Swiss Re

News release

Swiss Re delivers strong 2014 net income of USD 3.5 billion; proposes CHF 4.25 regular, CHF 3.00 special dividend per share and a share buy-back of up to CHF 1.0 billion

- Group net income USD 3.5 billion, supported by strong underwriting performance and investment results
- Property & Casualty Reinsurance USD 3.6 billion net income on strong underwriting, benign natural catastrophe losses and net reserve releases; combined ratio of 83.7%
- Life & Health Reinsurance USD 462 million loss reflecting previously announced management actions on pre-2004 US life business and the unwinding of an asset funding structure; both enhancing future profitability
- Corporate Solutions net income USD 319 million; profitable growth across all regions
- Admin Re® net income USD 34 million; excellent gross cash generation of USD 945 million
- High-quality portfolio maintained in January P&C renewals despite rate pressures
- Board of Directors to propose CHF 4.25 regular dividend, CHF 3.00 special dividend per share[1] and a public share buy-back programme[2] of up to CHF 1.0 billion
- Swiss Re on track to meet 2011–2015 financial targets; announces new financial targets commencing 2016

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Zurich, 19 February 2015 – Swiss Re delivered a full-year net income of USD 3.5 billion for 2014, driven by a strong underwriting performance and investment results. L&H Re reported a full-year net loss of USD 462 million, reflecting the impact from several previously announced management actions as well as the unwinding of an asset funding structure supporting a longevity transaction. These are expected to enhance future profitability. Corporate Solutions generated profitable growth for the year. Admin Re® reported an excellent gross cash generation of USD 945 million, up 81.4% compared to 2013. Given the business performance and the strong capital position, Swiss Re's Board of Directors will propose a regular dividend of CHF 4.25 and a special dividend of CHF 3.00 per share. In addition, Swiss Re's Board of Directors proposes a public share buy-back of up to CHF 1.0 billion.

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[1] Proposed dividends to be paid in the form of Swiss withholding tax exempt distributions from legal reserves from capital contributions.
[2] On a separate trading line for the purpose of cancellation of the shares.

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Swiss Re's Group Chief Executive Officer, Michel M. Liès, says: "Through our disciplined underwriting approach and active differentiation, Swiss Re generated strong earnings despite the challenging industry environment. We also succeeded in serving our clients by providing knowledge, expertise and services beyond our core re/insurance capacity. Our performance, together with our capital position, supports the proposed significant capital distribution of around USD 3.7 billion to our shareholders. In addition, we addressed issues in the underperforming areas. As a result, we are confident in our ability to reach our 2011–2015 financial targets."

Strong full-year Group results; strong investment income

Group net income was USD 3.5 billion in 2014 (vs USD 4.4 billion in 2013). The decrease in net income reflects primarily the effects of management actions taken to address – as previously announced – the problematic pre-2004 US life business. In addition, the L&H Re results were impacted by the unwinding of an asset funding structure supporting a longevity transaction.

Group premium and fee income grew by 8.4% to USD 31.3 billion (vs USD 28.8 billion). Swiss Re achieved a strong annual investment result in a difficult low-yield environment. The investment result totalled USD 4.4 billion (vs USD 4.3 billion). Return on investments was slightly higher at 3.7% (vs. 3.6%). The result includes a positive contribution from the sale of listed equities and alternative investments.

Earnings per share were USD 10.23 or CHF 9.33 (vs USD 12.97 or CHF 12.04 in 2013). Common shareholders' equity was USD 34.8 billion at the end of 2014 (vs USD 31.9 billion at the end of 2013). Book value per common share was USD 101.78 or CHF 101.12 as of 31 December 2014, compared to USD 93.08 or CHF 82.76 at the end of 2013.

Significant capital returns to shareholders planned

Based on the Group's capital strength, Swiss Re's Board of Directors will propose a 10% increase in the 2014 regular dividend to CHF 4.25 per share, up from CHF 3.85 in 2013. In addition, the Board of Directors will propose a special dividend of CHF 3.00 per share. These payments will be made in the form of Swiss withholding tax exempt distributions out of legal reserves from capital contributions and will be made after shareholder approval at the Annual General Meeting on 21 April 2015. This will exhaust these tax privileged reserves. With that reserve fully utilised, Swiss Re expects future excess capital management measures to be in the form of a buy-back. Accordingly, the Board of Directors proposes a public share buy-back programme for the maximum amount of CHF 1.0 billion, exercisable until the AGM in 2016. Once completed, these capital measures are expected to bring the total amount of capital returned to shareholders to USD 10.7 billion since the implementation of the new Group structure in 2012.

P&C Re delivers strong net income of USD 3.6 billion

P&C Re's net income increased by 10.4% to USD 3.6 billion in 2014 (vs USD 3.2 billion in 2013) thanks to a strong underwriting result driven by benign natural catastrophe experience and prior-year net reserve releases.

The combined ratio was 83.7%, compared to 83.8% for the previous year. Adjusted for expected natural catastrophes and prior-year reserve releases, the combined ratio was 94.1% (vs 94.1%).

Net premiums earned increased by 7.3% to USD 15.6 billion (vs USD 14.5 billion), mainly driven by the expiry of a quota share agreement in 2012 and large, bespoke transactions in Asia and the Americas.

L&H Re USD 462 million net loss driven by actions to enhance future profitability

L&H Re reported a USD 462 million net loss for 2014 (vs net income of USD 420 million in 2013), reflecting the conclusion of management actions taken on Swiss Re's pre-2004 US life business, leading to a pre-tax charge of USD 623 million. These previously announced actions included negotiations with clients to resolve underperforming books of business. In addition, the unwinding of an asset funding structure adversely impacted the L&H Re 2014 results. Swiss Re took advantage of an opportunity to unwind the structure as it was earning lower returns than the interest payable on the related debt. The unwinding created economic benefits and removed debt from Swiss Re's balance sheet. The longevity part of the transaction remains unchanged. These actions are expected to support higher earnings in the future.

Swiss Re remains confident to achieve its 10%–12% return on equity target for the L&H Re segment by 2015.

The operating margin for the year was 2.6% (vs 5.8%). Excluding the effect of the management actions on the US life business, the operating margin would have improved to 7.4%. Premiums earned and fee income increased by 12.4% to USD 11.3 billion (vs USD 10.0 billion), primarily driven by volume growth and new business in Asia, large longevity transactions in the UK and regular rate increases in the US yearly-renewable term business.

Corporate Solutions net income 14.3% higher; premiums increase 17.9%

Corporate Solutions delivered a net income of USD 319 million in 2014, 14.3% higher than the 2013 net income of USD 279 million. The increase was driven by continued organic business growth, mainly in property and credit lines. Natural catastrophe experience was lower than expected but was offset by a larger number of man-made losses. Corporate Solutions' combined ratio improved to 93% from 95.1% in 2013.

Net earned premiums increased by 17.9% to USD 3.4 billion (vs USD 2.9 billion), driven by organic growth across all regions, with the highest growth in Europe and Latin America.

At Swiss Re's Investors' Day in July 2014, Corporate Solutions presented its strategic initiatives for growth beyond 2015, communicating the intent to focus on expansion into Primary Lead and moving more significantly into selected High Growth Markets. During 2014, Corporate Solutions closed an acquisition in Colombia and announced an acquisition in China, which is expected to close in the first quarter of 2015 pending regulatory approval.

Admin Re® net income of USD 34 million; gross cash generation of USD 945 million

Admin Re® reported a net income of USD 34 million for the full year 2014 (vs USD 423 million in 2013). The result was impacted by a net loss of USD 203 million on the sale of US subsidiary Aurora National Life Assurance Company (Aurora) – announced in October 2014 – as part of its strategy to further exit the US market. Excluding the Aurora loss, net income was USD 237 million. Gross cash generation was USD 945 million (vs USD 521 million). This strong performance was supported by the release of surplus reserves, solid underlying cash generation in the UK and the sale of Aurora.

In June 2014, Admin Re® acquired individual and group pension and related annuity policies from HSBC Life (UK) Limited, underpinning the Unit's ability to maintain and increase its business scale in the UK and generate future shareholder returns.

Commenting on the full-year results across the Group, Swiss Re's Group Chief Financial Officer David Cole says: "The 2014 results show that we are successfully executing our strategy and delivering a strong performance. At the same time we decisively executed the management actions we had previously identified, together with the unwinding of a long-dated asset funding structure. These measures are expected to enhance our profitability going forward. Overall, Swiss Re shows a clear ability to steer its portfolio in a challenging market environment and to allocate capital to the most attractive business areas while serving our clients with our knowledge and expertise."

Fourth quarter results

The Group's net income for the fourth quarter was USD 245 million, down from the USD 1.2 billion in the same period of the prior year. This reflects the impact of management actions and the unwinding of an asset funding structure supporting a longevity transaction in L&H Re. The Group return on investment for the quarter was 3.6%, (vs 3.8% in Q4 2013). The slight comparative decrease was due to the positive foreign exchange impact in Q4 2013.

P&C Re increased its net income to USD 1.2 billion for the fourth quarter of 2014 (vs USD 1.0 billion in Q4 2013), reflecting realised gains from listed equities and alternative investments, partially offset by a weaker underwriting result and lower net tax benefit. Premiums earned rose 0.8% to USD 3.9 billion as increases in casualty lines offset slightly lower property rates across all regions.

L&H Re reported a net loss for the quarter of USD 734 million (vs a break-even result in Q4 2013). This was mainly the result of management actions on its pre-2004 US life business and the unwinding of an asset funding structure. The operating margin decreased to –15.9% (vs –0.5%). Premium and fee income increased by 2.4% to USD 2.8 billion.

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Corporate Solutions reported fourth quarter net income of USD 70 million (vs USD 52 million in Q4 2013). Premiums earned were up 4.6% to USD 870 million (vs USD 832 million), with successful organic growth in casualty and credit lines, especially in Latin America and Asia.

Admin Re® delivered a net loss of USD 185 million for the fourth quarter (vs a net income of USD 85 million in the prior-year period). The result was impacted by the USD 203 million post-tax loss on the sale of US subsidiary Aurora. Gross cash generation was USD 330 million, up from USD 266 million in the prior-year period.

Swiss Re maintains a high-quality portfolio despite rate pressures at January 2015 renewals

Swiss Re renewed USD 9.2 billion of the USD 9.6 billion premium volume up for renewal, representing a decline of 4%. This reflects active steering of the quality of the portfolio and, where necessary, an exit from unprofitable business. With a decrease in risk-adjusted price quality by 3 percentage points to 105%, the renewed book continues to meet Swiss Re's economic return hurdles.

Property catastrophe rates softened in all markets but rates still remain at economically adequate levels. Differences in price development by casualty segments were observed. Opportunities for new, attractive casualty business presented themselves in selected markets. Non-proportional business remained more attractive than proportional business despite the price declines. Swiss Re continued to be successful in differentiating its business through tailored deals and large transactions and generally remained firm on terms and conditions.

On track to deliver 2011–2015 targets; two new Group financial targets focusing on profitability and economic growth

Swiss Re remains on track to deliver on its financial targets for the 2011–2015 period. In 2014, return on equity was 10.5%, ahead of the targeted 8.6% for the year. Earnings per share for 2014 were USD 10.23 and were also ahead of the targeted USD 8.80 for the year. Economic net worth per share figures will be reported with the publication of the 2014 Annual Report and EVM disclosure on 18 March 2015.

Swiss Re introduces two new Group financial targets starting in 2016. Over the cycle, the company targets a 700 basis points return on equity above risk free rate, e g 10-year US government bonds. In addition, the company aims to grow economic net worth per share by 10% per year.

Group Chief Executive Officer, Michel M. Liès, says: "We expect the overall re/insurance market environment to remain challenging over the next years, especially for the smaller and less differentiated players. With this, a clear focus on profitability and economic growth is essential – so we can continue to deliver value to our clients and shareholders. With the two new Group financial targets announced today, we clearly show that this remains our top priority and long-term commitment."

Details of full-year performance (2014 vs 2013)

		FY 2014	FY 2013
P&C Reinsurance	Premiums earned (USD millions)	15 598	14 542
	Net income (USD millions)	3 564	3 228
	Combined ratio (%)	83.7	83.8
	Return on investments (%)	3.7	2.8
	Return on equity (%)	26.7	26.0
L&H Reinsurance	Premiums earned and fee income (USD millions)	11 265	10 023
	Net income (USD millions)	(-462)	420
	Operating margin[3] (%)	2.6	5.8
	Return on investments (%)	3.2	4.1
	Return on equity (%)	(-7.9)	6.4
Corporate Solutions	Premiums earned (USD millions)	3 444	2 922
	Net income (USD millions)	319	279
	Combined ratio (%)	93.0	95.1
	Return on investments (%)	2.6	2.4
	Return on equity (%)	12.5	9.6
Admin Re®	Premiums earned and fee income (USD millions)	955	1 330
	Net income (USD millions)	34	423
	Return on investments (%)	4.6	5.1
	Return on equity (%)	0.6	6.8
Consolidated Group (Total)[4]	Premiums earned and fee income (USD millions)	31 262	28 818
	Net income (USD millions)	3 500	4 444
	Earnings per share (USD)	10.23	12.97
	Combined ratio (%)	85.4	85.7
	Return on investments (%)	3.7	3.6
	Return on equity (%)	10.5	13.7

[3] Operating margin is calculated as operating income divided by total operating revenues.
[4] Also reflects Group Items, including Principal Investments.

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Details of fourth quarter performance (Q4 2014 vs Q4 2013)

		Q4 2014	Q4 2013
P&C Reinsurance	Premiums earned (USD millions)	3 920	3 887
	Net income (USD millions)	1 179	989
	Combined ratio (%)	86.7	84.4
	Return on investments (%, annualised)	4.2	2.5
	Return on equity (%, annualised)	35.8	32.3
L&H Reinsurance	Premiums earned and fee income (USD millions)	2 825	2 759
	Net income (USD millions)	(-734)	0
	Operating margin (%)	(-15.9)	(-0.5)
	Return on investments (%, annualised)	3.0	4.4
	Return on equity (%, annualised)	(-45.5)	0.0
Corporate Solutions	Premiums earned (USD millions)	870	832
	Net income (USD millions)	70	52
	Combined ratio (%)	93.4	98.6
	Return on investments (%, annualised)	2.0	2.2
	Return on equity (%, annualised)	11.2	7.6
Admin Re®	Premiums earned and fee income (USD millions)	224	287
	Net income (USD millions)	(-185)	85
	Return on investments (%, annualised)	3.7	5.2
	Return on equity (%, annualised)	(-11.9)	5.7
Consolidated Group (Total)	Premiums earned and fee income (USD millions)	7 839	7 766
	Net income (USD millions)	245	1 206
	Earnings per share (USD)	0.72	3.52
	Combined ratio (%)	87.9	86.9
	Return on investments (%, annualised)	3.6	3.8
	Return on equity (%, annualised)	2.9	15.4

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The foregoing and the 2014 Financial Review of the Swiss Re Group contain updates on our business and results and preliminary unaudited financial information for 2014. The updates on our business and results will be included in our 2014 Annual Report, together with our audited financial statements for 2014 and other disclosures we are required to include or historically have included in an annual report. The foregoing and the 2014 Financial Review of the Swiss Re Group are not intended to be a substitute for the full 2014 Annual Report, which will be published on the Swiss Re website on 18 March 2015.

Video presentation and slides
A video presentation and transcript of Swiss Re's results for media and analysts and the accompanying slides are available on www.swissre.com.

Media conference and call
Swiss Re will hold a media conference with a dial-in possibility this morning at 10:30 (CET). If you plan to dial in, you are kindly requested to call 10 minutes prior to the start using the following numbers:

From Switzerland:	+41 (0)58 310 5000
From Germany:	+49 (0)69 25 511 4445
From UK:	+44 (0)203 059 5862
From France:	+33 (0)17091 8706
From USA:	+1 (1) 866 291 41 66
From Hong Kong:	+852 58 08 1769

Investors' and analysts' conference call
Swiss Re will hold an investors' and analysts' conference call this afternoon at 14:00 (CET) which will focus on Q&A. You are kindly requested to dial in 10 minutes prior to the start using the following numbers:

From Switzerland:	+41 (0)58 310 5000
From Germany:	+49 (0)69 25 511 4445
From UK:	+44 (0)203 059 5862
From France:	+33 (0)1 7091 8706
From USA:	+1 (1) 631 570 5613
From Australia:	+61 28 073 0441

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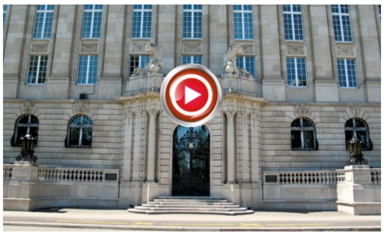
About Swiss Re
The Swiss Re Group is a leading wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Dealing direct and working through brokers, its global client base consists of insurance companies, mid-to-large-sized corporations and public sector clients. From standard products to tailor-made coverage across all lines of business, Swiss Re deploys its capital strength, expertise and innovation power to enable the risk-taking upon which enterprise and progress in society depend. Founded in Zurich, Switzerland, in 1863, Swiss Re serves clients through a network of about 70 offices globally and is rated "AA-" by Standard & Poor's, "Aa3" by Moody's and "A+" by A.M. Best. Registered shares in the Swiss Re Group holding company, Swiss Re Ltd, are listed in accordance with the Main Standard on the SIX Swiss Exchange and trade under the symbol SREN. For more information about Swiss Re Group, please visit: www.swissre.com or follow us on Twitter @SwissRe

For logos and photography of Swiss Re executives, directors or offices go to www.swissre.com/media

For media 'b-roll' please send an e-mail to media_relations@swissre.com



Cautionary note on forward-looking statements
Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets, and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as “anticipate”, “assume”, “believe”, “continue”, “estimate”, “expect”, “foresee”, “intend”, “may increase”, “may fluctuate” and similar expressions, or by future or conditional verbs such as “will”, “should”, “would” and “could”. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause Swiss Re’s actual results of operations, financial condition, solvency ratios, liquidity position or prospects to be materially different from any future results of operations, financial condition, solvency ratios, liquidity position or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets. Such factors include, among others:

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- Swiss Re’s ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of Swiss Re’s financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on Swiss Re’s investment assets;
- changes in Swiss Re’s investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re’s balance sheet equivalent to their mark-to-market values recorded for accounting purposes;

- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that Swiss Re´s hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting Swiss Re´s ability to achieve improved ratings;
- the cyclicality of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting Swiss Re´s clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies and the interpretation of legislation or regulations;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

These factors are not exhaustive. Swiss Re operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

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