

Letter to shareholders

Building long-term value

1.2

Group net income
(USD billions)
For the first six
months of 2017

Dear shareholders,

In the first half of this year, we continued to build the long-term value of our business. We are still facing a challenging environment, even if there are some encouraging signs that pressure on interest rates might be starting to ease.

Swiss Re reported a solid underlying performance amid a difficult business environment and macroeconomic and political uncertainty. Net income was USD 1.2 billion and we reported an annualised return on equity (ROE) of 7.0%. All three Business Units have contributed to these results.

As expected, natural catastrophes, such as Cyclone Debbie in Australia, weighed on our performance. Events like these ruin lives and destroy assets — yet, they also illustrate the role Swiss Re and other participants in the re/insurance industry can play, which is to provide financial means to affected populations fast and efficiently.

We continued to focus on disciplined underwriting to allocate capital to attractive risk pools that we believe will support our business in the future. We also continued to respond to pricing pressure across the industry by offering large and tailored solutions and by pruning our portfolio, walking away from unprofitable business.

Our capitalisation remains very strong, with a Group SST ratio of 262%. Our investment portfolio again significantly contributed to the overall result, despite low interest rates that continued to hamper investment income. This year also marked a shift in the way we manage our investments: we are including environmental, social and governance benchmarks across our entire investment portfolio. For a long-term investor, this decision makes economic sense and we believe it helps make our portfolio more resilient against financial market shocks. We are also proud to be among the first movers in the industry and hope other institutional investors will follow.

Product innovation continues to play an important role. In July, Corporate Solutions launched Insur8, the first-ever typhoon warning insurance product for businesses operating in Hong Kong. This new product indemnifies local businesses against loss of earnings caused by forced shut-downs and other costs stemming from a signal 8 or above typhoon warning.



Walter B. Kielholz
Chairman of the Board of Directors

Christian Mumenthaler
Group CEO

In June, the World Bank launched bonds that will support the Pandemic Emergency Financing Facility (PEF) – we are proud to support this pioneering instrument to channel first-response funding to developing countries facing the risk of a pandemic. This marks the first time pandemic risk is being transferred to the market to cover low-income countries.

China, with its growing population and purchasing power, continues to be a driver of growth, together with other emerging markets. According to our latest Swiss Re Institute *sigma* report, China was the most important source of premium growth in life insurance in 2016 for the entire industry. We are currently one of the leading reinsurers in China and expect to continue to grow our presence there.

Overall, the entire Asian region is of strategic importance for us, as evidenced by the establishment of our new regional legal entity in Singapore for our Reinsurance business unit. This entity will become Swiss Re's regional headquarters for our network of reinsurance operations in Asia and will further strengthen our commitment to the region to benefit our clients and partners.

We are also seizing opportunities in other promising areas of the world: last month, Swiss Re's Corporate Solutions and Bradesco Seguros S.A. started a new joint venture, creating one of the leading large-risk insurers in Brazil, a country with a lot of growth potential in this segment.

Corporate Solutions also opened a new office in Manchester to grow our regional commercial insurance portfolio in the UK, the largest insurance market in Europe.

How do we chart the future from here? We continue to seek access to attractive risk pools, which, we believe, will grow over the next decades, as construction in catastrophe-prone and other areas continues and we all live longer.

We put research and development at the core of what we do and we strive to attract the best talent in the industry by creating an inspiring work environment. Our employees are the foundation of our success.

Finally, we work to position Swiss Re as a risk knowledge company and a long-term thinker, able to seize opportunities both in good times and in more challenging ones – and to strengthen resilience around the world.

Thank you for your continued trust.

Zurich, 4 August 2017

Walter B. Kielholz
Chairman of the Board of Directors

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