

THIRD QUARTER 2015 results

Transcript of analyst and investor video presentation

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- changing levels of competition; and
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Good day everyone! Thank you for watching this presentation on Swiss Re's 2015 third quarter and first nine month results. My name is David Cole, I am Swiss Re's Group CFO. Let's start today's presentation with a look at the financial highlights included on slide 2.

Slide 2: All Business Units contributed to Swiss Re's very strong Q3 2015 results

Q3 2015 was a very strong quarter for Swiss Re, with positive contributions from all three of our Business Units. Group net income was 1.4 billion US dollars, bringing us to a total net income for the first nine months of 3.7 billion US dollars.

Both the Q3 ROE of 17.3% and the ROE for the first nine months of 14.5% demonstrate the quality of our underwriting and investment portfolios as well as the strength of our operating model.

During Q3 Reinsurance delivered 1.3 billion US dollars of net income underpinned by the continued strong underwriting performance of our underlying P&C and Life & Health businesses. Corporate Solutions reported a good ROE of 15% and Admin Re[®] generated strong gross cash of 126 million US dollars. The Group ROI for the quarter was a solid 3.2%.

The results of P&C Reinsurance and Corporate Solutions reflect our estimate of the losses relating to the Tianjin explosion in China. Our current estimate is 250 million US dollars net pre-tax, but there are considerable uncertainties associated with the assessment of the losses.

As you may recall, the Swiss regulator FINMA no longer requires us to file the Group SST 2 figure. However, let me emphasise that our Group economic solvency ratio remains comfortably above our risk tolerance level. This takes into account the recently announced Guardian acquisition, which we expect will impact the ratio by approximately 20 to 25 percentage points.

Considering the financial condition of the Group, we expect to launch the share buy-back programme in mid-November, subject to receiving approval from the Swiss Takeover-Board. The actual start date of the buy-back programme will be communicated by way of a formal announcement.

Slide 3: Key figures

On this page, you will find the usual overview of key figures and how they break down into our financial segments. Let's now take a look at the performance of P&C Re in more detail.

Slide 4: P&C Reinsurance delivers very strong results

This was a very strong quarter for P&C Reinsurance. The underwriting performance remained very good, reflecting the quality of the portfolio, and the reported combined ratio benefited from a benign nat cat environment and favourable prior-year developments. The combined ratio was impacted by the estimated loss of the Tianjin explosion. Our current P&C Re net pre-tax loss estimate for Tianjin is 235 million US dollars.

We continue to be pleased with the performance of our P&C Re operations and maintain our combined ratio estimate of 97% for 2015. Our underwriting performance taken together with a strong investment result led to an impressive ROE of 34.4% for the quarter.

Slide 5: L&H Reinsurance is on track to achieve its ROE target

Moving to Life & Health Reinsurance, I am pleased to report the continued strong performance of the business segment. We concluded several new longevity deals in the UK and continued to strengthen our relationship with key clients in Asia, including a number of large transactions.

The operating margin increased, benefiting from favourable model and assumption updates and improved variable annuity results. The strong operating result together with lower interest charges resulted in an ROE of 18.5% for the quarter. On an underlying basis, Life & Health Reinsurance is well on track to meet its ROE target for the full year.

Slide 6: Corporate Solutions manages the cycle and continues to deliver good results

Corporate Solutions remained disciplined and focused on the quality of its portfolio. During Q3 we experienced further market softening and therefore it is not surprising that the top line has reduced. At Q2, I mentioned we expect gross premiums written to be at the lower end of the 4 to 5 billion US dollar range for the full year. If market softening continues, achieving this presents a bigger challenge.

In terms of operating performance, the combined ratio of Corporate Solutions benefited from benign nat catastrophes and favourable prior-year development in the quarter. The same is true for the first nine months of the year. On an adjusted basis the combined ratio is 103.6%. We currently expect the full year adjusted combined ratio to exceed 98%. The primary reasons for this are the higher than expected experience of man-made loss events to date, our ongoing investments as we expand our footprint, and reduced premiums.

Turning to net income, I am pleased to report that Corporate Solutions delivered a good result in Q3 which translates into an annualised ROE at the top end of its 10 to 15% target range. This is even higher for the first nine months of the year, with an ROE of 18.7%.

Slide 7: Admin Re[®] generates strong gross cash

Admin Re[®] generated strong gross cash in Q3, supported by a positive impact relating to the finalisation of the UK half-year statutory valuation. The underlying gross cash generation is in line with our expectations.

The low ROE in this quarter mainly reflects the challenging investment markets in the UK, with the FTSE 100 and Gilt yields significantly down. Looking at the first nine months of this year, the ROE, at just over 6%, is at the lower end of our mid-term expectations.

Our current business portfolio in Admin Re[®] mainly consists of savings products and our income is impacted by the UK investment market performance. The recently announced Guardian transaction, will help to diversify and balance the portfolio by increasing the proportion of annuities.

Admin Re[®] has demonstrated its capability to successfully integrate acquired blocks of business. The HSBC UK Life Part VII migration was completed on time and with better economics than anticipated. All assets and liabilities from this transaction are now fully consolidated in the Q3 financial statements.

To conclude on Admin Re[®], I am sure you saw today's announcement that Thierry Léger will be joining Swiss Re's Group Executive Committee as CEO of Swiss Re Life Capital, effective January 1st 2016. I look forward to working with Thierry who brings a broad range of experience and will be leading the strategic development of this Business Unit.

Slide 8: Group investment portfolio produces a solid result

Moving on to investments, our asset management team has again delivered a solid performance in Q3 and we continue to maintain a high quality investment portfolio. Average invested assets decreased compared to the prior-year period, primarily due to transaction related net outflows as well as FX impacts.

During the third quarter of this year, we reduced cash and short-term investments and increased our corporate bond portfolio.

The return on investments reflects a good performance in the current environment. The majority of this result can be attributed to net investment income as well as realised gains from sales of government bonds and listed equities. We continue to see low levels of impairments, reflecting the portfolio's high quality, and our duration position remains generally matched. Finally our running yield during the quarter was slightly higher than during the previous quarter due to additional income, in part due to the increase in corporate bonds, as previously mentioned.

Slide 9: Increase in common shareholders' equity driven by net income

US GAAP common shareholders' equity increased during the third quarter driven by our strong net income. This increase was partly offset by pension adjustments, foreign exchange translation adjustments and unrealised losses driven by widening credit spreads and lower equity markets during the quarter.

Slide 10: Swiss Re is recognised for creating solutions for sustainability

Before I conclude with our financial targets, I would like to touch on our continued engagement in sustainability. We are proud that Swiss Re was again named the leader in the recently announced Dow Jones Sustainability Indices – this was the ninth time since 2004.

Sustainability is core to Swiss Re's long-term financial performance and is also increasingly a focus of investors.

We continue our efforts to engage with multiple stakeholders to create innovative solutions, such as the recent launch of China's first weather index insurance programme for cotton.

With that, I would like to turn to our financial targets.

Slide 11: On track to meet our 2011-2015 Group financial targets

The strong result reported today translates into an annualised ROE for the first nine months of 2015 of 14.5% and earnings per share of 10.7 US dollars. Our Economic Net Worth per share for the first half year was 140.9 US dollars. As a reminder, at full-year 2015 the Economic Net Worth will be impacted by the estimated economic loss incurred in relation to the acquisition of Guardian.

We are now almost at the end of our five year financial targets period and delivering on the targets remains our top priority. As you can see, we remain on track.

Finally, I hope to see many of you at our Investors' Day on the 8th of December in Rueschlikon. We will present there our strategic framework based on which we will operate in order to achieve our new set of financial targets.

Thank you very much for watching this video!

Corporate calendar & contacts

Corporate calendar

8 December 2015	Investors' Day in Rüslikon
23 February 2016	Annual results 2015
16 March 2016	Publication of Annual Report 2015 and EVM Report 2015
22 April 2016	152 nd Annual General Meeting
29 April 2016	First Quarter 2016 Results

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