Swiss Re

News release

Swiss Re reports half-year net income of USD 2.3 billion on solid underwriting and a strong investment result; on track to reach 2011–2015 financial targets

- Group half-year net income increased 11% to USD 2.3 billion; supported by solid underwriting and strong investment results
- Property & Casualty Reinsurance net income of USD 1.3 billion; ROE of 20.0%; combined ratio of 88.7% reflects disciplined underwriting and benign natural catastrophe losses
- Life & Health Reinsurance net income of USD 495 million and ROE of 16.6%; on track to meet full-year ROE target
- Corporate Solutions net income of USD 239 million; ROE of 20.8%
- Admin Re® increased net income of USD 249 million; USD 139 million gross cash generation and ROE of 8.3%
- Group ROE of 13.5% and earnings per share of USD 6.60 or CHF 6.27 for H1 2015; on track to meet financial targets
- July renewals show volume growth at attractive price quality driven by tailored and large transactions

Zurich, 30 July 2015 — Swiss Re reported an 11% rise in net income to USD 2.3 billion for the first half of 2015, compared to USD 2.0 billion a year ago. All business segments contributed positively to this result, with Property & Casualty Reinsurance delivering net income of USD 1.3 billion for the period. Life & Health Reinsurance posted USD 495 million net income for the first six months of 2015 and annualised ROE of 16.6%, remaining on track to reach its ROE target of 10%–12% by the end of 2015. Corporate Solutions reported a net income of USD 239 million. Admin Re® net income increased to USD 249 million and gross cash generation was USD 139 million. Despite a continued challenging low-yield environment, Swiss Re delivered a favourable return on investments of 4.0%.

Michel M. Liès, Group Chief Executive Officer, says: "The first half of 2015 has again put our business model to a good test. The result adds to our long track record of solid underwriting and investment performances. In a continued volatile capital markets and challenging pricing environment, we were able to leverage our differentiated product and service offering in combination with our global scale to help our clients succeed. This is reflected in this solid set of figures. Despite the ongoing uncertainty about overall economic growth in many areas of the world — as shown by continued historically low interest rates — we were able to support our underwriting expertise with a strong investment result."

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Group net income increases; strong 4.0% return on investments

All Business Units contributed to the Group net income of USD 2.3 billion for the first half of 2015 (vs USD 2.0 billion in H1 2014). Net investment income for the period was USD 1.8 billion, a decrease from the prior-year period, in part related to net asset outflows. The year-to-date Group return on investments was 4.0% (vs 3.9%).

The annualised return on equity for the first six months was 13.5% (vs 12.6%) with earnings per share of CHF 6.27 or USD 6.60, compared with CHF 5.27 or USD 5.92 for the prior-year period.

Book value per common share decreased to USD 94.10 or CHF 87.89 compared to USD 101.78 or CHF 101.12 as of 31 December 2014. The decrease followed the return of USD 2.6 billion in dividends to shareholders in Q2 2015 and was also related to lower unrealised gains due to higher interest rates. Swiss Re's Group capital position remained strong with common shareholders' equity of USD 32.2 billion as of 30 June 2015.

P&C Re net income supported by benign natural catastrophe experience

P&C Re delivered net income of USD 1.3 billion over the first six months of the year (vs USD 1.5 billion in H1 2014). The current year net income includes a higher tax impact, lower net realised gains compared to the prior-year period and market softening, partially offset by lower expenses.

The half-year combined ratio was 88.7% (vs 86.1%). The current period benefited from a benign natural catastrophe experience and positive prior-year development, but was affected by price softening and changes in the business mix.

Premiums earned were almost flat at USD 7.3 billion, compared to USD 7.4 billion in H1 2014. This reduction was largely due to foreign exchange differences between 2014 and 2015. Measured at constant foreign exchange rates, premiums grew by 6%, driven by premium growth in the Americas and EMEA as well as reduced external retrocessions.

L&H Re reports rise in net income; on track to reach its ROE targets

L&H Re net income for the first six months was USD 495 million (vs USD 112 million in H1 2014). The increase reflects a good operating result, combined with higher net realised gains and a positive foreign exchange impact.

L&H Re's annualised ROE was 16.6%, reflecting the progress on the Business segment's profitability target. At the Investors' Day in June 2013, L&H Re announced a target of 10%–12% return on equity by the end of 2015.

Premiums earned and fee income were almost flat for the first six months at USD 5.3 billion (vs USD 5.6 billion). Measured at constant foreign exchange rates, L&H Re premiums and fee income grew by 4%. This growth was supported by higher levels of new business in all markets. The operating margin was 10.3% (vs 8.6%).

Corporate Solutions net income up 64%; ROE of 20.8%

Corporate Solutions generated net income in the first six months of USD 239 million (vs USD 146 million in H1 2014). The 64% rise was driven by profitable business performance across most lines of business and net realised gains. The result was supported by the absence of natural catastrophe events but offset by higher man-made losses during the first six months.

Premiums earned grew by 3% to USD 1.7 billion. At constant foreign exchange rates, the premium growth was 7% compared to the prior-year period, with the highest growth in Europe and Latin America. The pace of growth slowed due to a challenging market environment. The combined ratio improved to 92.4% for the first half year (vs 94.2%).

Corporate Solutions continued to expand its footprint by opening an office in Melbourne, its eighth in the Asia-Pacific region. The Business Unit also completed the acquisition of Sun Alliance Insurance China Limited in May and is now licensed and operating in mainland China as Swiss Re Corporate Solutions Insurance China Ltd.

Admin Re® net income increases; dividend of USD 401 million up-streamed to the Group

Admin Re® delivered net income of USD 249 million in the first half of 2015 (vs USD 165 million in H1 2014). The increase in net income was driven by higher realised gains from sales of fixed income securities as part of the preparation for Solvency II and tax credits following the finalisation of the UK year-end statutory results.

Gross cash generation was USD 139 million (vs USD 473 million). The 2014 period benefited from a UK statutory valuation release and a reserve release against the risk of credit default. A dividend of USD 401 million was paid to the Group in the second quarter of 2015.

David Cole, Group Chief Financial Officer, says: "The Business Units have stood up well to the pressures our industry faces and the second quarter of good profitability in L&H Re is a further sign that our management actions are taking effect. Across all business lines, we have continued to move ahead with discipline while taking full advantage of the attractive opportunities in the market. These numbers highlight the value of the close collaboration with our clients and our ability to monetise our product and service offering, especially when concluding tailor-made transactions with differentiated pricing as achieved in the second quarter."

Swiss Re

Second quarter performance across the Group
The Group net income for the second quarter was USD 820 million (vs USD 802 million in Q2 2014) with all Business Units contributing positively to the result. The Group net investment income for the quarter was USD 898 million with net realised gains of USD 328 million. This drove the Group return on investments for the quarter of 4.2% (vs 4.1%).

For the second quarter P&C Re delivered a net income of USD 453 million (vs USD 553 million), based on an underwriting result in line with the prior-year period. Premiums decreased slightly to USD 3.5 billion (vs USD 3.6 billion), also impacted by unfavourable foreign exchange translations. P&C Re's combined ratio for the quarter was flat at 93.3% (vs 93.5%).

Net income in L&H Re showed a strong increase to USD 218 million (vs USD 48 million). The result benefited from good operating results, net realised gains and lower interest charges. Premiums earned and fee income were slightly lower at USD 2.6 billion (vs USD 2.9 billion). The operating margin was 11.0%, significantly above the 7.1% in Q2 2014.

Corporate Solutions net income was USD 72 million (vs USD 66 million), driven by continued profitable business performance on property and credit lines, increased net realised gains from investments and insurance business in derivative form. Premiums earned were USD 843 million (vs USD 841 million). At constant foreign exchange rates, the underlying premium growth was 3.8%, with the highest growth in Asia and Latin America. The combined ratio was 97.3% (vs 93.2%).

Admin Re® delivered a net income of USD 43 million for the quarter (vs USD 117 million) and quarterly gross cash generation was USD 87 million. The quarterly net income was supported by net realised gains but impacted by an unfavourable adjustment of USD 62 million largely due to the recording of income on funds withheld assets within the US business.

Successful July volume growth driven by tailored transactions
The July treaty renewals, which focus on the Americas and the Australia and New Zealand region, were successful. Swiss Re increased treaty renewal premium volume by 31%. Volume growth was driven by tailored and large transactions as well as growth with the "Regional & National" client segment. Year-to-date risk adjusted price quality of the renewed portfolio remained stable at 105%, the same level seen at the January and April renewals this year.

On track to reach targets by the end of 2015
The Group is on track to achieve its 2011–2015 financial targets. The annualised return on equity for the six-month period was 13.5% and earnings per share were USD 6.60 or CHF 6.27.

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Focus on long-term opportunities

The earthquakes which struck Nepal in April and May this year were a tragic reminder of the importance of access to insurance to help individuals, governments and societies soften the economic blow of natural disasters. Two recent examples of such Swiss Re partnerships were the inclusion of reinsurance for the first time as part of the Florida Hurricane Disaster Fund and the recent expansion of the African Risk Capacity, which provides a natural disaster financing pool to participating African nations.

Group Chief Executive Officer Michel M. Liès says: "Even though market conditions are difficult, it is important to not lose sight of the many opportunities we have for our industry. Addressing the current high levels of underinsurance presents an important long-term chance for re/insurers to grow. This is true for natural catastrophe protection, especially in emerging economies. It is also true for the large life and health protection gaps, which can leave families and individuals exposed to the financial shocks of a sudden disability, loss of a family member or need for long-term care. In this respect, insurance and Swiss Re can play an important and vital role."

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Details of year-to-date performance (H1 2015 vs H1 2014)

		H1 2015	H1 2014
P&C Reinsurance	Premiums earned (USD millions)	7 270	7 373
	Net income (USD millions)	1 261	1 543
	Combined ratio (%)	88.7	86.1
	Return on investment (%, annualised)	4.2	4.0
	Return on equity (%, annualised)	20.0	25.3
L&H Reinsurance	Premiums earned and fee income (USD millions)	5 320	5 567
	Net income (USD millions)	495	112
	Operating margin (%)	10.3	8.6
	Return on investment (%, annualised)	3.6	3.2
	Return on equity (%, annualised)	16.6	3.7
Corporate Solutions	Premiums earned (USD millions)	1 725	1 671
	Net income (USD millions)	239	146
	Combined ratio (%)	92.4	94.2
	Return on investment (%, annualised)	3.5	3.1
	Return on equity (%, annualised)	20.8	10.7
Admin Re®	Premiums earned and fee income (USD millions)	391	500
	Net income (USD millions)	249	165
	Gross cash generation (USD millions)	139	473
	Return on investment (%, annualised)	5.0	4.8
	Return on equity (%, annualised)	8.3	5.5
Consolidated Group (Total)	Premiums earned and fee income (USD millions)	14 706	15 111
	Net income (USD millions)	2 260	2 028
	Earnings per share (USD)	6.60	5.92
	Return on investment (%, annualised)	4.0	3.9
	Return on equity (%, annualised)	13.5	12.6

Details of second quarter performance (Q2 2015 vs Q2 2014)

		Q2 2015	Q2 2014
P&C Reinsurance	Premiums earned (USD millions)	3 503	3 560
	Net income (USD millions)	453	553
	Combined ratio (%)	93.3	93.5
	Return on investment (%, annualised)	4.1	4.3
	Return on equity (%, annualised)	13.9	17.3
L&H Reinsurance	Premiums earned and fee income (USD millions)	2 628	2 895
	Net income (USD millions)	218	48
	Operating margin (%)	11.0	7.1
	Return on investment (%, annualised)	3.9	3.7
	Return on equity (%, annualised)	14.0	3.0
Corporate Solutions	Premiums earned (USD millions)	843	841
	Net income (USD millions)	72	66
	Combined ratio (%)	97.3	93.2
	Return on investment (%, annualised)	3.6	2.4
	Return on equity (%, annualised)	12.7	10.1
Admin Re®	Premiums earned and fee income (USD millions)	170	264
	Net income (USD millions)	43	117
	Gross cash generation (USD millions)	87	271
	Return on investment (%, annualised)	4.6	4.7
	Return on equity (%, annualised)	2.8	7.6
Consolidated Group (Total)	Premiums earned and fee income (USD millions)	7 144	7 560
	Net income (USD millions)	820	802
	Earnings per share (USD)	2.39	2.34
	Return on investment (%, annualised)	4.2	4.1
	Return on equity (%, annualised)	9.5	9.7

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

Media conference call
Swiss Re will hold a media conference call this morning at 10.30 am (CET). The accompanying slides are available on www.swissre.com.
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)17091 8706
From USA:	+1 866 291 4166
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 2.00 pm (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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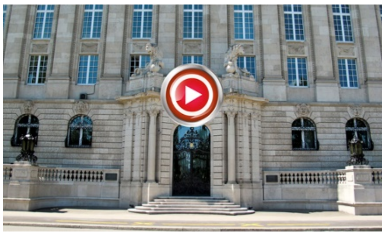
For media 'b-roll' please send an e-mail to media_relations@swissre.com



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 the Group’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;
- the Group’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 the Group’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 the Group’s investment assets;
- changes in the Group’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 the Group’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 carry forwards 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 the Group’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 the Group’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 the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting the Group 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. The Group 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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