

# News release

## Underwriting performance and strong investment results support Swiss Re half-year 2017 net income of USD 1.2 billion

- Group net income of USD 1.2 billion for the first six months of 2017; supported by disciplined underwriting and strong investment results
- Property & Casualty Reinsurance net income USD 546 million; impacted by large natural catastrophe insurance claims
- Life & Health Reinsurance net income USD 432 million; continued to report strong results
- Corporate Solutions net income USD 39 million; started joint venture with Bradesco Seguros S.A. in Brazil
- Life Capital gross cash generation at USD 532 million; open book activities continued to deliver attractive growth
- High quality asset portfolio provided strong return on investments of 3.5%
- Swiss Re's disciplined underwriting approach led to a stable year-to-date risk adjusted price adequacy for the renewed P&C Re portfolio at 102%

Zurich, 4 August 2017 – Swiss Re reported net income of USD 1.2 billion for the first six months of 2017. The result was supported by disciplined underwriting and strong investment returns, demonstrating that Swiss Re coped well with a business and market environment that continued to be challenging. The overall result was impacted by USD 360 million (net of retrocession and before tax) insurance claims in the aftermath of Cyclone Debbie in Australia. Based on the company's very strong capital position, Swiss Re is well positioned to respond to market opportunities while continuing to focus on its capital management priorities.

Swiss Re's Group Chief Executive Officer, Christian Mumenthaler, says: "In the first half of 2017, we reported a solid result – despite the challenging market environment and having paid significant claims in the aftermath of natural catastrophes. While in the short term these drivers, especially the pricing pressures, are concerning and are being addressed, we are steering our company with long-term value creation in mind."

### **Solid half-year results despite challenging market conditions**

Swiss Re reported net income of USD 1.2 billion for the first six months of 2017 supported by solid underwriting performance and strong investment results. The decline compared to the prior year was primarily driven by the

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absence of large one-off realised gains within the investment portfolio in Life Capital in 2016, which did not recur, as expected, in 2017.

The Group generated an annualised return on equity (ROE) of 7.0% in the first six months of 2017, with earnings per share (EPS) of CHF 3.75 or USD 3.76, compared with CHF 5.51 or USD 5.61 for the prior-year period. The Group's annualised return on investments (ROI) was 3.5% as the investment portfolio continued to provide strong and sustainable returns. The ROI was driven by net investment income as well as net realised gains, largely from sales of equity securities. The fixed income running yield was 2.9% consistent with the full-year 2016 running yield.

Gross premiums written for the half-year decreased 8.3% to USD 18.1 billion due to disciplined underwriting and active portfolio management.

Common shareholders' equity remained broadly stable at USD 34.4 billion as of 30 June 2017. Book value per common share was CHF 102.57 or USD 107.10 at the end of June 2017, compared with CHF 107.64 or USD 105.93 at the end of December 2016.

Swiss Re's capitalisation remains very strong, as shown by its Group SST 2017 ratio of 262%. Swiss Re believes it is well positioned to weather any headwinds while continuing to focus on its capital management priorities and to respond to market opportunities.

Swiss Re's Group Chief Financial Officer, David Cole, says: "While our property and casualty segments continued to experience pricing pressure in line with the overall industry and market environment, our life and health segments have delivered stable or even improved results. This shows the importance of having a diversified business model which can help to balance out volatility in individual areas. In addition, it is a differentiating factor that, together with our strong client relationships, can support our long-term value creation."

### **Solid P&C Reinsurance results despite challenging business environment**

Net income in the first six months of 2017 was USD 546 million supported by a solid underwriting performance. Last year's net income benefited from positive foreign exchange movements which did not repeat in 2017. The result includes insurance claims from Cyclone Debbie in Australia of USD 320 million (net of retrocession and before tax).

The annualised ROE for the first half was 9.1% and the combined ratio remained stable at 97.4%, benefiting from favourable prior-year development.

Gross premiums written declined by 15.5% to USD 9.4 billion for the first six months of 2017. This was the result of a disciplined reduction in capacity where prices did not meet Swiss Re's profitability expectations.

### **July P&C Reinsurance treaty renewals show disciplined underwriting strategy**

Following the July P&C Re treaty renewals, which focus mainly on the Americas, Swiss Re maintained an attractive portfolio. The treaty premium volume for the July renewals decreased by 10% and the year-to-date volume declined by 13%, as Swiss Re continued to allocate capital only to those opportunities that meet the Group's profitability criteria. The year-to-date risk adjusted price quality of the renewed portfolio was stable at 102%. The rate decreases for property and casualty reinsurance continued to slow down. Casualty rates remained generally more stable but with significant differences by market and product.

### **L&H Reinsurance delivered stable underwriting performance; strong 12.7% ROE**

A stable underwriting performance generated USD 432 million in net income for the first six months of 2017. In addition, the result also benefited from higher realised gains and the annualised ROE was strong at 12.7%.

Gross premiums written declined 2.8% to USD 6.4 billion mainly due to changes in intra-group retrocession agreements and foreign exchange rate movements. New business growth continued with successful renewals and wins in the Americas and in Asia.

High growth markets are expected to see strong increases in primary life and health volumes and cession rates are expected to be stable. In Asia for example, Swiss Re expects the region's primary life insurance premiums to grow by 6%, in real terms per annum in the coming decade. L&H Re will continue to pursue business in high growth markets and in large transactions, including longevity deals. The rapid ageing of the world's population presents an opportunity to explore new ways to create affordable, accessible solutions and help ensure longer lives can be funded.

### **Corporate Solutions results impacted by high natural catastrophe losses and continued pricing pressure**

The Business Unit generated a net income of USD 39 million in the first six months of 2017. The result was impacted by higher natural catastrophe losses compared to the same period of 2016 and continued pricing pressure, offset by income from investment activities. The combined ratio was 104.5% in the first six months of 2017, driven by high natural catastrophe losses, negative prior-year development and continued pricing pressure. The annualised ROE was 3.6%.

Gross premiums written<sup>1</sup> decreased by 4.7% to USD 1.7 billion, impacted by cycle-related pricing pressure in most business segments.

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<sup>1</sup> Including premiums for insurance in derivative form, net of internal fronting for the Reinsurance Business Unit.

In July 2017, Corporate Solutions commenced its announced joint venture with Bradesco Seguros S.A. in Brazil, creating one of the country's leading large-risk insurers, enabling innovative products to be delivered through an established distribution network.

The Business Unit continued to invest in its primary lead capabilities and further broadened its footprint by opening offices in Kuala Lumpur, Malaysia and Manchester, United Kingdom.

**Life Capital delivered strong gross cash generation and made significant dividend payment to the Group**

During the first six months of 2017, net income declined to USD 143 million. This decline was primarily driven by the absence of large one-off realised gains within the investment portfolio in 2016, which did not repeat, as expected, in 2017. The annualised ROE was 4.0%.

The Business Unit generated strong gross cash of USD 532 million during the first six months of 2017, driven by the underlying surplus on the ReAssure business and a benefit from the finalisation of the year-end statutory valuation. The strong capital position enabled Life Capital to make a significant dividend payment of USD 1.1 billion in the second quarter to the Swiss Re Group.

Gross premiums written increased by 5.2% to USD 932 million during the first half of 2017, due to growth in both the group and individual open life and health insurance business.

Life Capital will continue to pursue selective acquisition opportunities within the closed book market in UK while also growing its individual and group life and health business in Europe and the US. It aims to continue to generate significant cash while investing in its open book strategy.

**Further integration of clear sustainability criteria into Swiss Re's investment strategy**

In July, Swiss Re announced the implementation of benchmarks that systematically integrate environmental, social and governance (ESG) criteria into its investment decisions, as one of the first movers in the industry. This represents a step forward from considering ESG as an "add-on" approach to making it an integral part of Swiss Re's investment process. Swiss Re is convinced taking ESG criteria into account makes economic sense and reduces downside risks especially for long-term investors. Additionally, Swiss Re avoids investments in companies that generate 30% or more of their revenues from thermal coal mining or use at least 30% thermal coal for power generation. It has divested from all related equity positions and the vast majority of its fixed income holdings that meet this criteria.

**Innovation continues to be at the core of Swiss Re**

Technological advances will impact insurance risks and how insurance products will be distributed. Therefore, it remains a key priority for Swiss Re to stay ahead of industry developments. In July, Corporate Solutions launched Insur8, the first-ever typhoon warning insurance product for businesses operating in Hong Kong. This new product indemnifies local businesses against loss of earnings caused by forced shut-downs and additional operating costs stemming from a signal 8 or above typhoon warning issued by the Hong Kong Observatory.

The first half of the year also saw the launch of World Bank bonds that will support the Pandemic Emergency Financing Facility (PEF) – a pioneering instrument to channel first-response surge funding to developing countries facing the risk of a pandemic. Swiss Re Capital Markets Ltd. is a joint structurer and the sole book-runner for the cat bond transaction. This marked the first time pandemic risk was being transferred to the capital markets to cover low-income countries.

Group Chief Executive Officer Christian Mumenthaler says: "We acknowledge that the market environment remains difficult. At the same time, we take decisive measures addressing the industry challenges head on. We will continue to be selective in choosing the risks we underwrite, aiming to ensure future profitability. We are equally determined to put our knowledge and leadership position to work and collaborate with our clients. I am confident the long-term trends for our industry are positive as risk pools will continue to grow."

**Details of year-to-date performance (H1 2016 vs H1 2017)**

		H1 2016	H1 2017
<b>Consolidated Group</b> (Total) <sup>2</sup>	Gross premiums written (USD millions)	19 798	18 145
	Net income (USD millions)	1 866	1 211
	Return on equity	10.9	7.0
	Earnings per share (USD)	5.61	3.76
	Return on investments (% annualised)	3.7	3.5
	Running yield (% annualised)	3.0	2.9
	Common shareholders' equity (USD millions)	34 532	34 373
	SST ratio (%) <sup>3</sup>	261	262
<b>P&amp;C Reinsurance</b>	Gross premiums written (USD millions)	11 124	9 404
	Net income (USD millions)	870	546
	Combined ratio (%)	97.2	97.4
	Net operating margin (%)	13.6	10.0
	Return on investments (% annualised)	3.5	3.0
	Return on equity (% annualised)	13.7	9.1
<b>L&amp;H Reinsurance</b>	Gross premiums written (USD millions)	6 586	6 399
	Net income (USD millions)	417	432
	Net operating margin (%)	10.7	11.2
	Return on investments (% annualised)	3.8	4.2
	Running yield (% annualised)	3.5	3.4
	Return on equity (% annualised)	12.6	12.7
<b>Corporate Solutions</b>	Gross premiums written (USD millions)	1 813	1 745
	Net income (USD millions)	55	39
	Combined ratio (%)	101.6	104.5
	Net operating margin (%)	2.6	2.4
	Return on investments (% annualised)	2.3	3.4
	Return on equity (% annualised)	4.8	3.6
<b>Life Capital</b>	Gross premiums written (USD millions)	886	932
	Net income (USD millions)	569	143
	Net operating margin (%)	41.4	13.9
	Return on investments (% annualised)	4.4	3.4
	Return on equity (% annualised)	18.1	4.0
	Gross cash generation (USD millions)	116	532

<sup>2</sup> Also reflects Group Items, including Principal Investments.

<sup>3</sup> Swiss Solvency Test (SST) refers to an annual ratio for years 2016 and 2017. The reported 2016 figure of 223% was adjusted to reflect recent calculation changes implemented by FINMA, which has changed the SST calculation effective 1 January 2017. When calculated on this basis, the SST ratio for 2016 is 261%.

**Video presentation and slides**

A video presentation and transcript of Swiss Re's results for media and analysts and the accompanying slides are available on [www.swissre.com](http://www.swissre.com).

**Media conference and call**

Swiss Re will hold a media conference with a dial-in possibility this morning at 10:30 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 5000
From Germany:	+49 (0)69 505 0 0082
From UK:	+44 (0)203 059 5862
From France:	+33 (0)17091 8706
From USA:	+1 (1)631 570 5613
From Hong Kong:	+852 58 08 1769

**Investors' and analysts' conference call**

Swiss Re will hold an investors' and analysts' conference call this afternoon at 1:30 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:

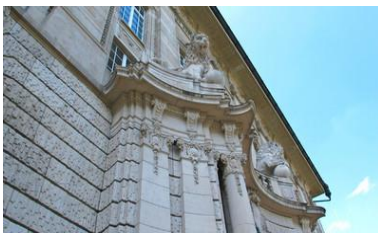
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From UK:	+44 (0)203 059 5862
From France:	+33 (0)1 7091 8706
From USA:	+1 (1) 631 570 5613
From Australia:	+61 28 073 0441

### About Swiss Re

The Swiss Re Group is a leading wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Dealing direct and working through brokers, its global client base consists of insurance companies, mid-to-large-sized corporations and public sector clients. From standard products to tailor-made coverage across all lines of business, Swiss Re deploys its capital strength, expertise and innovation power to enable the risk-taking upon which enterprise and progress in society depend. Founded in Zurich, Switzerland, in 1863, Swiss Re serves clients through a network of around 80 offices globally and is rated "AA-" by Standard & Poor's, "Aa3" by Moody's and "A+" by A.M. Best. Registered shares in the Swiss Re Group holding company, Swiss Re Ltd, are listed in accordance with the International Reporting Standard on the SIX Swiss Exchange and trade under the symbol SREN. For more information about Swiss Re Group, please visit: [www.swissre.com](http://www.swissre.com) or follow us on Twitter @SwissRe.

For logos and photography of Swiss Re executives, directors or offices go to [www.swissre.com/media](http://www.swissre.com/media)

For media 'b-roll' please send an e-mail to [media\\_relations@swissre.com](mailto: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:

- further instability affecting the global financial system and developments related thereto;
- further deterioration in global economic 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;
- 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 its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their mark-to-market values recorded for accounting purposes;



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

These factors are not exhaustive. 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.

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