

Letter to shareholders

Executing on our strategy for shareholder value

802

Group net income (USD millions)
Second quarter 2014

Dear shareholders

We are very pleased to report Swiss Re's continued strong performance for the first half of 2014. Our net income for the second quarter was USD 802 million, slightly higher than in the same period last year, and contributing to the USD 2.0 billion profit for the first half year.

Quarterly results in our long-term and long-tail core business, where sometimes insurance contracts remain on the books for decades, need to be put into perspective. We don't look at quarterly results in isolation. But the fact is: quarter after quarter, we have now been delivering profitable results, often in excess of expectations. We must not give way to complacency, but we can also derive with confidence from this continuous outperformance that Swiss Re has the right strategy in place, and that it is flexible enough to adapt to changing circumstances. We have got the right approach to leverage Swiss Re's extraordinary expertise and capital strength, no matter where we are in the cycle. We have demonstrated that we can capture business opportunities and make the investments necessary to promote growth and pay attractive dividends.

Through the numbers you can also see that our client relationships are rock solid and that we have a great client franchise – witness the growth in premiums and fee income over the figures we reported last year. We're generating new business, especially in Asia and Europe. We've made Admin Re® a strong earner of cash for the Group, while broadening the strategic options of the Business Unit. Our recent announcement to take on a significant block of pension and annuity policies from HSBC UK Life demonstrates our successful focus on the UK market in the closed life book business.

There are also some things we need to fix, such as the underperforming parts of the Life & Health Reinsurance business. But management is working hard to improve the underlying earning power of this segment, and the good news is: we are making progress here.

Expertise for changing markets

There is no doubt that the market environment has some challenges: low interest rates continue to squeeze profitability. There is also growing competition from alternative capital sources, such as hedge funds and pension funds. However the fact also is that these are not fundamentally new or different challenges, and we have the strategy to meet them.



Walter B. Kielholz
Chairman of the Board of Directors

Michel M. Liès
Group CEO

The real excitement lies in the fundamental changes going on. Millions of people in high growth markets are benefiting from insurance for the first time. By 2020 we expect these countries to generate 24% of the world's direct insurance premiums, up from about 18% currently. We are working hard to be there, as evidenced by Corporate Solutions' agreement to acquire Sun Alliance (China) in July. New technologies and methodologies could also open doors to entirely new ways of doing business.

A long-term perspective

We hope you share our excitement for the future and are as pleased as we are by the achievements over the last six months. They bring us yet another step closer to meeting our 2011–2015 financial targets. The targets are our top priority and we remain well on track to meet them. By the time we announce the 2014 year-end results we will introduce targets covering 2016 and beyond. As with the current targets, the focus will firmly remain on profitability, capital management and economic growth – the touchstones of sustainable success over the long term. We thank our employees for keeping us true to that standard, and we thank you for your loyalty to and confidence in Swiss Re.

Zurich, 6 August 2014

Handwritten signature of Walter B. Kielholz in black ink.

Walter B. Kielholz
Chairman of the Board of Directors

Handwritten signature of Michel M. Liès in black ink.

Michel M. Liès
Group CEO