Swiss Re

We make the world more resilient.

2015 Business Report

Together we apply fresh perspectives, knowledge and capital to anticipate and manage risk. That's how we create smarter solutions for our clients, **helping the world rebuild, renew and move forward.**

More information online:
reports.swissre.com

Key information

Our 2015 performance was strong. We look forward to continued progress toward the targets we've set for 2016 and beyond.

Targets
We performed successfully over our 2011–2015 financial target period and look forward to continued strong performance on the targets for 2016 and beyond.

For details on our 2015 performance and the next set of targets, see our Financial Report.

Financial strength rating
Standard & Poor's

AA–

stable
(as of 30.11.2015)

Moody's

Aa3

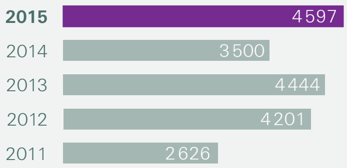
stable
(as of 15.12.2015)

A.M. Best

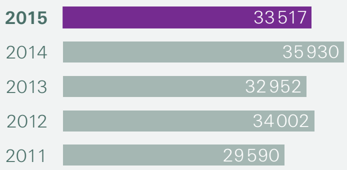
A+

stable
(as of 11.12.2015)

Net income
(USD millions)



Shareholders' equity
(USD millions)



Proposed regular dividend per share for 2015
(CHF)

4.60

(CHF 4.25 for 2014)

Financial highlights

In a challenging business environment, our Group earned a strong 2015 net income of USD 4.6 billion.

Financial highlights
For the years ended 31 December

USD millions, unless otherwise stated	2014	2015	Change in %
Group			
Net income attributable to common shareholders	3 500	**4 597**	31
Premiums earned and fee income	31 262	**30 214**	–3
Earnings per share in CHF	9.33	**12.93**	39
Common shareholders' equity	34 828	**32 415**	–7
Return on equity[1] in %	10.5	**13.7**	
Return on investments in %	3.7	**3.5**	
Number of employees[2]	12 224	**12 767**	4
Property & Casualty Reinsurance			
Net income attributable to common shareholders	3 564	**2 977**	–16
Premiums earned	15 598	**15 090**	–3
Combined ratio in %	83.7	**86.0**	
Return on equity[1] in %	26.7	**22.2**	
Life & Health Reinsurance			
Net income attributable to common shareholders	–462	**939**	
Premiums earned and fee income	11 265	**10 963**	–3
Operating margin in %	2.6	**9.9**	
Return on equity[1] in %	–7.9	**15.7**	
Corporate Solutions			
Net income attributable to common shareholders	319	**340**	7
Premiums earned	3 444	**3 379**	–2
Combined ratio in %	93.0	**93.8**	
Return on equity[1] in %	12.5	**14.8**	
Admin Re®			
Net income attributable to common shareholders	34	**422**	
Premiums earned and fee income	955	**782**	–18
Gross cash generation[3]	945	**543**	–43
Return on equity[1] in %	0.6	**7.5**	

[1] Return on equity is calculated by dividing net income 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 Admin Re®'s capital management policy.

Business report

A year of progress in making a more resilient world.

CONTENTS

The year in review

The business of risk

Business Units at a glance

Swiss Re is a leader in wholesale reinsurance, insurance and risk transfer solutions.

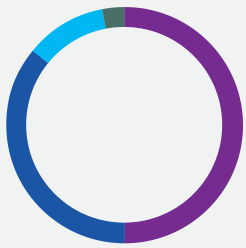
BUSINESS UNIT		NET PREMIUMS EARNED AND FEE INCOME (USD billions)	NET INCOME (USD millions)
Reinsurance Reinsurance is Swiss Re's largest business in terms of income and the foundation of our strength, providing about 85% of gross premiums and fee income through two segments — Property & Casualty and Life & Health. The unit aims to extend Swiss Re's industry-leading position with disciplined underwriting, prudent portfolio management and diligent client service.	Property & Casualty	**2015** 15.1 2014 15.6	**2015** 2 977 2014 3 564
	Life & Health	**2015** 11.0 2014 11.3	**2015** 939 2014 –462
Corporate Solutions Corporate Solutions serves mid-sized and large corporations, with product offerings ranging from traditional property and casualty insurance to highly customised solutions. Corporate Solutions serves customers from over 50 offices worldwide.		**2015** 3.4 2014 3.4	**2015** 340 2014 319
Admin Re® Admin Re® provides risk and capital management solutions by which Swiss Re acquires closed books of in-force life and health insurance business, entire lines of business, or the entire capital stock of life insurance companies. As of 1 January 2016, the open and closed life insurance books of the Group, including Admin Re®, are managed under a new Business Unit called Life Capital.		**2015** 0.8 2014 1.0	**2015** 422 2014 34
Total (After consolidation)		**2015** 30.2 2014 31.3	**2015** 4 597 2014 3 500

RETURN ON EQUITY	OPERATING PERFORMANCE
22.2% (26.7% 2014)	86.0% (83.7% 2014) **Combined ratio**
15.7% (–7.9% 2014)	9.9% (2.6% 2014) **Operating margin**
14.8% (12.5% 2014)	93.8% (93.0% 2014) **Combined ratio**
7.5% (0.6% 2014)	543m (USD 945m 2014) **Gross cash generation**
13.7% (10.5% 2014)	

Diversified and global

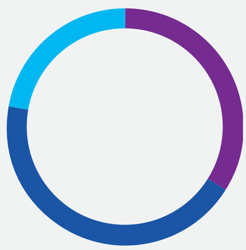
Net premiums earned and fee income by Business Unit
(Total USD 30.2 billion)

- 50% P&C Reinsurance
- 36% L&H Reinsurance
- 11% Corporate Solutions
- 3% Admin Re®



Net premiums earned and fee income by region
(Total USD 30.2 billion)

- 34% EMEA
- 44% Americas
- 22% Asia Pacific



Keeping the long term in view

The strategic priorities that will shape our future

"Three things set us apart: capital strength, client relationships and knowledge."

Dear shareholders,

Another very successful year for your company has just ended and the Financial Report will explain it in great detail. For this success to happen we needed, of course, benign circumstances, but we also needed the full effort of dedicated employees, our loyal clients and, last but not least, the support of our shareholders. To the many that contributed throughout the year, my sincere thanks.

The conundrum: lower prices, but ever-higher margins and less demand

In 2015 we again observed high margins, and as a consequence high returns. The most significant were in Property & Casualty Reinsurance, but also in our life and health businesses, which have recovered from difficult results the year before.

At the same time many market participants speak about a significant erosion of pricing levels across all businesses. They complain about this and about a further reduction in investment returns. The relationship between demand and available capacity seems out of balance — and while we all complain, margins have remained strong for quite a few years now.

Particularly amazing is that the high margins are achieved despite continuously decreasing investment returns which in our business have always been an important contributor to margins. Central banks' extremely easy monetary policies in our main markets are certainly a challenge for an industry which carries large balance sheets full of financial assets.

What leaves me perplexed is, in addition, that our clients (the insurance industry and large corporate clients) are not taking advantage of this market. Quite the opposite: the lower prices get, the less reinsurance cover they buy. This is a period of high uncertainty (just to mention some: climate change, geopolitical security challenges, technology developments with huge consequences, economic growth is very unstable, and financial markets face the biggest monetary policy experiment ever). So what should a company like Swiss Re do in this situation?

Just to avoid any misunderstanding: we are clearly positive about the longer-term prospects for our business. Many trends in the world — in society, in science and in the economy — are positive for demand for our business: risk underwriting. But we have to successfully deal with important adverse forces in the short term.

Therefore we have presented an update last December on the strategic direction and priorities which should allow us both to succeed in the short term and not lose sight of long-term strategic direction.

Be quick on your feet!

In risk underwriting and in asset management, value is created by allocating capital to where pricing inefficiencies can be detected and exploited. There is nothing new in this really. The present situation, however, requires us to identify inefficient pricing in the risk markets quickly and react decisively by either investing or, more likely at present, withdrawing capital. Doing this systematically will move the needle.

Capital allocation matters, we all know that. But you have to be in a position to actually execute on your analysis. In this respect the reinsurance industry is in a better situation than primary insurers, who have to invest significantly in building the infrastructure in markets they operate in. Their flexibility is limited. Reinsurance on the other hand can react fairly quickly, not only on the asset side, but also on the underwriting side of the house. So we'll aim to take advantage of this and be quick on our feet.

Of course we spend a lot of time researching investible ideas in all our businesses. Sometimes with more success (like the acquisition of the Guardian life portfolio last year), sometimes with less ... and if we don't find a good place to invest, then we can also distribute more money back to you. To some degree that has been the case this year, so we plan to propose a regular dividend of CHF 4.60 per share, as well as a new share buy-back programme of up to CHF 1 billion.

Proposed regular dividend per share for 2015

(CHF)

4.60

(CHF 4.25 for 2014)

Secure access to business opportunities!

Reinsurers traditionally have access to the risks they underwrite through intermediaries: direct insurance companies, brokers and others. However, and today more than ever, some of these intermediaries run the risk of getting disintermediated sooner rather than later because they are unable to adapt their business model, disruptors are penetrating their markets or technology is changing the entire industry.

Therefore for us it is of vital importance: don't let traditional distribution channels make efficient capital allocation impossible. Swiss Re has to have access to the risks it wants to underwrite. In this context we have built our Global Partnerships business, which is trying to develop opportunities with governments and supranational institutions. And we have just created our Life Capital Business Unit, which is underwriting individual and group life risks through and with the help of distribution partners or by acquiring closed life books.

Put your money where your mouth is!

A third pillar of our strategy is about resource allocation. Allocate resources to where you see the opportunities; reallocate radically. Again, this sounds trivial, but it is not.

Take the example of emerging markets. Our own projections show that about 50% of the top-line growth and incremental capital requirements over the next ten years will come from emerging markets. Not a big surprise if we think of topics like protection gaps, urbanisation, formation of middle classes and the build-up of sophisticated industries in these parts of the world.

At present only about 15% of our global resources are allocated to these markets, even less than that if we think of senior management, research and local footprint. Change is required.

Resources in our business are people and systems. Once you have made up your mind where you want to allocate the capital, develop them so that they can match the challenges. Maintain this even and deliberately when the margin pressure is intense. It will ultimately produce a high return for shareholders. Inadequate resource has never been a recipe for success, certainly not in our business of risk underwriting and tough investment decisions.

Be different and — of course — better than the others

We are convinced that the strength of the Swiss Re brand and reputation lies in a very clear development of three elements of differentiation: capital strength, client relationships and knowledge. These principal differentiation factors have been with our company since its foundation more than 150 years ago. Apparently it has been a great success. Let me quickly address what I sometimes call the wallet, the heart and the brain.

We are quite open about what we consider an adequate capital underpinning of our underwriting and investment activities. This gives our clients real peace of mind when they allocate large chunks of their reinsurance business with one provider: Swiss Re. Visibly and in addition we keep more free capital at the holding company level, at some short-term cost to you, our shareholders. We however are convinced that this strong capital position and the resulting financial flexibility is of great value in the longer term. It is there for the moment it can be deployed with great benefit for both the client and for you.

Clients in reinsurance are partners. Our clients regularly put us at the top of the league tables as best reinsurer, in all parts of the world and nearly all lines of

“I believe the outlook is very positive indeed.”

business. We are enthusiastic about our clients and will continue to be so. This allows us to fix problems with our clients instead of abandoning them at a crucial moment. Our portfolio of reinsurance business is therefore superior in quality.

And last but not least: we are here to develop the body of knowledge available within the firm and share it with our clients. This allows us to develop better products with and for them and allows us to learn from each other. We spend a significant amount for research both at the product development level and at the portfolio level, supporting our capital allocation. It might lead to a higher operating cost than some of our peers have. But it should also lead to overall higher margins. No surprise. It would be strange if superior insight were not relevant to risk underwriting and investment decisions.

Christian Mumenthaler to become Group CEO on 1 July 2016, Michel M. Liès to retire

Finally, I must share some important news. Christian Mumenthaler, currently CEO of Reinsurance, will become our Group Chief Executive Officer on 1 July 2016, and Michel M. Liès will retire. On behalf of the entire Board I extend our warmest thanks to Michel for his more than 35 years of service to Swiss Re. Throughout his career, Michel has lived Swiss Re’s highest values and been key to our Group’s continued strong performance. Under his leadership net income has almost doubled, the capital base has increased significantly and we have distributed more than USD 12 billion of excess capital back to you, our shareholders. It is fitting that we make this announcement at the end of a successful 2011–2015 financial target period, and after having introduced a new strategic framework. We wish him the very best.

The good news is that we have a highly qualified successor. In Christian we have a candidate who can both transition smoothly into this new role and who brings an intimate understanding of our Group’s strategy. Christian has been with us for 17 years, and for nearly the last five, as CEO of Reinsurance, and therefore responsible for approximately 85% of our revenue. He has been the driving spirit behind P&C Re’s continued outperformance and a key figure in getting L&H Re back on track. His nomination demonstrates both the depth of Swiss Re’s talent and the importance of maintaining Swiss Re’s distinctive culture. I wish Christian every success in the new role.

Dear shareholders, I hope you share my confidence for the future. Our strategic priorities are confirmed and we welcome Christian to implement them together with his team and the 12 000 colleagues at Swiss Re. I believe the outlook is very positive indeed and I look forward to continuing our success story together.

Zurich, 23 February 2016

Walter B. Kielholz
Chairman of the Board of Directors

A solid foundation for the road ahead

A strong 2015 performance and a new strategic framework set the foundation for 2016 and beyond.

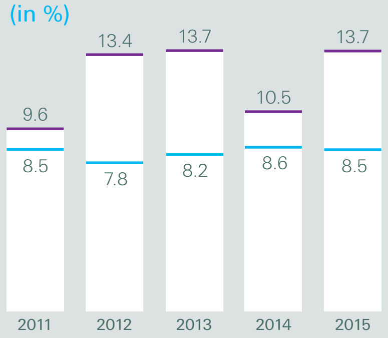
"All three Business Units contributed to our strong performance."

Dear shareholders,
Since Swiss Re was founded in 1863, we have managed risk and absorbed extreme events in many forms. From earthquakes to terrorism, we have enabled society to thrive and progress. However, protection alone is not enough — resilience is our ultimate goal. This vision permeates our daily actions and continues to inform our strategy.

It also contributed to our success in 2015: I am very pleased to report that we managed to navigate the challenging environment and can report another positive set of results, driven by strong performances from all three of our Business Units. Group net income reached USD 4.6 billion — one of our highest ever — up from USD 3.5 billion in 2014. These results clearly differentiate us in the industry. With the updated strategic framework we unveiled in December 2015, we believe we are well placed to continue to focus on profitable growth, strong capitalisation and unique client experience.

Our 2011–2015 Group financial targets

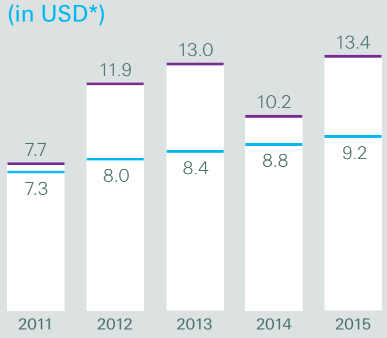
Return on equity
(in %)



– reported ROE
– 700 bps above US Gov 5yrs

700 bps above risk free average over five years

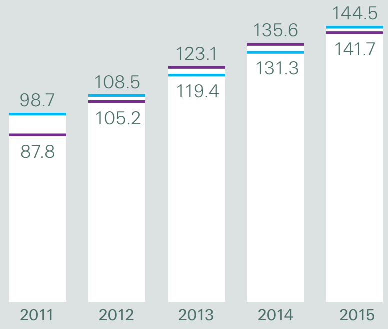
Earnings per share
(in USD*)



– reported EPS
– EPS @ 10% avg. annual growth (base: 2010)
* assumes constant foreign exchange rate

10% average annual growth rate, adjusted for special dividends

Economic net worth per share



– reported ENWPS including cumulative dividends in USD
– ENWPS @ 10% avg. annual growth (base: 2010)

10% average per share growth plus dividends over five years

"We remain confident that we will continue to capture attractive business opportunities."

Property & Casualty Reinsurance portfolio delivers; Life & Health Reinsurance meets target
The underwriting performance of P&C Re remained solid in 2015, generating USD 3.0 billion in net income and reflecting the underlying quality of our portfolio, as well as a relatively benign natural catastrophe experience. L&H Re has met the return on equity target we set for it at the June 2013 Investors' Day, in turn delivering a strong net income of USD 939 million.

Corporate Solutions continues to deliver in challenging market conditions and remains committed to disciplined underwriting, generating USD 340 million of net income for the year. The focus on high growth markets is as strong as ever, notably with the acquisition of Sun Alliance Insurance China Limited, which enables us to operate in mainland China, one of the world's most promising markets.

In 2015, we took an important step to tap into a growing market segment with the creation of the Life Capital Business Unit. Life Capital is managing closed and open life and health insurance books since 1 January 2016, including our Admin Re® business. We believe that consolidating these activities will fit our goal of diversifying our business and providing our clients with the expertise and capabilities they need to help them seize new opportunities. Admin Re®, which is the cornerstone of Life Capital, delivered a strong performance in 2015, with strong gross cash generation and a net income of USD 422 million. In January 2016, it completed the acquisition of UK-based Guardian Financial Services, a move that is in line with our strategy to become a leading closed life book consolidator in the UK.

Our new financial targets

Looking at 2016 and beyond, our new Group targets are focused on profitability and economic growth.

The 'over the cycle' timeframe provides a long-term goal, without being distorted by outlying years.

The new targets are fully consistent with Swiss Re's capital priorities.

Return on equity

At least 700 basis points greater than the risk-free rate, as measured by ten-year US government bonds.

Economic net worth per share

10% growth per annum, using year-end Economic Net Worth (ENW) plus dividends, divided by previous year-end ENW.

Delivering on our targets

Over the last five years, we have grown the regular dividend and we have executed our internal growth initiatives while making sensible acquisitions. At the same time we distributed excess capital to our shareholders and maintained our very strong capital position. We have successfully reached the return on equity (ROE) and earnings per share (EPS) targets we set five years ago in very different circumstances. This is an impressive achievement under any conditions, though especially so in light of the turbulent markets and uncertain macroeconomic conditions that prevailed during much of the 2011–2015 target period. At 9.6%, we almost achieved our economic net worth per share (ENWPS) average annual growth target of 10%, following the previously announced agreement to acquire Guardian Financial Services.

Where do we go from here?

Our vision "We make the world more resilient" is supported by our mission — to create smarter solutions for our clients through fresh perspectives, knowledge and capital. The combination of these strengths makes Swiss Re a partner of choice for our clients. Together, we believe we can close the gap between the rising costs of natural disasters and other hazards and the share of those costs that is covered by re/insurance solutions.

In 2015, the world experienced some tragic events and great uncertainty — an evolving terrorism threat, wars and epidemics, a fragile global economy. Against this backdrop, the re/insurance industry needs to step up its game and extend the boundaries of insurability, building a safety net around those who need it most.

2016 has been off to a volatile start amid concerns about the strength of the global economy. Many of the challenges we've experienced over the past years, such as continued low interest rates and ample capital in our core business areas, will continue to exist. As communicated in December 2015, we believe our four pillar strategic framework equips us with an agile business model that makes us able to respond more quickly and effectively to change and to drive change ourselves. This is why we remain confident that we will continue to capture attractive business opportunities and we thank you, our shareholders, for placing your confidence in us.

No strategic framework can be put to good use without the help and dedication of our people. We need our employees' enthusiasm and commitment to bring our vision closer to reality. We'd like to thank them for their hard work: without them, we couldn't celebrate another successful year.

As you can see I am passionate about Swiss Re's future. I am convinced that Christian Mumenthaler and his team will further strengthen the role of Swiss Re in our industry and our society more generally. It is an honour and a privilege to work for this great company. I will always be proud to have been part of Swiss Re.

Zurich, 16 March 2016

Michel M. Liès
Group Chief Executive Officer

Our strategy for 2016 and beyond

A framework that will drive our 2016 priorities and create long-term value for our shareholders.

Fit for purpose

Our strategy is designed to help us meet our financial targets for 2016 and beyond — ambitious goals that are aimed at profitability and economic growth.

The building blocks of success

Each Business Unit has its own targets to contribute to the overall goal.

We have already defined annual return on equity targets for our businesses:

P&C Reinsurance and Corporate Solutions aim for 10%–15%. Life & Health Reinsurance aims for 10%–12%. Swiss Re Life Capital will initially aim for 6%–8%, with updates to follow.

AREAS OF STRATEGIC ACTION

1. Systematically allocate capital to risk pools/ revenue streams

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

3. Optimise resources and platforms to support capital allocation

4. Emphasise differentiation

Swiss Re's strategic framework

I. Systematically **allocate capital** to risk pools/revenue streams
II. Broaden and diversify **client base** to increase access to risk
III. Optimise **resources and platforms** to support capital allocation
IV. Emphasise **differentiation**

We have a defined target portfolio of asset and liability risks. Risks can always be added to this target portfolio, and they may also be withdrawn.

Flexible capital allocation among these portfolios — and taking advantage of the diversification benefits — is what drives value creation at Swiss Re. We aim to make our decisions based on capital usage and returns from each portfolio, balancing cash flow, Economic Value Management (EVM) and US GAAP metrics.

New markets, new clients and new risks: these are the three primary ways to achieve this strategic objective. We aim to generate 30% of premiums and fee income from targeted high growth markets by 2020. We also aim to serve broader client segments, such as expanding our regional and national insurer client base and even expanding to work with governments and multilateral institutions. We can also find new opportunities — helping clients deal with new risks such as cyber threats or taking on different risks through our investments, such as infrastructure debt.

Our capital allocation strategy requires us to attract the right talent and to equip them with the right resources, platforms and processes. Reaching new markets, for example, often requires local expertise. For this reason our local talent pool in high growth markets has more than doubled between 2011 and 2015.

This strategic focus goes beyond talent and geographies. Smart analytics and cognitive computing, for example, have the potential to change our industry. Our initiatives focus on concrete applications with direct business impact, such as in sales and contracts.

Financial strength, client relationships, and being a knowledge company are the main components of our differentiation. All three have underpinned our strong performance. They remain pivotal going forward. Our clients take comfort in our financial strength. This helps form direct client relationships through which we can deliver large and tailored transactions. As part of our offer we bring top talent and a deep understanding of market dynamics — the practical benefit of being a knowledge company.

FINANCIAL TARGETS

Return on equity

At least 700 basis points greater than the risk-free rate, as measured by ten-year US government bonds.

Economic net worth per share

10% growth per annum, using year-end ENW plus dividends, divided by previous year-end ENW.

Strategy in action

A framework that builds from our current strategy, enabling us to move to the next stage in our transformation to be an agile capital allocator in insurance and associated asset risks.

Using key trends and metrics to **achieve results**

Our Reinsurance Business Unit uses key trends and metrics to contribute to the Group's overall optimal capital allocation through both its Property & Casualty and Life & Health segments.

For the past few years we have been increasing the contribution from our target high growth markets in Property & Casualty, while at the same time tapering off property business where prices have reached unsustainable levels. In Life & Health we're keeping up the same momentum in target high growth markets and growing the relative share of health business. See also page 29.

1 STRATEGIC OBJECTIVE ONE

Systematically allocate capital to risk pools/ revenue streams

Finding new clients and **new risks**

One way to access new risks is by working with new clients — such as in partnership with governments and multilateral institutions.

Since 2011 our Global Partnerships business has closed more than 200 transactions on behalf of these clients, often giving protection to risks that had either been under-insured or completely uninsured previously. In 2015 we helped protect people from drought in Africa, hurricane in the US and Caribbean, earthquake in Turkey and floods in the UK — to name only a few. See also page 18.

2 STRATEGIC OBJECTIVE TWO

Broaden and diversify client base to increase access to risk

Bringing **deep insight** and industry understanding

Smart analytics and cognitive computing are key tools for optimising the way we work and driving a competitive edge across our businesses.

In Reinsurance we're drawing from a wide range of data sources to model motor accident rates in China. Rapid sales analytics in Corporate Solutions help us close deals — and deliver solutions — faster. Smart analytics help us gather data on hot topics and industry trends. We look forward to breakthroughs in Life & Health underwriting through our partnership with IBM. See also page 26.

3 STRATEGIC OBJECTIVE THREE

Optimise resources and platforms to support capital allocation

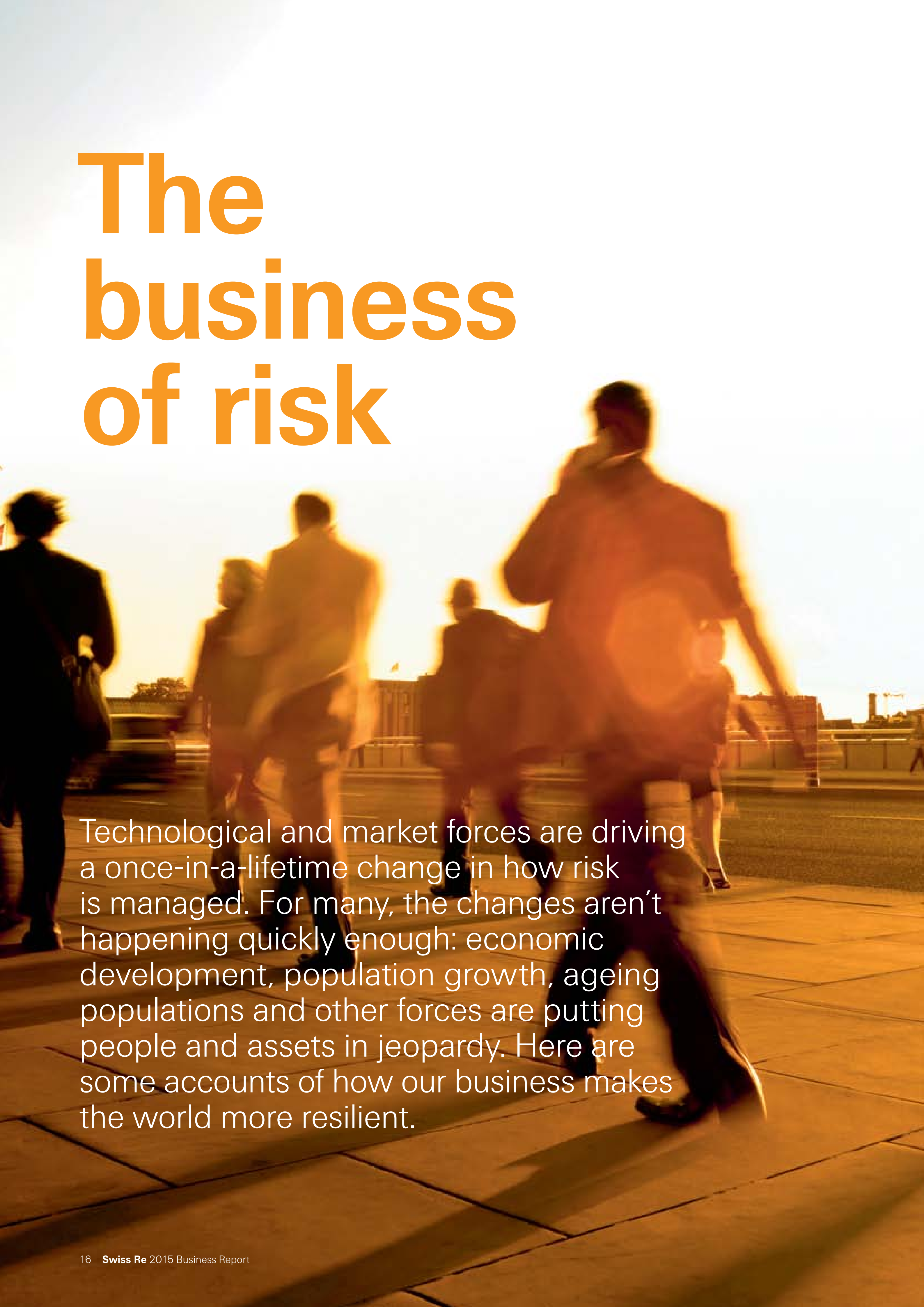
Setting ourselves apart by **generating knowledge**

More than three hundred highly-educated employees work in basic research of insurance. Fifty are at work modelling natural catastrophes and thirty work in the unit that produces sigma, the industry-leading publication. At our Centre for Global Dialogue we host more than one-hundred events per year with clients and other experts on topics such as 3-D printing and cyber risk.

This thought leadership sets Swiss Re apart from the market and creates a foundation to create and sustain deep, long-lasting client relationships. See also page 26.

4 STRATEGIC OBJECTIVE FOUR

Emphasise differentiation



The business of risk

Technological and market forces are driving a once-in-a-lifetime change in how risk is managed. For many, the changes aren't happening quickly enough: economic development, population growth, ageing populations and other forces are putting people and assets in jeopardy. Here are some accounts of how our business makes the world more resilient.

Bridging the divide

—

60%

Share of disaster losses not covered by insurance (Global, 2015)

Murat Kayacı
Chairman, Turkish Catastrophe Insurance Pool

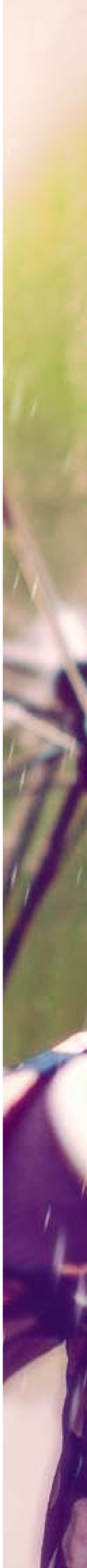
"A disaster can set a country's economic development back by years. The TCIP guards against that, creating a safety net for our entire nation, strengthening our resilience and setting an example for the rest of the world."

Read more online: reports.swissre.com

Istanbul is a city of 14 million people that generates a substantial portion of Turkey's GDP. The Northern Anatolian Fault line runs a few miles south, putting Istanbul at constant risk of a devastating earthquake. The Turkish government has been continuously investing to enhance the country's resilience. One outcome has been the creation of the Turkish Catastrophe Insurance Pool (TCIP) in 2000, which provides homeowners with compulsory earthquake insurance. In addition to the continuous support we provide through traditional reinsurance, in 2015 Swiss Re Capital Markets co-structured a USD 100 million catastrophe bond sponsored by the TCIP. Covering Istanbul's large metropolitan area, the three-year bond has a parametric trigger that will pay out if the specified earthquake conditions are met. It was well received by investors and ensures that TCIP will have access to additional reconstruction funds in the event of a major earthquake. Thanks to TCIP, about 40% of Turkey's homeowners already have earthquake insurance today and more will be covered in the coming years. Such innovation is exactly what's required to close the world's protection gap.

What are protection gaps?

We are surrounded by risks that are insurable in principle but which go uninsured in practice — leaving a protection gap. Natural catastrophes offer the most glaring examples. Only 30% of disaster losses have been covered by insurance over the last 10 years. Over that period an astounding USD 1.3 trillion in property losses were left uninsured — losses borne by governments, businesses, and individuals. There are also protection gaps in life and health that also undermine society's resilience (see page 24), as well as risks to property far below the threshold of natural catastrophes. To close these gaps we are taking insurance where it is needed most, including in the world's most advanced countries.



Affordable solutions

Around 18% of adults in Australia don't have access to financial services, and an even higher percentage lack insurance to protect their belongings. To address the needs of this population, Swiss Re teamed up with Suncorp to provide affordable products to those with low financial means.

As a reinsurance partner, we take 50% of the risk on all of Suncorp's "Essentials by AAI" microinsurance policies. The policies offer very low limits for home contents and car insurance, with flexible payment options and a simple underwriting and claims process. The initial distribution will be via the Good Shepherd Microfinance organisation, a leading microfinance operator in the country. Other support providers, such as legal and financial counsellors, can refer customers to Essentials by AAI. By making insurance accessible and easy to understand, Suncorp is closing protection gaps for people on social benefits or those with household incomes of around half the average wage or less.

Closing the flood gap in the UK

In the UK, we are helping to close another protection gap on an even larger scale. Floods, which affect more people worldwide than any other type of natural disaster, have had a significant social and economic impact in the UK in recent years. Just as in Turkey, closing the flood protection gap will require more than a response from just insurers alone.

The UK is now taking a leadership position in tackling the issue of floods and in strengthening people's ability to recover from their financial impact. With Flood Re affordable flood cover will be provided to an estimated 350 000 homes at risk. From April 2016 we are proud to support Flood Re in a three-year reinsurance programme that is one of the largest 'natural peril' programmes in the world. Swiss Re's contribution to Flood Re is provided by an international team, including UK property underwriters and Swiss Re Global Partnerships, who develop innovative solutions to improve risk resilience for governments and public sector bodies around the world.

Strengthening homes in Colombia

10 million

Colombians live in housing at risk of collapse

In recent years, Colombia has been one of Latin America's fastest-growing economies. The country enjoyed sustained economic growth and political stability, improved infrastructure and an overall higher level of prosperity. However, more than 10 million Colombians still live in housing that is at risk of collapse should an earthquake, a landslide or a flood strike suddenly.

Construction is often made of inadequate materials, lacking professional design or supervision, and often uses dangerous configurations. Resilience-enhancing 'retrofits', especially in the most exposed communities, are limited.

The social enterprise Build Change developed an easy-to-use, code-compliant retrofit evaluation and implementation procedure in partnership with Colombia's National Learning Service, Swisscontact and the seismic engineering community in Bogotá.

The Swiss Re Foundation is supporting Build Change in the first phase of a programme in which homeowners, government and the private sector work together to strengthen existing vulnerable homes as former slums continue to develop into vibrant urban neighborhoods.

In this first phase, the project will target 50 home retrofits in Bogotá, impacting around 250 people and laying the necessary groundwork for a more ambitious implementation in a second stage, which will include the city of Medellín.

Building resilience in China

30%

Percentage of premiums and fee income Swiss Re aims to generate in high growth markets, including China, by 2020

Alia Hasbullah
Pricing actuary and 2014 Actuarial Development Programme graduate

"Swiss Re gave me a start in the US and a role in advancing our high growth market strategy."

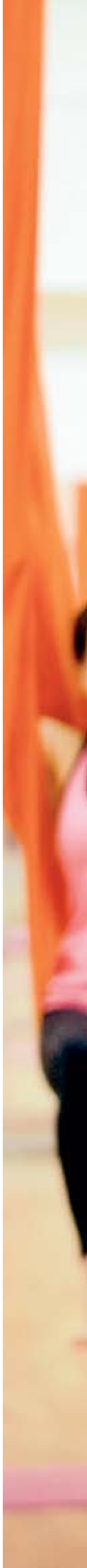
Read more online: reports.swissre.com

China is the world's fourth-largest market in insurance premiums and Swiss Re's third largest in 2015. Yet compared to the size of its economy, China's insurance market still lags far behind.

Normally economies and insurance grow hand-in-hand. As the tragic explosion in Tianjin suggests, there's danger when the two get out of sync. The central government is well aware. In 2014, they set targets for insurance penetration, aiming to more than double insurance premiums per capita from USD 235 in 2014 to USD 571 by 2020 (the advanced market average is USD 3 621). This sends a powerful signal to both insurers and clients: risk management is a priority for China.

We've been in China since the 1930s. We opened a representative office in Beijing in 1995 and another in Shanghai in 1996, then a branch office in Beijing in 2003 to conduct life and non-life business throughout the country. In 2015 we completed the acquisition of Sun Alliance Insurance China Ltd to give Swiss Re Corporate Solutions a local base to help corporations operating in China. These investments are showing up clearly in our financial results, with premiums of USD 2.5 billion in 2015. Local talent has grown by more than 50% between 2011 and 2015 (see box). China is the key market in our plan to generate 30% of our premiums and fee income from high growth markets by 2020.

Today the Chinese non-life market is dominated by motor insurance, and the life market is still relatively undeveloped. Yet there is more to the opportunity than simply offering the same support we offer elsewhere. We can also tackle new risks and pioneer new methods, and thus make China a model for the world.



Protecting lives and livelihoods

While China's economy has been booming, the country's 'mortality gap' has been widening — that is, the gap between the insurance Chinese families would need should a wage-earner pass away suddenly, and the resources they actually have available. Between 2004 and 2014 the gap grew by 14% per year, so that by 2015 it amounted to a staggering USD 32.1 trillion.

Closing this gap is partly a matter of consumer education, and also a matter of distribution — putting the solutions in front of the people at risk. Here technology is on our side. To help meet the challenge we tailored our online life underwriting tool, Magnum Mobile (see page 29), for our clients' agents in 2015. In its first five months this tablet-based solution has already helped insure more than 1.4 million lives. This is a promising illustration of how technology will revolutionise the life insurance industry — and, hopefully, help close the global mortality gap.

We anticipate equally strong demand for private health insurance that can supplement public health care. By surveying around 3 000 respondents, we gathered valuable insights into the key factors driving Chinese consumers' willingness to pay for such insurance. We're sharing the results with our clients to help develop suitable, sustainable products. Such knowledge-sharing confers advantages to both our clients and society as we deal with the consequences of living longer lives.

Innovation for farmers

We are also learning how to make more risks insurable. Cotton farmers in Xinjiang, for example, have been vulnerable to cold weather. This risk is not covered by traditional agriculture insurance schemes due to the complexity of underwriting it. In 2015 we piloted the country's first low-temperature weather index insurance programme to solve this problem. If successful, the programme will be expanded to cover the entire region, which produces more than 3 million tonnes of cotton per year. Such index insurance schemes (which automatically pay out when a given measure, such as temperature, falls above or below a specified threshold) can work for other crops, as well as for other perils, such as wind and rainfall. Indeed we have recently extended the concept to aquaculture, covering the production of millions of tonnes of fish, scallops, shrimp and other species from wind and other perils. We are also developing a similar programme for farmers in Heilongjiang, China's biggest crop-producing province, following the Memorandum of Cooperation we signed with the local government in 2015.

Such accomplishments bear testimony to our vision to offer protection to those who need it but we haven't yet reached.

ADP participants Liangchen Wang, Alia Hasbullah and Poppy Cai meeting in our FT. Wayne, IN (US) offices

Closing the **talent gap** in high growth markets

The markets are huge — but who will serve them?

China and other high growth markets play a key role in our growth plans. We operate in a technical industry and the core of our activity is measuring and managing risk and uncertainty. To do that, we need qualified talent, such as actuaries. These roles are especially in demand in emerging countries, and are location-specific due to the nature of the business.

Our Fort Wayne, Indiana (US) office is meeting this challenge by reaching out to nationals of our target high growth markets, like Alia Hasbullah (see page 22), who are currently enrolled in actuarial science programmes in the US and plan to work in their home countries.

Suitable candidates take part in our Actuarial Development Programme (ADP). The programme offers these students the possibility to train in a Swiss Re office in the US, take their actuarial exams and learn how the company works. They are paired with mentor/managers once they return to their home countries to ensure they fully integrate what they've learned with local markets and our strategies to serve them. The programme is a true win-win in helping us achieve our goals in some of the world's most promising markets and regions.

New frontiers

—
2 billion
Cyber risk premiums globally (2014, USD)

Christian Fankhauser
SBB Head of Insurance Management

"We started with a vision and an idea. With Swiss Re Corporate Solutions, we could actually bring this to fruition. The forward thinking and open-minded collaboration in that process has been enriching and inspiring for all involved."

Read more online: reports.swissre.com

When Swiss Re was founded 152 years ago, insurance was catching up with the industrial revolution. Today we are again at the edge of another sea change — a digital revolution. People, devices and information are increasingly interconnected. These forces reshape the way we do business and interact with our environment. Just as when we were founded, our role is to understand the drivers of change, anticipate the evolving risks our clients face, and leverage these forces to make the world more resilient.

Running like clockwork in a digital age
Since the days of coal and steam, the Swiss rail system has been famously efficient and reliable. In the age of drones, autonomous cars and cyber attacks, how does operator SBB maintain that reputation? For starters, they consider even the most far-flung scenarios. With a new cover, Swiss Re Corporate Solutions offers SBB protection for imminent natural catastrophes, such as floods or falling rocks as well as failure of IT systems, including cyber attacks and other remote risk scenarios.

The SBB cover is the largest cyber deal Swiss Re has ever carried out. It protects our client in the event that its IT systems become unresponsive due to malicious software attacks. In the case of a large transport operator, the ramifications of a system failure can be daunting.

There are significant hurdles to assessing cyber risk accurately. Designing products that are easy for clients to understand and that truly meet their needs is key. Insurers also need to grapple with "accumulation risk," or the possibility that one event can affect multiple policies. As a knowledge company we pride ourselves on developing expertise on these complex risks and sharing that with our clients.

Leveraging the opportunities

While as insurers it's our job to look first at the risks of technological change, we have simultaneously to consider its enormous benefits.

We are engaging not only with clients but peers, regulators, and other partners — especially partners whose digital expertise can help us move to the next phase and maintain our reputation as the world's leading re/insurer.

Smart analytics, for example, is one of the trends that can help us find hidden patterns in data sets that once seemed unfathomably extensive and complex.

This year we teamed up with IBM to develop a range of solutions that rely on IBM Watson's cognitive computing technologies for our Life & Health underwriters.

Cognitive technologies, coupled with human experience, can take decision-making to the next level. The technology marks the beginning of a new step in artificial intelligence, with systems now delving into unstructured data, generating new insights and continuously learning from their interactions with both data and humans. When IBM Watson gets smarter, we get smarter, too.

"Cognitive computing is one of the most transformative technologies in the re/insurance industry, one that will enable our experts to focus on the work that humans do best," said Thomas Wellauer, Group Chief Operating Officer. "It's a genuine game-changer that can strengthen our capabilities and help us extend our competitive positioning."

Insurance **in your pocket**

—
10 billion
Mobile devices in use by 2020

Today, with information disseminated in real time on tablets and smart phones and purchase decisions only a click away, it's important for businesses to connect with customers in the same way. Is the insurance industry ready for this change? New China Life is. Their agents now have Magnum Mobile built into a powerful point-of-sale tablet that can instantly tap the power of Swiss Re underwriting. A simplified digital application and streamlined process make it easy for agents to collect customer information, submit it from anywhere and receive an immediate decision. The tool helps increase consistency in underwriting decisions and improve processing rates, but most importantly, it provides New China Life with real-time data and analytics to better understand, evaluate and manage the business they are writing. Swiss Re's Robert Burr, Head of Life & Health, Asia said: "China's sheer size and fast-changing dynamics are accelerating the effects of digital transformation. Insurers have to adapt quickly. We can leverage the experience and solutions we're developing here to help insurers all over the globe."

Board of Directors

1. Walter B. Kielholz
2. Renato Fassbind
3. Mathis Cabiallavetta
4. Raymond K.F. Ch'ien
5. Mary Francis
6. Rajna Gibson Brandon
7. C. Robert Henrikson
8. Hans Ulrich Maerki
9. Trevor Manuel
10. Carlos E. Represas
11. Jean-Pierre Roth
12. Philip K. Ryan
13. Susan L. Wagner

Changes in 2015

At the Annual General Meeting on 21 April 2015, Trevor Manuel and Philip K. Ryan were elected as new non-executive and independent members of the Board of Directors for a one-year term of office. At the same time, the shareholders re-elected Walter B. Kielholz, Mathis Cabiallavetta, Raymond K.F. Ch'ien, Renato Fassbind, Mary Francis, Rajna Gibson Brandon, C. Robert Henrikson, Hans Ulrich Maerki, Carlos E. Represas, Jean-Pierre Roth and Susan L. Wagner for a one-year term of office as members of the Board of Directors. Raymund Breu did not stand for re-election.

Read more online: reports.swissre.com

Group Executive Committee

1. Michel M. Liès
   Group CEO
2. David Cole
   Group CFO
3. John R. Dacey
   Group Chief Strategy Officer
4. Guido Fürer
   Group CIO
5. Agostino Galvagni
   CEO Corporate Solutions
6. Jean-Jacques Henchoz
   CEO Reinsurance EMEA
7. Christian Mumenthaler
   CEO Reinsurance
8. Moses Ojeisekhoba
   CEO Reinsurance Asia
9. Patrick Raaflaub
   Group CRO
10. J. Eric Smith
    CEO Swiss Re Americas
11. Matthias Weber
    Group CUO
12. Thomas Wellauer
    Group COO

Changes in 2015/2016
No changes have occurred in the composition of the Group EC during 2015.

Thierry Léger was appointed CEO Life Capital and a member of the Group EC as of 1 January 2016.

Christian Mumenthaler, currently CEO Reinsurance, will become Group CEO as of 1 July 2016, succeeding Michel M. Liès who will retire.

Read more online: reports.swissre.com

Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause Swiss Re's actual results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets.

Such factors include, among others:

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- Swiss Re's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of Swiss Re's financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on Swiss Re's investment assets;
- changes in Swiss Re's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;

- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re's balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that Swiss Re's hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting Swiss Re's ability to achieve improved ratings;
- the cyclicality of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies and the interpretation of legislation or regulations by regulators;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

These factors are not exhaustive. Swiss Re operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.

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Title:
2015 Business Report

Design:
MerchantCantos, London
Swiss Re Corporate Real Estate & Logistics/
Media Production, Zurich

Photography:
Geri Krischker (p. 4, 8, 30, 31)
Tom Galliher, Galliher Studio (p. 22, 25)

All other images provided by Getty Images

Printing:
Multicolor Print AG, Baar

printed in
switzerland

ClimatePartner
climate neutral
Print | ID11020-1602-1014

MIX
Paper from
responsible sources
FSC® C022369
FSC
www.fsc.org

This report is printed on sustainably produced paper and climate neutral. The wood used comes from forests certified to 100% by the Forest Stewardship Council (FSC).

Original version in English.

The 2015 Annual Report is also available in German. The web version of the 2015 Annual Report is available at:
reports.swissre.com

Order no: 1490793_16_en

3/16, 4500 en

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