

Swiss Re delivered a Group net income of USD 331 million, supported by a continued solid underwriting performance and a strong investment result.

The global economy and financial markets

Global growth improved in 2017. Long-term bond yields remained low while equity markets rallied.

Global growth improved in 2017, while inflation remained moderate. Long-term bond yields remained low despite a reduction of monetary stimulus by some of the major central banks. Stock markets performed well in this environment.

Global economy

The US economy, after a weak first quarter, returned to robust growth in the third quarter of 2017, despite disruptions caused by hurricanes Harvey and Irma. The Euro area economy outperformed expectations and accelerated significantly compared to 2016. The pick-up in growth was broadly based across Euro area member countries. Nevertheless, the level of real economic output has still not recovered to pre-global-financial-crisis levels in a number of countries, including Greece, Italy and Portugal. Growth in the United Kingdom was weaker than in the Euro area as Brexit-related uncertainty hampered business investment. Elevated inflation in the United Kingdom eroded consumer purchasing power and thus spending. The Japanese economy outperformed expectations in the first half of 2017, driven mainly by a recovery in exports.

Headline inflation continued to increase in the major markets, driven by the price of oil, which was higher on average in 2017 compared to 2016. However, underlying inflation (excluding energy prices) as well as wage increases remained moderate despite broad-based

declines in unemployment. In the US, wage gains decelerated to about 2.5% year on year in 2017, down from 2.9% in December 2016. Similarly, wage growth in the UK slowed in 2017 compared to 2016, despite record low unemployment.

Economic performance in emerging markets varied. GDP growth in emerging Asia remained strong. China's economy continued to grow at a rapid pace, despite increasing government efforts to de-risk the financial sector and reduce excess industrial capacity. Growth in India slowed in 2017, likely due to the government's demonetisation programme initiated in November 2016. Growth in the Middle East also slowed, mainly driven by a contraction in Saudi Arabia and a slowdown in UAE and Iran. In Central and Eastern Europe (CEE), the economic expansion accelerated significantly in 2017, driven primarily by CEE EU-member countries, although the Russian economy also expanded after having contracted in the previous two years.

Overall, economic growth in Africa improved in 2017, but varied significantly by region. Growth in the commodity-intensive countries in sub-Saharan Africa benefited from stronger commodity prices. While South Africa, Nigeria and Angola emerged from recession, economic recovery has been weak. Non-commodity intensive markets continued to deliver solid-to-strong growth based on infrastructure investments. Latin America's aggregate real GDP growth also improved in 2017 as Brazil and Argentina returned to growth. The expansion in the region, however, remained modest overall.

Interest rates

Some of the major central banks reduced their monetary stimulus measures in 2017. The US Federal Reserve (Fed), which had already increased interest rates in late 2015 and 2016 by 25 basis points each, raised interest rates three more times in 2017. In addition, the Fed stopped reinvesting some of the maturing debt securities as of October 2017, which will lead to a gradual reduction of its balance sheet.

The Bank of England raised interest rates for the first time in over a decade in November 2017, reversing the post-Brexit vote emergency cut. In October,

**US 10-year Treasury
bond yield**
Year-end 2017

2.4%

German 10-year Bund yield
Year-end 2017

0.4%

the European Central Bank (ECB) announced an extension of its monthly asset purchases until September 2018 or beyond, while stating that it planned to reduce the volume of monthly purchases in half as of January 2018. Despite these adjustments, central bank monetary policies in advanced markets remain very loose overall. Low levels of inflation provided scope for monetary policy easing in a number of emerging markets, including Brazil, Russia and India.

Despite initial moves towards less accommodative monetary policies in some advanced markets and stronger growth, long-term government bond yields were broadly unchanged on the year (see interest rates chart). The US 10-year yield ended the year at 2.4%, the UK yield at 1.2% and the Japanese yield at 0%. The yield on the German 10-year government bond was up modestly and ended the year at 0.4%, compared to 0.2% at the end of 2016.

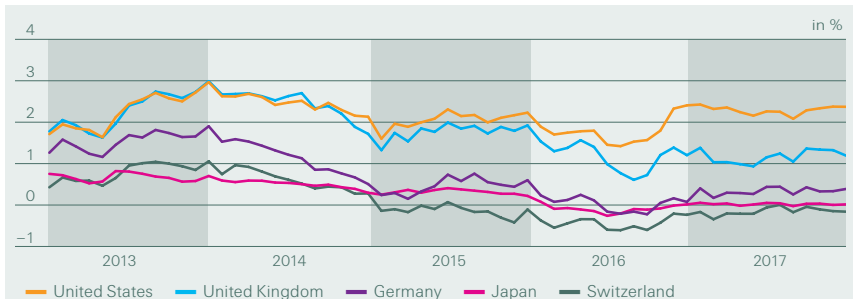
Stock market performance

Stronger growth, moderate inflation and continued support from central banks supported stock markets in 2017 (see stock markets chart). The US S&P 500 gained 19%, the Japanese TOPIX 18% and the Swiss Market Index 14%. The Eurostoxx50 and the MSCI UK increased by a more moderate 6% and 7%, respectively.

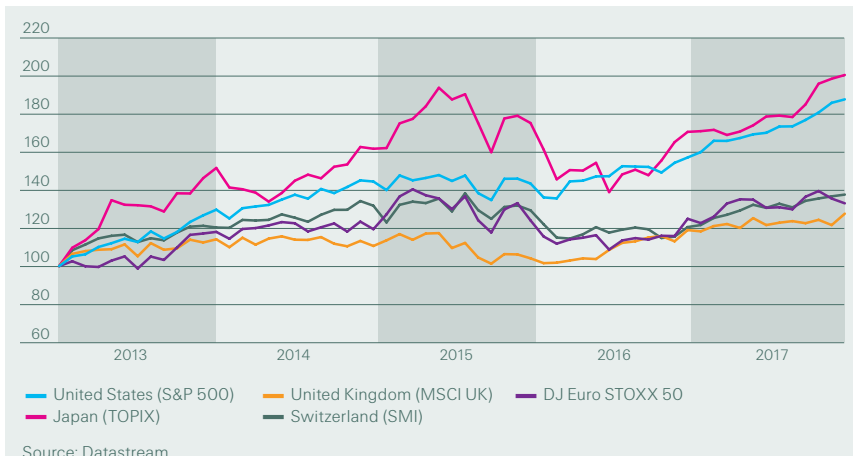
Currency movements

The US dollar weakened versus other major currencies during 2017. The election of Donald Trump in November 2016 had raised expectations of stronger growth, higher inflation and higher interest rates, which caused the US dollar to appreciate in late 2016. During the course of 2017, expectations of increased US public spending and tax cuts were scaled back, causing the US dollar to weaken again. The British pound was up 10% versus the US dollar in 2017, and the euro gained 14%, helped

INTEREST RATES FOR 10-YEAR GOVERNMENT BONDS 2013–2017



STOCK MARKETS 2013–2017



Financial year

The global economy and financial markets

by stronger than expected growth in the Euro area. The Japanese yen and the Swiss franc were up by a more moderate 4% and 5% versus the US dollar, respectively. The latter two currencies are typically perceived as “safe havens” and became relatively less attractive as economic confidence improved.

Economic risks affecting re/insurers

There are both upside opportunities and downside risks to the economic outlook. China stepped up efforts to deleverage corporate debt in 2017. This has helped contain, but not resolve, the problem of lingering credit risks in China. The risk of protectionism has increased under the current US administration. This could result in a global trade war that has the potential to harm growth on a global scale. There are also worries about the impact that the scaling back of central banks’ “quantitative easing” measures will have on markets. However, central banks have been very diligent so far in communicating their plans and have adopted a gradual approach that is likely to mitigate this risk. Nevertheless, this risk could become more significant in a rising inflation environment. Political risks in Europe that dominated the headlines in early 2017 (eg, elections in France and the Netherlands) have lessened, although the risk of a disorderly Brexit arguably increased during 2017 given the slow progress in the Brexit negotiations. In addition, geopolitical risks (North Korea, Middle East, etc.) remain elevated, but their economic consequences are hard to quantify.

These risks would affect re/insurers mainly via adverse asset price movements and slower growth potential in affected markets. In addition, a “flight to quality” could lead to a drop in interest rates and exacerbate the challenges from the persistent low yield environment.

Upside opportunities could result in stronger growth and would be beneficial for the re/insurance industry. Investment yields would improve, albeit only slowly, and premium volumes would rise along with economic activity. However, inflation may increase along with stronger growth. Should inflation remain elevated over several years, this could have a sizeable impact on re/insurance claims, especially in casualty lines.

One key upside risk comes from US fiscal policy. The tax bill passed in late 2017 included more front-loaded benefits than earlier drafts. A resulting fiscal boost is expected to add modestly to growth in 2018 and 2019. If those benefitting from the tax cut spend a larger proportion of the windfall than currently expected, growth could turn out to be even stronger. Other upside risks include stronger performance in the Euro area as the cyclical upswing may prove to be more robust than expected, and a resilient UK economy if Brexit is less damaging than predicted. Finally, China could maintain growth of near 7% rather than slow gradually, benefiting Asia overall and global commodity exporters in particular.

ECONOMIC INDICATORS 2016–2017



	USA		Eurozone		UK		Japan		China	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
Real GDP growth ¹	1.5	2.3	1.8	2.5	1.9	1.7	0.9	1.6	6.7	6.9
Inflation ¹	1.3	2.1	0.2	1.5	0.7	2.7	−0.1	0.5	2.0	1.6
Long-term interest rate ²	2.5	2.4	0.2	0.4	1.2	1.3	0.1	0.1	3.1	3.9
USD exchange rate ^{2,3}	–	–	105	120	123	135	0.85	0.89	14.4	15.4

¹ Yearly average
² Year-end
³ USD per 100 units of foreign currency

Source: Swiss Re Economic Research & Consulting, Datastream, CEIC

Insurers play a central role in facilitating financial market resilience by providing risk transfer solutions, and by investing premiums into the real economy. Swiss Re engages with all stakeholders with the aim of creating an environment conducive to long-term investment and sustainable economic growth.

An example of our commitment to financial market resilience is the research partnership between the recently formed Swiss Re Institute (SRI) and the London School of Economics (LSE) focusing on monetary policy and long-term investment. The partnership, which continued in 2017, examines two questions. The first concerns the changing structure of central banks' balance sheets and potential implications for the functioning of markets.

Since the global financial crisis in 2007/08, the combined balance sheet of the world's five largest central banks had increased from about USD 7 trillion to over USD 20 trillion by the end of 2017. In that time, central banks have become the dominant investors in financial markets, at the cost of the private sector. Among others, the private sector includes the insurance industry and pension funds, and therefore also the households investing their savings through insurance and pension products. It is key that capital markets are strengthened so that this private risk capital is put to its best use as financing for the real economy.

The second research question focus is the effect of loose monetary policy on structural reform of the economy. Empirical results show that loose monetary policy leads to a slowdown in the pace of structural reform implementation. The prevailing monetary policy environment of recent years has allowed governments to borrow at essentially zero cost, and that has reduced the incentive to implement reforms.

The SRI/LSE research has been presented at several forums, including the annual Jackson Hole Economic Policy Symposium (organised by the Federal Reserve Bank of Kansas City) and at the Peterson Institute for International Economics. Furthermore, together with the LSE, we hosted two roundtable discussions bringing together central bank officials, policy makers, private-sector agents and researchers. Looking ahead, Swiss Re will continue to contribute actively to the dialogue. Our goal is to strengthen the capacity of the insurance industry as a risk absorber and facilitator of financial market and economic resilience, and to ensure that investors are able to act on a long-term basis.

Primary non-life

Market size in USD billions

Estimated global premium income in 2017

2 200

Market performance

Estimated global premium growth in 2017

3%

Market overview

The global non-life industry generated around USD 2 200 billion of premium income in 2017, of which around 20% came from emerging markets. Non-life insurance ranges from standardised motor and household insurance to sophisticated tailor-made liability and property covers, including specialty commercial and industrial risk insurance.

Market performance

Premiums have risen moderately in almost all countries/regions in 2017 due to stronger economic growth. Global non-life premiums are up an estimated 3% in real terms, after a 2.3% gain in 2016. Underwriting conditions have remained soft, particularly in commercial insurance.

In the advanced economies, real premiums have grown by about 2% in 2017, up slightly from 1.5% in 2016. The US market expanded by 4.7%, fueled by strong growth in motor premiums. In Western Europe, stronger motor business in Germany, France, Spain and the UK supported premium growth. Growth was weak again in Italy due to continued softening in motor, albeit

at a more moderate pace than in previous years. In Japan, premiums resumed mild real growth of 1% in 2017, after a 0.5% decline in 2016, which was driven by a sharp decline of long-term fire products. Compulsory motor premiums declined due to premium rates cut. In Australia, premiums were up 2%, while growth in personal lines remained solid and commercial insurance premiums returned to growth on the back of better economic performance and rising premium rates.

Non-life premiums in the emerging markets have grown by an estimated 6% in 2017, up slightly from 2016 and 2015, but slower than the 8% annual average growth between 2010 and 2014. The deceleration has been due to continued economic stagnation, and positive but slow premium growth in Latin America and Africa. Meanwhile, premiums in emerging Asia are up almost 10% driven by double-digit growth in China and India, its largest markets. In Central and Eastern Europe (CEE), premiums have grown by less than 5% this year due to contraction in Russia.

Global non-life industry profitability has declined in 2017, with return on equity (ROE) down to 3% from 6% in 2016, and well below 10% in 2013 and 2014. The 2017 results have been driven by three main factors: soft underwriting conditions, low investment yields and large natural catastrophe losses in the US. Investment returns for non-life insurers remain under pressure. Average yields are low and operating cash flows are weak given slowing premium growth and weak underwriting results. The contribution of investment returns to profitability has declined further in 2017 to around 9% of net premiums earned.

In the US, losses from hurricanes Harvey, Irma and Maria are to add a significant natural catastrophe loss burden for 2017. We expect a full-year 2017 combined ratio of around 109% for the US property&casualty (P&C) industry.

During the first half of 2017, the personal lines' combined ratio deteriorated by 0.9 percentage points to 103.8%. The combined ratio for commercial lines, however, improved 0.4 percentage points to 96.4%. Underwriting profitability in Europe was more or less stable in the first half of 2017 compared to the full-year 2016. Generally, the markets profited from low natural catastrophe losses, which helped property lines. Claims costs in motor insurance continued to trend upwards in the most important markets. In Germany, underwriting profitability fell by 1 percentage point during the first half of 2017 due to increased claims in virtually all lines of business. In Italy, the Nordics and Switzerland, underwriting profits have remained stable. Non-life insurers' profitability in Australia has improved in 2017, despite higher natural catastrophe losses. This reflects higher premium rates, reserve releases and higher reinsurance protection. In Japan, domestic non-life insurers are estimated to have had stable underwriting profits in 2017, driven mainly by benign natural catastrophe losses.

Outlook

The global economic outlook for 2018 and 2019 is positive and demand for non-life insurance is expected to increase. Premium growth momentum is expected to accelerate slightly in nominal terms, supported by economic activity and moderate price increases. Emerging markets are expected to be the main driver of growth, with premiums forecast to rise by 6% to 7% in real terms in 2018 and 2019.

Assuming average natural catastrophe losses, overall underwriting profitability globally is expected to improve in 2018. Positive rate dynamics and demand for new types of cover is expected to support premium growth in the coming years.

¹ The calculation of the industry average profitability is based on data for the following eight leading non-life insurance markets: Australia, Canada, France, Germany, Italy, Japan, the UK and the US.

Reinsurance non-life

Market size in USD billions

Estimated global premium income in 2017

170

Market performance

Estimated global premium growth in 2017

3%

Market overview

Global non-life reinsurance premiums in 2017 totalled about USD 170 billion, around 27% of which was attributable to ceding companies in emerging markets. In general, reinsurance demand is a function of the size and capital resources of primary insurance companies, as well as of the risk profile of the insurance products provided.

Market performance

Global premiums in non-life reinsurance are estimated to have grown by 3% in 2017 in real terms, based on rapidly increasing cessions from emerging markets.

After five quiet years with low natural catastrophe losses, the global non-life reinsurance industry is facing heavy losses from the hurricane season in the Caribbean and the US in 2017. The season's three major storms – Harvey, Irma and Maria – alone are estimated to have caused significant insured losses. The combined ratio for 2017 is estimated to be around 110%, with most of the increase due to the hurricane losses, as well as a number of other natural

catastrophes including Cyclone Debbie in Australia, earthquakes in Mexico, and wildfires in California and Southern Europe. Accordingly, overall global industry profitability as measured by return on equity (ROE) for the full-year is estimated to come in at around 1%. Apart from the unusually high burden from natural catastrophes, the reinsurance industry has also continued to suffer from the ongoing low interest rate environment and the overall softening of underwriting conditions. Consequently, the industry ROE declined from around 15% between 2012 and 2014 to 11% in 2016. For the first six months of 2017, the industry ROE further dropped to 9%, based on a combined ratio of 93% and a return on investment (ROI) of 2.5%.

The soft underwriting conditions of recent years partly reflected benign claims developments, but were mostly a direct consequence of excess capital in the market. Reinsurance capacity was abundant due to the considerable influx of alternative capacity (AC). Since 2010, the size of AC more than tripled and was estimated to be around USD 79 billion in the first half of 2017. A significant amount of AC has been absorbed by the third-quarter hurricane losses, especially collateralised capacity in the retrocession market, and therefore will not be available as active capacity in the upcoming renewals season. Most of this capacity, however, was re-loaded through the injection of new capital from investors.

The capital position of global reinsurers was more or less stable over the recent years. Capital growth has been managed increasingly via dividend payments and share buy-back programmes, hence returning almost all of the industry's net income to shareholders. Nevertheless, there was still some excess capital in traditional reinsurance by mid 2017, and this has been significantly reduced by the losses from hurricanes Harvey, Irma and Maria.

Outlook

The three major hurricane events of 2017 led to rate hardening for both for loss-affected accounts, and to a lesser extent for loss-free accounts at the January 2018 renewals. Capital abundance in traditional reinsurance has been reduced, and AC will require additional funds from investors to operate at the same level as before the hurricane losses.

In 2018, advanced markets non-life reinsurance premium growth will likely reflect a hardening of rates and slightly stronger nominal growth in the primary market. Demand should also be supported by new solvency regulations: non-life reinsurance has become more attractive for European insurers under Solvency II, since it better reflects the risk mitigating effect of reinsurance.

Primary life

Market size in USD billions

Estimated global premium income in 2017

2800

Market performance

Estimated global premium growth in 2017

3%

Market overview

The global life insurance industry generated about USD 2 800 billion in premium income in 2017, of which about 20% came from emerging markets. Around 85% of premium income in life insurance is derived from savings and retirement products. The protection business, which covers mortality and morbidity risks and represents the balance of the market, has a declining share of premium income.

Market performance

Global primary life insurance premiums are estimated to have risen by about 3% in 2017 in real terms, up from 2% in 2016. Emerging markets, and in particular China, account for most of the recent acceleration. Life premiums in advanced markets remain flat, which is at least an improvement from the 2% decline in 2016.

Performance in the different regions has been mixed in 2017, reflecting underlying country drivers. In North America, premiums are estimated to have declined by 2%, driven mainly by lower premium income in the US particularly of individual annuity premiums due to uncertainty around the finalisation and implementation of new Department of Labor fiduciary rules.

In Canada, on the other hand, premium development has contributed positively to regional performance. For Western Europe, estimates indicate that after adjusting for inflation, life premium income stagnated in 2017. Based on partial-year data, real premiums are estimated to have remained flat in the UK while declining in France. In Germany, premiums fell slightly, due largely to weaker sales of single-premium business. In developed Asia-Pacific, life premium income is estimated to have risen modestly in 2017 (+1%), driven by a sharp pick-up in Japan following a decline in 2016, and strong growth in Hong Kong, Singapore and Taiwan. In Hong Kong, individual life policies, especially non-linked whole life and non-linked endowment products, remain popular with mainland China residents.

Life and health premiums in the emerging markets are estimated to have risen by around 17% in 2017, after a 19% gain in 2016. Sustained robust growth in emerging Asia has been the most important driver; for example, in China growth was supported by vigorous sales of ordinary life products (which received a boost from regulatory promotion of protection-type solutions). Growth of emerging markets was supplemented by a healthy recovery in CEE markets, while, on the other hand, growth has remained weak in Africa, and has decelerated sharply in Latin America and the Middle East.

In the ongoing low interest rate environment, low government bond yields remain a significant headwind for life insurers. The challenge is particularly pronounced in Europe, Japan, South Korea and Australia, where many insurers are barely generating sufficient investment returns: on the one hand to meet their obligations to policyholders, reflecting the legacy of existing life insurance obligations with embedded guarantees, and the restricted ability to offer sufficiently attractive returns on new business to compete with alternative retail savings products. In this business environment, life insurers' overall profitability remains under pressure.

The savings business contracted or slowed due to low interest rates, equity market volatility and the impact of pension reforms in some markets. Low interest rates have made it harder for insurers to earn enough investment income and in many countries, guarantees and profit sharing have been reduced. Savings-type insurance has also become more expensive for regulatory reasons (e.g., higher capital requirements for long-term guarantees, or asset/liability mismatches). This has made savings-type insurance less attractive for both policyholders and suppliers. Together with adjusting their products and offering more flexible guarantees, insurers are introducing new concepts such as a guarantee of a certain return over the full duration of the contract, rather than an annual return.

Outlook

Global life insurance premiums in real terms are forecast to rise by around 4% in 2018. The major drivers are likely to remain the emerging markets, where stable, robust economic growth, expanding populations, urbanisation and a rising middle class underpin the positive outlook. Life premium growth in the emerging markets is expected to be around 10% in 2018. Premiums in the advanced markets are expected to grow by a more modest 1–2% after adjusting for inflation, with the Asia-Pacific region forecast to grow by 2–3%.

Life & health reinsurance

Market size in USD billions

Estimated global premium income in 2017

70

Market performance

Estimated global premium growth in 2017

4%

Market overview

The size of the global life reinsurance business was around USD 70 billion in 2017. Most (65%) of this is attributable to the US, Canada and the UK. Ceding companies from emerging markets accounted for only 14% of global demand. Life reinsurers are increasingly diversifying away from traditional mortality business.

Market performance

The life reinsurance industry registered a 4% increase in 2017. Underlying reinsurance premium growth in traditional reinsurance areas like mortality and morbidity risk has remained relatively subdued this year with an estimated growth rate of 1% in real terms in 2017. In mature markets, slight contractions in the US and UK were set off by positive developments in Canada, Japan, Australia and Continental Europe. In the emerging markets, premiums grew by 11%, driven largely by China, with other emerging markets seeing more modest growth.

Against this background, life reinsurers have sought to increase revenues through large, individual risk transfer transactions that help primary insurers stabilise income and/or bolster their balance sheets. The introduction of risk-based capital regimes has prompted much of this activity. In Europe, for example, Solvency II has underpinned interest in reinsurance to boost available capital, reduce required regulatory capital or to economise on reserves.

Another area of growth for reinsurers has been longevity risk transfer. The availability of longevity reinsurance has become key to the pricing of annuity transactions, as insurers offering those transactions to pension funds typically look to simultaneously access reinsurance capacity to hedge at least part of the associated longevity risk inherent in these lines. Such "back-to-back"

reinsurance arrangements enable primary insurers to monetise their expertise in sourcing, analysing and pricing risk, without having to commit full balance sheet capacity to hold the business for its full duration.

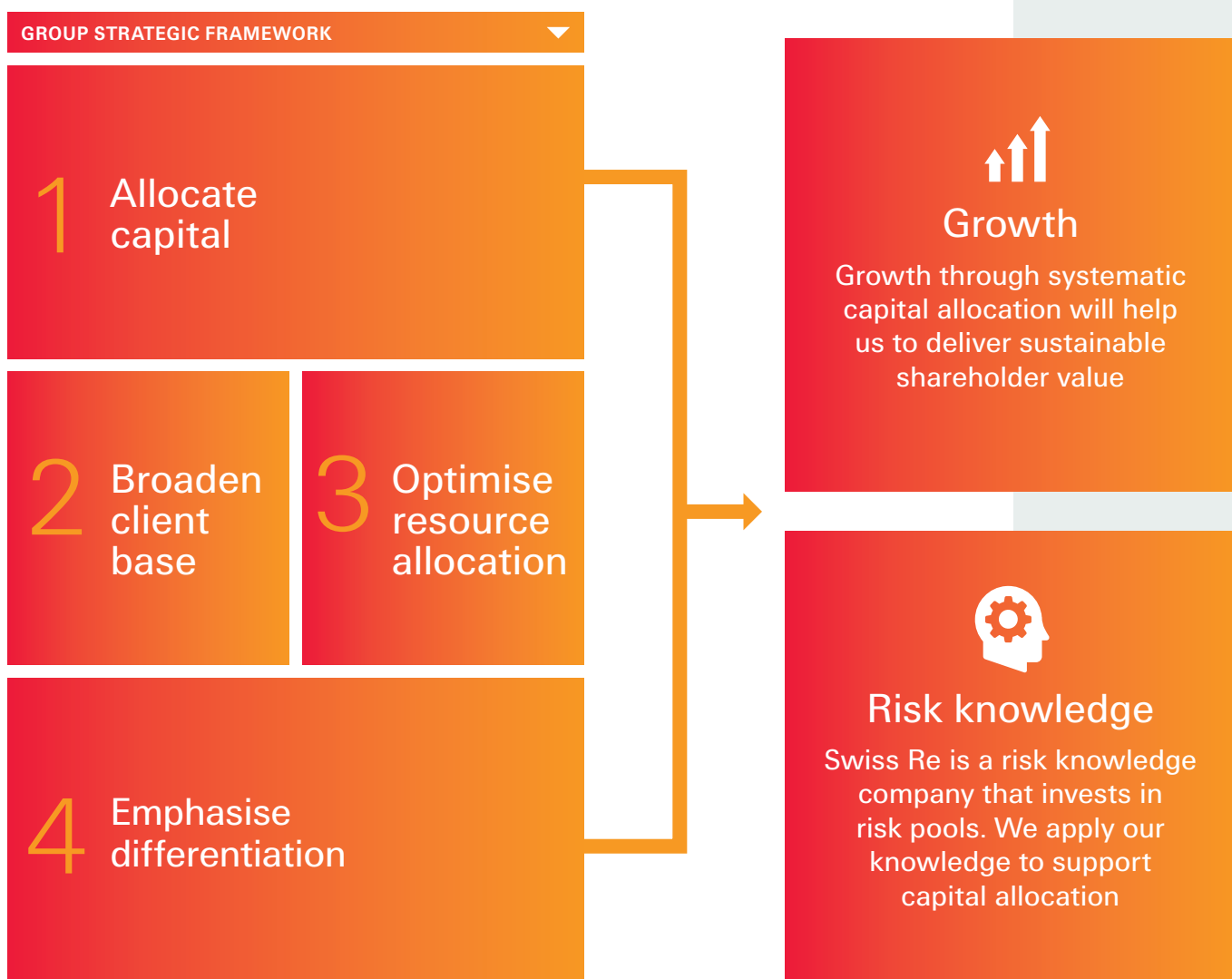
The operating margin of the life reinsurance industry was a mere 7% of revenues in 2017, stable compared to 2015 and 2016. The contribution from investments further declined, due to the ongoing low interest rate environment.

Outlook

Continued recovery in primary insurance should support growth in life reinsurance revenues, including a recovery in traditional renewable business. Premium growth will nonetheless likely remain modest, especially in the large advanced markets. In real terms, global life reinsurance premiums are forecast to increase by just over 1% in 2018. Premiums in the advanced markets are projected to decline after adjusting for inflation, driven by developments in the US where cession rates continue their long-term down trend and growth in the primary market remains weak. In Western Europe, where cession rates are usually lower, reinsurance premiums are forecast to grow by about 1%. The strongest contribution to real growth in the advanced markets will likely come from developed Asia.

Our strategy

Meeting our financial targets and making the world more resilient.





Large and tailored transactions

Large and tailored transactions in Reinsurance provide an attractive growth opportunity. They reinforce our differentiation through tailored offerings, leveraging our strong risk knowledge base.

Corporate Solutions

Corporate Solutions represents a successful platform to access the large pool of commercial risks. It will continue to focus on growth and is expected to benefit from pricing improvements following the 2017 natural catastrophe events.

Life Capital

Life Capital increases access to attractive and growing risk pools in open and closed life and health books. It aims to build a balanced portfolio, benefiting from the diversity of the risks and differentiating itself through leading underwriting and servicing capabilities.

High growth markets

We intend to maintain our leading position in high growth markets, establishing a strong presence. These world regions continue to remain a key element of our strategy, even when they are temporarily challenged.

Research and development

Building knowledge and competence through R&D has historically been our core focus. The creation of the Swiss Re Institute further strengthens our steering of R&D activities.

Technology

Our technology strategy is tightly embedded in the business strategy. Technological innovation gives us the opportunity to further differentiate and support our clients.

People and culture

Our employees provide a wide range of technical expertise. Their wide range of backgrounds enables us to develop unique solutions and offer a deeper pool of talent to drive growth.

Our near-term priorities focus on achieving growth in targeted areas and sustaining the risk knowledge that underpins our capital allocation overall.

Growth

In 2017 we witnessed a back-to-back series of natural catastrophes that have had a significant short-term financial impact. The ability to face these challenges and continue to focus on growth shows the success of our strategy as we remain committed to disciplined underwriting and long-term success.

Our focus on growth is threefold: catering to the specific clients' needs with large and tailored transactions in Reinsurance, getting closer to the policyholders through Corporate Solutions and Life Capital, as well as maintaining our leading position in high growth markets through increased presence.

Risk knowledge

Swiss Re is a risk knowledge company. At the heart of our differentiation is the Swiss Re Institute. The Swiss Re Institute leverages and steers our research and development activities, building on our role as a knowledge partner for our clients.

Technological innovation is another source of differentiation, especially when we can use it to deliver unique products and solutions, such as CatNet and Magnum. CatNet plots hazard, loss, exposure and insurance information over maps and satellite imagery to help visualise the risk of individual locations or entire client portfolios. Magnum is the market-leading automated life and health underwriting and claims solution for assessing biometric risk across the spectrum of protection insurance products. Magnum helps our clients get closer to their customers and deliver products that are more tailored to their needs.

Summary of financial statements

INCOME STATEMENT

USD millions	2016	2017	Change in %
Revenues			
Gross premiums written	35 622	34 775	-2
Net premiums written	33 570	32 316	-4
Change in unearned premiums	-879	803	—
Premiums earned	32 691	33 119	1
Fee income from policyholders	540	586	9
Net investment income – non-participating business	3 661	3 708	1
Net realised investment gains/losses – non-participating business	1 484	1 727	16
Net investment result – unit-linked and with-profit business	5 382	3 315	-38
Other revenues	28	32	14
Total revenues	43 786	42 487	-3
Expenses			
Claims and claim adjustment expenses	-12 564	-16 730	33
Life and health benefits	-10 859	-11 083	2
Return credited to policyholders	-5 099	-3 298	-35
Acquisition costs	-6 928	-6 977	1
Operating expenses	-3 358	-3 308	-1
Total expenses before interest expenses	-38 808	-41 396	7
Income before interest and income tax expense	4 978	1 091	-78
Interest expenses	-606	-566	-7
Income before income tax expense	4 372	525	-88
Income tax expense	-749	-132	-82
Net income before attribution of non-controlling interests	3 623	393	-89
Income/loss attributable to non-controlling interests	3	5	67
Net income after attribution of non-controlling interests	3 626	398	-89
Interest on contingent capital instruments, net of tax	-68	-67	-1
Net income attributable to common shareholders	3 558	331	-91

Changes in equity

USD millions	2016	2017	Change in %
Total shareholders' equity as of 1 January	33 517	35 634	6
Net income attributable to common shareholders	3 558	331	-91
Dividends	-1 561	-1 559	—
Change in unrealised gains/losses on securities, net	1 711	287	-83
Change in other-than-temporary impairment, net of tax	6	3	-50
Change in foreign currency translation	-387	526	—
Purchase/sale of treasury shares and share based payments	-1 084	-1 100	1
Other changes in equity	-126	2	—
Total shareholders' equity as of 31 December	35 634	34 124	-4
Non-controlling interests	82	170	107
Total equity as of 31 December	35 716	34 294	-4

SUMMARY BALANCE SHEET

USD millions	2016	2017	Change in %
Assets			
Fixed income securities	93 276	101 786	9
Equity securities	3 435	3 865	13
Other investments	15 218	16 234	7
Short-term investments	10 909	4 846	-56
Investments for unit-linked and with-profit business	32 178	35 166	9
Cash and cash equivalents	9 011	6 806	-24
Deferred acquisition costs	6 200	6 871	11
Acquired present value of future profits	2 003	1 989	-1
Reinsurance recoverable	7 461	7 942	6
Other reinsurance assets	21 454	22 989	7
Goodwill	3 965	4 172	5
Other	9 955	9 860	-1
Total assets	215 065	222 526	3
Liabilities and equity			
Unpaid claims and claim adjustment expenses	57 355	66 795	16
Liabilities for life and health policy benefits	41 176	42 561	3
Policyholder account balances	34 354	37 537	9
Other reinsurance liabilities	16 086	15 914	-1
Short-term debt	1 564	433	-72
Long-term debt	9 787	10 148	4
Other	19 027	14 844	-22
Total liabilities	179 349	188 232	5
Shareholders' equity	35 634	34 124	-4
Non-controlling interests	82	170	107
Total equity	35 716	34 294	-4
Total liabilities and equity	215 065	222 526	3

Group results – Swiss Re

reported a full-year net income of USD 331 million, despite the large natural catastrophes of 2017.



Christian Mumenthaler
Group Chief Executive Officer

“In a year marked by disasters, Swiss Re could demonstrate the critical role re/insurance plays in enabling people and economies to recover.”

Swiss Re’s estimated insurance claims from large natural catastrophes, including Cyclone Debbie in Australia, the Atlantic hurricanes, the Mexican earthquakes and the Californian wildfires amounted to USD 4.7 billion in 2017, net of retrocession and before tax. In 2016, the Group had reported a net income of USD 3.6 billion, incurring natural catastrophe claims of USD 0.8 billion.

Return on equity for 2017 was 1.0%, down from 10.6% in the previous year. Common shareholders’ equity decreased to USD 33.4 billion as of 31 December 2017, a reduction of 3.4% compared to the end of 2016.

Reinsurance generated a net income of USD 679 million, compared to USD 2.9 billion in 2016. Property & Casualty Reinsurance reported a net loss of USD 413 million in 2017, down from a net income of USD 2.1 billion in 2016. This loss stemmed from estimated insurance claims in the aftermath of a string of large natural catastrophes, which amounted to USD 3.7 billion, net of

retrocession and before tax. The net operating margin was –1.3%, compared to 15.4% in the prior-year period.

Life & Health Reinsurance contributed a net income of USD 1.1 billion in 2017, up from USD 807 million in 2016, driven by a stable underwriting result and strong investment performance. The net operating margin increased to 13.1% in 2017 from 10.4% in the previous year.

Corporate Solutions incurred a net loss of USD 741 million in 2017, compared to a net income of USD 135 million in the prior year, significantly impacted by large natural catastrophes, which generated insurance claims of USD 1.0 billion, net of retrocession and before tax. The net operating margin was –23.5% and 4.2% for 2017 and 2016, respectively.

Life Capital delivered a net income of USD 161 million in 2017, compared to USD 638 million in 2016. Large one-off realised gains on the investment portfolio in the prior year were, as expected, not repeated in 2017. As a result, Life Capital's net operating margin declined to 10.9% in 2017, compared to 27.0% for 2016.

The Group's net operating margin for 2017 was 2.8%, down from 13.0% in the prior year.

Common shareholders' equity, excluding non-controlling interests and the impact of contingent capital instruments, decreased to USD 33.4 billion at the end of 2017, down from USD 34.5 billion at the end of 2016. The decline mainly reflected a payment to shareholders of USD 2.6 billion for the 2016 regular dividend and the share buy-back programmes, partially offset by a change in unrealised gains and favourable foreign exchange rate movements.

Swiss Re achieved a return on equity of 1.0% for 2017, compared to 10.6% for 2016. Earnings per share for 2017 were CHF 1.02 or USD 1.03, compared to CHF 10.55 (USD 10.72) for 2016.

Book value per common share stood at USD 106.09 or CHF 103.37 at the end of 2017, compared to USD 105.93 or CHF 107.64 at the end of 2016. Book value per common share is based on common shareholders' equity and excludes non-controlling interests and the impact of contingent capital instruments.

Business performance

Premiums earned and fee income for the Group amounted to USD 33.7 billion for 2017, an increase of 1.4% year-on-year. At constant exchange rates, premiums and fees rose by 1.6%. Gross premiums written decreased in the same period by 2.4% to USD 34.8 billion, driven by a reduction in deployed capacity in Property & Casualty Reinsurance.

Property & Casualty Reinsurance contributed USD 16.7 billion of premiums earned in 2017, a drop from USD 17.0 billion in 2016. The decline was driven by continued underwriting discipline and active portfolio management. The Property & Casualty Reinsurance combined ratio was 111.5% in 2017, up from 93.5% in the prior year due to the severe large natural catastrophe losses, partially offset by favourable prior-year development.

Life & Health Reinsurance premiums earned and fee income totalled USD 12.0 billion in 2017, an increase of 3.9% year-on-year, driven by new business in the Americas and Asia.

Corporate Solutions premiums earned were USD 3.7 billion for 2017, an increase of 4.2% compared to the previous year. The Corporate Solutions combined ratio was 133.4% in 2017, up from 101.1% in the previous year, reflecting the significant natural catastrophe losses in 2017.

Premiums earned and fee income for Life Capital increased by 17.9% to USD 1.4 billion, mainly driven by growth in the open book life and health insurance business. Life Capital continued to generate strong gross cash amounting to USD 998 million in 2017, up from USD 721 million in 2016, benefiting from strong underlying surplus, including an update to mortality assumptions and the finalisation of the 2016 year-end Solvency II statutory valuation.

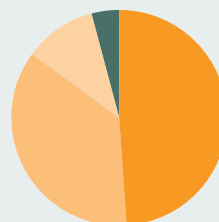
Investment result and expenses

Swiss Re's return on investments for 2017 was very strong at 3.9%, compared to 3.4% in 2016. Non-participating net investment income remained broadly stable at USD 3.7 billion. The Group reported non-participating net realised investment gains of USD 1.7 billion in 2017 compared to USD 1.5 billion in 2016,

NET PREMIUMS AND FEES EARNED BY BUSINESS SEGMENT, 2017

Total: USD 33.7 billion

- 49% P&C Reinsurance
- 36% L&H Reinsurance
- 11% Corporate Solutions
- 4% Life Capital



supported by additional realised gains from sales of equity securities, which were partially offset by the absence of gains from derivatives.

Acquisition costs for the Group amounted to USD 7.0 billion in 2017, slightly up from USD 6.9 billion in 2016.

Operating expenses of USD 3.3 billion in 2017 decreased by 1.5% year-on-year.

Interest expenses were USD 566 million, down by 6.6% year-on-year.

The Group reported a tax charge of USD 132 million on a pre-tax income of USD 525 million for 2017, compared to a tax charge of USD 749 million on a pre-tax income of USD 4.4 billion for 2016. This translated into an effective tax rate in the current and prior-year reporting periods of 25.1% and 17.1%, respectively. The tax rate in 2017 was largely driven by profits earned in higher tax jurisdictions, tax charges from foreign currency translation differences between statutory and US GAAP accounts and expenses not allowed for local tax purposes, partially offset by tax benefits of USD 93 million from US tax law changes.

Group underwriting



Edouard Schmid
Group Chief Underwriting Officer

“Focused and targeted R&D will maintain our market leading ability to steer through allocating capital to risk pools, and distinctively underwrite risks.”

Competitive advantage in underwriting

In the world of re/insurance underwriting, Swiss Re can outperform in two ways. First, we can change the capital allocated to particular risk pools as markets move and we develop new insights. Second, we can be selective in underwriting individual risks.

Systematic allocation of capital to risk pools is at the heart of our Group strategy. An annual top-down capital allocation underpins our business planning process; throughout the year, we actively steer our deployed capacity to maximise return. This activity is rooted in our ability to take a forward-looking perspective on the economics of risk pools and allocate capital accordingly.

Risk selection is a capability honed at Swiss Re through more than 150 years of experience. We succeed by continually investing in our ability to align our interests with those of our clients, understand individual risks and their drivers, select good risks and accurately assess the costs of taking a particular one. At its core, this is a knowledge-based capability – combining the art of the underwriter with scientific rigour.

The common thread is our investment in R&D, which equips our underwriters with distinctive knowledge and insights into the future of risk pools. The launch of the Swiss Re Institute in 2017 embodies our commitment to creating and benefiting from cutting-edge knowledge and conducting fundamental research into trends that could have an impact on our business.

Our investment includes 450 people in core and extended R&D teams committed either wholly or partially to developing our knowledge assets. To give just a few examples, in the past year alone we have investigated long-term mortality trends, evaluated the impact of distracted driving, evaluated changes in the propensity to litigate and estimated the impact of changing mid-Atlantic temperatures. We combine data and innovative analytical tools, and partner with academics from institutions around the world, consultants, professionals from all disciplines, start-ups, institutions and others. This translates into real bottom-line impact through services to our clients, automated pricing tools, inputs to underwriters and research behind our forward-looking perspectives on risk pools.

It is this investment in focused and targeted R&D that will maintain our market-leading ability to steer through allocating capital to risk pools, and distinctively underwrite risks.

Underwriting performance in 2017

Notwithstanding the natural catastrophes in 2017, the Group's overall underwriting performance was solid across all businesses. Financial year results were dominated by insured natural catastrophe losses figuring among the largest on record, and further influenced by a continued softening market environment in 2017.

The Group's claims ratio for property and casualty increased from 61.2% in 2016 to 82.3% in 2017.

The 2017 loss burden totalled USD 4.7 billion, driven by losses associated with Cyclone Debbie in Australia, hurricanes Harvey, Irma and Maria as well as the Mexico earthquakes and the Californian wildfires.

The total life and health benefits increased from USD 9.0 billion in 2016 to USD 9.2 billion in 2017. The increase was mainly due to the earnings development of US Individual Life transactions that were closed in late 2016, a large transaction win in Europe starting in July 2017 and from Asia, where we experienced very strong organic growth in several business lines.

Market environment and outlook

In recent years, new capital flowing into the industry has depressed prices and driven certain areas of risk pools to unsustainable levels of return. The significant natural catastrophe losses of 2017 have seen a reversal of this trend. We expect this increased pricing discipline to be maintained in the near term, supporting further profitable growth. Overall, we expect a further improvement in pricing, especially in lines directly affected by the 2017 natural catastrophe events.

The underlying pool of insurable risks will continue to grow in the context of the continuing cyclical upswing in the global economy. The small inflation rises of the past year will not significantly impact claims severity in our view, but we remain cautious about potential long-term effects.

Our outlook is more positive than in the last few years, and we see opportunities available to us through three distinctive abilities. Our ability to engage in large and tailored transactions has created a market in which few others are even able to operate. We continue to see growing demand for solutions and services that deploy our R&D to clients. Finally, we retain our ability to rapidly and flexibly deploy capital across industry-leading products and geographic franchises.

We anticipate that our very strong capitalisation will allow us to realise opportunities not available to others. However, we will only seek opportunities where prices meet our hurdle rates.

Group investments



Guido Fürer
Group Chief Investment Officer

“Our strong investment result and steady performance provide a significant value driver for the Group.”

Strategy

Swiss Re's investment portfolio maintained its track record of sustainable performance results, with another strong contribution in 2017. All asset classes contributed to the result, reflecting the diversification of investment income sources as well as the quality of the investment portfolio. During 2017, Swiss Re increased its overall allocation to government bonds and credit investments alongside a reduction in cash and short-term investments, enhancing income with low-duration risk. The allocation to equities and alternative investments remained relatively stable. While the investment portfolio is well-positioned overall, the Group maintains suitable flexibility should it be presented with attractive market opportunities or a change in the investment outlook.

Financial markets overview

Financial markets continued to centre on monetary policy and broader political developments in 2017. On the political front, while the French presidential election in April and May ultimately turned out as expected, uncertainty in the US and the UK remained high due to economic policy and Brexit, respectively.

That being said, financial markets largely shrugged off the political uncertainty. Equity markets rallied through most of the year, with the S&P 500 reaching new all-time highs and returning more than 20% in 2017. Investment-grade corporate bond spreads tightened further, reaching multi-year lows, while government bond yields ended 2017

Net investment income
in USD billion, 2017

3.7

(2016: USD 3.7 billion)

**Group return on
investments**
2017

3.9%

(2016: 3.4%)

**Fixed Income
Running Yield**
2017

2.9%

(2016: 2.9%)

at levels broadly similar to those at the beginning of the year. Notably, financial market volatility has remained exceptionally low across the major asset classes.

The positive investor sentiment and benign market environment was supported by stronger-than-expected economic growth data, with the global recovery becoming more solid and broad-based across regions. At the same time, inflationary pressures remained subdued, which allowed central banks to slowly and carefully start to normalise monetary policy.

Investment result

The Group's investment portfolio, excluding unit-linked and with-profit investments, increased to USD 131.7 billion at the end of 2017, compared to USD 130.5 billion at the end of 2016. The increase was driven by positive returns from most asset classes and a weakening of the US dollar.

The return on investments for 2017 was very strong at 3.9%, with over 85% of the result attributable to net investment income as well as net realised gains from equities and alternative investments. This compared to a return on investments of 3.4% in 2016, with the increase primarily due to additional net realised gains related to equity securities. The Group's non-participating net investment income was relatively stable at USD 3.7 billion in 2017 compared to the prior year. The Group's fixed income running yield was steady at 2.9%.

The Group reported non-participating net realised investment gains of USD 1.7 billion in 2017 compared to USD 1.5 billion in 2016, as additional realised gains from sales within the equity portfolio were partially offset by the absence of gains from derivatives.

Outlook

The focus in 2018 is set to remain on central bank policy, inflation and global political developments. In terms of economic outlook, global economic growth is expected to stay solid, both in developed and emerging market economies, while inflation is forecast to modestly increase globally. This, in turn, should allow the key central banks to continue their cautious policy normalisation path. The Federal Reserve is set to hike rates further (while slowly reducing the size of its balance sheet), and the European Central Bank is likely to fully wind down its asset purchase programmes by the end of the year. From a regional perspective, growth should stay solid in both the US and the Eurozone, but be more modest in the UK amid continued Brexit-related uncertainty. Meanwhile, economic growth in China next year is expected to moderately slow from current levels.

Risks to the outlook are seen as broadly balanced, with inflation and political developments (eg Brexit negotiations, Italian elections, the formation of a grand coalition in Germany) being the key factors to watch. Still, given the current stage of the economic cycle set against the backdrop of generally high asset valuations, we will maintain a well-diversified and high-quality investment portfolio.

Reinsurance – While our 2017 performance was clearly impacted by significant natural catastrophes, our role for our clients and in society has rarely been more evident.



Moses Ojeisekhoba
CEO, Reinsurance

“Differentiation remains at the heart of our strategy.”

Strategy and priorities

The world experienced a number of severe natural catastrophes during 2017 that impacted our Property & Casualty segment, but they also helped us show the value that Swiss Re brings to our clients. It is at times such as these that our clients see the tangible benefits of having reinsurance coverage with Swiss Re.

Our Reinsurance Business Unit strategy remains focused on differentiation and profitable growth through allocation of capital to both existing and new risk pools. We believe that macro factors such as demographic changes and the expected rise in global GDP will continue to expand these risk pools in both Property & Casualty and Life & Health Reinsurance. The significant global protection gap, which exists today in both lines of business, is expected to continue to widen and will also contribute significantly to creating new risk pools in the future. As a result, we expect to see further business opportunities, particularly in high-growth markets, but also in countries with mature economies. The numerous natural catastrophes experienced in 2017 also highlight the gap that exists between insured losses and the much

higher level of economic loss. Closing this protection gap will deliver a clear benefit to our clients and will help make the world more resilient.

Differentiation and client relationships

We differentiate ourselves by understanding the specific needs of our clients. Client segmentation is a foundational element of our differentiation approach and is built on a deep understanding of our clients, facilitating delivery of tailored offerings.

We interact with clients across all levels and functions, enabling strategic discussions between the right people at the right time. This dedicated delivery model — serving global, large as well as regional and national clients — continues to be effective.

Clients are always looking for solutions to solve their business challenges. In parallel with our engagement approach, we have established teams to marry our clients' needs, which expand on traditional reinsurance, with our knowledge, risk bearing capacity and innovation. Taken together, such tailored transactions and solutions help clients to sustainably grow their business.

The role of technology

The use of ever-changing technology is a crucial aspect of our business. We identify challenges along the entire insurance value chain that technology could solve. We also work with our partners to exploit new developments and advances. Our focus is on solving business challenges, whether for our clients or ourselves.

We leverage technology to understand risks better, improve underwriting and pricing and to increase efficiency. To help our clients improve their performance, we have developed new solutions such as an end-to-end telematics platform, predictive analytics to identify non-smokers or mobile underwriting platforms for life insurance.

We also prioritise internal efficiency. One example is our P&C Business Management Intelligence tool, which leverages big data techniques for claims management. Technology is a critical catalyst for change which we will continue to use in order to more effectively address the needs of both our clients' and ourselves.

SWISS RE FURTHER STRENGTHENS ITS POSITION IN ASIA WITH THE LAUNCH OF ITS NEW REGIONAL HEADQUARTERS



Swiss Re has been associated with Asia since 1913 and has over 1900 employees in the region.

In 2017, Swiss Re announced plans to strengthen its presence in Asia with its regional headquarters, Swiss Re Asia Pte. Ltd. (Swiss Re Asia), reinforcing its commitment to this key region. Swiss Re Asia was registered in Singapore on 31 December 2017, marking the launch of the new headquarters.

The company is wholly-owned by its Zurich-based global parent, Swiss Re Ltd, and shares Swiss Re's group credit rating. The company's operations in Asia is strongly capitalised in line with regulatory requirements and its local business is supported by the financial resources of the Swiss Re Group.

This move also aligns the company's legal entity structure across its Asia, Europe and Americas regions. Swiss Re Asia will continue to serve its clients and partners through its network of offices, mirroring its existing footprint in Australia, China, Hong Kong, India, Japan, Korea, Malaysia and Singapore.

The Asian insurance sector has seen strong growth over the past decade, with the region now accounting for one third of global insurance premiums (based on 2017 estimate), compared to 20% in 2007. The outlook remains robust. Swiss Re expects the region's non-life and life premiums to grow by 5% and 6% respectively, in real terms per annum in the coming decade. Emerging Asian insurance markets will grow even faster.

Property & Casualty Reinsurance

Property & Casualty Reinsurance reported a net loss for 2017 of USD 413 million compared to a net income of USD 2.1 billion in 2016. The decrease was mainly driven by the adverse large loss experience (estimated total insurance claims of USD 3.7 billion) mainly stemming from Cyclone Debbie, hurricanes Harvey, Irma and Maria in the Americas, the two earthquakes in Mexico and the wildfires in California. These losses were only partially offset by favourable prior-year development and a strong overall investment result. The net operating margin was -1.3% in 2017, down from 15.4% in 2016.

The overall investment result was USD 1.6 billion in 2017 compared to USD 1.8 billion in 2016. Net investment income was USD 1.0 billion in 2017, reflecting higher income from alternative investments. Net realised gains of USD 613 million decreased compared to 2016 by USD 157 million, as the prior year included a favourable impact from foreign exchange remeasurement.

Premiums

Net premiums earned were USD 16.7 billion in 2017 (-2.0%) compared to USD 17.0 billion in 2016. The decline in gross premiums written to USD 16.5 billion in 2017 (-8.8%) compared to USD 18.1 billion in 2016 was the result of a reduction in deployed capacity where prices did not meet Swiss Re's profitability expectations.

Combined ratio

Property & Casualty Reinsurance reported a combined ratio of 111.5% for 2017, compared to 93.5% in the prior year. The impact from natural catastrophes in 2017 was 14.8 percentage points above the expected level for 2017 of 7.1 percentage points. The favourable development of prior accident years improved the combined ratio by 3.3 percentage points in 2017, compared to a 3.0 percentage point improvement in 2016.

PROPERTY & CASUALTY RESULTS

USD millions	2016	2017	Change in %
Revenues			
Gross premiums written	18 149	16 544	-9
Net premiums written	17 768	16 031	-10
Change in unearned premiums	-760	636	-
Premiums earned	17 008	16 667	-2
Net investment income	985	1 017	3
Net realised investment gains/losses	770	613	-20
Other revenues	37	48	30
Total revenues	18 800	18 345	-2
Expenses			
Claims and claim adjustment expenses	-10 301	-13 172	28
Acquisition costs	-4 405	-4 253	-3
Operating expenses	-1 204	-1 159	-4
Total expenses before interest expenses	-15 910	-18 584	17
Income/loss before interest and income tax expense	2 890	-239	-
Interest expenses	-293	-280	-4
Income/loss before income tax expense	2 597	-519	-
Income tax expense/benefit	-479	125	-
Net income/loss before attribution of non-controlling interests	2 118	-394	-
Income/loss attributable to non-controlling interests	1	-	-
Net income/loss after attribution of non-controlling interests	2 119	-394	-
Interest on contingent capital instruments, net of tax	-19	-19	-
Net income/loss attributable to common shareholders	2 100	-413	-
Claims ratio in %	60.5	79.0	
Expense ratio in %	33.0	32.5	
Combined ratio in %	93.5	111.5	

Administrative expense ratio

The administrative expense ratio of 7.0% in 2017 was in line with the 7.1% ratio in 2016.

Lines of business

The Property combined ratio increased to 119.9% in 2017, compared to 86.6% in 2016, primarily due to the large natural catastrophe loss burden in 2017.

The Casualty combined ratio increased to 108.8% in 2017, compared to 103.9% in 2016, driven by adverse developments in Motor in both EMEA and the US.

The Specialty combined ratio increased to 98.4% for 2017, compared to 77.8% in 2016, primarily due to large losses in the marine lines of business from hurricanes in the Americas and Cyclone Debbie in Australia.

Investment result

The return on investments was 3.5% for 2017, compared to 3.1% in 2016, reflecting an increase in the investment result of USD 155 million.

Net investment income increased by USD 30 million to USD 922 million for 2017, mainly due to additional income from alternative investments.

Net realised gains were USD 590 million for 2017, compared to USD 475 million for the prior year, with the increase stemming from additional gains from sales of equity securities, partially offset by a reduction in gains from sales of fixed income securities.

Insurance-related investment results as well as foreign exchange gains/losses are not included in the figures above.

Shareholders' equity

Common shareholders' equity decreased to USD 10.8 billion as of 31 December 2017 from USD 12.7 billion as of 31 December 2016, primarily driven by dividends paid to the Group of USD 1.95 billion and the net loss for the year. The return on equity for 2017 was -3.5% compared to 16.4% in 2016. The decrease was due to the net loss in 2017.

Outlook

Recent natural catastrophe events led to rate increases for Property in loss-affected markets with ranges depending on the client and market loss. Rates have increased more moderately in most other markets.

We observed notable differences by line of business for Specialty lines with rate increases for loss-affected lines and markets, and moderately improving conditions in general.

Pressure on general contract provisions also eased. Overall, trading conditions improved for most Property and Specialty lines.

For Casualty, rates increased in segments where price levels appeared inadequate due to claims emergence (eg. UK Motor, US Motor and Liability). We also saw commissions reducing to address non performance.

Lastly, we continued to see some good opportunities for transactions and participated on those that met our requirements.

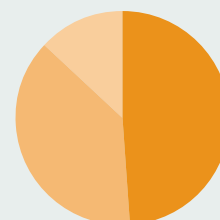
For Property and Casualty generally, we reduced our participation or exited accounts where we could not get the rate adjustment or terms and conditions that we deemed appropriate. Our focus remains on the bottom line in a recovering but still challenging market environment.

We seek to execute our successful differentiation strategy and to support our clients to reach their ambitions.

PREMIUMS EARNED BY LINE OF BUSINESS, 2017

Total: USD 16.7 billion

- 49% Casualty
- 38% Property
- 13% Specialty



Life & Health Reinsurance

Net income was USD 1.1 billion for 2017, a significant increase from the previous year's net income of USD 807 million, mainly due to higher realised gains from sales of equity securities and stable underwriting performance. The underwriting result in the current year reflected the transactions closed and continued growth in the US and Asian markets and net positive valuation updates, partly impacted by adverse claims experience in the US individual life and UK critical illness portfolios. The return on equity was 15.3%, compared to 12.8% reported for 2016.

Premiums

Net premiums earned and fee income in 2017 increased by 3.9% to USD 12.0 billion compared to USD 11.5 billion for the prior year. Gross premiums written increased by 4.0% to USD 13.3 billion compared to USD 12.8 billion for the prior year. The increase in premiums was mainly due to new business wins and growth in the US and Asia.

Net operating margin

The net operating margin for 2017 was 13.1%, increasing significantly from 10.4% in 2016 mainly due to higher realised gains.

Management expense ratio

The management expense ratio was 5.7%, a slight decrease from 6.0% in 2016.

Lines of business

Income before interest and income tax expense (EBIT) for the Life segment increased to USD 935 million for 2017, from USD 867 million in the prior year. The results in 2017 reflected the new business wins and growth across markets, supported by a higher investment income allocation. In addition, the experience in the US individual life portfolio was less unfavourable in the current year.

EBIT for the Health segment increased to USD 345 million for 2017 from USD 268 million in the prior year. The current year reflected the significant growth in the health portfolio in Asia and net favourable valuation updates.

LIFE & HEALTH RESULTS

USD millions	2016	2017	Change in %
Revenues			
Gross premiums written	12 801	13 313	4
Net premiums written	11 459	11 826	3
Change in unearned premiums	27	25	-7
Premiums earned	11 486	11 851	3
Fee income from policyholders	41	129	—
Net investment income – non-participating business	1 279	1 308	2
Net realised investment gains/losses – non-participating business	232	591	155
Net investment result – unit-linked and with-profit business	15	81	—
Other revenues	5	3	-40
Total revenues	13 058	13 963	7
Expenses			
Life and health benefits	-8 963	-9 211	3
Return credited to policyholders	-39	-119	—
Acquisition costs	-1 943	-2 064	6
Operating expenses	-763	-754	-1
Total expenses before interest expenses	-11 708	-12 148	4
Income before interest and income tax expense	1 350	1 815	34
Interest expenses	-301	-315	5
Income before income tax expense	1 049	1 500	43
Income tax expense	-193	-360	87
Net income before attribution of non-controlling interests	856	1 140	33
Income/loss attributable to non-controlling interests			
Net income after attribution of non-controlling interests	856	1 140	33
Interest on contingent capital instruments, net of tax	-49	-48	-2
Net income attributable to common shareholders	807	1 092	35
Management expense ratio in %	6.0	5.7	
Net operating margin in %	10.4	13.1	

This was partly offset by the adverse performance in the UK critical illness business and a lower investment income allocation.

Investment result

The return on investments for 2017 was 4.3%, compared to 3.6% in 2016, reflecting an increase in the investment result of USD 280 million.

Net investment income increased slightly by USD 5 million to USD 1 105 million in 2017. The fixed income running yield for 2017 was 3.3%.

Net realised gains were USD 459 million in 2017, compared to USD 184 million for the prior year, reflecting additional gains from sales of equity securities and corporate bonds.

Insurance-related investment results as well as foreign exchange gains/losses are not included in the figures above.

Shareholders' equity

Common shareholders' equity increased to USD 7.5 billion as of 31 December 2017 from USD 6.8 billion as of 31 December 2016. The movement of USD 659 million in equity reflected the net income increase and changes in net unrealised gains, partly offset by dividends of USD 650 million paid to the Group.

Return on equity was strong at 15.3% in 2017, compared to 12.8% in 2016. The increase was due to a higher net income in 2017, partly offset by a higher average equity balance.

Outlook

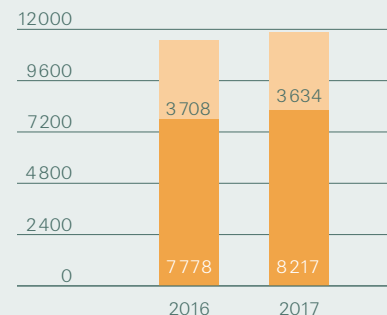
We expect life and health reinsurance business to be relatively flat in mature markets and to increase in high-growth markets. In mature markets, the prolonged low interest rate environment continues to have an unfavourable impact on long-term life business. Cession rates in the US have decreased in recent years as primary insurers retain more risk, but have now generally levelled off. However, we see a strong focus on capital, risk and balance sheet optimisation in mature markets, leading to opportunities for large transactions. High-growth markets are expected to see strong increases in primary life and health volumes and cession rates are expected to be stable.

We will continue to pursue growth opportunities in high-growth markets and in large transactions, including longevity deals. We are responding to the expanding need for health protection driven by ageing societies and we will apply our risk knowledge experience to help reduce the protection gap in all regions.

PREMIUMS EARNED BY LINE OF BUSINESS, 2017

Total: USD 11.9 billion

■ Life
■ Health



Corporate Solutions –

Corporate Solutions results were significantly impacted by natural catastrophe events.



Agostino Galvagni
CEO, Corporate Solutions

“2017 was a difficult year for Corporate Solutions, however we are well positioned to benefit from a gradual improving market following the sizable natural catastrophe losses in 2017. Also, we continue to build our capabilities for future growth.”

Strategy and priorities

Swiss Re strengthened Corporate Solutions' capital position, underlining the Group's commitment to the business and its long-term strategy. Corporate Solutions continued to make progress on its strategy with investment into its Primary Lead capabilities and further broadened its footprint.

In July 2017, Corporate Solutions finalised the previously announced transaction and began its joint venture with Bradesco Seguros S.A. in Brazil – now one of the leading large-risk insurers in the country – to bring our innovative product offering to an even wider segment of mid-sized and large corporate clients. Corporate Solutions is now concentrating its efforts on the integration of Bradesco's large-risk portfolio and leveraging its established distribution network.

During 2017, the Business Unit opened offices in Kuala Lumpur, Malaysia and Manchester, United Kingdom, focusing on servicing large and mid-sized companies in these countries.

CORPORATE SOLUTIONS RESULTS

USD millions	2016	2017	Change in %
Revenues			
Gross premiums written	4155	4193	1
Net premiums written	3662	3600	-2
Change in unearned premiums	-159	51	-
Premiums earned	3503	3651	4
Net investment income	138	161	17
Net realised investment gains/losses	51	128	151
Other revenues	5	5	-
Total revenues	3697	3945	7
Expenses			
Claims and claim adjustment expenses	-2263	-3558	57
Acquisition costs	-517	-554	7
Operating expenses	-760	-759	-
Total expenses before interest expenses	-3540	-4871	38
Income/loss before interest and income tax expense	157	-926	-
Interest expenses	-23	-23	-
Income/loss before income tax expense	134	-949	-
Income tax expense/benefit	-1	203	-
Net income/loss before attribution of non-controlling interests	133	-746	-
Income/loss attributable to non-controlling interests	2	5	150
Net income/loss attributable to common shareholders	135	-741	-
Claims ratio in %	64.6	97.4	
Expense ratio in %	36.5	36.0	
Combined ratio in %	101.1	133.4	

Performance

Net loss was USD 741 million in 2017, compared to net income of USD 135 million in 2016, with a net operating margin of -23.5%, down from 4.2%. The 2017 result was significantly impacted by higher large natural catastrophe losses, which amounted to USD 1.0 billion, and continued pricing pressure throughout most of the year. The investment result was higher in 2017 compared to 2016, driven by net realised gains mainly from the sale of equity securities.

Premiums

Net premiums earned were USD 3.7 billion in 2017, an increase of 4.2% compared to 2016. The increase was driven by organic and inorganic growth across most lines of business. Gross premiums written and premiums for insurance in derivative form, net

of internal fronting for the Reinsurance Business Unit, remained broadly unchanged at USD 4.1 billion in 2017. The expansion into Primary Lead compensated for declining rates in the excess layer segment.

Combined ratio

The combined ratio increased to 133.4% in 2017 compared to 101.1% in 2016, due to the large natural catastrophe losses, mainly driven by hurricanes Harvey, Irma and Maria in the third quarter of 2017.

Lines of business

The Property combined ratio for 2017 deteriorated by 89.6 percentage points to 174.0%, reflecting the impact of the above-mentioned hurricanes, Californian wildfires, the earthquake in Puebla, Mexico and tropical Cyclone Debbie in Australia earlier in the year.

The Casualty combined ratio increased to 122.0% in 2017 compared to 115.9% in 2016. Both periods experienced large liability losses in North America. The majority of the large losses reported in the current period occurred in 2015/2016. The magnitude and responsibility for these losses were only established in 2017.

The Specialty combined ratio for 2017 decreased slightly by 0.6 percentage points to 101.6%. 2017 was impacted by higher marine and engineering losses due to the natural catastrophe events and a large aviation loss. The credit and surety portfolio returned to technical profitability.

Investment result

The return on investments was 3.4% for 2017, compared to 2.5% in 2016, reflecting an increase in the investment result of USD 86 million, stemming from higher net realised gains.

Net investment income increased by USD 25 million to USD 183 million for 2017, mainly due to additional income from government bonds, partially driven by a higher asset volume.

Net realised gains were USD 118 million compared to USD 57 million in 2016, reflecting additional gains from sales of equity securities.

Insurance-related derivative results and foreign exchange gains/losses are not included in the investment figures.

Corporate Solutions offers insurance protection against weather perils and other risks, which is accounted for as derivatives. Insurance in derivative form reported net realised gains of USD 12 million in 2017, compared to USD 16 million in 2016, reflecting the impact of the unseasonably mild winter in both periods and the extremely cold weather in the US at the end of 2017.

Shareholders' equity

Common shareholders' equity increased by USD 0.2 billion to USD 2.4 billion at the end of 2017, due to the Group's injection of USD 1 billion capital in the fourth quarter, partially offset by the net loss for the period and a dividend of USD 150 million paid to the Group in the second quarter of the year. The return on equity was -32.2% in 2017, compared to 6.0% in 2016.

Outlook

Prices for commercial insurance have been under significant pressure in the past years, with a majority of segments operating at unsustainable rate levels since 2015. We expect a medium-paced, steady increase of prices over the next 12 to 18 months following the recent natural catastrophe events, with most pronounced increases in property in the US and a reinforced focus on terms and conditions. Corporate Solutions will maintain its commitment to underwriting discipline.



The commercial insurance claims management process can be complex.

Through our industry-leading Claims Commitment, we aim to keep it simple and tailor our approach to our customers' needs and preferences. Working with our customers and brokers, our claims professionals promptly investigate, evaluate and develop an appropriate resolution strategy. Where we have a duty to defend, we will work to determine, as early as possible, our customer's preferred approach to whether the claim should be settled or defended.

In the event of an insured first-party property loss, we help our insureds get back to business quicker by making advance payments of up to 50% of our covered loss estimate.

Being there when our customer needs us is a top priority. We value a personal connection, and are committed to:

- Contacting our client, or their representative, within one business day of receiving a loss notification when we lead the primary claim.
- Returning phone calls and emails within one business day. When out of the office, we provide additional contacts, should immediate assistance be needed.
- Completing initial investigations on claims, in most instances, within 30 days.
- Paying covered claims within a period that meets our client's business needs, in most instances, within five business days.

We believe that "how" a claim is handled is often as important as the outcome itself, and our clients and brokers tell us that they feel a difference. In the last few years, we have received top Claims ratings in several global broker and risk manager surveys, including a #1 global ranking in 2017 by one of the top brokers and #1 ranking in the 2017 Risk Manager Choice Awards, a national (US) survey conducted by Flaspöhler and commissioned by National Underwriter/Property Casualty 360.

Life Capital – Life Capital's strategy is to create alternative access to attractive life and health risk pools.



Thierry Léger
CEO, Life Capital

“In 2017, Life Capital continued to see strong growth, both organic and inorganic; delivering against our strategy and strengthening our market position.”

Strategy and priorities

During 2017, the open book businesses saw significant growth in the number of policies sold. For the closed book business, ReAssure continued to pursue selective growth.

In October 2017, Swiss Re reached an agreement with MS&AD Insurance Group Holdings Inc (MS&AD) for an investment of up to GBP 800 million in ReAssure, strengthening its ability to pursue growth. In December, ReAssure agreed to purchase 1.1 million Legal & General life policies for GBP 650 million, in line with its strategy to acquire closed life books in the UK and further strengthen its market position.

Life Capital seeks to optimise capital and asset management and to maximise cash generation and return on equity. In the closed book business, the focus remains on achieving operational efficiencies by leveraging our operating platform. In the open book business, Life Capital continued to invest in its technology platform during 2017, to position both elipsLife and iptiQ to grasp growth opportunities in their respective businesses.

LIFE CAPITAL RESULTS

USD millions	2016	2017	Change in %
Revenues			
Gross premiums written	1 489	1 761	18
Net premiums written	681	859	26
Change in unearned premiums	13	91	—
Premiums earned	694	950	37
Fee income from policyholders	499	457	–8
Net investment income – non-participating business	1 256	1 193	–5
Net realised investment gains/losses – non-participating business	503	133	–74
Net investment result – unit-linked and with-profit business	5 367	3 234	–40
Other revenues	1	2	100
Total revenues	8 320	5 969	–28
Expenses			
Life and health benefits	–1 896	–1 872	–1
Return credited to policyholders	–5 060	–3 179	–37
Acquisition costs	–63	–106	68
Operating expenses	–503	–514	2
Total expenses before interest expenses	–7 522	–5 671	–25
Income before interest and income tax expense	798	298	–63
Interest expenses	–29	–35	21
Income before income tax expense	769	263	–66
Income tax expense	–131	–102	–22
Net income attributable to common shareholders	638	161	–75

Performance

In 2017, net income for Life Capital was USD 161 million, a decline from USD 638 million in 2016, with the 2016 performance benefiting from large one-off realised gains on the investment portfolio that were, as expected, not repeated. The underlying performance in 2017 was supported by realised gains on sales of fixed income securities and favourable UK investment market performance.

The net operating margin in 2017 was 10.9% compared to 27.0% in the prior year, in line with movements in net income.

Life Capital generated significant gross cash of USD 998 million during 2017, compared to USD 721 million in the prior year. The gross cash generated in 2017 was driven by the strong

underlying surplus on the ReAssure business. It further benefited from an update to mortality assumptions and the finalisation of the 2016 year-end Solvency II statutory valuation.

Life Capital paid a dividend of USD 1.1 billion to the Group during June 2017, driven by the strong capital position of the ReAssure business.

Premiums

Gross premiums written increased by 18.3% to USD 1.8 billion during 2017, mainly driven by growth in the open book businesses, offsetting the run-off of the closed books, as well as foreign exchange rate movements. Net premiums earned increased from growth in the open book life and health insurance businesses.

Investment result

The return on investments was 3.4% for 2017, compared to 4.0% in 2016. The prior-year result included significant net realised gains from interest rate derivatives as well as higher net investment income.

Net investment income decreased by USD 48 million to USD 894 million in 2017, mainly due to a negative impact from foreign exchange rate movements.

Net realised gains decreased by USD 110 million to USD 111 million in 2017, reflecting the lower impact from interest rate derivatives.

Insurance-related investment results as well as foreign exchange gains/losses are not included in the figures above.

Operating expenses

Operating expenses were USD 514 million in 2017 compared to USD 503 million in 2016, including investment in 2017 for the open book expansion.

Shareholders' equity

Common shareholders' equity decreased by USD 0.2 billion to USD 7.1 billion, compared to 31 December 2016. The decrease was mainly driven by a USD 1.1 billion dividend paid to the Group, partially offset by net income and higher unrealised gains in 2017. The annualised return on equity was 2.2% for 2017, compared to 10.4% for 2016. The year-on-year decrease was due to lower net income in 2017.

Outlook

Life Capital continues to pursue selective acquisition opportunities within the closed book market in the UK and is focused on growing its individual and group life and health businesses in Europe and the US. The ambition is to build a leading primary life and health business, with attractive returns for shareholders.



Since its creation, iptiQ has successfully onboarded, and has been contributing to the success of 12 distribution partners.

Growth at Life Capital relies largely on the strategic exploration of new digital capabilities to access attractive primary life and health risk pools.

One of the ways Life Capital does this is through its B2B2C entity iptiQ, which partners with distributors to help individuals address their protection needs. Main products offered include term-life, whole of life, disability and critical illness. In the past year, iptiQ's new policy sales more than doubled driven by the successful onboarding of new distribution partners, the extension of products and higher convergence of sales leads.

In 2017, iptiQ enabled a large Swiss Re Property and Casualty reinsurance client to become a multi-product insurer in a new country, adding a digital life insurance solution to their line in less than six months. The client was able to enhance their value proposition while maintaining their branding and customer journey. iptiQ's simple and transparent digital solution was the client's preferred choice in a highly competitive market for a number of reasons:

- Full branding control
- Ability to launch a new line of products within just months
- Ability to access a digital end-to-end solution without investment costs
- Ability to provide customers with a best-in-class experience and optimised customer journey without disruption

By forging strategic B2B partnerships using agile tech and smart data, iptiQ is tackling one of our key industry challenges: to provide simple, affordable and digital insurance solutions.

The digital revolution is here to stay. Through promising start-ups such as iptiQ, Life Capital will continue investing in technology to provide protection for as many families as possible.

Share performance

Swiss Re shares

Swiss Re had a market capitalisation of CHF 31.9 billion on 31 December 2017, with 349.5 million shares outstanding, of which 314.6 million were entitled to dividends. Swiss Re shares are listed in accordance with the International Reporting Standard on the SIX Swiss Exchange (SIX) and are traded under the ticker symbol SREN.

American Depositary Receipts (ADR)

In the US Swiss Re maintains an ADR level I programme (OTC symbol SSREY).

Share price performance

Swiss Re shares opened the year at CHF 97.15. An intra-day high of CHF 98.50 was achieved on 4 January 2017. On 8 September 2017, the shares experienced an intra-day low of CHF 81.65. The year-end share price was CHF 91.25.

During 2017 the STOXX Europe 600 Insurance index (SXIP) increased by 6.9% and the broader index of Swiss blue chips (SMI) increased by 14.1%. The Swiss Re share decreased by 5.4%.

Share trading

The average on-exchange daily trading volume for 2017 was 1.3 million shares. Trading volume peaked at 2.9 million shares on 11 September 2017.

Swiss Re's dividend policy

Swiss Re's dividend policy is a central element of Swiss Re's capital management priorities.

The Group aims to ensure a superior capitalisation at all times and maximise financial flexibility, growing the regular dividend with long-term earnings and at a minimum maintaining it. Swiss Re will then deploy capital for business growth where it meets its strategy and profitability requirements and finally repatriate further excess capital to shareholders, with the preferred form of future capital repatriation being share buy-back programmes.

Dividends are typically paid out of current earnings and Swiss Re pays its dividend annually. Shares are ex-dividend two working days after the Annual General Meeting (AGM). Dividend payment is typically two working days after the ex-dividend date. The corresponding dates in 2018 are 24 and 26 April.

Dividends

The Board of Directors proposes a regular dividend of CHF 5.00 per share for 2017. As the tax privileged legal reserves from capital contributions were exhausted with the payment of the 2014 dividend, the dividend paid for 2017 will be subject to 35% Swiss withholding tax.

Public share buy-back programme

The Board of Directors launched on 3 November 2017 the public share buy-back programme authorised by the 2017 AGM. This programme was completed on 16 February 2018.

For further information please visit www.swissre.com/investors/shares/share_buyback/

The Board of Directors proposes to the 2018 AGM to authorise the company to repurchase own shares for the purpose of cancellation by way of a public share buy-back programme of up to CHF 1.0 billion purchase value to be executed before the 2019 AGM.

Unlike in previous years, beyond the Board of Directors' and regulatory approval, and considering the Group's capital management priorities, there will be no other pre-conditions to the commencement of the new programme.

Swiss Re will ask the AGM in April 2019 permission to cancel the repurchased shares by way of share capital reduction.

GENERAL INFORMATION ON SWISS RE SHARES

Identification numbers	Share	ADR	
Swiss Security Number (Valorenummer)	12688156	–	
ISIN (International Securities Identification Number)	CH0126881561	US8708861088	
Ticker symbols	Bloomberg	Telekurs	Reuters
Share	SREN:SW	SREN	SREN.SW
ADR ¹	SSREY:US	SSREY	SSREY.PK

¹ Swiss Re's ADR are not listed but traded over the counter; four ADRs correspond to one Swiss Re share.

Weighting in indices

As of 31 December 2017	Index weight (in %)
Swiss/blue chip indices	
SMI	3.01
SPI	2.16

Insurance indices

STOXX Europe 600 Insurance	5.02
Bloomberg Europe 500 Insurance	4.73
FTSEurofirst 300 Insurance	5.77
Dow Jones Insurance Titans 30	2.22

Sustainability indices

Dow Jones Sustainability Europe	0.71
Dow Jones Sustainability World	0.29
FTSE4Good Global	5.00

Index representation

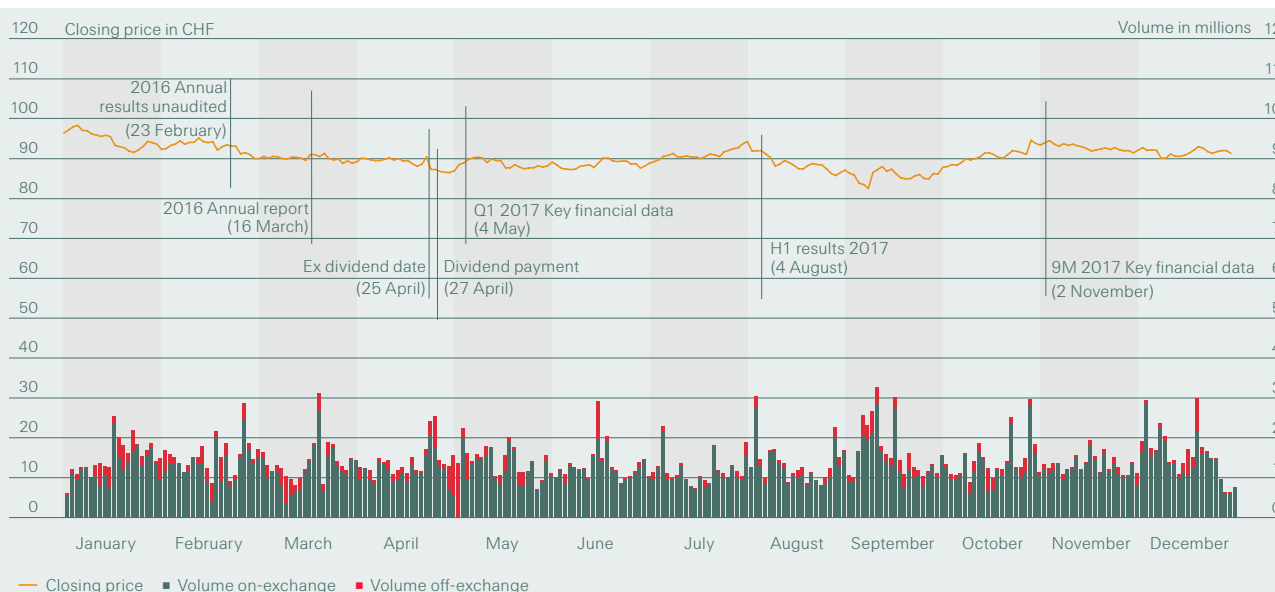
In addition to its relevant industry indices, Swiss Re is also represented in various Swiss, European and global indices, including the SMI and the SXIP. Swiss Re is also a member of various sustainability indices, including the Dow Jones

Sustainability World and Europe, FTSE4Good, Euronext Vigeo Europe 120, the MSCI ESG Leaders and MSCI Global Socially Responsible (2017) index families. In May 2017, Swiss Re received a AAA rating on the MSCI ESG assessment.

Information for investors

More information is available on Swiss Re's website:
www.swissre.com/investors

SWISS RE SHARE PRICE AND TRADING VOLUME IN 2017



KEY SHARE STATISTICS 2013–2017

As of 31 December	2013	2014	2015	2016	2017
Shares outstanding ¹	370 706 931	370 706 931	370 706 931	360 072 561	349 452 281
of which Treasury shares and shares reserved for corporate purposes	28 511 298	28 507 491	32 967 226 ²	34 093 834 ³	34 866 516 ⁴
Shares entitled to dividend	342 195 633	342 199 440	337 739 705	325 978 727	314 585 765
CHF unless otherwise stated					
Dividend paid per share	3.50 ⁵	3.85 ⁶	4.25 ⁷	4.60	4.85
Dividend yield ⁸ (in %)	4.30	4.60	4.33	4.77	5.32
Earnings per share ⁹	12.04	9.33	12.93	10.55	1.02
Book value per share ¹⁰	82.76	101.12	96.04	107.64	103.37
Price per share year-end	82.05	83.65	98.15	96.50	91.25
Price per share year high (intra-day)	84.75	86.55	99.75	97.85	98.50
Price per share year low (intra-day)	66.10	69.25	74.95	79.00	81.65
Daily trading volume (in CHF millions)	78	95	134	120	129
Market capitalisation ¹¹ (in CHF millions)	30 417	31 010	36 385	34 747	31 888
ADR price at year-end (in USD)	92.38	84.57	24.53 ¹²	23.76	23.38

¹ Nominal value of CHF 0.10 per share.

² Includes 4.4m shares repurchased under the share buy-back programme launched on 12 November 2015, which concluded on 2 March 2016.

³ Includes 5.5m shares repurchased under the share buy-back programme launched on 4 November 2016, which concluded on 9 February 2017.

⁴ Includes 6.3m shares repurchased under the share buy-back programme launched on 3 November 2017, which concluded on 16 February 2018.

⁵ In addition to the regular dividend of CHF 3.50 per share a special dividend of CHF 4.00 per share was paid in 2013.

⁶ In addition to the regular dividend of CHF 3.85 per share a special dividend of CHF 4.15 per share was paid in 2014.

⁷ In addition to the regular dividend of CHF 4.25 per share a special dividend of CHF 3.00 per share was paid in 2015.

⁸ Dividend divided by year-end share price of corresponding year.

⁹ Calculated by dividing net income by the weighted average number of common shares outstanding.

¹⁰ Based on shareholders' equity (excluding convertible perpetual capital instruments) divided by the number of external common shares entitled to dividend.

¹¹ Based on shares outstanding.

¹² Since 15 June 2015 every Swiss Re ADR represents one quarter of a Swiss Re share. Prior to close of business on 12 June 2015, one ADR represented one Swiss Re share.