

Letter to shareholders

All Business Units contribute to a robust quarter for Swiss Re

Dear shareholders

We are pleased to report that the Swiss Re Group earned a net income of USD 786 million in the second quarter of 2013. This translates to a 10% annualised return on equity and USD 2.28 in earnings per share. We are on track to reach our 2011–2015 financial targets.

Natural catastrophes in the quarter were unusually severe, especially flooding in Europe and Canada. Our sympathies go out to the thousands who have suffered from them. Throughout our 150-year history, we have used our financial strength to help people recover from such floods and other devastating events.

All Business Units contributed to our second quarter result. Property & Casualty Reinsurance earned net income of USD 468 million. Life & Health Reinsurance reported net income of USD 141 million, with a strong performance in the Health segment. Corporate Solutions continued to generate profitable growth with net income of USD 55 million and an increase of 28% in net premiums earned over the same period in 2012. Admin Re[®] had a good performance, with USD 109 million in net income as well as a dividend paid to the Group of USD 357 million.

There are two newsworthy items that do not show up in our quarterly figures — one about how we manage the business and one from the reinsurance markets. At our June Investors' Day we gave significant attention to Life & Health Reinsurance. We announced our detailed plans to strengthen underperforming in-force business while concentrating resources on generating profitable new business. These measures should help the segment reach a target return on equity of 10%–12% by 2015.

The news item from the reinsurance markets has to do with our Property & Casualty Reinsurance business. July is a significant month for treaty renewals in the Americas, Australia and New Zealand. It is a key moment to get a view on market trends. Interest is especially keen this year as pension funds, hedge funds and other sources of 'alternative capital' have entered the reinsurance market, particularly for short-term natural catastrophe cover. At the July renewals we saw our prices come down by about 5 percent on a risk-adjusted basis. Our premium volumes were about 12 percent higher.

What can we take away from the July renewals? Our clients clearly recognise that Swiss Re is not simply a trader of re/insurance capacity. We are real partners to our clients, in business for the long term. We invest significant resources into understanding the perils we face — and have faced, and will face — together. This approach builds the kind of long-term value that is recognised by clients and helps us to achieve better pricing than the broader market. In addition, our diversified business base allows us to take advantage of the different pricing cycles by adjusting our business mix and thereby stabilising earnings.

As for the financial markets we witnessed a sharp increase in government bond yields and a sell-off of some emerging economy equities and currencies. We had already started to prepare ourselves for higher interest rates by shifting a share of our investments from government bonds into higher-yielding corporate debt, cash and also, though to a smaller extent, into equities. Over the first half of 2013 we have continued on this course of rebalancing our asset portfolio.



Walter B. Kielholz
Chairman of the Board of Directors



Michel M. Liès
Group CEO

786

Group net income
USD millions

We are keeping close watch on the important megatrends which continue to transform the risks and opportunities we face. The centre of economic gravity is shifting from north to south, from west to east. New distribution channels for re/insurance are opening. There is an increasing role for 'big data' and ever more sophisticated analytics. Our focus on high growth markets is already intense and that emphasis will continue.

We look forward with confidence, especially given our 150 years of supporting economic progress and stability, an anniversary we are celebrating this year. We and the more than 11 000 Swiss Re employees thank you for your continued trust and support.

Zurich, 8 August 2013

A handwritten signature in black ink, appearing to read 'W. B. Kielholz'.

Walter B. Kielholz
Chairman of the Board of Directors

A handwritten signature in black ink, appearing to read 'M. M. Liès'.

Michel M. Liès
Group CEO