Swiss Re

News release

Swiss Re reports first quarter 2018 net income of USD 457 million; public share buy-back programme to start on 7 May 2018

- Group net income of USD 457 million for the first quarter 2018; gross premiums written up 13.1% to USD 11.5 billion
- Estimated adverse pre-tax impact of USD 280 million due to new US GAAP accounting guidance
- Property & Casualty Reinsurance net income USD 345 million; ROE 13.5%; enhanced portfolio through year-to-date renewals
- Life & Health Reinsurance continued to generate stable earnings; net income of USD 201 million; ROE 11.5%; gross premiums written up 22.3%
- Corporate Solutions net income of USD 41 million; gross premiums written[1] up 32.3%
- Life Capital reported exceptional gross cash generation of USD 705 million
- Return on investments (ROI) of 2.2%, negatively impacted by the US GAAP accounting change; running yield of 2.8%
- Public share buy-back programme of up to CHF 1 billion purchase value to commence on 7 May 2018

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Zurich, 4 May 2018 – Swiss Re reported net income of USD 457 million for the first quarter of 2018, also reflecting an estimated negative pre-tax impact of USD 280 million due to a change in US GAAP accounting. The change – which took effect at the start of 2018 – reflects new guidance on recognition and measurement of equity investments. The annualised Group return on equity (ROE) was 5.6% for the first three months of 2018. Excluding the impact of the US GAAP accounting change, estimated Group net income would have been USD 678 million and the respective Group ROE 8.3%. Gross premiums written for the quarter increased 13.1% to USD 11.5 billion, reflecting growth across all business segments, especially in L&H Re and in Life Capital. Given its very strong capital position and high financial flexibility, Swiss Re is set to start its public share buy-back programme of up to CHF 1 billion purchase value on 7 May 2018.

[1] Gross premiums written include premiums for insurance in derivative form, net of internal fronting for the Reinsurance Business Unit.

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Swiss Re's Group Chief Executive Officer, Christian Mumenthaler, says: "We delivered a solid set of results across the board in the first quarter of 2018, as we maintained our underwriting discipline while expanding in an improving, yet still challenging, re/insurance pricing environment. The first quarter shows again the importance of our diversified business model, as Reinsurance delivered good results and Life Capital generated exceptional gross cash. Gross premiums written increased, reflecting robust growth in Asia and EMEA."

First quarter results reported under new US GAAP guidance

Swiss Re reported net income of USD 457 million for the first quarter of 2018, in spite of the adverse impact of the new US GAAP guidance on recognition and measurement of equity investments, which took effect as of 1 January 2018. The new guidance requires the Group to recognise changes in fair value of equity investments – except those accounted for under the equity method or those that result in consolidation of the investee – in net income for each reporting period, rather than when they are sold. This accounting change had an estimated negative pre-tax impact of USD 280 million on net income for the first quarter of 2018. As the change is not retroactively applied, the implementation of the new guidance limits the comparability of this year's results with prior years. First quarter 2018 figures excluding the estimated impact of the accounting guidance are provided below as a reference.

The Group generated an annualised ROE of 5.6% for the period and the Group's annualised ROI was 2.2%, both reflecting the impact of the accounting change in 2018 alongside a negative equity market performance in the first quarter of this year. Excluding the impact of the new US GAAP guidance, the estimated ROE would have been 8.3% and the corresponding ROI 3.2%. The fixed income running yield, which is unaffected by the accounting change, was 2.8%.

Gross premiums written for the first quarter of 2018 increased 13.1% to USD 11.5 billion, reflecting premium growth across all business segments and foreign exchange movements. Swiss Re continued to carefully select the risk pools to which it allocates capital, and maintained its strong underwriting discipline. At constant foreign exchange rates, the increase amounted to 6.8%.

As outlined at the Investors' Day on 4 April 2018, Swiss Re's capitalisation remains very strong with a Group SST ratio of 269%. Swiss Re maintains its industry leading capital position and high financial flexibility to invest in attractive growth opportunities. To increase comparability, the Group has produced an estimate of its Solvency II ratio, which is above 310%.

Swiss Re's Group Chief Financial Officer, John Dacey, says: "We are satisfied with our first quarter results, in spite of the impact of the new US GAAP accounting guidance. On a like-for-like basis, the figures reported by the Group are broadly stable compared to the first quarter last year. Our reserve strength remains fully intact and our capital position very strong. This allows us to continue to return excess capital to our shareholders."

Solid P&C Re net income, partially offset by lower investment result

P&C Re's net income for the first quarter of 2018 amounted to USD 345 million, translating into an annualised ROE of 13.5%. The combined ratio of 92.0% improved year-on-year, supported by low large loss experience. Prior-year development was slightly positive.

Gross premiums written grew 4.5% to USD 6.0 billion in the first quarter of 2018, primarily driven by favourable foreign exchange movements.

Enhanced portfolio through year-to-date renewals

Swiss Re maintained its underwriting discipline in the April renewals. Year-to-date, treaty premium volumes increased by 7%, while prices increased by 2%. The risk-adjusted price quality of the renewed portfolio improved 2 percentage points to 103% compared to the same period a year ago. It remained stable relative to the January 2018 renewal, exceeding the hurdle rate to achieve the Group's over-the-cycle ROE target.

L&H Re continued solid performance track record

L&H Re delivered net income of USD 201 million in the first quarter of 2018 supported by good investment income and large client transactions. The annualised ROE was 11.5%. The fixed income running yield for the quarter remained stable at 3.3% compared to the full year 2017.

Gross premiums written for the quarter were USD 4.0 billion compared to USD 3.2 billion in the first quarter last year, mainly due to premium growth in Asia and EMEA as well as a positive impact of foreign exchange movements.

Corporate Solutions grows, benefiting from an improved market environment

Corporate Solutions reported a net profit of USD 41 million in the first quarter of 2018. The result was influenced by business written in previous underwriting years where a soft market environment prevailed, leading to a combined ratio of 100.2% for the first three months of 2018. The annualised ROE for the first quarter was 7.0%. Gross premiums written[2] increased by 32.3% to USD 914 million in the first quarter of 2018, primarily driven by business growth across most regions and lines of business.

Corporate Solutions continued to progress on its strategy by investing in its Primary Lead capabilities. In the first quarter of 2018, the Business Unit

[2] Gross premiums written include premiums for insurance in derivative form, net of internal fronting for the Reinsurance Business Unit.

also continued to expand its office footprint. Although Corporate Solutions has been operating in Mexico since 2014, it enhanced its presence in the country in the first quarter by obtaining a license to provide direct insurance through a newly established local subsidiary.

Rates as well as terms and conditions have started to improve after last year's sizable natural catastrophe losses, albeit at a variable pace depending on the region and segment.

Life Capital delivered exceptional gross cash generation and continued to grow in primary life and health risk pools

Life Capital delivered an exceptional gross cash generation of USD 705 million in the first quarter of 2018. This reflected the underlying emerging surplus on the ReAssure business in the UK, a benefit from finalising the year-end 2017 Solvency II calculation and proceeds from the sale of the initial 5% stake in ReAssure to MS&AD.

As previously reported, in October 2017 MS&AD agreed to acquire an initial 5% stake in ReAssure. During the first quarter, MS&AD further increased its stake to 15% upon completion of the initial transaction.

The Business Unit's net income of USD 3 million for the first quarter of 2018 was negatively impacted by lower unit-linked and participating income as a result of the poor performance of the UK investment market.

Gross premiums written for the quarter more than doubled to USD 1.4 billion, mainly reflecting overall growth in the open book business and driven by a large medex transaction for iptiQ EMEA.

The Legal & General transaction announced in December 2017 started to be reflected in Life Capital's results in 2018 in the form of a risk transfer agreement; the Part VII transfer is expected to be completed in mid-2019, subject to regulatory approval.

Swiss Re to start public share buy-back programme on 7 May 2018

Having received Board and all required regulatory approvals, Swiss Re will launch its public share buy-back programme of up to CHF 1.0 billion purchase value on 7 May 2018. The programme underlines the Group's policy of returning capital to shareholders when excess capital is available, considering the company's capital management priorities. The public share buy-back programme was authorised by Swiss Re's shareholders at the company's AGM on 20 April 2018.

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

Leveraging technology for future growth

As outlined during its Investors' Day on 4 April 2018, Swiss Re continues to leverage its tech strategy – which focuses on four main pillars and is integrated in the overall business strategy – to support client competitiveness while helping the Group access new risk pools and manage existing ones more efficiently.

In 2016, Swiss Re launched the Blockchain Insurance Industry Initiative (B3i) in collaboration with other global industry members to leverage the application of blockchain technology in the insurance industry. In March 2018, 15 insurance and reinsurance companies became the founding shareholders of B3i Services Ltd which was incorporated in Zurich to develop and offer a range of blockchain-based services in insurance.

Swiss Re's Group Chief Executive Officer, Christian Mumenthaler, says: "While the P&C market continues to present opportunities, it remains challenging and current price levels remain insufficient for long-term sustainability. I am, however, positive on the outlook for our industry because risk pools themselves will continue to grow. We have built our business units on three strategic differentiators: client access, risk knowledge and capital strength. This, together with our fully embedded tech strategy, forms the basis of our future success. We will continue to work together with our clients to make the world more resilient."

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First quarter key figures (Q1 2017 vs Q1 2018)

		Q1 2017	Q1 2018	*Q1 2018* [1]
Consolidated Group (Total)	Gross premiums written (USD millions)	10 199	11 532	
	Net income (USD millions)	656	457	*678*
	Return on equity (%, annualised)	7.5	5.6	*8.3*
	Return on investments (%, annualised)	3.4	2.2	*3.2*
	Running yield (%, annualised)	2.9	2.8	
	Common shareholders' equity (USD millions)	35 126	32 321	
P&C Reinsurance	Gross premiums written (USD millions)	5 778	6 040	
	Net income (USD millions)	321	345	
	Combined ratio (%)	95.6	92.0	
	Return on equity (%, annualised)	10.8	13.5	
L&H Reinsurance	Gross premiums written (USD millions)	3 248	3 971	
	Net income (USD millions)	193	201	
	Running yield (%, annualised)	3.4	3.3	
	Return on equity (%, annualised)	11.6	11.5	
Corporate Solutions	Gross premiums written (USD millions)	717	923	
	Net income (USD millions)	55	41	
	Combined ratio (%)	99.6	100.2	
	Return on equity (%, annualised)	10.1	7.0	
Life Capital	Gross premiums written (USD millions)	652	1 404	
	Net income (USD millions)	73	3	
	Gross cash generation (USD millions)	336	705	
	Return on equity (%, annualised)	3.9	0.2	

[1] Excludes, for reference only, the impact of the new US 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.

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Media conference call

Swiss Re will hold a media call with a dial-in possibility this morning at 08:30 am (CEST). If you plan to dial in, you are kindly requested to call 10 minutes prior to the start using the following numbers:

From Switzerland:	+41 (0)58 310 50 00
From Germany:	+49 (0)69 505 0 0082
From UK:	+44 (0) 207 107 0613
From France:	+33 (0)1 7091 8706
From USA:	+1 (1) 631 570 56 13
From Hong Kong:	+852 5808 1769

Investors' and analysts' conference call

Swiss Re will hold an investors' and analysts' conference call this afternoon at 2 pm (CEST) which will focus on Q&A. You are kindly requested to dial in 10 minutes prior to the start using the following numbers:

From Switzerland:	+41 (0)58 310 50 00
From Germany:	+49 (0)69 505 0 0082
From UK:	+44 (0) 207 107 0613
From France:	+33 (0)1 7091 8706
From USA:	+1 (1) 631 570 56 13

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The Swiss Re Group is one of the world's leading providers of reinsurance, insurance and other forms of insurance-based risk transfer, working to make the world more resilient. It anticipates and manages risk – from natural catastrophes to climate change, from ageing populations to cyber crime. The aim of the Swiss Re Group is to enable society to thrive and progress, creating new opportunities and solutions for its clients. Headquartered in Zurich, Switzerland, where it was founded in 1863, the Swiss Re Group operates through a network of around 80 offices globally. It is organised into three Business Units, each with a distinct strategy and set of objectives contributing to the Group's overall mission.

For logos and photography of Swiss Re executives, directors or offices go to www.swissre.com/media

For media 'b-roll' please send an e-mail to media_relations@swissre.com

Cautionary note on forward-looking statements

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

Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase", "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 realize 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 companies, and developments adversely affecting the Group's ability to achieve improved ratings;
- uncertainties in estimating reserves;
- policy renewal and lapse rates;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes and certain large man-made losses, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs, lower-than expected benefits, or other issues experienced in connection with any such transactions;
- changing levels of competition, including from new entrants into the market; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks and the ability to manage cybersecurity risks.

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

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