

Swiss Re Ltd

**7th Annual General Meeting
Zurich, Friday 20 April 2018**

Speech

Walter B. Kielholz
Chairman of the Board of Directors

Check against delivery.

Dear ladies and gentlemen, dear shareholders,

A warm welcome to our Annual General Meeting 2018! I am happy to see so many of you here at the Hallenstadion today. Today's General Meeting will again be characterised by votes on motions that cover extensive ground. You are familiar with this, so I will keep my comments brief. Following my speech, our Group CEO, Christian Mumenthaler, will present our financial results amongst other matters.

Ladies and gentlemen, 2017 was a very challenging year for us. Major natural catastrophes have once again clearly demonstrated the importance of well-capitalised reinsurers such as Swiss Re. This is precisely why we are here: to serve as shock absorbers for our clients in high-loss years, and to reliably stand by their side with our capital strength. Incidentally, history shows us that loss concentrations of this kind occur at a practically biblical rhythm of every five to seven years.

Thanks to our sound capitalisation and strategy, however, we remain well on track. The Board of Directors is therefore proposing to pay out a slightly increased dividend of CHF 5.00 per share.

When I look at our current strategic challenges, four stand out:

First: The challenges of continuously escalating climate change – in general and for the insurance industry specifically.

Second: Geopolitical developments.

Third: We see – and I am tempted to say "finally!" – developments in the areas of growth, inflation, and consequently interest rates.

And fourth: We continue to engage intensively with digital transformation – also rightly referred to as an economic revolution – which bears risks, but above all holds enormous opportunities for our industry.

Your Swiss Re faces these challenges with courage and confidence. Allow me to address these four topics briefly:

First, climate change:

As you know, climate change has been a matter of concern for us for a long time. The massive storms of 2017 let us once again witness the potential consequences of climate change very clearly. However, their frequency was not actually extraordinary when viewed in a multi-year comparison; we regularly analyse the potential impact of a year on year increase in the frequency of big storms as a result of climate change. We can already see that natural catastrophe claims are continuing to rise, as you can see in the chart, but this has primarily more to do with an increased risk exposure than with the frequency of claims.

It is hard to predict how the insurance industry would actually deal with such a trend. Regardless, we at Swiss Re will seek to make a positive contribution to managing the risks of climate change through our insurance solutions and, last but not least, through our

investment strategy. This is also something our major institutional investors vigorously call for.

After years of falling prices for insurance cover – due to a series of good years with few major losses – since the beginning of 2018, we have seen a slight price increase. This is encouraging, although the increase has been less than expected. I am intrigued to see how the market dynamics will continue to develop. What is clear is that the capitalisation of the insurance markets was not particularly weakened by the loss events of 2017. The price adjustment could therefore turn out to be accordingly moderate. We shall see.

Now to the second topic:

We remain highly vigilant in regards to the geopolitical situation, although the reasons have changed somewhat since the last Annual General Meeting. I now take a more optimistic view of the situation in Europe, both in political and economic terms.

The situation in the UK remains very uncertain in the wake of the Brexit decision – with less than a year to go before the country's exit from the EU towards the end of March 2019. With our more than 3 000 Swiss Re employees at various locations across the UK, we follow these developments very attentively. We are also in close contact with representatives from the British government. It is our desire and objective to ensure continuity in terms of insurance supervision, the status of our colleagues in the UK and our unconditional ability to honour existing insurance contracts.

In contrast to the uncertainty in the UK, developments in other European countries are again somewhat encouraging.

The US is also demonstrating an economic strength we have not seen in years. The bitter social and political divide of the country, however, continues and may even worsen. The US seems to be in the midst of a far larger transformation than the media's narrow focus on President Donald Trump and his Twitter activity suggests.

The Middle East, meanwhile, unfortunately continues to be the scene of political upheaval and, at present, no silver lining is in sight.

Rest assured, we take these developments very seriously and continue to analyse them in detail; we also engage in dialogue with politicians and business partners from many countries, so that we can respond rapidly to geopolitical threats in the interests of our shareholders.

"What about Asia?" you might ask, dear shareholders. Asia indeed represents a ray of hope in our industry. Many Asian countries are experiencing steady economic growth, middle class expansion – and we grow with it. In India, we are off to a good start with the insurance licence we have obtained in 2017. Additionally, we established a new Asian headquarters in Singapore – Swiss Re Asia Inc. – which will allow us to bolster our prospects and prepare optimally for further growth.

Growth – this is my keyword for the third strategic challenge. Growth along with inflation and interest rates – this is what it is about:

Those of you who regularly attend our Annual General Meetings know that we have been very concerned about highly expansionary central bank monetary policy for a long time. Free money leads to serious false incentives and major market distortions. This undesirable development is – in the US at least – being phased out now, fortunately. There is little doubt that interest curves will change; they are already on the rise and will certainly grow steeper in the future. The US Federal Reserve has set the tone.

We are seeing the return of interest rates as a monetary price signal – finally, one is tempted to say. This is the result of an increasing economic normality. And I am confident that in the near future we will see the establishment of a new reality in the financial markets, which we will also navigate very successfully.

We actually welcome such an almost "normal" economic situation. However, the road leading there tends to be a painful one for the insurance industry, as it implies a long and sustained "bear market" for bonds, i.e. falling prices.

For a re/insurance company such as Swiss Re, which – as you can see from the chart – holds 77% of its financial assets in bonds, this is a difficult adjustment process. Hence, we strive to keep the negative short- and medium-term effects in check.

We are also keeping a close eye on inflation – something we are unfortunately highly vulnerable to, especially in the liability business, with its long claims settlement periods. In the past, we were particularly hard hit by strong and unexpected inflation spikes, but we have yet to reach that point.

On a more positive note:

The global economy has entered a new growth phase, which is certainly welcome. The positive growth prospects for numerous industries around the world will also allow our global business to grow again. Technology plays a crucial role in this context.

Forward-looking concepts in the fields of digitisation and artificial intelligence are currently at the top of the agenda, dominating science, business, politics and media headlines. With this fourth topic, I will conclude my remarks.

Commentators' views on digital change are either euphoric or very concerned, depending on their standpoints and interests. And, very likely, we are ourselves torn by this topic – myself included.

As Uber and Airbnb have shown in recent years, traditional business models may be at risk of unexpectedly becoming obsolete. This fuels major uncertainty. People fear for their jobs, and for the world that they know and are familiar with. They wonder if their hard-earned knowledge and skills might overnight no longer be needed. I don't think that will necessarily be the case. Digitisation will lead to a shift in skill set requirements – but there will always be work to do. That will also hold true in our business.

However, there is no doubt, dear shareholders, the insurance industry, as we now know it, will change dramatically.

A year ago, I already said that given the modern technologies available, the production and distribution costs associated with insurance products are too high. And I am convinced that modern technology will fully disrupt the insurance industry's value chain, posing immense challenges to the structure of the entire industry.

We must be strategically prepared for this – even if we believe that the reinsurance business will be less directly affected by digital transformation than the direct insurance business. And indeed we see new and interesting business opportunities arising from digitisation:

Our industry has traditionally produced enormous volumes of data which, thanks to new technological developments, can now be analysed to derive ground-breaking insights. This can be illustrated through two examples – one from underwriting and one from claims management:

Magnum, our automated underwriting tool for Life & Health clients, processes 10 million insurance applications per year. Of these, 80% are accepted immediately thanks to the automated risk assessment process. Our clients use this tool in 29 countries and 17 languages. Magnum is mobile – it is running on around 1.6 million devices, especially in China. And in the US, our partner MetLife has used Magnum to cut its application processing time by half and reduce settlement costs by 40%. With each application submitted, Magnum also collects valuable data that can help us and our clients in the ongoing optimisation of our underwriting services. This is a great example of how we implement our motto – "We're smarter together" – in partnership with our clients: Our solutions make our clients more successful while supporting Swiss Re's growth.

We are also equipping ourselves for the future through collaboration within our industry. In 2016, we founded the Blockchain Insurance Industry Initiative (B3i) together with 14 global insurers, under the chairmanship of Gerhard Lohmann, our CFO Reinsurance. The aim of this initiative is to develop and implement potential applications of the new blockchain technology in our value chain.

In March, B3i Services AG was founded as a start-up company to bring to market a blockchain-based range of services for participating insurers and their clients. We expect faster processing speeds and enhanced transparency, quality and security for transactions – resulting in major efficiency gains throughout our value chains.

Ladies and gentlemen, for these reasons, we see digitisation as offering more opportunities than risks for Swiss Re. As you are aware, we are currently examining various strategic options, including collaboration in certain areas with the Japanese technology group SoftBank, which would allow us to better utilise the potential of digitisation. I cannot say much more about that at this stage, but I can definitely confirm these are exciting times.

Dear shareholders, in this period of profound change, our global presence, our excellent capital strength and, above all, the experience, knowledge and innovative power of our more than 14 500 highly qualified staff are the pillars on which we rely.

I remain optimistic and confident that Swiss Re's success story will continue. This story also includes our globally renowned Sigma publication series. In our industry, it is among the most regarded and frequently cited specialist publications. This year, we are celebrating Sigma's 50th anniversary. In an era of fake news and alternative facts, the Sigma series issued by the Swiss Re Institute stands as a beacon of reliability that helps orient our clients and partners. We take pride in that.

This concludes my brief overview.

Let me lastly draw your attention to a few important personnel changes:

We began the ongoing renewal of our Board of Directors several years ago. I am pleased to announce that we have attracted three outstanding candidates to stand for election to the Board. I will introduce them when we reach the Elections agenda item, when I will also pay tribute to the work of the outgoing members of the Board.

There has also been a change in our Executive Committee, as already reported in the media: John Dacey was appointed the new Group Chief Financial Officer on 1 April 2018, succeeding David Cole. John Dacey joined Swiss Re's Group Executive Committee as Group Chief Strategy Officer in November 2012, and has successfully spearheaded several strategic initiatives. His career in the re/insurance industry spans over 20 years, during which time he has held a range of management positions.

After more than seven years at Swiss Re, David Cole stepped down as Group CFO on 31 March 2018 to pursue a non-executive career. He will, however, remain a member of the Board of Directors of several Swiss Re subsidiaries. We would like to thank David Cole for his management expertise and outstanding contribution to Swiss Re.

Finally, on behalf of the Board of Directors and the Group Executive Committee, I extend my thanks to our employees around the world for their impressive commitment in 2017. It was largely due to their efforts that we were able to successfully navigate a very challenging year. And I would also like to thank you, dear shareholders, for your trust and ongoing support.

We will now show you a brief video that highlights the current challenges related to energy infrastructure and explains the measures that Swiss Re Corporate Solutions is taking to reduce risks in this area and enhance the resilience of energy infrastructure.

Christian Mumenthaler will then present our annual results in detail.

Enjoy the video!