

THIRD QUARTER 2016 results

Transcript of investor and analyst video presentation

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- 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;
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- 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 Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
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- changing levels of competition; and
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[David Cole]

Thank you for watching this presentation on Swiss Re's third quarter and first nine months 2016 results. I am David Cole, 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 strong Q3 2016 results

Q3 2016 was a strong quarter for Swiss Re, with positive contributions from all our Business Units. Group net income was 1.2 billion US dollars, bringing us to a total net income for the first nine months of 3.0 billion dollars.

Both the Q3 ROE of 12.8% and the ROE for the first nine months of 11.6% demonstrate the continued quality of our underwriting and investment portfolios in a challenging environment.

During Q3 Reinsurance delivered 896 million dollars of net income underpinned by the continued solid underwriting performance of our P&C and Life & Health businesses.

Corporate Solutions reported an ROE of 16.5% and Life Capital generated strong gross cash of 248 million dollars. The Group ROI for the quarter was a strong 3.5%.

Our Group economic solvency ratio remains comfortably above our risk tolerance level.

FINMA is expected to introduce some changes to the Swiss Solvency Test in January 2017. We would expect these to have a positive impact on our Group SST ratio, while not impacting our excess capital over the 100% minimum requirement. We will update you in due course on these changes and potential implications. Considering the current financial condition of the Group, we will launch the share buy-back programme on 4 November 2016, as we have meanwhile received all the necessary approvals.

Slide 3: Key figures

On this page, you will find the usual overview of key figures for the Group as well as for each of our segments. Let's now take a look at the performance of Property & Casualty Reinsurance in more detail.

Slide 4: P&C Reinsurance delivers strong results in a difficult market environment

With an annualised return on equity of 21.6% for the quarter, P&C Re delivered a strong result. The underwriting performance benefited from benign large nat cat losses and favourable prior-year development across all main lines of business. The quarter was, however, impacted by a series of agricultural losses in Europe resulting from extreme weather conditions.

While market conditions remain challenging, we continue to successfully execute our differentiation strategy with premium growth driven by large and tailored transactions in both the US and Europe.

Slide 5: L&H Reinsurance continues to deliver good results

Moving to Life & Health Reinsurance.

The business segment reports another quarter of good results and remains within its target ROE range. The ROE for the first nine months also remains strong, despite an inflated equity base from unrealised gains.

On the income side, the quarter's underwriting result was in line with expectations and the business segment benefited from a strong contribution from Asset Management. The net operating margin of 11.6% reflects the quality of our Life and Health portfolio.

Slide 6: Corporate Solutions delivers solid results in a challenging market

Corporate Solutions remained disciplined and focused on the quality of its portfolio during Q3. Further market softening meant that gross premiums written remained stable.

In terms of operating performance, the combined ratio of Corporate Solutions benefited from the absence of large nat cat events and from favourable prior-year development in the quarter. However, when assuming an average large loss burden, we currently expect the full-year combined ratio to exceed the 101% estimate we provided at the beginning of the year. The reasons for this are higher than expected small and medium sized losses and the fact that we continue to invest in the growth to broaden Corporate Solutions' business capabilities and footprint.

Recently we opened an office in Hong Kong and on October 13th we announced the launch of a joint venture with Bradesco Seguros, creating a leading commercial large-risk insurer in Brazil once completed. This transaction contributes to Corporate Solutions' strategy by enhancing its market position in Latin America.

Slide 7: Life Capital achieves a strong performance

During the third quarter Life Capital delivered against all performance metrics, continuing the track record set year-to-date.

The increase in gross premiums written was supported by the growth of the open book life and health businesses.

In spite of the impact from UK interest rates falling further in the third quarter, Life Capital delivered strong gross cash generation during the period.

EBIT and net income were also strong, supported by the underlying performance of the business as well as a positive UK investment market performance.

The return on equity for the quarter was 7.8%, at the upper end of the 6 to 8% mid-term target range.

Looking ahead, we will continue to accelerate the growth in Life Capital's open books as well as seek attractive opportunities in the closed book space.

Slide 8: Group investment portfolio maintains strong track record despite a challenging yield environment

Our Asset Management team continues to deliver strong results, notwithstanding the challenging market environment and low yields; in Q3 2016, the return on investments was 3.5%.

Our overall invested asset base increased from the prior year, driven primarily by the Guardian acquisition which also increased our credit allocation.

We reduced our equities position throughout the quarter, realising profits from the positive market performance over the recent periods. In turn, net realised gains were moderately higher versus the prior year.

Our running yield continues to be negatively impacted by the low level of reinvestment yields and, as a result, was below last year's level.

Impairments remain low relative to the overall portfolio, reflecting its high quality.

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

US GAAP common shareholders' equity increased during the third quarter driven by our strong net income and unrealised gains, mainly from movements in credit spreads. This increase was partially offset by pension adjustments, due to assumption changes on mortality and interest rates.

Slide 10: Swiss Re's innovative solutions for sustainability are widely recognised

Before I conclude, let me touch on our widely recognised engagement in sustainability.

We are proud that Swiss Re was again named industry leader in the prestigious Dow Jones Sustainability Indices, as well as being sector leader in the CDP financials, and receiving other sustainability awards. This external recognition underscores the measures we take to operate as a responsible company, be it with regards to underwriting, investments or our own environmental footprint.

We also continue our efforts to engage with insurance clients and governments to create innovative solutions. Recent examples include parametric insurance deals with two Chinese provincial governments and the reinsurance cover we provide to the US Government, through the Federal Emergency Management Agency.

Finally, I hope to see many of you at our Investors' Day on the 2nd of December, when we will update you on our business priorities and strategy.

Thank you for watching this presentation on Swiss Re's third quarter and nine months 2016 results!

Corporate calendar & contacts

Corporate calendar

2 December 2016	Investors' Day
23 February 2017	Annual results 2016
16 March 2017	Publication of Annual Report 2016 and EVM Report 2016
21 April 2017	153 rd Annual General Meeting
4 May 2017	First Quarter 2017 Results

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