Swiss Re

Predict. Prepare. Protect.

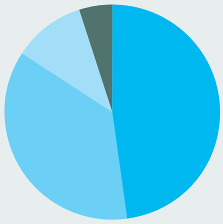
2018 Business Report

2018
Key highlights

Expanding our global footprint

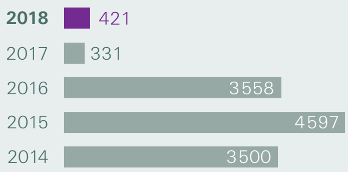
Throughout 2018, Swiss Re took steps to strengthen its position in Asia in particular. In January, it launched its regional headquarters in Singapore and appointed a new regional Board of Directors.

Net premiums and fees earned by business segment, 2018
Total: USD 34.5 billion

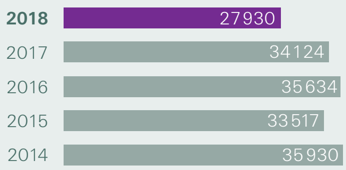


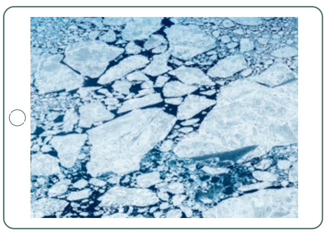
47% P&C Reinsurance
37% L&H Reinsurance
11% Corporate Solutions
5% Life Capital

Net income
(USD millions)



Shareholders' equity
(USD millions)





More information online:
reports.swissre.com

Seeking out new risk pools

In 2018, Swiss Re explored new potential risk pools, including research into new financial risks, algorithmic risk to business processing and various emerging cyber risks.

Strengthens commitment to promoting sustainability

Swiss Re continued and deepened its commitment to implementing policies that minimise sustainability risks. As of July 2018, the company ceased providing re/insurance to businesses with more than 30% exposure to thermal coal across all lines of business.

Financial strength ratings
Standard & Poor's

AA–

stable
(as of 24.10.2018)

Moody's

Aa3

stable
(as of 19.12.2017)

A.M. Best

A+

stable
(as of 13.12.2018)

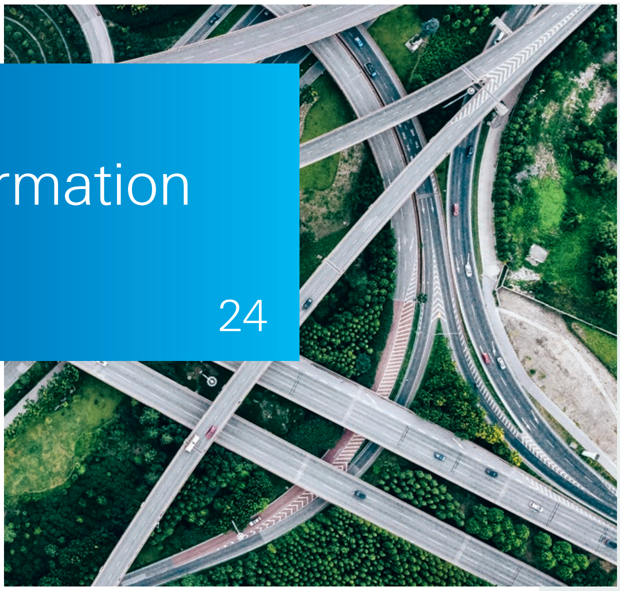
Proposed regular dividend per share for 2018
(CHF)

5.60

(CHF 5.00 for 2017)

Driving transformation

24



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Business Report

Leveraging risk knowledge to make the world more resilient.

Contents

Predict.
Prepare.
Protect.

As a risk knowledge company, we predict how events may impact communities across the globe, and help our clients prepare by creating risk mitigating solutions that make the world more resilient.

Business Units at a glance

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

BUSINESS UNIT		NET PREMIUMS EARNED AND FEE INCOME (USD BILLIONS) 2018	NET PREMIUMS EARNED AND FEE INCOME (USD BILLIONS) 2017	NET INCOME (USD MILLIONS) 2018	NET INCOME (USD MILLIONS) 2018*	NET INCOME (USD MILLIONS) 2017
Reinsurance	Property & Casualty	16.1	16.7	370	547*	–413
	Life & Health	12.8	12.0	761	829*	1 092
Corporate Solutions		3.9	3.7	–405	–387*	–741
Life Capital		1.6	1.4	23	17*	161
Group (After consolidation)		34.5	33.7	421	894*	331

Reinsurance

Reinsurance provides clients and brokers with reinsurance products, insurance-based capital market instruments and risk management services. Reinsurance operates globally through two segments – Property & Casualty and Life & Health.

Corporate Solutions

Corporate Solutions provides risk transfer solutions to large and mid-sized corporations around the world. Its innovative, highly customised products and standard insurance covers help to make businesses more resilient, while its industry-leading claims service provides additional peace of mind.

Life Capital

Life Capital manages closed and open life and health insurance books. It provides alternative access to the life and health risk pool, helping to generate stable returns and seize attractive new opportunities.

Group

(After consolidation)

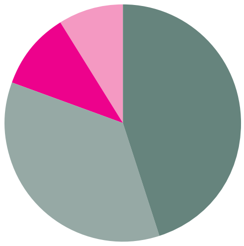
* For reference only, excludes the impact of the new US Generally Accepted Accounting Principles (GAAP) guidance on recognition and measurement of financial instruments, which was effective for the Group as of 1 January 2018 and was not retroactively applied.

RETURN ON EQUITY	RETURN ON EQUITY*	OPERATING PERFORMANCE
3.7% (2017 –3.5%)	5.4%	104.0% Combined ratio (2017 111.5%)
11.1% (2017 15.3%)	12.1%	9.4% Net operating margin (2017 13.1%)
–19.4% (2017 –32.2%)	–18.5%	117.5% Combined ratio (2017 133.4%)
0.4% (2017 2.2%)	0.3%	818m Gross cash generation (2017 USD 998m)
1.4% (2017 1.0%)	2.9%	2.9% Net operating margin (2017 2.8%)

DIVERSIFIED AND GLOBAL

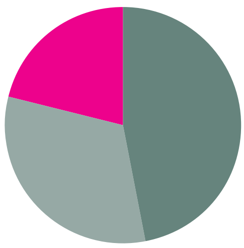
Net premiums earned and fee income by business segments
(Total USD 34.5 billion)

- 47% P&C Reinsurance
- 37% L&H Reinsurance
- 11% Corporate Solutions
- 5% Life Capital



Net premiums earned and fee income by region
(Total USD 34.5 billion)

- 47% Americas
- 32% EMEA
- 21% Asia-Pacific



Strategic capital allocation is at the heart of what we do at Swiss Re

Walter B. Kielholz
Chairman of the Board of Directors

Dear shareholders,
We are living in uncertain times and events on the world stage are increasingly providing cause for concern – at many levels.

From an economic perspective, conditions may change to the extent that we could be confronted with an end to the remarkably long cycle of global growth we are currently experiencing. Moreover, we are likely nearing a time when the phase of extremely cheap money cannot continue without the risk of unintended consequences and politically unacceptable redistributive effects.

On a geopolitical level, we have seen an increase in the intensity of conflict. Many observers are predicting the end of the post-war order and a fundamental shift in global power structures.

We are facing the question of whether Europe's geopolitical position of power, which it has held for centuries, is now reaching an end, with the possibility of liberal globalisation – which has benefited us greatly – increasingly giving way to trade and regulatory protectionism.

This dubious political development is playing out against a backdrop of remarkable technological and scientific progress, which is occurring at an unprecedented pace. Such progress undoubtedly simplifies a wide range of tasks, particularly in business, but it also polarises society and is clearly a source of "angst" for many people. The way in which people communicate is becoming more aggressive, as is the tone of political discourse.

You may well ask what this assessment of the current global situation – brief but rather more pessimistic than my usual offerings – has to do with the business developments at Swiss Re in 2018. Firstly, I wanted to illustrate the environment in which we are currently operating, and secondly, these points are relevant to my further remarks below. Let me briefly describe our role as a reinsurer and explain the major moves of Swiss Re in recent years, with a focus on how we allocated shareholders' capital, as well as what we intend to implement in the near future.

A business model focused on capital allocation

We employ capital. This is at the heart of what we do at Swiss Re. We employ the capital made available to us by allocating it across a broad range of different risk pools. These pools are primarily insurance risks such as hurricanes in the North Atlantic, car insurance in Europe and mortality risks in the United States, and many more. In total, we manage around 50 of these risk pools, which we can consciously grow – either organically or through acquisitions – or, relatively quickly, reduce in size. We are able to reallocate capital extremely quickly as – unlike primary insurers – we do not have to maintain large sales organisations in individual markets.

Our insurance activities generate high volumes of cash flow, which we invest in financial assets. This results in substantial investment risk on our balance sheet, to which we must also allocate capital.

Depending on the assessment of overall risk, we hold a higher or lower level of overall capital, we use more or less debt to finance our activities, and the share of highly liquid – and therefore low-yield – financial assets in our balance sheet is greater or smaller. We base our decisions on the Swiss Solvency Test (SST) solvency capital requirements stipulated by the regulator; we also adhere to rating requirements issued by the rating agencies.

If we cannot find good investment opportunities that meet our criteria and there is no urgent need to further strengthen our balance sheet, we give the capital back to our shareholders.

Informed assessments, consistent decisions

We assess the performance of various risk portfolios using our proprietary Economic Value Management (EVM) method, which allows us to identify the risk portfolios in which we have historically earned our cost of capital on the allocated risk capital – and those in which we have not. EVM also enables us to compare very different risk classes with each other.

Our in-depth research carried out centrally at the Swiss Re Institute helps us assess the future profit potential of individual risk portfolios. Our executive managers and the Board of Directors also benefit from the professional advice of recognised senior advisers at the Institute, who come from a wide range of scientific and political fields. In this way, we make every possible effort to ensure that the decisions we take regarding capital allocation are the very best they can be.

"The imminent changes on the world stage will require close analysis and rapid adaptation. I believe we are very well prepared for these changes and we are, therefore, looking to the future with confidence."

The road to global economic resilience

Ten years ago, the global financial crisis forced entire industries to the brink of collapse, and pushed countries around the world into recession. Yet despite the hard lessons of 2008 and 2009, the resilience of the global economy is as weak today as it was then.

Slowing global economic growth, higher debt burdens both in the public and private sectors, weaker financial market structures overly dependent on Central bank interventions and a trend towards isolationism are current conditions that leave us at significant risk[1]. It's time for the public and private sectors to take steps to build economic resilience and strengthen the capacity of a system to regenerate after a shock.

The public and private sectors have a shared interest in establishing a solid macroeconomic environment. And the good news is that there are numerous steps governments and corporations can take to strengthen the global economy. These include, among others:

Encourage private capital market solutions
The private sector should step up to offer a stronger contribution to societal problems like the global retirement savings gap and healthcare costs, reducing government liability. The global retirement savings gap is estimated to be an unimaginable USD 400 trillion by 2050[2].

Support sustainable investing
Adopting a common language around sustainable finance, establishing a market consistent regulatory framework for Environmental, Social and Governance (ESG) investments, and increasing the importance of ESGs in financial analysis is key.

Expand Public Private Partnership (PPP) to close the infrastructure gap
Address the huge global infrastructure financing needs of USD 3.3 trillion a year[3] and help relieve the burden on government budgets by tapping long-term investors' assets. PPPs boost efficiency, distribute risk and reduce pressure on government budgets. Standard dispute resolution practices are needed on this front.

The re/insurance industry has a role to play in all of the above. On the one hand, insurance is an automatic stabiliser for households and businesses, facilitating a speedy recovery in the event of a loss. On the other, re/insurers are long-term investors that can act as shock absorbers in financial markets and deploy capital to productive areas of an economy. By being active on both sides, and by continuing to extensively research these topics, Swiss Re contributes to closing the global protection gap and strengthening the shock absorption capacity of societies.

[1] See sigma 5/2018, "Global economic and insurance perspectives"
[2] See WEF (2018), "We'll Live to 100 – How Can We Afford It?"
[3] McKinsey estimates global infrastructure financing needs of USD 3.3trn annually through 2030 just to support expected economic growth rates. See McKinsey Global Institute (2016), "Bridging Global Infrastructure Gaps"

We have also established a business model for the management of our financial assets, which is not only of great help in risk assessment but also yields interesting insights. As we have largely outsourced portfolio management of individual risk investments to around 20 of the best asset managers in the world, we also have a first-class information network that provides the perfect complement to our core competence in the field of strategic asset allocation.

A look back at capital allocation

It may sometimes appear that capital allocation at leading reinsurers is very stable and that large-scale changes occur once in a blue moon. Many investors regard insurers as "boring" investments. In the case of reinsurers at least, nothing could be further from the truth. Let's take a look back at developments over the last ten years at Swiss Re:

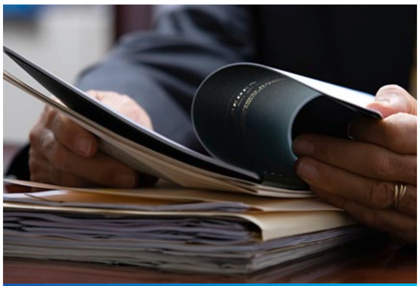
In the aftermath of the global financial crisis, which – as you may know – impacted Swiss Re as it did so many other companies, our initial focus was on restoring a "cast-iron" balance sheet. In other words, on bringing our equity back up to a conservative level. Our clients expect nothing less. We also massively reduced the use of financial and operational debt on and off balance sheet and – in the context of an economy still experiencing the fallout of the crisis – built up an extremely high level of liquidity.

We achieved all this quicker than many expected. We then started to implement our plan for paying back capital – surplus to our conservative criteria – to our shareholders. The first step here was to pay back the convertible bond that was issued during the crisis, which, back then, was expensive and potentially diluted our common shareholders at conversion; we then continually increased the dividend, implemented the tax-free (in Switzerland) repayment of capital and established several share buyback programmes.

Moreover, in light of the cyclical risk assessment, we invested heavily in the organic growth of our Property & Casualty (P&C) businesses. In 2012, we cancelled a quota share reinsurance agreement worth 20% of our P&C business. We also pushed ahead with the organic growth of Corporate Solutions, invested in the infrastructure of this division and expanded our presence in this sector through a number of small-scale acquisitions. From 2016, which represented a turning point for the market as the achievable premiums became qualitatively weaker, we gradually reduced the amount of capital invested in P&C again, a decision that resulted in some of our competitors recording a higher rate of growth than we did.

The life insurance sector became extremely unpopular among investors after the financial crisis, and we faced increasingly loud calls to divest this segment as quickly as possible and release the capital allocated to it. Although we have had to overcome various problems in our in-force book, our confidence in the potential of this segment has never wavered. Swiss Re disregarded the market sentiment by investing heavily in organic growth. This allocation of capital has truly paid off and the Life & Health Reinsurance business at Swiss Re is once again a strong, stable revenue pillar portfolio.

We have long held the belief that the emerging markets – headed by China, South-East Asia, parts of Latin America and Africa – will account for more than 50% of growth in insurance markets in the long term, primarily due to demographic and economic criteria. Historically, we have had only limited access to this growth through our reinsurance business as the majority of new business – being large bulk retail insurance – is only reinsured minimally. Therefore, we invested a significant amount of capital in primary insurance



FOCUS ON GOVERNANCE

Focusing on governance trends in Switzerland, the United States and the European Union, Swiss Re's Board of Directors continues to demonstrate strong leadership in matters related to Corporate Governance and to steer the Group's governance standards towards increased transparency, accountability and a long-term sustainability strategy.

Governed by a robust set of principles and procedures, the company's governance framework secures an effective, dynamic and open dialogue between the Board of Directors and the Group Executive Committee, the top corporate bodies responsible for the strategic oversight and the management of operations, respectively.

Proposed regular dividend per share for 2018
(CHF)

5.60

(CHF 5.00 for 2017)

investments in China, South-East Asia, Africa and Brazil. These are very long-term investments but I am optimistic that they will deliver results.

In another development, we have allocated new capital to Life Capital. We have partly withdrawn from the US closed book business but at the same time have invested in several large-scale transactions in the United Kingdom. We have also expanded our group life insurance and individual life business through new sales channels.

In comparison with the above-mentioned developments, our asset management activities were less prominent. Although we increased the share of alternative assets as well as that of corporate bonds in lieu of government bonds and cash, in view of our market assessments we considered it unwise to allocate significantly more capital to investment risk. We will see what 2019 has in store. We follow trends with active interest and are in a position to react swiftly.

An outlook

Let's now turn our attention to the current situation: As mentioned, we have implemented significant changes to Swiss Re's risk portfolio over recent years and have continually adapted the portfolio in line with current market developments based on our continuous and consistent monitoring of capital allocation.

So what is the next step? The renewal of our reinsurance business in P&C Re on 1 January 2019 has strengthened our conviction that things are starting to pick up again in the P&C business – not quite as strongly and decisively as we would like, but picking up all the same. Of course, it remains to be seen whether the market will attract an influx of new capital. We have, in any case, invested in organic growth again. It also remains to be seen whether certain market players will surrender and the sector will once again find itself in a consolidation phase. Should we identify attractive opportunities in this context, any decisions we make will be based on strategic considerations and ease to realise cost and, above all, capital synergies. However, huge acquisition premiums are definitely off the table.

As already announced, we are planning to withdraw at least partially from the closed book business in the United Kingdom and are preparing for a potential IPO for ReAssure, our UK subsidiary active in this business. The first steps in the latter process have already been taken. This is a capital allocation decision and has less to do with insurance risk than with investment risk, which is dominated by UK credit in this portfolio. If the closed-book business continues to grow – which we assume will happen – we would be pushing the boundaries of our risk appetite for UK credit. A partial withdrawal therefore represents the sensible option.

Where we will stand our ground

Returning to my rather pessimistic introductory words, it becomes clear that we currently see little leeway in terms of the 'cast-iron' balance sheet I referred to earlier. The question of the right equity base and how much is too much comes up again and again. Reducing our equity ratio by a significant amount, in accordance with the SST, is not something that we are currently planning. This is an area in which we will stand our ground. However, any further expansion would take us from "a lot" to "too much".

In other areas, we are adopting a markedly more flexible approach. The imminent changes on the world stage will require close analysis and rapid adaptation. I believe we are very well prepared for these changes and we are therefore looking to the future with confidence.

Capital returned to shareholders
in USD billions

2.9

in the form of dividends
and 2017–2018 share buybacks

Changes in the Group Executive Committee

As I draw to a close, I would like to inform you of a couple of important changes in our Group Executive Committee.

In September 2018, Russell Higginbotham took over as the new CEO of Reinsurance for the EMEA region and at the same time became a member of the Group Executive Committee. Russell Higginbotham succeeded Jean-Jacques Henchoz, who decided to leave Swiss Re last year.

Russell Higginbotham has been at Swiss Re for 24 years, in roles across multiple business areas and geographies. Most recently, he led Swiss Re's Global Life & Health (L&H) Products Division, where he played a pivotal role in strengthening the company's L&H solutions offering, boosting product innovation and maintaining the growth of large L&H reinsurance transactions. Previously, he served as CEO of Swiss Re UK & Ireland, as CEO of Swiss Re Australia and New Zealand and led the company's L&H businesses in Japan and Korea.

The second change in the Group Executive Committee concerns our Corporate Solutions Business Unit. As announced in September 2018, Andreas Berger will be taking over the role of CEO of Corporate Solutions from 1 March 2019, at the same time becoming a member of the Group Executive Committee. He was most recently Chief Regions & Markets Officer and a member of the Board of Management at Allianz Global Corporate & Specialty SE and will be succeeding Agostino Galvagni, who left Swiss Re at the end of 2018.

I would like to take this opportunity to thank Jean-Jacques Henchoz and Agostino Galvagni on behalf of the Board of Directors for their commitment and valuable contribution to the success of Swiss Re over several decades.

In November 2018, we announced that Thomas Wellauer will be retiring at the end of June 2019 after 9 years with our company. I would like to thank Thomas on behalf of the Swiss Re Board of Directors for his substantial contribution to Swiss Re throughout the years. Under his leadership, Group Operations developed into a highly effective and efficient backbone for the company.

Today, we are pleased to appoint Anette Bronder as his successor taking over as Group Chief Operating Officer and member of the Group Executive Committee, effective 1 July 2019. Anette Bronder has more than 20 years of experience in operations, consulting and delivery services, most recently as a Member of the Management Board at T-Systems International. Her strategic technology knowledge and strong track record in operations delivery make her the ideal candidate to not only lead our Group Operations function but to also support Swiss Re in being at the forefront of technological changes that are taking place in our industry. I am convinced Anette Bronder will help us accelerate the digitisation of our whole value chain.

I would also like to thank – and I am sure you will join me in this – all of our 14 943 employees across the globe for their tireless work over the last year. And warm thanks to you, our highly valued shareholders, for your trust, support and loyalty.

Wishing you all the very best for a happy and successful 2019.

Zurich, 21 February 2019

Walter B. Kielholz
Chairman of the Board of Directors

Swiss Re retains its strength in a challenging year and commits to a more sustainable future

Christian Mumenthaler
Group Chief Executive Officer

Dear shareholders,
What a year 2018 was. The world faced major challenges from political and economic uncertainty, and the concerning shift towards anti-globalisation continued. Also very troubling were the natural catastrophes that struck in all parts of the world, causing widespread destruction and claiming thousands of lives – it was the fourth costliest year in history in terms of global catastrophe losses for the insurance industry.

With climate change very likely linked to rising sea levels and increased rainfall, the impact from flooding associated with tropical cyclones and other extreme weather events could be even more severe in the future. In 2018, the western Pacific typhoon season produced 29 named storms, higher than the average of 26.6, prompting floods and leaving thousands of people stranded. The possibility of even more, or worse, storms in the future is frightening.

SWISS RE GROUP PRIORITY

Build the **risk knowledge company …**	Risk Knowledge	Research and development Technology People and culture: agility
+ … that **invests into risk pools**	Growth	Large and tailored transactions Corporate Solutions Life Capital High growth markets

Other changes to our climate, including warmer temperatures and prolonged heatwaves, will likely also continue to increase the frequency and severity of large wildfires and droughts. It was devastating to see footage of the damage caused by the Californian wildfires late last year. Due to very dry weather conditions, the fires spread quickly and raged for over a week – in their paths, they sadly claimed lives and destroyed homes, even whole communities.

What we've experienced over the past year must serve as a wake-up call to stand together in unity and step up our efforts against climate change. What's at stake is not only visible in the footage, but also in the figures: the Swiss Re Institute estimates that total economic losses from natural and man-made disasters in 2018 amounted to a shocking USD 155 billion. Unfortunately, only USD 81 billion of this economic loss is insured, even though the majority of these losses occurred in developed countries. All in all, I feel that the re/insurance industry has done a good job over the last two years of paying claims promptly, allowing people to recover and rebuild following these events. We also supported people and businesses following devastating man-made disasters in 2018, like the collapse of the Ituango dam in Colombia.

We have the financial strength to support our clients, and society, in tough times

Swiss Re's extraordinary financial strength enables us to support our clients in these tough times, and in 2018 we absorbed USD 3.0 billion of large claims to lessen the hardship for those affected by the disasters. We are proud of that, as this is the purpose of our business.

Following these claims, we reported a Group net income of USD 421 million for 2018. Due to a US GAAP accounting change which took effect on 1 January 2018, our result also contains a negative pre-tax impact of USD 599 million because of challenging equity markets. On a like-for-like basis with the year before, our net income would have been USD 894 million for 2018.

Our net income in our Property & Casualty Reinsurance segment was USD 370 million, mostly impacted by the natural catastrophes and the US GAAP accounting change. Amid the still challenging market, it was crucial that we maintained our disciplined underwriting approach, ensuring adequate prices for the protection we provide. In our Life & Health Reinsurance segment, I'm pleased that we were able to deliver strong growth driven especially by large transactions. In this segment, we reported net income of USD 761 million in 2018 – evidence

> "What we've experienced over the past year must serve as a wake-up call to stand together in unity and step up our efforts against climate change."

> "We've invested significantly in technology at Swiss Re over the past years and I believe it will have a very positive impact on our business in the future."

Full year net income
in USD millions, 2018

421

(2017: USD 331 million)

of the value of diversification in our business – and we continue to meet our return on equity (ROE) target range.

The 2018 result for our Corporate Solutions Business Unit was, however, disappointing: we reported a net loss of USD 405 million. This result was impacted by low rates from previous years and also significantly affected by the man-made and natural catastrophe losses I mentioned earlier – an issue which the whole commercial insurance industry experienced. We took some tough underwriting actions last year and at the same time saw an upwards movement in rates throughout 2018, but more must and will be done this year. We also look forward to Andreas Berger joining us as our new CEO Corporate Solutions on 1 March 2019. Andreas brings more than 20 years of experience in the insurance industry, and his first priority will be developing actions to improve Corporate Solutions' performance – we will share more on those actions along with our half-year 2019 results.

In our third Business Unit, Life Capital, we once again delivered exceptional gross cash generation of USD 818 million in 2018 and exceeded our target range. Our preparations for a potential IPO of ReAssure continue. And we agreed with MS&AD on a further investment of GBP 315 million in ReAssure, resulting in a total shareholding by MS&AD in ReAssure of 25%. Meanwhile, our open book businesses in Life Capital continued to grow. I'm personally very optimistic about this segment of the Business Unit. This year may mark a turning point for Life Capital, which will look quite different if market conditions allow us to do a successful ReAssure IPO. The shift from being primarily a closed book business to a dynamic primary B2B2C business will be both demanding and exciting. By utilising technology and working with partners, we can help make insurance simpler and more accessible than ever.

Technology is our enabler and diversifier in these transformative times

Speaking of technology, in my shareholder letter last year I wrote about how important it is for our business, so let me give you an update on that – and share one point of contention. While I personally continue to be very excited about what we can achieve with technology, I think the topic of artificial intelligence (AI) is overhyped. It's often weakly defined – anything that is digital is put into the "AI box" – and there's a particularly concerning narrative going around, which is that AI will cause many of today's jobs to disappear in the near future. When talking to business partners, the consensus view is quite different and significantly less alarming: yes, jobs will change as they have always done, but the pace will be slower than some people seem to anticipate, and new jobs will emerge around these new technologies.

We've invested significantly in technology at Swiss Re over the past years and I believe it will have a very positive impact on our business in the future. It will allow us to deliver better products to clients and help us build greater societal and financial resilience around the world. As I mentioned last year, it's my priority to strongly position Swiss Re as a risk knowledge company, applying our immense knowledge and partnering with clients to protect more people – technology is our enabler and diversifier in these transformative times.

The future is our collective choice

When Swiss Re first published a study identifying climate change as an emerging risk thirty years ago, the topic was lauded for its environmental importance, but was not yet perceived as a material business issue.

Today, with a wealth of scientific evidence at our disposal, that initial perception has considerably changed. There is clearly momentum. There's less scepticism. But then, there's also less time. And the effects of climate change are everywhere. Floods in India contrast with extreme heatwaves, droughts and wildfires in Europe and the US. Ice caps are melting and sea levels are rising; warmer seas will make the most severe types of typhoons and hurricanes even more destructive and likely more frequent.

Devising solutions for a growing risk

As a risk knowledge company, Swiss Re devotes a significant amount of brainpower to devising solutions to tackle this growing risk. Our claims and experience data we have collected over several decades and our refined natural catastrophe models facilitate risk assessment. They help raise risk awareness, and ultimately prepare and protect businesses and communities, strengthening their resilience. We have a long tradition of enabling sustainable progress by investing into the development of renewable energy sources like solar and wind, in addition to supporting sustainable investing by adopting ESG investment principles.

Work on what we can influence

By looking at its own value chain and identifying what it can influence, the private sector has many opportunities to take more courageous actions against climate risk. But to fully address today's challenge we need a global effort. It will take collaboration across industries and between the public and private sectors. Public-private partnerships (PPPs) are particularly crucial, given the need to develop a conducive regulatory and policy environment to address climate risk. Investments in critical infrastructure projects by the private sector can relieve government budgets while supporting the development of resilient infrastructure, a crucial requirement for accelerating the transition to a low-carbon economy.

Nurturing solid economies and building societal resilience is a matter of global interest. The future is our collective choice. Let's seize this opportunity.

Estimated large claims
in USD billions, 2018

3.0

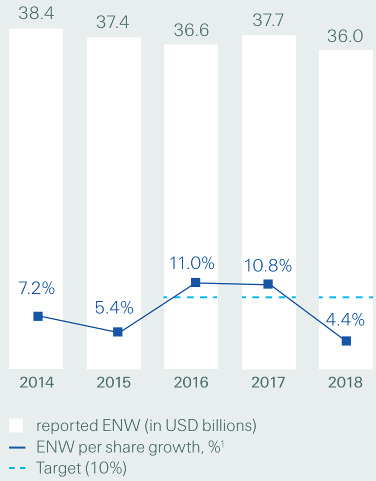
For example, we're rapidly growing iptiQ, our customisable B2B2C digital insurance solution. iptiQ brings together Swiss Re, primary insurers and other partners to sell life, health and property and casualty insurance. It has almost doubled its average weekly policy sale count over the past year and established itself as a leading platform in the digital insurance space. In this business, we have also developed an online virtual assistant called Eva, which will become the digital face of our partners' brands. I'm really excited about this business and I believe that this partnership model could become a big part of who we are at Swiss Re. As many households still lack insurance cover in many areas, I see significant growth potential.

We've also invested in building technology-driven solutions for our reinsurance clients. One example is our flood risk model, which we rolled out in the US last year as part of our efforts to manage uncovered risks caused by climate change and natural disasters. Only one in six homes in the US has flood insurance, even though the personal and economic cost of flooding is increasing every year. Flood insurance policies based on our model are priced according to the individual risk exposure, which is made up of thousands of data points, such as the location of a building, type of construction and insured value. Providing accurate pricing enables our clients – insurers in the US – to provide a more affordable product to homeowners and can potentially help make a significant difference in the coverage of this risk.

OUR GROUP FINANCIAL TARGETS

Return on equity
(in %)

Economic net worth per share growth
(in %)



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

RISK POOLS

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

An optimistic outlook, even in challenging conditions

The prospect of what we can achieve with technology is not the only reason I'm optimistic about Swiss Re's future. In the January 2019 renewals of our Property & Casualty Reinsurance business, we were able to grow while keeping our running costs flat – in our industry, size and diversification matter. We renewed USD 10 billion in premium volume, an increase of 19% compared to the year before. Price quality increased by 1% and we expect further price improvements in the renewals later this year as a result of the 2018 natural catastrophes. In the commercial insurance space, prices also increased by 3% and positive momentum continues. Furthermore, our Life & Health Reinsurance franchise continues to grow, with new business profits contributing to our capital generation. And we expect emerging markets, including China, to contribute to stronger growth for insurance markets in the long term. I'm confident in Swiss Re's future sustainable economic earnings, which are the basis of the attractive capital management actions the Board will recommend at our upcoming Annual General Meeting.

Coming back to my concern on climate change, though. I do feel that there is more momentum globally about this issue at the moment – but that's not enough. At the current rate of action, climate change will likely lead to more natural disasters, with implications for every aspect of society and everyone – not to mention the consequences that could spill over to future generations. It will take a "whole of society" approach to limit global warming before time runs out. I'm optimistic that we can build on the current momentum and do that.

At Swiss Re, it's our priority to continue leading action on climate change and sustainability efforts, both on the asset and liability side of our business, and within and beyond our industry. All of our employees are behind that – for that, and for their commitment every day, I would like to thank them. I'd also like to thank you, our shareholders, for continuing to place your confidence in us.

Zurich, 21 February 2019

Christian Mumenthaler
Group Chief Executive Officer

Market review
Divergent growth

Divergent growth trends caused financial market performance to vary by region

FIVE MACRO TRENDS THAT ARE DRIVING OUR MARKET

Over the course of the year, Swiss Re monitored five major economic and insurance market trends.

Five macro trends

Diverging economic growth

While fiscal stimulus boosted US real GDP growth in 2018, growth slowed in many other economies.

2.9%

(Estimated real GDP growth in the US, 2018, source: Swiss Re Institute)

Monetary policy normalisation

The US Fed increased rates four times in 2018, while the ECB stopped its asset purchases by year-end.

2.25–2.5%

(Target range for the US federal funds rate, year-end 2018, source: Bloomberg)

Large catastrophic losses

2018 was again a catastrophe-prone year with estimated insured losses of USD 81 billion – considerably below USD 150 billion reported in 2017, but still one of the worst-affected years.

USD 81bn

(Insured catastrophic losses, nat cat and man-made, source: Swiss Re Institute, preliminary estimate)

Rising trade tensions

There has been a considerable increase in tariffs in 2018, particularly on US-China trade. Further escalation to global trade war is a key risk.

+60%

(Increase in number of harmful trade interventions, 2018 versus 2017, source: Global Trade Alert)

Soft market/low non-life profitability

Soft market conditions and high catastrophic losses led to a significant decline in overall profitability.

6–7% ROE

(Average profitability of eight major non-life markets in 2018, source: Swiss Re Institute, preliminary estimate)

TRENDS IN OUR FOUR MAIN MARKETS

Primary non-life

In 2018, premiums have risen moderately in almost all regions due to stronger economic growth. Global non-life premiums were up an estimated 3% in real terms, after a 3% gain in 2017. The global aggregate is being driven by emerging markets, where we estimate 8% premium growth in 2018.

2 400 **(USD billions)**
Estimated global premium income in 2018

3%
Estimated global premium growth in 2018

Reinsurance non-life

Global premiums in non-life reinsurance are estimated to have grown by around 5% in 2018 in real terms, mainly based on rapidly increasing cessions from emerging markets. The impact from natural catastrophe losses is less severe after last year's record USD 144 billion in global insured disaster-related losses. However, claims were mounting up and are estimated at above USD 70 billion for the re/insurance industry. The largest natural catastrophe losses were from wildfires in California, hurricanes making landfall in the US (Michael, Florence), and from typhoons and floods in Japan.

180 **(USD billions)**
Estimated global premium income in 2018

5%
Estimated global premium growth in 2018

Primary life

In 2018, global primary life insurance premiums are estimated to have risen by about 2% in real terms, slightly slower than the average annual growth of the past five years. Premiums in mature markets expanded by almost 2%, driven by Japan and the US, while European markets were mainly sluggish. Emerging markets, which have accounted for most of the acceleration in global life premiums income, contributed much less in 2018, particularly due to China, given its enormous impact in the emerging market aggregate.

2 900 **(USD billions)**
Estimated global premium income in 2018

2%
Estimated global premium growth in 2018

Reinsurance life & health

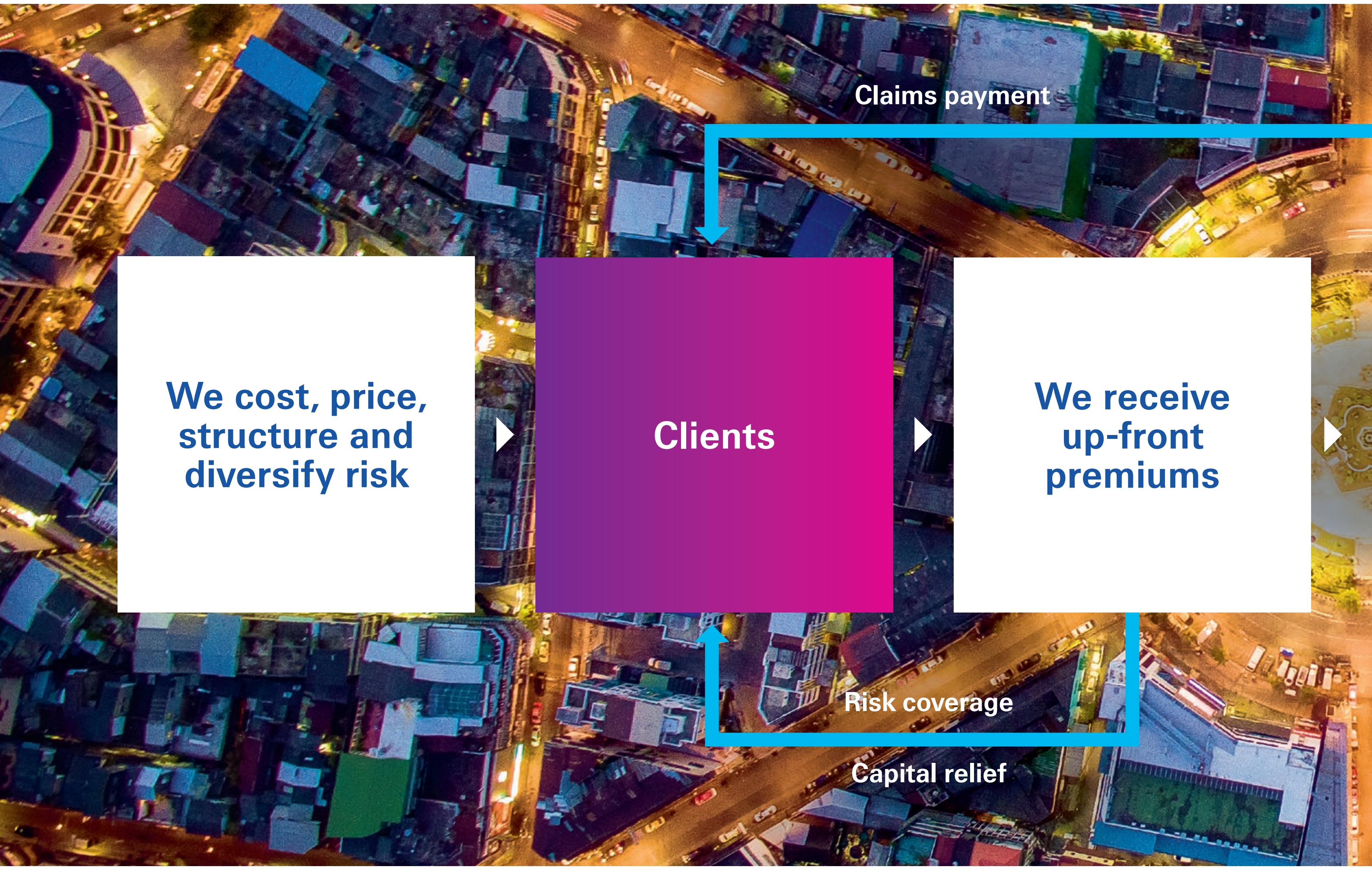
The life reinsurance industry registered a 2% increase in 2018. Underlying reinsurance premium growth in traditional reinsurance areas like mortality and morbidity risk has again remained relatively subdued, but other kinds of reinsurance transactions were also sluggish this year. In mature markets, slow increases in the US were contrasted by healthy growth in Europe and Asia-Pacific. Growth in emerging markets was significantly impacted by the decline in cessions in China of around 10%, offsetting expanding reinsurance demand from other regions.

75 **(USD billions)**
Estimated global premium income in 2018

2%
Estimated global premium growth in 2018

How re/insurance works

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



OUR DIFFERENTIATING FEATURES

Well positioned

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

A risk knowledge company

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

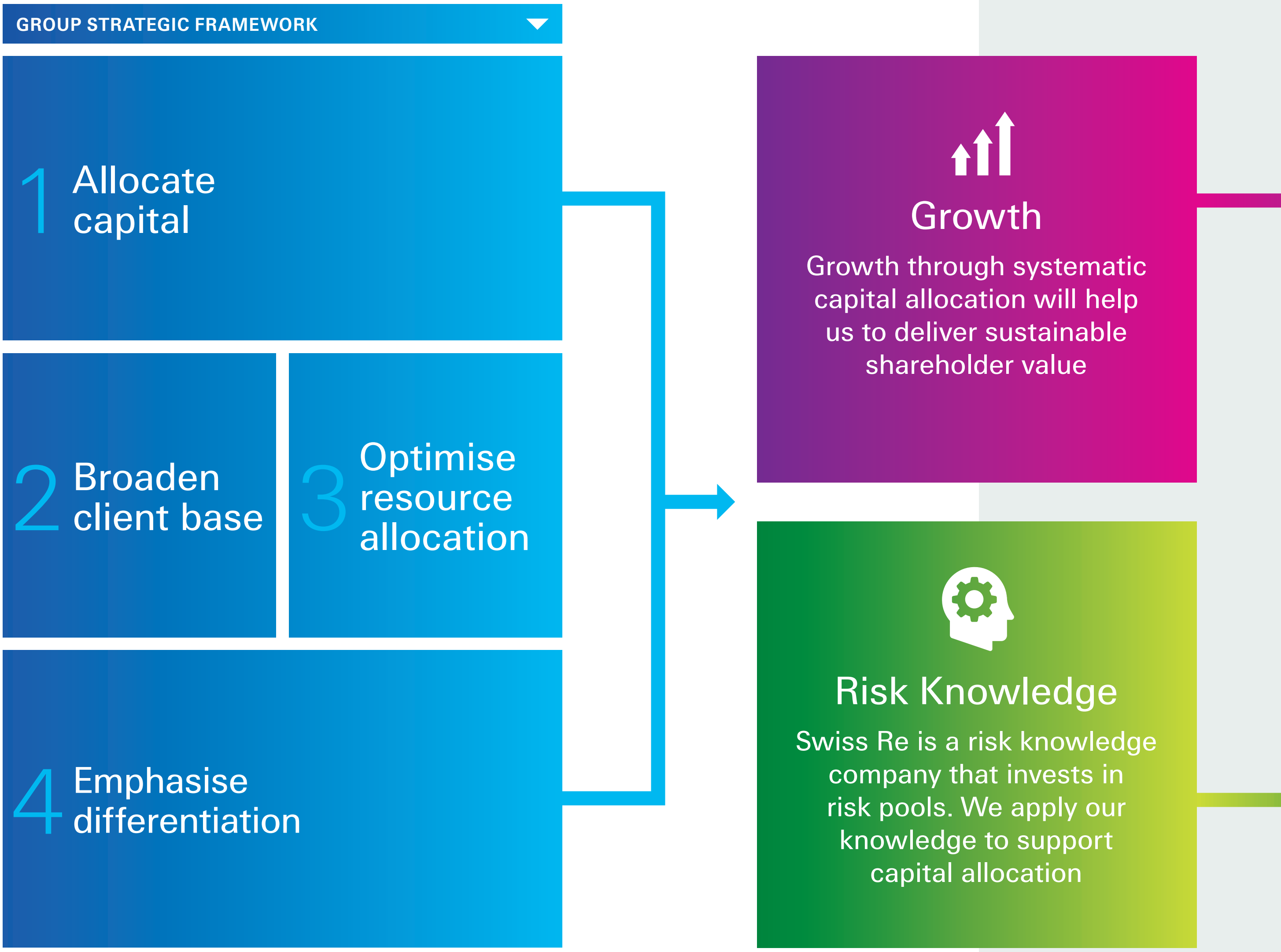
Our role and our mission
We help insurance companies and individuals to manage their risks by absorbing some of their biggest losses, especially losses stemming from natural catastrophes that are among the largest and most complex risks that exist. Therefore, we play a major role in preparing people,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

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

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

Our strategy

Meeting our financial targets and making the world more resilient.



NEAR TERM PRIORITIES	PROGRESS IN 2018
Large and tailored transactions Large and tailored transactions in Reinsurance provide an attractive growth opportunity. They reinforce our differentiation through tailored offerings, leveraging our strong risk knowledge base.	■ Demand for large and tailored transactions remains strong with more than 154 transactions closed in 2018. ■ Large and tailored transactions contributed 30% to economic profit in 2018.
Corporate Solutions Corporate Solutions represents a strategic platform to access the large pool of commercial risks. It remains core to our strategy to diversify into different risk pools.	■ Expansion of Primary Lead capabilities: global network coverage for international programmes in over 120 countries. ■ Growth in a gradually improving market environment whilst pruning underperforming segments.
Life Capital Life Capital increases access to attractive and growing risk pools in open and closed life and health books. It aims to build a balanced portfolio, benefiting from the diversity of the risks and differentiating itself through leading underwriting and servicing capabilities.	■ Life Capital continued its strategy to grow its individual and group business in Europe and in the US. iptiQ's B2B2C digital insurance offering is attractive to an increasing number of distribution partners, with 19 having been onboarded to date. In Q4 of 2018, the number of policies sold weekly averaged 2 600.
High growth markets (HGM) We intend to maintain our leading position in high growth markets, establishing a strong presence. These world regions continue to remain a key element of our strategy, even when they are temporarily challenged.	■ 22% of total net premiums earned (NPE) were generated in HGM. Asia contributed more than 50% of NPE in HGM; China remains a key driver of growth.
Research and development Building knowledge and competence through R&D has historically been our core focus. The creation of the Swiss Re Institute further strengthens our steering of R&D activities.	■ Through the Swiss Re Institute, which celebrated *sigma*'s 50-year anniversary in 2018, we continued to deliver thought leadership through a wealth of expertise publications, conferences and articles on the evolving risk landscape and its impact on the industry.
Technology Our technology strategy is tightly embedded in the business strategy. Technological innovation gives us the opportunity to further differentiate and support our clients.	■ In 2018, we continued to leverage technology to develop digital insurance solutions that address nascent risk pools. Pages 24–37 of the Business Report showcase examples of such developments.
People and culture Our employees provide a wide range of skills and technical expertise. Their diverse backgrounds enable us to develop unique solutions to best support our clients.	■ We have grown our workforce and now employ 14 943 employees in 30 countries, of which 17% are located in high growth markets. ■ Changes in geographic footprint continued to shape our workforce profile, with millennials now accounting for 46% of the Group's workforce.

Predict.
Prepare.
Protect.

As a leading risk knowledge company with a culture of innovation, we measure and mitigate climate risk, expand protection through cutting-edge digital insurance solutions and build societal resilience at scale.

Driving transformation

Technology can help us close the protection gap by improving awareness and offering simple and affordable products.

Thierry Léger, CEO Life Capital

24

Climate change: The new normal

Our innovative predictive models help families and businesses prepare – and prevail – when the waters begin to rise.

Edouard Schmid, Group Chief Underwriting Officer

28

Enabling positive lives

What makes a society stronger? The security that comes from affordable healthcare, food security and sound infrastructure. Find out how Swiss Re provides the safety net.

Jayne Plunkett, CEO Reinsurance Asia

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Driving transformation

Technology continues to throw curves at the automotive sector. Increasing adoption of advanced driver-assistance systems (ADAS) is making transportation of goods and people safer, with fewer accidents taking place.

Worldwide

Introducing the ADAS Risk Score: Swiss Re and BMW Group's partnership for safer roads

As vehicles become increasingly autonomous, Swiss Re is enabling insurers to take ADAS into account in motor insurance products.

Swiss Re's ADAS Risk Score is a vehicle risk-assessment model, built in strategic partnership with the BMW Group. ADAS Risk Score assesses a vehicle's safety-enhancing capabilities and assigns it a safety score that insurers can use as a basis for underwriting and portfolio management. This relieves clients of the burden of having to continually reassess the safety features of numerous manufacturers.

The model uses manufacturer-reported safety specifications, data collected during real-world crash tests conducted by Swiss Re, computer simulations of various accident scenarios and claims portfolio analyses.

> 30%

Fewer rear-end accidents due to Automated Emergency Brake systems (AEB)

The result is a safety score that is specific to a vehicle in all of its available ADAS configurations. The higher the score, the safer the car.

Scheduled for launch in 2019, the programme will provide a win-win solution: Swiss Re clients will have an easy way to integrate ADAS into their insurance pricing, and drivers will benefit from premiums that acknowledge the safety offered by their vehicles. In addition to ADAS Risk Score, Swiss Re's other initiatives in motor insurance include telematics - realtime information about how and where a car is being used - to enable our clients to create Usage Based Insurance (UBI) solutions.

Swiss Re's investment in ADAS Risk Score reflects our belief that changing technology impacts the risk landscape and that new insurance solutions are needed to reflect that reality. By combining BMW's engineering expertise and data with our capital, brainpower and the partnership approach we have with our clients, Swiss Re believes itself to be well-positioned in the race to shape the next generation of insurance products and services.

“We want to drive innovation in the motor insurance sector, helping our clients to enhance their product suite. By encouraging customers to purchase ADAS, accidents will be reduced. It completely fits our vision to make the world more resilient.”

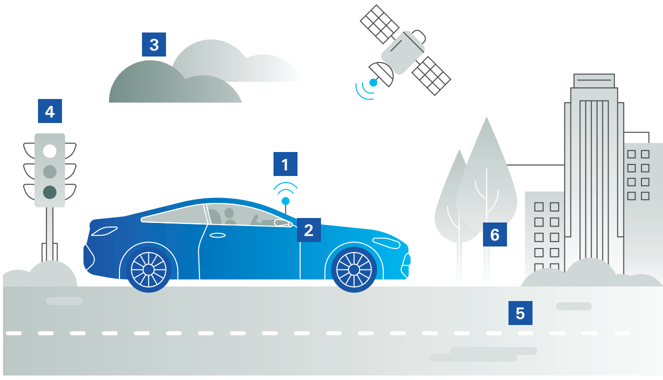
Andrea Keller, Senior Strategy & Partnership Manager, Swiss Re

Swiss Re’s telematics solution: fairer premiums, safer roads

Vehicles connected to the Internet of Things (IoT) open the door to UBI products that assess pricing based on when, where and how one drives. Swiss Re’s first telematics-based product, Coloride, uses a phone app to identify risky manoeuvres, speeding habits and phone usage while driving, and offers post-drive coaching when the trip is over. Over time, Coloride assigns a risk score to each driver that an insurer can use to calculate the UBI premium. By offering a financial incentive to cautious drivers and flagging risky behaviour, insurers encourage responsible driving, making roads safer for everyone.

Data flow in the Swiss Re IoT platform

1. GPS positions
2. Acceleration data
3. Weather conditions
4. Traffic conditions
5. Road conditions
6. Ambiance conditions



Swiss Re IoT Platform

Trip information
(analytics by Swiss Re)

- Situational description
- Kinetic description
- Event description

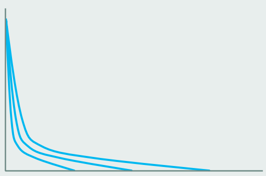
Situational risk assessment
(analytics by Swiss Re)

- Big Data machine learning
- Contextual patterns

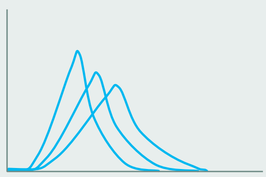
Driver risk assessment
(analytics by Swiss Re)

- Big Data machine learning
- Behavioural patterns

Crash incidence model



Crash severity model



Climate change: The new normal

A recent United Nations report found that 40 percent of the world's population lives within 100 kilometres of a coast. This trend is expected to continue, with populations and commercial assets further concentrating in waterfront communities. At the same time, climate change is intensifying the impact of floods resulting from hurricanes and storm surges, directly threatening the social, economic and cultural security of a growing part of the world's population.

USA

A model based on over 400 000 extreme weather scenarios

In the US, insurance provided through the National Flood Insurance Program (NFIP) covers only around 15 percent of homeowners, leaving a huge protection gap with a financially vulnerable population when extreme weather strikes. Historically, insurers have struggled to set adequate premiums for flood coverage, as slight variations in elevation could result in dramatic differences in losses sustained by adjacent properties.

Swiss Re's proprietary flood modelling tool calculates risk to an individual location, so insurers can confidently offer customers flood insurance. This powerful model uses elevation and precipitation data to generate more than 400 000 extreme weather scenarios — some based on disasters like Hurricane Sandy — to predict likely outcomes.

"Customers are becoming more aware of their true vulnerability to flood damage. Now that the price more accurately reflects the risk, they're making the good decision to opt for this coverage."

Locke Burt, Chairman, Security First

Closing the flood risk gap

Florida-based Security First was one of the first Swiss Re customers to directly integrate the modelling tool, part of our Flood Toolkit, into its policy administration system. Now agents can generate premium quotes in real time to immediately add flood coverage to customers' existing homeowners policies. The number of policyholders opting to add flood insurance has significantly exceeded expectations, according to Security First.

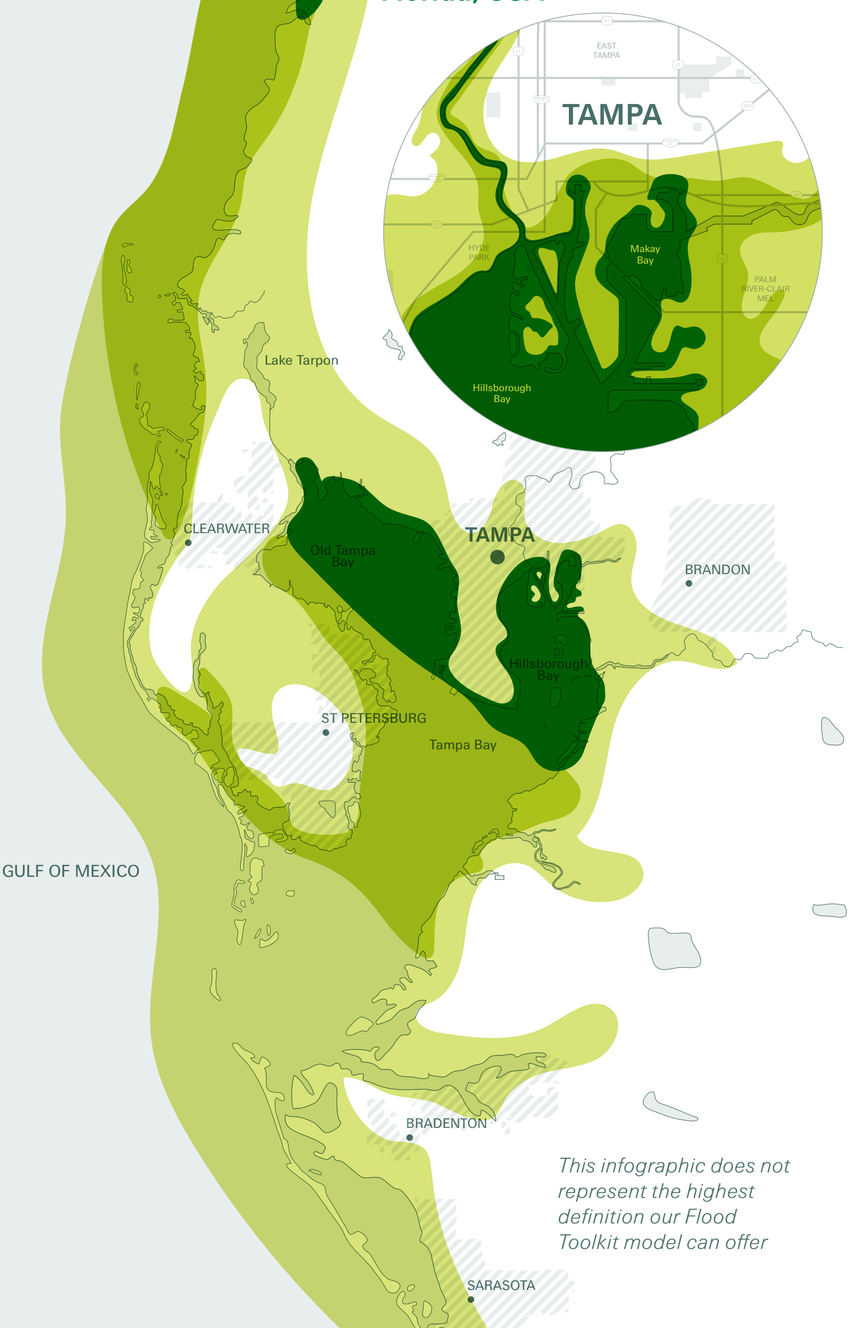
Broader adoption in the future

The policies made possible by the model's insights also protect customers who live inland along rivers and in cities with aging drainage infrastructure, where heavy rains often result in inundation.

Legend — Cities

Potential storm surge height — >8m, 4–8m, 0–4m

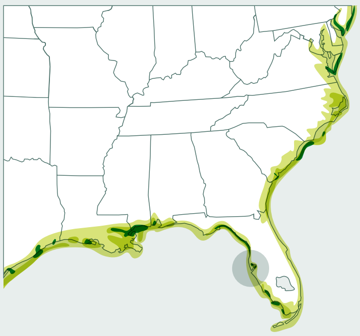
Florida, USA



This infographic does not represent the highest definition our Flood Toolkit model can offer

Atlantic and Gulf Coastal Region, USA

Areas exposed to storm surge



ca. USD 40bn

is the estimated economic loss from major storms in 2018
(Source: Swiss Re Institute)

Enabling positive lives

According to the World Health Organization, diabetes claims the lives of 1.6 million people every year. Of the estimated 422 million adults affected by the disease, 60 percent reside in Asia, where diet and lifestyle changes brought on by booming economies have contributed to a surge in diagnoses.

Asia

Partners in prevention

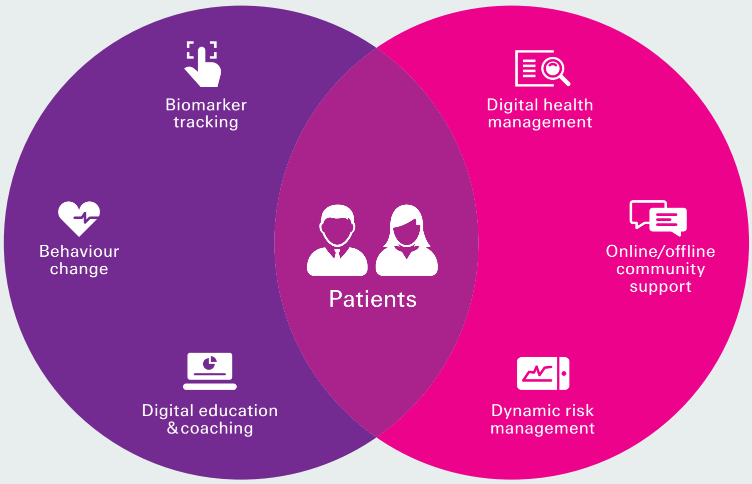
Worldwide, one in 11 adults is diabetic, costing the global community approximately USD 1.3 trillion annually. In Thailand, a staggering 4.2 million people are living with the disease.

Fortunately, Type 2 diabetes can be prevented, enter into remission or have its complications reduced by managing risk factors relating to diet and lifestyle.

To this end, Swiss Re and Muang Thai Life Assurance joined forces in 2018 to create a new dynamic-pricing health insurance product to address this modifiable risk. Personalised customer premiums are adjusted based on HbA1C, a key health indicator, reflecting their lifestyle decisions. It uses a smartphone app to encourage at-risk individuals to eat right, exercise regularly, monitor their glucose levels and see their doctor every six months. The result is healthier customers, fewer claims and a reduction in potentially catastrophic complications.

"Modifiable risks are key drivers of Asia's USD 1.8 trillion health protection gap. Holistic insurance solutions can be an efficient means to help customers manage their health and close the protection gap."

Sohila Kwan, Asia Head of Health & Medical Solutions, Swiss Re



1 in 5

pregnant women in Singapore is affected by gestational diabetes

Peace of mind for expecting mothers

In Singapore, around one in five expectant mothers will develop gestational diabetes[1]. In response, Swiss Re partnered with MetLife's LumenLab to create Vitana, the world's first automated, app-based health insurance solution that makes it easy for families to get the protection they need.

Mothers-to-be download the app to their mobile device and consent to linking their e-health records. If the app deems the customer eligible, a blockchain-enabled "smart contract" policy is immediately generated. Upon diagnosis, the policyholder's medical data triggers an automated benefit payment, with no further action required.

Scalable societal resilience
The simplicity and efficiency of this blockchain-enabled solution creates a blueprint to address other non-communicable diseases and chronic conditions. It offers greater inclusion to consumers looking to fulfil their protection needs. Innovations like these are made possible by Swiss Re's close relationship with its clients, and our ability to collaborate with public and private partners to promote societal resilience around the world.

Digital health solutions

On/Offline Community Support
Digital care and protection services help patients reach a better health outcome.

Digital Education & Coaching
Wellness programme app transforms data (e.g. diet, exercise) into actionable insights.

Digital Health Management
Digital tools allow users to manage and track their health condition.

Dynamic Risk Management
Dynamic underwriting and pricing features incentivise behaviour change to prevent and manage risks.

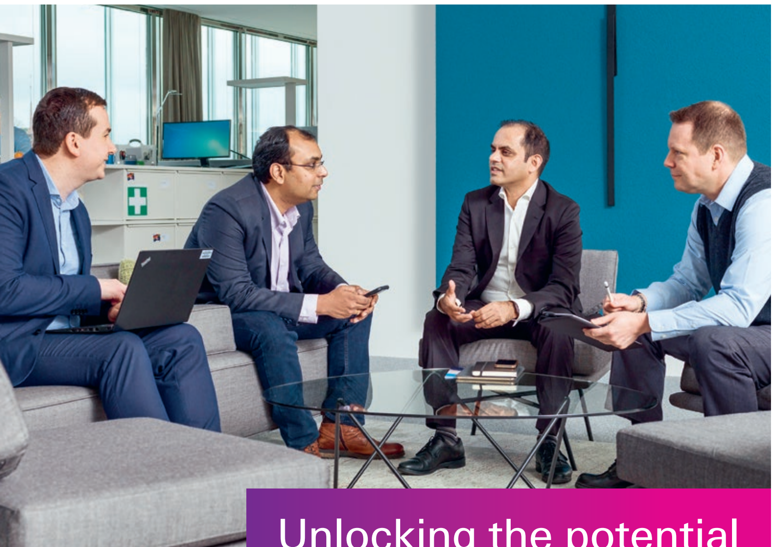
Behaviour Change
Change in lifestyle behaviour can significantly influence health outcome.

Biomarker Tracking
The new generation of wellness trackers allow users to give insurers access to their clinical health data.

[1] Gusto, a longitudinal baby study at NUH and the KK Women's and Children's Hospital (KKH) (Khalik, S. 2016)

Meet the people making a positive impact

Our nearly 15 000 employees work diligently on a wide variety of projects every day to mitigate risk and build resilience around the world. Here are just a few examples.



Unlocking the potential of blockchain

Swiss Re formed the Distributed Ledger Technology (DLT) project team two years ago in an effort to better understand the potential applications of blockchain technology and cryptography in our industry.

The team is diverse — members hail from Europe, Asia, Africa and the Americas, and represent a wide range of skills and experience — but they all have at least two things in common: an open mind and a determination to transform our business.

Befitting a team working at the cutting edge of technology, this cross-functional collaboration was "virtual" from the start and devoid of hierarchies.

Distributed Ledger Technology project team
At the cutting edge of technology

Enabling women's entrepreneurship in Egypt

How can we positively impact the lives of women entrepreneurs in developing economies? That was the question we set out to answer when we joined a key microinsurance initiative in Egypt in 2017.

The Swiss Re cross-functional team comprised life and health actuaries, the North Africa Reinsurance team and experts in emerging consumers from Public Sector Solutions team (formerly Global Partnerships team).

This diverse team embodies Swiss Re's unique ability to partner across both the private and public sectors and offer expertise in insurance product design adapted to local needs.

Swiss Re's Hemayet project team
Building societal resilience in Egypt

We are
Underwriters
Actuaries
Data Scientists
Information Architects
Claims Experts
Engineers
Innovators
Climate Experts

46%

Millennials of Swiss Re's workforce

4

Generations working side-by-side across Swiss Re

Protecting major productions

What happens if a major sports event is about to kick off and a sudden downpour knocks out the power, leaving thousands of fans in the dark?

Predicting and preparing for scenarios like this is the speciality of Swiss Re's Special Risks Unit. Our global team tackles the hazards of a rapidly evolving risk pool: the live events market.

Drawing upon their expertise in weather, anti-terrorism, political instability and medical emergencies, our specialists make sure major events, from Hollywood film shoots to charity sports events, come off without a hitch.

Special Risks Unit team
Because the show must go on

Board of Directors

Changes in 2018

At the Annual General Meeting on 20 April 2018, Karen Gavan, Eileen Rominger and Larry Zimpleman were elected as new non-executive and independent members of the Board of Directors for a one-year term of office. With these changes, the Board of Directors aims to safeguard the stability of its composition while also renewing the Board in a sensible way. At the same time, the shareholders re-elected Walter B. Kielholz (Chairman), Raymond K.F. Ch'ien, Renato Fassbind, Trevor Manuel, Jay Ralph, Joerg Reinhardt, Philip K. Ryan, Sir Paul Tucker, Jacques de Vaucleroy and Susan L. Wagner for a one-year term of office as members of the Board of Directors.

From left to right

1. Philip K. Ryan
2. Sir Paul Tucker
3. Raymond K.F. Ch'ien
4. Jacques de Vaucleroy
5. Eileen Rominger
6. Joerg Reinhardt
7. Walter B. Kielholz
8. Renato Fassbind
9. Susan L. Wagner
10. Trevor Manuel
11. Jay Ralph
12. Larry Zimpleman
13. Karen Gavan

Group Executive Committee

Changes in 2018/2019
John R. Dacey, formerly Group Chief Strategy Officer, assumed the role of Group Chief Financial Officer (CFO) on 1 April 2018, succeeding former Group CFO David Cole. On 1 September 2018, Russell Higginbotham became CEO Reinsurance EMEA, succeeding Jean-Jacques Henchoz who has decided to pursue an opportunity outside Swiss Re. On 1 November 2018, Group COO Thomas Wellauer announced he was to retire at the end of June 2019. Anette Bronder was appointed Group COO, effective 1 July 2019. On 1 March 2019, Andreas Berger assumed the role of CEO Corporate Solutions, succeeding Agostino Galvagni who decided to step down at the end of 2018. As of the date of this publication, the Group EC consisted of 12 members.

From left to right
1. **Russell Higginbotham,** CEO Reinsurance EMEA
2. **Thomas Wellauer,** Group COO
3. **J. Eric Smith,** CEO Reinsurance Americas
4. **Edouard Schmid,** Group CUO
5. **Patrick Raaflaub,** Group CRO
6. **Christian Mumenthaler,** Group CEO
7. **John R. Dacey,** Group CFO
8. **Jayne Plunkett,** CEO Reinsurance Asia
9. **Guido Fürer,** Group CIO
10. **Thierry Léger,** CEO Life Capital
11. **Moses Ojeisekhoba,** CEO Reinsurance
12. **Agostino Galvagni,** CEO Corporate Solutions

Financial highlights

FINANCIAL HIGHLIGHTS

For the years ended 31 December

USD millions, unless otherwise stated	2017	2018	Change in %
Group			
Net income attributable to common shareholders	331	421	27
Gross premiums written	34 775	36 406	5
Premiums earned and fee income	33 705	34 461	2
Earnings per share in CHF	1.02	1.34	32
Common shareholders' equity	33 374	27 930	–16
Return on equity in %[1]	1.0	1.4	
Return on investments in %	3.9	2.8	
Net operating margin in %	2.8	2.9	
Number of employees[2]	14 485	14 943	3
Property & Casualty Reinsurance			
Net income/loss attributable to common shareholders	–413	370	–
Gross premiums written	16 544	16 545	0
Premiums earned	16 667	16 095	–3
Combined ratio in %	111.5	104.0	
Net operating margin in %	–1.3	4.3	
Return on equity in %[1]	–3.5	3.7	
Life & Health Reinsurance			
Net income attributable to common shareholders	1 092	761	–30
Gross premiums written	13 313	14 527	9
Premiums earned and fee income	11 980	12 835	7
Net operating margin in %	13.1	9.4	
Return on equity in %[1]	15.3	11.1	
Corporate Solutions			
Net loss attributable to common shareholders	–741	–405	–45
Gross premiums written	4 193	4 694	12
Premiums earned	3 651	3 925	8
Combined ratio in %	133.4	117.5	
Net operating margin in %	–23.5	–11.1	
Return on equity in %[1]	–32.2	–19.4	
Life Capital			
Net income attributable to common shareholders	161	23	–86
Gross premiums written	1 761	2 739	56
Premiums earned and fee income	1 407	1 606	14
Gross cash generation[3]	998	818	–18
Net operating margin in %	10.9	3.9	
Return on equity in %[1]	2.2	0.4	

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

Cautionary note on forward-looking statements

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

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

- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- the cyclicality of the insurance and reinsurance sectors;
- instability affecting the global financial system;
- deterioration in global economic conditions;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group's investment assets;
- changes in the Group's investment result as a result of changes in the Group's investment policy or the changed composition of the Group's investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- the Group's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group's financial strength or otherwise;
- any inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their values recorded for accounting purposes;

- changes in legislation and regulation, and the interpretations thereof by regulators and courts, affecting us or the Group's ceding companies, including as a result of shifts away from multilateral approaches to regulation of global operations;
- the outcome of tax audits, the ability to realise tax loss carryforwards, the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings, and the overall impact of changes in tax regimes on business models;
- failure of the Group's hedging arrangements to be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re Group companies, and developments adversely affecting the Group's ability to achieve improved ratings;
- uncertainties in estimating reserves;
- policy renewal and lapse rates;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes and certain large man-made losses, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs, lower-than-expected benefits, or other issues experienced in connection with any such transactions;
- changing levels of competition, including from new entrants into the market; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks and the ability to manage cyber security risks.

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

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

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