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# Income statement

## For the years ended 31 December

USD millions	Note	2017	2018
<b>Revenues</b>			
Gross premiums written	4	34 775	36 406
Net premiums written	4	32 316	34 042
Change in unearned premiums		803	-167
<b>Premiums earned</b>	3	33 119	33 875
Fee income from policyholders	3	586	586
Net investment income – non-participating business <sup>1</sup>	7	3 708	4 075
Net realised investment gains/losses – non-participating business <sup>2</sup>	7	1 727	65
Net investment result – unit-linked and with-profit business	7	3 315	-1 593
Other revenues		32	39
<b>Total revenues</b>		42 487	37 047
<b>Expenses</b>			
Claims and claim adjustment expenses	3	-16 730	-14 855
Life and health benefits	3	-11 083	-11 769
Return credited to policyholders		-3 298	1 033
Acquisition costs	3	-6 977	-6 919
Operating expenses		-3 308	-3 432
<b>Total expenses before interest expenses</b>		-41 396	-35 942
<b>Income before interest and income tax expense</b>		1 091	1 105
Interest expenses		-566	-555
<b>Income before income tax expense</b>		525	550
Income tax expense	13	-132	-69
<b>Net income before attribution of non-controlling interests</b>		393	481
Income/loss attributable to non-controlling interests		5	-19
<b>Net income after attribution of non-controlling interests</b>		398	462
Interest on contingent capital instruments, net of tax		-67	-41
<b>Net income attributable to common shareholders</b>		331	421
<b>Earnings per share in USD</b>			
Basic	12	1.03	1.37
Diluted	12	1.03	1.37
<b>Earnings per share in CHF<sup>3</sup></b>			
Basic	12	1.02	1.34
Diluted	12	1.01	1.34

<sup>1</sup> Total impairments for the years ended 31 December of USD 46 million in 2017 and nil in 2018, respectively, were fully recognised in earnings.

<sup>2</sup> Total impairments for the years ended 31 December of USD 57 million in 2017 and USD 16 million 2018, respectively, were fully recognised in earnings.

<sup>3</sup> The translation from USD to CHF is shown for informational purposes only and has been calculated using the Group's average exchange rates.

The accompanying notes are an integral part of the Group financial statements.

# Statement of comprehensive income

For the years ended 31 December

USD millions	2017	2018
Net income before attribution of non-controlling interests	393	481
Other comprehensive income, net of tax:		
Change in net unrealised investment gains/losses	287	-2 389
Change in other-than-temporary impairment	3	-1
Change in cash flow hedges	-3	15
Change in foreign currency translation	526	-408
Change in adjustment for pension benefits	315	-4
Impact of sale to non-controlling shareholder		-259
Other comprehensive income attributable to non-controlling interests		72
<b>Total comprehensive income before attribution of non-controlling interests</b>	1 521	-2 493
Interest on contingent capital instruments, net of tax	-67	-41
Comprehensive income attributable to non-controlling interests	5	-91
<b>Total comprehensive income attributable to common shareholders</b>	1 459	-2 625

The accompanying notes are an integral part of the Group financial statements.

RECLASSIFICATION OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME

For the years ended 31 December

2017 USD millions	Net unrealised investment gains/losses <sup>1</sup>	Other-than- temporary impairment <sup>1</sup>	Cash flow hedges <sup>1</sup>	Foreign currency translation <sup>1,2</sup>	Adjustment for pension benefits <sup>3</sup>	Credit risk of financial liabilities at fair value option	Accumulated other comprehensive income
Balance as of 1 January	4 459	-5	-7	-6 074	-1 135	0	-2 762
Change during the period	2 755	4	30	347	348		3 484
Amounts reclassified out of accumulated other comprehensive income	-2 372	1	-33	-17	43		-2 378
Tax	-96	-2		196	-76		22
<b>Balance as of period end</b>	<b>4 746</b>	<b>-2</b>	<b>-10</b>	<b>-5 548</b>	<b>-820</b>	<b>0</b>	<b>-1 634</b>

2018 USD millions	Net unrealised investment gains/losses <sup>1</sup>	Other-than- temporary impairment <sup>1</sup>	Cash flow hedges <sup>1</sup>	Foreign currency translation <sup>1,2</sup>	Adjustment for pension benefits <sup>3</sup>	Credit risk of financial liabilities at fair value option	Accumulated other comprehensive income
Balance as of 1 January	4 746	-2	-10	-5 548	-820	0	-1 634
Impact of sale to non-controlling shareholder	-325		1	52	13		-259
Impact of Accounting Standards Updates <sup>4</sup>	-127				-17	5	-139
Change during the period	-3 129	-1	25	-303	-75		-3 483
Amounts reclassified out of accumulated other comprehensive income	154		-10	8	68		220
Tax	586			-113	3		476
<b>Balance as of period end</b>	<b>1 905</b>	<b>-3</b>	<b>6</b>	<b>-5 904</b>	<b>-828</b>	<b>5</b>	<b>-4 819</b>

<sup>1</sup> Reclassification adjustment included in net income is presented in "Net realised investment gains/losses – non-participating business".

<sup>2</sup> Reclassification adjustment is limited to translation gains and losses realised upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity.

<sup>3</sup> Reclassification adjustment included in net income is presented in "Operating expenses".

<sup>4</sup> Impact of ASU 2018-02, ASU 2016-16 and ASU 2016-01. Please refer to Note 1 for more details.

The accompanying notes are an integral part of the Group financial statements.

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# Balance sheet

## ASSETS

### As of 31 December

USD millions	Note	2017	2018
<b>Investments</b>	7, 8, 9		
Fixed income securities:			
Available-for-sale (including 12 969 in 2017 and 11 502 in 2018 subject to securities lending and repurchase agreements) (amortised cost: 2017: 93 278; 2018: 89 673)		99 248	<b>92 538</b>
Trading (including 1 761 in 2017 and 2 599 in 2018 subject to securities lending and repurchase agreements)		2 538	<b>3 414</b>
Equity securities:			
Available-for-sale (including 277 in 2017 subject to securities lending and repurchase agreements) (cost: 2017: 3 544) <sup>1</sup>		3 862	
Trading <sup>1</sup>		3	
At fair value through earnings (including 480 in 2018 subject to securities lending and repurchase agreements) <sup>1</sup>			<b>3 036</b>
Policy loans, mortgages and other loans		4 110	<b>4 542</b>
Investment real estate		2 220	<b>2 411</b>
Short-term investments (including 411 in 2017 and 552 in 2018 subject to securities lending and repurchase agreements)		4 846	<b>5 417</b>
Other invested assets		9 904	<b>6 398</b>
Investments for unit-linked and with-profit business (including fixed income securities trading: 5 209 in 2017 and 4 938 in 2018, equity securities trading: 28 783 in 2017, equity securities at fair value through earnings: 23 123 in 2018)		35 166	<b>29 546</b>
<b>Total investments</b>		161 897	<b>147 302</b>
Cash and cash equivalents (including 322 in 2017 and 717 in 2018 subject to securities lending, and 1 878 in 2017 and 1 175 in 2018 backing unit-linked and with-profit contracts)		6 806	<b>5 985</b>
Accrued investment income		1 095	<b>1 052</b>
Premiums and other receivables		13 834	<b>13 789</b>
Reinsurance recoverable on unpaid claims and policy benefits		7 942	<b>7 058</b>
Funds held by ceding companies		9 155	<b>9 009</b>
Deferred acquisition costs	6	6 871	<b>8 217</b>
Acquired present value of future profits	6	1 989	<b>1 818</b>
Goodwill		4 172	<b>4 071</b>
Income taxes recoverable		378	<b>526</b>
Deferred tax assets	13	4 817	<b>5 411</b>
Other assets		3 570	<b>3 332</b>
<b>Total assets</b>		222 526	<b>207 570</b>

<sup>1</sup> Change due to ASU 2016-01. Please refer to Note 1 for more details.

The accompanying notes are an integral part of the Group financial statements.

## LIABILITIES AND EQUITY

USD millions	Note	2017	2018
<b>Liabilities</b>			
Unpaid claims and claim adjustment expenses	5	66 795	67 446
Liabilities for life and health policy benefits	8	42 561	39 593
Policyholder account balances		37 537	31 938
Unearned premiums		11 769	11 721
Funds held under reinsurance treaties		3 109	3 224
Reinsurance balances payable		1 036	920
Income taxes payable		679	597
Deferred and other non-current tax liabilities	13	6 975	6 471
Short-term debt	11	433	1 633
Accrued expenses and other liabilities	7	7 190	6 798
Long-term debt	11	10 148	8 502
<b>Total liabilities</b>		188 232	178 843
<b>Equity</b>			
Contingent capital instruments		750	
Common shares, CHF 0.10 par value			
2017: 349 452 281; 2018: 338 619 465 shares authorised and issued		33	32
Additional paid-in capital		368	496
Treasury shares, net of tax		-1 842	-2 291
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		4 746	1 905
Other-than-temporary impairment, net of tax		-2	-3
Cash flow hedges, net of tax		-10	6
Foreign currency translation, net of tax		-5 548	-5 904
Adjustment for pension and other post-retirement benefits, net of tax		-820	-828
Credit risk of financial liabilities at fair value option, net of tax			5
Total accumulated other comprehensive income		-1 634	-4 819
Retained earnings		36 449	34 512
<b>Shareholders' equity</b>		34 124	27 930
Non-controlling interests		170	797
<b>Total equity</b>		34 294	28 727
<b>Total liabilities and equity</b>		222 526	207 570

The accompanying notes are an integral part of the Group financial statements.



# Statement of shareholders' equity

For the years ended 31 December

USD millions	2017	2018
<b>Contingent capital instruments</b>		
Balance as of 1 January	1 102	750
Changes during the period	-352	-750
Balance as of period end	750	0
<b>Common shares</b>		
Balance as of 1 January	34	33
Cancellation of shares bought back	-1	-1
Balance as of period end	33	32
<b>Additional paid-in capital</b>		
Balance as of 1 January	341	368
Impact of sale to non-controlling shareholder <sup>1</sup>	34	123
Contingent capital instrument issuance costs	8	11
Cancellation of shares bought back		-85
Share-based compensation	-14	-6
Realised gains/losses on treasury shares <sup>2</sup>	-1	85
Balance as of period end	368	496
<b>Treasury shares, net of tax</b>		
Balance as of 1 January	-1 763	-1 842
Purchase of treasury shares	-1 161	-1 454
Cancellation of shares bought back	1 006	1 032
Issuance of treasury shares, including share-based compensation to employees <sup>2</sup>	76	-27
Balance as of period end	-1 842	-2 291
<b>Net unrealised investment gains/losses, net of tax</b>		
Balance as of 1 January	4 459	4 746
Impact of sale to non-controlling shareholder <sup>1</sup>		-325
Impact of ASU 2018-02 <sup>3</sup>		176
Impact of ASU 2016-16 <sup>3</sup>		44
Impact of ASU 2016-01 <sup>3</sup>		-347
Changes during the period	287	-2 389
Balance as of period end	4 746	1 905
<b>Other-than-temporary impairment, net of tax</b>		
Balance as of 1 January	-5	-2
Changes during the period	3	-1
Balance as of period end	-2	-3
<b>Cash flow hedges, net of tax</b>		
Balance as of 1 January	-7	-10
Impact of sale to non-controlling shareholder <sup>1</sup>		1
Changes during the period	-3	15
Balance as of period end	-10	6

The accompanying notes are an integral part of the Group financial statements.

USD millions	2017	2018
<b>Foreign currency translation, net of tax</b>		
Balance as of 1 January	-6 074	-5 548
Impact of sale to non-controlling shareholder <sup>1</sup>		52
Changes during the period	526	-408
Balance as of period end	-5 548	-5 904
<b>Adjustment for pension and other post-retirement benefits, net of tax</b>		
Balance as of 1 January	-1 135	-820
Impact of sale to non-controlling shareholder <sup>1</sup>		13
Impact of ASU 2018-02 <sup>3</sup>		-17
Changes during the period	315	-4
Balance as of period end	-820	-828
<b>Credit risk of financial liabilities at fair value option, net of tax</b>		
Balance as of 1 January	0	0
Impact of ASU 2016-01 <sup>3</sup>		5
Balance as of period end	0	5
<b>Retained earnings</b>		
Balance as of 1 January	38 682	36 449
Net income after attribution of non-controlling interests	398	462
Interest on contingent capital instruments, net of tax	-67	-41
Dividends on common shares	-1 559	-1 592
Cancellation of shares bought back	-1 005	-946
Impact of ASU 2018-02 <sup>3</sup>		-159
Impact of ASU 2016-16 <sup>3</sup>		-3
Impact of ASU 2016-01 <sup>3</sup>		342
Balance as of period end	36 449	34 512
<b>Shareholders' equity</b>	34 124	27 930
<b>Non-controlling interests</b>		
Balance as of 1 January	82	170
Transactions with non-controlling interests	93	688
Income/loss attributable to non-controlling interests	-5	19
Other comprehensive income attributable to non-controlling interests		
Change in net unrealised investment gains/losses		191
Change in foreign currency translation		-109
Other		-10
Dividends to non-controlling interests		-152
Balance as of period end	170	797
<b>Total equity</b>	34 294	28 727

<sup>1</sup> In 2018, MS&AD Insurance Group Holdings Inc (MS&AD) acquired a 15% non-controlling interest in ReAssure, a subsidiary of the Group.

<sup>2</sup> In 2018, the Group performed a review of the carrying values of treasury shares, resulting in an increase of USD 65 million in treasury shares and a corresponding increase of the same amount in additional paid-in capital. The reclassification has no impact on net income or net equity of the Group.

<sup>3</sup> Impact of Accounting Standards Update. Please refer to Note 1 for more details.

The accompanying notes are an integral part of the Group financial statements.

# Statement of cash flows

For the years ended 31 December

USD millions	2017	2018
<b>Cash flows from operating activities</b>		
Net income attributable to common shareholders	331	421
Add net income/loss attributable to non-controlling interests	-5	19
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	542	331
Net realised investment gains/losses	-4 048	2 530
Income from equity-accounted investees, net of dividends received	70	4
Change in:		
Technical provisions and other reinsurance assets and liabilities, net	5 739	-1 796
Funds held by ceding companies and under reinsurance treaties	-276	212
Reinsurance recoverable on unpaid claims and policy benefits	61	656
Other assets and liabilities, net	-386	-421
Income taxes payable/recoverable	-606	-682
Trading positions, net	-119	298
<b>Net cash provided/used by operating activities</b>	<b>1 303</b>	<b>1 572</b>
<b>Cash flows from investing activities</b>		
Fixed income securities:		
Sales	43 904	44 679
Maturities	5 537	5 159
Purchases	-52 696	-49 816
Net purchases/sales/maturities of short-term investments	6 459	-761
Equity securities:		
Sales	7 421	1 908
Purchases	-7 113	-1 578
Securities purchased/sold under agreement to resell/repurchase, net	-1 042	3 464
Cash paid/received for acquisitions/disposals and reinsurance transactions, net	36	-11
Net purchases/sales/maturities of other investments	-2 103	-869
Net purchases/sales/maturities of investments held for unit-linked and with-profit business	2 356	1 288
<b>Net cash provided/used by investing activities</b>	<b>2 759</b>	<b>3 463</b>
<b>Cash flows from financing activities</b>		
Policyholder account balances, unit-linked and with-profit business:		
Deposits	565	557
Withdrawals	-2 821	-2 939
Issuance/repayment of long-term debt	-270	346
Issuance/repayment of short-term debt	-1 221	-428
Issuance/repayment of contingent capital instrument	-352	-750
Purchase/sale of treasury shares	-1 142	-1 446
Dividends paid to shareholders	-1 559	-1 592
Dividends paid to non-controlling interests		-152
Transactions with non-controlling interests		811
<b>Net cash provided/used by financing activities</b>	<b>-6 800</b>	<b>-5 593</b>

The accompanying notes are an integral part of the Group financial statements.



USD millions	2017	2018
<b>Total net cash provided/used</b>	-2 738	<b>-558</b>
Effect of foreign currency translation	533	<b>-263</b>
<b>Change in cash and cash equivalents</b>	-2 205	<b>-821</b>
Cash and cash equivalents as of 1 January	9 011	<b>6 806</b>
<b>Cash and cash equivalents as of 31 December</b>	6 806	<b>5 985</b>

Interest paid was USD 655 million and USD 631 million (thereof USD 49 million and USD 43 million for letter of credit fees) for 2017 and 2018, respectively. Tax paid was USD 720 million and USD 740 million for 2017 and 2018, respectively.

Cash and cash equivalents include restricted cash and restricted cash equivalents, for instance pledged cash and cash equivalents (please refer to Note 7, "Investments").

The accompanying notes are an integral part of the Group financial statements.