Swiss Re

News release

Swiss Re reports solid first quarter 2017 net income of USD 656 million

- Solid Group net income at USD 656 million for the first quarter 2017 after USD 350 million expected insurance claims from Cyclone Debbie
- Property & Casualty Reinsurance net income USD 321 million, ROE 10.8%; P&C Re portfolio remains attractive following April renewals
- Life & Health Reinsurance net income USD 193 million, ROE 11.6%; business continues to generate stable earnings
- Corporate Solutions net income of USD 55 million, ROE of 10.1%; new office opened in Malaysia
- Life Capital gross cash generation strong at USD 336 million, net income USD 73 million, ROE 3.9%; open book activities continue to deliver attractive growth
- High quality asset portfolio provides solid return on investments of 3.4%; 2.9% running yield stable compared to year-end 2016
- Swiss Re maintains very strong capitalisation with Group SST ratio at 262%; well positioned to respond to market opportunities

Zurich, 4 May 2017 – Despite expected insurance claims from Cyclone Debbie in Australia and pressures from a challenging business environment, Swiss Re generated a solid Group net income of USD 656 million in the first quarter of 2017. The annualised Group return on equity (ROE) of 7.5% demonstrates Swiss Re is able to generate positive returns even when challenged by rate pressures, low interest rates and natural catastrophe losses. The Group capitalisation remains very strong with an SST ratio of 262%, and Swiss Re remains well positioned to respond to market opportunities while continuing to focus on its capital management priorities. As a reminder, Swiss Re has adjusted the format of its financial reporting for its first and third quarters to promote a longer-term view of its performance and align with recent changes in reporting practices across Europe.

Swiss Re's Group Chief Executive Officer, Christian Mumenthaler, says: "I am satisfied with our performance in the first quarter, given the challenging market environment. We have responded decisively to the continued pricing pressure across the industry by not accepting unprofitable business, and our top line clearly shows that. Our high-quality investment portfolio continues to make a significant contribution to the

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overall result. Events like Cyclone Debbie do take a toll on our short-term performance, but more than anything, they take a toll on people's lives, destroy infrastructure and weaken economies. At the same time, natural catastrophes like this one underscore the purpose of the insurance industry overall. It is during such times that we can deliver our core services and demonstrate the value we provide to our clients and to society."

Solid first quarter results in a challenging environment
Swiss Re reported solid net income of USD 656 million for the first quarter of 2017. The decline was primarily driven by the expected insurance claims in the aftermath of Cyclone Debbie. In addition, some large one-off realised gains in Life Capital, which supported prior-year's first quarter results, were not repeated. Overall, Swiss Re expects its insurance claims for Cyclone Debbie to amount to approximately USD 350 million at a Group level, with around USD 320 million being incurred by P&C Re and approximately USD 30 million by Corporate Solutions.

The Group generated an annual ROE of 7.5% in the first quarter while it continued to invest into its business. This was done in an environment still characterised by low interest rates and sluggish overall global economic growth. The Group's annualised return on investments (ROI) was 3.4% and the fixed income running yield was 2.9%.

Gross premiums written for the quarter declined 10.5% to USD 10.2 billion, as Swiss Re applied its disciplined underwriting approach and carefully selected the risk pools to which it allocates capital. Measured at constant foreign exchange rates, the decline would have been 8.8%.

Swiss Re's capitalisation remains very strong, with the Group's Swiss Solvency Test (SST) ratio for 2017 increasing slightly to 262%, comfortably above Swiss Re's respectability level of 220% and one percentage point higher than last year's figure. The reported 2016 figure of 223% was adjusted to reflect recent calculation changes implemented by the Swiss Financial Markets Supervisory Authority (FINMA) to align the SST ratio more closely with Solvency II. Swiss Re is well positioned to weather any significant headwinds while continuing to focus on its capital management priorities.

Swiss Re's Group Chief Financial Officer, David Cole, says: "The satisfactory result in the first quarter demonstrates our ability to deliver in a difficult market environment while we continue to invest in building the long-term value of our businesses. Our capital position remains very strong and our reserve strength intact. Disciplined underwriting allows us to allocate capital to selected opportunities which we believe will support our future success."

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P&C Re results impacted by Cyclone Debbie expected claims

Expected claims of USD 320 million from Cyclone Debbie impacted P&C Re's results in the first quarter. As the majority of home and contents policies sold by Australian insurers include cyclone damage, the reinsurance cover will help people and businesses rebuild.

Net income in the first quarter still amounted to a solid USD 321 million and annualised ROE was 10.8%. The combined ratio increased only slightly to 95.6%, as natural catastrophe losses were partly offset by favourable prior-year development.

With the pricing environment continuing to be difficult, Swiss Re strictly followed its disciplined underwriting approach, ensuring it receives an adequate price for the protection it provides. The decline in gross premiums written by 17.6% to USD 5.8 billion in the first quarter was therefore the result of the active reduction in capacity, in particular in EMEA and Chinese quota share business, partly because prices did not meet profitability expectations. Measured at constant foreign exchange rates, the decrease would have been 15.6%.

A significant milestone in the first quarter was the opening of Swiss Re's new India branch in Mumbai in February 2017. The company was among the first five foreign reinsurance companies to obtain a license to sell reinsurance in India. The Indian insurance sector is expected to grow at an average annual growth rate of 8% from 2017 to 2025. Swiss Re will therefore be able to offer both non-life and life and health reinsurance solutions directly to clients and brokers in the country.

Attractive portfolio maintained at April renewals

In the April treaty renewals Swiss Re maintained its underwriting discipline and reduced capacity in business which did not meet its profit expectations. Premium volume decreased by 2%. The year-to-date risk-adjusted price quality remains at 101%, the same as during the January renewals, exceeding the hurdle rate to achieve Swiss Re's targeted Group ROE over the cycle. Swiss Re maintained an attractive portfolio, supported by large and tailored transactions.

L&H Re continued good performance track record

L&H Re delivered good net income of USD 193 million in the first quarter. The annualised ROE of 11.6% was at the upper end of the 10%-12% range Swiss Re has set for this business segment as an over-the-cycle target. The result was impacted by a few large claims in US Individual Life business and lower foreign exchange gains, but benefited from stable investment income. The fixed income running yield for the quarter remained stable at 3.4% compared to the full year 2016.

Gross premiums written for the quarter were slightly down compared to the first quarter last year, mainly due to changes in some intra-group retrocession agreements and foreign exchange rate movements. Adjusted for these agreements as well as for currency effects, the premiums grew 2.2%, highlighting L&H Re's ongoing success in identifying attractive growth opportunities.

Corporate Solutions reported solid results, despite claims from Cyclone Debbie

Swiss Re's Corporate Solutions unit delivered solid net income of USD 55 million in the first quarter. The result was mainly impacted by Cyclone Debbie, for which Corporate Solutions expects to incur claims of approximately USD 30 million. The annualised ROE for the first quarter was 10.1%.

Gross premiums written decreased by 10.8% to USD 717 million in the first quarter of 2017. The premium volume in the first quarter last year benefited from the acquisition of IHC Risk Solutions, LLC. Additionally, cycle-related pricing pressure continued in many of the markets where Corporate Solutions is active. The combined ratio for the first quarter was 99.6%.

As part of its strategy to invest in attractive long-term growth, Corporate Solutions expanded its footprint in Asia and opened a new office in Kuala Lumpur in March 2017. The office will focus on servicing large and mid-sized Malaysian businesses.

Life Capital delivered strong gross cash generation

Life Capital continued to deliver on its strategy to optimise cash generation. In the first quarter of 2017, gross cash generation amounted to a strong USD 336 million. This reflected the underlying emerging surplus on the ReAssure business in the UK and a benefit from finalising the year-end statutory valuation.

At the same time the Business Unit generated a net income of USD 73 million. As expected, large one-off realised gains on the investment portfolio in Q1 2016 were not repeated. The annualised ROE for the first quarter was 3.9%.

Gross premiums written for the quarter increased to USD 652 million driven by growth in the open books business, which demonstrates how Life Capital is increasing Swiss Re's access to attractive and growing risk pools in the life and health markets.

Strategic priorities for the future

Swiss Re applies fresh perspectives and proprietary knowledge to allocate its capital to attractive risk pools. It continues to invest in its research and development activities, further strengthening its position as a risk knowledge company. The launch of the Swiss Re Institute in March 2017 is a good example of this. Its focus on providing research on pressing industry topics, ranging from cyber risks to food security, will help Swiss Re to support society in closing global protection gaps.

The establishment of a dedicated regional legal entity in Singapore, for its Reinsurance Business Unit, which was announced in April, demonstrates the company's ongoing commitment to Asia. As one of the region's largest reinsurers, Swiss Re will continue to combine its global knowledge with even deeper insights into local and industry needs, to benefit its clients and partners.

These efforts, together with the successful application of Swiss Re's existing strategic framework, position the Group well to meet market challenges and take advantage of the opportunities that emerge as protection needs develop.

Swiss Re's Group Chief Executive Officer, Christian Mumenthaler, says: "We see that risk pools continue to expand, even though we expect the overall environment to keep us on our toes. We will remain selective about the risks we accept. Our unique client relationships, strong capital base and deep risk knowledge enable us to deploy our strengths to help our clients and society at large."

First quarter key figures (Q1 2016 vs Q1 2017)

		Q1 2016	Q1 2017
Consolidated Group (Total) [1]	Gross premiums written (USD millions)	11 395	10 199
	Net income (USD millions)	1 229	656
	Return on equity (%, annualised)	14.6	7.5
	Return on investments (%, annualised)	3.7	3.4
	Running yield (%, annualised)	3.0	2.9
	Common shareholders' equity (USD millions)	34 827	35 126
	SST ratio (%)[2]	261	262
P&C Reinsurance	Gross premiums written (USD millions)	7 008	5 778
	Net income (USD millions)	587	321
	Combined ratio (%)	93.3	95.6
	Return on equity (%, annualised)	19.1	10.8
L&H Reinsurance	Gross premiums written (USD millions)	3 405	3 248
	Net income (USD millions)	244	193
	Running yield (%, annualised)	3.5	3.4
	Return on equity (%, annualised)	16.1	11.6
Corporate Solutions	Gross premiums written (USD millions)	804	717
	Net income (USD millions)	80	55
	Combined ratio (%)	90.4	99.6
	Return on equity (%, annualised)	13.5	10.1
Life Capital	Gross premiums written (USD millions)	603	652
	Net income (USD millions)	321	73
	Gross cash generation (USD millions)	-25	336
	Return on equity (%, annualised)	21.2	3.9

[1] Also reflects Group Items, including Principal Investments.
[2] 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%.

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Notes to editors

Media call
Swiss Re will hold a media call this morning at 8:30 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 50 500 082
From UK:	+44 (0)203 059 5862
From France:	+33 (0)17091 8706
From USA:	+1 (1) 866 291 41 66
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 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 5000
From Germany:	+49 (0)69 25 511 4445
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 or follow us on Twitter @SwissRe.

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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 cyclicality 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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