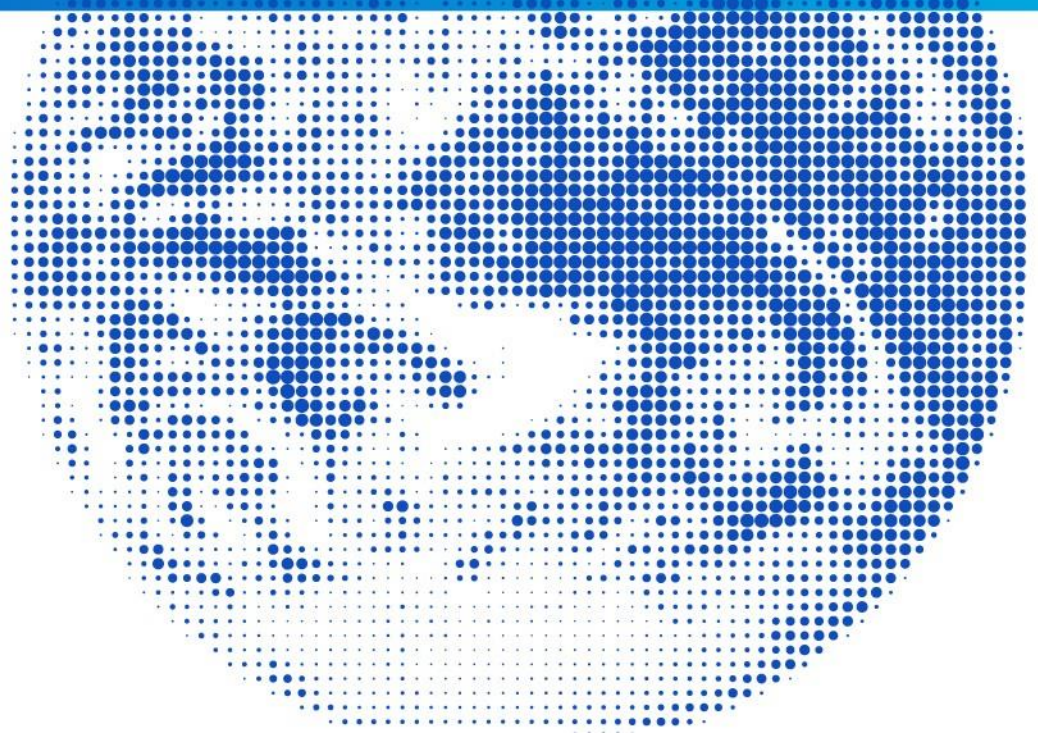


# Swiss Re's performance and strategy

Baader Helvea Swiss Equities Conference, 11 January 2018

Gerhard Lohmann, Chief Financial Officer Reinsurance



# Today's agenda

Swiss Re Group at a glance

P&C and L&H Reinsurance strategy

Capital steering and funding

# Swiss Re Group at a glance

# Swiss Re Group at a glance

Swiss Re is a **leading and highly diversified global reinsurer**, founded in Zurich (Switzerland) in 1863

The Group offers **traditional reinsurance products and related services** for property and casualty, as well as for life and health businesses

The Group also offers **commercial insurance** through Corporate Solutions and manages **closed and open books of life and health business** via Life Capital

**The financial strength<sup>1</sup> of the Swiss Re Group** is currently rated: Standard & Poor's: AA- (stable); Moody's Aa3 (stable); A.M. Best: A+ (stable). Swiss Re Group's **Swiss Solvency Test Ratio** for 2017 is 262%

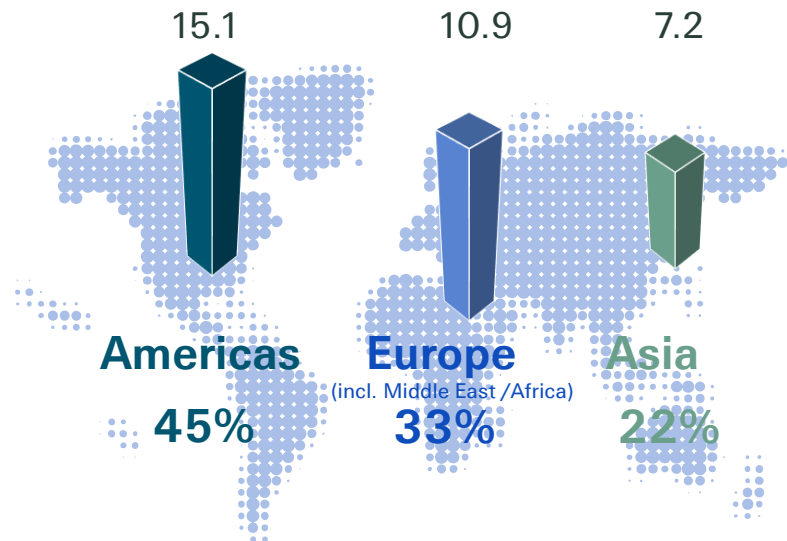
Swiss Re received a AAA sustainability rating from **MSCI** in May 2017

Key statistics (USD billions)	FY 2013	FY 2014	FY 2015	FY 2016
Gross premiums written	33.5	33.8	32.2	35.6
Net income	4.4	3.5	4.6	3.6
Shareholders' equity	33.0	35.9	33.5	35.6
ROE	13.7%	10.5%	13.7%	10.6%

<sup>1</sup> As at 31 December 2017

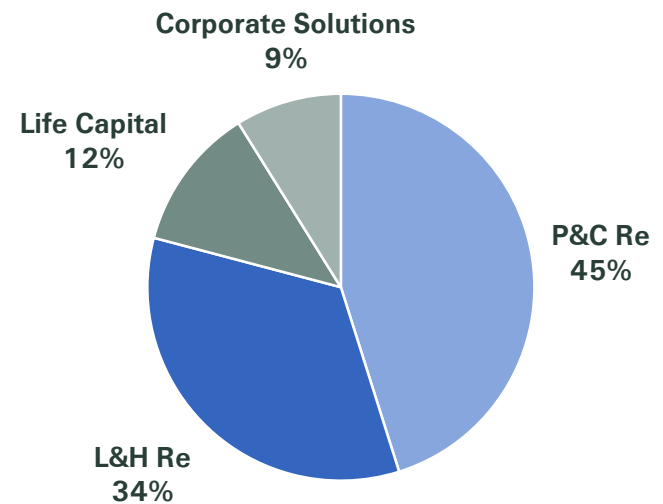
# Swiss Re is well diversified across geographic regions and business segments

## Net premiums earned<sup>1</sup> by region (in USD bn, 2016)



of which  
HGMs incl. PI<sup>2</sup>: ~5%      ~ 4%      ~ 16%      ≈25%

## Economic Net Worth<sup>3</sup> by business segment (in %, 2016)



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 33.2bn as at 31 December 2016; 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 Principal Investments (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 2016

# In the currently challenging environment we see attractive opportunities



## Key challenges

- Capital abundance continues, however, recent natural catastrophes have increased the likelihood of a hard market
- Low interest rates; divergence of Central Bank policies
- Re-nationalisation 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

# As a risk knowledge company, Swiss Re is well placed to invest in risk pools

## Swiss Re's strategic framework



Growth  
through  
systematic  
capital allocation



Risk Knowledge  
supporting capital  
allocation



## Near-term priorities

Large & tailored transactions

Corporate Solutions

Life Capital

High Growth Markets

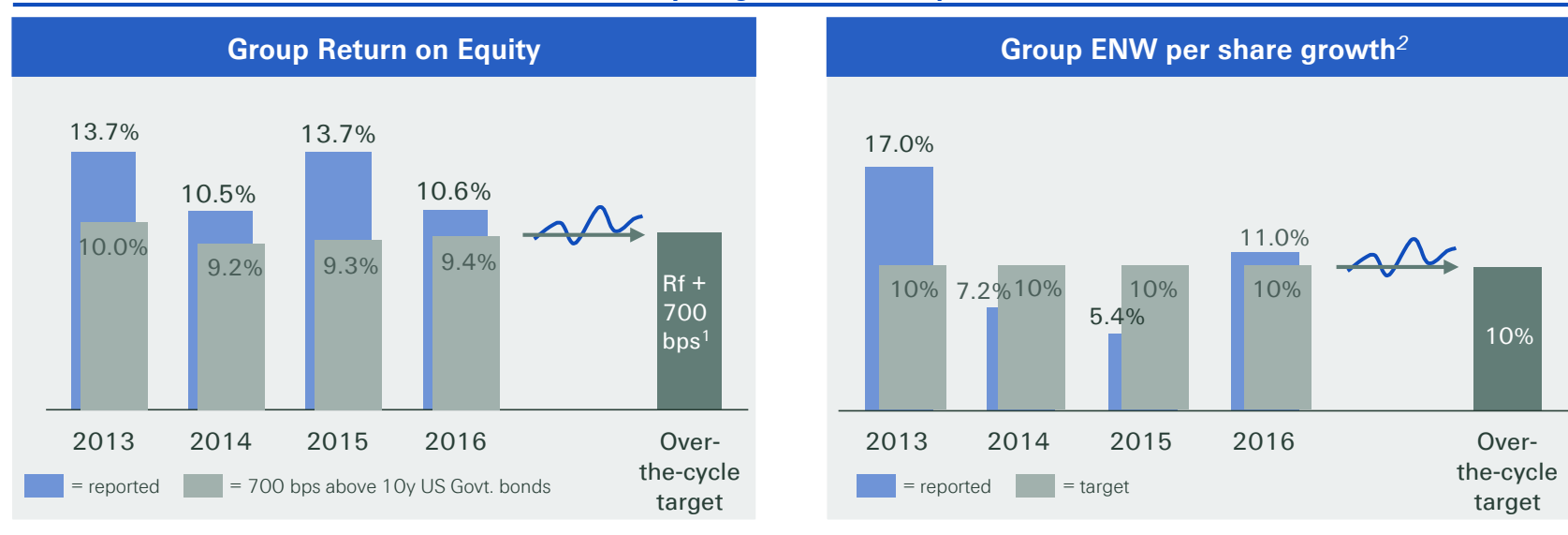
Research & Development

Technology

People & Culture

# Both over-the-cycle Group financial targets were exceeded in 2016

## Group targets over-the-cycle



## Business Units' return on equity targets over-the-cycle

	P&C Reinsurance	L&H Reinsurance	Corporate Solutions	Life Capital <sup>3</sup>
Target	10-15%	10-12%	10-15%	6-8%

<sup>1</sup> 700 bps above 10y US Govt. bonds. Management to monitor a basket of rates reflecting Swiss Re's business mix

<sup>2</sup> The 10% ENW per share growth target is calculated as follows: (current-year closing ENW per share + current-year dividends per share) / (prior-year closing ENW per share + current-year opening balance sheet adjustments per share). This new target applies from 1 January 2016. The reported figures for 2013, 2014 and 2015 have been adjusted for consistency with the new target definition and are provided for reference purposes only



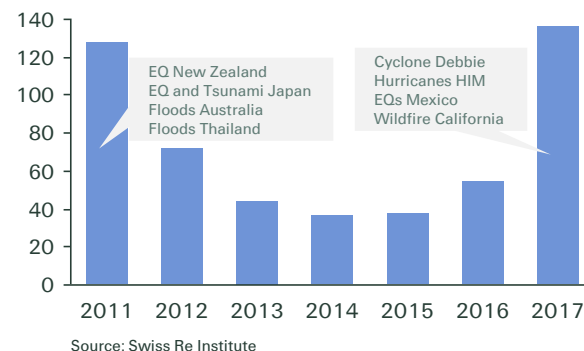
# Swiss Re's 9M 2017 results were impacted by large insurance claims from natural catastrophe events

- Group net loss of USD 468m for the first nine months 2017
- The third quarter in 2017 was impacted by expected large insurance claims of USD 3.6bn following hurricanes Harvey, Irma, Maria, and the Mexico earthquakes
- Property & Casualty Reinsurance net loss USD 652m
- Life & Health Reinsurance net income USD 741 m, ROE of 14.3%
- Corporate Solutions net loss of USD 762m
- Life Capital gross cash generation at USD 789m, net income USD 152m
- Group investment portfolio continued strong 2017 performance with strong return on investments of 3.5% and stable running yield of 2.9%
- Repurchases under Swiss Re's 2017/18 public share buy-back programme started on 3 November 2017

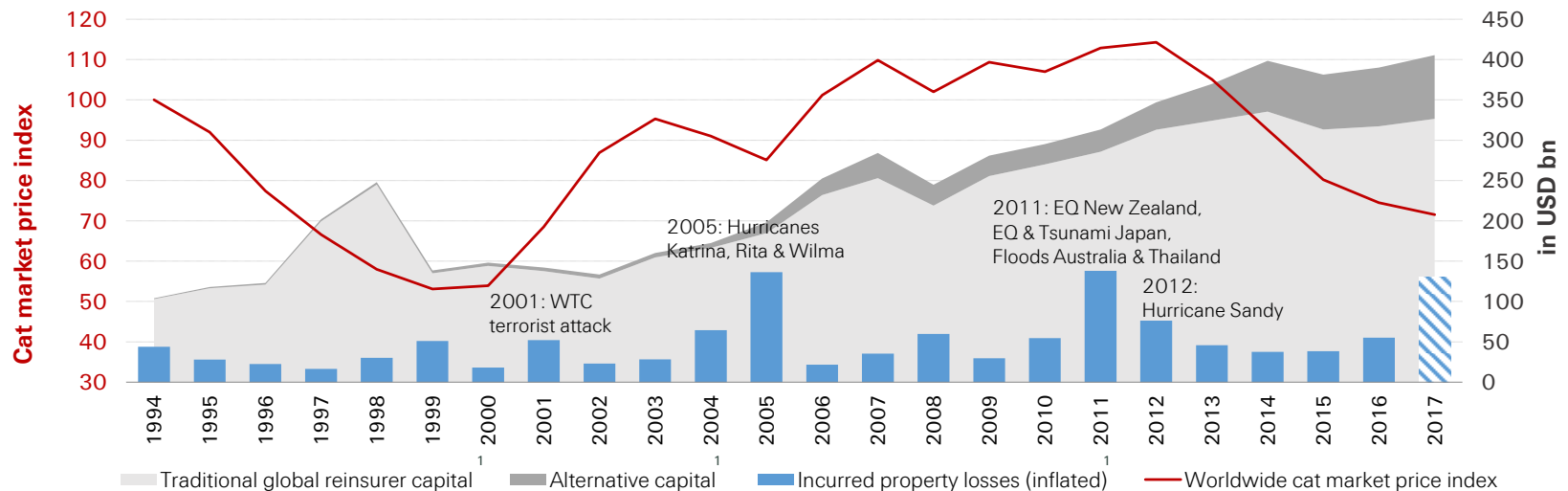
## Significant Nat Cats in Q3 2017



## Incurred property losses (USD bn)



# 2017 – one of costliest loss years in history – expected to turn market



## Key reasons for expected market turn

- Since 2012, global reinsurance prices have consistently declined, led by US and European Cat reduction of 40–50%
- Since 2013, return on equity adjusted for normal catastrophe activity and reserve releases has been significantly below the cost of capital
- Previous cycle movements suggest strong corrections at times when price levels have been particularly low
- But, due to increased reinsurance capitalisation, current loss estimates result in smaller capital erosion than for previous cat events. Expected cat rate increase is thus lower than post 2001 and 2005

<sup>1</sup> Note that incurred property losses are inflated, while capital figures are not adjusted for inflation  
Source: Swiss Re Institute, Swiss Re Group Underwriting

# P&C and L&H Reinsurance strategy

# Differentiation is at the core of our strategy, combining tailored offering with unique interaction

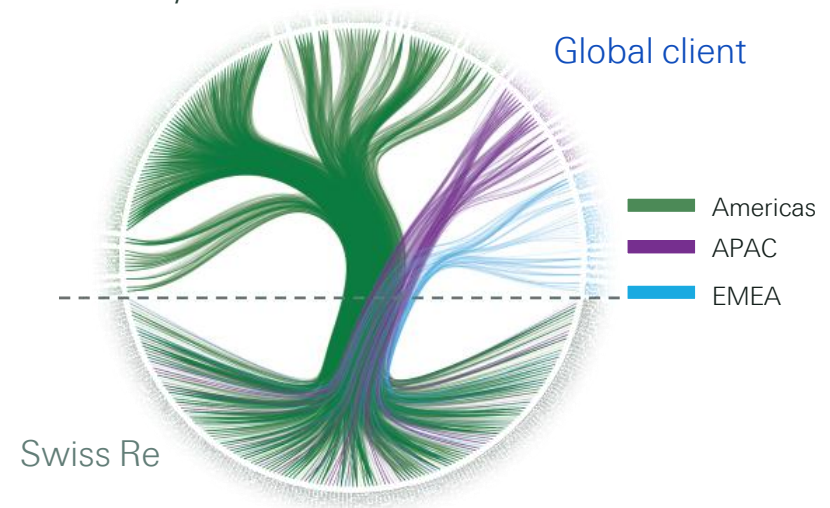
## Our strategy: Focus to differentiate



- Right service for right client, based on client segmentation
- Our dedicated model to serve Globals, Large and Regional & National clients continues to be effective

## Unique client interaction

### *Client example*

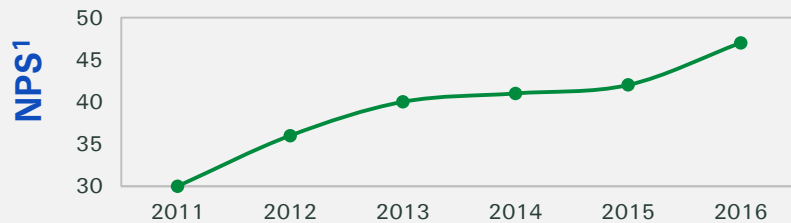


- More than 12 414 distinct interactions between Swiss Re and the client between Q1 2012 to Q1 2017
- The graphic illustrates the relationship network between 320 people – both from Swiss Re and the client – with at least 15 connections.

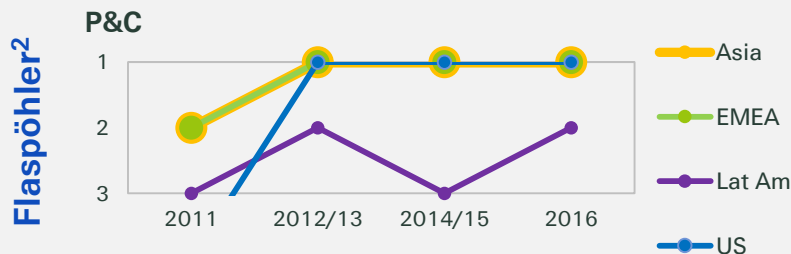
Differentiation through understanding of client needs and tailored offering for optimised delivery

# The positive impact of our differentiation strategy is confirmed by client surveys

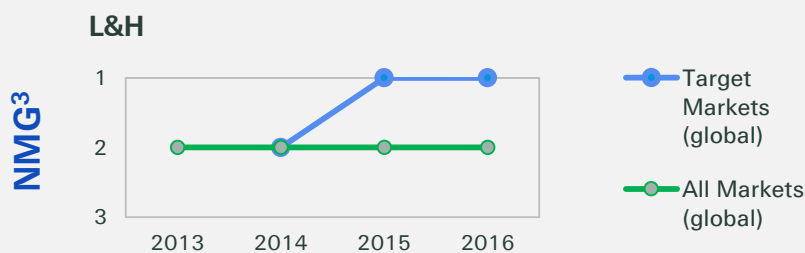
## Client loyalty result development



- **Net Promoter Score<sup>1</sup>**  
From 2011 to 2016, we increased our score from 30 to 47



- **Flaspöhler (P&C)<sup>2</sup>**  
We are #1 in P&C in all markets, except for Latin America where we improved to #2



- **NMG (L&H)<sup>3</sup>**  
Ranked #1 with Swiss Re clients in 2016

<sup>1</sup> Net promotor score (Swiss Re measurement with own clients)

<sup>2</sup> "Best Overall" category

<sup>3</sup> Business Capability Index (survey effective as of 2013)

# Reinsurance strategy: focus on differentiation



## Core

Simplify and drive efficiencies to enable long-term sustainable growth in our traditional reinsurance business



## Transactions

Engage in a broader strategic dialogue with clients, delivering innovative, customised deals



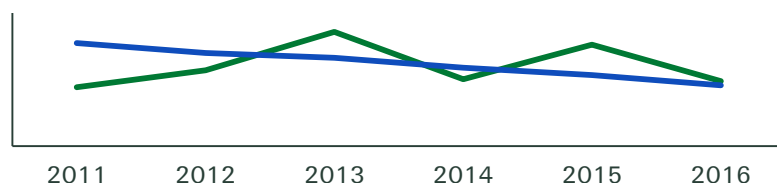
## Solutions

Add value to clients' original business by providing solutions and services across the value chain

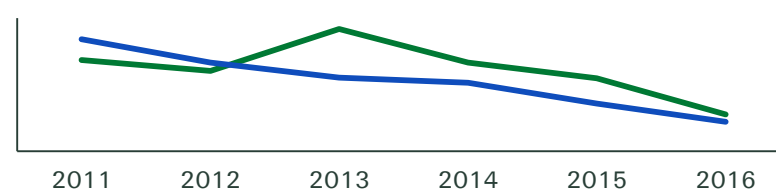
# In P&C Reinsurance we actively manage the pricing cycle and allocate capacity according to price adequacy

## 6-year comparison of Nat Cat Capacity and LTPA

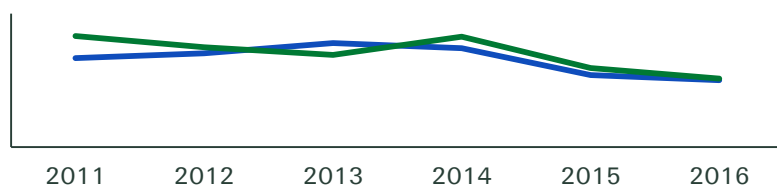
Tropical Cyclone North Atlantic



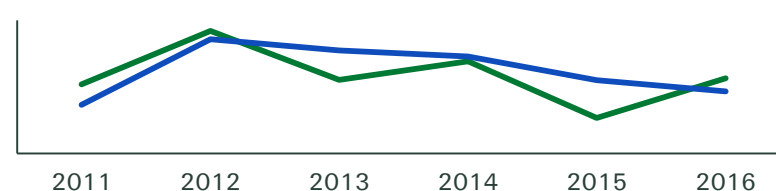
Earthquake California



Windstorm Europe



Earthquake Japan

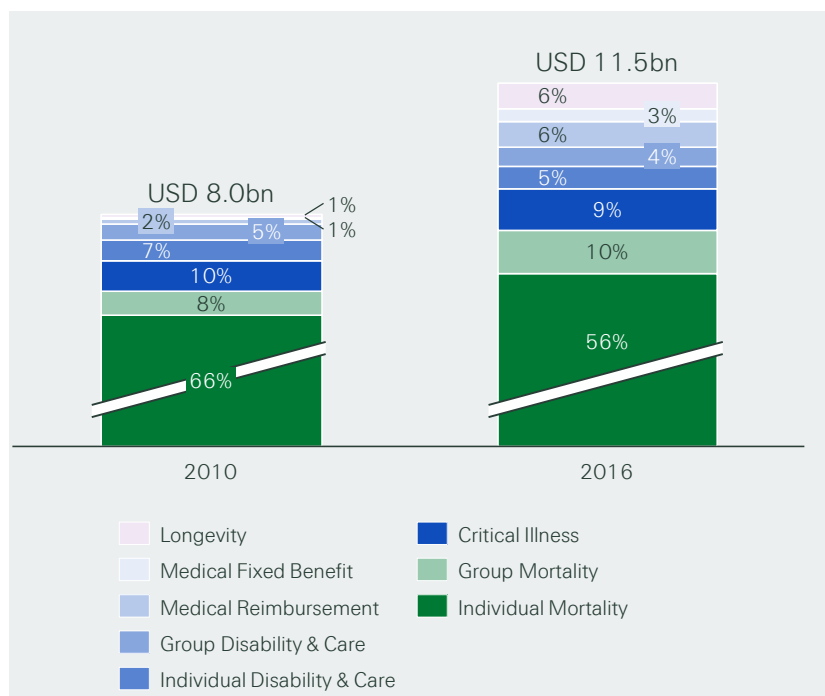


— Capacity  
— LTPA (long-term price adequacy)

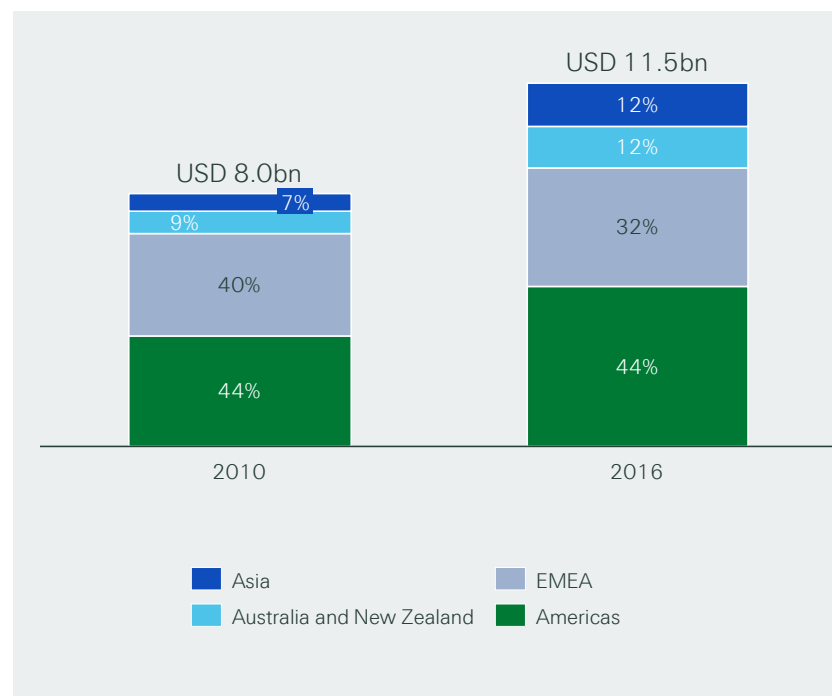
We maintain underwriting discipline, deploying our capacity where expected profitability meets our targets

# In L&H Reinsurance profitable new business has improved the diversification of our overall portfolio

US GAAP premiums by product line



US GAAP premiums by country/region



- Strong growth in Asia (from USD 0.6bn in 2010 to 1.4bn in 2016) driven by Health and transactions
- Increased product, duration and geographic diversification is key to reducing US GAAP volatility



# There is increasing demand from clients for large transactions that go beyond traditional core business



- Combining multiple risks and/or triggers
- Holistic earnings and capital protection cover



- Non-life retrospective covers and Life in-force monetisation
- Releasing trapped capital



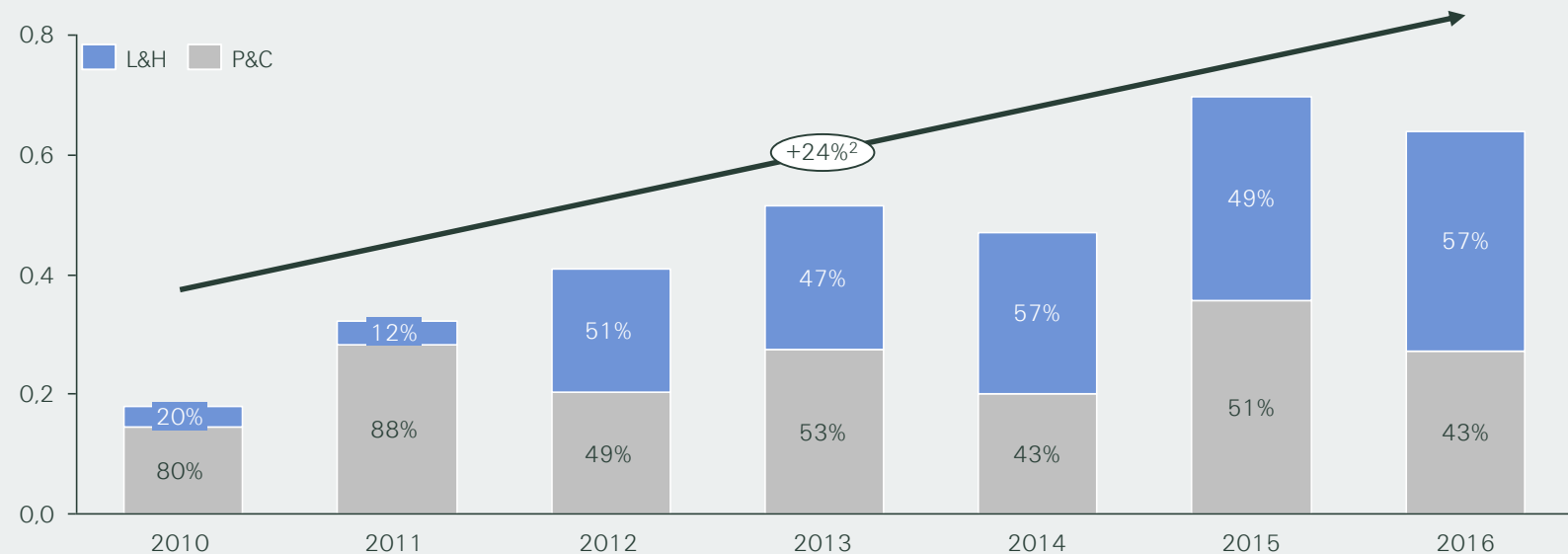
- Fund acquisition expenses with growth of new business
- Technical and market expertise

Key success factors include a clear objective, capacity, use of best practices and transparent communication

# Transactions are a strong differentiator, offering a profitable opportunity for growth

## Development of transactions<sup>1</sup>

EVM underwriting profit in USD bn



- EVM underwriting profit from transactions substantially increased over the past 7 years
- In 2016, 38% of total EVM new business underwriting profits generated by transactions

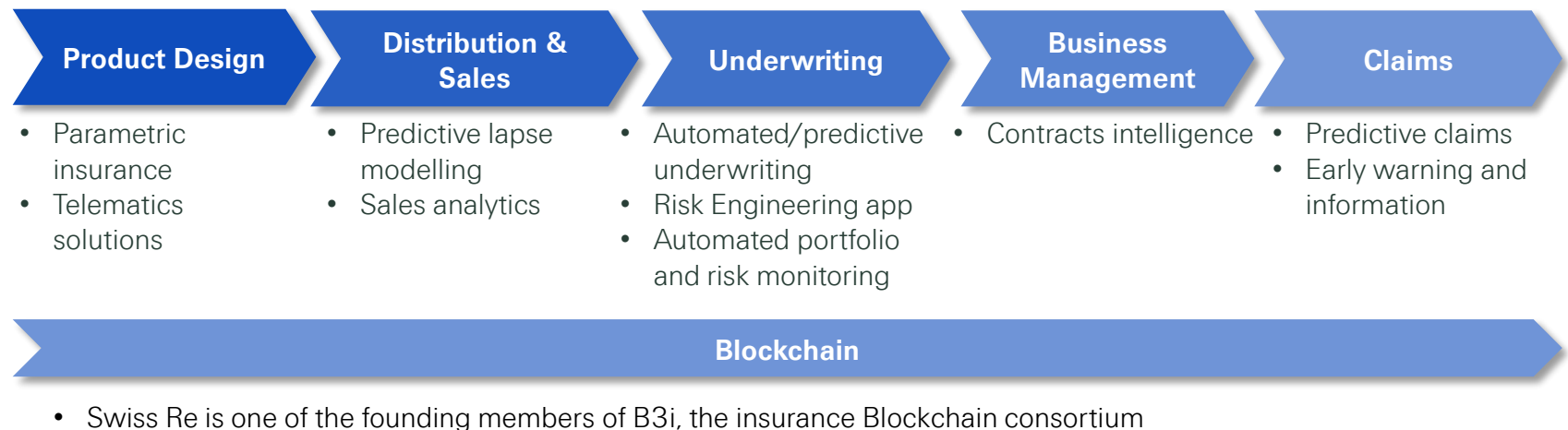
<sup>1</sup> Data before external retro and other items, FX not restated; Transactions include structured deals and large transactions for L&H and structured business only for P&C

<sup>2</sup> Compound Annual Growth Rate

# Technology enables solutions across multiple lines of business and the value chain

## Technology allows both a deeper understanding of risks and new services for clients

- Swiss Re is leveraging technology to better understand risk, improve underwriting and increase the efficiency of reinsurance
- Our data scientists and business function teams partner to deliver cognitive computing and artificial intelligence solutions across the value chain



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

# Digital & Smart Analytics capabilities enable solution development for our clients

## LEOPARD

Exposure solution

- LEOPARD is a Swiss Re developed tool allowing visualisation of client UW data directly on their own workstations

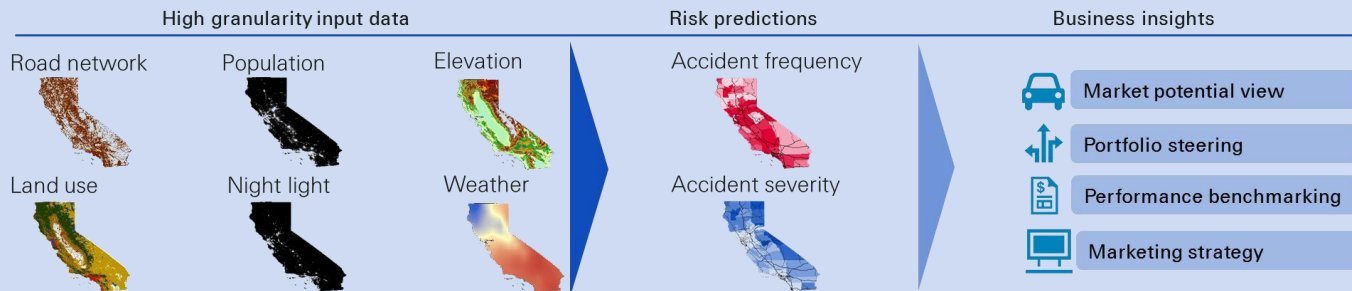
## Magnum

Automated underwriting

- Magnum is Swiss Re's automated underwriting and claims engine for assessing biometric risk across the spectrum of protection insurance products

## Global Motor Risk Map

Forward looking model



Solution enablers



Predictive Modelling



Visual Analytics



Rapid Prototyping



Machine Learning



Text Analytics

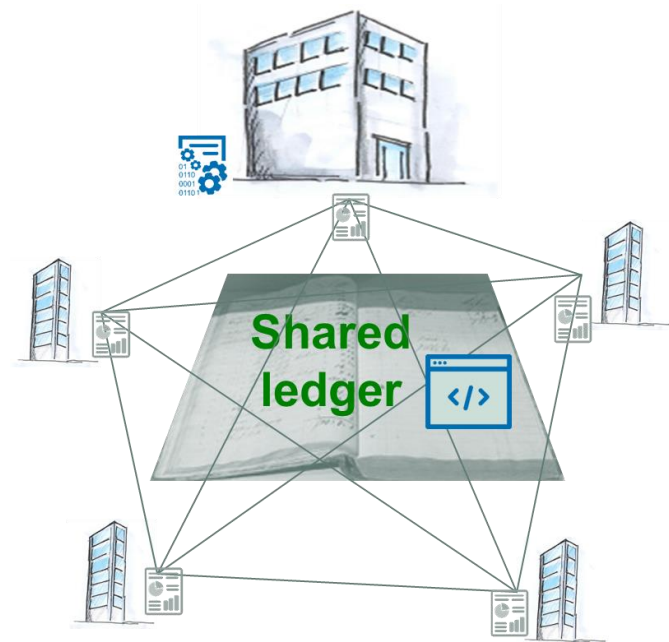


Big Data Methods

# Within B3i, Swiss Re plays an active role in developing new trading platforms for risk using Blockchain

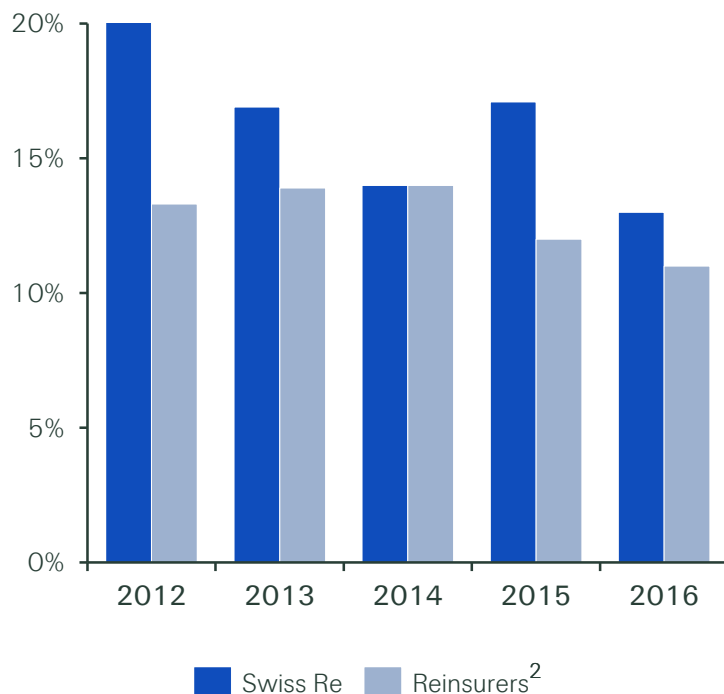
- 15 members form an industry consortium to improve efficiency and customer experience
- The platform provides a single and shared source of insurance information through a distributed ledger
- Benefits include
  - digitally validated negotiations
  - increased automation of operations
  - enhanced data quality
  - new product development
  - easier regulatory reporting
  - improved risk pricing
- Swiss Re recognises the importance of blockchain as a technology and acts as a strategic investor in B3i

## Shared ledger as basis for B3i

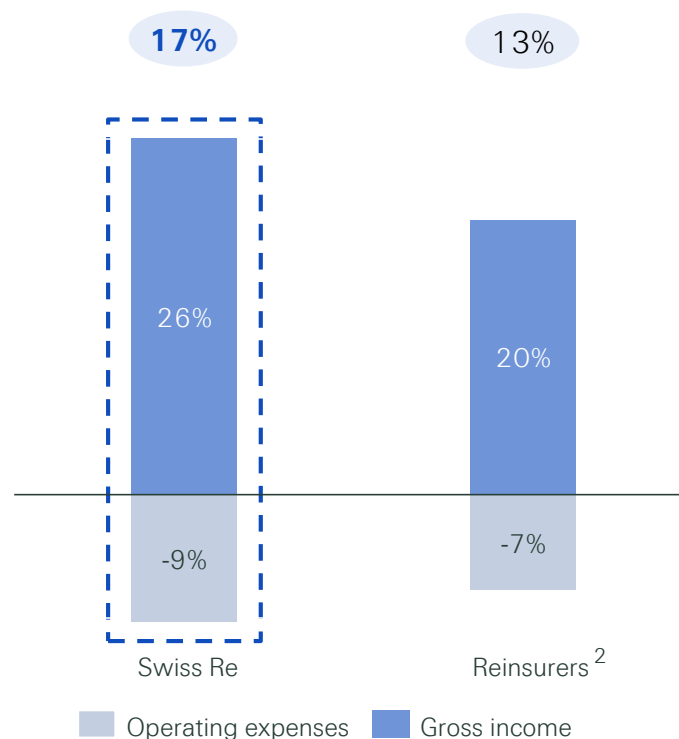


# Our differentiation approach has enabled Swiss Re to generate higher margins and outperform

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



NOM – Split by components – Avg. 2012- 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

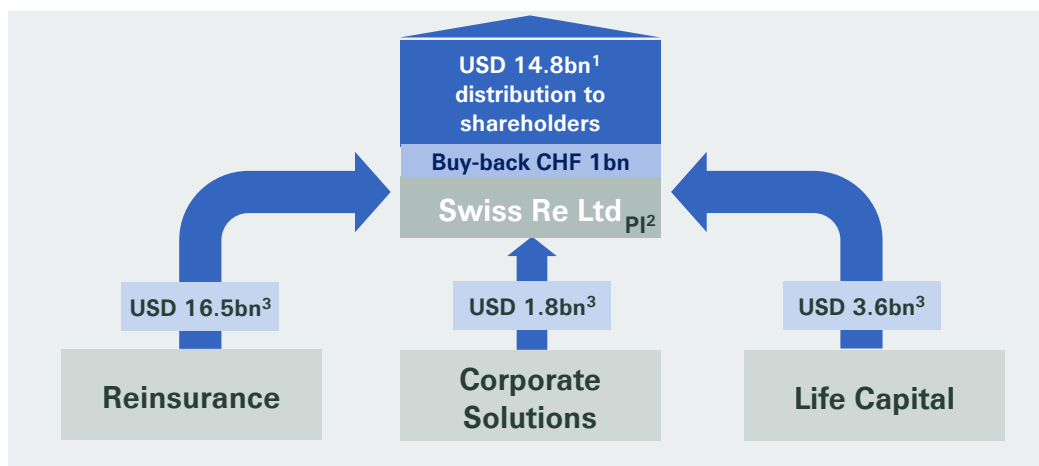
# Capital steering and funding

# Swiss Re's performance and business model enable significant capital distribution

## AGM 2017 Capital management decisions

- Swiss Re increased the regular dividend by 5.4% to CHF 4.85 per share, equivalent to a dividend yield of 5.5%<sup>4</sup>
- The AGM 2017 approved a public share buy-back programme of up to CHF 1 bn which was launched on 3 November 2017

## Dividend flows since new structure created in 2012



## Swiss Re's 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

<sup>1</sup> Reflects total external dividend and completed public share buy-back programmes

<sup>2</sup> Principal Investments has paid to Group dividends of USD 0.5bn between January 2012 and June 2017

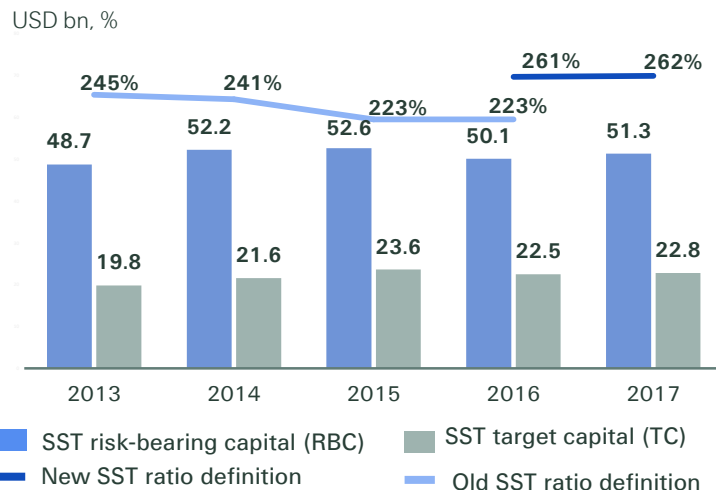
<sup>3</sup> Internal dividend flows from January 2012 to June 2017

<sup>4</sup> Based on share price of CHF 88.90 on 21 April 2017, the day of the AGM

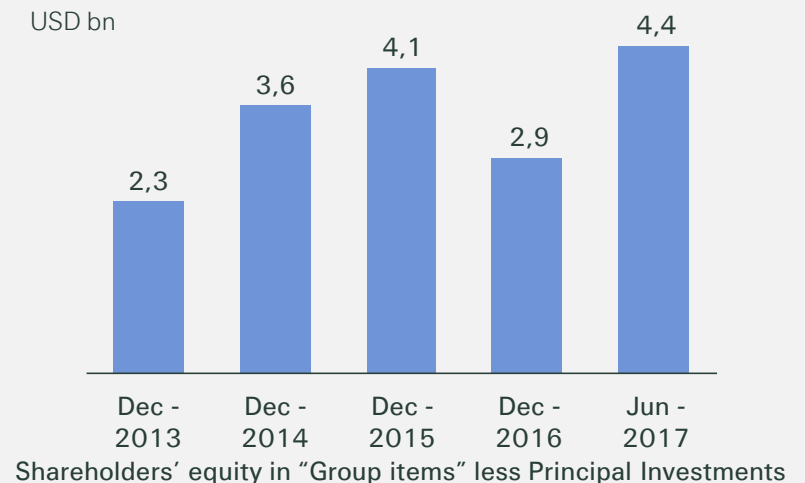


# Strong capital and liquidity positions enable the Group to execute a systematic capital allocation

## Group capital position



## Liquid funds at Group



- Very strong Group capital position
- Group SST 2017 ratio of 262%, comfortably above the Group's 220% respectability level – for 2016, our comparable Solvency II ratio was estimated at 312%
- Strong liquidity position well in excess of subsidiary requirements post an extreme loss event<sup>2</sup>
- Swiss Re remains well positioned to respond to market opportunities

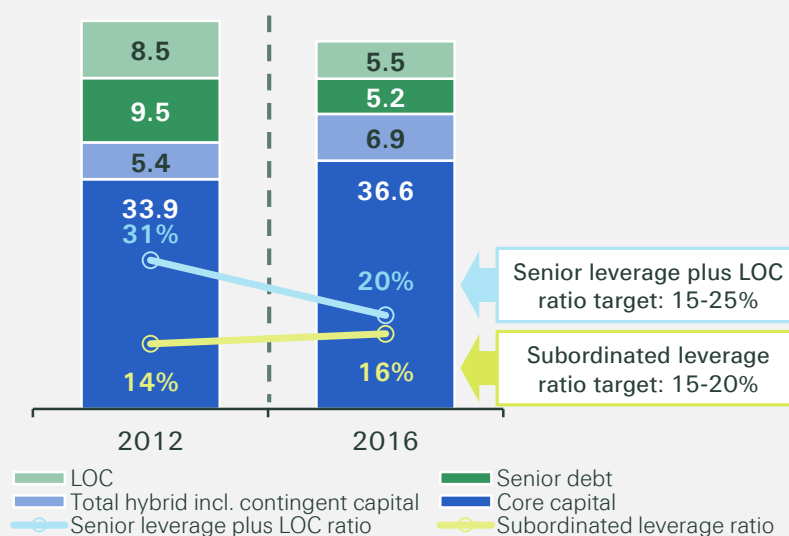
<sup>1</sup> SST ratio for 2017 reflects calculation change implemented by FINMA effective 1 January 2017. When calculated on this basis the SST ratio for 2016 is 261%

<sup>2</sup> 99% shortfall event

# Group capital structure enhances flexibility while our funding platforms allow efficient access to capital markets

## Group capital structure

USD bn, %



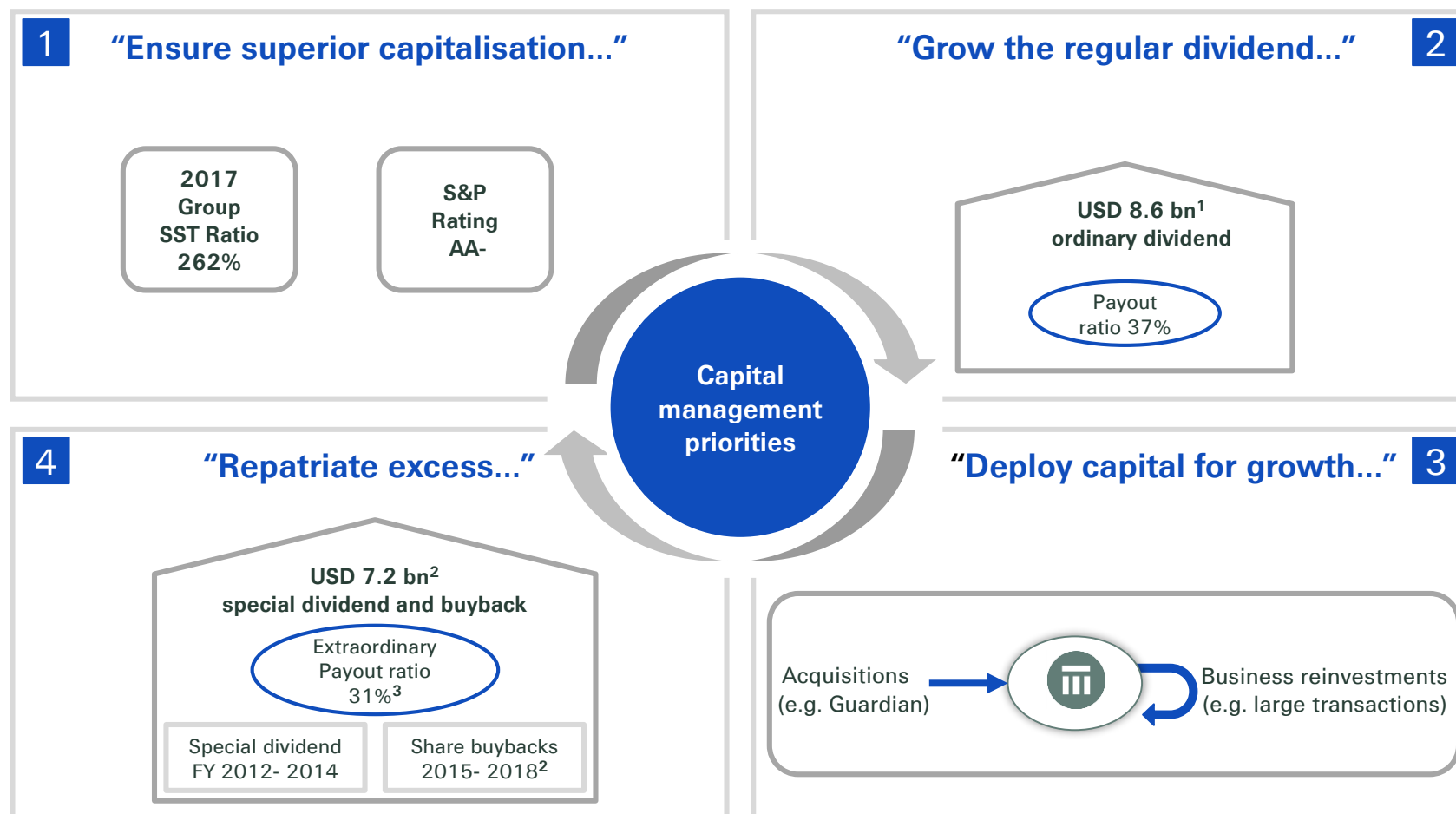
## External funding access

		Change since 2012	Outlook
Group	Contingent capital	↑	→
	Letters of credit	↓	↔
	Senior debt	↓	↔
	Subordinated debt	↓	→
Reinsurance	Contingent capital	↑	→
	Subordinated debt	↑	→
Corporate Solutions	Subordinated debt	↑	→
Life Capital	Senior debt	↑	↔

- Target capital structure implementation increased financial flexibility and reduced funding costs
- Group leverage within target ranges following USD 6bn deleveraging since YE 2012<sup>1</sup>
- Standalone access to external funding established for each Business Unit and for the Group

<sup>1</sup> As at 31 December 2016

# We continuously focus on delivering on our capital management priorities



1) FY 2011- 2016

2) Including the CHF 1bn public share buy-back programme commencing 3 November 2017

3) Reflecting total FY 2011-2016 Group net income

# Corporate calendar & contacts

## Corporate calendar

---

### 2018

23 February

**Annual Results 2017**

Conference call

15 March

**Publication of Annual Report 2017**

4 April

**Investors' day**

Zurich

20 April

**154<sup>th</sup> Annual General Meeting**

Zurich

## Investor Relations contacts

---

### Hotline

+41 43 285 4444

### E-mail

[Investor\\_Relations@swissre.com](mailto:Investor_Relations@swissre.com)

Philippe Brahin

+41 43 285 7212

Jutta Bopp

+41 43 285 5877

Manfred Gasser

+41 43 285 5516

Chris Menth

+41 43 285 3878

Iunia Rauch-Chisacof

+41 43 285 7844

# 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”, “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 the Group’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;
- the Group’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 the Group’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 the Group’s investment assets;
- changes in the Group’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 the Group’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 carry forwards 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 the Group’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 the Group’s ability to achieve improved ratings;
- the cyclicity 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 the Group’s clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting the Group or its ceding companies and the interpretation of legislation or regulations;
- 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.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.