Swiss Re

Capital allocation at the core of our strategy

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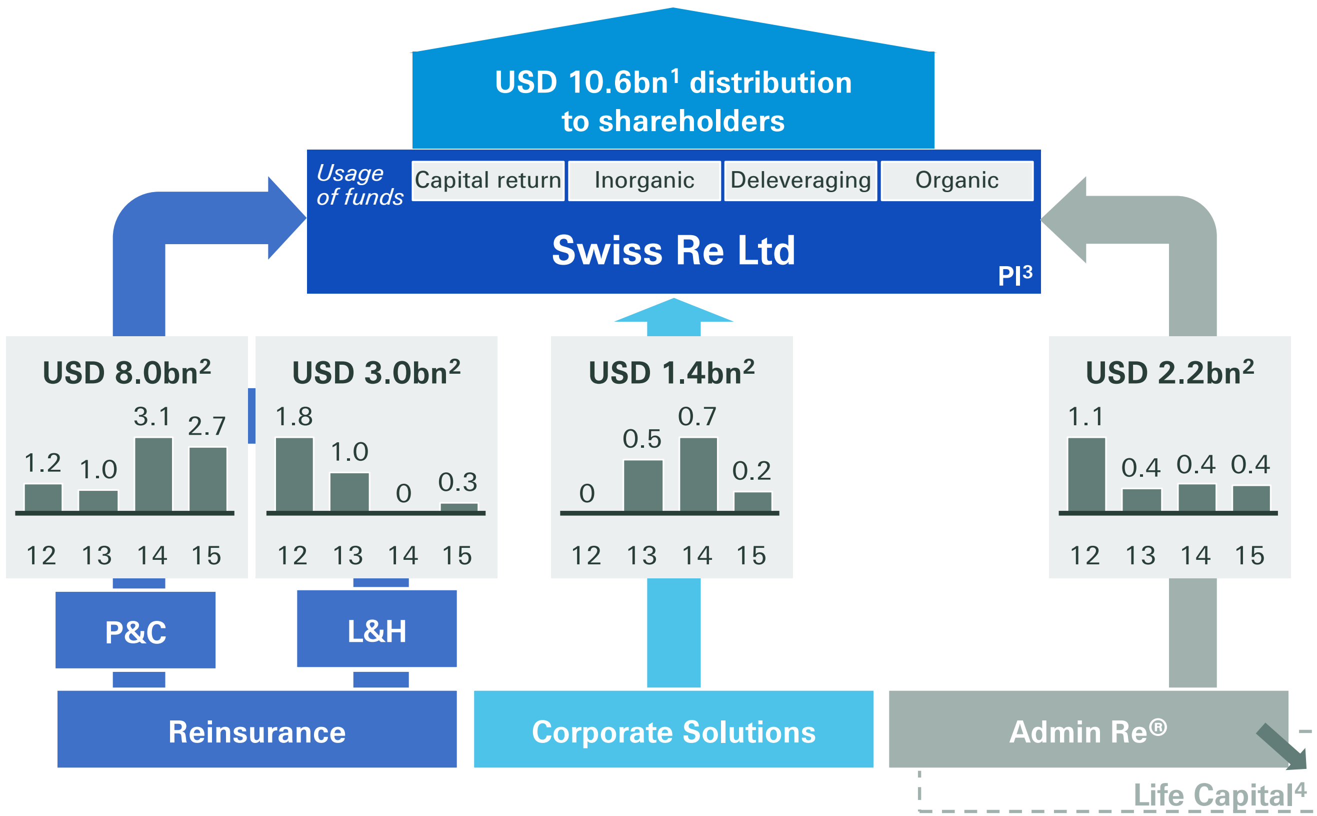
Group Chief Financial Officer

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

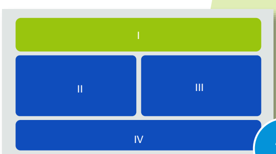


Agile use of funds to deliver shareholder value:

- Capital return of up to USD 10.6bn to shareholders since 2012
- Acquisitions, e.g. Sun Alliance China, Guardian[5]
- Significant deleveraging
- Organic growth through capital (re-) allocation

1 Distribution to shareholders of approx. USD 10.6bn from 2012 to 2015 incl. USD 2.6bn dividends paid end of April 2015 and up to CHF 1.0bn for the public share buy-back
2 Internal dividend flows from January 2012 to September 2015
3 PI has paid to Group dividends of USD 0.4bn between 2012 and September 2015
4 As of 1 January 2016
5 Transaction completion expected early 2016

We use a holistic capital management and performance framework to systematically allocate capital



1 Strategic ambition

Generate sustainable shareholder value

- Close the protection gap and respond to emerging risk pools by delivering innovative solutions
- Leverage distinctive skills and capabilities of Swiss Re Group

2 Capital allocation

Define capital allocation for liability and asset risk pools

- 45 liability portfolios and key asset classes considered for capital allocation
- Assess risk pools based on historic performance and future outlook
- Optimise financial metrics (EVM, US GAAP, cash flow) and risk appetite

3 Business planning

Execute capital allocation to portfolios

- Business Units proactively plan and execute on shared vision for the target liability portfolio to deliver sustainable shareholder value
- Capture attractive market opportunities accordingly

4 Performance measurement

Evaluate performance and (re-)allocate capital

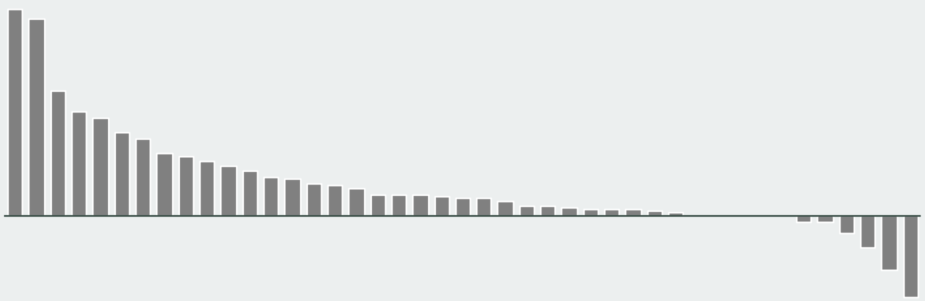
- Monitor performance based on an integrated KPI framework
- Relentlessly re-allocate capital (away from underperforming portfolios and towards best performing ones)

We allocate capital to risk portfolios in a consistent manner across the Group

EVM performance metric

- Cash flows discounted and recognised at inception
- Capital costs recognised

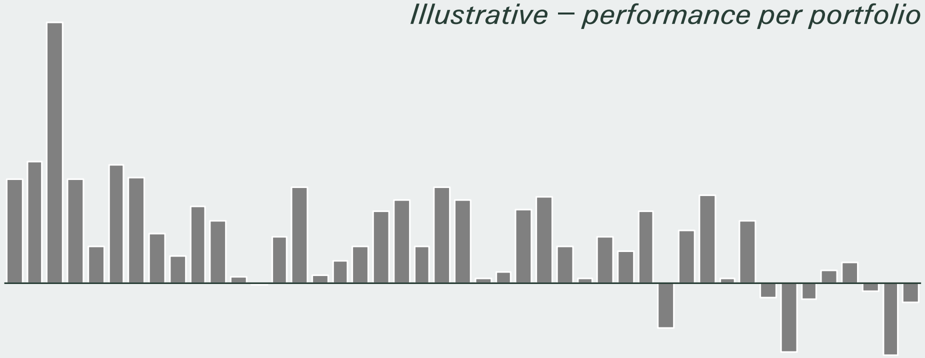
Illustrative – performance per portfolio



US GAAP performance metric

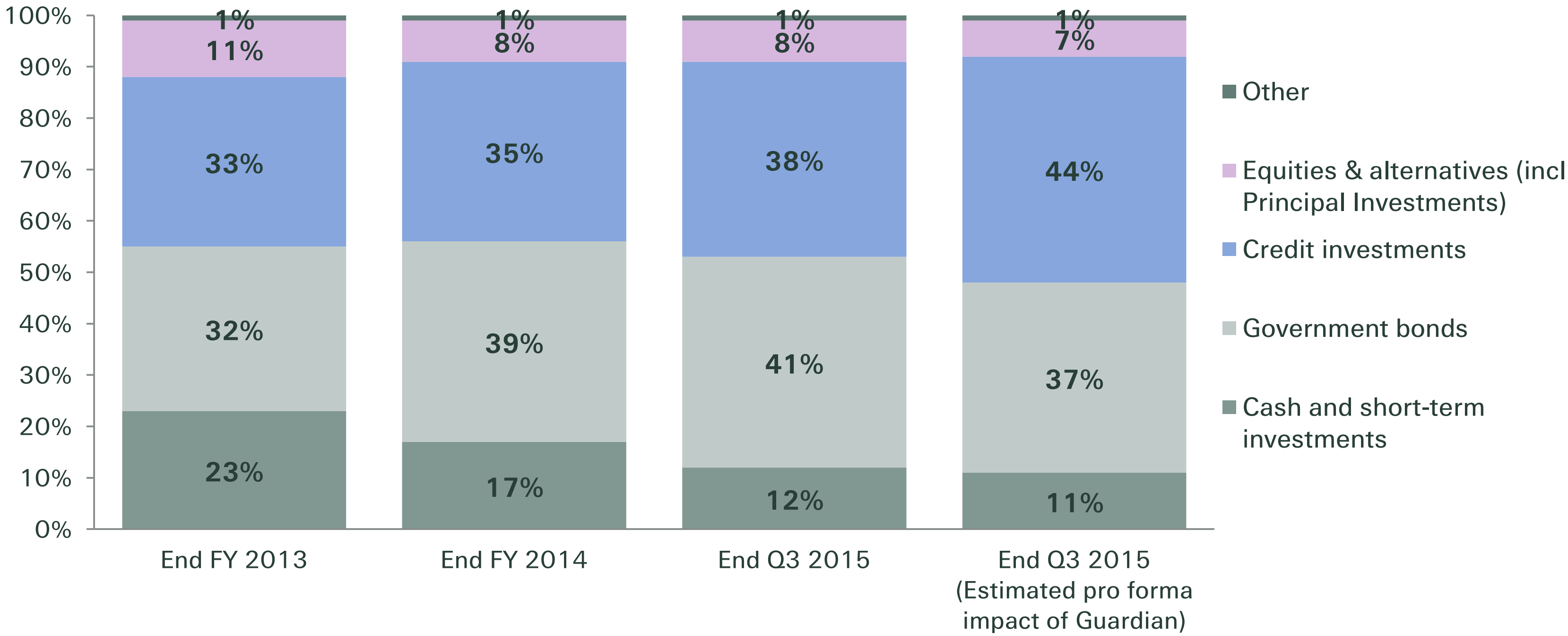
- Cash flows recognised over lifetime of contract
- Capital costs not taken into account

Illustrative – performance per portfolio



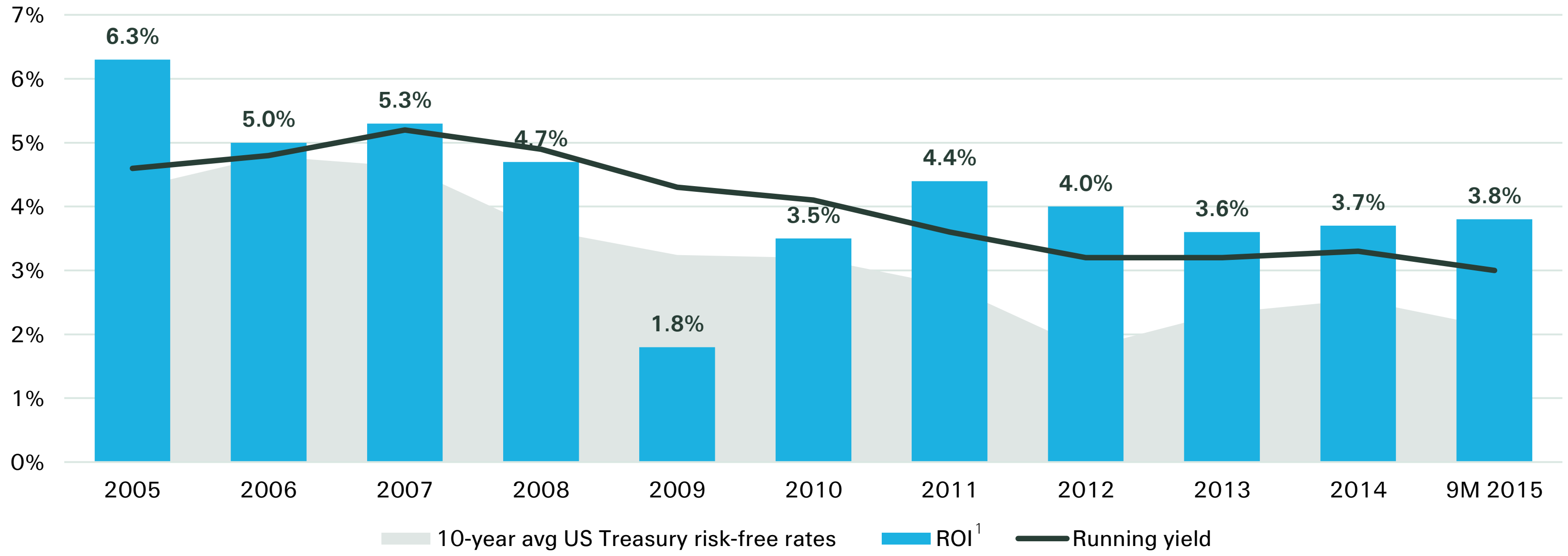
- Developed single-year and multi-year view of performance on portfolio level
- Use key financial metrics as support for capital (re-) allocation decisions
- Break down Group targets to liability portfolios

Swiss Re continues to maintain a high quality, well-balanced investment portfolio



- High-quality credit investments have been steadily added to the portfolio since the re-balancing in 2013
- Additional investments include a diversified mix of corporate bonds across various currencies, high quality loans, securitised products and credit ETFs
- Equities and alternative investments were reduced in 2014 through sales of equity securities and hedge fund redemptions
- Acquisition of Guardian is expected to increase the Group's overall allocation to credit by approximately 6%pts. The quality of the credit portfolio remains high

Steady investment performance through active asset re-balancing despite continued low yield environment

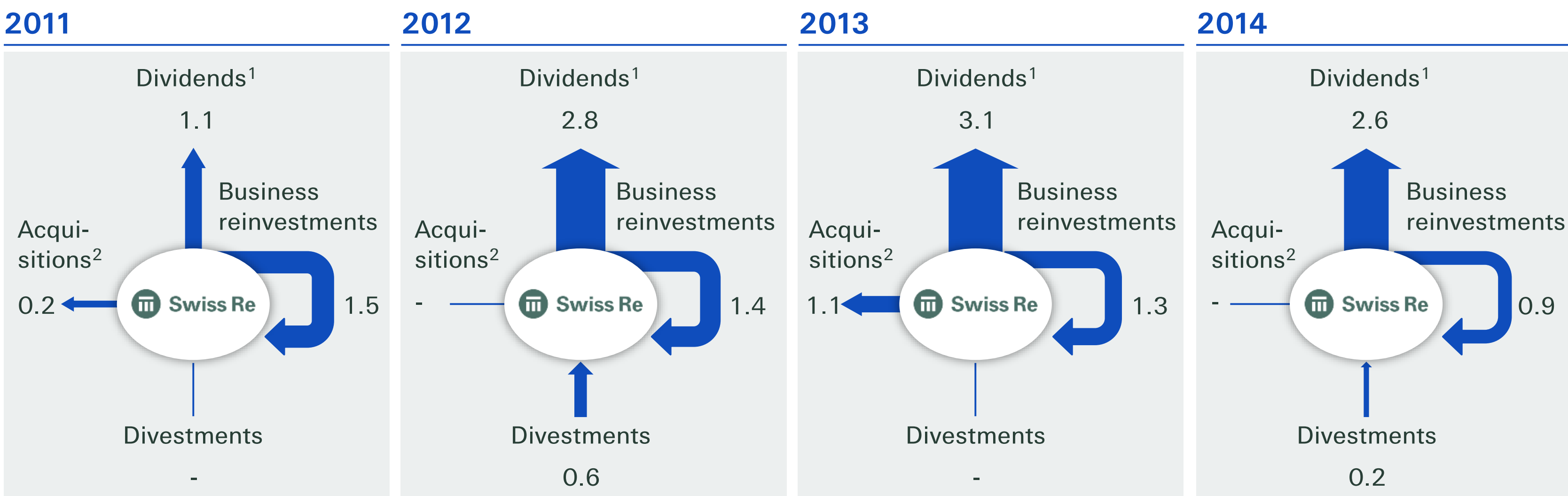


- Asset re-balancing helped mitigate the effect of low yields on the return on investments in recent years
- Decline in interest rates has only been partially reflected in the running yield development, demonstrating the impact of re-balancing on portfolio income
- Notwithstanding the recent performance, a prolonged low yield environment would likely represent a headwind to the investment result going forward

[1] Historical ROIs as published; 2011 and later based on new calculation method, as initially disclosed at Investors' Day 2012

We will maintain a dynamic allocation of capital under our strategic framework

Swiss Re Group view, end of year figures, USD bn



	2011	2012	2013	2014
Net Income	**2.6**	**4.2**	**4.4**	**3.5**
Shareholders' equity	**29.6**	**32.9**	**31.9**	**34.8**

In 2015

- Share buy-back has started, for an amount up to CHF 1.0bn purchase value
- Announced acquisition of Guardian will absorb GBP 1.0bn in early 2016
- Group capitalisation remains very strong

1 Dividends based on year accrued
2 Excludes BU-funded and debt-funded acquisitions

Swiss Re's risk tolerance criteria are the basis for our capital management, risk steering and limit setting

Risk tolerance represents the amount of risk Swiss Re is willing to accept within the constraints imposed by its capital and liquidity resources, its strategy, and the regulatory and rating agency environment

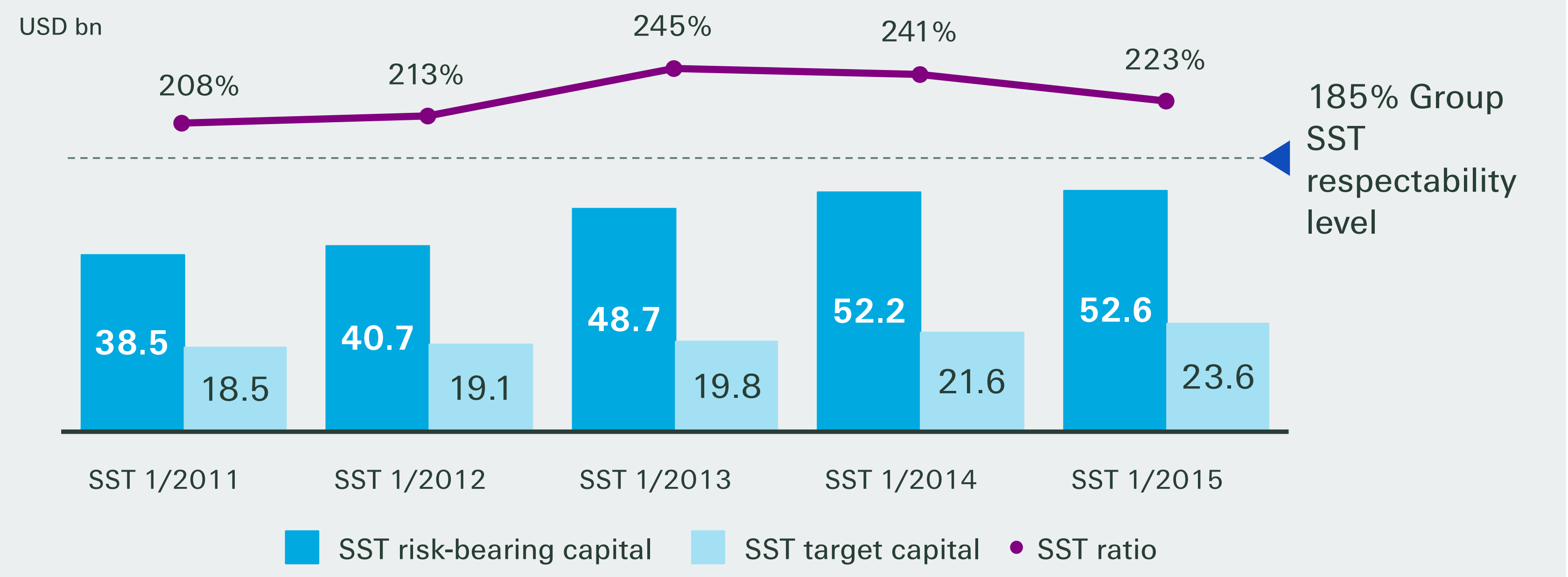
Risk tolerance objectives:

- Maintain capital and liquidity that are sufficiently attractive from a client perspective, and that meet regulatory requirements and client expectations ("respectability criteria")
- Be able to continue to operate following an extreme loss event ("extreme loss criteria")
- Avoid material operational risks that could subject the Group to large operational losses with corresponding consequences from an economic, reputational or regulatory perspective

Capital criteria | Liquidity criteria

		Group	
Funding amounts required to be held at the Swiss Re Ltd level, as well as the external dividend proposals take into consideration both sets of constraints	**Respectability criteria**	Rating ≥ AA Swiss Solvency Test ≥ 185%	• Level reflects regulatory and client expectations
	Extreme loss criteria	After an extreme loss event (99% shortfall) able to meet Swiss Solvency Test ≥ 100% Liquidity	• To have sufficient capital to be in a position to continue to write new business, for all major entities • Sufficient liquidity to fund subsidiary recapitalisations where needed and cover committed requirements in the year following the stress loss

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



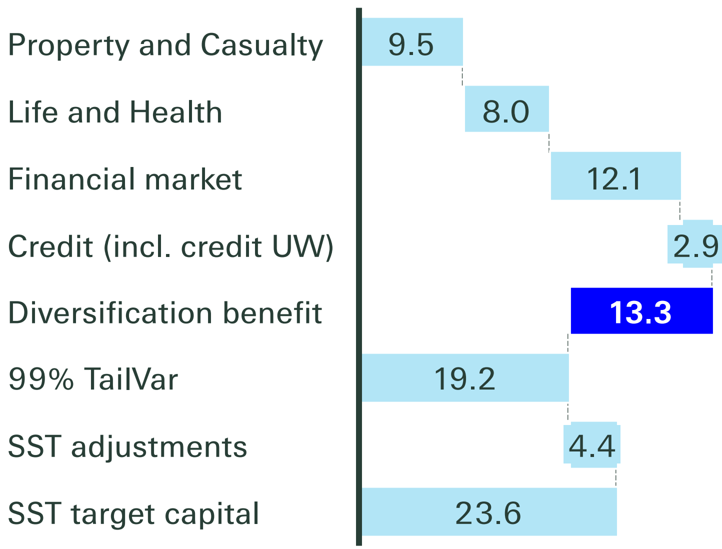
Swiss Re's capitalisation remains very strong across multiple metrics

- Group SST ratio comfortably above respectability level; impact of the acquisition of Guardian is expected to be approximately 20-25%pts
- Swiss Re's excess capital is well above the capital required for a S&P AA rating
- Group accessible capital (after deduction of Principal Investments) amounted to USD 4.5bn at the end of Q3 2015

We ensure an integrated approach to managing current and future risks

Group regulatory capital requirement

SST 1/2015 in USD bn



Sensitivities on ENW

USD m, pre-tax[1]

Change in market values[2]	**-10%**	**-25%**
Economic net worth	**-958**	**-2 394**
Change in interest rates	**+50bps**	**+100bps**
Economic net worth	**+216**	**+411**
Change in credit spreads	**+50bps**	**+100bps**
Economic net worth	**-1 944**	**-3 754**

Development since SST 1/2015

- Pre-Guardian, SST target capital decreased mainly due to higher interest rates reducing the market value margin, which forms part of the SST adjustments
- Guardian acquisition is expected to add market (credit spread) and credit (default & migration) risk, while the insurance risk of the transaction is expected to add to Swiss Re's insurance risk diversification

1 All sensitivities are assumed to have taken effect on 31 December 2014 and no management actions are included in this analysis
2 Equities and alternative investments, excl. real estate

We have gained extensive experience in complying with economic solvency regimes

Swiss Re operates under a comprehensive economic and risk based solvency regime since 2008

- SST is a more conservative economic-based regime than Solvency II
- EU confirmed equivalence with Solvency II
- Swiss Re's internal model serves both SST and Solvency II; both the Swiss regulator (FINMA) and Luxembourg's regulator (CAA) have provided regulatory approval

Luxembourg

- Swiss Re's internal model approved by the local regulator (CAA)
- External auditor issued an unqualified positive assurance opinion on the internal model for 2013, 2014 and 2015

UK

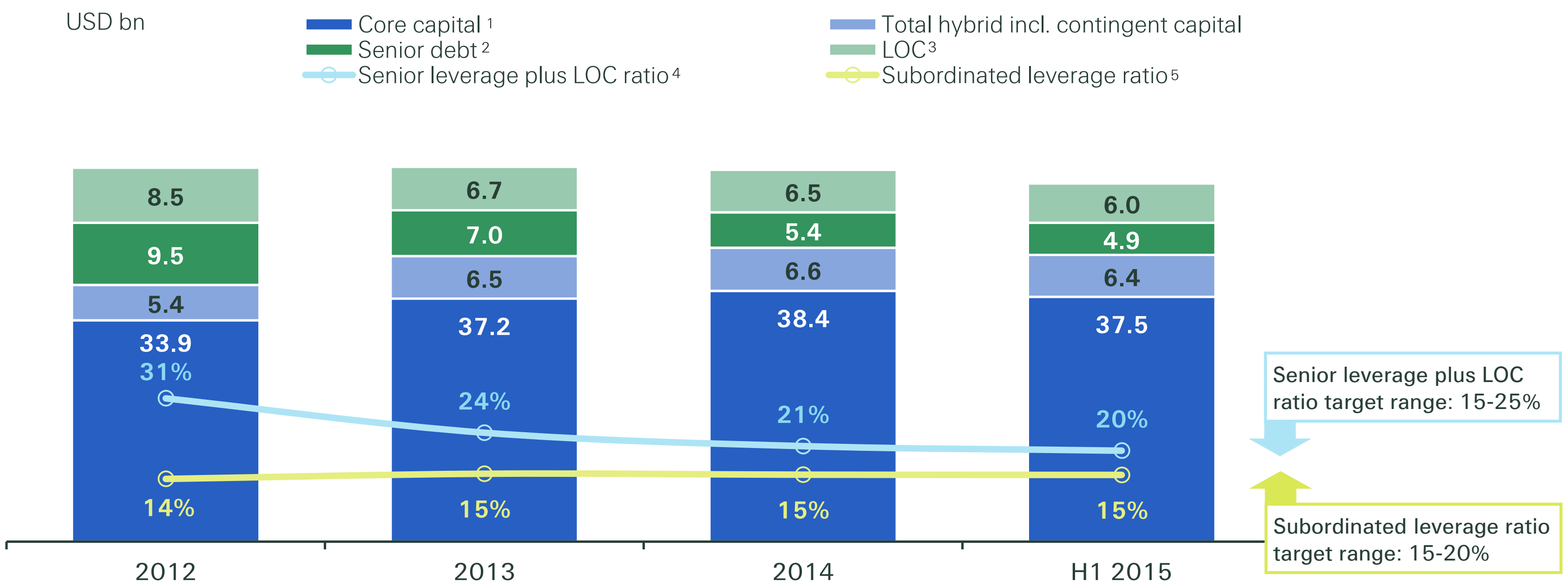
- Initial application of Standard Formula approach under Solvency II
- Continued engagement with the PRA on future internal model approval

Key differences: SST vs Solvency II (internal model)

	SST		Solvency II
Risk measure	Based on 99% TailVaR	>	Based on 99.5% VaR
Market value margin/ Risk margin	Part of available and required capital	>	Part of technical provisions
Valuation (discounting)	Market consistent valuation based on replication	>	Option for volatility or matching adjustments
Deferred Tax	Not accounted for	>	Loss absorbing effect on required capital
Operational risk	Qualitative treatment	<	Quantitative treatment

> One regime more conservative than the other

Our Group capital structure is well within our leverage ratio target range, providing further flexibility



Achieved USD 5.8bn of net deleveraging[6] ahead of our 2016 target of more than USD 4bn[7]

1 Core capital of Swiss Re Group is defined as economic net worth (ENW)
2 Senior debt excluding non-recourse positions
3 Unsecured LOC capacity and related instruments (usage is lower)
4 Senior debt plus LOCs divided by total capital
5 Subordinated debt divided by sum of subordinated debt and ENW
6 Total from end 2012 to Investors' Day 2015, based on Q3 2015 carrying values
7 Announced at Investors' Day 2013

Swiss Re's target capital structure and financial flexibility is supported by strong funding platforms

		Reinsurance	Corporate Solutions	Life Capital	Group	Outlook
Established access to external funding in all Business Units to fund ongoing capital and liquidity requirements	Letters of credit	⬇ ✔ ⇘				Further reduction in line with reducing requirements in Reinsurance
	Senior debt	⬇ ✔ ⇘		⬆ ✔ ⇗		Support business growth in Life Capital in line with leverage targets
	Sub-ordinated debt	⬇ ✓ ⇘	⬆ ✔ ⇗			Further optimisation of capital structure and cost of capital
Innovative capital instruments to strengthen Group capital base	Contingent capital	⬆ ✔ ⇒			⬆ ✔ ⇗	Continue to implement contingent capital road-map focusing on Group Holding level

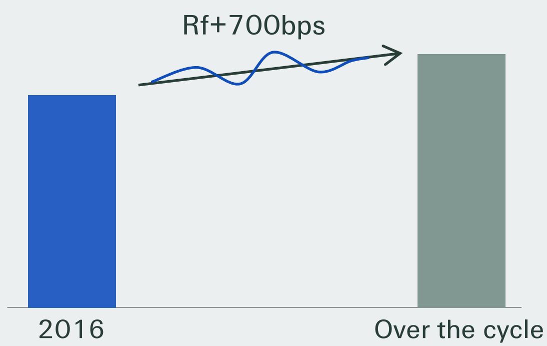
Established funding platform at Swiss Re Ltd with the first pre-funded subordinated debt facility in November 2015

✓ Subject to FINMA approval
✔ Significant progress or fully realised
⬆ Change since 2012
⇗ Outlook

Systematic capital allocation is essential for achieving our Group and Business Unit targets

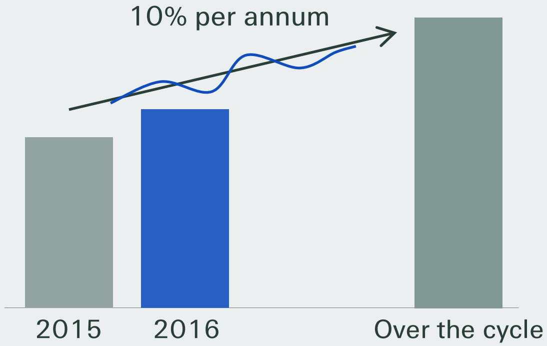
Group financial targets

ROE



700bps above risk free (10-year US Gov Bonds[1])

ENW per share growth



Year-end ENW + dividends from current year divided by previous year end ENW; all per share

Business Unit targets

P&C Reinsurance	L&H Reinsurance	Corporate Solutions	Life Capital
• 10-15% ROE over the cycle	• 10-12% ROE over the cycle	• 10-15% ROE over the cycle	• 6-8% ROE mid-term

[1] Management to monitor a basket of rates reflecting Swiss Re's business mix

Aligning the measurement of our financial targets with underlying fundamentals

ROE **10-year risk free rate**	• Increases ambition of the Group • Reflects shift towards longer duration business
ROE **Basket of rates**	• USD remains Swiss Re's largest currency exposure • Management to monitor a basket of rates reflecting Swiss Re's business mix
ENW **Economic growth**	• Change to EVM methodology, including setting capital cost parameters • Adjustments to be recorded in the opening balance of 2016 ENW
Over the cycle	• Reflects the long-term ambition of the Group • Encompasses both industry and economic cycles

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

We aim to deliver long-term shareholder value

- Strategic framework enabling systematic allocation of capital to risk pools
- Very strong capital position across multiple metrics
- Steady investment performance through active asset re-balancing despite continued low yield
- Capital structure comfortably within our leverage ratio target ranges, providing flexibility
- Swiss Re Ltd and all Business Units have established access to external funding

We confirm our capital management priorities

- Ensure superior capitalisation at all times and maximise financial flexibility
- Grow the regular dividend with long-term earnings, and at a minimum maintain it
- Deploy capital for business growth where it meets our strategy and profitability requirements
- Repatriate further excess capital to shareholders

Corporate calendar & contacts

Corporate calendar

2016		
23 February	**Annual Results 2015**	Conference call
16 March	**Publication of Annual Report 2015 and EVM 2015**	
22 April	**152nd Annual General Meeting**	Zurich
29 April	**First Quarter 2016 Results**	Conference call

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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;
- 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 cyclicality 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.

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