### SWIFT is a global member-owned cooperative and the world’s leading provider of secure financial messaging services.

Our messaging platform, products and services connect more than 11,000 banking and securities organisations, market infrastructures and corporate customers in more than 200 countries and territories. While SWIFT does not hold funds or manage accounts on behalf of customers, we enable our global community of users to communicate securely, exchanging standardised financial messages in a reliable way, thereby supporting global and local financial flows, as well as trade and commerce all around the world.

As their trusted provider, we relentlessly pursue operational excellence; we support our community in addressing cyber threats; and we continually seek ways to lower costs, reduce risks and eliminate operational inefficiencies.

Our products and services support our community’s access and integration, business intelligence, reference data and financial crime compliance needs.

SWIFT also brings the financial community together – at global, regional and local levels – to shape market practice, define standards and debate issues of mutual interest or concern.

Headquartered in Belgium, SWIFT’s international governance and oversight reinforces the neutral, global character of its cooperative structure. SWIFT’s global office network ensures an active presence in all the major financial centres.
2016 highlights

100% institutions connected to SWIFT

11,000+ countries and territories

SWIFTNet availability

99.997% FIN availability

100% of services exceeded availability targets

6.5+ billion total FIN messages

25.8+ million average daily number of FIN messages

+29% FileAct growth (Kchar)

30.3+ million FIN messaging peak day

FIN traffic increase

+6.9% FIN traffic increase

4.2+ billion total FileAct traffic (Kchar)

16.8+ million average daily FileAct traffic (Kchar)

+29% FileAct growth (Kchar)

1.0+ billion total InterAct messages

+71% InterAct traffic increase

4+ million average daily InterAct traffic

11,000+ institutions connected to SWIFT

200+ countries and territories

+42.1% of services exceeded availability targets
Chairman's letter

Chairman of the Board

Yawar Shah
Chairman of the Board

Few events have challenged your cooperative and the transaction banking industry as severely as the sophisticated cyber attacks against member banks that occurred in 2016. Times like these are a true test of the resilience and strength of your cooperative, and I am happy to report that SWIFT’s Board and Management stepped up to the task.

The Board and Management worked hard to identify and get ahead of this serious and organised threat, and set out a strategy to help define what the banking ecosystem needed to do to protect, detect and prevent these attacks. This involved identifying the threat patterns and taking actions to help customers protect themselves, as well as detect situations of compromise. This industry-wide approach is delivering results – substantial progress has already been made but both SWIFT and its customers must continue to take specific actions to stay ahead of future attacks and to minimise impacts if such events occur.

Even more than before, cyber security is a Board-level issue. The SWIFT Board, with its dedicated governance role, has both challenged and worked closely with Management to ensure significant investments continue to be made in cyber security to protect SWIFT and to help the banking community where it can. Management goals and incentives have been aligned with the cooperative’s security targets and focus has been focused on addressing this key priority. The Board and its various committees will continue to dedicate significant time at regular and extraordinary meetings to review and assess the progress on SWIFT’s end-to-end security strategy.

The Management team has acted with conviction, and has demonstrated strong leadership and rigour. Management also engaged specialist assistance where necessary to bring on board additional expertise. Our cyber adversaries are strong and sophisticated and we must keep ahead of them.

The security of the international banking system requires everyone to act: you, your counterparts and your communities.

SWIFT is doing its part. Due to its community approach, SWIFT launched the Customer Security Programme (CSP) in 2016 to help tackle the cyber challenge. The CSP creates the framework for SWIFT to support its users in securing their infrastructure. Under the CSP, SWIFT set up a dedicated Customer Security Intelligence team to help customers with their post-incident investigations and facilitate intelligence sharing on attackers’ modus operandi to help protect other institutions. Having time-critical intelligence is vital in helping to identify, mitigate or prevent fraudulent transactions and supporting the process to recover funds.

SWIFT will continue to engage with you, our community, as we roll out new components of the CSP. Last year we consulted the SWIFT community on a set of security controls that are being implemented now, and will become mandatory for all users. The introduction of these mandatory security controls creates a security baseline for all SWIFT customers, which is a significant step towards strengthening the security and protection of customers’ local environments and collectively reinforcing the cyber resilience of the financial community.

Your collaboration, support and engagement on all initiatives under the CSP are essential in making the strongest possible impact in the fight against cyber fraud.

SWIFT also continued to successfully run the day-to-day business of our cooperative; SWIFT continued to advance its innovation agenda, and made good headway on the commercial initiatives set out in the SWIFT2020 strategy. I am pleased to announce that SWIFT’s financials are strong and the cooperative is well positioned to maintain its operational excellence while pursuing its strategic objectives (1) to grow and strengthen core messaging services, (2) to expand and deepen market infrastructures offerings, and (3) to build the financial crime compliance portfolio.

In 2016 SWIFT maintained the high security and reliability performance our community expects – an extraordinary feat in this challenging operating environment. At the same time, SWIFT delivered key components of the Australian real time payments infrastructure (AU-NPP) and made strong progress on FIN Renewal. SWIFT teams also worked tirelessly to prepare the global payments innovation (gpi) initiative for launch in early 2017.

SWIFT’s financial crime compliance offering serves as a model to show how SWIFT’s community approach addresses our members’ challenges. SWIFT set out to help its members by making use of its central role in the financial system to develop a cooperative utility to reduce the inefficiencies of each institution working alone. Today SWIFT offers a comprehensive suite of compliance products and services that significantly reduce the cost of compliance for our users. By the end of 2016, users from more than 200 countries had signed up for The KYC Registry; almost 600 users had registered for our Sanctions Screening Service; nearly 40 financial institutions had signed up for the Compliance Analytics tool; and 25 had signed up for the Sanctions Testing service. In providing these important tools and working together with our customers, we improve efficiencies and help to continue to build trust in the global financial system.

The success of SWIFT’s compliance utility provides a blueprint for our global community to tackle the cyber security challenge. Throughout 2016 we called upon our community to cooperate and engage with us, and we will continue to do so in order to protect our industry. Your cooperation reflects the true strength of our community. Rest assured that we will not stand still, and we will continue to raise the bar in terms of security.

The road ahead will require continued leadership from SWIFT and the banking community. The cyber threat is real, serious, and here to stay and we must address it at the same time as meeting our daily obligations. The Board and Management will continue to work together to ensure SWIFT’s uncompromising focus on security.

I want to thank the Board as well as the management team and the entire SWIFT staff for their perseverance and hard work. I remain dedicated and committed to serving you at this critical juncture in your cooperative’s history.

Chairman of the Board
May 2017
2016 was a transformational year for SWIFT and its community.

The Bangladesh fraud in early February brought the cyber threat right to the doorstep of the transaction banking community. While we have no indication that SWIFT’s network or core messaging services were compromised, the episode represented a challenge to the security of our transaction banking community which we tackled head on.

In May 2016 we launched our Customer Security Programme (CSP) – a framework designed to support our users in reinforcing the security of their SWIFT-related infrastructure and strengthening their cyber risk management. We committed a large number of our best people, as well as significant financial investments to this key programme.

In just under a year, we have achieved substantial results with the CSP. We have set up a Customer Security Intelligence (CSI) team to investigate reported cases; we have shared anonymised intelligence on the modus operandi to protect other users; we have enhanced existing security features in our own products; we have shared security updates to our interfaces; and we have regularly updated security guidance for customers.

Throughout the year we engaged with the SWIFT community at our events, including at our annual Sibos conference, keeping our users abreast of the evolving cyber threat, as well as our response to it. We consulted widely with our community on the new set of security controls for our users that we published in early 2017. We will continue to roll out new components of the Customer Security Programme and engage with our community as we do so.

Effective cyber risk management is a challenge which demands a multi-faceted approach. Given the interconnectedness of the financial industry, it is vital that concerted efforts are taken at both institution and community level around the world. I am certain that it is only by working together that we can protect the global financial system and turn this threat into a manageable nuisance.

At the same time, SWIFT continued to deliver on its day-to-day mandate. Operational availability performance during 2016 was strong; we achieved 100% availability for SWIFTNet and 99.997% availability for our FIN messaging service, against the backdrop of growing volumes and the FIN Renewal project.

We continued to make strong progress on FIN Renewal throughout 2016 and it is set to be completed in 2017. Once finalised, FIN Renewal will allow us to provide the community with a more powerful and cost-efficient operating platform.

We also continued to roll out our SWIFT2020 strategy, with its focus on correspondent banking, financial crime compliance and market infrastructures, and we continued to support our customers with innovative new services. In 2016 we delivered several new components needed to build the real-time payments system in Australia (AU-NPP), and with the support of its participants, we completed the testing of the newly deployed local infrastructure. AU-NPP is on track and scheduled to be operational by the second half of 2017.

I am also particularly excited about the launch of the global payments innovation (gpi) initiative, and the potential benefits this will bring to our community. SWIFT’s gpi promises to be truly transformational for the worldwide correspondent banking industry by offering a greatly enhanced service with increased speed, traceability, and transparency. It shows how SWIFT continues to innovate, providing our community with the means to meet their customers’ evolving expectations. By the end of 2016, nearly 100 leading banks had signed up to the initiative. The gpi solution subsequently went live in January 2017 and hundreds of thousands of messages have since been successfully and securely delivered, across more than 60 country corridors.

In 2016 we also extended our financial crime compliance (FCC) offering, most notably by launching the Sanctions Name Screening service and Daily Validation Reports. By the end of the year, SWIFT’s KYC Registry had more than 3,400 users.

In line with the increased threat, and reflecting our uncompromised focus on security, we have continued to invest in security and grow our dedicated staff; by the end of 2016 we had tripled the size of our security teams over the previous three years. We have bolstered our information security function by hiring a new Chief Information Security Officer (CISO) and creating new positions in the CISO office, enhancing the existing talent in this important part of our organisation. To ensure our own readiness to respond to unexpected threats, we also continued to test ourselves, carrying out more than 3,000 business continuity exercises during the year.

SWIFT continues to deliver and evolve, because of and in spite of the challenges and opportunities facing our cooperative. Our ongoing drive for improvement ensures that we continue to provide a secure and innovative service, setting the benchmark in the financial world.

I would like to thank the Board for their guidance during these challenging times, as well as Management and all SWIFT staff for their remarkable dedication. Their combined know-how and experience allowed us to respond to and support our community when it was most needed. We look forward to continuing to work closely with the community and to meeting when we gather at Sibos in Toronto in October 2017.

Gottfried Leibbrandt
CEO
May 2017
This graphic compares year-on-year growth rates for regional payment flows in 2016.

During 2016 SWIFT observed traffic growth in all regions and for all routes between regions, except for traffic sent from Asia Pacific to EMEA. Traffic from EMEA to Asia Pacific, however, had the strongest inter-regional growth rate in 2016, increasing by 8.2 percent year-on-year.

Intra-regional growth was robust in all three regions, with Asia Pacific showing the strongest growth at more than 16 percent.

Figures are based on user-to-user live payment traffic.

**Payments regional traffic flows**

**2016 average daily FIN messaging volume in Kmsgs (growth versus 2015)**

- **Americas**
  - Sent: 2,617 Kmsgs (+6.3%)
  - Received: 2,491 Kmsgs (+7.3%)
  - Intra-Americas: 1,153 Kmsgs (+8.1%)
  - Sent to Asia Pacific: 548 Kmsgs (+1.0%)
  - Sent to EMEA: 915 Kmsgs (+7.5%)

- **EMEA**
  - Sent: 5,906 Kmsgs (+8.0%)
  - Received: 6,041 Kmsgs (+7.5%)
  - Intra-EMEA: 4,772 Kmsgs (+8.2%)

- **Asia Pacific**
  - Sent: 1,416 Kmsgs (+8.4%)
  - Received: 1,406 Kmsgs (+8.9%)
  - Intra-Asia Pacific: 660 Kmsgs (+16.0%)
  - Sent to EMEA: 354 Kmsgs (+0.5%)
  - Sent to Americas: 402 Kmsgs (+4.9%)
In 2016 SWIFT continued delivering on its commitment to reliability, from both a security perspective and from a service availability perspective. SWIFT achieved 99.997% availability for its FIN messaging service, and 100% for SWIFTNet. During the year all of our services exceeded their availability targets. At the same time our FIN messaging traffic continued to increase, growing to 6.5 billion messages during the year.

These excellent operational results are a result of our Failure is Not an Option (FNAO) mindset, our renowned security expertise and our IT security leadership, which position us to support the global financial industry in addressing its cyber security challenges.

We take great pride in our critical role in the global financial system and we continuously invest in technology, security, people and processes to ensure we deliver on our responsibility for operational excellence.

Security – what we do, who we are

In a rapidly changing threat landscape, we have further intensified our cyber security efforts. Building on our long-standing expertise in delivering secure products and services, and our unique role as central to the global financial system, we continuously enhance, strengthen and mature our cyber security practices.

In 2016, we also continued enhancing our own products and services to provide additional protection and detection features to combat fraud and help customers protect their local SWIFT access points.

SWIFT’s Security team has more than tripled in size over the past three years, and further growth is planned for the coming years. We have rolled out a 24/7 Security Operations Centre (SOC) whose mission is to actively monitor, detect and react to any logical or physical security attacks or threats. Security is the responsibility of each and every employee at SWIFT. Investments in dedicated security training and continuous emphasis on the security culture at all levels form another cornerstone of our success.

100% SWIFTnet availability

99.997% FIN availability

24/7 security operations

In 2016 SWIFT launched the Customer Security Programme (CSP), which leverages our community role to work with our users and help them address cyber security threats. The CSP is a dedicated initiative designed to reinforce and evolve the security of global banking, consolidating and building upon existing SWIFT and industry efforts.

SWIFT’s Cyber Roadmap sets out our investments in our infrastructure and our people, reinforcing SWIFT’s own defences in line with our strict risk management profile. SWIFT’s 2016 Cyber Roadmap included initiatives to further enhance prevention, detection, response and recovery from cyber attacks against our own infrastructure. We carried out ethical hacking exercises to simulate malicious cyber attacks, and we tested and further improved our cyber readiness.

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Track record in resilience

Our consistent high availability performance is the result of continuous investments in the technology, people and processes that underpin our core messaging service. 2016 availability for FIN and SWIFTNet, at 99.997% and 100% respectively, is testament to our commitment to delivering industry-leading availability.

Delivering innovative solutions

In 2016 SWIFT combined all Research and Development (R&D) activities in our IT and business development teams in an effort to optimise our business development structures. The result is a unified process across our product and service portfolio, with an emphasis on improving the customer experience through joint research and market analysis.

Examples of innovative new solutions that matured or went live in 2016 include the following:

- Our Financial Crime Compliance Portfolio was extended with new products and services such as Sanctions List Distribution, Payments Data Quality Financial Action Task Force (FATF) 16 Reporting, Online Name Screening, Daily Validation Reports and the KYC Adverse Media feed.
- SWIFTSmart, our new eLearning platform, went live in November with close to 100 customers accessing the platform on the first day.
- Roll-out of the Australian New Payments Platform (AU-NPP) for real-time payments is on track to go live.
- The global payments innovation (gpi) initiative was completed ahead of its go-live in January 2016. SWIFT’s gpi responded to evolving customer needs for greater speed, transparency and traceability in cross-border payments.
- The development of a distinctive Distributed Ledger Technology platform which leverages our unique role in the financial industry to drive innovation and foster collaboration in new technologies.
Combating cyber fraud in the financial industry

You: secure and protect your local environment.
Your Counterparts: prevent and detect fraud in your commercial relationships.
Your Community: continuously share information to prepare against future cyber threats.

Combating cyber fraud is a challenge for the global financial industry, particularly in light of the increasingly sophisticated cyber threat landscape. In 2016 some highly publicised cyber attacks affecting a small number of SWIFT customers marked a watershed for the financial industry. These widely reported cases showed that sophisticated cyber criminals are now directly targeting banks’ local infrastructures to effect input fraud.

There is no indication that SWIFT’s network or core messaging services were compromised in any of these attacks. However, as a global cooperative, SWIFT is committed to supporting its customers and community in managing these cyber risks. To this end, SWIFT announced the introduction of its Customer Security Programme (CSP) in May 2016.

The CSP is articulated around three mutually reinforcing areas. Customers first need to secure and protect their local environment (You), prevent and detect fraud in their commercial relationships (Your Counterparts), and continuously share information and prepare against future cyber threats in collaboration with others (Your Community).

The SWIFT Board is working closely with management on the programme’s development; and our overseers are monitoring the set-up and roll-out of the CSP.

Secure and Protect (You)
As a priority, customers should secure their own local environments, including the physical set-up of their local SWIFT-related infrastructure, and put in place the right people, policies and practices to avoid cyber-related fraud.

At Sibos, SWIFT announced plans to introduce a set of core security controls that all customers must meet to secure their local SWIFT-related infrastructure. Detailed draft security controls (10 mandatory and 11 advisory) were published at Sibos, following which there was a two-month period during which feedback was gathered from customers through National Member and User Groups across the world. Both the mandatory security controls and the assurance approach are designed to evolve in line with observed threats. In 2017 SWIFT will require customers to provide detailed self-attestation against the mandatory controls.

To facilitate users’ readiness for the security requirements, SWIFT also introduced new security features to its software during 2016. In July SWIFT issued Alliance Access Release 7.1.20 and 7.0.70 with stronger default password management, enhanced integrity checking and in-built two-factor authentication (2FA) for Alliance Access clients that did not already have existing 2FA implementations.

During the year SWIFT also made detailed security guidance available for each of our interfaces, including expanded guidance for Alliance Access and Entry, for Alliance Lite® and for certified third party interfaces. The guidance documentation includes instructions and best practice on how to protect users’ local environments.

Prevent and Detect (Your Counterparts)
In addition to these security measures, it is important for customers to manage security risk in their counterparty interactions and relationships. In light of the heightened cyber risk environment, customers should mitigate risk to their own institution as well as the risks associated with breaches at their counterparties.

To support these efforts SWIFT developed new anti-fraud reporting tools. In December 2016 SWIFT introduced Daily Validation Reports, a secondary fraud control to check on the previous day’s transaction activity and to provide a focused review of large, unusual and new payment flows.

SWIFT also launched a campaign to remind customers of the security-related benefits of its existing Relationship Management Application (RMA) tool. The RMA allows customers to select the correspondents they agree to receive payment instructions from. The campaign, which remains ongoing, focuses on how customers should use the tool to clean up dormant or unused RMA relationships that may represent an unnecessary risk, and encourages the use of RMA Plus, which allows more granular control by message type.

Market practice also has an important role to play in handling counterparty relationships. In late 2016 SWIFT therefore engaged with banks to understand their requirements for fraud prevention tools. We are evaluating the need for a new common solution, and are working to understand the challenges associated with fraud operations and investigations. In December we published an information paper setting out how customers can mitigate fraud risk by strengthening their payment operations.

SWIFT has also been engaging with the community to understand requirements for other types of fraud prevention controls that might operate ‘in-flight’ within the network. SWIFT also launched a campaign to remind customers of relevant cyber security recommendations. SWIFT has also been building a Chief Information Security Officer (CISO) network and has engaged in bilateral CISO meetings to increase collaboration and information sharing.

In July SWIFT engaged expert cyber security firms and created a dedicated Customer Security Intelligence team, bringing together a strong group of IT and cyber experts to investigate security incidents within customer environments. The expert firms complement SWIFT’s in-house cyber security expertise and work closely with SWIFT’s Customer Security Intelligence team to support SWIFT’s customer information sharing initiative to help strengthen cyber security across the global SWIFT community.

Under the information sharing initiative SWIFT has since been sharing anonymised information about reported attacks with the community in a confidential manner, publishing details on the modus operandi used in known attacks together with related Indicators of Compromise (IoCs). The initiative has delivered concrete results by helping to detect and thwart attacks on other institutions. Customers can now easily subscribe to and receive SWIFT’s latest operational security information through our expanded notification service.

Throughout this time, SWIFT has regularly informed its customers of relevant cyber intelligence, new market practices and security recommendations. SWIFT has also been building a Chief Information Security Officer (CISO) network and has engaged in bilateral CISO meetings to increase collaboration and information sharing.

SWIFT will continue to expand and develop existing information sharing channels and platforms to achieve effective and efficient information sharing. We are also engaging with vendors and third parties to secure the wider ecosystem. At the same time we expect customers to prepare themselves by reviewing and acting on the information and security updates we provide, and by ensuring that their institutions adopt the mandatory security requirements for their local SWIFT-related infrastructure.
SWIFT’s Market Infrastructures (MI) franchise now accounts for 35% of our messaging volumes, and a third of total revenue.

This success is a result of our focus and investments in MIs, which are strong drivers for innovation at SWIFT. Recent examples include SWIFT becoming a value-added network provider for TARGET2-Securities, developing an MI Gateway for Continuous Linked Settlement (CLS), and providing a shared back-up Real-Time Gross Settlement (RTGS) service through SWIFT’s Market Infrastructure Resiliency Service (MIRS). MIRS is a fully diversified RTGS disaster recovery site hosted and operated by SWIFT. SWIFT also provides a messaging infrastructure for domestic payments in India, and we are on track to deliver a brand new real-time payments solution for Australia by the end of 2017.

We expect the MI segment to continue making a significant contribution in the coming years. Not least because of the global adoption of ISO 20022, we see major shifts on the horizon for the very dynamic MI market segment.

### 2016 Figures

- **778 million**
  - HVP messages
- **90%**
  - of TARGET2-Securities participants chose SWIFT as their network & messaging provider
- **1.7 billion**
  - CSD and CCP messages
- **252**
  - live MI systems

### Market Infrastructures

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122 countries with at least one market infrastructure connected to SWIFT at year end 2016
SWIFT’s events programme brought the community together during the year at regional conferences, standards forums, business and operational forums, and many open days. Our community engagement focused on the key theme ‘Building the Future’ and its three pillars: modernisation, innovation and inclusion.

APAC
SWIFT welcomed more than 2,600 customers at events across the Asia Pacific region. The Business Forum in Malaysia in March was attended by 579 delegates and 43 speakers, and focused on FinTech, market infrastructure developments, and financial inclusion within the ASEAN region. The Business Forum in the Philippines welcomed 570 delegates and 42 speakers. In Mumbai, 246 attendees participated in the India and Subcontinent Regional Conference to discuss regional connectivity amongst the SAARC region (South Asian Association for Regional Cooperation) through harmonisation and use of global communication standards along with common infrastructure. At the Greater China Conference in Shanghai, 275 community members gathered to discuss RMB internationalisation and China’s Cross-border Interbank Payment System (CIPS). While Macau celebrated its 30th anniversary of SWIFT connectivity, a series of other forums took place in Taiwan, Thailand, Japan and Korea. SWIFT presented a number of research papers at these events, covering the modernisation of the Philippines’ Financial Markets through ISO 20022; digitalisation; innovation; the globalisation of Japan’s payments system; and the internationalisation of the RMB.

EMEA
SWIFT brought together close to 4,500 financial industry experts across the EMEA region in 2016. Four hundred delegates from 48 countries joined us in Mauritius for the African Regional Conference (ARC), where sessions focused on the future of payments, financial crime compliance and cyber security. The ARC 2016 also saw the launch of the African Advisory Group (AAG). Composed of key industry players from across the region, the AAG aims to provide insights into the challenges and opportunities facing the African financial markets. In June SWIFT hosted the second Innotribe Startup Challenge for Africa.

The SWIFT Operations Forum Europe (SOFE) took place in Berlin and brought together more than 350 operational experts to learn, network and share best practices. Cyber security and the Customer Security Programme were top of the agenda. Business Forums in Benelux, Frankfurt, Milan, Moscow, Lisbon, South Africa, West Africa and the UAE meanwhile looked at the key trends in each market and what SWIFT is doing to support local communities. Many of these events also featured demo zones allowing delegates to experience our products and services at first-hand, and to learn more about the ongoing R&D being carried out by SWIFT.

The SWIFT Business Forum London, SWIFT’s largest regional event, took place in April and welcomed 1,200 people. Content was delivered across three streams – payments, securities and technology – and featured international industry thought leaders from banking and FinTech including Eileen Burbidge, the UK Treasury’s FinTech adviser. At the Nordics Regional Conference in March, 300 people joined us in Oslo to discuss how new technologies, changing business models and collaboration may impact the Nordics region in the coming years.

Americas
In April SWIFT hosted the Business Forum Canada, which brought 300 attendees together in Toronto to focus on payment systems modernisation. In May the 10th annual SWIFT Premium Services Forum was held in New York, with debate focused on key issues such as security and compliance. In June SWIFT hosted the Latin America Regional Conference in Mexico City, attended by 400 people from 20 countries. The event was also host to the first Innotribe Startup Challenge in the region, which brought together FinTech startups from across Latin America to showcase innovation.

To close the year, SWIFT hosted a number of ‘SWIFT on…’ events in London and New York in partnership with the Financial Times examining innovations in cross-border payments.

Innotribe
2016 was a successful year for Innotribe, with the start of a number of new partnerships and a series of community events held in different regions. Innotribe leveraged its Startup Challenge to support emerging FinTech ecosystems and introduced the Industry Challenges initiative. Innotribe was also instrumental in supporting the launch of the Global FinTech Hub Federation, a network of emerging and established FinTech hubs, in partnership with UK-based Innovate Finance. Innotribe continued to support research cooperation with proven FinTech firms, academics and leading industry experts.

Standards
In 2016 SWIFT organised Standards Forums and ISO 20022 events in New York, London, Zurich, Kuala Lumpur and Manila, culminating in the Sibos Standards Forum in Geneva. SWIFT Standards events were attended by over 2,500 guests and featured contributions from more than 150 industry speakers.

Throughout the year, the Standards team continued its mission to harmonise the implementation of ISO 20022 by market infrastructures (MIs). Together with 24 key members of the MI community, SWIFT formulated and agreed a new Standards management policy aimed at reducing the number of message versions in live operation: more MIs signed the ISO 20022 Harmonization Charter (30 in total); and new global market practice guidelines were agreed for important use cases, including high value Real-Time Gross Settlement payments.

In June SWIFT hosted the first Innotribe Startup Challenge, which saw 24 FinTech startups from across Latin America showcase their innovation.

At Sibos, the Institute held its 34th annual conference on Digital Disruption in Financial Services in Toronto.

The SWIFT Institute invited academics to speak at SWIFT regional conferences and business forums, including the Greater China Conference. At Sibos, the Institute had a dedicated stage on the SWIFT Stand, and showcased nine presentations on topics such as artificial intelligence in cyber security (by MIT) and the Impact of Open Banking (by the Digital Bank). The SWIFT Institute launched its first SWIFT Lab in Business School. In November the Institute held its own conference on Digital Disruption in Financial Services in Toronto.

SWIFTLab
Throughout the year SWIFTLab enabled SWIFT to engage with its user community on topics related to innovation and R&D. Four new SWIFTLabs opened in Hong Kong, New York, London and Paris, and SWIFTLab showcased SWIFT products and innovation at the Business Forum London, SWIFT Operations Forum Europe and Sibos. At Sibos, SWIFTLab held 27 live sessions and welcomed over 1,500 visitors to discover SWIFT’s future products and R&D activities, with a particular focus on the gpi payment tracker and SWIFT’s latest proof of concepts on blockchain technology.

Sibos
Sibos 2016 was held in Geneva where 8,317 delegates from 145 countries gathered and a record high number of 201 exhibitors showcased their products and services. Cyber security, compliance payments modernisation and cognitive intelligence were among the big topics on the conference programme, which also featured a range of industry-specific forums and more than 270 sessions with more than 560 speakers. Captains of industry including Ginni Rometty, CEO of IBM, and global thought leaders, such as cybersecurity expert Marko Ganchev, shared their views on industry challenges and how to address them.
Growing and strengthening our core messaging services
Expanding and deepening our MI offerings
Building our financial crime compliance portfolio
Enabling growth

The SWIFT2020 strategy sets out an ambitious agenda to “grow the core, build the future” over the next five years. The strategy combines our continued focus on operational excellence and the strengthening of our core messaging business with significant areas of innovation to meet the changing needs of the global SWIFT community.

2016 marked the first full year of execution against the activities identified under SWIFT2020’s three strategic pillars: to grow and strengthen the core; to expand our MI offering; and to build our financial crime compliance products and services.

Grow and strengthen core messaging services for payments and securities
Our community places its trust in the security, reliability and availability of our messaging services. The SWIFT2020 strategy addresses this through strategic investments in technology, security, people and processes.

During 2016, we:

• Implemented our strategy to grow our offering of interface and connectivity solutions, principally the Alliance Messaging Hub, which supports larger volume customers, and Alliance Lite2, a cloud-based solution for lower volume customers. We also delivered new security features for our interface products
• Continued to deliver on the FIN Renewal migration, to offer a more powerful and cost-effective platform for our FIN messaging service
• Successfully evolved our global payments innovation (gpi) initiative in response to the industry’s call to revitalise correspondent banking. Designed as a key part of our 2020 strategy, near to 100 banks had signed up as members by the end of 2016 – representing 75% of SWIFT’s messaging traffic
• Reviewed blockchain to better understand its relevance to the community. We also launched a number of proofs of concept investigating new ways to re-energise correspondent banking and help securities markets better manage post-trade risks. Innobank’s ongoing engagement with the FinTech start-up ecosystem was core to this activity.

Expand and deepen offerings for market infrastructures
In addition to our core ‘many-to-many’ messaging business, market infrastructures are an important segment in SWIFT2020. We have continued to support our user community with major structural and regional initiatives across securities and payment MIs. We have successfully grown the use of SWIFT among high value payment systems and central securities depositories, and continued leveraging ongoing projects such as CLS and TARGET2-Securities.

Key achievements also included:
• An expanded resilience service offering, building on the success of our Market Infrastructure Resilience Service (MIRS)
• The development of the foundation components for the Australia New Payments Platform (AU-NPP), a new infrastructure for real-time payments set to go live in 2017
• Continued support of the global harmonisation of ISO 20022, supporting the community with a more streamlined transition to the new standard.

Build our financial crime compliance portfolio
Given the extent of regulatory challenges across the industry as a whole, our 2020 strategy recognises the community-wide need for an extended financial crime compliance offering. We deepened and broadened our financial crime compliance portfolio in 2016 by introducing the Payments Data Quality and the Name Screening services. We also expanded our portfolio in the areas of Sanctions Screening and Testing products, the KYC Registry and Compliance Analytics.

Enabling growth
SWIFT2020 is a growth strategy set against the backdrop of rapidly changing industry conditions. As such, it supports our response to new challenges, such as those linked to cyber security. Launched in 2016, our Customer Security Programme (CSP) provides a framework to support our user community in securing the international financial system.

We have continued to strengthen our presence with our members across our community. We grew our network of SWIFTlabs to include the USA, Hong Kong, London, Singapore and Kuala Lumpur. With customer-centricity as one of our central principles, SWIFT2020 lays the groundwork for our ongoing dialogue and engagement with our community at Sibos, the SWIFT Institute and the Standards Forum, as well as through our network of National Member and User Groups, consultative groups and national and regional business forums and events.

SWIFT2020 – Strategic priorities

SWIFT2020: Enabling growth
In January 2016 the SWIFT global payments innovation (gpi) initiative was announced, with 45 leading banks signed up from the outset. The initiative aims to significantly improve corporate treasurers’ cross-border payment experience by increasing the speed and transparency of payments, as well as enabling end-to-end tracking.

Early adopting banks agreed a multilateral service level agreement (SLA) rulebook, and 21 gpi member banks participated in the pilot phase that commenced in mid-February 2016. The gpi pilot concluded in December 2016 with all participants successfully testing the design and core functions in bilateral exchange with SWIFT and with each other. In parallel, gpi banks not able to join the pilot were offered an on-boarding process to ensure they could prepare for live operations by January 2017.

Concurrently SWIFT developed a cloud-based payments tracker, a member directory and SLA observer to ensure the new service meets transparency and traceability requirements. In addition, SWIFT actively worked with key payments market infrastructures worldwide to ensure end-to-end clearing and traceability of gpi cross-border payments, with the end-goal of achieving interoperability between domestic and international payments.

SWIFT also formed a gpi Vision Group, made up of leading gpi transaction banks, in order to advise on the future strategy for SWIFT gpi. In consultation with the Vision Group, SWIFT has identified the following optional payments services to digitally transform the cross-border payments experience:

- A stop and recall payment service offering banks the ability to stop payments no matter where they are in the correspondent banking chain
- A payment data transfer service to enable rich data to be sent along with payments
- An international payment assistant service to help corporates initiate error-free cross-border payment instructions

These services will be designed, built and tested in 2017 and will go live in 2018, bringing additional value to the gpi platform. In 2016 SWIFT and the Vision Group also scoped the potential of distributed ledger technology (DLT) to improve the cross-border payments process. It was determined that the reconciliation of banks’ nostro accounts would be the most promising area to explore the application of DLT. Successful deployment of the ledger in this area could, potentially, allow for real-time reconciliation and the optimisation of banks’ global liquidity. In January 2017 SWIFT announced, along with a number of gpi banks, the launch of a proof of concept to explore the potential of using DLT in this area. The proof of concept will be completed in July 2017 and the results will be presented at Sibos in October.

Throughout 2016 SWIFT gpi rapidly gained traction with nearly 100 member banks having signed up by December, representing 75% of all SWIFT cross-border payments. The momentum continues to build with global transaction banks starting to actively use the SWIFT gpi service in January 2017.

In 2016 SWIFT and the Vision Group formed a gpi Vision Group, made up of leading gpi transaction banks, in order to advise on the future strategy for SWIFT gpi. In consultation with the Vision Group, SWIFT has identified the following optional payments services to digitally transform the cross-border payments experience:

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These services will be designed, built and tested in 2017 and will go live in 2018, bringing additional value to the gpi platform.

Financial institutions have invested heavily in systems and people to address rapidly changing regulatory compliance. As banks aim to rein in compliance costs, SWIFT is playing an active role by delivering hosted utility services that increase standardisation, are developed through collaboration, and mutualise and reduce costs for its members.

At Sibos 2016, senior compliance experts stated emphatically that utilities will play a major role in reducing the burden and delivering the benefits of effective and efficient compliance programmes. They singled out The KYC Registry, with more than 3,400 member banks, as establishing the benchmark for compliance utilities by providing a single, global source of standardised Know Your Customer information for SWIFT’s correspondent banking community. KYC Registry adoption continues to be strong, and Registry membership will increasingly play a role in promoting transparency and enabling banks to address the challenges posed by de-risking activities.

In addition to KYC, SWIFT has invested heavily in developing sanctions compliance services. With nearly 600 user institutions signed up to the service, Sanctions Screening has validated the benefits of hosted screening services and paved the way for SWIFT’s new Name Screening service which went live at the end of 2016. Name Screening addresses the need for banks and corporates to screen individual names and entire databases to support sanctions compliance, and gives SWIFT an end-to-end screening utility service. Rounding out the portfolio, Sanctions Testing is used by the majority of the world’s largest banks – and SWIFT’s largest customers – to provide third-party assurance and improve the performance of their sanctions screening systems.

In 2016, as part of its Customer Security Programme, SWIFT introduced Daily Validation Reports to help smaller banks identify potential fraud. Designed to complement customers’ existing fraud controls, Daily Validation Reports use SWIFT’s records of customers’ transaction activity to provide an accurate means for them to verify their own messaging activity and identify suspicious transactions. The Daily Validation Reports are part of SWIFT’s Compliance Analytics portfolio, which already enables about 40 of SWIFT’s largest customers to analyse their global SWIFT traffic data to identify, monitor and address compliance risk. Compliance Analytics also helps banks strategically manage their Relationship Management Application (RMA) and RMA Plus business relationships to prevent unauthorized activity. With the EU Funds Transfer Regulation to take effect in 2017, SWIFT introduced a Payments Data Quality service to help banks comply with new requirements for originator and beneficiary information in payments messages. Not only does Payments Data Quality help customers comply with Financial Action Task Force (FATF) Recommendation 16, but it also helps banks improve overall data quality, supporting more effective compliance processes, straight-through processing and payments efficiency.

In 2017 SWIFT will continue to expand its financial crime compliance portfolio in line with its community’s evolving needs. SWIFT will continue its SWIFT2020 strategy to deliver interconnected utilities in the areas of KYC, anti-money laundering (AML) and sanctions, reducing overall cost for the industry, increasing transparency and supporting global business development and financial inclusion.

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**SWIFT gpi: delivering the future of cross-border payments, today**

- Nearly 100 member banks
- Hundreds of thousands of gpi messages already exchanged
- 60+ country corridors covered
- 21 banks successfully piloted

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**The KYC Registry: A secure, shared platform to exchange standardised Know Your Customer data**

More than 3,400 institutions worldwide are using The KYC Registry

- 1,800+ in Europe, Middle East and Africa
- 980 in Asia Pacific
- 600+ in Americas
Corporate social responsibility

In 2016 SWIFT made good progress on its three CSR priorities: (1) operating responsibly and sustainably; (2) caring for our communities; and (3) facilitating business sustainability. Our CSR efforts are aligned with the United Nations Global Compact (UNGC), which we subscribed to in 2012 and have supported ever since.

Operating responsibly and sustainably

SWIFT aims to operate responsibly and sustainably. Reducing our impact on the environment and increasing diversity and inclusion within our company are among our top CSR goals in 2016. We extended these objectives to our suppliers and CSR partners by including our sustainability policy in all our contracts.

Greening SWIFT

Throughout 2016 SWIFT continued to implement measures aimed at reducing our cooperative’s carbon emissions. We used renewable energy wherever feasible and we compensated carbon emissions caused by work-related travel and events. We carried out waste sorting and waste reduction campaigns, and promoted environmentally friendly behaviour among staff and contractors.

Biodiversity

Protecting biodiversity is important to SWIFT. In 2016 the three beehives located at our headquarters produced 80 kg of honey. The proceeds from the sale of honey were donated to local bee protection associations.

Facilitating business sustainability

In 2016 SWIFT made substantial donations to the Red Cross to help Syrian war victims. We also supported victims of Hurricane Matthew in Haiti and the earthquake in Italy through direct donations and by supporting Doctors without Borders and Save the Children.

Facilitating business sustainability

In 2016 SWIFT developed and promoted partnerships with organisations supporting education, microfinance and financial inclusion in emerging countries, reinforcing our links with local communities in line with SWIFT’s strategy and business priorities.

In 2016 SWIFT continued to support education through the Naoko Trust in Kenya, training less privileged young people in web design, IT and creative multimedia, helping them to enhance their employment and entrepreneurship opportunities. We expanded our partnership with the Teach For All network by financially supporting projects in Argentina, Bangladesh, Columbia, Ghana, and Nigeria. The projects aim to reduce education inequalities through the development of transformational leadership programmes.

Financial education and inclusion are at the heart of SWIFT’s educational support. SWIFT supported the Phakamani Foundation in South Africa and the Mann Deshi Foundation in India with grants, and we extended our partnership with Fundación Capital to finance the development and launch of tablet-based financial education apps aimed at supporting young people and women in Brazil, Mexico, Peru and Tanzania.

Throughout 2016 SWIFT facilitated dialogue on CSR issues within its community. The SWIFT Institute financed a research grant on financial inclusion in Kenya and provided a platform for discussion on the same subject at Sibos in Geneva.

For more information on SWIFT CSR activities, please consult our UNGC Communication on Progress: www.unglobalcompact.org
FIN

Financial institutions use FIN for individual, richly-featured messaging which requires the highest levels of security and resilience. Features include validation to ensure messages conform to SWIFT message standards, delivery monitoring and prioritisation, message storage and retrieval.

In 2016 more than 6.5 billion FIN messages, or an average of 25.8 million messages per day, were sent over SWIFT, representing a 6.9% increase over 2015. SWIFT recorded three FIN peak days in 2016. The latest FIN peak, on 30 June, registered 30.3 million messages. It was 2016. The latest FIN peak, on 30 June, when Payments volumes reached an average of 13.8 million messages per day. Three new Payments traffic peaks were recorded in 2016, the last on 30 June, when there was a peak of 14.9 million messages.

FIN share by market 2016 volume (millions)

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<tbody>
<tr>
<td>Payments¹</td>
<td>3,159</td>
<td>3,019</td>
<td>3,125</td>
<td>3,345</td>
<td>3,300</td>
<td>3,206</td>
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<tr>
<td>Securities</td>
<td>2,156</td>
<td>2,144</td>
<td>2,144</td>
<td>2,156</td>
<td>2,156</td>
<td>2,156</td>
</tr>
<tr>
<td>Treasury</td>
<td>2,072</td>
<td>2,072</td>
<td>2,072</td>
<td>2,072</td>
<td>2,072</td>
<td>2,072</td>
</tr>
<tr>
<td>Trade</td>
<td>1,754</td>
<td>1,668</td>
<td>1,668</td>
<td>1,668</td>
<td>1,668</td>
<td>1,668</td>
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<tr>
<td>System</td>
<td>1,000</td>
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<td>1,000</td>
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| ¹ Including FIN Copy messages

Payment messages

As the main driver of the 2016 growth, Payments messaging traffic grew by 10% during the year. Reporting messages now represent 46% of total Payments traffic. As usual the highest volumes were recorded in December, when Payments volumes reached an average of 13.8 million messages per day. Three new Payments traffic peaks were recorded in 2016, the last on 30 June, when there was a peak of 14.9 million messages.

Security messages

For the first time since 2012, growth in Securities traffic was lower than Payments messaging growth. Similar to the Payments market, Securities reporting messages were a key contributor to growth. Some FIN Securities traffic was migrated to InterAct and FileAct as a result of TARGET2-Securities wave 1 and 2.

Messages (millions) Annual growth (%)

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</thead>
<tbody>
<tr>
<td>Securities</td>
<td>1,945</td>
<td>1,970</td>
<td>2,216</td>
<td>2,245</td>
<td>2,829</td>
<td>3,019</td>
</tr>
<tr>
<td>Reporting</td>
<td>11.1%</td>
<td>11.6%</td>
<td>12.3%</td>
<td>14.6%</td>
<td>11.2%</td>
<td>6.7%</td>
</tr>
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FileAct

FileAct is an advanced, secured and resilient file transfer protocol tailored to customers’ need to exchange freely formatted transactions in bulk mode. It is primarily used to exchange large batches of low value payments and the corresponding reporting.

At 29% FileAct traffic recorded strong double digit growth in 2016. Gains in the European card clearing business were the main driver behind this solid performance. TARGET2-Securities traffic was also a key contributor to 2016 growth, as further migration waves continued to unfold. The Corporates segment showed another year of steady traffic growth (23%).

FileAct volume in billions of characters 4,251

FileAct volume in million of files 1,010 million

Live and pilot users 2,278

Services using FileAct 177

InterAct

InterAct is a versatile protocol that supports different types of usage and business. It is primarily used by market infrastructures to support ISO 29002 messaging. Our Store & Forward version of InterAct has been enriched to provide the same level of functionalities as FIN.

TARGET2-Securities was the key driver for InterAct traffic growth in 2016, as wave 2 and wave 3 of the migration went live during 2016. Over the full year, TARGET2-Securities InterAct traffic represented 44% of total InterAct traffic.

InterAct messages¹ 1,010 million

Live and pilot users² 2,278

Services using InterAct² 68

¹ Including CREST
² Including CREST, excluding RMA

¹ Growth rate 2013 is based on adjusted 2012 volumes taking into account the increase in compression rates. The compression rate changed due to customer migration to a new version of SWIFT File Act Link (FLN) which applies compression automatically.

² Growth rates 2016 and 2015 are based on adjusted historical volumes, neutralising the impact of the CLS platform migration.
Our executive team

Gottfried Leibbrandt
Chief Executive Officer

Gottfried Leibbrandt was appointed Chief Executive Officer in 2012. He joined SWIFT in 2005 to develop the SWIFT2010 strategy, after which he was appointed Head of Standards and then promoted to Head of Marketing in 2007. As Head of Marketing Gottfried led the development and delivery of SWIFT’s strategic initiatives and was a key architect behind the company’s successful SWIFT2015 strategy. Prior to joining SWIFT, Gottfried worked for McKinsey & Company as a co-leader of the European payments practice.

Marcel Bronmans
Chief Operations Officer

Marcel Bronmans was appointed Chief Operations Officer in February 2015. He joined SWIFT in 1987 and has held a variety of management positions in the IT and Operations area at SWIFT including that of Director of Technology Operations. Most recently, Marcel held positions as Chief Risk Officer and Head of Human Resources.

Javier Pérez-Tasso
Chief Executive Americas & UK Region

Javier Pérez-Tasso is Chief Executive of the Americas, the UK, Ireland and the Nordics at SWIFT. Appointed in September 2015, he is responsible for key customer relationships and business development across the region. Previously, Pérez-Tasso served as Chief Marketing Officer, while earlier in his career, Javier held several senior leadership positions in SWIFT’s sales and marketing divisions.

Alain Raes
Chief Executive, Asia Pacific and EMEA

Alain Raes was appointed Head of the EMEA region in September 2007 and added the role of Chief Executive Asia Pacific in January 2013. He was previously Director of the Continental Europe region, having joined SWIFT in 1990. Prior to joining SWIFT he worked at Citibank, Belgium, and Fortis Bank, Singapore.

Christian Sarafidis
Chief Marketing Officer

Christian Sarafidis was appointed Chief Marketing Officer in September 2015. He was previously Head of Western Europe, Middle East and Africa and Deputy Chief Executive, EMEA. Prior to joining SWIFT, Christian held senior executive positions for several multinational finance and technology groups.

Francis Vanbever
Chief Financial Officer

Francis Vanbever was appointed to his current position in 1997. Francis joined SWIFT in 1988. Prior to SWIFT he held various financial responsibilities for the Belgian and European operations of Exxon Chemicals.

Craig Young
Chief Technology Officer

Craig Young took up his position as Chief Technology Officer in February 2015. He joined SWIFT from Verizon Communications, where he had worked for twenty years, most recently as Senior Vice President and Chief Information Officer.

Our Board of Directors

Yawar Shah
Chairman of the Board of Directors, SWIFT
Managing Director, Citi, USA
SWIFT Director since 2009
Chairman of the SWIFT Securities Committee of the Board, SWIFT

Stephan Zimmermann
Deputy Chairman of the Board of Directors, SWIFT
Divisional Vice Chairman, Wealth Management, UBS AG, Switzerland
SWIFT Director since 1998
Chairman of the Human Resources Committee of the Board, SWIFT

Eddie Astarin
Chairman of the Executive Board of NSD, Russia
SWIFT Director since 2015

Mark Butsinek
Global Head of Transaction Services, ING, The Netherlands
SWIFT Director since 2012
Chairman of the Banking & Payments Committee of the Board, SWIFT

Claudio Camozzo
Co-Head of Global Transaction Banking (GTB), UniCredit, Italy
SWIFT Director since 2014

Fabrice Denèle
Head of Payments Group, BPCE, France
SWIFT Director since 2009

John Ellington
Director, Shared Services, Services, RBS, United Kingdom
SWIFT Director since 2005
Chairman of the Technology & Production Committee of the Board, SWIFT

Göran Fors
Deputy Head of Investor Services, SEB, Sweden
SWIFT Director since 2009
Chairman of the SWIFT Securities Committee of the Board, SWIFT

Mark Gem
Member of the Executive Board, Clearstream International S.A., Luxembourg
SWIFT Director since 2013

Rob Green
Head Payments Market Infrastructure in Banking Group Treasury, FirstRand, South Africa
SWIFT Director since 2009
Chairman of the Audit & Finance Committee, SWIFT

Frederic Hanneauqhart
Chief Business Development Officer, Euroclear, Belgium
SWIFT Director since 2014

Sören Hausgaard
Global Head of Trade and Supply Chain Finance, Danske Bank, Denmark
SWIFT Director since 2015

Lisa Lansdowne-Higgins
Vice President, Business Deposits and Treasury Solutions, RBC, Canada
SWIFT Director since 2014

Kyoichi Nagata
Director, Transaction Services Division, The Bank of Tokyo-Mitsubishi UFJ, Japan
SWIFT Director since 2016

Bock Cheng Neo
Executive Vice President, Head of Global Transaction Banking, OCBC Bank, Singapore
SWIFT Director since 2015

Alain Pochet
Head of Clearing, Custody and Corporate Trust Services, BNP Paribas Securities Services, France
SWIFT Director since 2010

Javier Santamaria
Head of Payment Systems & Forums, Senior Vice President, Banco Santander, Spain
SWIFT Director since 2009

Russell Saunders
Managing Director, Global Payments, Lloyds Banking Group, United Kingdom
SWIFT Director since 2016

Ulrich Stritzke
Managing Director, Credit Suisse, Switzerland
SWIFT Director since 2012

Patrick Tans
Senior General Manager, Banking Products and Member of the Management Committee of KBC Bank and Insurance Belgium, Belgium
SWIFT Director since 2015

Qingsong Zhang
General Manager, Bank of China, Head Office Clearing Department, China
SWIFT Director since 2014

Our Board of Directors

The General Council, the Chief Risk Officer and the Chief Auditor report directly to the CEO.

Patrick Kiewiet, General Council and Board Secretary
Dora Berardi, Chief Risk Officer
Peter De Keukel, Chief Auditor
SWIFT governance

SWIFT is a cooperative company under Belgian law and is owned and controlled by its shareholders. SWIFT shareholders elect a Board composed of 25 independent Directors which governs the Company and oversees management. The Executive Committee is a group of full-time employees led by the Chief Executive Officer.

Board Director nominations

SWIFT’s Board composition is designed to reflect usage of SWIFT’s messaging services, ensure SWIFT’s global relevance, support its international reach and uphold its strict neutrality.

Each nation’s usage of SWIFT’s messaging services determines both SWIFT shareholdings and the number of Board Directors that each nation is entitled to.

SWIFT shareholdings are determined by a set formula, and the nomination process and the composition of the Board follow rules set out in SWIFT by-laws. Shares are reallocated based on the financial contribution of shareholders for network-based services. This ensures that the composition of the Board reflects SWIFT’s shareholders around the world. Depending on a nation’s shareholder ranking, it may join the shareholders of one or more other nations to collectively propose one Director for election. The number of Directors proposed in this way must not exceed 10.

c. The shareholders of those nations which do not qualify under a or b above may join the shareholders of one or more other nations to propose a Director for election. The number of Directors proposed in this way must not exceed 5.

The total number of Directors cannot exceed 25.

Director elections

Once the proposed Director nominees have been vetted, they are elected as Board Directors by SWIFT shareholders at the Annual General Meeting for a renewable three-year term. Every year the Board elects a Chairman and a Deputy Chairman from among its members. It meets at least four times a year.

Director remuneration

Members of the Board do not receive any remuneration from SWIFT. They are reimbursed for the travel costs incurred in the performance of their mandate. SWIFT reimburses the employer of the Chairman of the Board for the share of the Chairman’s payroll and related costs that represent the portion of the time dedicated to SWIFT.

Board committees

The Board has six committees. The committees provide strategic guidance to the Board and the Executive Committee and review progress on projects in their respective areas.

* The Audit & Finance Committee (AFC) is the oversight body for the audit process of SWIFT’s operations and related internal controls. It commits to applying best practice for Audit Committees to ensure best governance and oversight in the following areas:
  - Accounting, financial reporting and control
  - Legal and regulatory oversight
  - Security
  - Budget, finance and financial long-term planning
  - Ethics programmes
  - Risk management (in cooperation with the Franchise Risk Committee (FRC))
* Audit oversight
  - The AFC meets at least four times per year with the CEO, CFO, COO, General Counsel and the Chief Auditor, or their pre-appointed delegates.
  - The AFC may request the presence of any member of SWIFT staff at its discretion. External auditors are present when their annual statements/opinions are discussed and whenever the AFC deems appropriate.
  - The Franchise Risk Committee (FRC) assists the Board in its oversight of the Company’s management of key risks, including strategic and operational risks, as well as the guidelines, policies and processes for monitoring and mitigating such risks. The FRC’s role includes oversight of risk management of SWIFT. The FRC coordinates with the Chairs of the AFC and TPC, and focuses on risks not covered by those committees.
  - The Technology & Production Committee (TPC) covers technology and production developments.

Audit process

SWIFT’s Chief Auditor has a dual reporting line: a direct functional reporting line to the Chair of the AFC and also a direct administrative reporting line to the CEO. Given the sensitivity of external audits, performing consultancy work for management, the AFC annually reviews spending and trends related to external audit firms. To ensure objectivity, the mandates of the external auditors, as well as their remuneration, are approved by the AFC.

Two mandates for external audit:

* Ernst & Young, Brussels has held the Financial Audit mandate since June 2000. Their mandate was renewed in June 2015 and runs to June 2018. Their financial Audit Report can be found in the 2016 Consolidated Financial Statements.
* PwC, London has held the Security Audit mandate since September 2003. In 2016 their mandate for third-party assurance reporting (ISAE 3000) was renewed for three years, to end in 2019.

For the 2016 calendar year, SWIFT is providing standalone ISAE 3000 Type 2 reports for SWIFTnet and FIN, T2S and Alliance Lite2. Each report includes PwC’s opinion on the design adequacy and operating effectiveness of the control activities that help achieve the control objectives in the areas of risk management, security management, technology management, resilience and user communication (in line with CMIP- IOSCO’s Expectations for Critical Service Providers). ISAE 3000 is an international standard enabling service providers, such as SWIFT, to give independent assurance on their processes and controls to their customers and their auditors.

The ISAE 3000 reports for SWIFTnet and FIN and Alliance Lite2 are made available to SWIFT’s national audit and risk committees to shareholder institutions or registered SWIFT users on request by email to isae_3000@swift.com. The ISAE 3000 report for T2S is restricted to the Eurex Group and T2S Directly Connected Actors.

Oversight

SWIFT maintains an open and constructive dialogue with its oversight authorities. SWIFT is overseen because of its importance to the smooth functioning of the worldwide financial system, in its role as provider of messaging services. SWIFT is overseen by the central banks of the G-10 countries. Under an arrangement with the G-10 central banks, the National Bank of Belgium, the central bank of the country in which SWIFT’s headquarters is located, acts as lead overseer. In 2012 this framework was reviewed and a SWIFT Oversight Forum was established, through which information sharing on SWIFT oversight activities was expanded to a larger group of central banks.

The issues to be discussed may include the five High Level Expectations that relate to risk identification and management, information security, reliability and resilience, technology planning, and communication with users.

User representation

SWIFT’s National Member Groups and National User Groups help to provide a coherent global focus by ensuring a timely and accurate two-way flow of information between SWIFT and its users.

The National Member Groups comprise all SWIFT shareholders from a nation and propose candidates for election to the SWIFT Board of Directors. They act in a consultative capacity to the Board and Management, and serve the interests of their nation’s shareholders by coordinating their views. Each National Member Group is chaired by a representative who is elected by the SWIFT shareholders of that nation.

National User Groups comprise all SWIFT users from a nation and act as a forum for planning and coordinating operational activities. Each National User Group is chaired by a representative who is a prime line of communication between the national user community and SWIFT.
Central banks have the explicit objective of fostering financial stability and promoting the soundness of payment and settlement systems.

As is generally the case for payment systems oversight, the main instrument for oversight of SWIFT is moral suasion. Overseers place great importance on the constructive and open dialogue that is conducted on the basis of mutual trust with the SWIFT Board and senior management. Through this dialogue, overseers formulate their recommendations to SWIFT.

A protocol signed between the NBB and SWIFT lays down the common understanding of overseers and SWIFT. The protocol covers the oversight objectives and the activities that are undertaken to achieve those objectives. The protocol is revised periodically to reflect evolving oversight arrangements.

Objectives, areas of interest and limitations
The oversight objectives centre on: risk identification and management, information security, reliability and resilience, technology planning, and communication with users. In their review, overseers seek assurances that SWIFT has put in place appropriate governance arrangements, structures, processes, risk management procedures and controls that enable it to effectively manage potential risks to financial stability and to the soundness of financial infrastructures, to the extent that they are under SWIFT’s control.

In 2007 the overseers developed specific oversight expectations applicable to SWIFT, known as the ‘High Level Expectations for the Oversight of SWIFT’ (HLEs). The High Level Expectations document the five categories of expectations that overseers have vis-à-vis the services SWIFT provides to the global financial infrastructure. The five Expectations relate to: risk identification and management, information security, reliability and resilience, technology planning, and communication with users.

Open and constructive dialogue
SWIFT is committed to an open and constructive dialogue with its oversight authorities. The National Bank of Belgium (NBB) acts as the lead overseer, and is supported by the G-10 central banks.

An open and constructive dialogue
SWIFT is incorporated in Belgium. Other central banks also have a legitimate interest in, or responsibility for, the oversight of SWIFT, given SWIFT’s role in their domestic systems.

International cooperative oversight
Effective controls and processes
Open and constructive dialogue
Reviewing operational risk

Oversight structure — oversight meetings
The NBB monitors SWIFT on an ongoing basis. It identifies issues relevant to SWIFT oversight through the analysis of documents provided by SWIFT and through discussions with SWIFT management.

The NBB maintains a close relationship with SWIFT, with regular ad-hoc meetings, and serves as the central banks’ entry point for the cooperative oversight of SWIFT.

In this capacity, the NBB chairs the senior policy and technical groups that facilitate the cooperative oversight, provides the secretariat and monitors the follow-up of any decisions taken.

Access to information
In order to achieve their oversight objectives, the overseers need timely access to all information that they consider relevant. Typical sources of information are SWIFT Board papers, security audit reports, incident reports and incident review reports. Presentations by SWIFT staff and management represent another important source of information for the overseers.

Finally, SWIFT assists the overseers in identifying internal SWIFT documents that might be relevant to address specific oversight questions. Provisions on the confidential treatment of non-public information are included both in the protocol between the NBB and SWIFT, and in the bilateral Memoranda of Understanding between the NBB and each of the other cooperating central banks. The official description of the NBB’s oversight role can be found in the report on Financial Market Infrastructures and Payment Services published by the National Bank of Belgium and is available on its website www.nbb.be.
2016 Security audit statement

The Directors and Management acknowledge their responsibility for maintaining an effective system of internal control in respect of the SWIFTNet and FIN services. SWIFT has put in place controls based on CPMI-IOSCO's Expectations for Critical Service Providers, to help achieve its control objectives in the areas of risk management, security management, technology management, resilience and user communication.

Management is satisfied that, for the period 1 January 2016 to 31 December 2016, the control policies and procedures relating to the SWIFTNet and FIN services were operating with sufficient effectiveness to provide reasonable assurance that appropriate governance was in place and the confidentiality, integrity, availability and change management objectives were met. The control objectives were specified by SWIFT Management.

PvC were retained by the Directors to review the adequacy of design and the operating effectiveness of the manual and computer-based controls and the control policies for the FIN and SWIFTNet messaging services specified by SWIFT Management covering the period of 1 January to 31 December 2016.

Their examination was made in accordance with the International Standard for Assurance Engagements (ISAE) 3000, ISAE 3000 is an international standard enabling service providers, such as SWIFT, to give independent assurance on their processes and controls to their customers and their auditors. The ISAE 3000 report provides information and assurance on the security and reliability of SWIFT’s core messaging services.

In accordance with article 105 of the Belgian Code of Company Law, the following statements represent a condensed version of SWIFT’s 2016 Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. This condensed version does not contain all of the appendices or the report of the auditors, who expressed an unqualified opinion. The full text is available to SWIFT users on www.swift.com. The full version of the 2016 Consolidated Financial Statements will be filed with the National Bank of Belgium no later than 30 June 2017.

Key figures

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>For the year ended 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue before rebate</td>
<td>745</td>
</tr>
<tr>
<td>Rebate</td>
<td>-</td>
</tr>
<tr>
<td>Revenue after rebate</td>
<td>745</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(851)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>47</td>
</tr>
<tr>
<td>Net profit</td>
<td>26</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>53</td>
</tr>
<tr>
<td>Capital expenditure of which:</td>
<td></td>
</tr>
<tr>
<td>property, plant and equipment</td>
<td>42</td>
</tr>
<tr>
<td>intangibles</td>
<td>9</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>415</td>
</tr>
<tr>
<td>Total assets</td>
<td>707</td>
</tr>
<tr>
<td>Number of employees at end of year</td>
<td>2,029</td>
</tr>
</tbody>
</table>

Consolidated statement of profit and loss

For the year ended 31 December 2016

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>Note</th>
<th>2016 EUR</th>
<th>2016 EUR restated*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Traffic revenue</td>
<td>2</td>
<td>2,347,238</td>
</tr>
<tr>
<td></td>
<td>One-time revenue</td>
<td>3</td>
<td>19,008</td>
</tr>
<tr>
<td></td>
<td>Recurring revenue</td>
<td>4</td>
<td>2,016,576</td>
</tr>
<tr>
<td></td>
<td>Interface revenue</td>
<td>5</td>
<td>157,058</td>
</tr>
<tr>
<td></td>
<td>Other operating revenue</td>
<td>6</td>
<td>6,551</td>
</tr>
<tr>
<td></td>
<td>Total revenue</td>
<td>2,517,913</td>
<td>2,586,227</td>
</tr>
<tr>
<td></td>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Royalties and cost of inventory</td>
<td>13</td>
<td>6,000</td>
<td>6,003</td>
</tr>
<tr>
<td>Payroll and related charges</td>
<td>7</td>
<td>(392,952)</td>
<td>(330,114)</td>
</tr>
<tr>
<td>Network expenses</td>
<td>8</td>
<td>(11,040)</td>
<td>(12,365)</td>
</tr>
<tr>
<td>External services expenses</td>
<td>9</td>
<td>(283,763)</td>
<td>(236,763)</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>14</td>
<td>(43,403)</td>
<td>(29,307)</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>15</td>
<td>(2,050)</td>
<td>(1,400)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>10</td>
<td>(2,255)</td>
<td>(2,638)</td>
</tr>
<tr>
<td>Total expenses</td>
<td>(411,493)</td>
<td>(353,528)</td>
<td></td>
</tr>
<tr>
<td>Profit from operating activities</td>
<td></td>
<td>24,475</td>
<td>25,292</td>
</tr>
<tr>
<td>Financing costs</td>
<td>11</td>
<td>(1,203)</td>
<td>(1,326)</td>
</tr>
<tr>
<td>Other financial income and expenses</td>
<td>11</td>
<td>(5,445)</td>
<td>12,707</td>
</tr>
<tr>
<td>Profit before tax</td>
<td></td>
<td>46,007</td>
<td>34,939</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>12</td>
<td>(20,095)</td>
<td>(15,111)</td>
</tr>
<tr>
<td>Net profit</td>
<td></td>
<td>26,219</td>
<td>19,498</td>
</tr>
</tbody>
</table>

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 1.3.

Consolidated statement of comprehensive income

For the year ended 31 December 2016

<table>
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<tr>
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<th>Note</th>
<th>2016 EUR</th>
<th>2015 EUR restated*</th>
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<tr>
<td></td>
<td>Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
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<td>6,003</td>
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<tr>
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<td>7</td>
<td>(392,952)</td>
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<td>(1,400)</td>
</tr>
<tr>
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<td>(2,255)</td>
<td>(2,638)</td>
</tr>
<tr>
<td>Total expenses</td>
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<td>(353,528)</td>
<td></td>
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<tr>
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<td></td>
<td>24,475</td>
<td>25,292</td>
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<tr>
<td>Financing costs</td>
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<td>(1,203)</td>
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<tr>
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<td>(15,111)</td>
</tr>
<tr>
<td>Net profit</td>
<td></td>
<td>26,219</td>
<td>19,498</td>
</tr>
<tr>
<td>OCI items that may be reclassified subsequently to profit or loss:</td>
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<td></td>
<td></td>
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<tr>
<td>Foreign currency translation</td>
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<td>(87)</td>
<td>(98)</td>
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<tr>
<td>Cash flow hedges:</td>
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<td></td>
<td></td>
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<tr>
<td>- Current year gain/(loss) on financial instruments</td>
<td>31</td>
<td>1,469</td>
<td>969</td>
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<tr>
<td>- Prior year gain/(loss) transferred to income statement</td>
<td>31</td>
<td>469</td>
<td>297</td>
</tr>
<tr>
<td>OCI items that will not be reclassified to profit or loss:</td>
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<td></td>
<td></td>
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<tr>
<td>Recognition of actuarial gains and losses</td>
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<td>(1,208)</td>
<td>(1,824)</td>
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<tr>
<td>Other comprehensive income</td>
<td>(8)</td>
<td>532</td>
<td>(2,276)</td>
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<tr>
<td>Total comprehensive income for the year</td>
<td>(A) + (B)</td>
<td>47,437</td>
<td>(22,962)</td>
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<tr>
<td>Appropriated to:</td>
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<td></td>
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<td>Equity holders of the parent</td>
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<td>64,916</td>
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<tr>
<td>Non-controlling interests</td>
<td>(1,671)</td>
<td>(7,776)</td>
<td></td>
</tr>
<tr>
<td>Net of tax</td>
<td>35,245</td>
<td>57,138</td>
<td></td>
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### Consolidated statement of financial position

<table>
<thead>
<tr>
<th>Non-current assets</th>
<th>Note</th>
<th>2016 EUR</th>
<th>2015 EUR</th>
<th>restated*</th>
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</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>14</td>
<td>186,890</td>
<td>189,212</td>
<td></td>
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<tr>
<td>Intangible assets</td>
<td>15</td>
<td>20,947</td>
<td>21,498</td>
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<tr>
<td>Deferred income tax assets</td>
<td>17</td>
<td>74,392</td>
<td>80,893</td>
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<tr>
<td>Other long-term assets</td>
<td>21</td>
<td>15,739</td>
<td>8,139</td>
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<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>297,968</td>
<td>299,742</td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cash and cash equivalents</td>
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<td>212,538</td>
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<td>Other current financial assets</td>
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<td>132,000</td>
<td>132,591</td>
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<td>Trade receivables</td>
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<td>75,236</td>
<td>49,608</td>
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<tr>
<td>Other receivables</td>
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<td>22,432</td>
<td>19,198</td>
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<tr>
<td>Prepayments to suppliers and accrued income</td>
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<td>44,223</td>
<td>42,029</td>
<td></td>
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<tr>
<td>Inventories</td>
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<td>2,245</td>
<td>2,750</td>
<td></td>
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<td>Prepaid taxes</td>
<td>23</td>
<td>3,987</td>
<td>4,263</td>
<td></td>
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<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>499,172</td>
<td>462,977</td>
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<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>797,140</td>
<td>762,719</td>
<td></td>
</tr>
</tbody>
</table>

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 1.3.

### Consolidated statement of cash flows

<table>
<thead>
<tr>
<th>Cash flow from operating activities</th>
<th>Note</th>
<th>2016 EUR</th>
<th>2015 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td></td>
<td>46,905</td>
<td>34,609</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>14</td>
<td>43,450</td>
<td>39,301</td>
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<tr>
<td>Amortisation of intangible assets</td>
<td>15</td>
<td>9,099</td>
<td>7,491</td>
</tr>
<tr>
<td>Net gain/(loss) and write-off on sale of property, plant and equipment, and intangible assets</td>
<td></td>
<td>715</td>
<td>32,916</td>
</tr>
<tr>
<td><strong>Total non-current operating (loss)/gains</strong></td>
<td></td>
<td>7,985</td>
<td>2,068</td>
</tr>
<tr>
<td>Net financial (income)/costs</td>
<td></td>
<td>1,820</td>
<td>1,337</td>
</tr>
<tr>
<td>Net unrealised exchange (gain)/loss</td>
<td></td>
<td>(1015)</td>
<td>(5,419)</td>
</tr>
<tr>
<td><strong>Total (Increase)/decrease in other non-current operating items</strong></td>
<td></td>
<td>5,066</td>
<td>(3,938)</td>
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<tr>
<td>Changes in net working capital</td>
<td></td>
<td>(21,009)</td>
<td>4,575</td>
</tr>
<tr>
<td>(Increase)/decrease in trade and other receivables and prepayments</td>
<td>22</td>
<td>520</td>
<td>3,570</td>
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<tr>
<td>(Increase)/decrease in inventories</td>
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<td>5,773</td>
<td>18,382</td>
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<td><strong>Net cash flow from operating activities</strong></td>
<td></td>
<td>53,298</td>
<td>64,425</td>
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<table>
<thead>
<tr>
<th>Cash flow from investing activities</th>
<th>Note</th>
<th>2016 EUR</th>
<th>2015 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>14</td>
<td>(42,074)</td>
<td>(38,491)</td>
</tr>
<tr>
<td>Intangibles</td>
<td>15</td>
<td>(8,558)</td>
<td>(9,509)</td>
</tr>
<tr>
<td>Proceeds from sale of fixed assets</td>
<td></td>
<td>886</td>
<td>19,531</td>
</tr>
<tr>
<td>Capital increase in partly-owned subsidiaries</td>
<td></td>
<td>4,002</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash flow used in investing activities</strong></td>
<td></td>
<td>(45,744)</td>
<td>(28,469)</td>
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</table>

<table>
<thead>
<tr>
<th>Cash flow from financing activities</th>
<th>Note</th>
<th>2016 EUR</th>
<th>2015 EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net payments for reimbursement of capital</td>
<td></td>
<td>(474)</td>
<td>(392)</td>
</tr>
<tr>
<td>Non-current financial investments</td>
<td></td>
<td>(42,074)</td>
<td>(28,469)</td>
</tr>
<tr>
<td><strong>Net cash flow from financing activities</strong></td>
<td></td>
<td>7,060</td>
<td>39,319</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and cash equivalent components</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td></td>
<td>25,517</td>
<td>80,734</td>
</tr>
<tr>
<td>Liquid money market products</td>
<td></td>
<td>103,522</td>
<td>127,404</td>
</tr>
<tr>
<td>* At the end of the year</td>
<td></td>
<td>213,040</td>
<td>219,040</td>
</tr>
</tbody>
</table>

* To download the full set of financial statements, including the accompanying notes referred to below, please visit: www.swift.com
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Connecting more than 200 countries and territories
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