

Letter to shareholders

Staying the course

1.9

Group net income (USD billions)
For the first six months of 2016

Dear shareholders,

We are reporting a net income of USD 1.9 billion for the first half of 2016, a solid result in a period marked by natural catastrophes, political uncertainty and volatile financial markets. This performance shows the importance of maintaining a strong underwriting discipline and capital foundation as well as a globally diversified business. This helps us to seize opportunities and build on our success.

Net income for Reinsurance was USD 1.3 billion. Property & Casualty Reinsurance accounted for USD 870 million and Life & Health Reinsurance for USD 417 million, respectively. The results in both segments were supported by large and tailored transactions. They also reflect the impact of a number of natural catastrophes, including wildfires in Canada, earthquakes in Japan and floods in Europe. These events — and the devastation they bring — are a reminder of why we are here: to support our clients after disasters, with the goal to make the world more resilient.

Corporate Solutions reported a net income of USD 55 million in the first half of the year, which included the impact of significant man-made losses. Despite the headwinds we experience, we believe that the Business Unit is well positioned to continue to access diversified risk pools through its disciplined and selective underwriting.

Life Capital, which includes Admin Re®, has generated a strong net income of USD 569 million for the first six months of the year, on top of the diversification benefit it provides to the Group.

We are also pleased to report that we maintained an attractive portfolio at the July treaty renewals, which focus on the Americas and the Australia and New Zealand regions. These show the continued success of differentiation through tailored deals and large transactions, while we are decreasing business in areas that are becoming unattractive.

We, as well as our clients, are in a difficult phase. The current low yield environment continues to challenge our industry. Brexit, which has dominated headlines and financial markets worldwide, has ushered in a period of uncertainty and volatility whose longer-term consequences can't be predicted. That's why managing risk is becoming more challenging — making risk experts such as reinsurers even more relevant. Sharing what we know and putting our knowledge to work is key.



Walter B. Kielholz
Chairman of the Board of Directors

Christian Mumenthaler
Group CEO

This is exactly what we're doing, for example with our latest SONAR report. There we identify emerging risks whose potential scope and impact are not yet sufficiently taken into account – either by society or in our own industry. Among those, we highlight turmoil in emerging markets, the crisis of trust in institutions and the legal and pricing risks of the sharing economy. In addition, in one of our most recent *sigma* studies we take a close look at the potential for insurance demand in frontier markets such as Nigeria, Ecuador and Vietnam. By creating and sharing such knowledge with our clients we can develop roadmaps for mutual success, even in turbulent times.

Two innovations from earlier this year highlight our ongoing commitment to make the world more resilient. In a ground-breaking initiative launched by the World Bank, we co-structured the Pandemic Emergency Financing Facility (PEF), an insurance vehicle that uses both reinsurance and capital market tools to help mobilise funds during a disease outbreak.

Working with private sector leaders and other partners, we also designed a new financial product, the resilience bond, aimed at helping to manage the financial risk from catastrophes, while at the same time promoting investment in infrastructure that mitigates physical risk. The innovative instrument supports a faster recovery after a disaster the way a catastrophe bond does, but can also help improve national and city preparedness.

Industry knowledge is a key asset that helps our company to continue to prosper. That's why we are pleased to propose the election of Jacques de Vaucleroy to the Board of Directors at the Annual General Meeting in 2017. His 30 years of experience in global business, and in the primary life area in particular, will make a great fit for Swiss Re.

Lastly, the first half of this year has seen an important announcement of a change at the helm of our company. We want to say a final farewell to Michel Liès, who stepped down as Group CEO at the end of this quarter after more than 35 years in the industry and at Swiss Re. We wish him all the best.

We are fortunate to be working with some of the best talent in the industry, to whom we say thank you for the hard work and dedication – and for remaining agile in the current environment. To you, our shareholders, we say thank you for the confidence you place in us.

Zurich, 29 July 2016

Handwritten signature of Walter B. Kielholz in blue ink.

Walter B. Kielholz
Chairman of the Board of Directors

Handwritten signature of Christian Mumenthaler in blue ink.

Christian Mumenthaler
Group CEO