed that we promote an open and transparent risk culture, and appropriate priority and direction are given to the risks and controls in strategic decisions. Judgement around limits and risk tolerance remained effective.

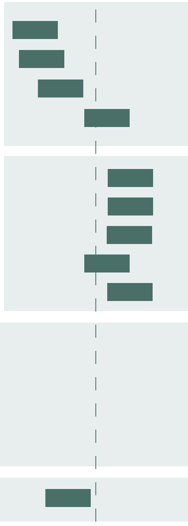
We also fostered and supported an inclusive corporate culture and leadership climate that embraced diversity of thought and opinion. This is reflected in our global employee engagement survey scores, which have again increased: these are well over the industry benchmark and close to the high performance norm. Some improvements were made in gender diversity but much more can be achieved here and this remains a critical focus area for 2018. The focus on talent management across the Group continued to be strong.

Overall assessment (Step 3)

The labour market review concluded that we are acting in line with many reinsurance organisations which have projected a decline in their annual incentive pools. The capital market review has highlighted that the proportionality of our proposed value sharing with employees is below peers in terms of revenue and profit sharing, giving a higher distribution percentage to shareholders.

GROUP API POOL OUTCOME 2017

	Key Performance Indicator	Weighting	Achievement versus target
Financial assessment (Step 1)	ROE	25%	
	Net operating margin	25%	
	EVM profit (% of ENW)	25%	
	ENW growth per share	25%	
Qualitative assessment (Step 2)	Client and service quality		
	Risk and control behaviour		
	Franchise building		
	Human capital and talent management		
	Strategic initiatives		
Overall assessment (Step 3)	Overall assessment of Group API Pool from a number of different perspectives, eg labour market, capital market		
	Approved Group API Pool		



Annual Performance Incentive
Both the Compensation Committee and the Board of Directors assessed in depth the 2017 performance of the Group. The financial performance was significantly lower than 2016 and heavily impacted by a series of large natural catastrophes. In years with relatively benign natural catastrophe environments, variable compensation payouts were positive but not excessive. Conversely, in adverse environments, the negative impact shall be substantive but also proportionate, given the need to carefully manage key talent and retention risk. This financial context, the strong qualitative performance and the value sharing measurement for shareholders have resulted in lower but still balanced variable compensation payouts.

Value Alignment Incentive
VAI performance is measured for the Group and each underlying business area. The performance factor for each participant is determined based on the business area that the participant was in at the time of award. In March 2017, the Group VAI 2013 (awarded in 2014) vested with a performance factor of 100.3% (see page 160 for a detailed description of the VAI).

The VAI 2013 performance factor of 100.3%, which applies to all Group functions, reflected the reserving accuracy for the underwriting year 2013, with small developments between 2014 and 2016 and a slightly positive contribution for the investment performance.

VAI plan year	Performance period remaining as of 31 December 2017	Swiss Re Group performance factor
2011 (awarded 2012)	Closed	103.0%
2012 (awarded 2013)	Closed	101.5%
2013 (awarded 2014)	Closed	100.3%
2014 (awarded 2015)	–	to be determined
2015 (awarded 2016)	1 year	to be determined
2016 (awarded 2017)	2 years	to be determined

Leadership Performance Plan

The LPP award is consistently linked to the Group's future achievement of multi-year performance conditions (ROE and relative TSR), keeping the focus on the long-term success of the Group. Swiss Re made LPP grants in 2017 consistent with this rationale. The LPP is generally part of total compensation (see page 161 for a detailed description of the LPP).

The LPP 2014 award was granted on 1 April 2014 and vested on 31 March 2017. The RSU component is measured against an ROE performance condition. At the end of each year, the performance is assessed and one third of the RSUs are locked in within a range of 0% to 100%. At the end of the three-year period, the total number of units locked in vests. For the LPP 2014 the average performance factor for the RSUs was 99.7% for the three-year period.

The PSU component is based on relative TSR, measured against a pre-defined basket of peers, and vests within a range of 0% to 200%. For the LPP 2014 the performance factor for the PSUs was 81% for the three-year period.

The table below gives an overview of the RSU and PSU performance achievement for the previous LPP plan years:

LPP plan year	Performance period remaining as of 31 December 2017	RSU average performance factor for the three-year period	PSU performance factor for the three-year period
2012	Closed	99.7%	200.0%
2013	Closed	99.7%	60.0%
2014	Closed	99.7%	81.0%
2015	–	to be determined	to be determined
2016	1 year	to be determined	to be determined
2017	2 years	to be determined	to be determined

Compensation disclosure and shareholdings 2017

Aggregate compensation of the Swiss Re Group

The aggregate compensation for the performance years 2016 and 2017 for all employees was as follows:

		Performance Year 2016		Performance Year 2017	
Category	Type of plan	Number of employees[1]	Values (in CHF millions)	Number of employees[1]	Values (in CHF millions)
Fixed compensation	Base salaries	14 053	1 312	14 485	1 330
	Pensions, social security and benefits	14 053	479	14 485	467
Annual Performance Incentive	Cash Annual Performance Incentive	12 609	352	13 839	261
	Value Alignment Incentive	810	50	1 015	27
Long-term variable compensation	Leadership Performance Plan	347	50	377	50
Other payments	Severance payments[2]	399	19	513	25
	Sign-on payments	109	3	121	5
Total			2 265		**2 165**

[1] Regular staff.
[2] Severance payments in the table above include (i) payments under standard severance packages, (ii) other payments that are over and above what is contractually or legally required, and (iii) voluntary supplementary departure payments, but exclude similar legally permitted payments or garden leave which are aligned with local market practice for comparable positions in respect of amount, nature or duration. No severance payments were made to members of the Group EC.

As of 31 December 2017 the Group had 14 485 employees worldwide, compared to 14 053 employees at the end of 2016.

The total compensation of the Group for 2017 amounted to CHF 2 165 million (compared to CHF 2 265 million in 2016), whereof CHF 2 112 million has been or will be paid in cash (compared to CHF 2 211 million in 2016) and CHF 53 million has been granted in share-based awards (compared to CHF 54 million in 2016).

The value of all outstanding deferred compensation (determined for VAI at grant and for LPP using the fair value at grant) for all employees at 31 December 2017 amounted to CHF 293 million (compared to CHF 304 million in 2016) whereof CHF 155 million will be payable in cash (compared to CHF 169 million in 2016) and CHF 138 million in shares (compared to CHF 135 million in 2016).

In 2017 and 2016, a reduction of expenses amounting to CHF 5 million and CHF 16 million respectively, was recognised for compensation in previous financial years.

Aggregate compensation for Key Risk Takers

The aggregate compensation of the individuals that held a key risk-taking position during the performance years 2016 and 2017 was as follows:

		Performance Year 2016		Performance Year 2017	
Category	Type of plan	Number of employees	Values (in CHF millions)	Number of employees	Values (in CHF millions)
Fixed compensation	Base salaries	210	79	180	67
	Pensions, social security and benefits	210	35	180	29
Annual Performance Incentive	Cash Annual Performance Incentive	210	57	178	36
	Value Alignment Incentive	209	34	164	19
Long-term variable compensation	Leadership Performance Plan	187	43	152	37
Other payments	Severance payments[1]	3	0	1	1
	Sign-on payments	12	1	9	1
Total			249		**190**

[1] Severance payments in the table above include (i) payments under standard severance packages, (ii) other payments that are over and above what is contractually or legally required, and (iii) voluntary supplementary departure payments, but exclude similar legally permitted payments or garden leave which are aligned with local market practice for comparable positions in respect of amount, nature or duration. No severance payments were made to members of the Group EC.

COMPENSATION MIX FOR GROUP EC

2017

- 33% Base salary
- 18% Cash API
- 15% VAI (paid after 3 years)
- 34% LPP (paid after 5 years)

2016

- 29% Base salary
- 22% Cash API
- 18% VAI (paid after 3 years)
- 31% LPP (paid after 5 years)

Compensation decisions for members of governing bodies

The section below is in line with Swiss law and specifically with Arts. 14 to 16 of the Ordinance against Excessive Compensation at Public Corporations (the Ordinance) which requires disclosure of compensation granted to members of the Board of Directors and the Group EC. Compensation to members of the Board of Directors and the highest paid member of the Group EC is shown separately.

At the AGMs 2016 and 2017 the shareholders approved maximum aggregate compensation amounts for the Board of Directors and Group EC for prospective periods. For the reconciliation of these aggregate amounts to what was awarded please refer to page 178.

Compensation decisions for the Group EC

The following table covers payments to 14 members for 2017 of whom 12 were active members of the Group EC for the full year. The 2016 payments also cover 14 members of whom 12 were active members of the Group EC for the full year.

CHF thousands	14 members 2016	14 members[1] 2017
Base salaries	13 224	12 995
Allowances[2]	2 745	861
Funding of pension benefits	2 139	2 132
Total fixed compensation	18 108	**15 988**
Cash Annual Performance Incentive[3]	9 867	7 069
Value Alignment Incentive[3]	8 396	5 931
Leadership Performance Plan[4]	14 150	13 450
Total variable compensation	32 413	**26 450**
Total fixed and variable compensation[5]	50 521	**42 438**
Compensation due to members leaving[6]	909	721
Total compensation[7]	51 430	**43 159**

[1] Represents active members of the Group EC.
[2] Benefits or allowances paid in cash. Consists of housing, schooling, lump sum expenses, relocation expenses/taxes, child and similar allowances.
[3] For 2017, subject to shareholder approval at the AGM 2018. For 2016, as part of the aggregate amount of short-term variable compensation approved by the shareholders at the AGM 2017.
[4] Disclosure reflects all awards for a reporting year, ie the 2016 value reflects the fair value of LPP awards granted in April 2016 and the 2017 value reflects the fair value of LPP awards granted in April 2017.
[5] Covers payments reflecting the time in the role as Group EC members.
[6] For Group EC members leaving during the reporting period, this covers only legally or contractually required payments for the period when the member was no longer in the role (eg base salary when on garden leave).
[7] Amounts are gross and include social security contributions of the employees. Additionally and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws which amounted to CHF 2 922 518 in 2016 and CHF 2 866 773 in 2017.

The total API amount for 2017 for the Group EC including the Group CEO is CHF 13.0 million which represents a 28.8% decrease when compared to 2016 (CHF 18.3 million). The Compensation Committee and the Board of Directors carefully considered the performance of the Group EC in 2017 and despite several performance highlights across the Group concluded that a balanced but substantive reduction in annual variable compensation was warranted given the aggregate performance of the Swiss Re Group.

Compensation decisions for the highest paid member of the Group EC

The table below shows the compensation paid to Christian Mumenthaler, Group CEO (in the role since 1 July 2016):

CHF thousands	2016	**2017**
Base salary	1 300	1 400
Allowances[1]	43	35
Funding of pension benefits	178	178
Total fixed compensation	1 521	**1 613**
Cash Annual Performance Incentive[2]	1 113	810
Value Alignment Incentive[2]	1 113	810
Leadership Performance Plan[3]	2 500	2 000
Total variable compensation	4 726	**3 620**
Total compensation[4]	6 247	**5 233**

[1] Benefits or allowances paid in cash. Includes health care and accident insurance benefits, lump sum expenses, transportation, child and similar allowances.
[2] For 2017, subject to shareholders approval at the AGM 2018. For 2016, as part of the aggregate amount of short-term variable compensation approved by the shareholders at the AGM 2017.
[3] Disclosure reflects all awards for a reporting year, ie the 2016 value reflects the fair value of the LPP award granted in April 2016 and the 2017 value reflects the fair value of the LPP award granted in April 2017.
[4] Amounts are gross and include social security contributions of the employee. Additionally and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws which amounted to CHF 308 237 in 2016 and CHF 300 767 in 2017.

Additional information on compensation decisions

For US GAAP and statutory reporting purposes, VAI and LPP awards are accrued over the period during which they are earned. For the purpose of the disclosure required in this Compensation Report, the value of awards granted is included as compensation in the year of performance for the years 2016 and 2017 respectively.

Each member of the Group EC including the Group CEO participates in a defined contribution pension scheme. The funding of pension benefits shown in the previous two tables reflects the actual employer contributions.

Other payments to members of the Group EC

During 2017, no payments (or waivers of claims) other than those set out in the section "compensation disclosure and shareholdings in 2017" were made to current members of the Group EC or persons closely related.

Shares held by members of the Group EC

The following table reflects Swiss Re share ownership by members of the Group EC as of 31 December:

Members of the Group EC	2016	**2017**
Christian Mumenthaler, Group CEO	63 854	68 775
David Cole, Group Chief Financial Officer	68 061	82 982
John R. Dacey, Group Chief Strategy Officer	7 526	23 671
Guido Fürer, Group Chief Investment Officer	56 156	61 077
Agostino Galvagni, CEO Corporate Solutions	79 670	94 591
Jean-Jacques Henchoz, CEO Reinsurance EMEA	46 817	49 020
Thierry Léger, CEO Life Capital	57 610	49 841
Moses Ojeisekhoba, CEO Reinsurance	27 895	36 194
Jayne Plunkett, CEO Reinsurance Asia	29 095	34 288
Edouard Schmid, Group Chief Underwriting Officer	n/a	29 161
J. Eric Smith, CEO Reinsurance Americas	13 984	21 400
Matthias Weber, former Group Chief Underwriting Officer[1]	25 750	n/a
Thomas Wellauer, Group Chief Operating Officer	130 224	105 390
Total	606 642	**656 390**

[1] The number of shares held on 30 June 2017 when Matthias Weber stepped down from the Group EC was 24 913.

Leadership Performance Plan units held by members of the Group EC

The following table reflects total unvested LPP units (RSUs and PSUs) held by members of the Group EC as of 31 December:

Members of the Group EC	2016	2017
Christian Mumenthaler, Group CEO	75 458	108 779
Michel Liès, former Group CEO	64 125	n/a
David Cole, Group Chief Financial Officer	49 426	57 825
John R. Dacey, Group Chief Strategy Officer	49 426	57 825
Guido Fürer, Group Chief Investment Officer	53 765	68 394
Agostino Galvagni, CEO Corporate Solutions	49 426	57 825
Jean-Jacques Henchoz, CEO Reinsurance EMEA	39 540	46 259
Thierry Léger, CEO Life Capital	43 011	54 715
Moses Ojeisekhoba, CEO Reinsurance	43 011	54 715
Jayne Plunkett, CEO Reinsurance Asia	33 130	43 149
Patrick Raaflaub, Group Chief Risk Officer	29 791	54 715
Edouard Schmid, Group Chief Underwriting Officer	n/a	39 678
J. Eric Smith, CEO Reinsurance Americas	39 540	46 259
Matthias Weber, former Group Chief Underwriting Officer	49 426	n/a
Thomas Wellauer, Group Chief Operating Officer	49 426	57 825
Total	668 501	**747 963**

Loans to members of the Group EC

As per Art. 27 of the Articles of Association, credits and loans to members of the Group EC may be granted at employee conditions applicable for the Swiss Re Group, with a cap on the total amount of such credits and loans outstanding per member.

In general, credit is secured against real estate or pledged shares. The terms and conditions of loans and mortgages are typically the same as those available to all employees of the Swiss Re Group in their particular locations to the extent possible.

Swiss-based variable-rate mortgages have no agreed maturity dates. The basic preferential interest rates equal the corresponding interest rates applied by the Zurich Cantonal Bank minus one percentage point. Where fixed or floating interest rates are preferential, the value of this benefit has been included under "allowances" in the tables covering compensation decisions for Group EC members.

The following table reflects total mortgages and loans for members of the Group EC as of 31 December:

CHF thousands	2016	2017
Total mortgages and loans to members of the Group EC	0	914
Highest mortgages and loans to an individual member of the Group EC:		
Edouard Schmid, Group Chief Underwriting Officer	n/a	914
Total mortgages and loans not at market conditions to former members of the Group EC	4 300	**4 300**

Compensation for members of the Board of Directors

The following two tables illustrate (1) the individual compensation for the members of the Board of Directors for the reported financial years 2016 and 2017 and (2) the individual compensation for the members of the Board of Directors paid or payable for the term of office from AGM 2017 to AGM 2018.

(1) Individual Board compensation for the reported financial years 2016 and 2017 (figures in CHF thousands):

Members of the Board of Directors	Total 2016	Fees and allowances in cash	Fees in blocked shares	**Total 2017**
Walter B. Kielholz, Chairman	4 894	2 503	1 663	4 166
Renato Fassbind, Vice Chairman, Chairman of the Audit Committee[1]	897	495	330	825
Mathis Cabiallavetta, former Member[2]	102	n/a	n/a	n/a
Raymond K.F. Ch'ien, Member	332	190	126	316
Mary Francis, Member[3]	464	239	136	375
Rajna Gibson Brandon, Member	325	190	127	317
C. Robert Henrikson, Chairman of the Compensation Committee	474	277	185	462
Hans Ulrich Maerki, former Member[2]	105	n/a	n/a	n/a
Trevor Manuel, Member	327	205	136	341
Jay Ralph, Member[4]	n/a	111	73	184
Joerg Reinhardt, Member[4]	n/a	111	73	184
Carlos E. Represas, former Member[5, 6]	388	163	34	197
Jean-Pierre Roth, former Member[2]	83	n/a	n/a	n/a
Philip K. Ryan, Chairman of the Finance and Risk Committee[5]	893	645	233	878
Sir Paul Tucker, Member[7]	227	189	126	315
Jacques de Vaucleroy, Member[3, 4]	n/a	304	73	377
Susan L. Wagner, Chair of the Investment Committee	573	335	223	558
Total compensation for the reported financial years[8, 9]	10 084	**5 957**	**3 538**	**9 495**

[1] Acting as the Lead Independent Director.
[2] Term of office expired after the completion of the AGM of 22 April 2016 and did not stand for re-election.
[3] Includes fees received for duties on the board of Luxembourg Group companies.
[4] Elected to Swiss Re's Board of Directors at the AGM of 21 April 2017.
[5] Includes fees received for duties on the board of US Group companies.
[6] Term of office expired after the completion of the AGM of 21 April 2017 and did not stand for re-election.
[7] Elected to Swiss Re's Board of Directors at the AGM of 22 April 2016.
[8] Compensation for the members of the Board of Directors includes fixed fees (cash and shares) and minimal allowances. No sign-on or severance payments have been made.
[9] Amounts are gross and include social security contributions of the Board member. Additionally and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws which amounted to CHF 410 271 in 2016 and CHF 706 811 in 2017. For Board members domiciled outside of Switzerland, company social security contributions are refunded, if bilateral social security agreements between Switzerland and the country of domicile apply and provide for such refund.

(2) Individual Board compensation for the term of office between AGM 2017 and AGM 2018 (figures in CHF thousands):

The table below provides more detailed information on the compensation paid or payable to each Board member against the maximum aggregate amount of CHF 9 900 000 as approved by the AGM 2017:

Members of the Board of Directors	Base fees	Audit Committee fees	Compensation Committee fees	Finance and Risk Committee fees	Investment Committee fees	Additional fees[1]	**Total**[2]
Walter B. Kielholz, Chairman							4 000
Renato Fassbind, Vice Chairman Audit Committee Chairman	225	425	50			125	825
Raymond K.F. Ch'ien, Member	225		50		50		325
Mary Francis, Member	225	75		50			350
Rajna Gibson Brandon, Member	225			50	50		325
C. Robert Henrikson, Member Compensation Committee Chairman	225		200	50			475
Trevor Manuel, Member	225	75			50		350
Jay Ralph, Member	225			50			275
Joerg Reinhardt, Member	225		50				275
Philip K. Ryan, Member Finance and Risk Committee Chairman	225	75		300		295	895
Sir Paul Tucker, Member	225			50	50		325
Jacques de Vaucleroy, Member	225				50	225	500
Susan L. Wagner, Member Investment Committee Chair	225			50	300		575
Total compensation for the term of office from AGM 2017 to AGM 2018							**9 512**[3]

[1] Including Vice Chairman or subsidiary fees.
[2] Excluding company contributions to social security systems paid by Swiss Re in line with applicable laws.
[3] Including an amount of approximately CHF 17 000 for minimal benefits.

Shares held by members of the Board of Directors

The number of shares held by members of the Board of Directors as of 31 December were:

Members of the Board of Directors	2016	2017
Walter B. Kielholz, Chairman	414 613	399 987
Renato Fassbind, Vice Chairman, Chairman of the Audit Committee	19 954	23 854
Raymond K.F. Ch'ien, Member	19 978	21 472
Mary Francis, Member	5 927	6 509
Rajna Gibson Brandon, Member	21 700	23 194
C. Robert Henrikson, Chairman of the Compensation Committee	11 065	13 248
Trevor Manuel, Member	2 363	3 972
Jay Ralph, Member[1]	n/a	868
Joerg Reinhardt, Member[1]	n/a	1 168
Carlos E. Represas, former Member[2]	12 837	n/a
Philip K. Ryan, Chairman of the Finance and Risk Committee	6 134	8 892
Sir Paul Tucker, Member[3]	1 036	2 530
Jacques de Vaucleroy, Member[1]	n/a	868
Susan L. Wagner, Chair of the Investment Committee	6 111	8 754
Total	521 718	**515 316**

[1] Elected to Swiss Re's Board of Directors at the AGM of 21 April 2017.
[2] Term of office expired after the completion of the AGM of 21 April 2017 and did not stand for re-election.
[3] Elected to Swiss Re's Board of Directors at the AGM of 22 April 2016.

Loans to members of the Board of Directors

No loans were granted to current or former members of the Board in 2017 and no loans were outstanding as of 31 December 2017.

Related parties transactions

Disclosure on compensation decisions in 2017 covers members of the Board of Directors and the Group EC as indicated, and for both include related parties to the extent applicable. Such related parties cover spouses, partners, children and other dependents or closely linked persons. In 2017 no compensation was paid to any related party.

Compensation for former members of governing bodies

During 2017, payments in the total amount of CHF 0.1 million were made to five former members of the Group EC. This amount is made up of company contributions payable by Swiss Re to governmental social security systems in line with applicable laws, benefits in the context of the outstanding mortgages and loans not at market rates, risk benefits and company commitments for tax related services.

Shareholder compensation resolutions and awarded compensation
The following explanations give an overview of the applicable framework of Swiss Re Ltd's Articles of Association based on the Ordinance, the acceptance by the shareholders in the AGM 2017 of the respective motions by the Board of Directors and the reconciliation of the shareholders' resolutions with the compensation awarded in the reporting year 2017.

Framework of the Articles of Association
In accordance with Art. 22 of the Articles of Association, the Shareholders' Meeting shall approve annually and with binding effect the proposals of the Board of Directors in relation to:
a) the maximum aggregate amount of compensation of the Board of Directors for the next term of office;
b) the maximum aggregate amount of fixed compensation and variable long-term compensation of the Group EC for the following financial year; and
c) the aggregate amount of short-term compensation of the Group EC for the preceding completed financial year.

AGM 2017 voting results
At the AGM on 21 April 2017, shareholders approved for the third time the maximum aggregate prospective compensation of the members of the Board of Directors (88.5% approval). Shareholders also approved for the Group EC (i) the maximum aggregate prospective fixed compensation and variable long-term compensation and (ii) the aggregate retrospective variable short-term compensation. The outcomes were 87.2% and 89.0% approval respectively. As in previous years, the 2016 Compensation Report was subject to a consultative vote and was approved by 80.6% of the shareholder votes.

Reconciliation of AGM 2016 resolutions for Group EC compensation[1]
At the AGM 2016, shareholders approved a prospective maximum aggregate amount of CHF 34.0 million for fixed compensation and variable long-term compensation for the financial year 2017 for the 13 members holding positions in the Group EC at the time of the AGM 2016.

The amount of fixed compensation and variable long-term compensation effectively granted to the 14 members of the Group EC during the financial year 2017 amounted to CHF 29.4 million and therefore was within the approved amount. The amount of CHF 29.4 million includes adjustments in the compensation of a new member of the Group EC as a result of his promotion as per 1 July 2017 to the Group Chief Underwriting Officer position and the related additional costs.

Reconciliation of AGM 2017 resolution for Board of Director's compensation[1]
At the AGM 2017, shareholders approved a maximum aggregate amount of compensation of CHF 9.9 million for the 13 members of the Board of Directors for the term of office from the AGM 2017 to the AGM 2018.

As shown on page 176, the compensation paid to the 13 members of the Board of Directors for their term of office from the AGM 2017 to the AGM 2018 was CHF 9.5 million and therefore within the approved amount.

AGM 2018 motion for variable short-term compensation for the Group EC for the financial year 2017
At the AGM 2018, the Board of Directors will propose to the shareholders to approve retrospectively an aggregate amount of variable short-term compensation for the 14 members of the Group EC for the completed financial year 2017 of CHF 12 999 781. This amount has been included in the items "Cash Annual Performance Incentive" and "Value Alignment Incentive" in the table for the Group EC compensation on page 173.

[1] Reconciliations calculated using December 2017 FX rates where applicable.

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of Swiss Re Ltd
on the Compensation Report 2017

We have audited the accompanying Compensation Report included in this 2017 Financial Report of Swiss Re Ltd (the Company) for the year ended 31 December 2017. The audit was limited to the information according to Articles 14 to 16 of the Ordinance against Excessive Compensation at Public Corporations (the Ordinance) contained in the tables on pages 173 to 178 of the Compensation Report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation framework and defining individual compensation packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and Articles 14 to 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with Articles 14 to 16 of the Ordinance. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the Compensation Report.

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

Opinion
In our opinion, the Compensation Report included in the 2017 Financial Report of the Company for the year ended 31 December 2017 complies with Swiss law and Articles 14 to 16 of the Ordinance.

PricewaterhouseCoopers Ltd

Alex Finn

Bret M. Griffin

Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zurich, 14 March 2018

Contents

Income statement

For the years ended 31 December

USD millions	Note	2016	2017
Revenues			
Gross premiums written	4	35 622	**34 775**
Net premiums written	4	33 570	**32 316**
Change in unearned premiums		–879	**803**
Premiums earned	3	32 691	**33 119**
Fee income from policyholders	3	540	**586**
Net investment income – non-participating business[1]	7	3 661	**3 708**
Net realised investment gains/losses – non-participating business[2]	7	1 484	**1 727**
Net investment result – unit-linked and with-profit business	7	5 382	**3 315**
Other revenues		28	**32**
Total revenues		43 786	**42 487**
Expenses			
Claims and claim adjustment expenses	3	–12 564	**–16 730**
Life and health benefits	3	–10 859	**–11 083**
Return credited to policyholders		–5 099	**–3 298**
Acquisition costs	3	–6 928	**–6 977**
Operating expenses		–3 358	**–3 308**
Total expenses before interest expenses		–38 808	**–41 396**
Income before interest and income tax expense		4 978	**1 091**
Interest expenses		–606	**–566**
Income before income tax expense		4 372	**525**
Income tax expense	13	–749	**–132**
Net income before attribution of non-controlling interests		3 623	**393**
Income/loss attributable to non-controlling interests		3	**5**
Net income after attribution of non-controlling interests		3 626	**398**
Interest on contingent capital instruments, net of tax		–68	**–67**
Net income attributable to common shareholders		3 558	**331**
Earnings per share in USD			
Basic	12	10.72	**1.03**
Diluted	12	9.82	**1.03**
Earnings per share in CHF[3]			
Basic	12	10.55	**1.02**
Diluted	12	9.66	**1.01**

[1] Total impairments for the years ended 31 December of USD 66 million in 2016 and USD 46 million in 2017, respectively, were fully recognised in earnings.
[2] Total impairments for the years ended 31 December of USD 88 million in 2016 and USD 57 million in 2017, respectively, were fully recognised in earnings.
[3] The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

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

Statement of comprehensive income

For the years ended 31 December

USD millions	2016	2017
Net income before attribution of non-controlling interests	3 623	**393**
Other comprehensive income, net of tax:		
Change in unrealised investment gains/losses	1 711	**287**
Change in other-than-temporary impairment	6	**3**
Change in cash flow hedges	–7	**–3**
Change in foreign currency translation	–387	**526**
Change in adjustment for pension benefits	–119	**315**
Total comprehensive income before attribution of non-controlling interests	4 827	**1 521**
Interest on contingent capital instruments	–68	**–67**
Comprehensive income attributable to non-controlling interests	3	**5**
Total comprehensive income attributable to common shareholders	4 762	**1 459**

Reclassification out of accumulated other comprehensive income

For the years ended 31 December

2016 USD millions	Unrealised investment gains/losses[1]	Other-than-temporary impairment[1]	Cash flow hedges[1]	Foreign currency translation[1, 2]	Adjustment from pension benefits[3]	Accumulated other comprehensive income
Balance as of 1 January	2 748	–11	0	–5 687	–1 016	–3 966
Change during the period	2 856	6	32	–267	–201	2 426
Amounts reclassified out of accumulated other comprehensive income	–704	2	–39		61	–680
Tax	–441	–2		–120	21	–542
Balance as of period end	4 459	–5	–7	–6 074	–1 135	–2 762

2017 USD millions	Unrealised investment gains/losses[1]	Other-than-temporary impairment[1]	Cash flow hedges[1]	Foreign currency translation[1, 2]	Adjustment from pension benefits[3]	**Accumulated other comprehensive income**
Balance as of 1 January	4 459	–5	–7	–6 074	–1 135	**–2 762**
Change during the period	2 755	4	30	347	348	**3 484**
Amounts reclassified out of accumulated other comprehensive income	–2 372	1	–33	–17	43	**–2 378**
Tax	–96	–2		196	–76	**22**
Balance as of period end	**4 746**	**–2**	**–10**	**–5 548**	**–820**	**–1 634**

[1] Reclassification adjustment included in net income is presented in "Net realised investment gains/losses – non-participating business".
[2] Reclassification adjustment is limited to translation gains and losses realised upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity.
[3] Reclassification adjustment included in net income is presented in "Operating expenses".

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

Balance sheet

ASSETS

As of 31 December

USD millions	Note	2016	2017
Investments	7, 8, 9		
Fixed income securities:			
Available-for-sale (including 10 036 in 2016 and 12 969 in 2017 subject to securities lending and repurchase agreements) (amortised cost: 2016: 85 171; 2017: 93 278)		90 581	**99 248**
Trading (including 1 871 in 2016 and 1 761 in 2017 subject to securities lending and repurchase agreements)		2 695	**2 538**
Equity securities:			
Available-for-sale (including 23 in 2016 and 277 in 2017 subject to securities lending and repurchase agreements) (cost: 2016: 2 897; 2017: 3 544)		3 375	**3 862**
Trading		60	**3**
Policy loans, mortgages and other loans		3 682	**4 110**
Investment real estate		1 925	**2 220**
Short-term investments (including 2 960 in 2016 and 411 in 2017 subject to securities lending and repurchase agreements)		10 909	**4 846**
Other invested assets		9 611	**9 904**
Investments for unit-linked and with-profit business (including fixed income securities trading: 5 153 in 2016 and 5 209 in 2017, equity securities trading: 25 807 in 2016 and 28 783 in 2017)		32 178	**35 166**
Total investments		155 016	**161 897**
Cash and cash equivalents (including 1 169 in 2016 and 322 in 2017 subject to securities lending)		9 011	**6 806**
Accrued investment income		1 108	**1 095**
Premiums and other receivables		13 270	**13 834**
Reinsurance recoverable on unpaid claims and policy benefits		7 461	**7 942**
Funds held by ceding companies		8 184	**9 155**
Deferred acquisition costs	6	6 200	**6 871**
Acquired present value of future profits	6	2 003	**1 989**
Goodwill		3 965	**4 172**
Income taxes recoverable		291	**378**
Deferred tax assets		5 902	**4 817**
Other assets		2 654	**3 570**
Total assets		215 065	**222 526**

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

LIABILITIES AND EQUITY

USD millions	Note	2016	2017
Liabilities			
Unpaid claims and claim adjustment expenses	5	57 355	**66 795**
Liabilities for life and health policy benefits	8	41 176	**42 561**
Policyholder account balances		34 354	**37 537**
Unearned premiums		11 629	**11 769**
Funds held under reinsurance treaties		2 544	**3 109**
Reinsurance balances payable		1 913	**1 036**
Income taxes payable		633	**679**
Deferred and other non-current tax liabilities		8 583	**6 975**
Short-term debt	11	1 564	**433**
Accrued expenses and other liabilities		9 811	**7 190**
Long-term debt	11	9 787	**10 148**
Total liabilities		179 349	**188 232**
Equity			
Contingent capital instruments		1 102	**750**
Common shares, CHF 0.10 par value 2016: 360 072 561; 2017: 349 452 281 shares authorised and issued		34	**33**
Additional paid-in capital		341	**368**
Treasury shares, net of tax		–1 763	**–1 842**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		4 459	**4 746**
Other-than-temporary impairment, net of tax		–5	**–2**
Cash flow hedges, net of tax		–7	**–10**
Foreign currency translation, net of tax		–6 074	**–5 548**
Adjustment for pension and other post-retirement benefits, net of tax		–1 135	**–820**
Total accumulated other comprehensive income		–2 762	**–1 634**
Retained earnings		38 682	**36 449**
Shareholders' equity		35 634	**34 124**
Non-controlling interests		82	**170**
Total equity		35 716	**34 294**
Total liabilities and equity		215 065	**222 526**

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

Statement of shareholders' equity

For the years ended 31 December

USD millions	2016	2017
Contingent capital instruments		
Balance as of 1 January	1 102	**1 102**
Changes during the period		**–352**
Balance as of period end	1 102	**750**
Common shares		
Balance as of 1 January	35	**34**
Issue of common shares		
Cancellation of shares bought back	–1	**–1**
Balance as of period end	34	**33**
Additional paid-in capital		
Balance as of 1 January	482	**341**
Gain on sale to minority shareholder		**34**
Contingent capital instrument issuance costs		**8**
Cancellation of shares bought back	–176	
Share-based compensation	2	**–14**
Realised gains/losses on treasury shares	33	**–1**
Balance as of period end	341	**368**
Treasury shares, net of tax		
Balance as of 1 January	–1 662	**–1 763**
Purchase of treasury shares	–1 190	**–1 161**
Cancellation of shares bought back	1 018	**1 006**
Issuance of treasury shares, including share-based compensation to employees	71	**76**
Balance as of period end	–1 763	**–1 842**
Net unrealised investment gains/losses, net of tax		
Balance as of 1 January	2 748	**4 459**
Changes during the period	1 711	**287**
Balance as of period end	4 459	**4 746**
Other-than-temporary impairment, net of tax		
Balance as of 1 January	–11	**–5**
Changes during the period	6	**3**
Balance as of period end	–5	**–2**
Cash flow hedges, net of tax		
Balance as of 1 January	0	**–7**
Changes during the period	–7	**–3**
Balance as of period end	–7	**–10**
Foreign currency translation, net of tax		
Balance as of 1 January	–5 687	**–6 074**
Changes during the period	–387	**526**
Balance as of period end	–6 074	**–5 548**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–1 016	**–1 135**
Changes during the period	–119	**315**
Balance as of period end	–1 135	**–820**

USD millions	2016	2017
Retained earnings		
Balance as of 1 January	37 526	**38 682**
Net income after attribution of non-controlling interests	3 626	**398**
Interest on contingent capital instruments, net of tax	–68	**–67**
Dividends on common shares	–1 561	**–1 559**
Cancellation of shares bought back	–841	**–1 005**
Balance as of period end	38 682	**36 449**
Shareholders' equity	35 634	**34 124**
Non-controlling interests		
Balance as of 1 January	89	**82**
Changes during the period	–4	**93**
Income/loss attributable to non-controlling interests	–3	**–5**
Balance as of period end	82	**170**
Total equity	35 716	**34 294**

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

Statement of cash flows

For the years ended 31 December

USD millions	2016	2017
Cash flows from operating activities		
Net income attributable to common shareholders	3 558	**331**
Add net income/loss attributable to non-controlling interests	–3	**–5**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	643	**542**
Net realised investment gains/losses	–5 787	**–4 048**
Income from equity-accounted investees, net of dividends received	135	**70**
Change in:		
Technical provisions and other reinsurance assets and liabilities, net	5 845	**5 739**
Funds held by ceding companies and under reinsurance treaties	862	**–276**
Reinsurance recoverable on unpaid claims and policy benefits	434	**61**
Other assets and liabilities, net	–37	**–386**
Income taxes payable/recoverable	–24	**–606**
Trading positions, net	489	**–119**
Net cash provided/used by operating activities	6 115	**1 303**
Cash flows from investing activities		
Fixed income securities:		
Sales	38 700	**43 904**
Maturities	4 218	**5 537**
Purchases	–44 389	**–52 696**
Net purchases/sales/maturities of short-term investments	–3 675	**6 459**
Equity securities:		
Sales	3 283	**7 421**
Purchases	–1 702	**–7 113**
Securities purchased/sold under agreement to resell/repurchase, net	789	**–1 042**
Cash paid/received for acquisitions/disposals and reinsurance transactions, net	318	**36**
Net purchases/sales/maturities of other investments	1 293	**–2 103**
Net purchases/sales/maturities of investments held for unit-linked and with-profit business	2 762	**2 356**
Net cash provided/used by investing activities	1 597	**2 759**
Cash flows from financing activities		
Policyholder account balances, unit-linked and with-profit business:		
Deposits	658	**565**
Withdrawals	–3 755	**–2 821**
Issuance/repayment of long-term debt	762	**–270**
Issuance/repayment of short-term debt	–1 331	**–1 221**
Issuance/repayment of contingent capital instrument		**–352**
Purchase/sale of treasury shares	–1 170	**–1 142**
Dividends paid to shareholders	–1 561	**–1 559**
Net cash provided/used by financing activities	–6 397	**–6 800**

USD millions	2016	2017
Total net cash provided/used	1 315	**–2 738**
Effect of foreign currency translation	–508	**533**
Change in cash and cash equivalents	807	**–2 205**
Cash and cash equivalents as of 1 January	8 204	**9 011**
Cash and cash equivalents as of 31 December	9 011	**6 806**

Interest paid was USD 674 million and USD 655 million (thereof USD 51 million and USD 49 million for letter of credit fees) for 2016 and 2017, respectively. Tax paid was USD 755 million and USD 720 million for 2016 and 2017, respectively.

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

Notes to the Group financial statements

1 Organisation and summary of significant accounting policies

Nature of operations
The Swiss Re Group, which is headquartered in Zurich, Switzerland, comprises Swiss Re Ltd (the parent company) and its subsidiaries (collectively, the "Swiss Re Group" or the "Group"). The Swiss Re Group is a wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Working through brokers and a network of offices around the globe, the Group serves a client base made up of insurance companies, mid-to-large-sized corporations and public-sector clients.

Basis of presentation
The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law. All significant intra-group transactions and balances have been eliminated on consolidation.

Principles of consolidation
The Group's financial statements include the consolidated financial statements of Swiss Re Ltd and its subsidiaries. Voting entities which Swiss Re Ltd directly or indirectly controls through holding a majority of the voting rights are consolidated in the Group's accounts. Variable interest entities (VIEs) are consolidated when the Swiss Re Group is the primary beneficiary. The Group is the primary beneficiary when it has power over the activities that impact the VIE's economic performance and at the same time has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. Companies which the Group does not control, but over which it directly or indirectly exercises significant influence, are accounted for using the equity method or the fair value option and are included in other invested assets. The Swiss Re Group's share of net profit or loss in investments accounted for under the equity method is included in net investment income. Equity and net income of these companies are adjusted as necessary to be in line with the Group's accounting policies. The results of consolidated subsidiaries and investments accounted for using the equity method are included in the financial statements for the period commencing from the date of acquisition.

Use of estimates in the preparation of financial statements
The preparation of financial statements requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosure, including contingent assets and liabilities. The Swiss Re Group's liabilities for unpaid claims and claim adjustment expenses and policy benefits for life and health include estimates for premium, claim and benefit data not received from ceding companies at the date of the financial statements. In addition, the Group uses certain financial instruments and invests in securities of certain entities for which exchange trading does not exist. The Group determines these estimates based on historical information, actuarial analyses, financial modelling and other analytical techniques. Actual results could differ significantly from the estimates described above.

Foreign currency remeasurement and translation
Transactions denominated in foreign currencies are remeasured to the respective subsidiary's functional currency at average exchange rates. Monetary assets and liabilities are remeasured to the functional currency at closing exchange rates, whereas non-monetary assets and liabilities are remeasured to the functional currency at historical rates. Remeasurement gains and losses on monetary assets and liabilities and trading securities are reported in earnings. Remeasurement gains and losses on available-for-sale securities, investments in consolidated subsidiaries and investments accounted for using the equity method are reported in shareholders' equity.

For consolidation purposes, assets and liabilities of subsidiaries with functional currencies other than US dollars are translated from the functional currency to US dollars at closing rates. Revenues and expenses are translated at average exchange rates. Translation adjustments are reported in shareholders' equity.

Valuation of financial assets

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, commercial paper, most investment-grade corporate debt, most high-yield debt securities, exchange-traded derivative instruments, most mortgage- and asset-backed securities and listed equity securities. In markets with reduced or no liquidity, spreads between bid and offer prices are normally wider compared to spreads in highly liquid markets. Such market conditions affect the valuation of certain asset classes of the Group, such as some asset-backed securities as well as certain derivative structures referencing such asset classes.

The Group considers both the credit risk of its counterparties and own risk of non-performance in the valuation of derivative instruments and other over-the-counter financial assets. In determining the fair value of these financial instruments, the assessment of the Group's exposure to the credit risk of its counterparties incorporates consideration of existing collateral and netting arrangements entered into with each counterparty. The measure of the counterparty credit risk is estimated with incorporation of the observable credit spreads, where available, or credit spread estimates derived based on the benchmarking techniques where market data is not available. The impact of the Group's own risk of non-performance is analysed in the manner consistent with the aforementioned approach, with consideration of the Group's observable credit spreads. The value representing such risk is incorporated into the fair value of the financial instruments (primarily derivatives), in a liability position as of the measurement date. The change in this adjustment from period to period is reflected in realised gains and losses in the income statement.

For assets or derivative structures at fair value, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Although management considers that appropriate values have been ascribed to such assets, there is always a level of uncertainty and judgement over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations. As of 31 December 2017, the Group has not provided any collateral on financial instruments in excess of its own market value estimates.

Investments

The Group's investments in fixed income and equity securities are classified as available-for-sale (AFS) or trading. Fixed income securities AFS and equity securities AFS are carried at fair value, based on quoted market prices, with the difference between the applicable measure of cost and fair value being recognised in shareholders' equity. Trading fixed income and equity securities are carried at fair value with unrealised gains and losses recognised in earnings. A trading classification is used for securities that are bought and held principally for the purpose of selling them in the near term.

The cost of equity securities AFS is reduced to fair value, with a corresponding charge to realised investment losses if the decline in value, expressed in functional currency terms, is other-than-temporary. Subsequent recoveries of previously recognised impairments are not recognised in earnings.

For fixed income securities AFS that are other-than-temporary impaired and for which there is not an intention to sell, the impairment is separated into (i) the estimated amount relating to credit loss, and (ii) the amount relating to all other factors. The estimated credit loss amount is recognised in earnings, with the remainder of the loss amount recognised in other comprehensive income. In cases where there is an intention or requirement to sell, the accounting of the other-than-temporary impairment is the same as for equity securities AFS described above.

Interest on fixed income securities is recorded in net investment income when earned and is adjusted for the amortisation of any purchase premium or discount. Dividends on equity securities are recognised as investment income on the ex-dividend date. Realised gains and losses on sales are included in earnings and are calculated using the specific identification method.

Policy loans, mortgages and other loans are carried at amortised cost. Interest income is recognised in accordance with the effective yield method.

Investment in real estate that the Group intends to hold for the production of income is carried at depreciated cost, net of any write-downs for impairment in value. Depreciation on buildings is recognised on a straight-line basis over the estimated useful life of the asset. Land is recognised at cost and not depreciated. Impairment in value is recognised if the sum of the estimated future undiscounted cash flows from the use of the real estate is lower than its carrying value. The impairment loss is measured as the amount by which the asset's carrying amount exceeds its fair value and is recognised in realised investment losses. Depreciation and other related charges or credits are included in net investment income. Investment in real estate held for sale is carried at the lower of cost or fair value, less estimated selling costs, and is not depreciated. Reductions in the carrying value of real estate held for sale are included in realised investment losses.

Short-term investments are measured at fair value with changes in fair value recognised in net income. The Group considers highly liquid investments with a remaining maturity at the date of acquisition of one year or less, but greater than three months, to be short-term investments.

Other invested assets include affiliated companies, equity accounted companies, derivative financial instruments, collateral receivables, securities purchased under agreement to resell, deposits and time deposits, and investments without readily determinable fair value (including limited partnership investments). Investments in limited partnerships where the Group's interest equals or exceeds 3% are accounted for using the equity method. Investments in limited partnerships where the Group's interest is below 3% and equity investments in corporate entities which are not publicly traded are accounted for at estimated fair value with changes in fair value recognised as unrealised gains/losses in shareholders' equity.

The Group enters into securities lending arrangements under which it loans certain securities in exchange for collateral and receives securities lending fees. The Group's policy is to require collateral, consisting of cash or securities, equal to at least 102% of the carrying value of the securities loaned. In certain arrangements, the Group may accept collateral of less than 102% if the structure of the overall transaction offers an equivalent level of security. Cash received as collateral is recognised along with an obligation to return the cash. Securities received as collateral that can be sold or repledged are also recognised along with an obligation to return those securities. Securities lending fees are recognised over the term of the related loans.

Derivative financial instruments and hedge accounting

The Group uses a variety of derivative financial instruments including swaps, options, forwards and exchange-traded financial futures for the Group's trading and hedging strategy in line with the overall risk management strategy. Derivative financial instruments are primarily used as a means of managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or existing liabilities and also to lock in attractive investment conditions for funds which become available in the future. The Group recognises all of its derivative instruments on the balance sheet at fair value. Changes in fair value on derivatives that are not designated as hedging instruments are recorded in income.

If the derivative is designated as a hedge of the fair value of assets or liabilities, changes in the fair value of the derivative are recognised in earnings, together with changes in the fair value of the related hedged item. If the derivative is designated as a hedge of the variability in expected future cash flows related to a particular risk, changes in the fair value of the derivative are reported in other comprehensive income until the hedged item is recognised in earnings. The ineffective portion of the hedge is recognised in earnings. When hedge accounting is discontinued on a cash flow hedge, the net gain or loss remains in accumulated other comprehensive income and is reclassified to earnings in the period in which the formerly hedged transaction is reported in earnings. When the Group discontinues hedge accounting because it is no longer probable that a forecasted transaction will occur within the required time period, the derivative continues to be carried on the balance sheet at fair value, and gains and losses that were previously recorded in accumulated other comprehensive income are recognised in earnings.

The Group recognises separately derivatives that are embedded within other host instruments if the economic characteristics and risks are not clearly and closely related to the economic characteristics and risks of the host contract and if it meets the definition of a derivative if it were a free-standing contract.

Derivative financial instrument assets are generally included in other invested assets and derivative financial instrument liabilities are generally included in accrued expenses and other liabilities.

The Group also designates non-derivative and derivative monetary financial instruments as hedges of the foreign currency exposure of its net investment in certain foreign operations. From the inception of the hedging relationship, remeasurement gains and losses on the designated non-derivative and derivative monetary financial instruments and translation gains and losses on the hedged net investment are reported as translation gains and losses in shareholders' equity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term deposits, certain short-term investments in money market funds and highly liquid debt instruments with a remaining maturity at the date of acquisition of three months or less.

Deferred acquisition costs

The Group incurs costs in connection with acquiring new and renewal reinsurance and insurance business. Some of these costs, which consist primarily of commissions, are deferred as they are directly related to the successful acquisition of such business.

Deferred acquisition costs for short-duration contracts are amortised in proportion to premiums earned. Future investment income is considered in determining the recoverability of deferred acquisition costs for short-duration contracts. Deferred acquisition costs for long-duration contracts are amortised over the life of underlying contracts. Deferred acquisition costs for universal-life and similar products are amortised based on the present value of estimated gross profits. Estimated gross profits are updated quarterly.

Modifications of insurance and reinsurance contracts
The Group accounts for modifications of insurance and reinsurance contracts that result in a substantially unchanged contract as a continuation of the replaced contract. The associated deferred acquisition costs and present value of future profits (PVFP) will continue to be amortised. The Group accounts for modifications of insurance and reinsurance contracts that result in a substantially changed contract as an extinguishment of the replaced contract. The associated deferred acquisition costs or PVFP are written off immediately through income and any new deferrable costs associated with the replacement contract are deferred.

Business combinations
The Group applies the acquisition method of accounting for business combinations. This method allocates the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition.

Life Capital closed blocks of business can be acquired in different legal forms, either through an acquisition of an entity's share capital or through a reinsurance transaction. The Group's policy is to treat these transactions consistently regardless of the legal form of the acquisition. Accordingly, the Group records the acquired assets and liabilities directly to the balance sheet. Premiums, life and health benefits and other income statement items are not recorded in the income statement on the date of the acquisition.

The underlying assets and liabilities acquired are subsequently accounted for according to the relevant GAAP guidance. This includes specific requirements applicable to subsequent accounting for assets and liabilities recognised as part of the acquisition method of accounting, including present value of future profits, goodwill and other intangible assets.

Acquired present value of future profits
The acquired present value of future profits (PVFP) of business in force is recorded in connection with the acquisition of life and health business. The initial value is calculated as the difference between established reserves, which are set up in line with US GAAP accounting policies and assumptions of the Group, and their fair value at the acquisition date. The resulting PVFP, which could be positive or negative, is amortised on a constant yield basis over the expected revenue recognition period of the business acquired, generally over periods ranging up to 30 years, with the accrual of interest added to the unamortised balance at the earned rate. Amortisation and accrual of interest are recognised in acquisition costs. The earned rate corresponds to either the current earned rate or the original earned rate depending on the business written. The rate is consistently applied for the entire life of the applicable business. For universal-life and similar products, PVFP is amortised in line with estimated gross profits, which are updated quarterly. The carrying value of PVFP is reviewed periodically for indicators of impairment in value. Adjustments to PVFP reflecting impairment in value are recognised in acquisition costs during the period in which the determination of impairment is made, or in other comprehensive income for shadow loss recognition.

Goodwill
The excess of the purchase price of acquired businesses over the estimated fair value of net assets acquired is recorded as goodwill, which is reviewed periodically for indicators of impairment in value. Adjustments to reflect impairment in value are recognised in earnings in the period in which the determination of impairment is made.

Other assets
Other assets include deferred expenses on retroactive reinsurance, prepaid reinsurance premiums, receivables related to investing activities, real estate for own use, other classes of property, plant and equipment, accrued income, certain intangible assets and prepaid assets.

The excess of estimated liabilities for claims and claim adjustment expenses payable over consideration received in respect of retroactive property and casualty reinsurance contracts is recorded as a deferred expense. The deferred expense on retroactive reinsurance contracts is amortised through earnings over the expected claims-paying period.

Real estate for own use as well as other classes of property, plant and equipment are carried at depreciated cost. Depreciation on buildings is recognised on a straight-line basis over the estimated useful life. Land is recognised at cost and not depreciated.

Capitalised software costs
External direct costs of materials and services incurred to develop or obtain software for internal use, payroll and payroll-related costs for employees directly associated with software development and interest cost incurred while developing software for internal use are capitalised and amortised on a straight-line basis through earnings over the estimated useful life.

Income taxes
Deferred income tax assets and liabilities are recognised based on the difference between financial statement carrying amounts and the corresponding income tax bases of assets and liabilities using enacted income tax rates and laws. A valuation allowance is recorded against deferred tax assets when it is deemed more likely than not that some or all of the deferred tax asset may not be realised.

The Group recognises the effect of income tax positions only if sustaining those positions is more likely than not. Changes in recognition or measurement are reflected in the period in which a change in judgement occurs.

Unpaid claims and claim adjustment expenses
Liabilities for unpaid claims and claim adjustment expenses for property and casualty and life and health insurance and reinsurance contracts are accrued when insured events occur and are based on the estimated ultimate cost of settling the claims, using reports and individual case estimates received from ceding companies. A provision is also included for claims incurred but not reported, which is developed on the basis of past experience adjusted for current trends and other factors that modify past experience. The establishment of the appropriate level of reserves is an inherently uncertain process involving estimates and judgements made by management, and therefore there can be no assurance that ultimate claims and claim adjustment expenses will not exceed the loss reserves currently established. These estimates are regularly reviewed, and adjustments for differences between estimates and actual payments for claims and for changes in estimates are reflected in income in the period in which the estimates are changed or payments are made.

The Group does not discount liabilities arising from prospective property and casualty insurance and reinsurance contracts, including liabilities which are discounted for US statutory reporting purposes. Liabilities arising from property and casualty insurance and reinsurance contracts acquired in a business combination are initially recognised at fair value in accordance with the acquisition method of accounting. The Group does not discount life and health claim reserves except for disability income claims in payment which are recognised at the estimated present value of the remaining ultimate net costs of the incurred claims.

Experience features which are directly linked to a reinsurance asset or liability are classified in a manner that is consistent with the presentation of that asset or liability.

Liabilities for life and health policy benefits
Liabilities for life and health policy benefits from reinsurance business are generally calculated using the net level premium method, based on assumptions as to investment yields, mortality, withdrawals, lapses and policyholder dividends. Assumptions are set at the time the contract is issued or, in the case of contracts acquired by purchase, at the purchase date. The assumptions are based on projections from past experience, making allowance for possible adverse deviation. Interest rate assumptions for life and health (re)insurance benefit liabilities are based on estimates of expected investment yields. Assumed mortality rates are generally based on experience multiples applied to the actuarial select and ultimate tables based on industry experience.

Liabilities for life and health policy benefits are increased with a charge to earnings if it is determined that future cash flows, including investment income, are insufficient to cover future benefits and expenses. Where assets backing liabilities for policy benefits are held as AFS these liabilities for policyholder benefits are increased by a shadow adjustment, with a charge to other comprehensive income, where future cash flows at market rates are insufficient to cover future benefits and expenses.

Policyholder account balances
Policyholder account balances relate to universal-life-type contracts and investment contracts.

Universal-life-type contracts are long-duration insurance contracts, providing either death or annuity benefits, with terms that are not fixed and guaranteed.

Investment contracts are long-duration contracts that do not incorporate significant insurance risk, ie there is no mortality and morbidity risk, or the mortality and morbidity risk associated with the insurance benefit features offered in the contract is of insignificant amount or remote probability. Amounts received as payment for investment contracts are reported as policyholder account balances. Related assets are included in general account assets except for investments for unit-linked and with-profit business, which are presented in a separate line item on the face of the balance sheet.

Amounts assessed against policyholders for mortality, administration and surrender are shown as fee income. Amounts credited to policyholders are shown as interest credited to policyholders. Investment income and realised investment gains and losses allocable to policyholders are included in net investment income and net realised investment gains/losses except for unit-linked and with-profit business, which is presented in a separate line item on the face of the income statement.

Unit-linked and with-profit business are presented together as they are similar in nature. For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the down-side risk for the policyholder, and a certain proportion of the returns may be retained by Swiss Re Group (typically 10%). Additional disclosures are provided in Note 7.

Funds held assets and liabilities
On the asset side, funds held by ceding companies consist mainly of amounts retained by the ceding company for business written on a funds withheld basis. In addition, the account also includes amounts arising from the application of the deposit method of accounting to ceded retrocession or reinsurance contracts.

On the liability side, funds held under reinsurance treaties consist mainly of amounts arising from the application of the deposit method of accounting to inward insurance and reinsurance contracts. In addition, the account also includes amounts retained from ceded business written on a funds withheld basis.

Funds withheld assets are assets that would normally be paid to the Group but are withheld by the cedent to reduce a potential credit risk or to retain control over investments. In case of funds withheld liabilities, it is the Group that withholds assets related to ceded business in order to reduce its credit risk or retain control over the investments.

The deposit method of accounting is applied to insurance and reinsurance contracts that do not indemnify the ceding company or the Group against loss or liability relating to insurance risk. Under the deposit method of accounting, the deposit asset or liability is initially measured based on the consideration paid or received. For contracts that transfer neither significant timing nor underwriting risk, and contracts that transfer only significant timing risk, changes in estimates of the timing or amounts of cash flows are accounted for by recalculating the effective yield. The deposit is then adjusted to the amount that would have existed had the new effective yield been applied since the inception of the contract. The revenue and expense recorded for such contracts is included in net investment income. For contracts that transfer only significant underwriting risk, once a loss is incurred, the deposit is adjusted by the present value of the incurred loss. At each subsequent balance sheet date, the portion of the deposit attributable to the incurred loss is recalculated by discounting the estimated future cash flows. The resulting changes in the carrying amount of the deposit are recognised in claims and claim adjustment expenses.

Funds withheld balances are presented together with assets and liabilities arising from the application of the deposit method because of their common deposit-type character.

Shadow adjustments

Shadow adjustments are recognised in other comprehensive income reflecting the offset of adjustments to deferred acquisition costs and PVFP, typically related to universal-life-type contracts, and policyholder liabilities. The purpose is to reflect the fact that certain amounts recorded as unrealised investment gains and losses within shareholders' equity will ultimately accrue to policyholders and not shareholders.

Shadow loss recognition testing becomes relevant in low interest rate environments. The test considers whether the hypothetical sale of AFS securities and the reinvestment of proceeds at lower yields would lead to negative operational earnings in future periods, thereby causing a loss recognition event. For shadow loss recognition testing, the Group uses current market yields to determine best estimate GAAP reserves rather than using locked in or current book yields. If the unlocked best estimate GAAP reserves based on current market rates are in excess of reserves based on locked in or current book yields, a shadow loss recognition reserve is set up. These reserves are recognised in other comprehensive income and do not impact net income. In addition, shadow loss recognition reserves can reverse up to the amount of losses recognised due to past loss events.

Premiums

Property and casualty reinsurance premiums are recorded when written and include an estimate for written premiums receivable at period end. Premiums earned are generally recognised in income over the contract period in proportion to the amount of reinsurance provided. Unearned premiums consist of the unexpired portion of reinsurance provided. Life reinsurance premiums are earned when due. Related policy benefits are recorded in relation to the associated premium or gross profits so that profits are recognised over the expected lives of the contracts.

Life and health reinsurance premiums for group coverages are generally earned over the term of the coverage. For group contracts that allow experience adjustments to premiums, such premiums are recognised as the related experience emerges.

Reinstatement premiums are due where coverage limits for the remaining life of the contract are reinstated under pre-defined contract terms. The recognition of reinstatement premiums as written depends on individual contract features. Reinstatement premiums are either recognised as written at the time a loss event occurs or in line with the recognition pattern of premiums written of the underlying contract. The accrual of reinstatement premiums is based on actuarial estimates of ultimate losses. Reinstatement premiums are generally earned in proportion to the amount of reinsurance provided.

Insurance and reinsurance ceded

The Group uses retrocession arrangements to increase its aggregate underwriting capacity, to diversify its risk and to reduce the risk of catastrophic loss on reinsurance assumed. The ceding of risks to retrocessionaires does not relieve the Group of its obligations to its ceding companies. The Group regularly evaluates the financial condition of its retrocessionaires and monitors the concentration of credit risk to minimise its exposure to financial loss from retrocessionaires' insolvency. Premiums and losses ceded under retrocession contracts are reported as reductions of premiums earned and claims and claim adjustment expenses. Amounts recoverable for ceded short- and long-duration contracts, including universal-life-type and investment contracts, are reported as assets in the accompanying consolidated balance sheet.

The Group provides reserves for uncollectible amounts on reinsurance balances ceded, based on management's assessment of the collectability of the outstanding balances.

Receivables
Premium and claims receivables which have been invoiced are accounted for at face value. Together with assets arising from the application of the deposit method of accounting that meet the definition of financing receivables they are regularly assessed for impairment. Evidence of impairment is the age of the receivable and/or any financial difficulties of the counterparty. Allowances are set up on the net balance, meaning all balances related to the same counterparty are considered. The amount of the allowance is set up in relation to the time a receivable has been due and financial difficulties of the debtor, and can be as high as the outstanding net balance.

Pensions and other post-retirement benefits
The Group accounts for its pension and other post-retirement benefit costs using the accrual method of accounting. Amounts charged to expense are based on periodic actuarial determinations.

Share-based payment transactions
As of 31 December 2017, the Group has a Leadership Performance Plan, restricted shares, and a Global Share Participation Plan. These plans are described in more detail in Note 15. The Group accounts for share-based payment transactions with employees using the fair value method. Under the fair value method, the fair value of the awards is recognised in earnings over the vesting period.

For share-based compensation plans which are settled in cash, compensation costs are recognised as liabilities, whereas for equity-settled plans, compensation costs are recognised as an accrual to additional paid-in capital within shareholders' equity.

Treasury shares
Treasury shares are reported at cost in shareholders' equity.

Earnings per common share
Basic earnings per common share are determined by dividing net income available to shareholders by the weighted average number of common shares entitled to dividends during the year. Diluted earnings per common share reflect the effect on earnings and average common shares outstanding associated with dilutive securities.

Subsequent events
Subsequent events for the current reporting period have been evaluated up to 14 March 2018. This is the date on which the financial statements are available to be issued.

Recent accounting guidance
In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers", which creates topic 606, "Revenue from Contracts with Customers". ASU 2014-09 outlines the principles that an entity should follow to provide useful information about the amount, timing and uncertainty of revenue and cash flows arising from contracts with its customers. The standard requires an entity to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Insurance contracts and financial instruments are not in the scope of the new standard. The Group will adopt ASU 2014-09 on 1 January 2018. It is expected that the adoption will not have a material impact on the Group's financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities", an update to subtopic 825-10, "Financial Instruments – Overall". The ASU requires an entity to carry investments in equity securities, including partnerships, unincorporated joint ventures and limited liability companies at fair value through net income, with the exception of equity method investments, investments that result in consolidation or investments for which the entity has elected the measurement alternative. For financial liabilities to which the fair value option has been applied, the ASU also requires an entity to separately present the change in fair value attributable to instrument-specific credit risk in other comprehensive income rather than in net income. In addition, the ASU requires an entity to assess whether a valuation allowance is needed on a deferred tax asset (DTA) related to fixed income securities available-for-sale in combination with the entity's other DTAs rather than separately from other DTAs. The Group will adopt ASU 2016-01 on 1 January 2018. The expected main impact from the adoption is a reclassification within shareholders' equity from net unrealised gains, net of tax, to retained earnings of USD 0.3 billion.

In February 2016, the FASB issued ASU 2016-02, "Leases", which creates topic 842, "Leases". The core principle of topic 842 is that a lessee should recognise the assets and liabilities that arise from leases. A lessee should recognise in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing the right to use the underlying asset for the lease term. This accounting treatment applies to finance leases and operating leases. The accounting applied by a lessor is largely unchanged from that applied under the current guidance. The new requirements are effective for annual and interim periods beginning after 15 December 2018. Early application of the ASU is permitted. The Group is currently assessing the impact of the new requirements.

In March 2016, the FASB issued ASU 2016-05, "Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships", an update to topic 815, "Derivatives and Hedging". The amendments in this ASU clarify that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under topic 815 does not require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. The Group adopted ASU 2016-05 on 1 January 2017. The adoption did not have an impact on the Group's financial statements.

In March 2016, the FASB issued ASU 2016-06, "Contingent Put and Call Options in Debt Instruments", an update to topic 815, "Derivatives and Hedging". This ASU clarifies the requirements for assessing whether contingent call or put options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments in this update is required to assess the embedded call or put options solely in accordance with the four-step decision sequence as defined in the implementation guidance issued by the Derivatives Implementation Group (DIG). The Group adopted ASU 2016-06 on 1 January 2017. The adoption did not have an impact on the Group's financial statements.

In March 2016, the FASB issued ASU 2016-07, "Simplifying the Transition to the Equity Method of Accounting", an update to topic 323, "Investments – Equity Method and Joint Ventures". The amendments in this update eliminate the requirement to retroactively adopt the equity method of accounting when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence. Instead, the amendments require that the equity method investor adds the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopts the equity method of accounting as of the date the investment qualifies for equity method accounting. The Group adopted ASU 2016-07 on 1 January 2017. The adoption did not have an impact on the Group's financial statements.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting", an update to topic 718, "Compensation – Stock Compensation". This ASU is part of the Board's Simplification Initiative and the areas for simplification in this update involve several aspects of accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The Group adopted ASU 2016-09 on 1 January 2017. The adoption did not have a material effect on the Group's financial statements.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses", an update to topic 326, "Financial Instruments – Credit Losses". ASU 2016-13 replaces the incurred loss impairment methodology in current US GAAP with a methodology that reflects expected credit losses. For financial instruments that are measured at amortised cost and available-for-sale debt securities, the standard requires that an entity recognises its estimate of expected credit losses as an allowance. The ASU is effective for annual and interim periods beginning after 15 December 2020. Early adoption for interim and annual periods after 15 December 2018 is permitted. The Group is currently assessing the impact of the new requirements.

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory", an update to topic 740, "Income Taxes". This ASU amends the current guidance which prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This new standard requires that an entity recognises the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The Group will adopt ASU 2016-16 on 1 January 2018. It is expected that the adoption will not have a material impact on the Group's equity.

In October 2016, the FASB issued ASU 2016-17, "Interests Held through Related Parties That Are under Common Control", an update to topic 810, "Consolidation". This ASU amends the consolidation guidance on how a reporting entity that is the single decision maker of a variable interest entity (VIE) should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. Under the amendments, a single decision maker is not required to consider indirect interests held through related parties that are under common control with the single decision maker to be the equivalent of direct interests in their entirety. Instead, a single decision maker is required to include those interests on a proportionate basis consistent with indirect interests held through other related parties. The Group adopted ASU 2016-17 on 1 January 2017. The adoption did not have an impact on the Group's financial statements.

In January 2017, the FASB issued ASU 2017-01, "Clarifying the Definition of a Business", an update to topic 805, "Business Combinations". The amendments in this update clarify the definition of a business in order to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments stipulate that when substantially all of the fair value of an integrated set of assets and activities ("set") acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The Group early adopted ASU 2017-01 on 1 July 2017. The adoption did not have an impact on the Group's financial statements.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment", an update to topic 350, "Intangibles – Goodwill and Other". This ASU simplifies the subsequent measurement of goodwill and eliminates Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity has to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognised assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, under the amendments in this update, an entity should perform its regular goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognise an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognised should not exceed the total amount of goodwill allocated to that reporting unit. The new requirements are effective for goodwill impairment tests in annual and interim periods beginning after 15 December 2020. Early application of the ASU is permitted. The Group is currently assessing the impact of the new requirements.

2 Information on business segments

The Group provides reinsurance and insurance throughout the world through its business segments. The business segments are determined by the organisational structure and by the way in which management reviews the operating performance of the Group.

The Group presents four core operating business segments: Property & Casualty Reinsurance, Life & Health Reinsurance, Corporate Solutions and Life Capital. The presentation of each segment's balance sheet is closely aligned to the segment legal entity structure. The assignment of assets and liabilities for entities that span more than one segment is determined by considering local statutory requirements, legal and other constraints, the economic view of duration and currency requirements of the reinsurance business written and the capacity of the segments to absorb risks. Interest expense is based on the segment's capital funding position. The tax impact of a segment is derived from the legal entity tax obligations and the segmentation of the pre-tax result. While most of the tax items can be directly attributed to individual segments, the tax which impacts two or more segments is allocated to the segments on a reasonable basis. Property & Casualty Reinsurance and Life & Health Reinsurance share the same year-to-date effective tax rate as both business segments belong to the Reinsurance Business Unit.

Accounting policies applied by the business segments are in line with those described in the summary of significant accounting policies (please refer to Note 1).

The Group operating segments are outlined below.

Property & Casualty Reinsurance and Life & Health Reinsurance
Reinsurance consists of two segments, Property & Casualty and Life & Health. The Reinsurance Business Unit operates globally, both through brokers and directly with clients, and provides a large range of solutions for risk and capital management. Clients include stock and mutual insurance companies as well as public sector and governmental entities. In addition to traditional reinsurance solutions, Reinsurance offers insurance-linked securities and other insurance-related capital market products in both Property & Casualty and Life & Health.

Property & Casualty includes the business lines property, casualty (including motor) and specialty. Life & Health includes the life and health lines of business.

Corporate Solutions
Corporate Solutions offers innovative insurance capacity to mid-sized and large multinational corporations across the globe. Offerings range from standard risk transfer covers and multi-line programmes to customised solutions tailored to the needs of clients. Corporate Solutions serves customers from over 50 offices worldwide.

Life Capital
Life Capital manages Swiss Re's primary life and health business. It encompasses the closed and open life and health insurance books, including the ReAssure business and the primary life and health insurance business comprising elipsLife and iptiQ. Through ReAssure, Swiss Re acquires closed blocks of inforce life and health insurance business, either through reinsurance or corporate acquisition, and typically assumes responsibility for administering the underlying policies. The administration of the business may be managed directly or, where appropriate, in partnership with a third party. In the open books business, elipsLife, the Group life and health insurance business, offers solutions to pension funds, corporates and affinity groups through an intermediated business to business ("B2B") model. The iptiQ business, primarily the individual life and health business, partners with distributors and enables individuals to address their protection needs on a white labelled basis.

Group items
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 units. Swiss Re Ltd charges trademark licence fees to the business segments which are reported as other revenues. Certain administrative expenses of the corporate centre functions that are not recharged to the operating segments are reported as Group items.

Consolidation
Segment information is presented net of external and internal retrocession and other intra-group arrangements. The Group total is obtained after elimination of intra-group transactions in the "Consolidation" column. This includes significant intra-group reinsurance arrangements, recharge of trademark licence fees and intersegmental funding.

a) Business segments – income statement
For the year ended 31 December

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Revenues							
Gross premiums written	18 149	12 801	4 155	1 489		–972	35 622
Net premiums written	17 768	11 459	3 662	681			33 570
Change in unearned premiums	–760	27	–159	13			–879
Premiums earned	17 008	11 486	3 503	694			32 691
Fee income from policyholders		41		499			540
Net investment income – non-participating business	985	1 279	138	1 256	101	–98	3 661
Net realised investment gains/losses – non-participating business	770	232	51	503	–72		1 484
Net investment result – unit-linked and with-profit business		15		5 367			5 382
Other revenues	37	5	5	1	346	–366	28
Total revenues	18 800	13 058	3 697	8 320	375	–464	43 786
Expenses							
Claims and claim adjustment expenses	–10 301		–2 263				–12 564
Life and health benefits		–8 963		–1 896			–10 859
Return credited to policyholders		–39		–5 060			–5 099
Acquisition costs	–4 405	–1 943	–517	–63			–6 928
Operating expenses	–1 204	–763	–760	–503	–473	345	–3 358
Total expenses before interest expenses	–15 910	–11 708	–3 540	–7 522	–473	345	–38 808
Income/loss before interest and income tax expense/benefit	2 890	1 350	157	798	–98	–119	4 978
Interest expenses	–293	–301	–23	–29	–79	119	–606
Income/loss before income tax expense/benefit	2 597	1 049	134	769	–177	0	4 372
Income tax expense/benefit	–479	–193	–1	–131	55		–749
Net income/loss before attribution of non-controlling interests	2 118	856	133	638	–122	0	3 623
Income/loss attributable to non-controlling interests	1		2				3
Net income/loss after attribution of non-controlling interests	2 119	856	135	638	–122	0	3 626
Interest on contingent capital instruments, net of tax	–19	–49					–68
Net income/loss attributable to common shareholders	2 100	807	135	638	–122	0	3 558
Claims ratio in %	60.5		64.6				61.2
Expense ratio in %	33.0		36.5				33.6
Combined ratio in %	93.5		101.1				94.8
Management expense ratio in %		6.0					
Net operating margin in %	15.4	10.4	4.2	27.0	–26.1		13.0

Business segments – income statement

For the year ended 31 December

2017 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Revenues							
Gross premiums written	16 544	13 313	4 193	1 761		–1 036	34 775
Net premiums written	16 031	11 826	3 600	859			32 316
Change in unearned premiums	636	25	51	91			803
Premiums earned	16 667	11 851	3 651	950			33 119
Fee income from policyholders		129		457			586
Net investment income – non-participating business	1 017	1 308	161	1 193	184	–155	3 708
Net realised investment gains – non-participating business	613	591	128	133	262		1 727
Net investment result – unit-linked and with-profit business		81		3 234			3 315
Other revenues	48	3	5	2	359	–385	32
Total revenues	**18 345**	**13 963**	**3 945**	**5 969**	**805**	**–540**	**42 487**
Expenses							
Claims and claim adjustment expenses	–13 172		–3 558				–16 730
Life and health benefits		–9 211		–1 872			–11 083
Return credited to policyholders		–119		–3 179			–3 298
Acquisition costs	–4 253	–2 064	–554	–106			–6 977
Operating expenses	–1 159	–754	–759	–514	–474	352	–3 308
Total expenses before interest expenses	**–18 584**	**–12 148**	**–4 871**	**–5 671**	**–474**	**352**	**–41 396**
Income/loss before interest and income tax expense/benefit	**–239**	**1 815**	**–926**	**298**	**331**	**–188**	**1 091**
Interest expenses	–280	–315	–23	–35	–101	188	–566
Income/loss before income tax expense/benefit	**–519**	**1 500**	**–949**	**263**	**230**	**0**	**525**
Income tax expense/benefit	125	–360	203	–102	2		–132
Net income/loss before attribution of non-controlling interests	**–394**	**1 140**	**–746**	**161**	**232**	**0**	**393**
Income/loss attributable to non-controlling interests			5				5
Net income/loss after attribution of non-controlling interests	**–394**	**1 140**	**–741**	**161**	**232**	**0**	**398**
Interest on contingent capital instruments, net of tax	–19	–48					–67
Net income/loss attributable to common shareholders	**–413**	**1 092**	**–741**	**161**	**232**	**0**	**331**
Claims ratio in %	79.0		97.4				82.3
Expense ratio in %	32.5		36.0				33.1
Combined ratio in %	111.5		133.4				115.4
Management expense ratio in %		5.7					
Net operating margin in %	–1.3	13.1	–23.5	10.9	41.1		2.8

Business segments – balance sheet
As of 31 December

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Assets							
Fixed income securities	31 574	29 980	6 361	25 350	11		93 276
Equity securities	1 292	867	539		737		3 435
Other investments	11 962	3 355	141	2 421	4 785	–7 446	15 218
Short-term investments	4 672	2 558	1 272	1 456	951		10 909
Investments for unit-linked and with-profit business		548		31 630			32 178
Cash and cash equivalents	4 922	410	472	2 636	571		9 011
Deferred acquisition costs	2 280	3 465	444	11			6 200
Acquired present value of future profits		966		1 037			2 003
Reinsurance recoverable	2 449	1 580	5 698	2 210		–4 476	7 461
Other reinsurance assets	9 620	6 369	2 616	3 949	4	–1 104	21 454
Goodwill	1 852	1 810	173	130			3 965
Other	8 640	4 049	1 279	1 470	1 181	–6 664	9 955
Total assets	79 263	55 957	18 995	72 300	8 240	–19 690	215 065
Liabilities							
Unpaid claims and claim adjustment expenses	39 753	10 288	10 271	1 498		–4 455	57 355
Liabilities for life and health policy benefits		15 431	268	25 499		–22	41 176
Policyholder account balances		1 566		32 788			34 354
Other reinsurance liabilities	10 816	1 709	4 310	684	2	–1 435	16 086
Short-term debt	1 202	5 221		80	431	–5 370	1 564
Long-term debt	3 307	5 074	497	1 465	80	–636	9 787
Other	11 124	9 106	1 370	3 014	2 183	–7 770	19 027
Total liabilities	66 202	48 395	16 716	65 028	2 696	–19 688	179 349
Shareholders' equity	13 040	7 562	2 218	7 272	5 544	–2	35 634
Non-controlling interests	21		61				82
Total equity	13 061	7 562	2 279	7 272	5 544	–2	35 716
Total liabilities and equity	79 263	55 957	18 995	72 300	8 240	–19 690	215 065

Business segments – balance sheet
As of 31 December

2017 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Group items	Consolidation	Total
Assets							
Fixed income securities	34 189	32 642	8 356	26 528	71		101 786
Equity securities	1 893	945	455	32	540		3 865
Other investments	14 460	3 212	191	2 697	5 530	–9 856	16 234
Short-term investments	1 608	996	482	1 711	49		4 846
Investments for unit-linked and with-profit business		585		34 581			35 166
Cash and cash equivalents	1 334	1 595	654	2 959	264		6 806
Deferred acquisition costs	2 146	4 234	454	37			6 871
Acquired present value of future profits		921		1 068			1 989
Reinsurance recoverable	2 541	4 638	5 737	5 200		–10 174	7 942
Other reinsurance assets	10 293	10 669	2 477	7 666	2	–8 118	22 989
Goodwill	1 944	1 873	213	142			4 172
Other	10 067	2 249	1 717	2 100	1 819	–8 092	9 860
Total assets	**80 475**	**64 559**	**20 736**	**84 721**	**8 275**	**–36 240**	**222 526**
Liabilities							
Unpaid claims and claim adjustment expenses	45 276	12 129	11 818	2 308		–4 736	66 795
Liabilities for life and health policy benefits		18 230	279	29 491		–5 439	42 561
Policyholder account balances		1 574		35 963			37 537
Other reinsurance liabilities	10 245	5 528	4 177	4 410	2	–8 448	15 914
Short-term debt	807	4 766		904	60	–6 104	433
Long-term debt	3 500	6 914	497	1 603		–2 366	10 148
Other	9 891	7 197	1 411	2 954	2 538	–9 147	14 844
Total liabilities	**69 719**	**56 338**	**18 182**	**77 633**	**2 600**	**–36 240**	**188 232**
Shareholders' equity	**10 755**	**8 221**	**2 385**	**7 088**	**5 675**	**0**	**34 124**
Non-controlling interests	1		169				170
Total equity	**10 756**	**8 221**	**2 554**	**7 088**	**5 675**	**0**	**34 294**
Total liabilities and equity	**80 475**	**64 559**	**20 736**	**84 721**	**8 275**	**–36 240**	**222 526**

b) Property & Casualty Reinsurance business segment – by line of business
For the year ended 31 December

2016 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	6 794	8 874	2 481		18 149
Net premiums written	6 499	8 833	2 436		17 768
Change in unearned premiums	153	–830	–83		–760
Premiums earned	6 652	8 003	2 353		17 008
Net investment income				985	985
Net realised investment gains/losses				770	770
Other revenues				37	37
Total revenues	6 652	8 003	2 353	1 792	18 800
Expenses					
Claims and claim adjustment expenses	–3 745	–5 466	–1 090		–10 301
Acquisition costs	–1 351	–2 468	–586		–4 405
Operating expenses	–665	–385	–154		–1 204
Total expenses before interest expenses	–5 761	–8 319	–1 830	0	–15 910
Income/loss before interest and income tax expense	891	–316	523	1 792	2 890
Interest expenses				–293	–293
Income/loss before income tax expense	891	–316	523	1 499	2 597
Claims ratio in %	56.3	68.3	46.4		60.5
Expense ratio in %	30.3	35.6	31.4		33.0
Combined ratio in %	86.6	103.9	77.8		93.5

Property & Casualty Reinsurance business segment – by line of business
For the year ended 31 December

2017 USD millions	Property	Casualty	Specialty	Unallocated	Total
Revenues					
Gross premiums written	6 505	7 715	2 324		16 544
Net premiums written	6 115	7 665	2 251		16 031
Change in unearned premiums	140	435	61		636
Premiums earned	6 255	8 100	2 312		16 667
Net investment income				1 017	1 017
Net realised investment gains/losses				613	613
Other revenues				48	48
Total revenues	**6 255**	**8 100**	**2 312**	**1 678**	**18 345**
Expenses					
Claims and claim adjustment expenses	–5 635	–6 041	–1 496		–13 172
Acquisition costs	–1 228	–2 414	–611		–4 253
Operating expenses	–636	–356	–167		–1 159
Total expenses before interest expenses	**–7 499**	**–8 811**	**–2 274**	**0**	**–18 584**
Income/loss before interest and income tax expense	**–1 244**	**–711**	**38**	**1 678**	**–239**
Interest expenses				–280	–280
Income/loss before income tax expense	**–1 244**	**–711**	**38**	**1 398**	**–519**
Claims ratio in %	90.1	74.6	64.7		79.0
Expense ratio in %	29.8	34.2	33.7		32.5
Combined ratio in %	119.9	108.8	98.4		111.5

c) Life & Health Reinsurance business segment – by line of business

For the year ended 31 December

2016 USD millions	Life	Health	Unallocated	Total
Revenues				
Gross premiums written	9 026	3 775		12 801
Net premiums written	7 773	3 686		11 459
Change in unearned premiums	5	22		27
Premiums earned	7 778	3 708		11 486
Fee income from policyholders	41			41
Net investment income – non-participating business[1]	912	367		1 279
Net realised investment gains/losses – non-participating business	21	–4	215	232
Net investment result – unit-linked and with-profit business	15			15
Other revenues	5			5
Total revenues	8 772	4 071	215	13 058
Expenses				
Life and health benefits	–6 093	–2 870		–8 963
Return credited to policyholders	–39			–39
Acquisition costs	–1 237	–706		–1 943
Operating expenses	–536	–227		–763
Total expenses before interest expenses	–7 905	–3 803	0	–11 708
Income before interest and income tax expense	867	268	215	1 350
Interest expenses			–301	–301
Income/loss before income tax expense	867	268	–86	1 049
Management expense ratio in %	6.1	5.6		6.0
Net operating margin[2] in %	9.9	6.6		10.4

[1] The Group revised the methodology for allocating investment return to lines of business. Comparative information for 2016 has been adjusted accordingly.
[2] Net operating margin is calculated as "Income before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

Life & Health Reinsurance business segment – by line of business

For the year ended 31 December

2017 USD millions	Life	Health	Unallocated	Total
Revenues				
Gross premiums written	9 525	3 788		13 313
Net premiums written	8 138	3 688		11 826
Change in unearned premiums	79	–54		25
Premiums earned	8 217	3 634		11 851
Fee income from policyholders	129			129
Net investment income – non-participating business	1 023	285		1 308
Net realised investment gains/losses – non-participating business	57	–1	535	591
Net investment result – unit-linked and with-profit business	81			81
Other revenues	3			3
Total revenues	**9 510**	**3 918**	**535**	**13 963**
Expenses				
Life and health benefits	–6 491	–2 720		–9 211
Return credited to policyholders	–119			–119
Acquisition costs	–1 432	–632		–2 064
Operating expenses	–533	–221		–754
Total expenses before interest expenses	**–8 575**	**–3 573**	**0**	**–12 148**
Income before interest and income tax expense	**935**	**345**	**535**	**1 815**
Interest expenses			–315	–315
Income before income tax expense	**935**	**345**	**220**	**1 500**
Management expense ratio in %	5.7	5.6		5.7
Net operating margin[1] in %	9.9	8.8		13.1

[1] Net operating margin is calculated as "Income before interest and income tax expense" divided by "Total revenues" excluding "Net investment result – unit-linked and with-profit business".

d) Net premiums earned and fee income from policyholders by geography

Net premiums earned and fee income from policyholders by region for the years ended 31 December

USD millions	2016	2017
Americas	15 102	16 101
Europe (including Middle East and Africa)	10 928	10 546
Asia-Pacific	7 201	7 058
Total	33 231	**33 705**

Net premiums earned and fee income from policyholders by country for the years ended 31 December

USD millions	2016	2017
United States	12 401	13 509
United Kingdom	3 759	3 382
Australia	1 919	2 095
China	2 425	1 933
Germany	1 200	1 258
Japan	1 105	1 168
Canada	1 107	1 137
Switzerland	902	886
France	733	730
Ireland	754	673
Spain	472	524
Other	6 454	6 410
Total	33 231	**33 705**

Net premiums earned and fee income from policyholders are allocated by country, based on the underlying contract.

3 Insurance information

Premiums earned and fees assessed against policyholders

For the years ended 31 December

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Premiums earned, thereof:					
Direct		45	2 879	1 293	4 217
Reinsurance	17 166	12 204	968	173	30 511
Intra-group transactions (assumed and ceded)	113	594	–113	–594	0
Premiums earned before retrocession to external parties	17 279	12 843	3 734	872	34 728
Retrocession to external parties	–271	–1 357	–231	–178	–2 037
Net premiums earned	17 008	11 486	3 503	694	32 691
Fee income from policyholders, thereof:					
Direct				410	410
Reinsurance		40		89	129
Gross fee income before retrocession to external parties		40		499	539
Retrocession to external parties		1			1
Net fee income	0	41	0	499	540

2017 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Premiums earned, thereof:					
Direct		55	3 229	1 465	4 749
Reinsurance	16 901	12 829	862	128	30 720
Intra-group transactions (assumed and ceded)	137	315	–137	–315	0
Premiums earned before retrocession to external parties	17 038	13 199	3 954	1 278	35 469
Retrocession to external parties	–371	–1 348	–303	–328	–2 350
Net premiums earned	**16 667**	**11 851**	**3 651**	**950**	**33 119**
Fee income from policyholders, thereof:					
Direct				362	362
Reinsurance		130		95	225
Gross fee income before retrocession to external parties		130		457	587
Retrocession to external parties		–1			–1
Net fee income	**0**	**129**	**0**	**457**	**586**

Claims and claim adjustment expenses
For the year ended 31 December

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Claims paid, thereof:					
Gross claims paid to external parties	−8 546	−10 032	−2 563	−3 384	−24 525
Intra-group transactions (assumed and ceded)	−502	−477	502	477	0
Claims before receivables from retrocession to external parties	−9 048	−10 509	−2 061	−2 907	−24 525
Retrocession to external parties	342	1 205	223	227	1 997
Net claims paid	−8 706	−9 304	−1 838	−2 680	−22 528
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:					
Gross – with external parties	−2 014	392	257	833	−532
Intra-group transactions (assumed and ceded)	702	−34	−702	34	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	−1 312	358	−445	867	−532
Retrocession to external parties	−283	−17	20	−83	−363
Net unpaid claims and claim adjustment expenses; life and health benefits	−1 595	341	−425	784	−895
Claims and claim adjustment expenses; life and health benefits	−10 301	−8 963	−2 263	−1 896	−23 423

Acquisition costs
For the year ended 31 December

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	−4 458	−2 094	−589	−137	−7 278
Intra-group transactions (assumed and ceded)	−16	−59	16	59	0
Acquisition costs before impact of retrocession to external parties	−4 474	−2 153	−573	−78	−7 278
Retrocession to external parties	69	210	56	15	350
Net acquisition costs	−4 405	−1 943	−517	−63	−6 928

Claims and claim adjustment expenses

For the year ended 31 December

2017 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Claims paid, thereof:					
Gross claims paid to external parties	–9 866	–9 505	–2 571	–3 170	–25 112
Intra-group transactions (assumed and ceded)	–177	–226	177	226	0
Claims before receivables from retrocession to external parties	–10 043	–9 731	–2 394	–2 944	–25 112
Retrocession to external parties	279	1 162	192	357	1 990
Net claims paid	**–9 764**	**–8 569**	**–2 202**	**–2 587**	**–23 122**
Change in unpaid claims and claim adjustment expenses; life and health benefits, thereof:					
Gross – with external parties	–3 791	–533	–1 016	727	–4 613
Intra-group transactions (assumed and ceded)	365	–53	–365	53	0
Unpaid claims and claim adjustment expenses; life and health benefits before impact of retrocession to external parties	–3 426	–586	–1 381	780	–4 613
Retrocession to external parties	18	–56	25	–65	–78
Net unpaid claims and claim adjustment expenses; life and health benefits	**–3 408**	**–642**	**–1 356**	**715**	**–4 691**
Claims and claim adjustment expenses; life and health benefits	**–13 172**	**–9 211**	**–3 558**	**–1 872**	**–27 813**

Acquisition costs

For the year ended 31 December

2017 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Acquisition costs, thereof:					
Gross acquisition costs with external parties	–4 297	–2 277	–621	–155	–7 350
Intra-group transactions (assumed and ceded)	–19	–12	19	12	0
Acquisition costs before impact of retrocession to external parties	–4 316	–2 289	–602	–143	–7 350
Retrocession to external parties	63	225	48	37	373
Net acquisition costs	**–4 253**	**–2 064**	**–554**	**–106**	**–6 977**

Reinsurance recoverable on unpaid claims and policy benefits

As of 31 December 2016 and 2017, the Group had a reinsurance recoverable of USD 7 461 million and USD 7 942 million, respectively. The concentration of credit risk is regularly monitored and evaluated. The reinsurance programme with Berkshire Hathaway and subsidiaries accounted for 40% and 34% of the Group's reinsurance recoverable as of year-end 2016 and 2017, respectively.

Reinsurance receivables

Reinsurance receivables as of 31 December were as follows:

USD millions	2016	**2017**
Premium receivables invoiced	1 717	3 135
Receivables invoiced from ceded re/insurance business	177	427
Assets arising from the application of the deposit method of accounting and meeting the definition of financing receivables	141	147
Recognised allowance	–60	–71

Policyholder dividends

Policyholder dividends are recognised as an element of policyholder benefits. The relative percentage of participating insurance of the life and health policy benefits in 2016 and 2017 was 10% and 10%, respectively. The amount of policyholder dividend expense in 2016 and 2017 was USD 279 million and USD 146 million, respectively.

This page is intentionally left blank.

4 Premiums written

For the years ended 31 December

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Consolidation	Total
Gross premiums written, thereof:						
Direct		45	3 056	1 317		4 418
Reinsurance	17 862	12 210	960	172		31 204
Intra-group transactions (assumed)	287	546	139		–972	0
Gross premiums written	18 149	12 801	4 155	1 489	–972	35 622
Intra-group transactions (ceded)	–139		–287	–546	972	0
Gross premiums written before retrocession to external parties	18 010	12 801	3 868	943		35 622
Retrocession to external parties	–242	–1 342	–206	–262		–2 052
Net premiums written	17 768	11 459	3 662	681	0	33 570

2017 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Consolidation	Total
Gross premiums written, thereof:						
Direct		55	3 279	1 489		4 823
Reinsurance	16 290	12 732	802	128		29 952
Intra-group transactions (assumed)	254	526	112	144	–1 036	0
Gross premiums written	16 544	13 313	4 193	1 761	–1 036	34 775
Intra-group transactions (ceded)	–112	–144	–254	–526	1 036	0
Gross premiums written before retrocession to external parties	16 432	13 169	3 939	1 235		34 775
Retrocession to external parties	–401	–1 343	–339	–376		–2 459
Net premiums written	**16 031**	**11 826**	**3 600**	**859**	**0**	**32 316**

5 Unpaid claims and claim adjustment expenses

A reconciliation of the opening and closing reserve balances for unpaid claims and claim adjustment expenses for the years ended 31 December is presented as follows:

USD millions	2016	**2017**
Balance as of 1 January	55 518	57 355
Reinsurance recoverable	–4 265	–4 044
Deferred expense on retroactive reinsurance	–340	–211
Net balance as of 1 January	50 913	**53 100**
Incurred related to:		
Current year	25 825	28 923
Prior year	–810	–630
Amortisation of deferred expense on retroactive reinsurance and impact of commutations	–26	–5
Total incurred	24 989	**28 288**
Paid related to:		
Current year	–9 720	–8 859
Prior year	–12 808	–14 263
Total paid	–22 528	**–23 122**
Foreign exchange	–1 317	2 653
Effect of acquisitions, disposals, new retroactive reinsurance and other items	1 043	1 178
Net balance as of period end	53 100	**62 097**
Reinsurance recoverable	4 044	4 458
Deferred expense on retroactive reinsurance	211	240
Balance as of period end	57 355	**66 795**

Prior-year development

Non-life claims development during 2017 on prior years continued to be driven by favourable experience on most lines of business. Property was mainly driven by positive claims development across the most recent accident years. Casualty includes adverse development on motor. Within specialty, the main reserve releases came from marine and engineering business lines, partially offset with adverse credit and surety experience.

For life and health lines of business, claims development on prior-year business was driven by adverse claim experience across a number of lines of business and geographies. In particular, the UK critical illness and US life portfolios strengthened reserves following adverse trends. This was partially offset by positive experience in Continental Europe, in particular in German disability and life portfolios. Claims development related to prior years also includes an element of interest accretion for unpaid claims reported at the estimated present value.

A summary of prior-year net claims and claim adjustment expenses development by lines of business for the years ended 31 December is shown below:

USD millions	2016	**2017**
Line of business:		
Property	–335	–555
Casualty	–249	–67
Specialty	–357	–178
Life and health	131	170
Total	–810	**–630**

US asbestos and environmental claims exposure

The Group's obligation for claims payments and claims settlement charges also includes obligations for long-latent injury claims arising out of policies written prior to 1986, in particular in the area of US asbestos and environmental liability.

At the end of 2017, the Group carried net reserves for US asbestos and environmental liabilities equal to USD 1 830 million. During 2017, the Group incurred net losses of USD 45 million and paid net against these liabilities of USD 192 million.

Estimating ultimate asbestos and environmental liabilities is particularly complex for a number of reasons, relating in part to the long period between exposure and manifestation of claims and in part to other factors, which include risks and lack of predictability inherent in complex litigation, changes in projected costs to resolve and in the projected number of asbestos and environmental claims, the effect of bankruptcy protection, insolvencies and changes in the legal, legislative and regulatory environment. As a result, the Group believes that projection of exposures for asbestos and environmental claims is subject to far less predictability relative to non-environmental and non-asbestos exposures. Management believes that its reserves for asbestos and environmental claims are appropriately established based upon known facts and the current state of the law. However, reserves are subject to revision as new information becomes available and as claims develop. Additional liabilities may arise for amounts in excess of reserves, and the Group's estimate of claims and claim adjustment expenses may change. Any such additional liabilities or increases in estimates cannot be reasonably estimated in advance but could result in charges that could be material to operating results.

Short duration contract unpaid claims and claim adjustment expenses

Basis of presentation for claims development information

This section of the note provides claims development information on an accident year basis.

Claims development information and information on reserves for claims relating to insured events that have occurred but have not yet been reported or not enough reported ("IBNR") are generally presented by line of business for individually significant categories. Starting from a line of business split, additional aggregation or disaggregation is provided where appropriate, necessary and practicable ("disaggregation categories"). For instance, Reinsurance liability and motor lines of business are further disaggregated into proportional and non-proportional treaty types to provide more specific information on claims development, whereas specialty is shown as one distinct category.

In the Property & Casualty Reinsurance and Corporate Solutions segments, all contracts that transfer significant insurance risk are included in scope to the extent they can be allocated to a disaggregation category. For many reinsurance contracts, proportional contracts in particular, ceding companies do not report losses by accident year. In these cases, the Group has allocated reported losses by underwriting year to accident year to produce the accident year tables. Similarly, IBNR is calculated on an underwriting year basis and then the liabilities are allocated to accident year.

In the Life & Health Reinsurance segment, contracts classified as short duration include group life business, certain types of disability and long-term care contracts, group accident, health coverage including critical illness and medical expenses. The Group provides claims development information for Life & Health Reinsurance where reported accident year information is available and there is potential for claims development. This primarily applies to the Group's disability lines classified as short duration. This business is generally considered to have relatively higher claims estimation uncertainty than other life and health lines such as group life, due to longer claims development periods.

In the Life Capital segment, short duration contracts include mainly disability medical expenses business. The Group provides no claims development information for Life Capital as its short duration reserves are not material.

Amounts shown in the claims development tables are net of external retrocession and retrocession between business segments to the extent a retrocession program can be allocated to a disaggregation category. Ceded retroactive reinsurance is not included in the claims development table if it cannot be allocated on a reasonable basis to the disaggregation categories used to present claims development information.

Claims development information and information on IBNR reserves are shown on a nominal basis, also for cases where the Group discounts claims liabilities for measurement under US GAAP. Information is shown per accident year and by reporting period. The number of years shown in the claims development tables differs by business segment:

For Property & Casualty Reinsurance and for Life & Health Reinsurance long-tail, the Group discloses data for ten accident years and reporting periods.

The Corporate Solutions business segment was created in 2012. Therefore, six accident years and reporting periods are shown for this business unit. All but an immaterial portion of claims arising from accident years prior to 2012 relate to accident years which are over ten years ago and therefore out of the required range of disclosure. Business ceded to Property & Casualty Reinsurance prior to 2012 is included in the net claims development information reported by this segment.

The current reporting period estimate of net claims liabilities for accident years older than the number of years shown in the claims development tables is presented as a total after disclosure of cumulative paid claims.

The information presented in claims development tables is presented at current balance sheet foreign exchange rates as of the date of these financial statements to permit an analysis of claims development excluding the impact of foreign exchange movements.

Some of the information provided in the following tables, is Required Supplementary Information (RSI) under US GAAP. Therefore it does not form part of these consolidated audited financial statements. Claims development information for all periods except the current reporting period and any information derived from it – including average annual percentage payout of claims incurred – is considered RSI and is identified as RSI in the tables presented.

Methodology for determining the presented amounts of liabilities for IBNR claims
The liability for unpaid claims and claim adjustment expenses is based on an estimate of the ultimate cost of settling the claims based on both information reported to us by ceding companies and internal estimates.

Non-life re/insurance contracts
For reinsurance business, cedents report their case reserves and their estimated IBNR to the Group. The Group develops and recognises its own estimate of IBNR claims, which includes circumstances in which the cedent has not reported any claims to the Group or where the Group's estimate of reserves needed to cover reported claims differs from the amounts reported by cedents. Reserving for insurance business is performed similarly, except that the Group estimates case reserves as well. Reserving is done on portfolio or contract level depending on the features of the contract:

For business reviewed on a portfolio level, the expected ultimate losses are set for most lines and types of business based on analysis performed using standard actuarial techniques. In general, contracts are aggregated into portfolios by combining contracts with similar features.

In most cases, these standard actuarial techniques encompass a number of loss development factor techniques applied to claim tables of paid and reported losses. Other actuarial techniques may be applicable to specific categories. For instance, the analysis of frequency and severity could be applied in all disaggregation categories. Life contingency techniques for projecting regular payments related to bodily injury claims are applied to motor proportional, motor non-proportional, liability proportional, liability non-proportional, accident and health and similar Corporate Solutions lines, where the information is available. In some cases, techniques specific to the projection of future payments for specific risks such as asbestos or pollution claims are applied to both proportional and non-proportional liability claims, also in Corporate Solutions (see also separate section "US asbestos and environmental claims exposure" on page 217).

Contract-level reserving is based on standard actuarial techniques but requires more detailed contract, pricing, claim and exposure information than required for the business reviewed on a portfolio level.

In addition, the following applies to all non-life re/insurance business:

- For the most recent underwriting years, reliance may be made on the Group's costing and underwriting functions for the initial estimates of claims, although the initial reserving estimates may differ from these pricing estimates if there is good reason to believe losses are likely to emerge higher or lower, and in light of the limited claims experience to date. Reviews of those initial estimates are performed regularly, forming a basis for adjustments on both the current and prior underwriting years.

- The reserving process considers any information available in respect of either a specific case or a large loss event and the impact of any unusual features in the technical accounting of information provided by cedents.

Life and health re/insurance contracts
For the Life & Health Reinsurance long tail business, the liability for IBNR claims includes provision for "not yet reported claims" expected to have been incurred in respect of both already processed and not yet processed reinsurance accounts and generally includes provisions for the cost of claims on disability contracts that currently are within their deferred period. The IBNR reserving calculations have been made using appropriate techniques, such as chain ladder and/or Bornhuetter-Ferguson approaches, depending upon the level of detail available and the assumed level of development of the claim. For certain lines of business, IBNR claims reserves include reported but not admitted claims, allowing for expected rates of decline for these claims.

Claims frequency information
Claims frequency information is not available for the disaggregation categories of Property & Casualty Reinsurance, as cedents do not report claims frequency information to the Group for most of the assumed reinsurance contract types. These contracts are to be found in all disaggregation categories presented.

Life & Health Reinsurance reports claims frequency information based on individual incidence. The number of reported claims is the actual number of claims booked. For Group income protection business, claims with multiple payments in a year are counted as one claim with the corresponding amount annualised. Claims that are reported but not admitted are included in the claim count.

For Corporate Solutions, claims frequency is displayed for direct business only, as individual claims information is generally not available for assumed and ceded business. Claims are counted individually per contract to produce the claims frequency table. For some direct business, summary reports are received and multiple claims are booked under a single claim code; this is usually done at a program, policy year, state, country and/or line of business level of detail. This approach may be applied to business which has a high volume of claim counts, but with only minor claims dollars associated with each claim.

Property & Casualty Reinsurance – Property

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year										
Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**	**thereof IBNR**
2008	*2 715*	*2 286*	*2 150*	*2 068*	*2 065*	*2 087*	*2 078*	*2 078*	*2 076*	2 073	16
2009		*2 427*	*2 442*	*2 320*	*2 276*	*2 255*	*2 252*	*2 250*	*2 252*	2 220	4
2010			*2 639*	*2 575*	*2 446*	*2 472*	*2 562*	*2 606*	*2 720*	2 692	–70
2011				*4 433*	*4 497*	*4 313*	*4 377*	*4 329*	*4 325*	4 344	122
2012					*2 772*	*2 600*	*2 396*	*2 352*	*2 322*	2 307	–3
2013						*3 269*	*3 281*	*3 100*	*3 012*	2 988	4
2014							*2 831*	*2 666*	*2 483*	2 448	11
2015								*2 940*	*2 870*	2 697	112
2016	*RSI*								*4 055*	3 773	378
2017										6 166	3 387
Total										**31 708**	**3 961**

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									
Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
2008	*600*	*1 433*	*1 751*	*1 877*	*2 007*	*2 041*	*2 056*	*2 062*	*2 063*	2 071
2009		*583*	*1 666*	*1 996*	*2 103*	*2 154*	*2 177*	*2 187*	*2 198*	2 180
2010			*409*	*1 576*	*1 890*	*2 006*	*2 216*	*2 375*	*2 526*	2 572
2011				*688*	*2 465*	*3 297*	*3 756*	*4 056*	*4 164*	4 289
2012					*251*	*1 640*	*2 043*	*2 167*	*2 211*	2 231
2013						*562*	*2 085*	*2 613*	*2 815*	2 877
2014							*481*	*1 770*	*2 168*	2 300
2015								*483*	*1 717*	2 257
2016	*RSI*								*659*	2 295
2017										1 017
Total										**24 089**
All liabilities before 2008										153
Liabilities for claims and claim adjustment expenses, net of reinsurance										**7 772**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Property (RSI)	*18.7%*	*47.4%*	*16.6%*	*6.2%*	*4.5%*	*2.4%*	*2.4%*	*0.8%*	*–0.4%*	*0.4%*

The liability for unpaid claims and claim adjustment expenses for property in Property & Casualty Reinsurance shows positive development on most recent accident years. Claims in accident year 2011 were at a high level due to several large natural catastrophes including the earthquake and tsunami in Japan, the earthquakes in Christchurch, New Zealand, and floods in Thailand. The 2017 claims incurred are higher due to natural catastrophes, mainly stemming from Cyclone Debbie, hurricanes Harvey, Irma and Maria in the Americas, the two earthquakes in Mexico and the wildfires in California.

Negative IBNRs can be a feature for claims arising from property exposure, due to overstated case reserves. The IBNR reserves for 2010 and 2011 are affected by allocations of IBNR for proportional treaty business in respect of several natural catastrophe events that occurred in those years.

Property & Casualty Reinsurance – Liability, proportional

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year										
Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	thereof IBNR
2008	*1 140*	*1 164*	*1 234*	*1 306*	*1 196*	*1 094*	*1 156*	*1 155*	*1 172*	1 162	55
2009		*730*	*865*	*989*	*945*	*941*	*920*	*932*	*942*	936	60
2010			*843*	*991*	*931*	*910*	*907*	*910*	*899*	863	105
2011				*648*	*706*	*729*	*676*	*635*	*631*	608	103
2012					*529*	*612*	*568*	*539*	*511*	513	98
2013						*738*	*762*	*769*	*764*	768	173
2014							*1 007*	*997*	*1 010*	993	386
2015								*1 279*	*1 327*	1 411	736
2016	*RSI*								*1 730*	1 759	1 097
2017										1 983	1 569
Total										**10 996**	**4 382**

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									
Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2008	*56*	*175*	*323*	*490*	*577*	*696*	*806*	*925*	*979*	1 021
2009		*–66*	*85*	*239*	*364*	*479*	*588*	*639*	*686*	722
2010			*29*	*161*	*321*	*413*	*523*	*618*	*668*	688
2011				*2*	*110*	*184*	*254*	*340*	*386*	403
2012					*13*	*119*	*186*	*246*	*300*	332
2013						*14*	*130*	*238*	*353*	423
2014							*24*	*162*	*298*	404
2015								*35*	*214*	404
2016	*RSI*								*48*	227
2017										51
Total										**4 675**
All liabilities before 2008										606
Liabilities for claims and claim adjustment expenses, net of reinsurance										**6 927**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Liability, proportional (RSI)	*1.6%*	*14.7%*	*14.3%*	*12.5%*	*11.1%*	*9.3%*	*5.9%*	*5.9%*	*4.2%*	*3.6%*

The increase in the incurred losses for accident years 2013 to 2017 is driven by volume increases of business being written. The increases in the incurred losses in reporting year 2017 for accident years 2015 and 2016 are driven by US business.

In line with the Group's policy, cash flows under loss portfolio transfers are reported through claims paid. For longer-tailed lines and depending on the business volume written, timing of cash flows can lead to net inward payments across the whole portfolio in the first development year of the contract for some accident years.

Property & Casualty Reinsurance – Liability, non-proportional

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions Accident year	Reporting year 2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	thereof IBNR
2008	697	739	685	557	512	478	446	420	398	390	55
2009		521	532	440	438	399	365	339	325	323	34
2010			536	449	412	386	364	343	334	320	49
2011				412	441	479	439	394	361	347	64
2012					337	355	315	287	265	258	72
2013						417	398	362	306	276	112
2014							442	447	414	370	200
2015								1 843	1 884	1 852	260
2016	RSI								597	560	298
2017										502	424
Total										**5 198**	**1 568**

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions Accident year	Reporting year 2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2008	–9	27	100	130	165	192	234	254	283	297
2009		–14	12	33	56	96	161	184	192	202
2010			1	11	36	53	88	106	125	161
2011				1	10	66	114	140	148	172
2012					–4	11	35	53	85	108
2013						–2	11	37	60	83
2014							–2	8	40	74
2015								0	94	203
2016	RSI								14	158
2017										–2
Total										**1 456**
All liabilities before 2008										5 768
Liabilities for claims and claim adjustment expenses, net of reinsurance										**9 510**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Liability, non-proportional (RSI)	–0.7%	7.4%	10.3%	8.4%	10.1%	8.8%	7.7%	6.3%	5.3%	3.6%

The increase in incurred losses for accident year 2015 compared to other years is due to an increase in volume of business written. Liabilities before 2008 include reserves for historic US Asbestos and Environmental losses.

In line with the Group's policy, cash flows under loss portfolio transfers are reported through claims paid. For longer-tailed lines and depending on the business volume written, timing of cash flows can lead to net inward payments across the whole portfolio in the first development year of the contract for some accident years.

Property & Casualty Reinsurance – Accident & Health

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year										
Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**	thereof IBNR
2008	*385*	*423*	*412*	*423*	*432*	*421*	*419*	*418*	*423*	425	88
2009		*352*	*375*	*352*	*346*	*342*	*333*	*328*	*320*	315	26
2010			*276*	*228*	*234*	*222*	*219*	*221*	*213*	208	28
2011				*231*	*252*	*247*	*239*	*242*	*236*	236	32
2012					*334*	*344*	*328*	*319*	*315*	309	34
2013						*352*	*358*	*345*	*334*	327	52
2014							*306*	*340*	*331*	320	77
2015								*439*	*437*	414	91
2016	*RSI*								*597*	631	149
2017										737	277
Total										**3 922**	**854**

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									
Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
2008	*51*	*160*	*214*	*254*	*271*	*281*	*290*	*297*	*302*	306
2009		*32*	*138*	*194*	*219*	*237*	*250*	*256*	*261*	266
2010			*25*	*85*	*116*	*131*	*140*	*147*	*150*	158
2011				*48*	*121*	*143*	*154*	*163*	*167*	177
2012					*81*	*184*	*211*	*227*	*237*	246
2013						*55*	*143*	*184*	*208*	221
2014							*30*	*105*	*147*	175
2015								*63*	*140*	193
2016	*RSI*								*75*	180
2017										96
Total										**2 018**
All liabilities before 2008										2 896
Liabilities for claims and claim adjustment expenses, net of reinsurance										**4 800**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Accident & Health (RSI)	*14.7%*	*26.4%*	*12.7%*	*7.2%*	*4.2%*	*2.9%*	*2.4%*	*2.4%*	*1.4%*	*0.9%*

The increase in incurred losses from accident year 2015 onwards is due to an increase in the volume of workers' compensation written on a proportional basis. The 2008 and prior accident years include the run-off of business written by entities acquired as part of the acquisition of General Electric Insurance Solutions during 2006. This business which generally had a longer payment pattern was not renewed.

Property & Casualty Reinsurance – Motor, proportional

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions Accident year	Reporting year 2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	thereof IBNR
2008	787	669	667	744	776	750	741	738	738	737	33
2009		685	679	747	772	759	755	757	755	754	–15
2010			621	682	723	729	727	729	729	727	–2
2011				1 046	1 041	1 010	966	968	967	965	–21
2012					1 565	1 555	1 537	1 525	1 515	1 513	37
2013						1 625	1 598	1 604	1 577	1 570	19
2014							2 088	2 048	2 048	2 030	1
2015								1 989	1 992	1 996	60
2016	RSI								2 580	2 698	205
2017										2 453	1 202
Total										**15 443**	**1 519**

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions Accident year	Reporting year 2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2008	340	586	667	639	651	649	670	673	676	678
2009		149	405	615	650	662	716	726	727	731
2010			208	475	562	599	681	691	700	704
2011				278	702	893	927	946	956	964
2012					500	1 164	1 332	1 383	1 416	1 437
2013						599	1 224	1 414	1 461	1 492
2014							773	1 536	1 793	1 872
2015								826	1 495	1 748
2016	RSI								853	1 889
2017										785
Total										**12 300**
All liabilities before 2008										321
Liabilities for claims and claim adjustment expenses, net of reinsurance										**3 464**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Motor, proportional (RSI)	33.8%	37.9%	14.9%	2.8%	3.4%	2.1%	1.6%	0.4%	0.5%	0.3%

The increase in the incurred losses from accident year 2010 onwards is driven by new business volume across all regions. Proportional motor business includes both longer-tailed liability business and shorter-tailed hull business. The increase in incurred claims and claim adjustment expenses in reporting year 2017 for accident year 2016 is due to US business.

The negative IBNRs are due to overstated case reserves, mainly on the German business, and accident year 2011 includes the effects of an outwards proportional contract in inwards non-proportional business.

Property & Casualty Reinsurance – Motor, non-proportional

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year										
Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**	**thereof IBNR**
2008	*425*	*497*	*438*	*335*	*350*	*348*	*341*	*337*	*331*	329	54
2009		*389*	*405*	*295*	*297*	*282*	*287*	*281*	*278*	270	71
2010			*336*	*300*	*294*	*280*	*273*	*265*	*256*	252	38
2011				*424*	*465*	*444*	*442*	*427*	*420*	409	96
2012					*346*	*364*	*342*	*326*	*326*	309	66
2013						*451*	*474*	*475*	*457*	443	79
2014							*423*	*457*	*452*	451	123
2015								*400*	*423*	459	170
2016	*RSI*								*485*	605	276
2017										599	388
Total										**4 126**	**1 361**

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									
Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
2008	*16*	*90*	*129*	*133*	*156*	*174*	*186*	*196*	*206*	210
2009		*2*	*41*	*60*	*72*	*86*	*100*	*111*	*121*	126
2010			*6*	*23*	*49*	*68*	*85*	*102*	*115*	123
2011				*–11*	*21*	*58*	*82*	*106*	*121*	137
2012					*2*	*25*	*50*	*86*	*112*	139
2013						*7*	*88*	*154*	*200*	225
2014							*4*	*62*	*107*	147
2015								*–1*	*34*	94
2016	*RSI*								*9*	67
2017										9
Total										**1 277**
All liabilities before 2008										2 978
Liabilities for claims and claim adjustment expenses, net of reinsurance										**5 827**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Motor, non-proportional (RSI)	*1.1%*	*11.9%*	*10.5%*	*7.1%*	*6.5%*	*6.0%*	*4.2%*	*3.3%*	*2.4%*	*1.2%*

Claims development in non-proportional motor business is considered long-tailed as it is dominated by liability exposures leading to bodily injury claims which pay out for the lifetime of the claimant.

For accident year 2011, negative claims paid in the first year are due to the commutation of an external retrocession on acquired retroactive business. The increase in claims incurred in reporting year 2017 for accident years 2015 and 2016 are due to an adverse development on the US business and to the Ogden discount changes on the UK business. These developments also affected accident year 2017.

In line with the Group's policy, cash flows under loss portfolio transfers are reported through claims paid. For longer-tailed lines and depending on the business volume written, timing of cash flows can lead to net inward payments across the whole portfolio in the first development year of the contract for some accident years.

Property & Casualty Reinsurance – Specialty

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year										
Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**	**thereof IBNR**
2008	*2 141*	*2 136*	*2 063*	*2 019*	*1 970*	*1 936*	*1 916*	*1 925*	*1 910*	1 899	14
2009		*1 586*	*1 717*	*1 522*	*1 451*	*1 420*	*1 396*	*1 381*	*1 364*	1 337	3
2010			*1 258*	*1 268*	*1 213*	*1 188*	*1 168*	*1 136*	*1 114*	1 115	21
2011				*1 319*	*1 297*	*1 213*	*1 130*	*1 178*	*1 174*	1 189	28
2012					*985*	*1 047*	*1 066*	*1 048*	*1 047*	1 033	36
2013						*1 128*	*1 054*	*1 012*	*975*	964	48
2014							*1 141*	*1 135*	*1 031*	1 003	91
2015								*1 265*	*1 255*	1 241	195
2016	*RSI*								*1 325*	1 313	457
2017										1 648	1 063
Total										**12 742**	**1 956**

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									
Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
2008	*259*	*847*	*1 356*	*1 508*	*1 623*	*1 690*	*1 734*	*1 763*	*1 792*	1 809
2009		*214*	*676*	*932*	*1 036*	*1 112*	*1 171*	*1 210*	*1 235*	1 248
2010			*201*	*479*	*675*	*778*	*857*	*973*	*995*	1 014
2011				*169*	*573*	*796*	*900*	*952*	*989*	1 054
2012					*131*	*456*	*697*	*790*	*848*	891
2013						*153*	*431*	*619*	*732*	788
2014							*182*	*423*	*610*	710
2015								*140*	*399*	712
2016	*RSI*								*148*	491
2017										185
Total										**8 902**
All liabilities before 2008										678
Liabilities for claims and claim adjustment expenses, net of reinsurance										**4 518**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Specialty (RSI)	*14.2%*	*28.4%*	*21.1%*	*9.2%*	*5.8%*	*5.1%*	*3.2%*	*1.7%*	*1.2%*	*0.9%*

This category includes credit and surety business, which was adversely affected by the financial crisis in 2007–2008. The category also contains several individual large losses on marine, aviation and space lines, including the Costa Concordia event in accident year 2012. The 2017 claims are higher due to natural catastrophes mainly stemming from hurricanes Harvey, Irma and Maria in the Americas.

Corporate Solutions

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year							
Accident year	2012	2013	2014	2015	2016	**2017**	**thereof IBNR**	**Cumulative number of reported claims (in nominals)**
2012	*1 311*	*1 237*	*1 162*	*1 129*	*1 126*	1 170	75	12 677
2013		*1 612*	*1 592*	*1 523*	*1 440*	1 425	154	25 654
2014			*1 854*	*1 798*	*1 728*	1 699	286	20 739
2015				*1 910*	*2 075*	2 113	400	16 245
2016	*RSI*				*2 054*	2 264	680	14 477
2017						3 040	2 026	10 363
Total						**11 711**	**3 621**	**100 155**

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year					
Accident year	2012	2013	2014	2015	2016	**2017**
2012	*184*	*562*	*725*	*820*	*909*	980
2013		*275*	*674*	*947*	*1 106*	1 174
2014			*276*	*840*	*1 136*	1 273
2015				*354*	*921*	1 311
2016	*RSI*				*379*	1 219
2017						389
Total						**6 346**
All liabilities before 2012						570
Liabilities for claims and claim adjustment expenses, net of reinsurance						**5 935**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6
Corporate Solutions (RSI)	*16.3%*	*31.5%*	*17.2%*	*9.1%*	*6.2%*	*6.1%*

The claims incurred increased due to general volume growth for accident years 2012 to 2016. Incurred claims on accident years 2012, 2015 and 2016 increased due to large loss development. Current accident year was significantly impacted by hurricanes Harvey, Irma and Maria, as well as the California wildfires and an earthquake in Mexico.

Change in claim counts in 2013 and 2014 relate mostly to agriculture business written in 2013, leading to high claim counts in those years.

Life & Health Reinsurance, long tail

Incurred claims and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year											
Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	thereof IBNR	Cumulative number of reported claims (in nominals)
2008	*98*	*96*	*95*	*95*	*98*	*111*	*114*	*111*	*118*	116	14	3 139
2009		*164*	*170*	*161*	*162*	*162*	*187*	*185*	*187*	180	18	4 203
2010			*203*	*205*	*200*	*226*	*226*	*239*	*211*	207	20	4 599
2011				*232*	*243*	*307*	*320*	*335*	*311*	305	36	6 389
2012					*288*	*385*	*388*	*414*	*376*	379	44	8 759
2013						*519*	*509*	*507*	*469*	467	44	11 076
2014							*508*	*462*	*440*	442	58	12 386
2015								*433*	*469*	452	107	14 254
2016	*RSI*								*454*	471	202	9 779
2017										463	364	4 144
Total										**3 482**	**907**	**78 728**

Cumulative claims paid and allocated claim adjustment expenses, net of reinsurance

USD millions	Reporting year									
Accident year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
2008	*5*	*23*	*41*	*53*	*62*	*70*	*74*	*78*	*83*	86
2009		*8*	*39*	*60*	*74*	*83*	*91*	*98*	*106*	113
2010			*9*	*43*	*67*	*87*	*101*	*113*	*123*	132
2011				*20*	*66*	*107*	*133*	*155*	*177*	194
2012					*29*	*93*	*149*	*190*	*225*	249
2013						*40*	*130*	*198*	*262*	306
2014							*34*	*115*	*211*	277
2015								*38*	*113*	201
2016	*RSI*								*14*	92
2017										13
Total										**1 663**
All liabilities before 2008										273
Liabilities for claims and claim adjustment expenses, net of reinsurance										**2 092**

Average annual percentage payout of incurred claims by age, net of reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Life & Health Reinsurance, long tail (RSI)	*5.8%*	*16.9%*	*15.3%*	*10.8%*	*7.6%*	*6.1%*	*4.4%*	*4.1%*	*4.1%*	*2.6%*

In the reporting year 2013, the Group significantly strengthened IBNR claims liabilities in Australia for some lines of business. In addition, for 2009, 2013 and 2014 the effect of business volume increases is discernible as well.

Reconciliation of gross liability for unpaid claims and claim adjustment expenses
The following table reconciles the Group's net outstanding liabilities to the gross liabilities for unpaid claims and claim adjustment expenses.

The net outstanding liabilities correspond to the total liabilities for unpaid claims and claim adjustment expenses, net of reinsurance for each disaggregation category.

Other short duration contract lines includes reserves for business that is not material to the Group and where accident year information is not available. For Life & Health Reinsurance, in certain markets, cedents do not provide sufficient information to reinsurers to split claims incurred and claims paid by accident year. This is based on existing market practice. For these markets, an assessment of available information from other sources was made along with investigating approximations that could be used to provide claims development information by accident year. However, these alternate sources and estimates, based on currently available data and methods, could not be used to generate meaningful and representative accident year information and therefore have been excluded from disclosure. Other short duration contract lines also contain other treaties from Property & Casualty Reinsurance and Corporate Solutions which could not be allocated on a consistent basis to disaggregation categories or specific accident years.

Unallocated reinsurance recoverable on unpaid claims includes reinsurance recoverable which cannot be allocated on a reasonable basis to disaggregation categories used to present claims development information.

For details on consolidation please refer to Note 2.

For the year ended 31 December

USD millions	2017
Net outstanding liabilities	
Property & Casualty Reinsurance	
Property	7 772
Liability, proportional	6 927
Liability, non-proportional	9 510
Accident & Health	4 800
Motor, proportional	3 464
Motor, non-proportional	5 827
Specialty	4 518
Corporate Solutions	5 935
Life & Health Reinsurance, long tail	2 092
Total net undiscounted outstanding liabilities excluding other short duration contract lines and before unallocated reinsurance recoverable	50 845
Discounting impact on (Life & Health Reinsurance) short duration contracts	–291
Impact of acquisition accounting	–627
Total net discounted outstanding liabilities excluding other short duration contract lines and before unallocated reinsurance recoverable	49 927
Other short duration contract lines	2 714
Unallocated reinsurance recoverable on unpaid claims	–411
Total net discounted outstanding short duration liabilities	**52 230**
Allocated reinsurance recoverables on unpaid claims:	
Property & Casualty Reinsurance	
Property	596
Liability, proportional	373
Liability, non-proportional	337
Accident & Health	238
Motor, proportional	83
Motor, non-proportional	248
Specialty	214
Corporate Solutions	5 013
Consolidation	–3 865
Impact of acquisition accounting	–132
Other short duration contract lines	634
Unallocated reinsurance recoverable on unpaid claims	411
Total short duration reinsurance recoverable on outstanding liabilities	**4 150**
Exclusions:	
Unallocated claim adjustment expenses	966
Long duration contracts	9 449
Total other reconciling items	**10 415**
Total unpaid claims and claim adjustment expenses	**66 795**

Discounting information

The following disclosure covers the discounting impact for the disaggregation categories included in the claims development information. Discounting information for Life & Health Reinsurance long tail as of 31 December was as follows:

USD millions	2016	**2017**
Carrying amount of discounted claims	1 117	1 262
Aggregate amount of the discount	–241	–291
Interest accretion[1]	27	28
Range of interest rates	3.1% –3.6%	2.9% –3.6%

[1] Interest accretion is shown as part of "Life and health benefits" in the income statement.

Please refer to Note 1 for more details about the Group's discounting approach for unpaid claims and claim adjustment expenses.

6 Deferred acquisition costs (DAC) and acquired present value of future profits (PVFP)

As of 31 December, the DAC were as follows:

2016 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Opening balance as of 1 January	2 051	3 020	387	13	5 471
Deferred	4 629	893	571	34	6 127
Amortisation	–4 379	–312	–513	–36	–5 240
Effect of foreign currency translation	–21	–136	–1		–158
Closing balance	2 280	3 465	444	11	6 200

2017 USD millions	Property & Casualty Reinsurance	Life & Health Reinsurance	Corporate Solutions	Life Capital	Total
Opening balance as of 1 January	2 280	3 465	444	11	6 200
Deferred	4 068	1 294	553	71	5 986
Effect of acquisitions/disposals and retrocessions		–5	2	5	2
Amortisation	–4 255	–508	–549	–67	–5 379
Effect of foreign currency translation and other changes	53	–12	4	17	62
Closing balance	**2 146**	**4 234**	**454**	**37**	**6 871**

Retroceded DAC may arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation. The associated potential retrocession recoveries are determined by the nature of the retrocession agreements and by the terms of the securitisation.

As of 31 December, the PVFP was as follows:

2016 USD millions	Life & Health Reinsurance	Life Capital Positive PVFP	Life Capital Negative PVFP	Life Capital Total	Total
Opening balance as of 1 January	1 134	1 830	0	1 830	2 964
Effect of acquisitions/disposals and retrocessions			–603	–603	–603
Amortisation	–132	–198	51	–147	–279
Interest accrued on unamortised PVFP	36	130	–19	111	147
Effect of change in unrealised gains/losses		1		1	1
Effect of foreign currency translation	–72	–205	50	–155	–227
Closing balance	966	1 558	–521	1 037	2 003

2017 USD millions	Life & Health Reinsurance	Life Capital Positive PVFP	Life Capital Negative PVFP	Life Capital Total	**Total**
Opening balance as of 1 January	**966**	1 558	–521	**1 037**	**2 003**
Amortisation	**–135**	–143	45	**–98**	**–233**
Interest accrued on unamortised PVFP	**52**	102	–17	**85**	**137**
Effect of change in unrealised gains/losses		–1		**–1**	**–1**
Effect of foreign currency translation	**38**	96	–51	**45**	**83**
Closing balance	**921**	**1 612**	**–544**	**1 068**	**1 989**

Retroceded PVFP may arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation. The associated potential retrocession recoveries are determined by the nature of the retrocession agreements and by the terms of the securitisation.

In 2016, the Group's Business Unit Life Capital acquired Guardian Holdings Europe Limited, the holding company for operations trading under the name Guardian Financial Services ("Guardian"), and recognised negative PVFP. Upon acquisition, PVFP is calculated as the difference between the estimated fair value and established reserves, which is in line with US GAAP accounting policies and assumptions of the Group. The product mix of Guardian is weighted towards annuity business, for which the fair value of insurance and investment contract liabilities significantly exceeds the established US GAAP reserves. This excess is mainly due to differences in discount rates and risk weightings between fair value and US GAAP estimates. Overall, the excess on the annuity business outweighs the estimated future gross profits of other business and synergy expectations included in the fair value of insurance and investment contract liabilities for the business as a whole, resulting in a negative PVFP.

The subsequent measurement of negative PVFP is in alignment with the existing measurement of positive PVFP assets (please refer to Note 1).

The percentage of PVFP which is expected to be amortised in each of the next five years is 12%, 13%, 12%, 11% and 11%.

7 Investments

Investment income

Net investment income by source (excluding unit-linked and with-profit business) was as follows:

USD millions	2016	2017
Fixed income securities	2 806	2 778
Equity securities	98	79
Policy loans, mortgages and other loans	156	148
Investment real estate	184	200
Short-term investments	54	65
Other current investments	153	118
Share in earnings of equity-accounted investees	41	100
Cash and cash equivalents	28	25
Net result from deposit-accounted contracts	118	127
Deposits with ceding companies	441	457
Gross investment income	4 079	**4 097**
Investment expenses	−397	−380
Interest charged for funds held	−21	−9
Net investment income – non-participating business	3 661	**3 708**

Dividends received from investments accounted for using the equity method were USD 176 million and USD 170 million for 2016 and 2017, respectively.

Share in earnings of equity-accounted investees included impairments of the carrying amount of equity-accounted investees of USD 66 million and USD 46 million for 2016 and 2017, respectively.

Realised gains and losses

Realised gains and losses for fixed income securities, equity securities and other investments (excluding unit-linked and with-profit business) were as follows:

USD millions	2016	2017
Fixed income securities available-for-sale:		
Gross realised gains	789	748
Gross realised losses	−202	−148
Equity securities available-for-sale:		
Gross realised gains	371	959
Gross realised losses	−122	−28
Other-than-temporary impairments	−88	−46
Net realised investment gains/losses on trading securities	110	27
Change in net unrealised investment gains/losses on trading securities	−14	3
Net realised/unrealised gains/losses on other investments	118	−8
Net realised/unrealised gains/losses on insurance-related activities	344	99
Foreign exchange gains/losses	178	121
Net realised investment gains/losses – non-participating business	1 484	**1 727**

Net realised/unrealised gains/losses on insurance-related activities included impairments of USD 11 million for 2017.

Investment result – unit-linked and with-profit business

For unit-linked contracts, the investment risk is borne by the policyholder. For with-profit contracts, the majority of the investment risk is also borne by the policyholder, although there are certain guarantees that limit the downside risk for the policyholder, and a certain proportion of the returns may be retained by the Group (typically 10%).

Net investment result on unit-linked and with-profit business credited to policyholders was as follows:

		2016		2017
USD millions	Unit-linked	With-profit	Unit-linked	With-profit
Investment income – fixed income securities	100	134	69	120
Investment income – equity securities	735	69	705	69
Investment income – other	28	13	20	11
Total investment income – unit-linked and with-profit business	863	216	**794**	**200**
Realised gains/losses – fixed income securities	135	174	–12	12
Realised gains/losses – equity securities	3 631	321	2 094	191
Realised gains/losses – other	53	–11	28	8
Total realised gains/losses – unit-linked and with-profit business	3 819	484	**2 110**	**211**
Total net investment result – unit-linked and with-profit business	4 682	700	**2 904**	**411**

Impairment on fixed income securities related to credit losses

Other-than-temporary impairments for debt securities are bifurcated between credit and non-credit components, with the credit component recognised through earnings and the non-credit component recognised in other comprehensive income. The credit component of other-than-temporary impairments is defined as the difference between a security's amortised cost basis and the present value of expected cash flows. Methodologies for measuring the credit component of impairment are aligned to market observer forecasts of credit performance drivers. Management believes that these forecasts are representative of median market expectations.

For securitised products, cash flow projection analysis is conducted by integrating forward-looking evaluation of collateral performance drivers, including default rates, prepayment rates and loss severities and deal-level features, such as credit enhancement and prioritisation among tranches for payments of principal and interest. Analytics are differentiated by asset class, product type and security-level differences in historical and expected performance. For corporate bonds and hybrid debt instruments, an expected loss approach based on default probabilities and loss severities expected in the current and forecasted economic environment is used for securities identified as credit-impaired to project probability-weighted cash flows. Expected cash flows resulting from these analyses are discounted, and the present value is compared to the amortised cost basis to determine the credit component of other-than-temporary impairments.

A reconciliation of other-than-temporary impairments related to credit losses recognised in earnings was as follows:

USD millions	2016	2017
Balance as of 1 January	136	97
Credit losses for which an other-than-temporary impairment was not previously recognised	13	14
Reductions for securities sold during the period	–48	–24
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery	8	4
Impact of increase in cash flows expected to be collected	–7	–4
Impact of foreign exchange movements	–5	4
Balance as of 31 December	97	**91**

Investments available-for-sale

Amortised cost or cost, estimated fair values and other-than-temporary impairments of fixed income securities classified as available-for-sale as of 31 December were as follows:

2016 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	13 162	481	–179		13 464
US Agency securitised products	3 415	22	–53		3 384
States of the United States and political subdivisions of the states	1 411	59	–20		1 450
United Kingdom	8 005	1 293	–97		9 201
Canada	3 916	517	–35		4 398
Germany	2 906	325	–15		3 216
France	1 931	277	–10		2 198
Australia	1 967	17	–5		1 979
Other	6 355	287	–96		6 546
Total	43 068	3 278	–510		45 836
Corporate debt securities	37 203	2 733	–181		39 755
Mortgage- and asset-backed securities	4 900	125	–30	–5	4 990
Fixed income securities available-for-sale	85 171	6 136	–721	–5	90 581
Equity securities available-for-sale	2 897	561	–83		3 375

2017 USD millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairments recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	14 397	273	–152		14 518
US Agency securitised products	5 884	18	–66		5 836
States of the United States and political subdivisions of the states	1 620	108	–7		1 721
United Kingdom	8 699	1 378	–31		10 046
Canada	3 969	543	–30		4 482
Germany	3 193	239	–22		3 410
France	2 015	252	–10		2 257
Australia	2 065	16	–4		2 077
Other	7 655	318	–76		7 897
Total	49 497	3 145	–398		52 244
Corporate debt securities	39 510	3 218	–136		42 592
Mortgage- and asset-backed securities	4 271	162	–19	–2	4 412
Fixed income securities available-for-sale	**93 278**	**6 525**	**–553**	**–2**	**99 248**
Equity securities available-for-sale	**3 544**	**365**	**–47**		**3 862**

The "Other-than-temporary impairments recognised in other comprehensive income" column includes only securities with a credit-related loss recognised in earnings. Subsequent recovery in fair value of securities previously impaired in other comprehensive income is also presented in the "Other-than-temporary impairments recognised in other comprehensive income" column.

Investments trading

The carrying amounts of fixed income securities and equity securities classified as trading (excluding unit-linked and with-profit business) as of 31 December were as follows:

USD millions	2016	2017
Debt securities issued by governments and government agencies	2 538	2 414
Corporate debt securities	45	38
Mortgage- and asset-backed securities	112	86
Fixed income securities trading – non-participating business	2 695	**2 538**
Equity securities trading – non-participating business	60	**3**

Investments held for unit-linked and with-profit business

The carrying amounts of investments held for unit-linked and with-profit business as of 31 December were as follows:

		2016		2017
USD millions	Unit-linked	With-profit	Unit-linked	With-profit
Fixed income securities trading	2 379	2 774	2 105	3 104
Equity securities trading	23 859	1 948	26 582	2 201
Investment real estate	580	298	543	281
Other	265	75	286	64
Total investments for unit-linked and with-profit business	27 083	5 095	**29 516**	**5 650**

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2016 and 2017, USD 14 640 million and USD 17 742 million, respectively, of fixed income securities available-for-sale were callable.

		2016		2017
USD millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	6 607	6 650	7 399	7 410
Due after one year through five years	19 180	19 623	29 459	29 724
Due after five years through ten years	19 240	20 079	15 921	16 652
Due after ten years	35 564	39 562	36 550	41 370
Mortgage- and asset-backed securities with no fixed maturity	4 580	4 667	3 949	4 092
Total fixed income securities available-for-sale	85 171	90 581	**93 278**	**99 248**

Assets pledged

As of 31 December 2017, investments with a carrying value of USD 7 384 million were on deposit with regulatory agencies in accordance with local requirements, and investments with a carrying value of USD 12 209 million were placed on deposit or pledged to secure certain reinsurance liabilities, including pledged investments in subsidiaries.

As of 31 December 2016 and 2017, securities of USD 16 059 million and USD 15 740 million, respectively, were transferred to third parties under securities lending transactions and repurchase agreements on a fully collateralised basis. Corresponding liabilities of USD 1 010 million and USD 989 million, respectively, were recognised in accrued expenses and other liabilities for the obligation to return collateral that the Group has the right to sell or repledge.

As of 31 December 2017, a real estate portfolio with a carrying value of USD 192 million serves as collateral for a credit facility, allowing the Group to withdraw funds up to CHF 500 million.

Collateral accepted which the Group has the right to sell or repledge

As of 31 December 2016 and 2017, the fair value of the equity securities, government and corporate debt securities received as collateral was USD 7 666 million and USD 7 476 million, respectively. Of this, the amount that was sold or repledged as of 31 December 2016 and 2017 was USD 3 469 million and USD 1 981 million, respectively. The sources of the collateral are securities borrowing, reverse repurchase agreements and derivative transactions.

Offsetting of derivatives, financial assets and financial liabilities

Offsetting of derivatives, financial assets and financial liabilities as of 31 December was as follows:

2016 USD millions	Gross amounts of recognised financial assets	Collateral set-off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set-off in the balance sheet	Net amount
Derivative financial instruments – assets	2 801	–1 580	1 221		1 221
Reverse repurchase agreements	7 040	–3 986	3 054	–3 054	0
Securities borrowing	483	–314	169	–169	0
Total	10 324	–5 880	4 444	–3 223	1 221

2016 USD millions	Gross amounts of recognised financial liabilities	Collateral set-off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set-off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–2 610	1 568	–1 042	8	–1 034
Repurchase agreements	–3 991	3 461	–530	527	–3
Securities lending	–1 319	839	–480	454	–26
Total	–7 920	5 868	–2 052	989	–1 063

2017 USD millions	Gross amounts of recognised financial assets	Collateral set-off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related financial instruments not set-off in the balance sheet	Net amount
Derivative financial instruments – assets	1 710	–1 176	534		**534**
Reverse repurchase agreements	6 053	–2 995	3 058	–3 058	**0**
Securities borrowing	1 589	–524	1 065	–1 065	**0**
Total	**9 352**	**–4 695**	**4 657**	**–4 123**	**534**

2017 USD millions	Gross amounts of recognised financial liabilities	Collateral set-off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related financial instruments not set-off in the balance sheet	Net amount
Derivative financial instruments – liabilities	–1 924	1 342	–582	49	**–533**
Repurchase agreements	–2 631	2 471	–160	160	**0**
Securities lending	–1 878	1 049	–829	765	**–64**
Total	**–6 433**	**4 862**	**–1 571**	**974**	**–597**

Collateral pledged or received between two counterparties with a master netting arrangement in place, but not subject to balance sheet netting, is disclosed at fair value. The fair values represent the gross carrying value amounts at the reporting date for each financial instrument received or pledged by the Group. Management believes that master netting agreements provide for legally enforceable set-off in the event of default, which substantially reduces credit exposure. Upon occurrence of an event of default, the non-defaulting party may set off the obligation against collateral received regardless if it has been offset on balance sheet prior to the defaulting event. The net amounts of the financial assets and liabilities presented on the balance sheet were recognised in "Other invested assets", "Investments for unit-linked and with-profit business" and "Accrued expenses and other liabilities".

Recognised gross liability for the obligation to return collateral that the Group has the right to sell or repledge

As of 31 December 2016 and 2017, the gross amounts of liabilities related to repurchase agreements and securities lending by the class of securities transferred to third parties and by the remaining maturity are shown below. The liabilities are recognised for the obligation to return collateral that the Group has the right to sell or repledge.

2016 USD millions	Remaining contractual maturity of the agreements Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	Total
Repurchase agreements					
Debt securities issued by governments and government agencies	219	3 023	415	334	3 991
Total repurchase agreements	219	3 023	415	334	3 991
Securities lending					
Debt securities issued by governments and government agencies	237	367	258	426	1 288
Corporate debt securities	13				13
Equity securities	18				18
Total securities lending	268	367	258	426	1 319
Gross amount of recognised liabilities for repurchase agreements and securities lending					5 310

2017 USD millions	Remaining contractual maturity of the agreements Overnight and continuous	Up to 30 days	30–90 days	Greater than 90 days	Total
Repurchase agreements					
Debt securities issued by governments and government agencies	31	2 091	354	139	2 615
Corporate debt securities		16			16
Total repurchase agreements	**31**	**2 107**	**354**	**139**	**2 631**
Securities lending					
Debt securities issued by governments and government agencies	244	567	614	442	1 867
Corporate debt securities	6				6
Equity securities	5				5
Total securities lending	**255**	**567**	**614**	**442**	**1 878**
Gross amount of recognised liabilities for repurchase agreements and securities lending					4 509

The programme is structured in a conservative manner within a clearly defined risk framework. Yield enhancement is conducted on a non-cash basis, thereby taking no re-investment risk.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2016 and 2017. As of 31 December 2016 and 2017, USD 62 million and USD 40 million, respectively, of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and USD 21 million and USD 7 million, respectively, to declines in value for more than 12 months.

	Less than 12 months		12 months or more		Total	
2016 USD millions	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	6 709	179			6 709	179
US Agency securitised products	2 594	53	14	0	2 608	53
States of the United States and political subdivisions of the states	494	18	8	2	502	20
United Kingdom	1 762	87	56	10	1 818	97
Canada	1 759	26	40	9	1 799	35
Germany	1 337	15	100	0	1 437	15
France	703	10			703	10
Australia	461	2	132	3	593	5
Other	2 554	78	247	18	2 801	96
Total	18 373	468	597	42	18 970	510
Corporate debt securities	6 859	172	143	9	7 002	181
Mortgage- and asset-backed securities	1 599	26	147	9	1 746	35
Total	26 831	666	887	60	27 718	726

	Less than 12 months		12 months or more		Total	
2017 USD millions	Fair value	Unrealised losses	Fair value	Unrealised losses	Fair value	Unrealised losses
Debt securities issued by governments and government agencies:						
US Treasury and other US government corporations and agencies	9 742	113	1 825	39	11 567	152
US Agency securitised products	3 773	37	1 029	29	4 802	66
States of the United States and political subdivisions of the states	304	4	120	3	424	7
United Kingdom	1 161	18	301	13	1 462	31
Canada	1 766	29	276	1	2 042	30
Germany	722	19	44	3	766	22
France	214	8	7	2	221	10
Australia	1 118	3	74	1	1 192	4
Other	2 813	54	451	22	3 264	76
Total	21 613	285	4 127	113	25 740	398
Corporate debt securities	6 299	102	1 040	34	7 339	136
Mortgage- and asset-backed securities	1 617	14	421	7	2 038	21
Total	**29 529**	**401**	**5 588**	**154**	**35 117**	**555**

Mortgages, loans and real estate

As of 31 December, the carrying and respective fair values of investments in mortgages, policy and other loans and real estate (excluding unit-linked and with-profit business) were as follows:

		2016		2017
USD millions	Carrying value	Fair value	Carrying value	Fair value
Policy loans	95	95	94	94
Mortgage loans	2 401	2 411	2 665	2 674
Other loans	1 186	1 202	1 351	1 367
Investment real estate	1 925	3 576	2 220	4 099

Depreciation expense related to income-producing properties was USD 42 million and USD 49 million for 2016 and 2017, respectively. Accumulated depreciation on investment real estate totalled USD 525 million and USD 585 million as of 31 December 2016 and 2017, respectively.

Substantially all mortgages, policy loans and other loan receivables are secured by buildings, land or the underlying policies.

8 Fair value disclosures

Fair value, as defined by the Fair Value Measurements and Disclosures Topic, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fair Value Measurements and Disclosures Topic requires all assets and liabilities that are measured at fair value to be categorised within the fair value hierarchy. This three-level hierarchy is based on the observability of the inputs used in the fair value measurement. The levels of the fair value hierarchy are defined as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Group has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are to be used whenever possible.

Level 2 inputs are market-based inputs that are directly or indirectly observable, but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (eg markets which have few transactions and where prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (eg interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates); and (iv) inputs derived from, or corroborated by, observable market data.

Level 3 inputs are unobservable inputs. These inputs reflect the Group's own assumptions about market pricing using the best internal and external information available.

The types of instruments valued, based on unadjusted quoted market prices in active markets, include most US government and sovereign obligations, active listed equities and most money market securities. Such instruments are generally classified within level 1 of the fair value hierarchy.

The types of instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency, include most government agency securities, investment-grade corporate bonds, certain mortgage- and asset-backed products, less liquid listed equities, and state, municipal and provincial obligations. Such instruments are generally classified within level 2 of the fair value hierarchy.

Exchange-traded derivative instruments typically fall within level 1 or level 2 of the fair value hierarchy, depending on whether they are considered to be actively traded or not.

Certain financial instruments are classified within level 3 of the fair value hierarchy because they trade infrequently and therefore have little or no price transparency. Such instruments include private equity, less liquid corporate debt securities and certain asset-backed securities. Certain over-the-counter (OTC) derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. Such instruments are classified within level 3 of the fair value hierarchy. Pursuant to the election of the fair value option, the Group classifies certain liabilities for life and health policy benefits in level 3 of the fair value hierarchy. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads, and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. For 2017, these adjustments were not material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group items.

In certain situations, the Group uses inputs to measure the fair value of asset or liability positions that fall into different levels of the fair value hierarchy. In these situations, the Group will determine the appropriate level based on the lowest level input that is significant to the determination of the fair value.

Valuation techniques

US government securities typically have quoted market prices in active markets and are categorised as level 1 instruments in the fair value hierarchy. Non-US government holdings are generally classified as level 2 instruments and are valued on the basis of the quotes provided by pricing services, which are subject to the Group's pricing validation reviews and pricing vendor challenge process. Valuations provided by pricing vendors are generally based on the actual trade information as substantially all of the Group's non-US government holdings are traded in a transparent and liquid market.

Corporate debt securities mainly include US and European investment-grade positions, which are priced on the basis of quotes provided by third-party pricing vendors and first utilise valuation inputs from actively traded securities, such as bid prices, bid spreads to Treasury securities, Treasury curves, and same or comparable issuer curves and spreads. Issuer spreads are determined from actual quotes and traded prices and incorporate considerations of credit/default, sector composition, and liquidity and call features. Where market data is not available, valuations are developed based on the modelling techniques that utilise observable inputs and option-adjusted spreads and incorporate considerations of the security's seniority, maturity and the issuer's corporate structure.

Values of mortgage- and asset-backed securities are obtained both from third-party pricing vendors and through quoted prices, some of which may be based on the prices of comparable securities with similar structural and collateral features. Values of certain asset-backed securities (ABS) for which there are no significant observable inputs are developed using benchmarks to similar transactions or indices. For both residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS), cash flows are derived based on the transaction-specific information, which incorporates priority in the capital structure, and are generally adjusted to reflect benchmark yields, market prepayment data, collateral performance (default rates and loss severity) for specific vintage and geography, credit enhancements and ratings. For certain RMBS and CMBS with low levels of market liquidity, judgements may be required to determine comparable securities based on the loan type and deal-specific performance. CMBS terms may also incorporate lock-out periods that restrict borrowers from prepaying the loans or provide disincentives to prepay and therefore reduce prepayment risk of these securities, compared to RMBS. The factors specifically considered in valuation of CMBS include borrower-specific statistics in a specific region, such as debt service coverage and loan-to-value ratios, as well as the type of commercial property. Mortgage- and asset-backed securities also includes debt securitised by credit card, student loan and auto loan receivables. Pricing inputs for these securities also focus on capturing, where relevant, collateral quality and performance, payment patterns and delinquencies.

The Group uses third-party pricing vendor data to value agency securitised products, which mainly include collateralised mortgage obligations (CMO) and mortgage-backed government agency securities. The valuations generally utilise observable inputs consistent with those noted above for RMBS and CMBS.

Equity securities held by the Group for proprietary investment purposes are mainly classified in level 1. Securities classified in level 1 are traded on public stock exchanges for which quoted prices are readily available.

The category "Other invested assets" includes the Group's private equity and hedge fund investments which are made directly or via ownership of funds. Valuation of direct private equity investments requires significant management judgement due to the absence of quoted market prices and the lack of liquidity. Initial valuation is based on the acquisition cost, and is further refined based on the available market information for the public companies that are considered comparable to the Group's holdings in the private companies being valued, and the private company-specific performance indicators, both historic and projected. Subsequent valuations also reflect business or asset appraisals, as well as market transaction data for private and public benchmark companies and the actual companies being valued, such as financing rounds and mergers and acquisitions activity. The Group's holdings in private equity and hedge funds are generally valued utilising net asset values (NAV), subject to adjustments, as deemed necessary, for restrictions on redemption (lock-up periods and amount limitations on redemptions). These investments are included under investments measured at net asset value as a practical expedient.

The Group holds both exchange-traded and OTC interest rate, foreign exchange, credit and equity derivative contracts for hedging and trading purposes. The fair values of exchange-traded derivatives measured using observable exchange prices are classified in level 1. Long-dated contracts may require adjustments to the exchange-traded prices which would trigger reclassification to level 2 in the fair value hierarchy. OTC derivatives are generally valued by the Group based on the internal models, which are consistent with industry standards and practices, and use both observable (dealer, broker or market consensus prices, spot and forward rates, interest rate and credit curves and volatility indices) and unobservable inputs (adjustments for liquidity, inputs derived from the observable data based on the Group's judgements and assumptions).

The Group's OTC interest rate derivatives primarily include interest rate swaps, futures, options, caps and floors, and are valued based on the cash flow discounting models which generally utilise as inputs observable market yield curves and volatility assumptions.

The Group's OTC foreign exchange derivatives primarily include forward, spot and option contracts and are generally valued based on the cash flow discounting models, utilising as main inputs observable foreign exchange forward curves.

The Group's investments in equity derivatives primarily include OTC equity option contracts on single or baskets of market indices and equity options on individual or baskets of equity securities, which are valued using internally developed models (such as the Black-Scholes type option pricing model and various simulation models) calibrated with the inputs, which include underlying spot prices, dividend curves, volatility surfaces, yield curves and correlations between underlying assets.

The Group's OTC credit derivatives can include index and single-name credit default swaps, as well as more complex structured credit derivatives. Plain vanilla credit derivatives, such as index and single-name credit default swaps, are valued by the Group based on the models consistent with the industry valuation standards for these credit contracts, and primarily utilise observable inputs published by market data sources, such as credit spreads and recovery rates. These valuation techniques warrant classification of plain vanilla OTC derivatives as level 2 financial instruments in the fair value hierarchy.

Governance around level 3 fair valuation

The Asset Valuation Committee, endorsed by the Group Executive Committee, has a primary responsibility for governing and overseeing all of Group's asset and derivative valuation policies and operating parameters (including level 3 measurements). The Asset Valuation Committee delegates the responsibility for implementation and oversight of consistent application of the Group's pricing and valuation policies to the Pricing and Valuation Committee.

The Pricing and Valuation Committee, which is a joint Risk Management & Finance management control committee, is responsible for the implementation and consistent application of the pricing and valuation policies. Key functions of the Pricing and Valuation Committee include: oversight over the entire valuation process, approval of internal valuation methodologies, approval of external pricing vendors, monitoring of the independent price verification (IPV) process and resolution of significant or complex valuation issues.

A formal IPV process is undertaken monthly by members of the Valuation Risk Management team within a Financial Risk Management function. The process includes monitoring and in-depth analyses of approved pricing methodologies and valuations of the Group's financial instruments aimed at identifying and resolving pricing discrepancies.

The Risk Management function is responsible for independent validation and ongoing review of the Group's valuation models. The Product Control group within Finance is tasked with reporting of fair values through the vendor- and model-based valuations, the results of which are also subject to the IPV process.

This page is intentionally left blank.

Assets and liabilities measured at fair value on a recurring basis

As of 31 December, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

2016 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Investments measured at net asset value as practical expedient	Total
Assets						
Fixed income securities held for proprietary investment purposes	13 078	79 016	1 182			93 276
Debt securities issued by US government and government agencies	13 078	2 076				15 154
US Agency securitised products		3 423				3 423
Debt securities issued by non-US governments and government agencies		29 797				29 797
Corporate debt securities		38 625	1 175			39 800
Mortgage- and asset-backed securities		5 095	7			5 102
Fixed income securities backing unit-linked and with-profit business		5 153				5 153
Equity securities held for proprietary investment purposes	3 426	5	4			3 435
Equity securities backing unit-linked and with-profit business	25 807					25 807
Short-term investments held for proprietary investment purposes	5 409	5 500				10 909
Short-term investments backing unit-linked and with-profit business		6				6
Derivative financial instruments	30	2 310	461	–1 580		1 221
Interest rate contracts	14	1 044				1 058
Foreign exchange contracts		765				765
Equity contracts	4	433	341			778
Other contracts		5	120			125
Contracts backing unit-linked and with-profit business	12	63				75
Investment real estate			209			209
Other invested assets	266	183	496		937	1 882
Other investments backing unit-linked and with-profit business		42				42
Funds held by ceding companies		225				225
Total assets at fair value	48 016	92 440	2 352	–1 580	937	142 165
Liabilities						
Derivative financial instruments	–5	–1 941	–664	1 568		–1 042
Interest rate contracts	–3	–709				–712
Foreign exchange contracts		–591				–591
Equity contracts	–1	–569	–39			–609
Other contracts		–5	–625			–630
Contracts backing unit-linked and with-profit business	–1	–67				–68
Liabilities for life and health policy benefits			–144			–144
Accrued expenses and other liabilities	–384	–4 084				–4 468
Total liabilities at fair value	–389	–6 025	–808	1 568		–5 654

[1] The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

2017 USD millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Investments measured at net asset value as practical expedient	Total
Assets						
Fixed income securities held for proprietary investment purposes	14 013	86 420	1 353			101 786
Debt securities issued by US government and government agencies	14 013	2 392				16 405
US Agency securitised products		5 965				5 965
Debt securities issued by non-US governments and government agencies		32 285	3			32 288
Corporate debt securities		41 287	1 343			42 630
Mortgage- and asset-backed securities		4 491	7			4 498
Fixed income securities backing unit-linked and with-profit business		5 209				5 209
Equity securities held for proprietary investment purposes	3 856	5	4			3 865
Equity securities backing unit-linked and with-profit business	28 770	13				28 783
Short-term investments held for proprietary investment purposes	1 021	3 825				4 846
Short-term investments backing unit-linked and with-profit business		59				59
Derivative financial instruments	50	1 274	386	–1 176		534
Interest rate contracts	4	511	5			520
Foreign exchange contracts		307				307
Equity contracts	43	451	283			777
Credit contracts		1				1
Other contracts			98			98
Contracts backing unit-linked and with-profit business	3	4				7
Investment real estate			198			198
Other invested assets	765	12	509		828	2 114
Funds held by ceding companies		206				206
Total assets at fair value	**48 475**	**97 023**	**2 450**	**–1 176**	**828**	**147 600**
Liabilities						
Derivative financial instruments	–22	–1 423	–479	1 342		–582
Interest rate contracts	–2	–395	–1			–398
Foreign exchange contracts		–321				–321
Equity contracts	–19	–622	–31			–672
Credit contracts		–79				–79
Other contracts			–447			–447
Contracts backing unit-linked and with-profit business	–1	–6				–7
Liabilities for life and health policy benefits			–126			–126
Accrued expenses and other liabilities	–939	–1 785				–2 724
Total liabilities at fair value	**–961**	**–3 208**	**–605**	**1 342**		**–3 432**

[1] The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

As of 31 December, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2016 USD millions	Fixed income securities	Equity securities	Derivative assets	Investment real estate	Other invested assets	Total assets	Derivative liabilities	Liabilities for life and health policy benefits	Total liabilities
Assets and liabilities									
Balance as of 1 January	393	34	447		1 595	2 469	–581	–165	–746
Impact of Accounting Standards Updates[1]				274	–1 120	–846	–207		–207
Realised/unrealised gains/losses:									
Included in net income	3		58	32	–20	73	188	20	208
Included in other comprehensive income	24	1			6	31			0
Purchases	577		2		43	622	4		4
Issuances						0	–141		–141
Sales	–37		–13	–59	–3	–112	101		101
Settlements	–59		–39			–98	–52		–52
Transfers into level 3[2]	302		6		12	320	–5		–5
Transfers out of level 3[2]	–6	–29				–35			0
Impact of foreign exchange movements	–15	–2		–38	–17	–72	29	1	30
Closing balance as of 31 December	1 182	4	461	209	496	2 352	–664	–144	–808

[1] Impact of ASU 2015-02 (Investment real estate and Derivative liabilities) and ASU 2015-07 (Other invested assets). Please refer to Note 1 of the 2016 Annual Report.
[2] Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

2017 USD millions	Fixed income securities	Equity securities	Derivative assets	Investment real estate	Other invested assets	**Total assets**	Derivative liabilities	Liabilities for life and health policy benefits	**Total liabilities**
Assets and liabilities									
Balance as of 1 January	1 182	4	461	209	496	**2 352**	–664	–144	**–808**
Realised/unrealised gains/losses:									
Included in net income	–8	–2	23	19	34	**66**	202	19	**221**
Included in other comprehensive income	13	4			16	**33**			**0**
Purchases	264		26			**290**			**0**
Issuances						**0**	–84		**–84**
Sales	–59		–45	–49	–44	**–197**	83		**83**
Settlements	–84		–79		–6	**–169**	–1		**–1**
Transfers into level 3[1]	45					**45**			**0**
Transfers out of level 3[1]	–89	–2				**–91**			**0**
Impact of foreign exchange movements	89			19	13	**121**	–15	–1	**–16**
Closing balance as of 31 December	**1 353**	**4**	**386**	**198**	**509**	**2 450**	**–479**	**–126**	**–605**

[1] Transfers are recognised at the date of the event or change in circumstances that caused the transfer.

Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3)

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (level 3) for the years ended 31 December were as follows:

USD millions	2016	2017
Gains/losses included in net income for the period	281	287
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	134	226

Assets and liabilities measured at fair value on a non-recurring basis

In accordance with the provisions of the Impairment or Disposal of Long-Lived Assets Subsections of FASB Codification Subtopic 360-10, other assets with a carrying amount of USD 21 million were written down to their fair value of USD 17 million, resulting in a loss of USD 4 million, which was included in earnings for the period in "Operating expenses". This non-recurring fair value measurement was based on level 3 unobservable inputs using a discounted cash flow approach.

Quantitative information about level 3 fair value measurements

Unobservable inputs for major level 3 assets and liabilities as of 31 December were as follows:

USD millions	2016 Fair value	2017 Fair value	Valuation technique	Unobservable input	Range (weighted average)
Assets					
Corporate debt securities	1 175	**1 343**			
Infrastructure loans	486	778	Discounted Cash Flow Model	Valuation spread	73 bps–232 bps (165 bps)
Private placement corporate debt	506	428	Corporate Spread Matrix	Credit spread	37 bps–246 bps (162 bps)
Private placement credit tenant leases	48	46	Discounted Cash Flow Model	Illiquidity premium	75 bps–175 bps (133 bps)
Derivative equity contracts	341	**283**			
OTC equity option referencing correlated equity indices	341	283	Proprietary Option Model	Correlation	–45%–100% (27.5%)[1]
Investment real estate	209	**198**	Discounted Cash Flow Model	Discount rate	5% per annum
Liabilities					
Derivative equity contracts	–39	**–31**			
OTC equity option referencing correlated equity indices	–39	–31	Proprietary Option Model	Correlation	–45%–100% (27.5%)[1]
Other derivative contracts and liabilities for life and health policy benefits	–769	**–573**			
Variable annuity and fair valued GMDB contracts	–500	–325	Discounted Cash Flow Model	Risk margin Volatility Lapse Mortality adjustment Withdrawal rate	4% (n.a.) 4%–42% 0.5%–33% –10%–0% 0%–90%
Swap liability referencing real estate investments	–161	–150	Discounted Cash Flow Model	Discount rate	5% per annum
Weather contracts	–41	–35	Proprietary Option Model	Risk margin Correlation Volatility (power/gas) Volatility (temperature) Index value (temperature)	8%–11% (10.9%) –69%–52% (–53.1%) 27%–110% (98.2%) 146–467 (199) HDD/CAT[2] 1769–4159 (3638) HDD/CAT[2]

[1] Represents average input value for the reporting period.
[2] Heating Degree Days (HDD); Cumulative Average Temperature (CAT).

Sensitivity of recurring level 3 measurements to changes in unobservable inputs

The significant unobservable input used in the fair value measurement of the Group's infrastructure loans is valuation spread. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable input used in the fair value measurement of the Group's private placement corporate debt securities is credit spread. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement. The significant unobservable input used in the fair value measurement of the Group's private placement credit tenant leases is illiquidity premium. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable input used in the fair value measurement of the Group's OTC equity option referencing correlated equity indices is correlation. Where the Group is long correlation risk, a significant increase (decrease) in this input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group is short correlation risk, a significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable input used in the fair value measurement of the Group's investment real estate and swap liability referencing real estate investment is the rate used to discount future cash flows from property sales. A significant increase (decrease) in this input in isolation would result in a significantly lower (higher) fair value measurement.

The significant unobservable inputs used in the fair value measurement of the Group's variable annuity and fair valued guaranteed minimum death benefit (GMDB) contracts are: risk margin, volatility, lapse, mortality adjustment rate and withdrawal rate. A significant increase (decrease) in isolation in each of the following inputs: risk margin, volatility and withdrawal rate would result in a significantly higher (lower) fair value of the Group's obligation. A significant increase (decrease) in isolation in a lapse rate for in-the-money contracts would result in a significantly lower (higher) fair value of the Group's obligation, whereas for out-of-the-money contracts, an isolated increase (decrease) in a lapse assumption would increase (decrease) fair value of the Group's obligation. Changes in the mortality adjustment rate impact the fair value of the Group's obligation differently for living-benefit products, compared to death-benefit products. For the former, a significant increase (decrease) in the mortality adjustment rate (ie increase (decrease) in mortality, respectively) in isolation would result in a decrease (increase) in fair value of the Group's liability. For the latter, a significant increase (decrease) in the mortality adjustment rate in isolation would result in an increase (decrease) in fair value of the Group's liability.

The significant unobservable inputs used in the fair value measurement of the Group's weather contracts are risk margin, correlation, volatility and index value. Where the Group has a long position, a significant increase (decrease) in the risk margin input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group has a long volatility or correlation position, a significant increase (decrease) in the correlation and volatility inputs would result in a significantly higher (lower) fair value measurement. Where the Group has a long index position, an increase (decrease) in the index value input in isolation would result in a significantly higher (lower) fair value measurement. Where the Group has a short position, a significant increase (decrease) in the risk margin input in isolation would result in a significantly lower (higher) fair value measurement. Where the Group has a short volatility or correlation position, a significant increase (decrease) in the correlation and volatility inputs would result in a significantly lower (higher) fair value measurement. Where the Group has a short index position, an increase (decrease) in the index value input in isolation would result in a significantly lower (higher) fair value measurement.

Other invested assets measured at net asset value

Other invested assets measured at net asset value as of 31 December were as follows:

USD millions	2016 Fair value	2017 Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Private equity funds	562	511	104	non-redeemable	n.a.
Hedge funds	106	128		redeemable[1]	45–95 days[2]
Private equity direct	80	92		non-redeemable	n.a.
Real estate funds	189	97	32	non-redeemable	n.a.
Total	937	**828**	**136**		

[1] The redemption frequency varies by position.
[2] Cash distribution can be delayed for an extended period depending on the sale of the underlyings.

The hedge fund investments employ a variety of strategies, including global macro, relative value, event-driven and long/short equity across various asset classes.

The private equity direct portfolio consists of equity and equity-like investments directly in other companies. These investments have no contractual term and are generally held based on financial or strategic intent.

Private equity and real estate funds generally have limitations imposed on the amount of redemptions from the fund during the redemption period due to illiquidity of the underlying investments. Fees may apply for redemptions or transferring of interest to other parties. Distributions are expected to be received from these funds as the underlying assets are liquidated over the life of the fund, which is generally from 10 to 12 years.

The redemption frequency of hedge funds varies depending on the manager as well as the nature of the underlying product. Additionally, certain funds may impose lock-up periods and redemption gates as defined in the terms of the individual investment agreement.

Fair value option

The fair value option under the Financial Instruments Topic permits the choice to measure specified financial assets and liabilities at fair value on an instrument-by-instrument basis. The Group elected the fair value option for positions in the following line items:

Other invested assets

The Group elected the fair value option for certain investments classified as equity method investees within other invested assets in the balance sheet. The Group applied the fair value option, as the investments are managed on a fair value basis. The changes in fair value of these elected investments are recorded in earnings.

Funds held by ceding companies

For operational efficiencies, the Group elected the fair value option for funds held by the cedent under three of its reinsurance agreements. The assets are carried at fair value and changes in fair value are reported as a component of earnings.

Other investments backing unit-linked and with-profit business

For operational efficiencies, the Group elected the fair value option for equity-linked deposits from one of its unit-linked businesses. The assets are carried at fair value and changes in fair value are reported as a component of earnings. In the balance sheet and the following fair value disclosures, this item is included under "Investments for unit-linked and with-profit business".

Liabilities for life and health policy benefits

The Group elected the fair value option for existing GMDB reserves related to certain variable annuity contracts which are classified as universal-life-type contracts. The Group has applied the fair value option, as the equity risk associated with those contracts is managed on a fair value basis and it is economically hedged with derivative options in the market.

Other derivative liabilities

For operational efficiencies, the Group elected the fair value option on a hybrid financial instrument, where the host contract is a debt instrument and the embedded derivative is pegged to the performance of the fund's real estate portfolio. The liability is carried at fair value and changes in fair value are reported as a component of earnings. In the balance sheet and the following fair value disclosures, this item is included under "Accrued expenses and other liabilities".

Assets and liabilities measured at fair value pursuant to election of the fair value option

Pursuant to the election of the fair value option for the items described, the balances as of 31 December were as follows:

USD millions	2016	2017
Assets		
Other invested assets	9 611	9 904
of which at fair value pursuant to the fair value option	442	446
Funds held by ceding companies	8 184	9 155
of which at fair value pursuant to the fair value option	225	206
Investments for unit-linked and with-profit business	32 178	35 166
of which at fair value pursuant to the fair value option	42	
Liabilities		
Liabilities for life and health policy benefits	–41 176	–42 561
of which at fair value pursuant to the fair value option	–144	–126
Accrued expenses and other liabilities	–9 811	–7 190
of which at fair value pursuant to the fair value option	–161	–150

Changes in fair values for items measured at fair value pursuant to election of the fair value option

Gains/losses included in earnings for items measured at fair value pursuant to election of the fair value option including foreign exchange impact for the years ended 31 December were as follows:

USD millions	2016	2017
Other invested assets	–19	36
Funds held by ceding companies	6	
Investments for unit-linked and with-profit business	9	
Liabilities for life and health policy benefits	20	19
Accrued expenses and other liabilities	17	20
Total	33	**75**

Fair value changes from other invested assets and funds held by ceding companies are reported in "Net investment income – non-participating business". Fair value changes from investments for unit-linked and with-profit business are reported in "Net investment result – unit-linked and with-profit business". Fair value changes from accrued expenses and other liabilities are reported in "Net realised investment gains/losses – non-participating business". Fair value changes from the GMDB reserves are shown in "Life and health benefits".

Assets and liabilities not measured at fair value but for which the fair value is disclosed

Assets and liabilities not measured at fair value but for which the fair value is disclosed as of 31 December were as follows:

2016 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		95	95
Mortgage loans		2 411	2 411
Other loans		1 202	1 202
Investment real estate		3 367	3 367
Total assets	0	7 075	7 075
Liabilities			
Debt	–8 201	–4 938	–13 139
Total liabilities	–8 201	–4 938	–13 139

2017 USD millions	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets			
Policy loans		94	94
Mortgage loans		2 674	2 674
Other loans		1 367	1 367
Investment real estate		3 901	3 901
Total assets	**0**	**8 036**	**8 036**
Liabilities			
Debt	–7 607	–5 074	–12 681
Total liabilities	**–7 607**	**–5 074**	**–12 681**

Policy loans, other loans and certain mortgage loans are classified as level 3 measurements, as they do not have an active exit market. Some of these positions need to be assessed in conjunction with the corresponding insurance business, whilst the fair value of some other positions does not differ materially from the carrying amount. Considering these circumstances for these positions, the Group presents the carrying amount as an approximation for the fair value. For certain commercial mortgage loans and infrastructure loans, which are included in mortgage loans and other loans respectively, the fair value can be estimated using discounted cash flow models which are based on discount curves and spread inputs that require management's judgement.

Investments in real estate are fair valued primarily by external appraisers based on proprietary discounted cash flow models that incorporate applicable risk premium adjustments to discount yields and projected market rental income streams based on market-specific data. These fair value measurements are classified in level 3 in the fair value hierarchy.

Debt positions, which are fair valued based on executable broker quotes or based on the discounted cash flow method using observable inputs, are classified as level 2 measurements. Fair value of the majority of the Group's level 3 debt positions is judged to approximate carrying value due to the highly tailored nature of the obligation and short-notice termination provisions.

9 Derivative financial instruments

The Group uses a variety of derivative financial instruments including swaps, options, forwards, credit derivatives and exchange-traded financial futures in its trading and hedging strategies, in line with the Group's overall risk management strategy. The objectives include managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or liabilities, as well as locking in attractive investment conditions for future available funds.

The fair values represent the gross carrying value amounts at the reporting date for each class of derivative contract held or issued by the Group. The gross fair values are not an indication of credit risk, as many over-the-counter transactions are contracted and documented under ISDA master agreements or their equivalent. Management believes that such agreements provide for legally enforceable set-off in the event of default, which substantially reduces credit exposure.

Fair values and notional amounts of derivative financial instruments

As of 31 December, the fair values and notional amounts of the derivatives outstanding were as follows:

2016 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	42 622	1 120	–780	340
Foreign exchange contracts	19 138	350	–574	–224
Equity contracts	12 512	788	–609	179
Credit contracts				0
Other contracts	16 226	125	–630	–505
Total	90 498	2 383	–2 593	–210
Derivatives designated as hedging instruments				
Foreign exchange contracts	9 303	418	–17	401
Total	9 303	418	–17	401
Total derivative financial instruments	99 801	2 801	–2 610	191
Amount offset				
Where a right of set-off exists		–1 122	1 122	
Due to cash collateral		–458	446	
Total net amount of derivative financial instruments		1 221	–1 042	179

2017 USD millions	Notional amount assets/liabilities	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	36 386	524	–404	120
Foreign exchange contracts	16 592	206	–137	69
Equity contracts	17 049	780	–673	107
Credit contracts	4 194	1	–79	–78
Other contracts	12 432	98	–447	–349
Total	**86 653**	**1 609**	**–1 740**	**–131**
Derivatives designated as hedging instruments				
Foreign exchange contracts	12 362	101	–184	–83
Total	**12 362**	**101**	**–184**	**–83**
Total derivative financial instruments	**99 015**	**1 710**	**–1 924**	**–214**
Amount offset				
Where a right of set-off exists		–801	801	
Due to cash collateral		–375	541	
Total net amount of derivative financial instruments		**534**	**–582**	**–48**

The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity. The fair value assets are included in "Other invested assets" and "Investments for unit-linked and with-profit business", and the fair value liabilities are included in "Accrued expenses and other liabilities". The fair value amounts that were not offset were nil as of 31 December 2016 and 2017.

Non-hedging activities
The Group primarily uses derivative financial instruments for risk management and trading strategies. Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in "Net realised investment gains/losses — non-participating business" and "Net investment result — unit-linked and with-profit business" in the income statement. For the years ended 31 December, the gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

USD millions	2016	**2017**
Derivatives not designated as hedging instruments		
Interest rate contracts	391	43
Foreign exchange contracts	–116	301
Equity contracts	–217	–254
Credit contracts	–1	–25
Other contracts	181	287
Total gains/losses recognised in income	238	**352**

Hedging activities
The Group designates certain derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 31 December 2016 and 2017, the following hedging relationships were outstanding:

Fair value hedges
The Group enters into foreign exchange swaps to reduce the exposure to foreign exchange volatility for certain fixed income securities. These derivative instruments are designated as hedging instruments in qualifying fair value hedges. Gains and losses on derivative financial instruments designated as fair value hedging instruments are recorded in "Net realised investment gains/losses — non-participating business" in the income statement. For the years ended 31 December, the gains and losses attributable to the hedged risks were as follows:

		2016		**2017**
USD millions	Gains/losses on derivatives	Gains/losses on hedged items	Gains/losses on derivatives	Gains/losses on hedged items
Fair value hedging relationships				
Foreign exchange contracts	250	–250	–577	577
Total gains/losses recognised in income	250	–250	**–577**	**577**

Cash flow hedges
The Group entered into cross-currency swaps to reduce the exposure to foreign exchange volatility for a long-term debt instrument issued in the second quarter of 2016 and a portfolio of foreign currency denominated corporate bonds. These derivative instruments are designated as cash flow hedging instruments.

For the year ended 31 December 2017, the Group recorded a gain of USD 30 million on derivatives in accumulated other comprehensive income. For the year ended 31 December 2017, the Group reclassified a gain of USD 33 million from accumulated other comprehensive income into income.

As of 31 December 2017, the maximum length of time over which the Group hedged its exposure to the variability in future cash flows for forecasted transactions, excluding those forecasted transactions related to the payment of variable interest on existing financial instruments, was nine years.

The Group believes that the net gains and losses associated with cash flow hedges expected to be reclassified from accumulated other comprehensive income within the next twelve months cannot be reasonably estimated as they relate to foreign exchange volatility.

Hedges of the net investment in foreign operations
The Group designates derivative and non-derivative monetary financial instruments as hedging the foreign currency exposure of its net investment in certain foreign operations.

For the years ended 31 December 2016 and 2017, the Group recorded an accumulated net unrealised foreign currency remeasurement gain of USD 2 448 million and USD 1 552 million, respectively, in shareholders' equity. These offset translation gains and losses on the hedged net investment.

Maximum potential loss

In consideration of the rights of set-off and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 31 December 2016 and 2017 was approximately USD 1 679 million and USD 909 million, respectively. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, excluding cash collateral.

Credit risk-related contingent features

Certain derivative instruments held by the Group contain provisions that require its debt to maintain an investment-grade credit rating. If the Group's credit rating were downgraded or no longer rated, the counterparties could request immediate payment, guarantee or an ongoing full overnight collateralisation on derivative instruments in net liability positions.

The total fair value of derivative financial instruments containing credit risk-related contingent features amounted to USD 107 million and USD 102 million as of 31 December 2016 and 2017, respectively. For derivative financial instruments containing credit risk-related contingent features, the Group posted collateral of nil as of 31 December 2016 and 2017, respectively. In the event of a reduction of the Group's credit rating to below investment grade, a fair value of USD 102 million additional collateral would have had to be posted as of 31 December 2017. The total equals the amount needed to settle the instruments immediately as of 31 December 2017.

10 Acquisitions

Bradesco Seguros, S.A.

On 3 July 2017, the Group and Bradesco Seguros, S.A. (Bradesco) entered into a partnership combining the large Commercial Risk business of Bradesco with Swiss Re Corporate Solutions Brasil Seguros S.A. (SRCSB). Upon closing this transaction, SRCSB became one of the leading insurers in the commercial large-risk insurance market in Brazil. The acquisition cost was BRL 210 million paid in cash and 40% shares of SRCSB. The transaction includes Bradesco's related operations, its team of experts and a business portfolio, including existing, new and renewal business.

This transaction strengthens the Group's position in the Brazilian commercial insurance market by combining two diversified portfolios and securing a sustainable and large distribution channel.

Qualifying purchased intangible assets have been established. The following table presents details of acquired intangible assets subject to amortisation as of the date of acquisition:

USD millions	Weighted-average amortisation period	Carrying value
Distribution channels	11 years	72
Customer relationships	6 years	24
Other intangibles	2 years	6

In addition, the intangibles not subject to amortisation are licences of USD 29 million and goodwill of USD 38 million. The goodwill relates to the Corporate Solutions Business Unit and is not expected to be deductible for tax purposes.

IHC Risk Solutions, LLC

On 31 March 2016, the Group acquired IHC Risk Solutions, LLC (IHC), a leading US employer stop loss company and the direct employer stop loss business of Independence Holding Company. The cost of the acquisition was USD 153 million. The transaction includes IHC's operations, its team of experts and business portfolio, including in-force, new and renewal business and is reflected in the Corporate Solutions Business Unit results. This acquisition broadens the Group's current employer stop loss capabilities in the small- and middle-market self-funded healthcare benefits segment.

Guardian Holdings Europe Limited

On 6 January 2016, the Group acquired 100% of the shares of Guardian Holdings Europe Limited, the holding company for operations trading under the name Guardian Financial Services ("Guardian") from private equity company Cinven. Guardian provided insurance solutions to financial institutions and insurance companies, either through the acquisition of closed books of business or through entering reinsurance agreements with its customers. The total cost of acquisition as of 6 January 2016 was USD 2.3 billion in cash.

Please refer to Note 10 of the 2016 Annual Report for further details on the Guardian Holdings Europe Limited's acquisition.

11 Debt and contingent capital instruments

The Group enters into long- and short-term debt arrangements to obtain funds for general corporate use and specific transaction financing. The Group defines short-term debt as debt having a maturity at the balance sheet date of not greater than one year and long-term debt as having a maturity of greater than one year. For subordinated debt positions, maturity is defined as the first optional redemption date (notwithstanding that optional redemption could be subject to regulatory consent). Interest expense is classified accordingly.

The Group's debt as of 31 December was as follows:

USD millions	2016	**2017**
Senior financial debt	590	433
Senior operational debt	431	
Subordinated financial debt	543	
Short-term debt – financial and operational debt	1 564	**433**
Senior financial debt	3 734	3 781
Senior operational debt	423	390
Subordinated financial debt	3 381	3 607
Subordinated operational debt	2 249	2 370
Long-term debt – financial and operational debt	9 787	**10 148**
Total carrying value	11 351	**10 581**
Total fair value	13 139	**12 681**

As of 31 December 2016 and 2017, operational debt, ie debt related to operational leverage, amounted to USD 3.1 billion (thereof USD 2.2 billion limited- or non-recourse) and USD 2.8 billion (thereof USD 2.4 billion limited- or non-recourse), respectively. Operational leverage is subject to asset/liability matching and is excluded from rating agency financial leverage calculations.

Maturity of long-term debt

As of 31 December, long-term debt as reported above had the following maturities:

USD millions	2016	**2017**
Due in 2018	0	0
Due in 2019	2 367	2 341
Due in 2020	195	197
Due in 2021	209	213
Due in 2022	771	845
Due after 2022	6 245	6 552
Total carrying value	9 787	**10 148**

Senior long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	Book value in USD millions
2019	Syndicated senior bank loans	2014	GBP	475	variable	642
2019	Senior notes[1]	1999	USD	234	6.45%	245
2022	Senior notes	2012	USD	250	2.88%	249
2023	Senior notes	2016	EUR	750	1.38%	895
2024	EMTN	2014	CHF	250	1.00%	255
2026	Senior notes[1]	1996	USD	397	7.00%	486
2027	EMTN	2015	CHF	250	0.75%	257
2030	Senior notes[1]	2000	USD	193	7.75%	262
2042	Senior notes	2012	USD	500	4.25%	490
Various	Payment undertaking agreements	various	USD	338	various	390
Total senior long-term debt as of 31 December 2017						**4 171**
Total senior long-term debt as of 31 December 2016						4 157

[1] Assumed in the acquisition of GE Insurance Solutions.

Subordinated long-term debt

Maturity	Instrument	Issued in	Currency	Nominal in millions	Interest rate	First call in	Book value in USD millions
2024	Subordinated contingent write-off loan note	2013	USD	750	6.38%	2019	778
2042	Subordinated fixed-to-floating rate loan note	2012	EUR	500	6.63%	2022	596
2044	Subordinated fixed rate resettable callable loan note	2014	USD	500	4.50%	2024	497
2045	Subordinated contingent write-off securities	2013	CHF	175	7.50%	2020	197
2057	Subordinated private placement (amortising, limited recourse)	2007	GBP	1 751	5.06%		2 370
	Subordinated perpetual loan note	2007	GBP	500	6.30%	2019	676
	Perpetual subordinated fixed-to-floating rate callable loan note	2015	EUR	750	2.60%	2025	863
Total subordinated long-term debt as of 31 December 2017							**5 977**
Total subordinated long-term debt as of 31 December 2016							5 630

Interest expense on long-term debt and contingent capital instruments

Interest expense on long-term debt for the years ended 31 December was as follows:

USD millions	2016	2017
Senior financial debt	121	114
Senior operational debt	10	11
Subordinated financial debt	179	166
Subordinated operational debt	122	114
Total	432	**405**

In addition to the above, interest expense on contingent capital instruments classified as equity was USD 68 million and USD 67 million for the years ended 31 December 2016 and 2017, respectively.

Long-term debt issued in 2017

No long-term debt was issued in the year ended 31 December 2017.

Perpetual subordinated debt facility established in 2017

In July 2017, Swiss Re Ltd established a subordinated debt facility with no fixed termination date. The facility allows Swiss Re Ltd to issue at any time subordinated fixed rate callable notes with a face value of up to USD 750 million, having a first optional redemption date of 15 August 2022 and additional optional redemption dates every five years thereafter. Swiss Re Ltd pays a fee of 2.77% per annum on the available commitment under the facility. Notes issued under the facility have a fixed coupon of 4.63% per annum until the first optional redemption date, which will be reset every five years to the prevailing five-year US Treasury rate plus the fixed-for-life spread of 2.76%.

In these financial statements, the facility fees are classified as interest expense. Notes, when issued under this facility, will be classified as subordinated debt. As of 31 December 2017, no notes have been issued under the facility.

Contingent capital instruments

In March 2012, Swiss Reinsurance Company Ltd issued a perpetual subordinated capital instrument with stock settlement. The instrument has a face value of USD 750 million, with a fixed coupon of 8.25% per annum until the first optional redemption date (1 September 2018).

The instrument may be converted, at the option of the issuer, into Swiss Re Ltd shares at any time through "at market" conversion using the retrospective five-day volume weighted average share price with a 3% discount or within six months following a solvency event at a pre-set floor price of USD 32. The instrument is referred to in these financial statements as "contingent capital instrument".

In February 2012, Swiss Reinsurance Company Ltd issued a contingent capital instrument accounted for as equity with a face value of CHF 320 million and a fixed coupon at a rate of 7.25% per annum. This capital instrument was redeemed on 1 September 2017.

12 Earnings per share

All of the Group's companies prepare statutory financial statements based on local laws and regulations. Most jurisdictions require reinsurers to maintain a minimum amount of capital in excess of the statutory definition of net assets or maintain certain minimum capital and surplus levels. In addition, some jurisdictions place certain restrictions on amounts that may be loaned or transferred to the parent company. The Group's ability to pay dividends may be restricted by these requirements.

Dividends are declared in Swiss francs. During the years ended 31 December 2016 and 2017, the Group paid dividends per share of CHF 4.60 and CHF 4.85, respectively.

Earnings per share for the years ended 31 December were as follows:

USD millions (except share data)	2016	**2017**
Basic earnings per share		
Net income	3 623	393
Non-controlling interests	3	5
Interest on contingent capital instruments[1]	–68	–67
Net income attributable to common shareholders	3 558	**331**
Weighted average common shares outstanding	331 767 651	320 811 238
Net income per share in USD	10.72	**1.03**
Net income per share in CHF[2]	10.55	**1.02**
Effect of dilutive securities		
Change in income available to common shares due to contingent capital instruments[1]	68	
Change in average number of shares due to contingent capital instruments	35 745 192	
Change in average number of shares due to employee options	1 768 217	514 803
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	3 626	**331**
Weighted average common shares outstanding	369 281 060	321 326 041
Net income per share in USD	9.82	**1.03**
Net income per share in CHF[2]	9.66	**1.01**

[1] Please refer to Note 11 "Debt and contingent capital instruments".
[2] The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

At the 152nd Annual General Meeting held on 22 April 2016 and at the 153rd Annual General Meeting held on 21 April 2017, the Group's shareholders authorised the Group Board of Directors to repurchase up to a maximum CHF 1 billion purchase value of the Group's own shares through public share buy-back programmes for cancellation purposes prior to the 2017 and 2018 Annual General Meetings, respectively.

The buy-back programme prior to the 153rd Annual General Meeting was completed as of 9 February 2017. The total number of shares repurchased amounted to 10.6 million, of which 5.5 million and 5.1 million shares were repurchased as of 31 December 2016 and between 1 January and 9 February 2017, respectively. The 153rd Annual General Meeting resolved the cancellation of the repurchased 10.6 million shares by way of share capital reduction. The shares were cancelled as of 25 July 2017, after completion of the procedure in respect of a share capital reduction as set forth in Article 732 et seqq. of the Swiss Code of Obligations. As of 31 December 2017, 6.3 million shares were repurchased through the buy-back programme launched on 3 November 2017.

Net of tax expense effects from contingent capital instruments, totalling USD 67 million in 2017, and the potential impact of these instruments on the weighted average number of shares, of 31 642 628 shares, have not been included in the diluted earnings per share calculation because the impact of such an inclusion was antidilutive.

13 Income taxes

The Group is generally subject to corporate income taxes based on the taxable net income in various jurisdictions in which it operates. The components of the income tax expense were:

USD millions	2016	2017
Current taxes	728	727
Deferred taxes	21	–595
Income tax expense	749	**132**

Tax rate reconciliation

The following table reconciles the expected tax expense at the Swiss statutory tax rate to the actual tax expense in the accompanying income statement:

USD millions	2016	2017
Income tax at the Swiss statutory tax rate of 21.0%	918	110
Increase (decrease) in the income tax charge resulting from:		
Foreign income taxed at different rates	191	11
Impact of foreign exchange movements	–5	71
Tax exempt income/dividends received deduction	–44	–51
Change in valuation allowance	–256	–77
Non-deductible expenses	65	57
Change in statutory rate	6	–60
Change in liability for unrecognised tax benefits including interest and penalties	–116	13
Other, net[1]	–10	58
Total	749	**132**

[1] Other, net includes tax return to tax provision adjustments from various jurisdictions.

For the year ended 31 December 2017, the Group reported a tax charge of USD 132 million on a pre-tax income of USD 525 million, compared to a charge of USD 749 million on a pre-tax income of USD 4 372 million for 2016. This translates into an effective tax rate in the current and prior-year reporting periods of 25.1% and 17.1%, respectively.

For the year ended 31 December 2017, the tax rate was largely driven by profits earned in higher-tax jurisdictions, tax charges from foreign currency translation differences between statutory and US GAAP accounts and expenses not allowed for local tax purposes, partially offset by tax benefits from US tax law changes. The lower rate in the year ended 31 December 2016, was largely driven by benefits from the effective settlement of tax audits in certain jurisdictions and releases of valuation allowance on net operating losses partially offset by tax on profits earned in higher-tax jurisdictions.

At 31 December 2017, the tax rate includes a tax benefit of USD 93 million from US tax reform impact. The impact is included within the change in statutory rate and change in valuation allowance components of the tax rate reconciliation. The benefit arises from revaluing the US deferred tax assets and liabilities to the new US statutory tax rate of 21% (from 35%).

Deferred and other non-current taxes

The components of deferred and other non-current taxes were as follows:

USD millions	2016	2017
Deferred tax assets		
Income accrued/deferred	354	259
Technical provisions	640	488
Pension provisions	378	313
Benefit on loss carryforwards	2 914	2 296
Currency translation adjustments	339	490
Unrealised gains in income	424	487
Other	1 381	981
Gross deferred tax asset	6 430	5 314
Valuation allowance	–505	–475
Unrecognised tax benefits offsetting benefits on loss carryforwards	–23	–22
Total deferred tax assets	5 902	**4 817**
Deferred tax liabilities		
Present value of future profits	–336	–322
Income accrued/deferred	–600	–473
Bond amortisation	–124	–241
Deferred acquisition costs	–961	–918
Technical provisions	–3 547	–2 191
Unrealised gains on investments	–1 072	–984
Untaxed realised gains	–393	–294
Foreign exchange provisions	–527	–507
Other	–778	–807
Total deferred tax liabilities	–8 338	**–6 737**
Liability for unrecognised tax benefits including interest and penalties	–245	–238
Total deferred and other non-current tax liabilities	–8 583	**–6 975**
Net deferred and other non-current taxes	–2 681	**–2 158**

As previously noted in the tax rate reconciliation, a tax benefit of USD 93 million arises from revaluing the US deferred tax assets and liabilities to the new US tax rate of 21% (from 35%). Accordingly, the revaluing reduced the US deferred tax assets by USD 1 220 million and the US deferred tax liabilities by USD 1 313 million (net USD 93 million).

As of 31 December 2017, the aggregate amount of temporary differences associated with investment in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised amount to approximately USD 3.2 billion. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

As of 31 December 2017, the Group had USD 9 705 million net operating tax loss carryforwards, expiring as follows: USD 19 million in 2018, USD 47 million in 2019, USD 14 million in 2020, USD 11 million in 2021, USD 8 502 million in 2022 and beyond, and USD 1 112 million never expire.

As of 31 December 2017, the Group had capital loss carryforwards of USD 1 096 million, expiring as follows: USD 4 million in 2020, USD 4 million in 2021, USD 6 million in 2022, and USD 1 082 million never expire.

For the year ended 31 December 2017, net operating tax losses of USD 1 036 million and net capital tax losses of USD 27 million were utilised.

Income taxes paid in 2016 and 2017 were USD 755 million and USD 720 million, respectively.

Unrecognised tax benefits

A reconciliation of the opening and closing amount of gross unrecognised tax benefits (excluding interest and penalties) is as follows:

USD millions	2016	2017
Balance as of 1 January	343	216
Additions based on tax positions related to current year	37	24
Additions based on tax positions related to prior years	21	16
Current year acquisitions	24	
Reductions for tax positions of current year		–9
Reductions for tax positions of prior years	–106	–12
Statute expiration	–47	–9
Settlements	–53	–29
Other (including foreign currency translation)	–3	9
Balance as of 31 December	216	**206**

As of 31 December 2016 and 2017, the amount of gross unrecognised tax benefits within the tabular reconciliation that, if recognised, would affect the effective tax rate were approximately USD 216 million and USD 206 million, respectively.

Interest and penalties related to unrecognised tax benefits are recorded in income tax expense. For the years ended 31 December 2016 and 2017 such expenses were USD 21 million and USD 2 million, respectively. For the years ended 31 December 2016 and 2017, USD 52 million and USD 54 million, respectively, were accrued for the payment of interest (net of tax benefits) and penalties. The accrued interest balance as of 31 December 2017 is included within the deferred and other non-current taxes section reflected above and in the balance sheet.

The balance of gross unrecognised tax benefits as of 31 December 2017 presented in the table above excludes accrued interest and penalties (USD 54 million).

During the year, certain tax positions and audits in France and Switzerland were effectively settled.

The Group continually evaluates proposed adjustments by taxing authorities. The Group believes that it is reasonably possible (more than remote and less than likely) that the balance of unrecognised tax benefits could increase or decrease over the next 12 months due to settlements or expiration of statutes. However, quantification of an estimated range cannot be made at this time.

The following table summarises jurisdictions and tax years that remain subject to examination:

Australia	2013–2017
Brazil	2011–2017
Canada	2010–2017
China	2006–2017
Colombia	2015–2017
Denmark	2011–2017
France	2015–2017
Germany	2014–2017
Hong Kong	2009–2017
India	2006–2017
Ireland	2012–2017
Israel	2013–2017
Italy	2012–2017
Japan	2010–2017

Korea	2014–2017
Luxembourg	2013–2017
Malaysia	2009–2017
Mexico	2012–2017
Netherlands	2013–2017
New Zealand	2012–2017
Singapore	2011–2017
Slovakia	2012–2017
South Africa	2012–2017
Spain	2013–2017
Switzerland	2014–2017
United Kingdom	2008, 2009, 2011–2017
United States	2011–2017

14 Benefit plans

Defined benefit pension plans and post-retirement benefits

The Group sponsors various funded defined benefit pension plans. Employer contributions to the plans are charged to income on a basis which recognises the costs of pensions over the expected service lives of employees covered by the plans. The Group's funding policy for these plans is to contribute annually at a rate that is intended to maintain a level percentage of compensation for the employees covered. A full valuation is prepared at least every three years.

The Group also provides certain healthcare and life insurance benefits for retired employees and their dependants. Employees become eligible for these benefits when they become eligible for pension benefits.

The measurement date of these plans is 31 December for each year presented.

2016 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 877	2 206	363	6 446
Service cost	113	8	5	126
Interest cost	31	76	10	117
Actuarial gains/losses	71	349	9	429
Benefits paid	–140	–72	–16	–228
Employee contribution	25			25
Effect of settlement, curtailment and termination	1			1
Effect of foreign currency translation	–62	–209	–2	–273
Benefit obligation as of 31 December	3 916	2 358	369	6 643
Fair value of plan assets as of 1 January	3 479	2 235	0	5 714
Actual return on plan assets	128	256		384
Company contribution	95	62	16	173
Benefits paid	–140	–72	–16	–228
Employee contribution	25			25
Effect of settlement, curtailment and termination	1			1
Effect of foreign currency translation	–56	–224		–280
Fair value of plan assets as of 31 December	3 532	2 257	0	5 789
Funded status	–384	–101	–369	–854

2017 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Benefit obligation as of 1 January	3 916	2 358	369	6 643
Service cost	111	8	4	123
Interest cost	24	69	9	102
Amendments	–55		–3	–58
Actuarial gains/losses	–57	–48	42	–63
Benefits paid	–185	–78	–17	–280
Employee contribution	26			26
Effect of settlement, curtailment and termination	2	–20		–18
Effect of foreign currency translation	166	175	9	350
Benefit obligation as of 31 December	**3 948**	**2 464**	**413**	**6 825**
Fair value of plan assets as of 1 January	3 532	2 257	0	5 789
Actual return on plan assets	264	167		431
Company contribution	95	61	17	173
Benefits paid	–185	–78	–17	–280
Employee contribution	26			26
Effect of settlement, curtailment and termination	2	–20		–18
Effect of foreign currency translation	153	178		331
Fair value of plan assets as of 31 December	**3 887**	**2 565**	**0**	**6 452**
Funded status	**–61**	**101**	**–413**	**–373**

Amounts recognised in "Other assets" and "Accrued expenses and other liabilities" in the Group's balance sheet as of 31 December were as follows:

2016 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		140		140
Current liabilities		–2	–15	–17
Non-current liabilities	–384	–239	–354	–977
Net amount recognised	–384	–101	–369	–854

2017 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Non-current assets		278		278
Current liabilities		–3	–18	–21
Non-current liabilities	–61	–174	–395	–630
Net amount recognised	**–61**	**101**	**–413**	**–373**

Amounts recognised in accumulated other comprehensive income, gross of tax, as of 31 December were as follows:

2016 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	1 113	513	–30	1 596
Prior service cost/credit	–69	2	–58	–125
Total	1 044	515	–88	1 471

2017 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	805	375	13	1 193
Prior service cost/credit	–115	2		–113
Total	**690**	**377**	**13**	**1 080**

Components of net periodic benefit cost

The components of pension and post-retirement cost for the years ended 31 December were as follows:

2016 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	113	8	5	126
Interest cost	31	76	10	117
Expected return on assets	–113	–89		–202
Amortisation of:				
Net gain/loss	76	11	–4	83
Prior service cost	–9		–9	–18
Effect of settlement, curtailment an termination	1			1
Net periodic benefit cost	99	6	2	107

2017 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Service cost (net of participant contributions)	111	8	4	123
Interest cost	24	69	9	102
Expected return on assets	–90	–78		–168
Amortisation of:				
Net gain/loss	77	35	–1	111
Prior service cost	–9			–9
Effect of settlement, curtailment and termination	2		–61	–59
Net periodic benefit cost	**115**	**34**	**–49**	**100**

Other changes in plan assets and benefit obligations recognised in other comprehensive income for the years ended 31 December were as follows:

2016 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	56	182	9	247
Prior service cost/credit				0
Amortisation of:				
Net gain/loss	–76	–11	4	–83
Prior service cost	9		9	18
Effect of settlement, curtailment and termination				0
Exchange rate gain/loss recognised during the year		–42		–42
Total recognised in other comprehensive income, gross of tax	–11	129	22	140
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	88	135	24	247

2017 USD millions	Swiss plan	Foreign plans	Other benefits	Total
Net gain/loss	–231	–137	42	–326
Prior service cost/credit	–55		–3	–58
Amortisation of:				
Net gain/loss	–77	–35	1	–111
Prior service cost	9			9
Effect of settlement, curtailment and termination			61	61
Exchange rate gain/loss recognised during the year		34		34
Total recognised in other comprehensive income, gross of tax	**–354**	**–138**	**101**	**–391**
Total recognised in net periodic benefit cost and other comprehensive income, gross of tax	**–239**	**–104**	**52**	**–291**

The estimated net loss and prior service credit for the defined benefit pension plans that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2018 are USD 73 million and USD 15 million, respectively. The estimated net gain/loss and prior service cost/credit for the other defined post-retirement benefits that will be amortised from accumulated other comprehensive income into net periodic benefit cost in 2018 are nil.

The accumulated benefit obligation (the current value of accrued benefits excluding future salary increases) for pension benefits was USD 6 205 million and USD 6 335 million as of 31 December 2016 and 2017, respectively.

Pension plans with an accumulated benefit obligation in excess of plan assets as of 31 December were as follows:

USD millions	2016	**2017**
Projected benefit obligation	5 478	5 071
Accumulated benefit obligation	5 441	5 025
Fair value of plan assets	4 854	4 834

Principal actuarial assumptions

	Swiss plan		Foreign plans weighted average		Other benefits weighted average	
	2016	**2017**	2016	**2017**	2016	**2017**
Assumptions used to determine obligations at the end of the year						
Discount rate	0.6%	0.6%	2.9%	2.8%	2.4%	2.1%
Rate of compensation increase	1.8%	1.8%	3.1%	3.0%	2.1%	2.1%
Assumptions used to determine net periodic pension costs for the year ended						
Discount rate	0.8%	0.6%	3.7%	2.9%	2.7%	2.4%
Expected long-term return on plan assets	3.3%	2.5%	4.1%	3.5%		
Rate of compensation increase	2.0%	1.8%	2.9%	3.1%	2.1%	2.1%
Assumed medical trend rates at year end						
Medical trend – initial rate					5.1%	5.6%
Medical trend – ultimate rate					3.8%	3.8%
Year that the rate reaches the ultimate trend rate					2021	2021

The expected long-term rates of return on plan assets are based on long-term expected inflation, interest rates, risk premiums and targeted asset category allocations. The estimates take into consideration historical asset category returns.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in assumed healthcare cost trend rates would have had the following effects for 2017:

USD millions	1 percentage point increase	1 percentage point decrease
Effect on total of service and interest cost components	1	0
Effect on post-retirement benefit obligation	29	–25

Plan asset allocation by asset category
The actual asset allocation by major asset category for defined benefit pension plans as of the respective measurement dates in 2016 and 2017 was as follows:

	Swiss plan allocation			Foreign plans allocation		
	2016	**2017**	**Target allocation**	2016	**2017**	**Target allocation**
Asset category						
Equity securities	27%	29%	25%	23%	21%	21%
Debt securities	44%	41%	47%	51%	71%	73%
Real estate	22%	23%	20%	0%	0%	0%
Other	7%	7%	8%	26%	8%	6%
Total	100%	**100%**	**100%**	100%	**100%**	**100%**

Actual asset allocation is determined by a variety of current economic and market conditions and considers specific asset class risks.

Equity securities include Swiss Re common stock of USD 7 million (0.1% of total plan assets) and USD 6 million (0.1% of total plan assets) as of 31 December 2016 and 2017, respectively.

The Group's pension plan investment strategy is to match the maturity profiles of the assets and liabilities in order to reduce the future volatility of pension expense and funding status of the plans. This involves balancing investment portfolios between equity and fixed income securities. Tactical allocation decisions that reflect this strategy are made on a quarterly basis.

Assets measured at fair value
For a description of the different fair value levels and valuation techniques see Note 8 "Fair value disclosures".

Certain items reported as pension plan assets at fair value in the following table are not within the scope of Note 8, namely two positions: real estate and an insurance contract.

Real estate positions classified as level 1 and level 2 are exchange traded real estate funds where a market valuation is readily available. Real estate reported on level 3 is property owned by the pension funds. These positions are accounted for at the capitalised income value. The capitalisation based on sustainable recoverable earnings is conducted at interest rates that are determined individually for each property, based on the property's location, age and condition. If properties are intended for disposal, the estimated selling costs and taxes are recognised in provisions. Sales gains or losses are allocated to income from real estate when the contract is concluded.

The fair value of the insurance contract is based on the fair value of the assets backing the contract.

Other assets classified within level 3 mainly consist of private equity investments valued with the same methodology as mentioned in Note 8.

As of 31 December, the fair values of pension plan assets by level of input were as follows:

2016 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments measured at net asset value as practical expedient	Total
Assets					
Fixed-income securities:					
Debt securities issued by the US government and government agencies	28	145			173
Debt securities issued by non-US governments and government agencies		348			348
Corporate debt securities		2 069	9		2 078
Residential mortgage-backed securities		26			26
Commercial mortgage-backed securities		4			4
Other asset-backed securities		6			6
Equity securities:					
Equity securities held for proprietary investment purposes	1 004	451	97		1 552
Derivative financial instruments		–6			–6
Real estate			612		612
Other assets		514		387	901
Total assets at fair value	1 032	3 557	718	387	5 694
Cash	97	–2			95
Total plan assets	1 129	3 555	718	387	5 789

2017 USD millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments measured at net asset value as practical expedient	Total
Assets					
Fixed-income securities:					
Debt securities issued by the US government and government agencies	30	681			711
Debt securities issued by non-US governments and government agencies		847			847
Corporate debt securities		1 723	10		1 733
Residential mortgage-backed securities		23			23
Commercial mortgage-backed securities		1			1
Other asset-backed securities		1			1
Equity securities:					
Equity securities held for proprietary investment purposes	1 141	414	103		1 658
Short-term investments		38			38
Derivative financial instruments		–13			–13
Real estate			692		692
Other assets		89		563	652
Total assets at fair value	**1 171**	**3 804**	**805**	**563**	**6 343**
Cash	109				109
Total plan assets	**1 280**	**3 804**	**805**	**563**	**6 452**

Assets measured at fair value using significant unobservable inputs (Level 3)

For the years ended 31 December, the reconciliation of fair value of pension plan assets using significant unobservable inputs were as follows:

2016 USD millions	Real estate	Other assets	Total
Balance as of 1 January	596	142	738
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	17	–14	3
Relating to assets sold during the period		13	13
Purchases, issuances and settlements	8	21	29
Transfers in and/or out of Level 3		–53	–53
Impact of foreign exchange movements	–9	–3	–12
Closing balance as of 31 December	612	106	718

2017 USD millions	Real estate	Other assets	Total
Balance as of 1 January	612	106	718
Realised/unrealised gains/losses:			
Relating to assets still held at the reporting date	34	–26	8
Relating to assets sold during the period		19	19
Purchases, issuances and settlements	19	11	30
Transfers in and/or out of Level 3			0
Impact of foreign exchange movements	27	3	30
Closing balance as of 31 December	**692**	**113**	**805**

Expected contributions and estimated future benefit payments

The employer contributions expected to be made in 2018 to the defined benefit pension plans are USD 114 million and to the post-retirement benefit plan are USD 18 million.

As of 31 December 2017, the projected benefit payments, which reflect expected future service, not adjusted for transfers in and for employees' voluntary contributions, are as follows:

USD millions	Swiss plan	Foreign plans	Other benefits	Total
2018	216	104	18	338
2019	208	108	19	335
2020	205	112	20	337
2021	201	115	20	336
2022	196	118	21	335
Years 2023-2027	932	632	110	1 674

Defined contribution pension plans

The Group sponsors a number of defined contribution plans to which employees and the Group make contributions. The accumulated balances are paid as a lump sum at the earlier of retirement, termination, disability or death. The amount expensed in 2016 and in 2017 was USD 69 million and USD 81 million, respectively.

15 Share-based payments

As of 31 December 2016 and 2017, the Group had the share-based compensation plans as described below.

The total compensation cost for share-based compensation plans recognised in net income was USD 66 million and USD 55 million in 2016 and 2017, respectively. The related tax benefit was USD 14 million and USD 12 million, respectively.

Restricted shares

The Group granted 47 795 and 29 914 restricted shares to selected employees in 2016 and 2017, respectively. Moreover, as an alternative to the Group's cash bonus programme, 300 382 and 276 483 shares were delivered during 2016 and 2017, respectively, which are generally not subject to forfeiture risk.

A summary of the movements in shares relating to outstanding awards granted under the restricted share plans for the year ended 31 December 2017 is as follows:

	Weighted average grant date fair value in CHF[1]	Number of shares
Non-vested at 1 January	86	528 672
Granted	90	306 397
Forfeited	90	–2 312
Vested	86	–348 913
Outstanding as of 31 December	**88**	**483 844**

[1] Equal to the market price of the shares on the date of grant.

Leadership Performance Plan

The Leadership Performance Plan (LPP) awards are expected to be settled in shares, and the requisite service as well as the maximum contractual term are three years. For LPP 2014, LPP 2015, LPP 2016 and LPP 2017 awards, an additional two-year holding period applies for all members of the Group EC and other key executives. At grant date the award is split equally into two underlying components — Restricted Share Units (RSUs) and Performance Share Units (PSUs). The RSUs are measured against a ROE performance condition and will vest within a range of 0–100%. The PSUs are based on relative total shareholder return, measured against a pre-defined group of peers and will vest within a range of 0–200%. The fair values of both components are measured separately, based on stochastic models.

The fair value assumptions in the grant valuations include market estimates for dividends (and an additional special dividend of CHF 4.15 for the LPP 2014 and a special dividend of CHF 3.00 for the LPP 2015, respectively) and the risk-free rate based on the average of the 5-year US government bond rate (for LPP 2014 and LPP 2015) and the average of the 10-year US government bond rate (for LPP 2016 and LPP 2017) taken monthly over each year in the performance period. This resulted in risk-free rates between 1.8% and 3.1% for all LPP awards.

For the year ended 31 December 2017, the outstanding units were as follows:

RSUs	LPP 2014	LPP 2015	LPP 2016	LPP 2017
Non-vested at 1 January	349 960	320 805	360 787	
Granted				528 175
Forfeited	–1 650	–10 725	–12 448	–17 034
Vested	–348 310			
Outstanding as of 31 December	**0**	**310 080**	**348 339**	**511 141**
Grant date fair value in CHF	**60.85**	**67.65**	**67.91**	**47.41**

PSUs				
Non-vested at 1 January	353 670	353 785	489 519	
Granted				720 025
Forfeited	–1 670	–11 830	–16 891	–23 221
Vested	–352 000			
Outstanding as of 31 December	**0**	**341 955**	**472 628**	**696 804**
Grant date fair value in CHF	**60.21**	**61.37**	**50.04**	**34.78**

Unrecognised compensation cost

As of 31 December 2017, the total unrecognised compensation cost (net of forfeitures) related to non-vested, share-based compensation awards was USD 54 million and the weighted average period over which that cost is expected to be recognised is 1.9 years.

The number of shares authorised for the Group's share-based payments to employees was 3 665 794 and 4 411 532 as of 31 December 2016 and 2017, respectively. The Group's policy is to ensure that sufficient treasury shares are available at all times to settle future share-based compensation plans.

Global Share Participation Plan

In June 2013, Swiss Re introduced the Global Share Participation Plan, which is a share purchase plan that was rolled out for the benefit of employees of companies within the Group. Swiss Re makes a financial contribution to participants in the Plan, by matching the commitment that they make during the plan cycle with additional Swiss Re shares.

If the employee is still employed by Swiss Re at the end of a plan cycle, the employee will receive an additional number of shares equal to 30% of the total number of purchased and dividend shares held at that time. In 2016 and 2017, Swiss Re contributed USD 12 million and USD 11 million to the plans and authorised 178 233 and 162 487 shares as of 31 December 2016 and 2017, respectively.

16 Compensation, participations and loans of members of governing bodies

The disclosure requirements under Swiss Law in respect of compensation and loans to the members of the Board of Directors and of the Group Executive Committee, as well as closely related persons, are detailed in the Compensation Report on pages 173–178 of the Financial Report of the Swiss Re Group.

The disclosure requirements under Swiss Law in respect of participations of members of the Board of Directors and the Group Executive Committee, as well as closely related persons, are detailed on pages 308–309 of the Annual Report of Swiss Re Ltd.

17 Related parties

The Group defines the following as related parties to the Group: subsidiaries of Swiss Re Ltd, entities in which the Group has significant influence, pension plans, members of the Board of Directors (BoD) and the Group Executive Committee (EC) and their close family members, and entities which are directly and indirectly controlled by members of governing bodies of the Group and their close family members.

As part of the consolidation process, transactions between Swiss Re Ltd and subsidiaries are eliminated in consolidation and are not disclosed in the notes.

As of 31 December 2016 and 2017, the Group's investment in mortgages and other loans included USD 292 million and USD 301 million, respectively, of loans due from employees, and USD 184 million and USD 181 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

Contributions made to defined benefit pension plans and post-retirement benefit plans are disclosed in Note 14 Benefit plans. Plan assets of the defined benefit pension plans include Swiss Re common stock of USD 7 million (0.1% of total plan assets) and USD 6 million (0.1% of total plan assets) as of 31 December 2016 and 2017, respectively.

The total number of shares, options and related instruments held by members of the BoD and the Group EC and persons closely related to, amounts to less than 1% of the shares issued by Swiss Re Ltd. None of the members of BoD and the Group EC has any significant business connection with Swiss Re Ltd or any of its Group companies. The Group BoD member Susan L. Wagner is also a board member of BlackRock, Inc. BlackRock, Inc is acting as external asset manager for the Group.

Share in earnings and dividends received from equity-accounted investees for the years ended 31 December, were as follows:

USD millions	2016	**2017**
Share in earnings of equity-accounted investees	41	100
Dividends received from equity-accounted investees	176	170

18 Commitments and contingent liabilities

Leasing commitments
As part of its normal business operations, the Group enters into a number of lease agreements. As of 31 December, such agreements, which are operating leases, total the following obligations for the next five years and thereafter:

USD millions	2017
2018	128
2019	118
2020	100
2021	64
2022	57
After 2022	324
Total operating lease commitments	**791**
Less minimum non-cancellable sublease rentals	21
Total net future minimum lease commitments	**770**

Minimum rentals for all operating leases (except those with terms of one month or less that were not renewed) for the years ended 31 December 2016 and 2017 were USD 76 million and USD 94 million, respectively. Sublease rental income for the years ended 31 December 2016 and 2017 was nil and USD 2 million, respectively.

Other commitments
As a participant in limited and other investment partnerships, the Group commits itself to making available certain amounts of investment funding, callable by the partnerships for periods of up to ten years. The total commitments remaining uncalled as of 31 December 2017 were USD 2 252 million.

In 2016, the Group entered into a real estate construction contract. Total commitments under the contract amount to USD 52 million over the next three years.

The Group enters into a number of contracts in the ordinary course of reinsurance and financial services business which, if the Group's credit rating and/or defined statutory measures decline to certain levels, would require the Group to post collateral or obtain guarantees. The contracts typically provide alternatives for recapture of the associated business.

Legal proceedings
In the normal course of business operations, the Group is involved in various claims, lawsuits and regulatory matters. In the opinion of management, the disposition of these matters is not expected to have a material adverse effect on the Group's business, consolidated financial position, results of operations or cash flows.

19 Significant subsidiaries and equity investees

		Share capital (millions)	Affiliation in % as of 31.12.2017	Method of consolidation
Europe				
Germany				
Swiss Re Germany GmbH, Munich	EUR	45	100	f
Ireland				
Ark Life Assurance Company dac, Dublin	EUR	19	100	f
Jersey				
ReAssure Holdings Limited, St Helier	GBP	0	100	f
ReAssure Jersey One Limited, St Helier	GBP	1	100	f
ReAssure Jersey Two Limited, St Helier	GBP	3	100	f
Swiss Re ReAssure Limited, St Helier	GBP	3	100	f
Swiss Re ReAssure Midco Limited, St Helier	GBP	0	100	f
Liechtenstein				
Elips Life AG, Triesen	CHF	12	100	f
Elips Versicherungen AG, Triesen	CHF	5	100	f
Luxembourg				
iptiQ Life S.A., Luxembourg	EUR	6	100	f
Swiss Re Europe Holdings S.A., Luxembourg	EUR	105	100	f
Swiss Re Europe S.A., Luxembourg	EUR	350	100	f
Swiss Re Finance (Luxembourg) S.A., Luxembourg	EUR	0	100	f
Swiss Re Funds (Lux) I, Senningerberg[1]	EUR	12 552	100	f
Swiss Re International SE, Luxembourg	EUR	182	100	f
Switzerland				
Swiss Pillar Investments Ltd, Zurich	CHF	0	100	f
Swiss Re Corporate Solutions Ltd, Zurich	CHF	100	100	f
Swiss Re Direct Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Holding Company Ltd, Zurich	CHF	0	100	f
Swiss Re Investments Ltd, Zurich	CHF	1	100	f
Swiss Re Life Capital Ltd, Zurich	CHF	0	100	f
Swiss Re Life Capital Reinsurance Ltd, Zurich	CHF	10	100	f
Swiss Re Management Ltd, Adliswil	CHF	0	100	f
Swiss Re Principal Investments Company Ltd, Zurich	CHF	0	100	f
Swiss Re Reinsurance Holding Company Ltd, Zurich	CHF	0	100	f
Swiss Reinsurance Company Ltd, Zurich	CHF	34	100	f

Method of consolidation

f full
e equity
fv fair value
[1] Net asset value instead of share capital

		Share capital (millions)	Affiliation in % as of 31.12.2017	Method of consolidation
United Kingdom				
IptiQ Holdings Limited, Shropshire	GBP	0	100	f
Pension Insurance Corporation Group Limited, London	GBP	1 000	4	fv
ReAssure FSH UK Limited, Shropshire	GBP	710	100	f
ReAssure Group Limited, Shropshire	GBP	0	100	f
ReAssure Limited, Shropshire	GBP	289	100	f
Swiss Re Capital Markets Limited, London	USD	60	100	f
Swiss Re Services Limited, London	GBP	2	100	f
Swiss Re Specialised Investments Holdings (UK) Limited, London	GBP	1	100	f
Americas and Caribbean				
Barbados				
European Finance Reinsurance Company Ltd., Bridgetown	USD	5	100	f
European International Reinsurance Company Ltd., Bridgetown	USD	1	100	f
Milvus I Reassurance Limited, Bridgetown	USD	481	100	f
Swiss Re (Barbados) Finance Limited, Bridgetown	GBP	0	100	f
Bermuda				
CORE Reinsurance Company Limited, Hamilton	USD	0	100	f
Swiss Re Global Markets Limited, Hamilton	USD	0	100	f
Brazil				
Sul America S.A., Rio de Janeiro	BRL	3 320	15	e
Swiss Re Brasil Resseguros S.A., São Paulo	BRL	295	100	f
Swiss Re Corporate Solutions Brasil Seguros S.A., São Paulo	BRL	318	60	f
Cayman Islands				
Ampersand Investments (UK) Limited, George Town	GBP	0	100	f
FWD Group Ltd, Grand Cayman	USD	1	15	e
PEP SR I Umbrella L.P., George Town	USD	595	100	f
Swiss Re Strategic Investments UK Limited, George Town	GBP	0	100	f
Colombia				
Compañía Aseguradora de Fianzas S.A. Confianza, Bogotá	COP	224 003	51	f

		Share capital (millions)	Affiliation in % as of 31.12.2017	Method of consolidation
United States				
Claret Re Inc., Burlington	USD	5	100	f
Facility Insurance Holding Corporation, Dallas	USD	0	100	f
First Specialty Insurance Corporation, Jefferson City	USD	5	100	f
North American Capacity Insurance Company, Manchester	USD	4	100	f
North American Elite Insurance Company, Manchester	USD	4	100	f
North American Specialty Insurance Company, Manchester	USD	5	100	f
Pecan Re Inc., Burlington	USD	5	100	f
Pillar RE Holdings LLC, Wilmington	USD	0	100	f
SR Corporate Solutions America Holding Corporation, Wilmington	USD	0	100	f
Sterling Re Inc., Burlington	USD	213	100	f
Swiss Re America Holding Corporation, Wilmington	USD	0	100	f
Swiss Re Capital Markets Corporation, New York	USD	0	100	f
Swiss Re Corporate Solutions Global Markets Inc., New York	USD	0	100	f
Swiss Re Financial Markets Corporation, Wilmington	USD	0	100	f
Swiss Re Financial Products Corporation, Wilmington[2]	USD	0	100	f
Swiss Re Life & Health America Holding Company, Wilmington	USD	0	100	f
Swiss Re Life & Health America Inc., Jefferson City	USD	4	100	f
Swiss Re Management (US) Corporation, Wilmington	USD	0	100	f
Swiss Re Risk Solutions Corporation, Wilmington	USD	0	100	f
Swiss Re Treasury (US) Corporation, Wilmington	USD	0	100	f
Swiss Reinsurance America Corporation, Armonk	USD	10	100	f
Washington International Insurance Company, Manchester	USD	4	100	f
Westport Insurance Corporation, Jefferson City	USD	6	100	f
Africa				
South Africa				
Swiss Re Life and Health Africa Limited, Cape Town	ZAR	2	100	f
Asia-Pacific				
Australia				
Swiss Re Australia Ltd, Sydney	AUD	845	100	f
Swiss Re Life & Health Australia Limited, Sydney	AUD	980	100	f
China				
Alltrust Insurance Company Limited, Shanghai	CNY	2 178	5	fv
Swiss Re Corporate Solutions Insurance China Ltd, Shanghai	CNY	500	100	f
Singapore				
Swiss Re Asia Pte. Ltd., Singapore	SGD	428	100	f
Vietnam				
Vietnam National Reinsurance Corporation, Hanoi	VND	1 310 759	25	e

[2] Between 2016 and 2017, share capital has been reclassified to share premiums

20 Variable interest entities

The Group enters into arrangements with variable interest entities (VIEs) in the normal course of business. The involvement ranges from being a passive investor to designing, structuring and managing the VIEs. The variable interests held by the Group arise primarily as a result of the Group's involvement in certain insurance-linked securitisations, life and health funding transactions, swaps in trusts, debt financing, investment, senior commercial mortgage and infrastructure loans as well as other entities, which meet the definition of a VIE.

When analysing whether the entity is a VIE, the Group mainly assesses if (1) the equity is sufficient to finance the entity's activities without additional subordinated financial support, (2) the equity holders have the right to make significant decisions affecting the entity's operations and (3) the holders of the voting rights substantively participate in the gains and losses of the entity.

When one of these criteria is not met, the entity is considered a VIE and is assessed for consolidation under the VIE section of the Consolidation Topic.

The party that has a controlling financial interest is called a primary beneficiary and consolidates the VIE. The party is deemed to have a controlling financial interest if it has both of the following:

- the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and
- the obligation to absorb the entity's losses that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

For all its variable interests in VIEs, the Group assesses whether it has a controlling financial interest in these entities and, thus, is the primary beneficiary. The Group identifies the activities that most significantly impact the entity's performance and determines whether the Group has the power to direct those activities. In conducting the analysis, the Group considers the purpose, the design and the risks that the entity was designed to create and pass through to its variable interest holders. Additionally, the Group assesses if it has the obligation to absorb losses or if it has the right to receive benefits of the VIE that could potentially be significant to the entity. If both criteria are met, the Group has a controlling financial interest in the VIE and consolidates the entity.

The Group monitors changes to the facts and circumstances of the existing involvement with legal entities to determine whether they require reconsideration of the entity's designation as a VIE or voting interest entity. For VIEs, the Group reassesses regularly the primary beneficiary determination.

Insurance-linked securitisations

The insurance-linked securitisations transfer pre-existing insurance risk to investors through the issuance of insurance-linked securities. In insurance-linked securitisations, the securitisation vehicle assumes the insurance risk from a sponsor through insurance or derivative contracts. The securitisation vehicle generally retains the issuance proceeds as collateral, which consists of investment-grade securities. The Group does not have potentially significant variable interest in these vehicles and therefore is not a primary beneficiary.

Typically, the variable interests held by the Group arise through ownership of insurance-linked securities, in which case the Group's maximum loss equals the principal amount of the securities held by the Group.

Life and health funding vehicles

The Group participates in certain structured transactions that retrocede longevity and mortality risks to captive reinsurers with an aim to provide regulatory capital credit to a transaction sponsor through creation of funding notes by a separate funding vehicle which is generally considered a VIE. The Group's participation in these transactions is generally limited to providing contingent funding support via a financial contract with a funding vehicle, which represents a potentially significant variable interest in the funding vehicle. The Group does not have power to direct activities of the funding vehicles and therefore is not a primary beneficiary of the funding vehicles in these transactions. The Group's maximum exposure in these transactions equals either the total contract notional or outstanding balance of the funding notes issued by the vehicle, depending on the specific contractual arrangements.

Swaps in trusts
The Group provides interest rate and foreign exchange risk hedges to certain asset securitisation trusts which qualify as VIEs. As the Group's involvement is limited to interest rate and foreign exchange derivatives, it does not have power to direct any activities of the trusts and therefore does not qualify as primary beneficiary of any of these trusts. These activities are in run-off.

Debt financing vehicles
The Group consolidates a debt-financing vehicle created to collateralise reinsurance coverage provided by the Group. The Group manages the asset portfolio in the vehicle and absorbs the variability of the investment return of the vehicle's portfolio, thereby satisfying both criteria for a controlling financial interest: power over activities most significant to the vehicle's economic performance and significant economic interest.

Investment vehicles
The Group consolidates a real estate investment entity, which holds real estate backing annuities business. The Group is its primary beneficiary, because it has both power over the entity's investment decisions, as well as a significant variable interest in the entity.

The Group's variable interests in investment partnerships arise through ownership of the limited partner interests. Many investment partnerships are VIEs because the limited partners as a group lack kick-out or participating rights. The Group does not hold the general partner interest in the limited partnerships and therefore does not direct investment activities of the entity. Therefore, the Group lacks power over the relevant activities of the vehicles and, consequently, does not qualify as the primary beneficiary. The Group is exposed to losses when the values of the investments held by the investment vehicles decrease. The Group's maximum exposure to loss equals the Group's share of the investment.

The Group is a passive investor in structured securitisation vehicles issuing residential and commercial mortgage-backed securities (RMBS and CMBS, respectively) and other asset-backed securities (ABS). The Group's investments in RMBS, CMBS and other ABS are passive in nature and do not obligate the Group to provide any financial or other support to the issuer entities. By design, RMBS, CMBS and ABS securitisation entities are not adequately capitalised and therefore considered VIEs. The Group is not the primary beneficiary, because it does not have power to direct most significant activities. These investments are accounted for as available-for-sale as described in the investment note and not included in the tables below.

The Group consolidates an investment vehicle, because the Group holds the entire interest in the entity and makes investment decisions related to the entity. The investment vehicle is a VIE because it is structured as an umbrella company comprised of multiple sub-funds. The majority of the investments held in this vehicle are accounted for as available-for-sale and are disclosed in the investment note and not included in the tables below.

Investment vehicles for unit-linked business
Additionally, the Group invests on behalf of the policyholders as a passive investor in a variety of investment funds across various jurisdictions. By design, many of these funds meet a VIE definition. While the Group may have a potentially significant variable interest in some of these entities due to its share of the fund's total net assets, it never has power over the fund's investment decisions, or unilateral kick-out rights relative to the decision maker.

The Group is not exposed to losses in the aforementioned investment vehicles, as the investment risk is borne by the policyholder.

Senior commercial mortgage and infrastructure loans

The Group also invests in structured commercial mortgage and infrastructure loans, which are held for investment.

The commercial mortgage loans are made to non-recourse special purpose entities collateralised with commercial real estate. The entities are adequately capitalised and generally structured as voting interest entities. Occasionally, the borrower entities can be structured as limited partnerships where the limited partners do not have kick-out or participating rights, which results in the VIE designation.

The infrastructure loans are made to non-recourse special purpose entities collateralised with infrastructure project assets. Some borrower entities may have insufficient equity investment at risk, which results in the VIE designation.

The Group does not have power over the activities most significant to the aforementioned borrower entities designated as VIEs and therefore does not consolidate them.

The Group's maximum exposure to loss from its investments equals the loan outstanding amount.

Other

The Group consolidates a vehicle providing reinsurance to its members, because it serves as a decision maker over the entity's investment and underwriting activities, as well as provides retrocession for the majority of the vehicle's insurance risk and receives performance-based fees. Additionally, the Group is obligated to provide the vehicle with loans in case of a deficit. The vehicle is a VIE, primarily because its total equity investment at risk is insufficient and the members lack decision-making rights.

The Group did not provide financial or other support to any VIEs during 2017 that it was not previously contractually required to provide.

Consolidated VIEs

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs of which the Group is the primary beneficiary as of 31 December:

USD millions	2016	**2017**
Fixed income securities available-for-sale	3 715	3 974
Investment real estate	209	198
Short-term investments	128	62
Cash and cash equivalents	42	14
Accrued investment income	33	34
Premiums and other receivables	33	29
Deferred acquisition costs	9	4
Deferred tax assets	94	41
Other assets	12	15
Total assets	4 275	**4 371**
Unpaid claims and claim adjustment expenses	65	84
Liabilities for life and health policy benefits		1
Unearned premiums	25	12
Reinsurance balances payable	6	17
Deferred and other non-current tax liabilities	213	133
Accrued expenses and other liabilities	178	174
Long-term debt	2 270	2 369
Total liabilities	2 757	**2 790**

The assets of the consolidated VIEs may only be used to settle obligations of these VIEs and to settle any investors' ownership liquidation requests. There is no recourse to the Group for the consolidated VIEs' liabilities. The assets of the consolidated VIEs are not available to the Group's creditors.

Non-consolidated VIEs

The following table shows the total assets and liabilities on the Group's balance sheet related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December:

USD millions	2016	2017
Fixed income securities available-for-sale	525	587
Equity securities available-for-sale	492	700
Policy loans, mortgages and other loans	876	1 035
Other invested assets	2 387	1 831
Investments for unit-linked and with-profit business	8 770	9 223
Premiums and other receivables	3	
Total assets	13 053	**13 376**
Accrued expenses and other liabilities	78	67
Total liabilities	78	**67**

The following table shows the Group's assets, liabilities and maximum exposure to loss related to VIEs in which the Group held a variable interest but was not the primary beneficiary as of 31 December:

			2016			2017
USD millions	Total assets	Total liabilities	Maximum exposure to loss[1]	Total assets	Total liabilities	Maximum exposure to loss[1]
Insurance-linked securitisations	336		331	311		314
Life and health funding vehicles	2	1	1 948	27	1	2 052
Swaps in trusts	164	77	–[2]	25	66	–[2]
Debt financing vehicles	302		22			
Investment vehicles	2 423		2 424	2 493		2 494
Investment vehicles for unit-linked business	8 770			9 223		
Senior commercial mortgage and infrastructure loans	1 053		1 053	1 297		1 297
Other	3		3			
Total	13 053	78	–[2]	**13 376**	**67**	**–[2]**

[1] Maximum exposure to loss is the loss the Group would absorb from a variable interest in a VIE in the event that all of the assets of the VIE are deemed worthless.
[2] The maximum exposure to loss for swaps in trusts cannot be meaningfully quantified due to their derivative character.

The assets and liabilities for the swaps in trusts represent the positive and negative fair values of the derivatives the Group has entered into with the trusts.

21 Subsequent events

Investment by MS&AD Insurance Group Holdings Inc into ReAssure

In October 2017, Swiss Re reached an agreement with MS&AD Insurance Group Holdings Inc (MS&AD) for an investment of up to GBP 800 million into ReAssure, for up to a three-year period from closing and with a maximum shareholding of 15%.

On 23 January 2018, after ReAssure obtained regulatory approval for the transaction, MS&AD acquired a 5% stake in ReAssure (via a parent company) for GBP 175 million and subscribed for additional shares of GBP 330 million. On 28 February 2018, MS&AD subscribed for additional shares of GBP 82 million. These three investments now result in a total shareholding of ReAssure by MS&AD of 15%.

The Group financial statements and related notes presented in this report are not impacted.

Legal and General life policies

Effective 1 January 2018, ReAssure entered into an agreement with Legal and General Assurance Society Limited to reinsure 1.1 million policies for GBP 650 million. It is intended that the reinsured polices will be transferred to ReAssure at a future date by way of a Part VII transfer under the Financial Services and Markets Act 2000, subject to regulatory approval.

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Re Ltd
Zurich

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Swiss Re Ltd and its subsidiaries (the 'Company'), which comprise the consolidated balance sheet as of 31 December 2017, and the related consolidated income statement, statement of comprehensive income, statement of shareholders' equity, statement of cash flows and notes for the year ended 31 December 2017.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2017, the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America and comply with Swiss law.

Other matter

Accounting principles generally accepted in the United States of America require that the supplementary information based on the requirements of ASU 2015-09, Disclosures about Short-Duration Contracts, on pages 220 to 228 be presented to supplement the consolidated financial statements. Such information, although not part of the consolidated financial statements, is required by the Financial Accounting Standards Board, which considers it an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Unobservable or interpolated inputs used for the valuation of certain level 2 and 3 investments

Key audit matter

Investment valuation continues to be an area with inherent risk for certain level 2 and 3 investments that have unobservable or interpolated inputs. The risk is not the same for all investment types and is greatest for those listed below. These investments are more difficult to value because quoted prices are not always available and valuation requires unobservable or interpolated inputs and complex valuation models:

- Fixed income securitised products
- Fixed income mortgage and asset-backed securities
- Private placements and infrastructure loans
- Private equities
- Derivatives
- Insurance-related financial products

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of selected key controls around the valuation models for level 2 and 3 investments, including the Company's independent price verification process. We also tested management's data integrity and change management controls relating to the valuation models.

In relation to the matters set out opposite, our substantive testing procedures included the following:

- Challenging the Company's methodology and assumptions, in particular, the yield curves, discounted cash flows, perpetual growth rates and liquidity premiums used in the valuation models.
- Comparing the assumptions used against appropriate benchmarks and investigating significant differences.
- Engaging our own valuation experts to perform independent valuations of selected investments.

On the basis of the work performed, we consider the assumptions used by management to be appropriate and that the investments classified as level 2 and 3 are properly valued as of 31 December 2017.

Valuation of actuarially determined Property & Casualty ('P&C') loss reserves

Key audit matter

Valuation of actuarially determined P&C loss reserves involves a high degree of subjectivity and complexity. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses at a given date. The Company uses a range of actuarial methodologies and methods to estimate these reserves. Actuarially determined P&C loss reserves require significant judgement relating to certain factors and assumptions. Among the most significant reserving assumptions are the A-priori loss ratios, which typically drive the estimates of P&C loss reserves for the most recent contract years. Other key factors and assumptions include, but are not limited to, interest rates, inflation trends, claims trends, regulatory decisions, historical claims information and the growth of exposure.

In particular, loss reserves for 'long tail' lines of business (for example, the Liability, US Asbestos and Environmental, Motor Liability and Workers' Compensation portfolios) are generally more difficult to project. This is due to the protracted period over which claims can be reported as well as the fact that claim settlements are often less frequent but of higher magnitude. They are also subject to greater uncertainties than claims relating to 'short-tail' business. Long-tailed lines of business generally rely on many assumptions based on experts' judgement.

Moreover, not all natural catastrophe events and significant man-made losses can be modelled using traditional actuarial methodologies, which increases the degree of judgement needed in establishing reserves for these events.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of selected key controls relating to the application of the actuarial methodology, data collection and analysis, as well as the processes for determining the assumptions used by management in the valuation of actuarially determined P&C loss reserves.

In relation to the matters set out opposite, our substantive testing procedures included the following:

- Testing the completeness and accuracy of underlying data utilised by the Company's actuaries in estimating P&C loss reserves.
- Applying IT audit techniques to analyse claims through the recalculation of claims triangles.
- Involving PwC's internal actuarial specialists to independently test management's estimates of P&C loss reserves, and evaluate the reasonableness of the methodology and assumptions used by comparing them with recognised actuarial practices and by applying our industry knowledge and experience.
- Performing independent projections of selected product lines. For these product lines, we compared our calculations of projected reserves with those of the Company taking into account the available corroborating and contrary evidence and challenging management's assumptions as appropriate.
- Assessing the process and related judgements of management in relation to natural catastrophes and other large losses, including using our industry knowledge to assess the reasonableness of market loss estimates and other significant assumptions.
- Performing sensitivity tests to determine the impact of selected key assumptions.
- Evaluating the appropriateness of any significant adjustments made by management to P&C loss reserve estimates.

On the basis of the work performed, we consider that the methodology, assumptions and underlying data used in the valuation of actuarially determined P&C loss reserves to be reasonable and in line with financial reporting requirements and accepted industry practice.

Valuation of actuarially determined Life & Health ('L&H') loss reserves

Key audit matter

The Company's valuation of liabilities for L&H policy benefits and policyholder account balances involves complex judgements about future events affecting the business. Actuarial assumptions selected by the Company with respect to interest rates, investment returns, mortality, morbidity, lapse in coverage, longevity, persistency, expenses, stock market volatility and future policyholder behaviour may result in material impacts on the valuation of L&H reserves. The methodology and methods used can also have a material impact on the valuation of actuarially determined L&H reserves.

The valuation of actuarially determined L&H reserves depends on the use of complex models. The Company continues to migrate actuarial data and models from legacy systems and/or spreadsheets to new actuarial modelling systems. At the same time, management is validating models to ensure that new models are fit for use. Moving from one modelling platform to another is a complex and time-consuming process, frequently taking several years. Any resulting adjustments to reserves need to be assessed in terms of appropriateness and classified as changes in estimates or as an out-of-period adjustment.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of selected key controls relating to the application of actuarial methodology, data collection and analysis, as well as the processes for determining the assumptions used by management in the valuation of actuarially determined L&H reserves.

In relation to the matters set out opposite, our substantive testing procedures included the following:

- Testing the completeness and accuracy of the underlying data by vouching against the source documentation.
- Testing the migration of actuarial data from legacy systems and/or spreadsheets to the new actuarial systems for completeness and accuracy.
- Performing independent model validation procedures, including detailed testing of models, independent recalculations and back testing.
- Involving our own life insurance actuarial specialists to test the methodology and assumptions used by management, with particular consideration of industry studies, the Company's experience and management's liability adequacy test procedures.
- Challenging the Company's methodology and methods, focusing on changes to L&H actuarial methodology and methods during the year, by applying our industry knowledge and experience to check whether the methodology and methods are consistent with recognised actuarial practices and reporting requirements.

On the basis of the work performed, we consider that the methodology, methods, assumptions and underlying data used in the valuation of actuarially determined L&H reserves to be reasonable and in line with financial reporting requirements and accepted industry practice.

Completeness and valuation of uncertain tax items

Key audit matter

The Company is carrying a provision for uncertain tax items on its books. The valuations of these items are based on management's estimates and management's assessment whether deferred tax assets are more likely than not to be realised. In recent years there have been releases of uncertain tax positions as a result of the completion of audits by tax authorities. Changes in the estimates of uncertain tax items have an impact (through income tax expense) on the results.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of selected key controls in place to determine the completeness of the uncertain tax items and management's assessment of the items for recognition and valuation.

In relation to the matters set out opposite, our substantive testing procedures included the following:

- Involving our own tax specialists to critically review management's 'more likely than not' tax assessments to evaluate the Company's judgements and estimates of the probabilities and the amounts.
- Assessing how the Company had considered new information or changes in tax law or case law, and assessing the Company's judgement of how these impact the Company's position or measurement of the required provision.
- Examining tax audit documentation to validate the appropriateness of releases of uncertain tax provisions.

On the basis of the work performed, we consider management's assessment relating to the valuation of the uncertain tax items to be appropriate.

Report on other legal requirements

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

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Alex Finn

Bret M. Griffin

Alex Finn
Audit expert
Auditor in charge

Bret Griffin

Zurich, 14 March 2018

This page is intentionally left blank.

Group financial years 2008–2017

USD millions	2008[1]	2009[1]	2010
Income statement			
Revenues			
Premiums earned	23 577	22 664	19 652
Fee income	746	847	918
Net investment income	7 331	6 399	5 422
Net realised investment gains/losses	–8 677	875	2 783
Other revenues	249	178	60
Total revenues	23 226	30 963	28 835
Expenses			
Claims and claim adjustment expenses	–9 222	–8 336	–7 254
Life and health benefits	–8 381	–8 639	–8 236
Return credited to policyholders	2 611	–4 597	–3 371
Acquisition costs	–4 950	–4 495	–3 679
Other operating costs and expenses	–4 358	–3 976	–3 620
Total expenses	–24 300	–30 043	–26 160
Income/loss before income tax expense/benefit	–1 074	920	2 675
Income tax expense/benefit	411	–221	–541
Net income/loss before attribution of non-controlling interests	–663	699	2 134
Income/loss attributable to non-controlling interests			–154
Net income/loss after attribution of non-controlling interests	–663	699	1 980
Interest on contingent capital instruments, net of tax		–203	–1 117
Net income/loss attributable to common shareholders	–663	496	863
Balance sheet			
Assets			
Investments	154 053	151 341	156 947
Other assets	71 322	81 407	71 456
Total assets	225 375	232 748	228 403
Liabilities			
Unpaid claims and claim adjustment expenses	70 944	68 412	64 690
Liabilities for life and health policy benefits	37 497	39 944	39 551
Unearned premiums	7 330	6 528	6 305
Other liabilities	73 366	73 336	72 524
Long-term debt	17 018	19 184	18 427
Total liabilities	206 155	207 404	201 497
Shareholders' equity	19 220	25 344	25 342
Non-controlling interests			1 564
Total equity	19 220	25 344	26 906
Earnings/losses per share in USD	–2.00	1.46	2.52
Earnings/losses per share in CHF	–2.61	1.49	2.64

[1] The Group changed its reporting currency from CHF into USD in 2010. Periods prior to 2010 have been translated to USD for informational purposes only based on the Group's average exchange rates for the income statements and year-end rates for the balance sheets.
[2] The Group updated its balance sheet presentation of deferred tax assets and liabilities. Deferred tax assets and liabilities are presented on a gross basis as per the first quarter 2013. The comparative period has been adjusted accordingly and is consistent with the relevant income tax disclosure in the notes to the financial statements in the prior year.

	2011	2012[2]	2013	2014	2015	2016	**2017**
	21 300	24 661	28 276	30 756	29 751	32 691	**33 119**
	876	785	542	506	463	540	**586**
	5 469	5 302	4 735	4 992	4 236	4 740	**4 702**
	388	2 688	3 325	1 059	1 220	5 787	**4 048**
	50	188	24	34	44	28	**32**
	28 083	33 624	36 902	37 347	35 714	43 786	**42 487**
	–8 810	–7 763	–9 655	–10 577	–9 848	–12 564	**–16 730**
	–8 414	–8 878	–9 581	–10 611	–9 080	–10 859	**–11 083**
	–61	–2 959	–3 678	–1 541	–1 166	–5 099	**–3 298**
	–4 021	–4 548	–4 895	–6 515	–6 419	–6 928	**–6 977**
	–3 902	–3 953	–4 268	–3 876	–3 882	–3 964	**–3 874**
	–25 208	–28 101	–32 077	–33 120	–30 395	–39 414	**–41 962**
	2 875	5 523	4 825	4 227	5 319	4 372	**525**
	–77	–1 125	–312	–658	–651	–749	**–132**
	2 798	4 398	4 513	3 569	4 668	3 623	**393**
	–172	–141	–2		–3	3	**5**
	2 626	4 257	4 511	3 569	4 665	3 626	**398**
		–56	–67	–69	–68	–68	**–67**
	2 626	4 201	4 444	3 500	4 597	3 558	**331**
	162 224	152 812	150 075	143 987	137 810	155 016	**161 897**
	63 675	68 691	63 445	60 474	58 325	60 049	**60 629**
	225 899	221 503	213 520	204 461	196 135	215 065	**222 526**
	64 878	63 670	61 484	57 954	55 518	57 355	**66 795**
	39 044	36 117	36 033	33 605	30 131	41 176	**42 561**
	8 299	9 384	10 334	10 576	10 869	11 629	**11 769**
	65 850	62 020	57 970	53 670	55 033	59 402	**56 959**
	16 541	16 286	14 722	12 615	10 978	9 787	**10 148**
	194 612	187 477	180 543	168 420	162 529	179 349	**188 232**
	29 590	34 002	32 952	35 930	33 517	35 634	**34 124**
	1 697	24	25	111	89	82	**170**
	31 287	34 026	32 977	36 041	33 606	35 716	**34 294**
	7.68	11.85	12.97	10.23	13.44	10.72	**1.03**
	6.79	11.13	12.04	9.33	12.93	10.55	**1.02**

Annual Report Swiss Re Ltd

Swiss Re Ltd (the Company), domiciled in Zurich, Switzerland, is the ultimate holding company of the Swiss Re Group. Its principal activity is the holding of investments in Swiss Re Group companies.

Income statement

Net income for 2017 amounted to CHF 4 043 million (2016: CHF 3 972 million) and was mostly driven by cash dividends from subsidiaries and affiliated companies of CHF 3 832 million.

The Company earned trademark licence fees of CHF 347 million and incurred administrative expenses of CHF 126 million, of which CHF 122 million were charges for services provided by Swiss Re Management Ltd, and other expenses of CHF 179 million, due to financing costs related to subordinated debt facilities of CHF 87 million, net realised foreign exchange losses of CHF 83 million and capital and indirect taxes of CHF 9 million.

Assets

Total assets increased from CHF 23 173 million as of 31 December 2016 to CHF 24 971 million as of 31 December 2017.

Current assets increased by CHF 362 million to CHF 3 958 million as of 31 December 2017, mainly driven by an increase in loans to subsidiaries and affiliates companies and receivables from subsidiaries and affiliated companies, partially offset by a decrease in short-term investments due to funding of capital contributions to subsidiaries and share buy-back programmes.

Non-current assets increased from CHF 19 577 million as of 31 December 2016 to CHF 21 013 million as of 31 December 2017. Investments in subsidiaries and affiliated companies increased by CHF 1 441 million to CHF 20 915 million as of 31 December 2017 due to capital contributions to Swiss Re Corporate Solutions Ltd of CHF 1 001 million, Swiss Re Life Capital Ltd of CHF 306 million and Swiss Re Principal Investments Company Ltd of CHF 134 million.

Liabilities

Total liabilities increased from CHF 352 million as of 31 December 2016 to CHF 726 million as of 31 December 2017.

Short-term liabilities increased by CHF 458 million to CHF 697 million as of 31 December 2017, mainly driven by an increase in loans from subsidiaries and affiliated companies of CHF 429 million.

Long-term liabilities decreased by CHF 84 million to CHF 29 million as of 31 December 2017, mainly due to a reduction in the provision for currency fluctuations of CHF 74 million and tax provision of CHF 10 million.

Shareholders' equity

Shareholders' equity increased from CHF 22 821 million as of 31 December 2016 to CHF 24 245 million as of 31 December 2017, mainly due to net income of CHF 4 043 million, partially offset by dividends to shareholders of CHF 1 557 million and share buy-back programmes of CHF 1 064 million.

Share capital decreased by CHF 1 million to CHF 35 million as of 31 December 2017 and legal profit reserves decreased by CHF 980 million to CHF 7 285 million as of 31 December 2017 resulting from the cancellation of own shares.

Own shares (directly held by the Company) increased by CHF 81 million to CHF 1 636 million as of 31 December 2017 due to net purchases of own shares of CHF 17 million and share buy-back programmes of CHF 1 064 million, partially offset by the cancellation of own shares of CHF 1 000 million.

Income statement Swiss Re Ltd

For the years ended 31 December

CHF millions	Notes	2016	2017
Revenues			
Investment income	2	3 613	**4 018**
Trademark licence fees		339	**347**
Other revenues		263	**2**
Total revenues		4 215	**4 366**
Expenses			
Administrative expenses	3	–147	**–126**
Investment expenses	2	–1	**–2**
Other expenses		–70	**–179**
Total expenses		–218	**–307**
Income before income tax expense		3 997	**4 059**
Income tax expense		–25	**–16**
Net income		3 972	**4 043**

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

Balance sheet Swiss Re Ltd

As of 31 December

Assets

CHF millions	Notes	2016	2017
Current assets			
Cash and cash equivalents		6	**6**
Short-term investments	4	1 158	**3**
Receivables from subsidiaries and affiliated companies		170	**765**
Other receivables and accrued income		2	**5**
Loans to subsidiaries and affiliated companies		2 260	**3 179**
Total current assets		3 596	**3 958**
Non-current assets			
Loans to subsidiaries and affiliated companies		103	**98**
Investments in subsidiaries and affiliated companies	5	19 474	**20 915**
Total non-current assets		19 577	**21 013**
Total assets		23 173	**24 971**

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

Liabilities and shareholders' equity

CHF millions	Notes	2016	2017
Liabilities			
Short-term liabilities			
Payables to subsidiaries and affiliated companies		40	**43**
Other liabilities and accrued expenses		199	**225**
Loans from subsidiaries and affiliated companies		0	**429**
Total short-term liabilities		239	**697**
Long-term liabilities			
Provisions		113	**29**
Total long-term liabilities		113	**29**
Total liabilities		352	**726**
Shareholders' equity	7		
Share capital	9	36	**35**
Legal reserves from capital contributions		*192*	***192***
Other legal capital reserves		*0*	***1***
Legal capital reserves		192	**193**
Legal profit reserves		8 265	**7 285**
Reserve for own shares (indirectly held by subsidiaries)		17	**16**
Voluntary profit reserves		11 890	**14 305**
Retained earnings brought forward		4	**4**
Net income for the financial year		3 972	**4 043**
Own shares (directly held by the Company)	8	–1 555	**–1 636**
Total shareholders' equity		22 821	**24 245**
Total liabilities and shareholders' equity		23 173	**24 971**

The accompanying notes are an integral part of Swiss Re Ltd's financial statements.

Notes
Swiss Re Ltd

1 Significant accounting principles

Basis of presentation
The financial statements are prepared in accordance with Swiss Law.

Time period
The financial year 2017 comprises the accounting period from 1 January 2017 to 31 December 2017.

Use of estimates in the preparation of annual accounts
The preparation of the annual accounts requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosures. Actual results could differ from these estimates.

Foreign currency translation
Assets and liabilities denominated in foreign currencies are converted into Swiss francs at year-end exchange rates with the exception of participations, which are maintained in Swiss francs at historical exchange rates. Income and expenses in foreign currencies are converted into Swiss francs at average exchange rates for the reporting year.

Cash and cash equivalents
Cash and cash equivalents include cash at bank, short-term deposits and certain investments in money market funds with an original maturity of three months or less. Such current assets are held at nominal value.

Short-term investments
Short-term investments contain investments with an original maturity between three months and one year. Such investments are carried at cost, less necessary and legally permissible depreciation.

Receivables from subsidiaries and affiliated companies/Other receivables
These assets are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Accrued income
Accrued income consists of both other expenditures incurred during the financial year but relating to a subsequent financial year, and revenues relating to the current financial year but receivable in a subsequent financial year.

Loans to subsidiaries and affiliated companies
Loans to subsidiaries and affiliated companies are carried at nominal value. Value adjustments are recorded where the expected recovery value is lower than the nominal value.

Investments in subsidiaries and affiliated companies
These assets are carried at cost, less necessary and legally permissible depreciation.

Payables to subsidiaries and affiliated companies/Other liabilities
These liabilities are carried at nominal value.

Accrued expenses
Accrued expenses consist of both income received before the balance sheet date but relating to a subsequent financial year, and charges relating to the current financial year but payable in a subsequent financial year.

Loans from subsidiaries and affiliated companies
Loans from subsidiaries and affiliated companies are carried at nominal value.

Provisions
Provisions contain provision for currency fluctuation and provision for taxation.

The provision for currency fluctuation comprises the net effect of foreign exchange gains and losses arising from the yearly revaluation of the opening balance sheet and the translation adjustment of the income statement from average to closing exchange rates at year-end. These net impacts are recognised in the income statement over a period of up to three years. Where the provision for currency fluctuation is insufficient to absorb net foreign exchange losses for the financial year, the provision for currency fluctuation is reduced to zero and the excess foreign exchange loss is recognised in the income statement.

The provision for taxation represents an estimate of taxes payable in respect of the reporting year.

Other legal capital reserves
Other legal capital reserves reflect gains and losses from sale of own shares (directly held by the Company).

Reserve for own shares (indirectly held by subsidiaries)
Reserve for own shares is accounted for at the book value of those shares in the statutory financial statements of the respective subsidiary.

Own shares (directly held by the Company)
Own shares are carried at cost and presented as a deduction in shareholders' equity.

Foreign exchange transaction gains and losses
Foreign exchange gains and losses arising from foreign exchange transactions are recognised in the income statement and reported in other expenses or other revenues, respectively.

Dividends from subsidiaries and affiliated companies
Dividends from subsidiaries and affiliated companies are recognised as investment income in the year in which they are declared.

Trademark licence fees
Trademark licence fees are charged by the Company to its direct and indirect subsidiaries and their branches that benefit from the use of the Swiss Re brand.

Capital and indirect taxes
Capital and indirect taxes related to the financial year are included in other expenses. Value-added taxes are included in the respective expense lines in the income statement.

Income tax expense
As a holding company incorporated in Switzerland, Swiss Re Ltd is exempt from income taxation at cantonal/communal level. On the federal level, dividends from subsidiaries and affiliated companies are indirectly exempt from income taxation (participation relief). However, income tax is payable on trademark licence fees charged to certain subsidiaries and affiliated companies.

Subsequent events
Subsequent events for the current reporting period have been evaluated up to 14 March 2018. This is the date on which the financial statements are available to be issued.

2 Investment income and expenses

CHF millions	2016	2017
Cash dividends from subsidiaries and affiliated companies	3 517	**3 832**
Realised gains on sale of investments	7	**46**
Income from short-term investments	2	**6**
Income from loans to subsidiaries and affiliated companies	35	**63**
Investment management income	1	**1**
Other interest revenues	51	**70**
Investment income	3 613	**4 018**

CHF millions	2016	2017
Realised losses on sale of investments	0	**1**
Investment management expenses	1	**1**
Other interest expenses	0	**0**
Investment expenses	1	**2**

3 Administrative expenses and personnel information

Swiss Re Ltd receives management and other services from Swiss Re Management Ltd and Swiss Reinsurance Company Ltd and has no employees of its own.

4 Securities lending

As of 31 December 2017, securities of CHF 0.1 million were lent to Group companies under securities lending agreements, whereas in 2016 securities of CHF 1 034 million were lent to Group companies. As of 31 December 2017 and 2016, there were no securities lent to third parties.

5 Investments in subsidiaries and affiliated companies

As of 31 December 2017 and 2016, Swiss Re Ltd held directly the following investments in subsidiaries and affiliated companies:

As of 31 December 2017	Domicile	Currency	Share capital (millions)	Affiliation in %	Voting interest in %
Swiss Reinsurance Company Ltd	Zurich	CHF	34.4	100	100
Swiss Re Corporate Solutions Ltd	Zurich	CHF	100.0	100	100
Swiss Re Life Capital Ltd	Zurich	CHF	0.1	100	100
Swiss Re Investments Holding Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Principal Investments Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Management Ltd	Zurich	CHF	0.1	100	100
Swiss Re Specialised Investments Holdings (UK) Ltd	London	GBP	1.0	100	100

As of 31 December 2016	Domicile	Currency	Share capital (millions)	Affiliation in %	Voting interest in %
Swiss Reinsurance Company Ltd	Zurich	CHF	34.4	100	100
Swiss Re Corporate Solutions Ltd	Zurich	CHF	100.0	100	100
Swiss Re Life Capital Ltd	Zurich	CHF	0.1	100	100
Swiss Re Investments Holding Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Principal Investments Company Ltd	Zurich	CHF	0.1	100	100
Swiss Re Management Ltd	Zurich	CHF	0.1	100	100
Swiss Re Specialised Investments Holdings (UK) Ltd	London	GBP	1.0	100	100

Further disclosures in respect of investments in significant indirect subsidiaries and affiliated companies are detailed in note 19 "Significant subsidiaries and equity investees" on pages 281 to 283 in the notes to the Group financial statements, where the voting interests are equal to the affiliations disclosed, except of Sul América S.A. where the voting rights are equal to 10%.

6 Commitments

The Company has established subordinated debt facilities which allow the Company to issue subordinated callable notes at any time. The Company pays a fee on the available commitment under the facility and an interest rate on issued notes. Notes, when issued, will be classified as subordinated debt. As of 31 December 2017, no notes have been issued under the facilities.

An overview of the subordinated debt facilities is provided in the following table:

Instrument	Issued in	Currency	Nominal value in millions	Commitment fee (paid on undrawn amount)	Interest rate on issued notes	Facility first termination date	Issued notes' scheduled maturity date
Dated subordinated fixed-to-floating rate callable notes facility	2015	USD	700	3.53%	5.75%[1]	2025	2050
Dated subordinated fixed rate callable notes facility	2016	USD	400	3.92%	6.05%[1]	2031	2056
Dated subordinated fixed-to-floating rate callable notes facility	2016	USD	800	3.67%	5.625%[1]	2027	2052
Perpetual subordinated fixed spread callable notes facility	2017	USD	750	2.77%	4.625%[1]	2022	Perpetual[2]

[1] Until first optional redemption date.
[2] First optional redemption date in 2022 and every five years thereafter.

The Company has entered into subordinated funding facilities with its subsidiary Swiss Reinsurance Company Ltd under which Swiss Reinsurance Company Ltd has the right, among others, to issue subordinated notes to the Company at any time. For its various rights, Swiss Reinsurance Company Ltd owes the Company an unconditional fixed commitment fee on the total facility amount, payable in annual instalments. Annually, Swiss Reinsurance Company Ltd receives a partial reimbursement of the commitment fee on the undrawn facility amount. As of 31 December 2017, the facilities were undrawn.

An overview of the subordinated funding facilities is provided in the following table:

Instrument	Borrower	Issued in	Currency	Nominal value in millions	Total commitment fee calculated and paid on nominal value	Reimbursement fee paid on undrawn amount	Net commitment fee paid on undrawn amount	Maturity
Subordinated funding facility	Swiss Reinsurance Company Ltd	2015	USD	700	5.80%	2.22%	3.58%	2030
Subordinated funding facility	Swiss Reinsurance Company Ltd	2016	USD	400	6.10%	2.13%	3.97%	2036
Subordinated funding facility	Swiss Reinsurance Company Ltd	2016	USD	800	5.68%	1.95%	3.73%	2032

7 Change in shareholders' equity

CHF millions	Share capital	Legal capital reserves[3]	Legal profit reserves	Reserves for own shares	Voluntary profit reserves	Retained earnings brought forward	Net income for the financial year	Own shares	Total Shareholders' equity
Shareholders' equity 1.1.2017	36	192	8265	17	11890	4	3972	–1555	22821
Allocations relating to the dividend paid					3972		–3972		0
Dividend for the financial year 2016					–1557				–1557
Net income for the financial year							4043		4043
Share buy-back programme 2016[1]								–479	–479
Share cancellation[1]	–1	–18	–981					1000	0
Share buy-back programme 2017[2]								–585	–585
Other movements in own shares		19	1	–1				–17	2
Shareholders' equity 31.12.2017	**35**	**193**	**7285**	**16**	**14305**	**4**	**4043**	**–1636**	**24245**

CHF millions	Share capital	Legal capital reserves	Legal profit reserves	Reserves for own shares	Voluntary profit reserves	Retained earnings brought forward	Net income for the financial year	Own shares	Total Shareholders' equity
Shareholders' equity 1.1.2016	37	257	9168	18	9550	4	3865	–1430	21469
Allocations relating to the dividend paid					3865		–3865		0
Dividend for the financial year 2015					–1525				–1525
Net income for the financial year							3972		3972
Share buy-back programme 2015								–570	–570
Share cancellation	–1	–96	–903					1000	0
Share buy-back programme 2016								–521	–521
Other movements in own shares		31		–1				–34	–4
Shareholders' equity 31.12.2016	36	192	8265	17	11890	4	3972	–1555	22821

[1] At the 152nd Annual General Meeting held on 22 April 2016, the Group's shareholders authorised the Group Board of Directors to repurchase up to a maximum CHF 1 billion purchase value of the Group's own shares prior to the 2017 Annual General Meeting through a public share buy-back programme for cancellation purposes. The buy-back programme was completed on 9 February 2017. The total number of shares repurchased amounted to 10.6 million, of which 5.5 million and 5.1 million shares were repurchased by 31 December 2016 and between 1 January and 9 February 2017, respectively. On 21 April 2017, the 153rd Annual General Meeting resolved the cancellation of the repurchased 10.6 million shares by way of share capital reduction. The shares were cancelled on 25 July 2017, after completion of the procedure in respect of a share capital reduction as set forth in Article 732 et seqq. of the Swiss Code of Obligations.
[2] At the 153rd Annual General Meeting held on 21 April 2017, the Group's shareholders authorised the Group Board of Directors to repurchase up to a maximum CHF 1 billion purchase value of the Group's own shares prior to the 2018 Annual General Meeting through a public share buy-back programme for cancellation purposes.
[3] Under current Swiss tax legislation, CHF 1.0 million of legal reserves from capital contributions, which has been confirmed by the Swiss Federal Tax Administration, can be paid out as dividends exempt from Swiss withholding tax, and for Swiss resident individual shareholders holding shares in private wealth also exempt from Swiss income taxes.

8 Own shares (directly and indirectly held by the Company)

Number of own shares	2016	2017
Own shares held by subsidiaries	*211 472*	***178 233***
Own shares held by Swiss Re Ltd directly	*32 755 754*	***33 915 601***
Opening balance own shares	32 967 226	**34 093 834**
Purchase of own shares[1]	987 559	**995 183**
Sale of own shares[2]	–983 451	**–1 027 501**
Share buy-back programme (151st AGM 2015)[3]	6 214 370	**–**
Share buy-back programme (152nd AGM 2016)[4]	5 542 500	**5 077 780**
Cancellation of shares bought back	–10 634 370	**–10 620 280**
Share buy-back programme (153rd AGM 2017)[5]	–	**6 347 500**
Own shares as of 31 December	34 093 834	**34 866 516**

[1] Purchased at average price CHF 89.91 (2016: CHF 88.73).
[2] Sold at average price CHF 87.31 (2016: CHF 87.97).
[3] Purchased at average price CHF 91.73.
[4] Purchased at average price CHF 94.33 (2016: CHF 94.00).
[5] Purchased at average price CHF 92.16.

9 Major shareholders

As of 31 December 2017, there was one shareholder with a participation exceeding the 3% threshold of Swiss Re Ltd's share capital:

Shareholder	Number of shares	% of voting rights and share capital[1]	Creation of the obligation to notify
BlackRock, Inc.	17 278 451	4.94	14 December 2017

[1] The percentage of voting rights is calculated at the date the obligation was created and notified.

Further information in respect of major shareholders are detailed in "Group structure and shareholders" on page 98 in the Financial Report 2017.

In addition, Swiss Re Ltd held, as of 31 December 2017, directly and indirectly 34 866 516 (2016: 34 093 834) own shares, representing 9.98% (2016: 9.47%) of voting rights and share capital. Swiss Re Ltd cannot exercise the voting rights of own shares held.

10 Release of undisclosed reserves

In 2017 and 2016 no net undisclosed reserves were released.

11 Share ownership, options and related instruments of governing bodies

This section is in line with Articles 663c para. 3 and 959c para. 2 cif. 11 of the Swiss Code of Obligations, which requires disclosure of shareholdings, options and related instruments held by members of the Board of Directors and Group Executive Committee (Group EC) at the end of the reporting year and of share-based compensation for the Board of Directors during the reporting year. Further disclosures in respect of compensation for the members of the Board of Directors and the Group EC, and persons closely related, are detailed in the Compensation Report on pages 173 to 178 of the Financial Report of the Swiss Re Group.

Share ownership

The number of shares held as of 31 December were:

Members of the Group EC	2016	**2017**
Christian Mumenthaler, Group CEO	63 854	68 775
David Cole, Group Chief Financial Officer	68 061	82 982
John R. Dacey, Group Chief Strategy Officer	7 526	23 671
Guido Fürer, Group Chief Investment Officer	56 156	61 077
Agostino Galvagni, CEO Corporate Solutions	79 670	94 591
Jean-Jacques Henchoz, CEO Reinsurance EMEA	46 817	49 020
Thierry Léger, CEO Life Capital	57 610	49 841
Moses Ojeisekhoba, CEO Reinsurance	27 895	36 194
Jayne Plunkett, CEO Reinsurance Asia	29 095	34 288
Edouard Schmid, Group Chief Underwriting Officer	n/a	29 161
J. Eric Smith, CEO Reinsurance Americas	13 984	21 400
Matthias Weber, former Group Chief Underwriting Officer[1]	25 750	n/a
Thomas Wellauer, Group Chief Operating Officer	130 224	105 390
Total	606 642	**656 390**

[1] The number of shares held on 30 June 2017 when Matthias Weber stepped down from the Group EC was 24 913.

Members of the Board of Directors	2016	**2017**
Walter B. Kielholz, Chairman	414 613	399 987
Renato Fassbind, Vice Chairman, Chairman of the Audit Committee	19 954	23 854
Raymond K.F. Ch´ien, Member	19 978	21 472
Mary Francis, Member	5 927	6 509
Rajna Gibson Brandon, Member	21 700	23 194
C. Robert Henrikson, Chairman of the Compensation Committee	11 065	13 248
Trevor Manuel, Member	2 363	3 972
Jay Ralph, Member[1]	n/a	868
Joerg Reinhardt, Member[1]	n/a	1 168
Carlos E. Represas, former Member[2]	12 837	n/a
Philip K. Ryan, Chairman of the Finance and Risk Committee	6 134	8 892
Sir Paul Tucker, Member[3]	1 036	2 530
Jacques de Vaucleroy, Member[1]	n/a	868
Susan L. Wagner, Chair of the Investment Committee	6 111	8 754
Total	521 718	**515 316**

[1] Elected to Swiss Re's Board of Directors at the AGM of 21 April 2017.
[2] Term of office expired after the completion of the AGM of 21 April 2017 and did not stand for re-election.
[3] Elected to Swiss Re's Board of Directors at the AGM of 22 April 2016.

Share-based compensation

The share-based compensation for the members of the Board of Directors for 2016 and 2017 was:

Members of the Board of Directors	2016 Fees in blocked shares[1] (CHF thousands)	2016 Number of shares[2]	2017 Fees in blocked shares[1] (CHF thousands)	2017 Number of shares[2]
Walter B. Kielholz, Chairman	1 955	22 372	1 663	19 674
Renato Fassbind, Vice Chairman, Chairman of the Audit Committee[3]	359	4 110	330	3 900
Mathis Cabiallavetta, former Member[4]	39	449	n/a	n/a
Raymond K.F. Ch'ien, Member	133	1 519	126	1 494
Mary Francis, Member[5]	140	1 598	136	1 609
Rajna Gibson Brandon, Member	130	1 484	127	1 494
C. Robert Henrikson, Chairman of the Compensation Committee	190	2 169	185	2 183
Hans Ulrich Maerki, former Member[4]	42	483	n/a	n/a
Trevor Manuel, Member	131	1 495	136	1 609
Jay Ralph, Member[6]	n/a	n/a	73	868
Joerg Reinhardt, Member[6]	n/a	n/a	73	868
Carlos E. Represas, former Member[7, 8]	110	1 256	34	396
Jean-Pierre Roth, former Member[4]	33	380	n/a	n/a
Philip K. Ryan, Chairman of the Finance and Risk Committee[7]	239	2 740	233	2 758
Sir Paul Tucker, Member[9]	91	1 036	126	1 494
Jacques de Vaucleroy, Member[5, 6]	n/a	n/a	73	868
Susan L. Wagner, Chair of the Investment Committee	229	2 626	223	2 643
Total	**3 821**	**43 717**	**3 538**	**41 858**

[1] Represents the portion (40%) of the total fees for the members of the Board of Directors that is delivered in Swiss Re Ltd shares, with a four-year blocking period.
[2] The number of shares is calculated by dividing the portion (40%) of the total fees with the average closing price of the shares on the SIX Swiss Exchange during the ten trading days preceding the AGM less the amount of any dividend resolved by such AGM.
[3] Acting as the Lead Independent Director.
[4] Term of office expired after the completion of the AGM of 22 April 2016 and did not stand for re-election.
[5] Includes fees received for duties on the board of Luxembourg Group companies.
[6] Elected to Swiss Re's Board of Directors at the AGM of 21 April 2017.
[7] Includes fees received for duties on the board of US Group companies.
[8] Term of office expired after the completion of the AGM of 21 April 2017 and did not stand for re-election.
[9] Elected to Swiss Re's Board of Directors at the AGM of 22 April 2016.

Restricted shares

For the years ended 31 December 2016 and 2017, neither the members of the Board of Directors nor the members of the Group EC held any restricted shares.

Vested options

For the years ended 31 December 2016 and 2017, neither the members of the Board of Directors nor the members of the Group EC held any vested options.

Proposal for allocation of disposable profit

The Board of Directors proposes to the Annual General Meeting to be held in Zurich on 20 April 2018 to approve the following allocations and dividend payment:

CHF millions	2016	2017
Retained earnings brought forward	4	**4**
Net income for the financial year	3 972	**4 043**
Disposable profit	3 976	**4 047**
Allocation to voluntary profit reserves	–3 972	**–4 043**
Retained earnings after allocation	4	**4**

CHF millions	2016	2017
Voluntary profit reserves brought forward	11 890	**14 305**
Allocation from retained earnings	3 972	**4 043**
Ordinary dividend payment out of voluntary profit reserves	–1 557[1]	**–1 573**[2]
Voluntary profit reserves after allocation and dividend payment	14 305	**16 775**

[1] Since the Board of Directors' proposal for allocation of disposable profit, included in the Annual Report 2016, the number of registered shares eligible for dividend, at the dividend payment date of 27 April 2017, decreased due to the share buy-back programme of 5 077 780 shares and transfer of 44 378 shares for employee participation purposes from not eligible to eligible for dividend. This resulted in a lower dividend of CHF 24 million, compared to the Board of Directors' proposal, and higher voluntary profit reserves by the same amount.
[2] The Board of Directors' proposal to the Annual General Meeting of 20 April 2018 is based on the number of shares eligible for dividend as of 31 December 2017. The actual dividend payment will depend on the number of shares eligible for dividend as of 23 April 2018.

Dividend

If the Board of Directors' proposal for allocations and dividend payment is accepted, an ordinary dividend of CHF 5.00 per share will be paid on 26 April 2018 from voluntary profit reserves.

Share structure per 31 December 2017	Number of registered shares	Nominal capital in CHF
Eligible for dividend[1]	314 585 765	**31 458 577**
Not eligible for dividend	34 866 516	**3 486 652**
Total shares issued	349 452 281	**34 945 228**

[1] The Board of Directors' proposal to the Annual General Meeting of 20 April 2018 is based on the number of shares eligible for dividend as of 31 December 2017. The actual dividend payment will depend on the number of shares eligible for dividend as of 23 April 2018.

Zurich, 14 March 2018

Report of the statutory auditor

Report of the statutory auditor
to the General Meeting of
Swiss Re Ltd
Zurich

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Swiss Re Ltd (the "Company"), which comprise the income statement, balance sheet and notes (pages 299 to 309), for the year ended 31 December 2017.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's Articles of Association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the Company's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the Company's Articles of Association.

Report on a key audit matter based on the circular 1/2015 of the Federal Audit Oversight Authority

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Impairment assessment of investments in subsidiaries and affiliated companies

Key audit matter
The Company applies individual valuations of investments in subsidiaries and affiliated companies in accordance with Swiss Law.

In performing impairment assessments of investments in subsidiaries and affiliated companies, management uses considerable judgement in determining valuation-method inputs. Management applies a consistent market value method for each investment and applies adjustments to the model based on specific characteristics of the investment.

The impairment assessment is considered a key audit matter due to the considerable judgement in the valuation model and inputs and adjustments applied.

How our audit addressed the key audit matter
In relation to the matter set out opposite, our substantive testing procedures included the following:

- Evaluating management's method and assumptions to determine a market value.
- Assessing whether the model applied for each subsidiary is reasonable, including any adjustments applied.
- Understanding judgements applied by management for each investment to ensure they are in accordance with our own expectation based on our knowledge of the business and industry.
- Engaging our internal valuation specialists to assist in the testing of key assumptions and inputs.

On the basis of the work performed, we consider the methods and assumptions used by management to be reasonable. We agree with their conclusion that the book values for all investments in subsidiaries are recoverable.

Report on other legal requirements

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

In accordance with Article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposal for allocation of disposable profit complies with Swiss law and the Company's Articles of Association. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

Alex Finn

Bret M. Griffin

Alex Finn

Bret Griffin

Audit expert
Auditor in charge

Zurich, 14 March 2018

This page intentionally left blank.

Headquartered in Zurich, Switzerland, Swiss Re has operations across the globe. Our success is built on our solid client relationships, capital strength and risk knowledge company approach. We make the world more resilient.

Contents

Glossary

Acquisition costs
That portion of an insurance premium which represents the cost of obtaining the insurance business: it includes the intermediaries' commission, the company's sales expense and other related expenses.

Asset-backed securities
Securities backed by notes or receivables against financial assets such as auto loans, credit cards, royalties, student loans and insurance profits.

Asset-liability management (ALM)
Management of an insurance business in a way that coordinates investment-related decisions on assets and liabilities. Specifically, the ongoing process of formulating, implementing, monitoring and revising investment strategies related to assets and liabilities in an attempt to achieve financial objectives, while managing exposure to financial market risks, such as interest rates, credit spreads and currency movements.

Aviation insurance
Insurance of accident and liability risks, as well as hull damage, connected with the operation of aircraft.

Benchmark investment result
Includes changes in the economic value of liabilities (as represented by the replicating portfolio) as a result of movements 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.

Book value per share
The ratio of ordinary shareholders' equity to the number of common shares entitled to dividend.

Business interruption
Insurance covering the loss of earnings resulting from, and occurring after, destruction of property; also known as "loss of profits" or "business income protection insurance".

Capacity
Maximum amount of risk that can be accepted in insurance. Capacity also refers to the amount of insurance coverage allocated to a particular policyholder or in the marketplace in general.

Type of insurance – mainly comprising accident and liability business – which is separate from property, engineering and life insurance.

Catastrophe bonds
Securities used by insurance and reinsurance companies to transfer peak insurance risks, including natural catastrophes, to the capital markets. Catastrophe bonds help to spread peak exposures (see insurance-linked securities).

Cession
Insurance that is reinsured: the passing of the insurer's risks to the reinsurer against payment of a premium. The insurer is referred to as the ceding company or cedent.

Claim
Demand by an insured for indemnity under an insurance contract.

Claims 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.

Claims handling	Activities in connection with the investigation, settlement and payment of claims from the time of their occurrence until settlement.
Claims incurred and claim adjustment expenses	All claims payments plus the adjustment in the outstanding claims provision of a business year and claim adjustment expenses.
Claims ratio	Sum of claims paid and change in the provisions for unpaid claims and claim adjustment expenses in relation to premiums earned.
Coinsurance	Arrangement by which a number of insurers and/or reinsurers share a risk.
Combined ratio	The ratio is a combination of the non-life claims ratio and the expense ratio.
Commission	Remuneration paid by the insurer to its agents, brokers or intermediaries, or by the reinsurer to the insurer, for costs in connection with the acquisition and administration of insurance business.
Commutation	The termination of a reinsurance contract by agreement of the parties on the basis of one or more lump sum payments by the reinsurer which extinguish its liability under the contract. The payment made by the reinsurer commonly relates to incurred losses under the contract.
Cover	Insurance and reinsurance protection of one or more specific risk exposures based on a contractual agreement.
Credit insurance	Insurance against financial losses sustained through the failure, for commercial reasons, of policyholders' clients to pay for goods or services supplied to them.
Credit spreads	Difference in yield between a fixed income security which has default risk and one which is considered to be risk-free, such as U.S. Treasury securities.
Directors' and officers' liability insurance (D&O)	Liability insurance for directors and officers of an entity, providing cover for their personal legal liability towards shareholders, creditors, employees and others arising from wrongful acts such as errors and omissions.
Disability insurance	Insurance against the incapacity to exercise a profession as a result of sickness or other infirmity.
Earnings per share (EPS)	Portion of a company's profit allocated to each outstanding share of common stock. Earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period.
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	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 capital	EVM capital is the capital required to support uncertainty related to estimated cash flows arising from existing underwriting and investment activities.
EVM profit	EVM profit is a risk-adjusted measure of performance that can be compared across all business activities.
Expense ratio	Sum of acquisition costs and other operating costs and expenses, in relation to premiums earned.
G-SIIs	Globally systemically important insurers.
Gross outperformance	Defined as the difference between the mark-to-market investment result and the benchmark investment result.
Gross underwriting result – new business	Gross underwriting result from new business is defined as present value of new business underwriting cash flows (eg premiums, claims, commissions, etc) before internal expenses, taxes and capital costs.
Guaranteed minimum death benefit (GMDB)	A feature of variable annuity business. The benefit is a predetermined minimum amount that the beneficiary will receive upon the death of the insured.
Health insurance	Generic term applying to all types of insurance indemnifying or reimbursing for losses caused by bodily injury or sickness or for expenses of medical treatment necessitated by sickness or accidental bodily injury.
Incurred but not reported (IBNR)	Provision for claims incurred but not reported by the balance sheet date. In other words, it is anticipated that an event will affect a number of policies, although no claims have been made so far, and is therefore likely to result in liability for the insurer.
Insurance-linked securities (ILS)	Security for which the payment of interest and/or principal depends on the occurrence or severity of an insurance event. The underlying risk of the security is a peak or volume insurance risk.
Layer	Section of cover in a non-proportional reinsurance programme in which total coverage is divided into a number of consecutive layers starting at the retention or attachment point of the ceding company up to the maximum limit of indemnity. Individual layers may be placed with different insurers or reinsurers.
Liability insurance	Insurance for damages that a policyholder is obliged to pay because of bodily injury or property damage caused to another person or entity based on negligence, strict liability or contractual liability.
Life insurance	Insurance that provides for the payment of a sum of money upon the death of the insured, or upon the insured surviving a given number of years, depending on the terms of the policy. In addition, life insurance can be used as a means of investment or saving.
Longevity risk	The risk to which a pension fund or life insurance company could be exposed as a result of higher-than-expected payout ratios. Increasing life expectancy trends among policyholders and pensioners can result in payout levels that are higher than originally expected.
Marine insurance	Line of insurance which includes coverage for property in transit (cargo), means of transportation (except aircraft and motor vehicles), offshore installations and valuables, as well as liabilities associated with marine risks and professions.
Mark-to-market	Adjustment of the book value or collateral value of a security, portfolio or account to current fair market value.

Mark-to-market investment result	Includes net investment income, realised gains and losses and changes in unrealised gains and losses reported under the accounting principles generally accepted in the United States of America (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 on real estate.
Motor insurance	Line of insurance which offers coverage for property, accident and liability losses involving motor vehicles.
Net outperformance	Defined as the gross outperformance after deducting the actual costs incurred by managing our actual investment portfolio in excess of the internal fee paid by underwriting for the purchase and maintenance of the investment portfolio replicating the best-estimate liability and backing the associated capital requirements.
Net reinsurance assets	Receivables related to deposit accounting contracts (contracts which do not meet risk transfer requirements) less payables related to deposit contracts.
Net underwriting result – new business	Net underwriting result from new business is defined as the gross underwriting result from new business net of the present value of internal expenses allocated to new business but before taxes and capital costs.
Non-life insurance	All classes of insurance business excluding life insurance.
Non-proportional reinsurance	Form of reinsurance in which coverage is not in direct proportion to the original insurer's loss; instead the reinsurer is liable for a specified amount which exceeds the insurer's retention; also known as "excess of loss reinsurance".
Operating margin ratio	The operating margin is calculated as operating result divided by total operating revenues. The operating result is before interest expenses, taxes and net realised gains/losses.
Operating revenues	Premiums earned plus net investment income plus other revenues.
Operational risk	Risk arising from failure of operational processes, internal procedures and controls leading to financial loss.
Premium	The payment, or one of the periodical payments, a policyholder agrees to make for an insurance policy.
Premiums 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. Gross premiums and fees represent premiums and fees before external retrocessions. Gross premiums and fees in the EVM income statement of the business segments also exclude retrocessions to other segments of the Group.
Premiums earned	Premiums an insurance company has recorded as revenues during a specific accounting period.
Premiums written	Premiums for all policies sold during a specific accounting period.
Present value of future profits (PVFP)	Intangible asset primarily arising from the purchase of life and health insurance companies or portfolios.
Principal Investments and Acquisitions	Principal Investments and Acquisitions is a unit of Swiss Re that manages all strategic acquisition activities of the Group as well as a portfolio of minority holdings in primarily insurance and insurance-related businesses with the goal of generating long-term value.

Product liability insurance	Insurance covering the liability of the manufacturer or supplier of goods for damage caused by their products.
Professional indemnity insurance	Liability insurance cover which protects professional specialists such as physicians, architects, engineers, lawyers, accountants and others against third-party claims arising from activities in their professional field; policies and conditions vary according to profession.
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.
Property insurance	Collective term for fire and business interruption insurance as well as burglary, fidelity guarantee and allied lines.
Proportional reinsurance	Form of reinsurance arrangement in which the premiums earned and the claims incurred of the cedent are shared proportionally by the cedent and the reinsurer.
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 4.5% of eligible economic capital which consists of ENW 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.
Quota share reinsurance	Form of proportional reinsurance in which a defined percentage of the premiums earned and the claims incurred by the cedent in a specific line is reinsured for a given period. Quota share reinsurance arrangements represent a sharing of business in a fixed ratio or proportion.
Reinsurance	Insurance which lowers the risk carried by primary insurance companies. Reinsurance includes various forms such as facultative, financial, non-proportional, proportional, quota share, surplus and treaty reinsurance.
Reserves	Amount required to be carried as a liability in the financial statements of an insurer or reinsurer to provide for future commitments under outstanding policies and contracts.
Retention	Amount of risk which the policyholder or insurer does not insure or reinsure but keeps for its own account.
Retrocession	Amount of the risk accepted by the reinsurer which is then passed on to other reinsurance companies.
Return on equity	Net income as a percentage of time-weighted shareholders' equity.
Return on investments	Investment related operating income as a percentage of invested assets. Invested assets include investments, securities in transit, certain financial liabilities and exclude policy loans, minority interests, cash and cash equivalents, as well as assets related to securities lending, repurchase agreements and collateral balances.
Risk	Condition in which there is a possibility of injury or loss; also used by insurance practitioners to indicate the property insured or the peril insured against.

Risk management
Management tool for the comprehensive identification and assessment of risks based on knowledge and experience in the fields of natural sciences, technology, economics and statistics.

Running yield
Net investment income on long-term fixed income positions, including coupon income and amortisation, as a percentage of the average market value of the long-term fixed income portfolio.

Securitisation
Financial transaction in which future cash flows from financial assets (or insurable risks) are pooled, converted into tradable securities and transferred to capital market investors. The financial assets are commonly sold to a special-purpose entity, which purchases them with cash raised through the issuance of beneficial interests (usually debt instruments) to third-party investors.

Solvency II
New regulatory framework for EU re/insurance solvency rules that introduces comprehensive, economic and risk-based regulation and includes prudential requirements on solvency capital, risk modelling, supervisory control and disclosure.

Stop-loss reinsurance
Form of reinsurance that protects the ceding insurer against an aggregate amount of claims over a period, in excess of either a stated amount or a specified percentage of estimated benefit costs. An example of this is employer stop-loss (ESL) coverage, which is used by US companies to cap losses on self-funded group health benefit programmes. The stop-loss can apply to specific conditions or aggregate losses.

Surety insurance
Sureties and guarantees issued to third parties for the fulfilment of contractual liabilities.

Surplus reinsurance
Form of proportional reinsurance in which risks are reinsured above a specified amount.

Swiss Solvency Test (SST)
An economic and risk-based insurance regulation, similar to the objectives of Solvency II to which all insurance and reinsurance companies writing business in Switzerland are subject. Since 1 January 2011, the SST-based target capital requirement is in force and companies must achieve economic solvency.

Tail VaR
See "Value at risk".

An investment strategy process which analyses trends in the global economy and the associated impact on financial markets to assess the overall financial market outlook as well as their implications for various asset classes and risk exposures.

Total contribution to ENW
Total contribution to ENW is the total return generated for shareholders and includes the release of capital costs. Total contribution to ENW is therefore not a risk-adjusted performance measure.

Treaty reinsurance
Participation of the reinsurer in certain sections of the insurer's business as agreed by treaty, as opposed to single risks.

Underwriting result
Premiums earned less the sum of claims paid, change in the provision for unpaid claims and claim adjustment expenses and expenses (acquisition costs and other operating costs and expenses).

Unearned premium
Part of written premium (paid or owed) which relates to future coverage and for which services have not yet been provided; this is carried in an unearned premium reserve and may be refundable if the contract is cancelled before expiry.

Unit-linked policy
A life insurance contract which provides policyholder funds linked to an underlying investment product or fund. The performance of the policyholder funds is for the account of the policyholder.

US GAAP
United States generally accepted accounting principles.

Value at risk (VaR)

Maximum possible loss in market value of an asset portfolio within a given time span and at a given confidence level. 99% VaR measures the level of loss likely to be exceeded in only one year out of a hundred, while 99.5% VaR measures the loss likely to be exceeded in only one year out of two hundred. 99% tail VaR estimates the average annual loss likely to occur with a frequency of less than once in one hundred years.

With-profit policy

An insurance contract that has additional amounts added to the sum insured, or paid/credited separately to the policyholder as a bonus, which result from a share of the profit generated by the with-profits insurance funds, including these funds' interests in other blocks of business.

Some of the terms included in the glossary are explained in more detail in Note 1 to the Group financial statements.

Swiss Re uses some of the term definitions provided by the glossary of the International Association of Insurance Supervisors (IAIS).

Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase", "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 Swiss Re to not achieve its published targets. Such factors include, among others:

- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- the cyclicality of the insurance and reinsurance sectors;
- instability affecting the global financial system;
- deterioration in global economic conditions;
- 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 the Group's investment policy or the changed composition of the Group's investment assets, and the impact of the timing of any such changes relative to changes in market 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;
- any inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their values recorded for accounting purposes;
- changes in legislation and regulation, and the interpretations thereof by regulators and courts, affecting us or the Group's ceding companies, including as a result of shifts away from multilateral approaches to regulation of global operations;
- the outcome of tax audits, the ability to realise tax loss carryforwards, 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, and the overall impact of changes in tax regimes on business models;
- failure of the Group's hedging arrangements to be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Group companies, and developments adversely affecting the Group's ability to achieve improved ratings;
- uncertainties in estimating reserves;
- policy renewal and lapse rates;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes and certain large man-made losses, 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;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- 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, lower-than expected benefits, or other issues experienced in connection with any such transactions;
- changing levels of competition, including from new entrants into the market; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks and the ability to manage cybersecurity 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. 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.

Note on risk factors

General impact of adverse market conditions

The operations of Swiss Re Ltd ("Swiss Re") and its subsidiaries (collectively, the "Group") as well as its investment returns are subject to market volatility and macroeconomic factors, which are outside of the Group's control and are often inter-related.

Growth forecasts among the principal global economies remain uneven and uncertain in an environment of elevated political uncertainty. The planned withdrawal of the United Kingdom from the EU has created uncertainty not only for the United Kingdom but for the rest of the EU, and negotiations over withdrawal will likely continue to contribute to volatility and pose significant challenges for the EU and the United Kingdom. The long-term effects of a withdrawal of the United Kingdom from the EU will depend in part on any agreements the United Kingdom makes to retain access to the single market within the European Economic Area ("EEA") following such withdrawal, the scope and nature of which currently remain highly uncertain. As China's economy undergoes structural changes, recent near-term growth stabilisation may be reversed in the context of a broader economic slowdown were it to occur. The foregoing may be exacerbated by geopolitical tensions, fears over security and migration, and uncertainty created generally by the policy pronouncements that have been, and may in the coming months be, announced by the US administration on a range of trade, security, foreign policy, environmental protection and other issues having global implications, as well as by the consequences of the implementation of such policy pronouncements.

With fewer options available to policymakers and concerns generally over the absence of realistic confidence-building measures, and with heightened risk that volatility or depressed conditions in one sector, one market, one country or one region could have far broader implications, volatility can be expected to continue. Further adverse developments or the continuation of adverse trends that, in turn, have a negative impact on financial markets and economic conditions could limit the Group's ability to access the capital markets and bank funding markets, could adversely affect the ability of counterparties to meet their obligations to the Group and could adversely affect the confidence of the ultimate buyers of insurance and reinsurance.

Any of the foregoing factors, developments and trends could have an adverse effect on the Group's investment results, which in the current low interest rate environment and soft insurance cycle could have a material adverse effect on the Group's overall results, make it difficult to determine the value of certain assets in the Group's portfolio, make it more difficult to acquire suitable investments to meet its risk and return criteria and otherwise have a material adverse effect on its business and operations.

Regulatory changes

Swiss Re and its subsidiaries operate in a highly regulated environment. The regulatory regimes to which members of the Group are subject have changed significantly in recent years and are expected to continue to evolve. During this period, there has been a noticeable trend to extend the scope of reforms and oversight, which initially targeted banks, beyond such institutions to cover insurance and reinsurance operations.

While some regulation is national in scope, the global nature of the Group's business means that its operations are subject in effect to a patchwork of global, national and regional standards. Swiss Re and its subsidiaries are subject to group supervision and Swiss Re's subsidiaries are also subject to applicable regulation in each of the jurisdictions in which they conduct business, particularly Switzerland, the United States, the United Kingdom, Luxembourg and Germany. The Group is subject to the Swiss Solvency Test and, through its legal entities organised in the EEA, Solvency II.

While certain regulatory processes are designed in part to foster convergence and achieve recognition of group supervisory schemes, the Group continues to face risks of extra-territorial application of regulations, particularly as to group supervision and group solvency requirements. In addition, regulators in jurisdictions beyond those where the Group has core operations increasingly are playing a far greater oversight role, requiring more localised resources and, despite a predominantly local focus, also raise issues of a cross-border nature. Furthermore, evolving regulatory schemes and requirements may be inconsistent or may conflict with each other, thereby subjecting the Group, particularly in light of the increasing focus on legal entities in isolation, to higher compliance and legal costs, as well as the possibility of higher operational, capital and liquidity costs. The effect of these trends could be exacerbated to the extent that the current political environment results in a return to more bilateral, and less harmonised, cross-border regulatory efforts.

While in recent years there has been an evolving focus on classifying certain insurance companies as systemically important, it is unclear whether and, if so, in what form reforms will be enacted. The Group could be designated as a global systemically important insurer ("G-SIIs") by the Financial Stability Board, or as a systemically important non-bank financial company by the Financial Stability Oversight Council ("FSOC") in the United States. The International Association of Insurance Supervisors, an international body that represents insurance regulators and supervisors, has published and since refined the methodology for identifying G-SIIs. Were the Group to be designated as a G-SII, it could be subject to one or both of the resulting regimes, including capital standards (the basic capital requirement for G-SIIs), which would have various implications for the Group, including additional compliance costs and reporting obligations as well as heightened regulatory scrutiny in various jurisdictions. In addition, the Group ultimately will be subject to oversight of its Swiss regulator in respect of recovery and resolution planning.

The Group cannot predict which legislative and/or regulatory initiatives will be enacted or promulgated, what the scope and content of these initiatives ultimately will be, when they will be effective and what the implications will be for the industry, in general, and for the Group, in particular. The Group may be subject to changes in views of its regulators in respect of the models that the Group uses for capital and solvency purposes, and could be adversely affected if, for example, it is required to use standard models rather than internal models. Generally, legal and regulatory changes could have a material impact on the Group's business. Uncertainty regarding the future relationship between the UK and the EU could also impact the legislative and/or regulatory regimes to which the Group is subject, both in the United Kingdom and in the EEA.

In addition, regulatory changes could occur in areas of broader application, such as competition policy and tax laws. Changes in tax laws, for example, could increase the taxes the Group pays, the attractiveness of products offered by the Group, the Group's investment activities and the value of deferred tax assets. Any number of these changes could apply to the Group and its operations. Recently enacted changes to the US tax regime is prompting us to consider modifications to our operating model for our US business. These changes, or inconsistencies between the various regimes that apply to the Group, could increase the costs of doing business (including due to related capital requirements), reduce access to liquidity, limit the scope of current or future business or affect the competitive balance, or could make reinsurance less attractive to primary insurers.

Market risk
Volatility and disruption in the global financial markets could expose the Group to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices and foreign currency exchange rates, which may adversely impact the Group's financial condition, results of operations, liquidity and capital position. The Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. In general, a low interest rate environment, such as the one experienced in recent years, poses significant challenges to the insurance and reinsurance industries, with earnings capacity under stress unless lower investment returns from fixed income assets can be offset by lower combined ratios or higher returns from other asset classes. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. When credit spreads widen, the net unrealised loss position of the Group's investment portfolio can increase, as could other-than-temporary impairments.

The Group is exposed to changes in the level and volatility of equity prices, as they affect the value of equity securities themselves as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. The Group is also subject to equity price risk to the extent that the values of life-related benefits under certain products and life contracts, most notably variable annuity business, are tied to financial market values; to the extent market values fall, the financial exposure on guarantees related to these contracts would increase to the extent this exposure is not hedged. While the Group has an extensive hedging programme covering its existing variable annuity business that it believes is sufficient, certain risks cannot be hedged, including actuarial risks, basis risk and correlation risk. Exposure to foreign exchange risk arises from exposures to changes in spot prices and forward prices as well as to volatile movements in exchange rates.

These risks can have a significant effect on investment returns and market values of securities positions, which in turn may affect both the Group's results of operations and financial condition. The Group continues to focus on asset-liability management for its investment portfolio, but pursuing even this strategy has its risks – including possible mismatch – that in turn can lead to reinvestment risk. The Group seeks to manage the risks inherent in its investment portfolio by repositioning the portfolio from time to time, as needed, and to reduce risk and fluctuations through the use of hedges and other risk management tools.

Credit risk

If the credit markets were again to deteriorate and further asset classes were to be impacted, the Group could experience losses. Changes in the market value of the underlying securities and other factors impacting their price could give rise to market value losses. If the credit markets were to deteriorate again, the Group could also face write-downs in other areas of its portfolio, including other structured instruments, and the Group and its counterparties could face difficulties in valuing credit-related instruments. Differences in opinion with respect to valuations of credit-related instruments could result in legal disputes among the Group and its counterparties as to their respective obligations, the outcomes of which are difficult to predict and could be material.

The Group is also subject to credit and other risks in its credit business, including reliance on banks that underwrite and monitor facilities in which the Group participates and potential default by borrowers under those facilities.

Liquidity risks

The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its re/insurance obligations, and that this would continue to be the case following the occurrence of any foreseeable event or series of events, including extreme catastrophes, that would trigger insurance or reinsurance coverage obligations. The Group's uses of funds include obligations arising in its insurance and reinsurance businesses (including claims and other payments as well as insurance provision repayments due to portfolio transfers, securitisations and commutations), which may include large and unpredictable claims (including catastrophe claims), funding of capital requirements and operating costs, payment of principal and interest on outstanding indebtedness and funding of acquisitions. The Group also has unfunded capital commitments in its private equity and hedge fund investments, which could result in funding obligations at a time when it is subject to liquidity constraints. In addition, the Group has potential collateral requirements in connection with a number of reinsurance arrangements, the amounts of which may be material and the meeting of which could require the Group to liquidate cash equivalents or other securities.

The Group manages liquidity and funding risks by focusing on the liquidity stress that is likely to result from extreme capital markets scenarios or from extreme loss events or combinations of the two. Generally, the ability to meet liquidity needs could be adversely impacted by factors that the Group cannot control, such as market dislocations or interruptions, adverse economic conditions, severe disruption in the financial and worldwide credit markets and the related increased constraints on the availability of credit; changes in interest rates, foreign exchange rates and credit spreads; or by perceptions among market participants of the extent of the Group's liquidity needs.

Unexpected liquidity needs (including to meet collateral calls) could require the Group to incur indebtedness or liquidate investments or other assets. The Group may not be able to secure new sources of liquidity or funding, should projected or actual liquidity fall below levels it requires. The ability to meet liquidity needs through asset sales may be constrained by market conditions and the related stress on valuations, and through third-party funding may be limited by constraints on the general availability of credit and willingness of lenders to lend. In addition, the Group's ability to meet liquidity needs may also be constrained by regulatory requirements that require regulated entities to maintain or increase regulatory capital, or that restrict intra-group transactions, the timing of dividend payments from subsidiaries or the fact that certain assets may be encumbered or otherwise non-tradable. Failure to meet covenants in lending arrangements could give rise to collateral-posting or defaults, and further constrain access to liquidity. Finally, any adverse ratings action could trigger a need for further liquidity (for example, by triggering termination provisions or collateral delivery requirements in contracts to which the Group is a party) at a time when the Group's ability to obtain liquidity from external sources is limited by such ratings action.

Counterparty risks

The Group is exposed to the risk of defaults, or concerns about defaults, by its counterparties. Securities trading counterparties, counterparties under swaps and other derivative contracts, and financial intermediaries may default on their obligations due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons, which could have a material adverse effect on the Group.

The Group could also be adversely affected by the insolvency of, or other credit constraints affecting, counterparties in its insurance and reinsurance operations. Moreover, the Group could be adversely affected by liquidity issues at ceding companies or at third parties to whom the Group has retroceded risk, and such risk could be exacerbated to the extent any such exposures are concentrated.

Risks relating to credit rating downgrades

Ratings are an important factor in establishing the competitive position of reinsurance companies. Third-party rating agencies assess and rate the financial strength of reinsurers and insurers. These ratings are intended to measure a company's ability to repay its obligations and are based upon criteria established by the rating agencies. Ratings may be revised downward or revoked at the sole discretion of the rating agencies.

The Group's ratings reflect the current opinion of the relevant rating agencies. One or more of its ratings could be downgraded or withdrawn in the future, and market conditions could increase the risk of downgrade. Rating agencies may increase the frequency and scope of ratings reviews, revise their criteria or take other actions that may negatively impact the Group's ratings. In addition, changes to the process or methodology of issuing ratings, or the occurrence of events or developments affecting the Group, could make it more difficult for the Group to achieve improved ratings which it would otherwise have expected.

As claims paying and financial strength ratings are key factors in establishing the competitive position of reinsurers, a decline in ratings alone could make reinsurance provided by the Group less attractive to clients relative to reinsurance from competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by policy or regulation to purchase reinsurance only from reinsurers with certain ratings. Certain larger reinsurance contracts contain terms that would allow the ceding companies to cancel the contract if the Group's ratings or those of its subsidiaries are downgraded beyond a certain threshold. Moreover, a decline in ratings could impact the availability and terms of unsecured financing and obligate the Group to provide collateral or other guarantees in the course of its business or trigger early termination of funding arrangements, potentially resulting in a need for additional liquidity. As a ratings decline could also have a material adverse impact on the Group's costs of borrowing or ability to access the capital markets, the adverse implications of a downgrade could be more severe. These same factors could also impact the Group's insurance business.

Legal and regulatory risks

In the ordinary course of business, the Group is involved in lawsuits, arbitrations and other formal and informal dispute resolution procedures, the outcomes of which determine rights and obligations under insurance, reinsurance and other contractual agreements. From time to time, the Group may institute, or be named as a defendant in, legal proceedings, and the Group may be a claimant or respondent in arbitration proceedings. These proceedings could involve coverage or other disputes with ceding companies, disputes with parties to which the Group transfers risk under reinsurance arrangements, disputes with other counterparties or other matters. The Group cannot predict the outcome of any of the foregoing, which could be material for the Group.

The Group is also involved, from time to time, in investigations and regulatory proceedings, which could result in adverse judgments, settlements, fines and other outcomes. The number of these investigations and proceedings involving the financial services industry has increased in recent years, and the potential scope of these investigations and proceedings has also increased, not only in respect of matters covered by the Group's direct regulators, but also in respect of compliance with broader business conduct rules, including those in respect of market abuse, bribery, money laundering, trade sanctions and data protection and privacy. The Group also is subject to audits and challenges from time to time by tax authorities, which could result in increases in tax costs, changes to internal structures and interest and penalties. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws. The Group could be subject to risks arising from alleged, or actual, violations of any of the foregoing, and could also be subject to risks arising from potential employee misconduct, including non-compliance with internal policies and procedures and malfeasance, such as undertaking or facilitating cyber attacks on internal systems. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously affect its business.

Insurance, operational and other risks

As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits; risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, acts of terrorism, man-made disasters such as industrial accidents, explosions, and fires, and pandemics) may expose the Group to unexpected large losses (and related uncertainties in estimating future claims in respect of such events); changes in the insurance industry that affect ceding companies, particularly those that further increase their sensitivity to counterparty risk; competitive conditions (including as a result of consolidation and the availability of significant levels of alternative capacity); cyclicality of the industry; risks related to emerging claims and coverage issues; macro developments giving rise to emerging risks, such as climate change and technological developments (including greater exposure to cyber risks, which could have a range of consequences from operational disruption, to loss of proprietary or customer data, to greater regulatory burdens and potential liability); risks arising from the Group's dependence on policies, procedures and expertise of ceding companies; risks related to investments in emerging markets; and risks related to the failure of, or attacks directed at, the Group's operational systems and infrastructure, including its information technology networks and systems. Any of the foregoing, as well as the occurrence of future risks that the Group's risk management procedures fail to identify or anticipate, could have a material adverse effect on the Group, and could also give rise to reputational risk.

Use of models; accounting matters

The Group is subject to risks related to the preparation of estimates and assumptions that management uses as part of its risk models; it is also subject to risks that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements, including assumed and ceded business. For example, the Group estimates premiums pending receipt of actual data from ceding companies, which actual data could deviate from the estimates. In addition, particularly with respect to large natural catastrophes, it may be difficult to estimate losses, and preliminary estimates may be subject to a high degree of uncertainty and change as new information becomes available. Deterioration in market conditions could have an adverse impact on assumptions used for financial reporting purposes, which could affect possible impairment of present value of future profits, fair value of assets and liabilities, deferred acquisition costs or goodwill. Moreover, regulators could require the use of standard models instead of permitting the use of internal models. To the extent that management's estimates or assumptions prove to be incorrect, it could have a material impact on underwriting results (in the case of risk models) or on reported financial condition or results of operations, and such impact could be material.

The Group's results may be impacted by changes in accounting standards, or changes in the interpretation of accounting standards. Changes in accounting standards could impact future reported results or require restatement of past reported results. The Group's results may also be impacted if regulatory authorities take issue with any conclusions the Group may reach in respect of accounting matters.

The Group uses non-GAAP financial measures in its external financial reporting, including in this report. These measures are not prepared in accordance with US GAAP or any other comprehensive set of accounting rules or principles, and should not be viewed as substitutes for measures prepared in accordance with US GAAP. Moreover, these may be different from, or otherwise inconsistent with, non-GAAP financial measures used by other companies. These measures have inherent limitations, are not required to be uniformly applied and are not audited.

The Group includes in its annual report a section in respect of its results, including financial statements, prepared in accordance with the Group's proprietary economic value management ("EVM") principles ("EVM section"). Financial information included in the EVM section contains non-GAAP financial measures. The EVM principles differ significantly from US GAAP and, accordingly, the Group's results prepared in accordance with US GAAP will differ from its EVM results, and those differences could be material. The Group's annual EVM results can be more volatile than the US GAAP results because, among other things, assets and liabilities are measured on a market-consistent basis, profit recognition on new contracts is recognised at inception rather than over the lifetime of the contract, and life and health actuarial assumptions are on a best estimate basis as opposed to generally being locked-in. The Group's EVM financial statements should not be viewed as a substitute for the Group's US GAAP financial statements.

Risks related to the Swiss Re corporate structure

Swiss Re is a holding company, a legal entity separate and distinct from its subsidiaries, including Swiss Reinsurance Company Ltd. As a holding company with no operations of its own, Swiss Re is dependent upon dividends and other payments from Swiss Reinsurance Company Ltd and its other principal operating subsidiaries. The Group expects that, over time, its structure will continue to evolve, and in the future it may elect again (having accepted an equity investment within its Life Capital Business Unit from a third party) to partner with minority investors in or within one or more of the Group's Business Units or sub-groups within its Business Units, which could alter historical approaches taken in respect of capital, liquidity, funding and/or dividends, as well as other governance matters, including strategy for such Business Unit or sub-group.

Contacts

Swiss Re has about 80 office locations in more than 30 countries. For a full list of our office locations and service offerings, please visit www.swissre.com.

OUR OFFICES

Investor Relations
Telephone +41 43 285 4444
Fax +41 43 282 4444
investor_relations@swissre.com

Media Relations
Telephone +41 43 285 7171
Fax +41 43 282 7171
media_relations@swissre.com

Share Register
Telephone +41 43 285 6810
Fax +41 43 282 6810
share_register@swissre.com

Head office
Swiss Re Ltd
Mythenquai 50/60, P.O. Box,
8022 Zurich, Switzerland
Telephone +41 43 285 2121

Americas

Armonk
175 King Street
Armonk, New York 10504
Telephone +1 914 828 8000

Overland Park
5200 Metcalf Avenue
Overland Park, KS 66202
Telephone +1 913 676 5200

New York
1301 Avenue of the Americas
New York, NY 10019
Telephone +1 212 317 5400

Westlake Village
112 Lakeview Canyon Road, Suite 220
Westlake Village, CA 91362
Telephone +1 805 728 8300

Toronto
150 King Street West
Toronto, Ontario M5H 1J9
Telephone +1 416 408 0272

Mexico City
Avenida Insurgentes Sur 1898
Torre Siglum, Piso 8
Colonia Florida, Del Alvaro Obregon
México City 01030
Telephone +52 55 5322 8400

São Paulo
Avenida Paulista, 500
5th floor
Bela Vista
São Paulo, SP 01310-000
Telephone +55 11 3073 8000

Europe (incl. Middle East and Africa)

Zurich
Mythenquai 50/60
8022 Zurich
Telephone +41 43 285 2121

London
30 St Mary Axe
London
EC3A 8EP
Telephone +44 20 7933 3000

Munich
Arabellastraße 30
81925 Munich
Telephone +49 89 3844-0

Cape Town
2nd Floor Block B
The Boulevard Office Park
Searle Street
Woodstock
Cape Town, 7925
Telephone +27 21 469 8400

Madrid
Torre Europa
Paseo de la Castellana, 95
28046 Madrid
Telephone +34 91 598 1726

Paris
11–15, rue Saint-Georges
75009 Paris
Telephone +33 1 43 18 30 00

Rome
Via dei Giuochi Istmici, 40
00135 Rome
Telephone +39 06 323931

Asia-Pacific

Hong Kong
61/F Central Plaza
18 Harbour Road
Wanchai
Telephone +852 2827 4345

Sydney
Level 36, Tower two
International Towers Sydney
200 Barangaroo Avenue
Sydney, NSW 2000
Telephone +61 2 8295 9500

Singapore
Asia Square Tower 2
12 Marina View
Singapore 018961
Telephone +65 6532 2161

Beijing
23rd Floor, East Tower, Twin Towers,
No. B12, Jian Guo Men Wai Avenue
Chao Yang District
Beijing 100022
Telephone +86 10 6563 8888

Tokyo
Otemachi First Square West Tower 9F
1–5–1 Otemachi
Chiyoda-ku
Tokyo 100-0004
Telephone +81 3 5219 7800

Mumbai
A-701, 7th Floor, One BKC
G Block, Bandra Kurla Complex
Bandra (East)
Mumbai 400 051
Telephone +91 22 6661 2121

Corporate calendar

2018

4 April 2018
Investors' Day in Zurich

20 April 2018
154th Annual General Meeting

4 May 2018
First quarter 2018 key financial data

3 August 2018
Half-year 2018 results

1 November 2018
Nine months 2018 key financial data

Title:
2017 Financial Report

Design:
MerchantCantos, London
Swiss Re Corporate Real Estate & Services/
Media Production, Zurich

Photography:
Geri Krischker
Marc Wetli
Deniz Kenber, Swiss Re
Fredi Lienhardt
All other images provided by Getty Images
and Shutterstock

Printing:
Multicolor Print AG, Baar

printed in
switzerland

ClimatePartner
climate neutral
Print | ID 11020-1802-1015

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC® C022369

This report is printed on sustainably produced paper and is climate neutral. The wood used comes from forests certified to 100% by the Forest Stewardship Council (FSC).

Original version in English.

The 2017 Annual Report is also available in German. The web version of the 2017 Annual Report is available at:
reports.swissre.com

Order no: 1490793_18_en

3/18, 3300 en

Swiss Re Ltd
Mythenquai 50/60
P.O. Box
8022 Zurich
Switzerland

Telephone +41 43 285 2121
Fax +41 43 285 2999
www.swissre.com