

29th April 2016

Insurance

Swiss Re

Price CHF88.40

Satisfactory set of Q1 numbers

Fair Value CHF100 (+13%)

NEUTRAL

Bloomberg	SREN VX
Reuters	SREN.VX
12-month High / Low (CHF)	99.7 / 78.9
Market Cap (CHF)	32,770
Avg. 6m daily volume (000)	1,508

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.1%	-4.7%	-3.3%	-9.9%
Insurance	2.3%	0.1%	-10.2%	-11.7%
DJ Stoxx 600	4.1%	4.2%	-7.2%	-4.6%

	2015	2016e	2017e	2018e
P/E	7.0x	10.4x	10.1x	
Div yield (%)	5.0%	5.0%	5.0%	

ANALYSIS

- Q1 2016 net income is USD1.2bn, down 15% but above consensus (USD955m).
- In P&C, Q1 net income (USD587m, down 27%) is pretty much in line with expectations, driven by a less unsustainable reported combined ratio (93.3% vs. 84.3% last year). Note that Q1 2016 suffered from unfavourable PYD (3.5 pts), driven by US liability. Adjusted for natcats (0 pt vs. 0.5 pt) and PYD (-3.5 pts vs. +1.6 pts), the underlying combined ratio is 89.8% vs. 85.4% last year, which highlights the continued challenging environment in P&C Re.
- In Life, Q1 net income is USD244m, down 12% but above consensus (USD180m), driven by adverse experience in the UK and less favourable FX re-measurement. Net income at Corporate Solutions is USD80m, down 52% and slightly below consensus (USD88m), mainly driven by lower capital gains and realised losses in derivatives. At Capital Life, net income is USD321m, up 56% and above consensus (USD96m), mainly driven by investment results (Guardian Financial Services acquisition).
- Despite the challenging financial market environment, annualised Q1 RoI is a strong 3.7% vs. 3.9% last year (lower realised gains).
- SST ratio at end-April is 223%. Tentative Solvency II equivalent is estimated at 312% (!), reflecting the strong capital position of the group.

VALUATION

- Based on our current estimates, our SOTP valuation is CHF100.

NEXT CATALYSTS

- Q2 2016 numbers on 29th July.

Olivier Pauchaut, opauchaut@bryangarnier.com



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BUY ratings 57.6%

NEUTRAL ratings 33.8%

SELL ratings 8.6%

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BRYAN, GARNIER & CO

London	Paris	New York	Munich	New Delhi
Beaufort House 15 St. Botolph Street London EC3A 7BB Tel: +44 (0) 207 332 2500 Fax: +44 (0) 207 332 2559 Authorised and regulated by the Financial Conduct Authority (FCA)	26 Avenue des Champs Elysées 75008 Paris Tel: +33 (0) 1 56 68 75 00 Fax: +33 (0) 1 56 68 75 01 Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudentiel et de résolution (ACPR)	750 Lexington Avenue New York, NY 10022 Tel: +1 (0) 212 337 7000 Fax: +1 (0) 212 337 7002 FINRA and SIPC member	Widenmayerstrasse 29 80538 Munich Germany +49 89 2422 62 11	The Imperial Hotel Janpath New Delhi 110 001 Tel +91 11 4132 6062 +91 98 1111 5119 Fax +91 11 2621 9062 Geneva rue de Grenus 7 CP 2113 Genève 1, CH 1211 Tel +4122 731 3263 Fax+4122731 3243 Regulated by the FINMA

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