

29th July 2016

Insurance

Swiss Re

Price CHF82.25

Q2 numbers: underwriting pressure compensated by high investment returns

Fair Value CHF100 (+22%)

NEUTRAL

Bloomberg	SREN VX
Reuters	SREN.VX
12-month High / Low (CHF)	99.7 / 78.9
Market Cap (CHF)	29,616
Avg. 6m daily volume (000)	1,366

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.5%	-7.0%	-11.3%	-16.2%
Insurance	4.1%	-12.3%	-12.2%	-22.5%
DJ Stoxx 600	7.2%	-2.7%	1.4%	-7.2%

	2015	2016e	2017e	2018e
P/E	6.4x	9.6x	9.3x	
Div yield (%)	5.5%	5.5%	5.5%	

ANALYSIS

- Q2 2016 net income is USD637m, down 32% but slightly ahead of consensus (USD597m).
- In P&C, Q2 net income (USD283m, down 39%) is pretty close to expectations, driven by higher large losses. The reported combined ratio is 101.0% vs. 92.9% last year. Adjusted for natcats (9.4 pt vs. 2.4 pt) and PYD (5.5 pts, stable), the underlying combined ratio is 97.1% vs. 96.0% last year, which highlights the continued challenging environment in P&C Re. Satisfactory June-July renewals, with premiums up 10%.
- In Life, Q2 net income is USD173m (consensus USD190m), penalised by valuation updates in the US and EMEA and adverse experience in the Americas. Net income at Corporate Solutions is -USD25m (consensus +USD48m), mainly driven by man-made losses. At Capital Life, net income is USD248m (consensus USD115m), supported by the investment result.
- Annualised Q2 RoI is 3.7% vs. 4.2% last year (consensus 2.9%), which is a very decent performance in the challenging financial market environment.

VALUATION

- Based on our current estimates, our SOTP valuation is CHF100.

NEXT CATALYSTS

- Q3 numbers on 3rd November.

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