

# Where Strategy Drives Returns

## Bellevue Meets Management Seminar

Christian Mumenthaler, Group Chief Executive Officer  
Zurich, 12 January 2017



# Today's agenda

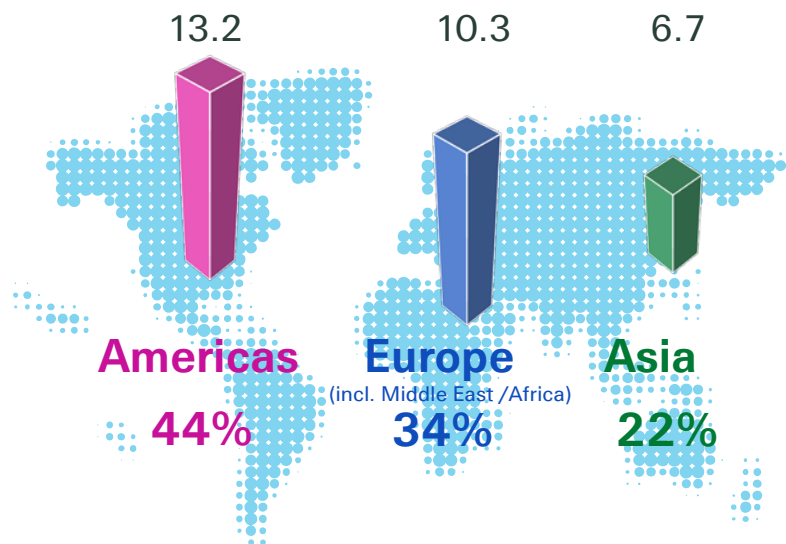
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# Business and strategy update

# Swiss Re is well diversified across geographic regions and business segments

## Net premiums earned<sup>1</sup>

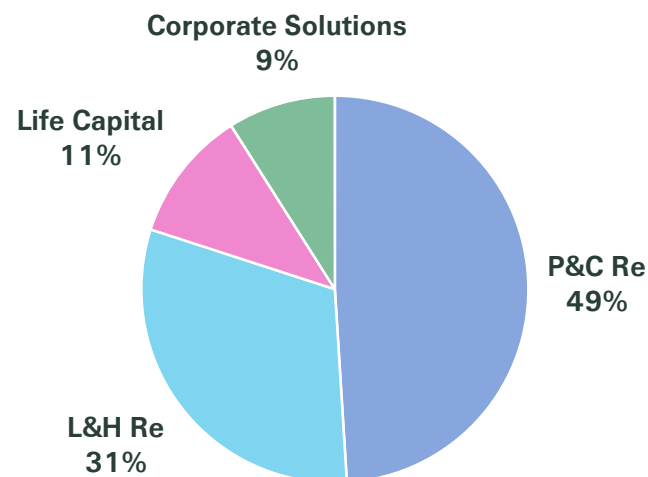
by region (in USD bn, 2015)



of which  
HGMs incl. PI<sup>2</sup>: ~3%      ~ 5%      ~ 17%      ≈25%

## Economic Net Worth<sup>3</sup>

by business segment (in %, as at YE 2015)



Swiss Re benefits from geographic as well as business mix diversification and has the ability to reallocate capital to achieve profitable growth

<sup>1</sup> USD 30.2bn as at 31 Dec 2015; includes fee income from policyholders; does not reflect the exposure to HGMs through Principal Investments (PI)

<sup>2</sup> Based on additional pro rata net premiums from PI including FWD Group (14.9%), New China Life (4.9%) and SulAmérica (14.9%)

<sup>3</sup> Share of Swiss Re Group's Economic Net Worth deployed across Business Units (excl. Group Items), 31 December 2015

# In the currently challenging environment we see attractive long-term opportunities



## *Key challenges*

- Soft market in the P&C world
  - demand/supply imbalance
  - industry consolidation
- Interest rates: “low for longer”
- Political instability and regulatory fragmentation

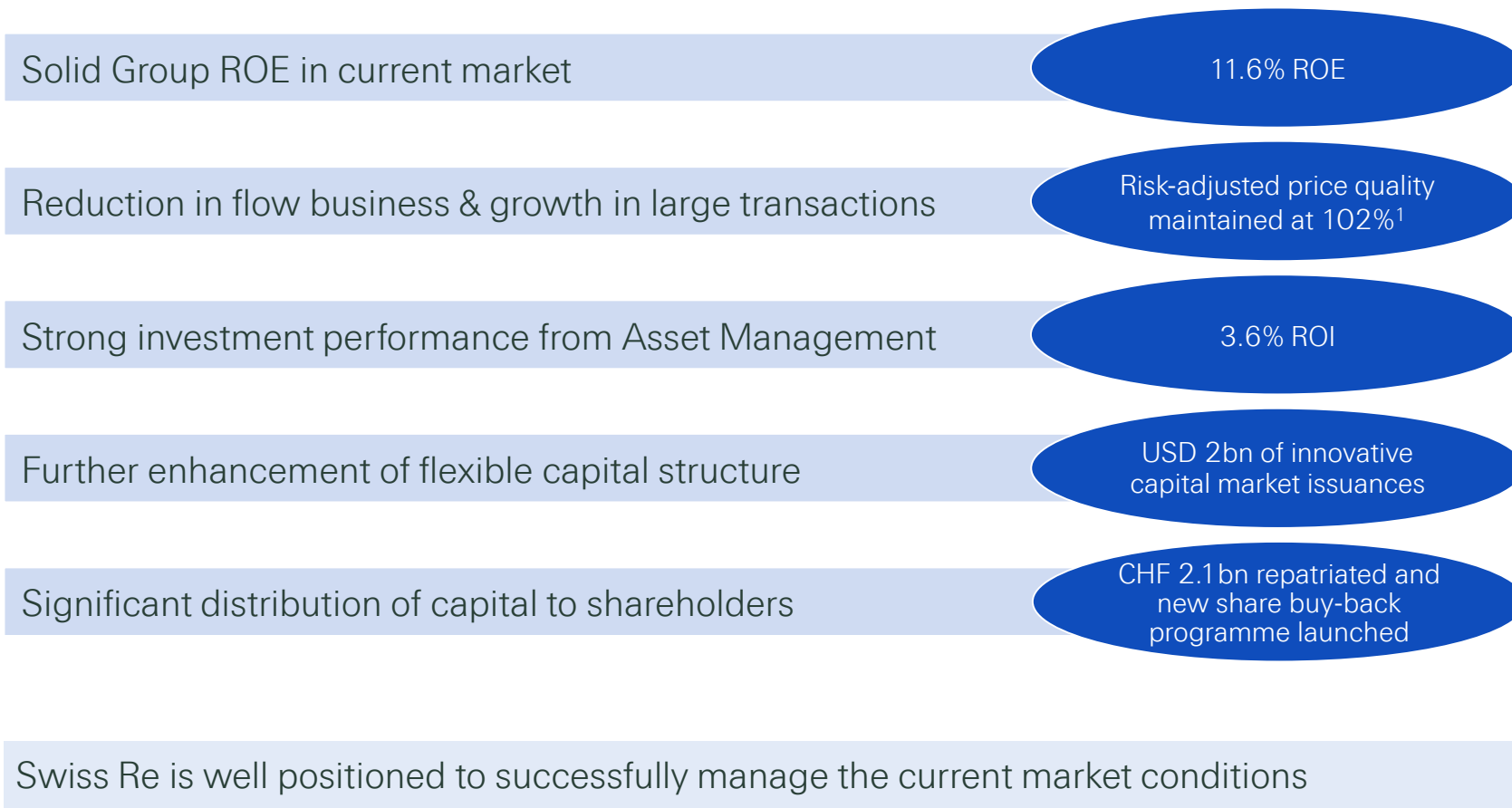


## *Long-term opportunities*

- Growing risk pools (GDP growth and demographic trends)
- High Growth Markets
- Closing the protection gap through better and lower cost offerings

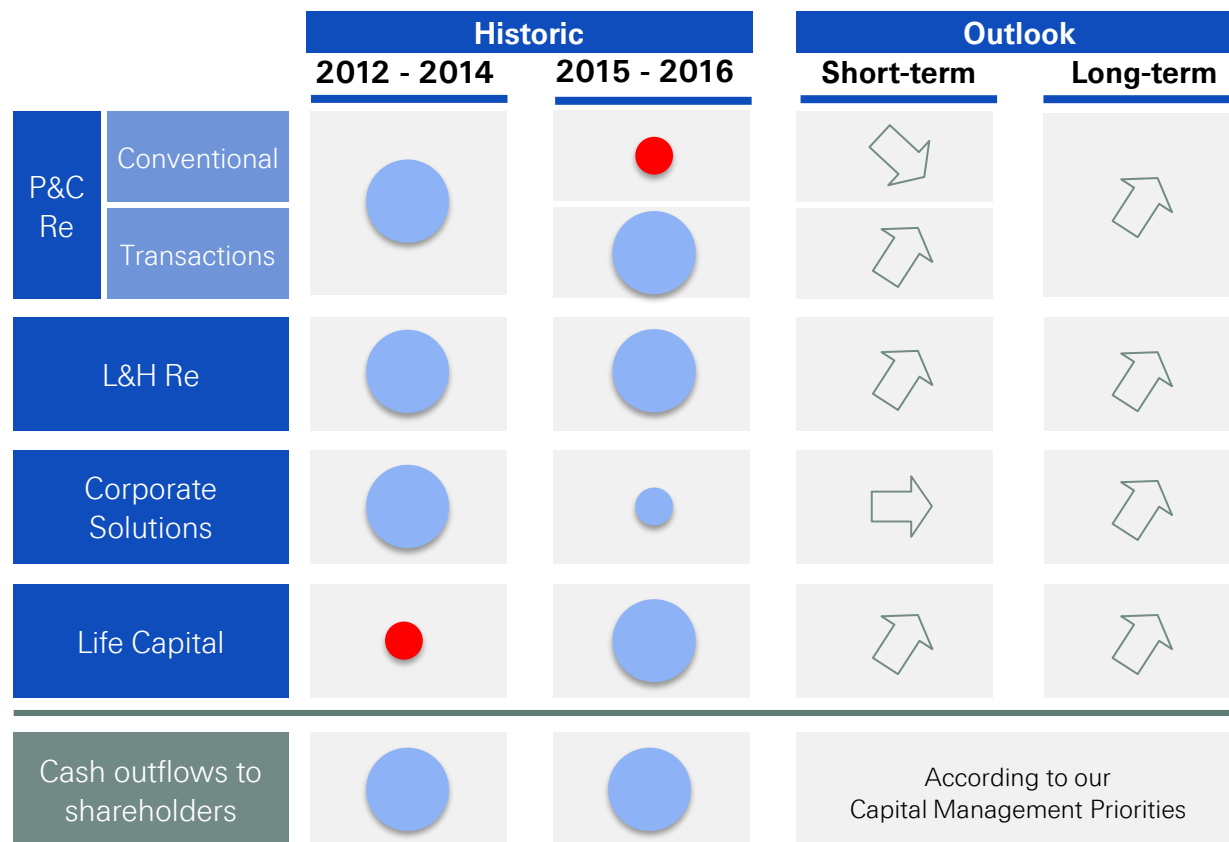
Ensuring access to risk pools is a top priority for Swiss Re

# Strong results in the first nine months of 2016 demonstrate Swiss Re's resilience to the market environment



<sup>1</sup> As reported with the July YTD renewals update on 29 July 2016

# Swiss Re has been an agile capital allocator – we are now executing the next phase of our strategy



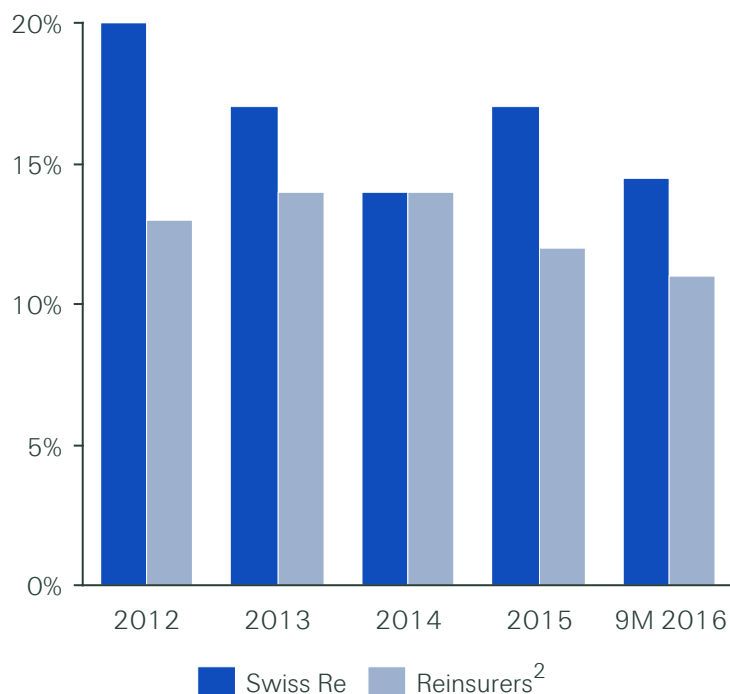
- Long-term, we are optimistic about the growth prospects of all our businesses
- Short-term, we see opportunities in L&H Re, Life Capital and P&C transactions; we are more cautious about P&C conventional business



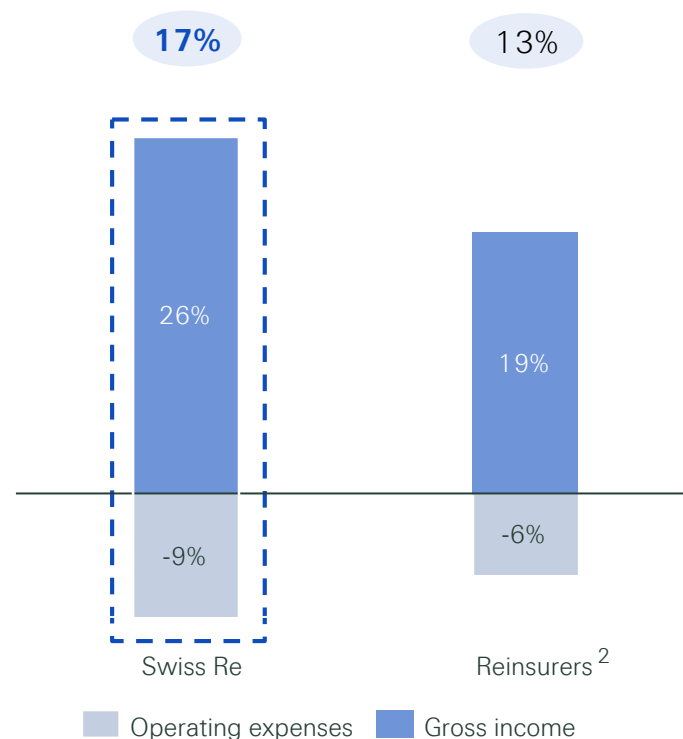
<sup>1</sup> Based on Group risk capital requirements (185% Group SST, S&P AA), except for shareholders flows which reflect cash outflows

This differentiation approach has enabled Swiss Re to generate higher margins and outperform

Net operating margin (NOM)<sup>1</sup> 2012 – 9M 2016



NOM – Split by components – Avg. 2012-9M 2016



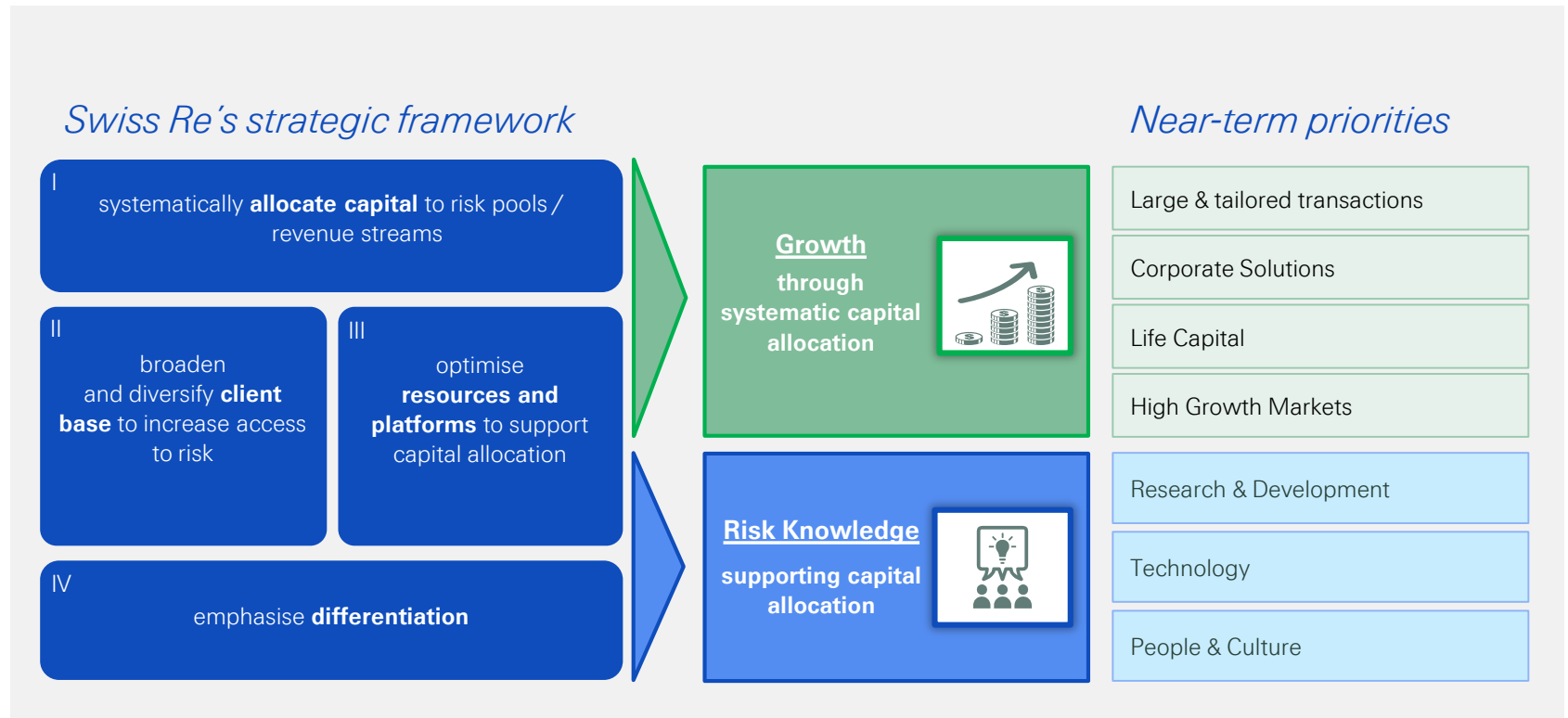
Swiss Re outperformed peers on average by 4%pts since 2012, driven by underwriting performance (risk selection, capital allocation and differentiation)

<sup>1</sup> Net operating margin = Earnings before interest and tax / total revenues less participating business investment result

<sup>2</sup> Average of Alleghany, Everest Re, Hannover Re, Munich Re, Partner Re, RGA and SCOR



With our strategic framework, Swiss Re is well placed to face the industry challenges and seize opportunities



We are a risk knowledge company that invests in risk pools

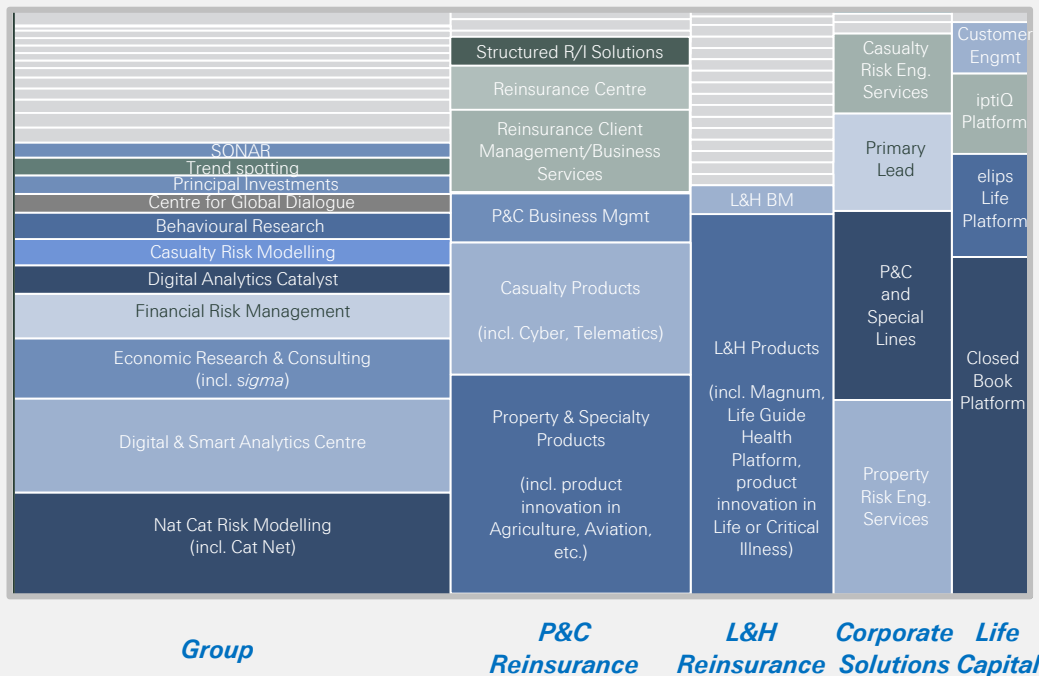
# Near-term priorities



# We invest in R&D to further strengthen our competitive advantage

**R&D activities amount to nearly 400 FTEs in 2016**

*Estimated allocation of R&D focused FTE across Swiss Re*



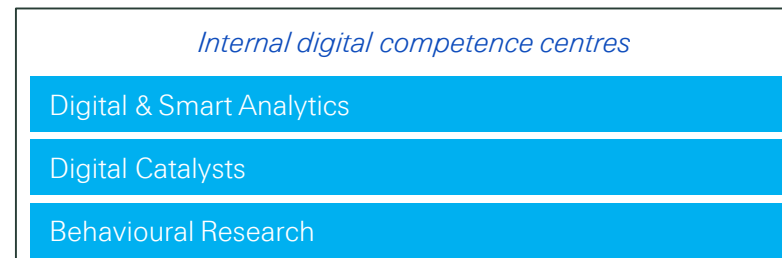
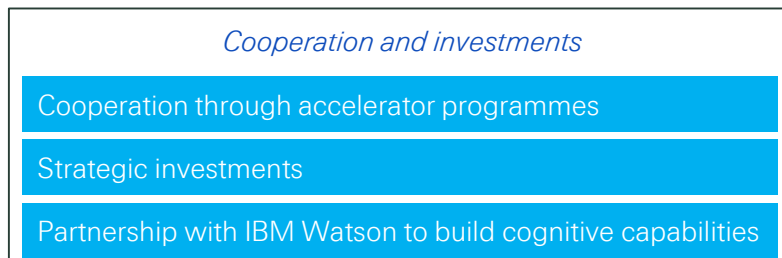
*How R&D drives competitive advantage:*

- Unique selling proposition to clients:
  - be a knowledge partner
  - help clients underwrite (e.g. Life Guide, Cat Net)
  - develop products together (Agriculture, Life, Critical Illness)
- Improve our processes:
  - better risk selection (P&C and L&H underwriting)
  - lowering risks (e.g. contract wording scanners)
- Build unique brand with regulators, governments etc.

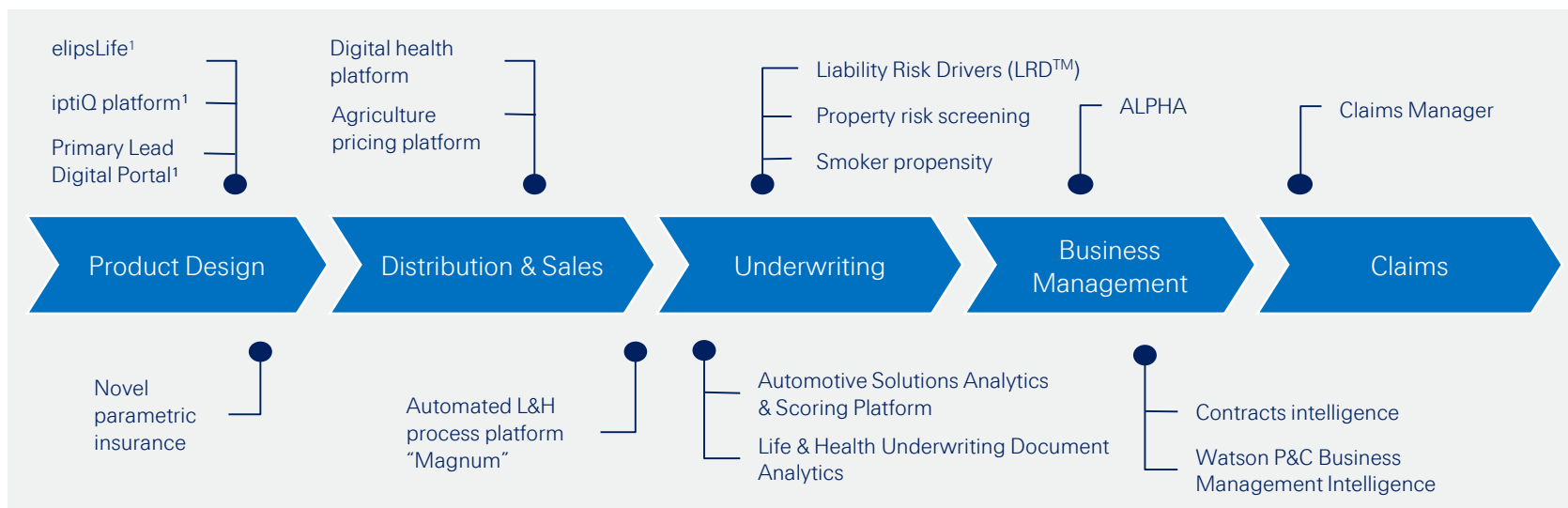


# Technological innovation gives us the opportunity to further differentiate and support our clients

## Selected initiatives on Group level (across the value chain)



## Swiss Re has executed over 500 digital product or capability use-cases over the last three years



<sup>1</sup> Across the value chain

Note: Non-exhaustive overview of selected digital innovation at Swiss Re

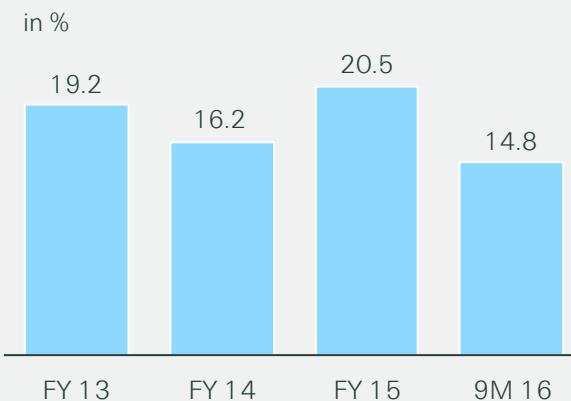


## Large and tailored transactions in Reinsurance provide attractive growth in a challenging market

- Further cement differentiated economics model with clients through:
  - direct C-suite interaction model
  - delivering useful knowledge to clients
  - common growth opportunities with clients
  - writing large and tailored transactions
- P&C Re: further reduce capacity allocated to P&C conventional business if prices continue to fall
- L&H Re: continue to grow and act as balance to the P&C segment
- High Growth Markets remain a key element of our growth strategy, even if temporarily challenged



### Return on Equity – Reinsurance

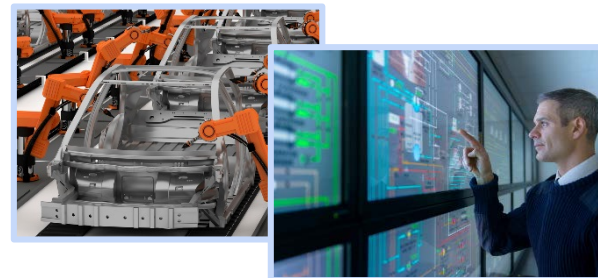


Reinsurance targets to deliver over-the-cycle ROEs of 10-15% in P&C and 10-12% in L&H



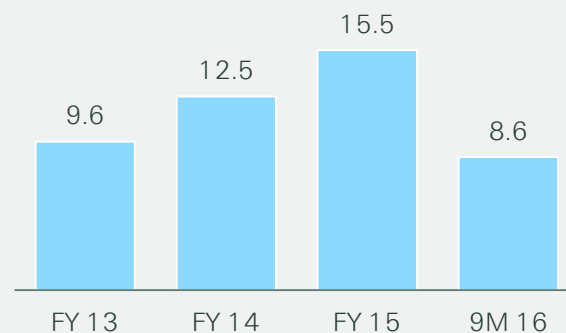
## Corporate Solutions will continue to grow in relevance with unchanged focus on profitability

- Short-term outlook is challenging with likely reduction of deployed capacity in the Excess Layer segments
- Long-term prospects remain positive
- Key initiative is investment in Primary Lead capabilities; rolled out in 14 core markets already
- Bolt-on acquisitions are an important element to support both Primary Lead and footprint broadening
- Transformational M&A opportunities remain a long-term option



### Return on Equity – Corporate Solutions

in %



Corporate Solutions targets to deliver 10-15% ROE over-the-cycle

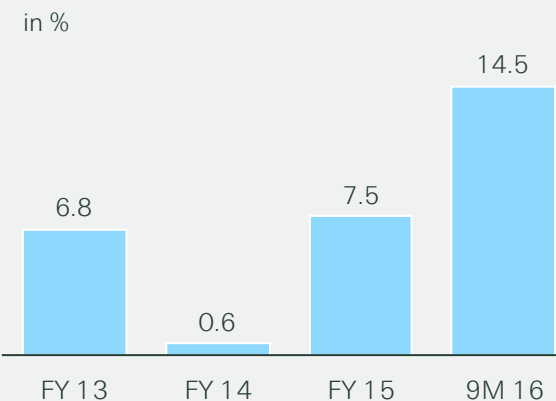


## Life Capital increases access to attractive risk pools in open and closed L&H books

- A primary L&H powerhouse with insurance clients, pension funds and distribution partners
- Differentiating through leading edge underwriting and servicing capabilities
- Growing in the UK closed book market and monitoring opportunities in Continental Europe
- Entering new European markets with Group L&H (elipsLife)
- Accelerating growth in Individual L&H (iptiQ) across Europe and launching in the US



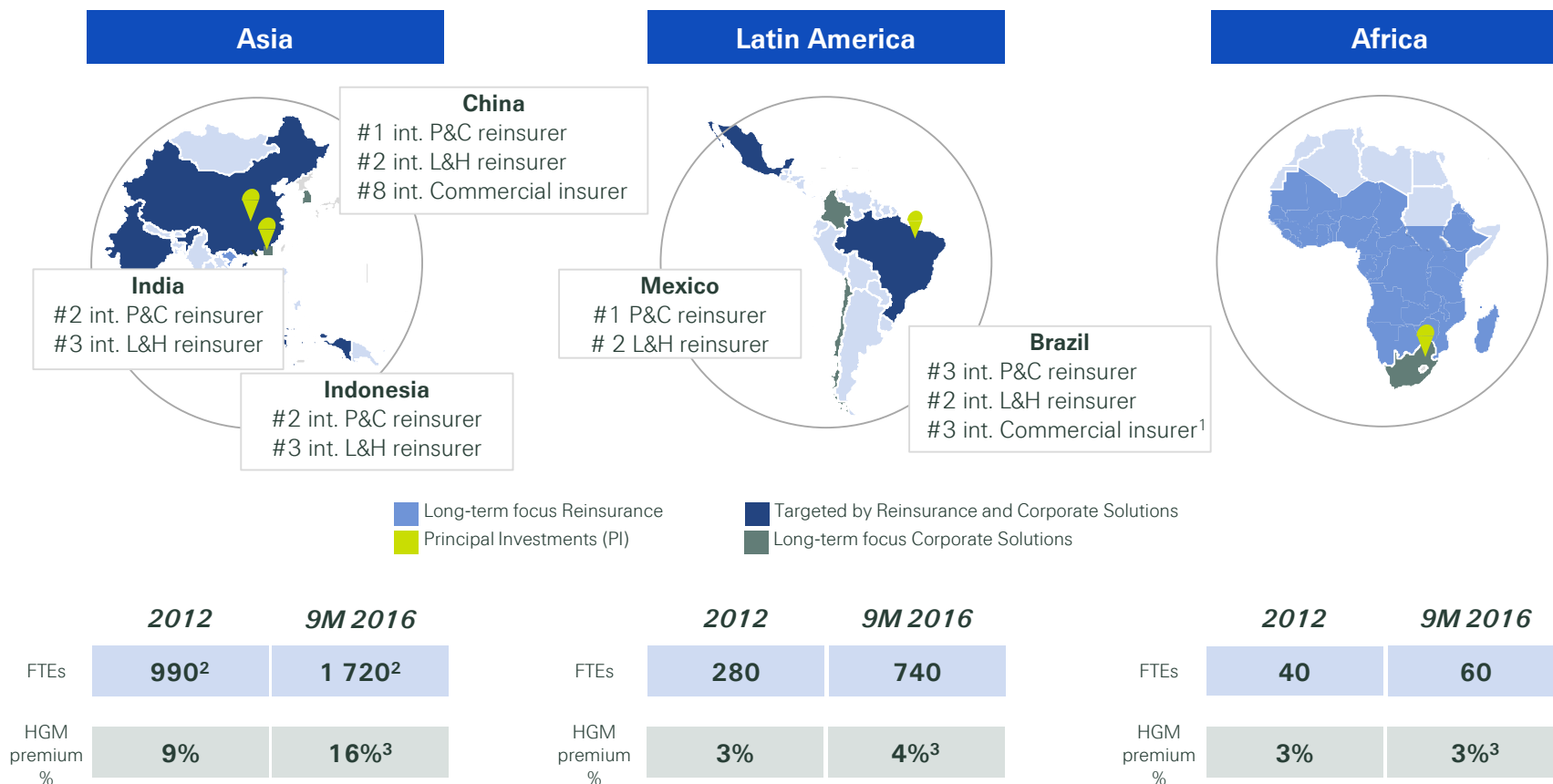
### Return on Equity – Life Capital



Life Capital targets to deliver 6-8% ROE in the mid-term



We have invested in High Growth Markets, establishing a strong presence and intend to maintain our leading position



<sup>1</sup> Expected market position upon completion of the JV with Bradesco Seguros Large Risks

<sup>2</sup> Including Shared Service Centre in India

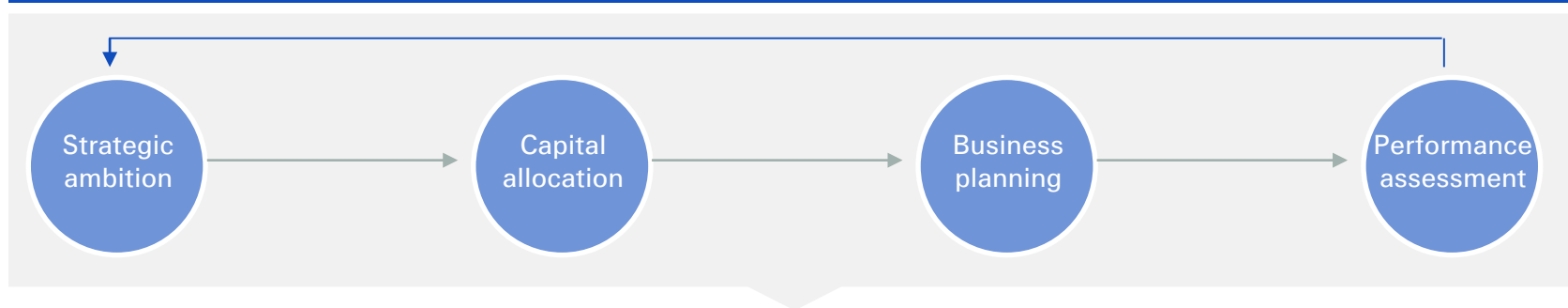
<sup>3</sup> Expected Premiums Earned FY2016 incl. Principal Investments (PI)



# Capital management

# We target an optimal risk portfolio to balance short-term considerations with creating long-term shareholder value

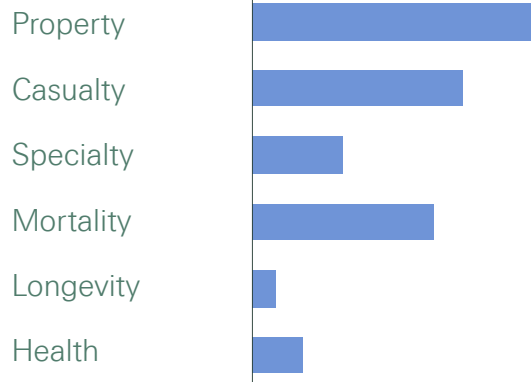
Swiss Re applies a holistic capital allocation approach...



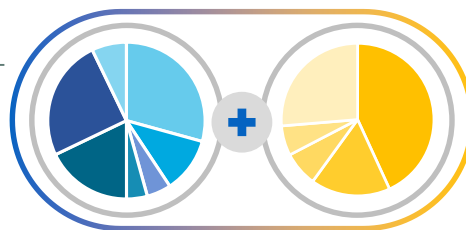
...to systematically deploy capital to risk pools

## Liability risk pools

### Target Liability Portfolio (TLP)



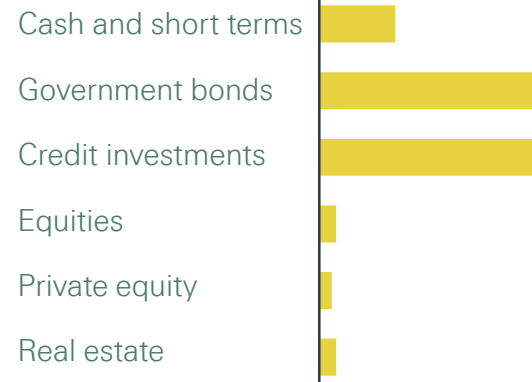
ILLUSTRATIVE



- 40+ liability portfolios and key asset classes considered
- Based on historic performance and future outlook
- Optimise financial metrics (EVM, US GAAP, cash flow) and risk appetite

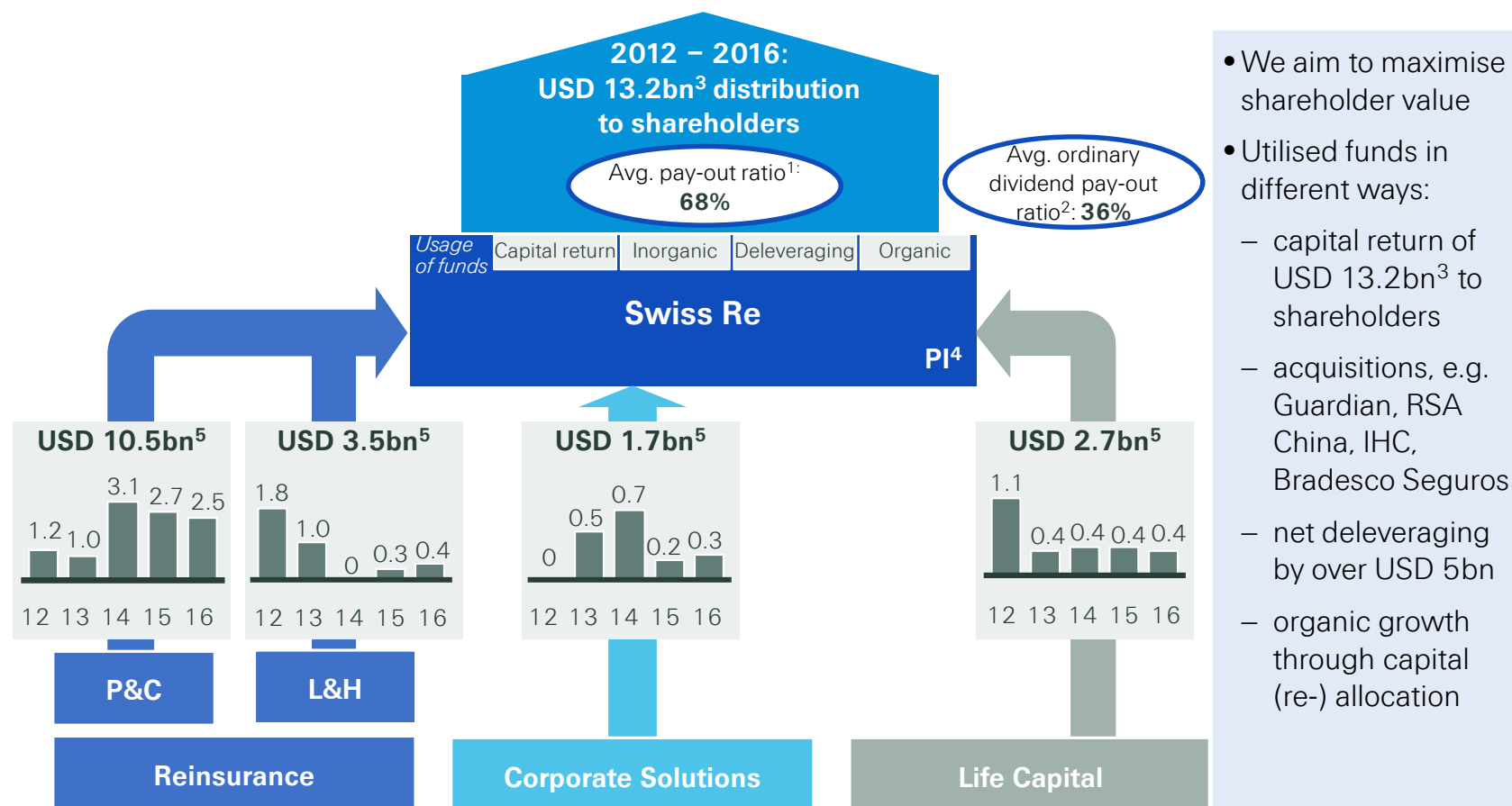
## Asset risk pools

### Strategic Asset Allocation (SAA)



ILLUSTRATIVE

# Our Business Unit structure and our capital allocation have supported a strong value generation and flow of dividends



<sup>1</sup> Calculated based on average US GAAP net income and average of 2012-2016 dividends paid, including special dividends and share buy-backs

<sup>2</sup> Calculated based on average US GAAP net income and average of 2012-2016 ordinary dividends paid

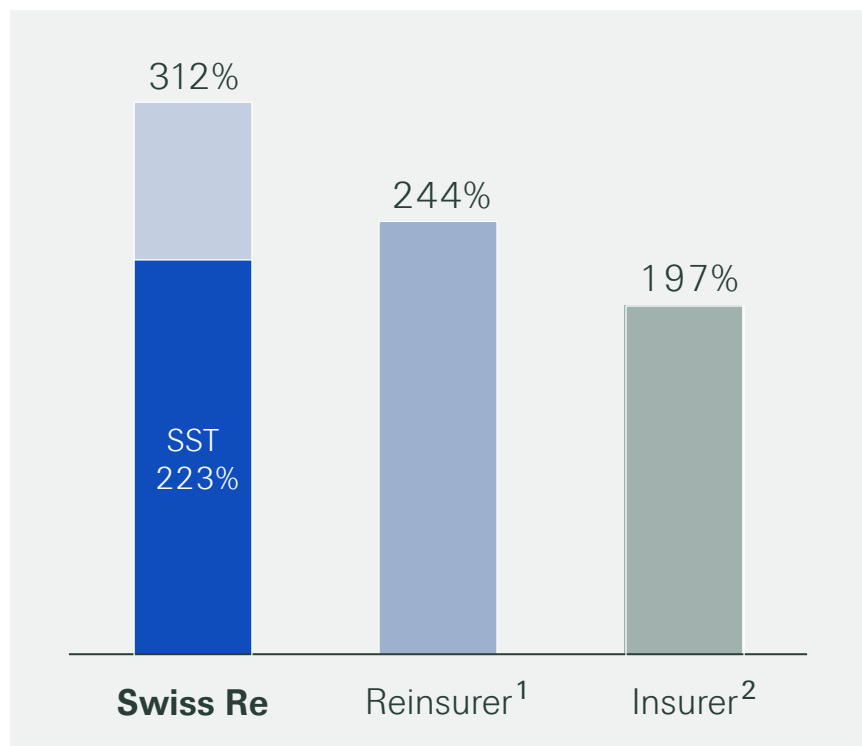
<sup>3</sup> Distribution to shareholders assumes completion of the up to CHF 1.0bn public share buy-back commenced on 4 November 2016

<sup>4</sup> PI has paid to Group dividends of USD 0.4bn since 2012

<sup>5</sup> Internal dividend flows from January 2012 to November 2016

# Swiss Re maintains a leading capital position in the reinsurance sector and industry

## Solvency II peer comparison (May 2016)



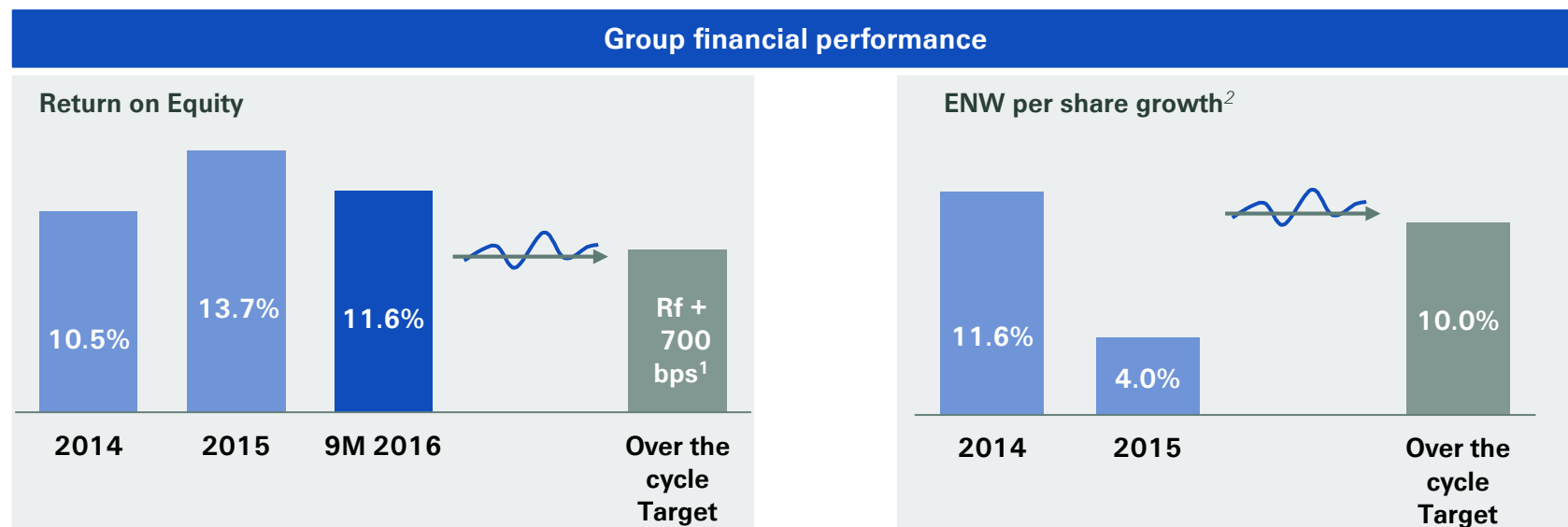
- SST and Solvency II are both comprehensive, economic and risk-based solvency regimes
- Due to important differences, SST ratio can be significantly lower than Solvency II
- For 2016, our comparable Group Solvency II ratio is almost 90%pts higher than our Group SST ratio

Swiss Re Group is very strongly capitalised under SST and Solvency II

<sup>1</sup> Average of Munich Re, Hannover Re, SCOR

<sup>2</sup> Average of Allianz, Aviva, Axa, Generali

# We continue to focus on our over-the-cycle Group and Business Units' targets



Business Units' Return on Equity				
	P&C Reinsurance	L&H Reinsurance	Corporate Solutions	Life Capital
9M 2016	16.1%	12.5%	8.6%	14.5%
Target	10-15%	10-12%	10-15%	6-8%

<sup>1</sup> 10-year US Govt. Bonds. Management to monitor a basket of rates reflecting Swiss Re's business mix

<sup>2</sup> Year-end ENW + dividends from current year divided by previous year end ENW; all per share

# Swiss Re's capital allocation aims to deliver sustainable shareholder value

Long-term shareholder value creation...

We target a portfolio of asset and liability risks to balance short-term considerations with long-term value creation

Our Business Unit structure and our capital allocation have supported a strong value generation and flow of dividends

Swiss Re's strong capital position enables the capital allocator role for the Group

We continue to focus on our over-the-cycle Group and Business Units' targets

...underpinned by our capital management priorities

1

Ensure superior capitalisation at all times and maximise financial flexibility

2

Grow the regular dividend with long-term earnings, and at a minimum maintain it

3

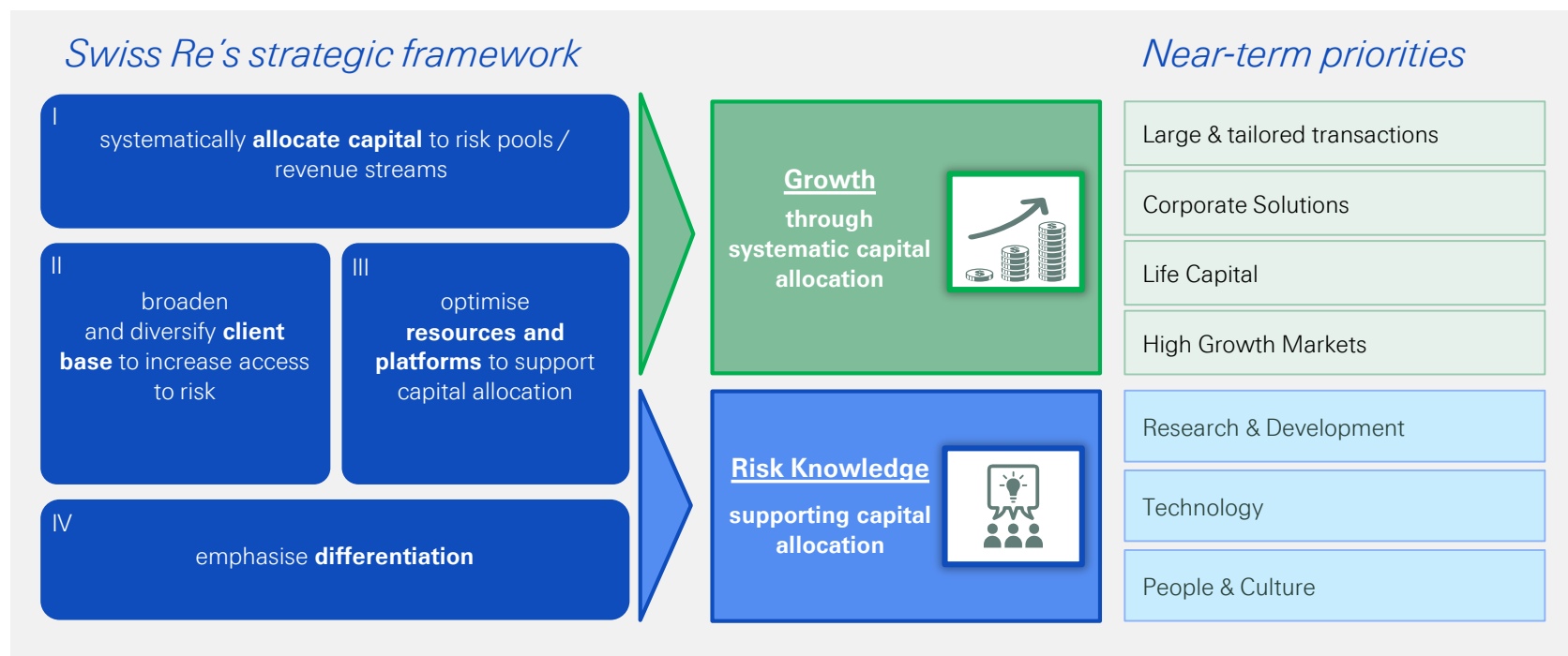
Deploy capital for business growth where it meets our strategy and profitability requirements

4

Repatriate further excess capital to shareholders

# Wrap-up

# We focus on near-term priorities to achieve attractive growth and leverage our risk knowledge



## *Group financial targets over-the-cycle*

ROE  $\geq$   
risk free + 700bps

ENW  
per share growth  
10% p.a.



Our Vision

We make  
the world  
more  
resilient.





# Corporate calendar & contacts

## Corporate calendar

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### 2017

23 February

**Annual Results 2016**

Conference call

16 March

**Publication of Annual Report 2016**

21 April

**153<sup>rd</sup> Annual General Meeting**

Zurich

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# Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans objectives, targets and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as “anticipate”, “assume”, “believe”, “continue”, “estimate”, “expect”, “foresee”, “intend”, “may increase” and “may fluctuate” and similar expressions or by future or conditional verbs such as “will”, “should”, “would” and “could”. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause Swiss Re’s actual results of operations, financial condition, solvency ratios, capital or liquidity positions, or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions, or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets. Such factors include, among others:

- further instability affecting the global financial system and developments related thereto;
- further deterioration in global economic conditions;
- Swiss Re’s ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of Swiss Re’s financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on Swiss Re’s investment assets;
- changes in Swiss Re’s investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on Swiss Re’s balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that Swiss Re’s hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting Swiss Re’s ability to achieve improved ratings;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting Swiss Re’s clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting Swiss Re or its ceding companies, and the interpretation of legislation or regulations by regulators;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

These factors are not exhaustive. Swiss Re operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

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