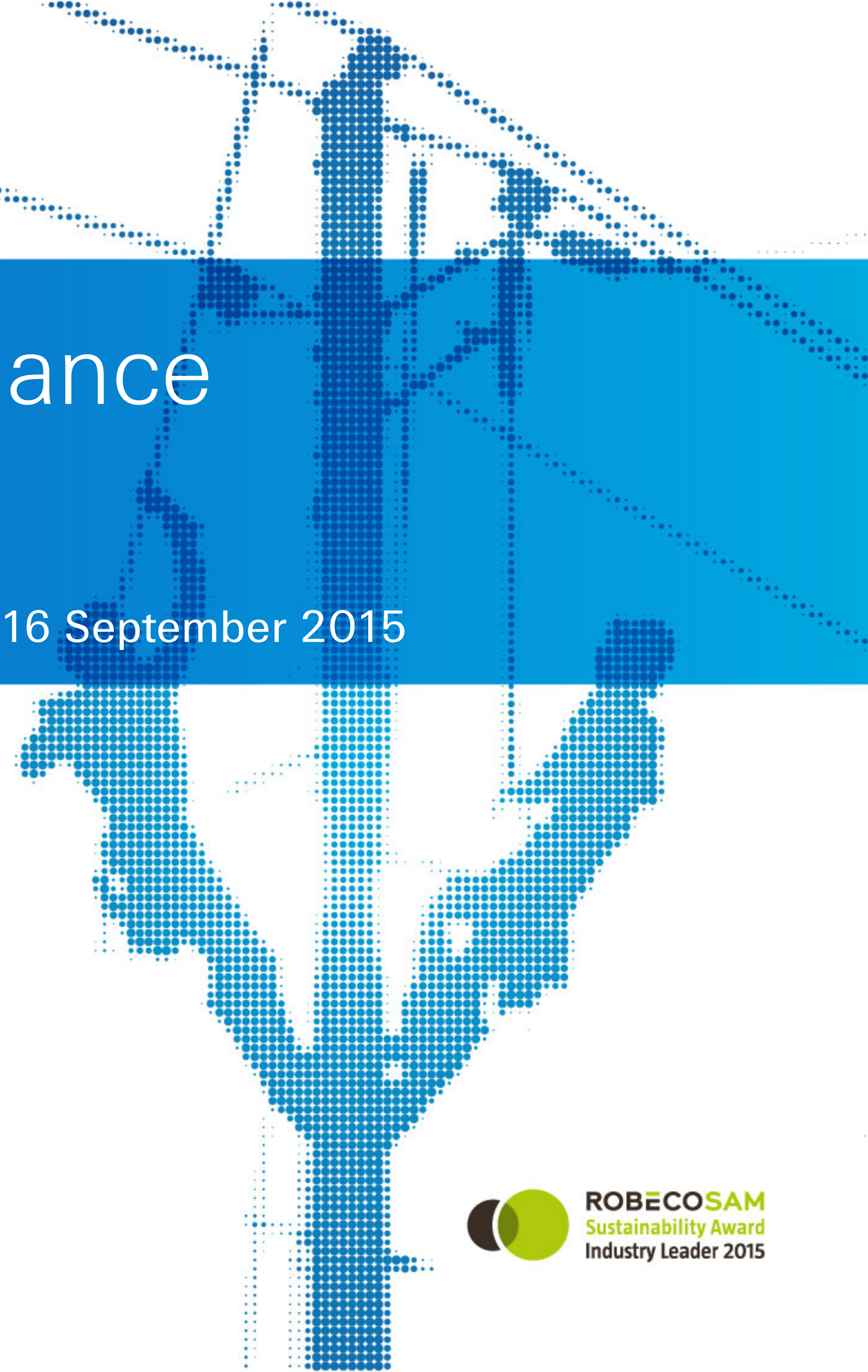
Swiss Re

Swiss Re's performance

Gerhard Lohmann, CFO Reinsurance

KBW European Financials Conference, 16 September 2015



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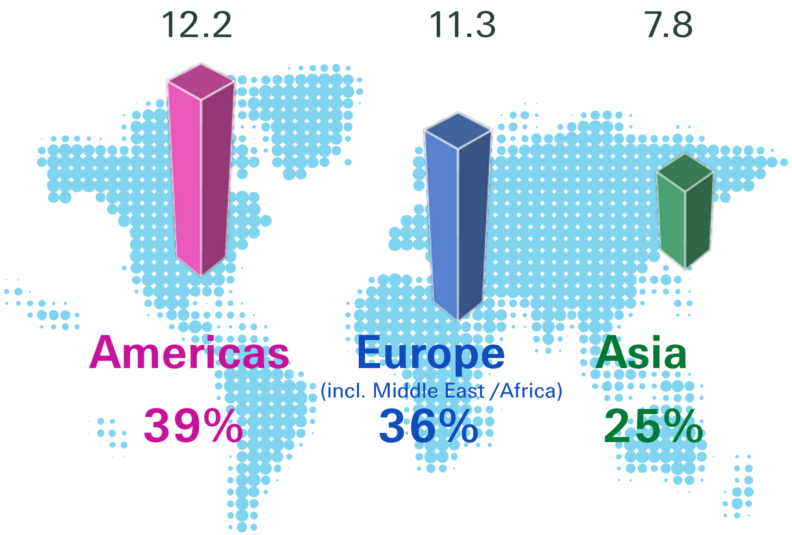
Today's agenda

- **Introduction to Swiss Re**
- P&C Reinsurance price adequacy
- L&H Reinsurance performance
- Capital management
- Conclusion and Q&A

Leadership through geographic and product diversification

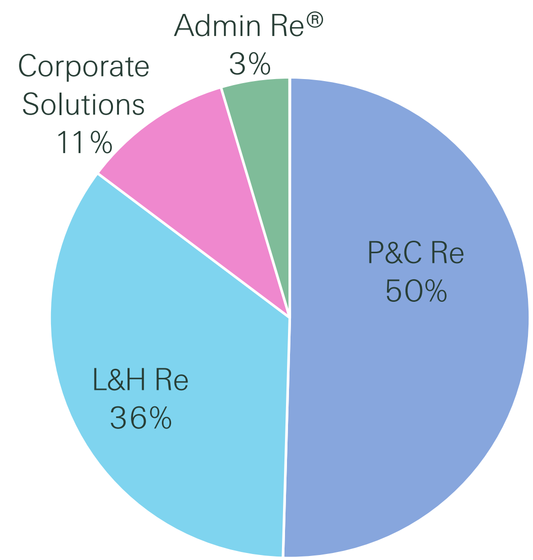
Net premiums earned[1] 2014 (USD 31.3bn)

by region (in USD bn)



of which HGMs incl. PI[2]:	~5%	~ 4%	~ 18%	**≈27%**

... and by business segment:

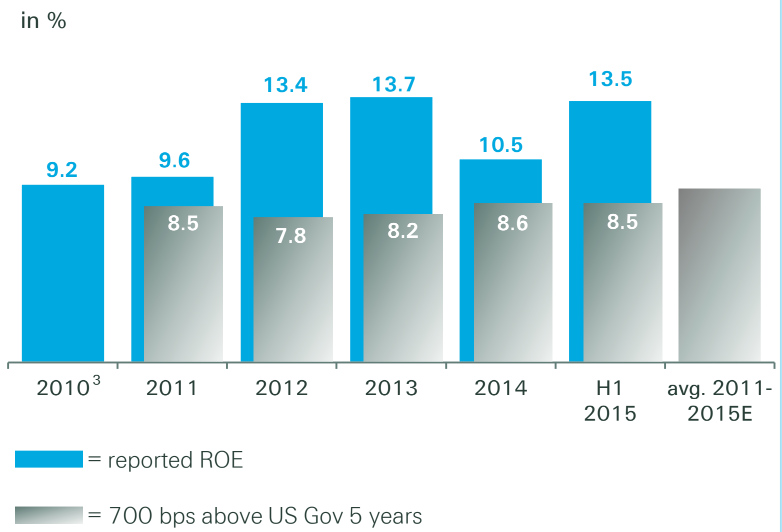


Swiss Re benefits from geographic as well as business mix diversification and has the ability to reallocate capital to achieve profitable growth

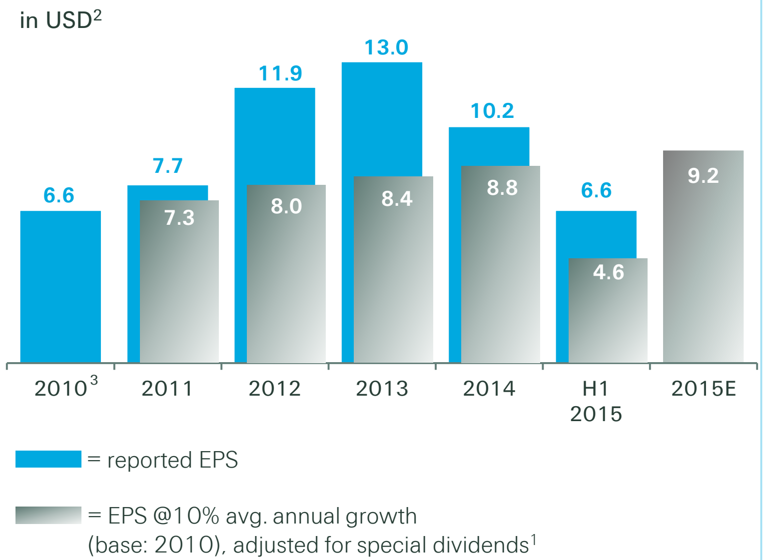
1 Includes fee income from policyholders; does not reflect the exposure to HGMs through Principal Investments (PI)
2 Based on additional pro rata net premiums from PI including FWD Group (12.3%), New China Life (4.9%) and SulAmérica (14.9%)

On track to meet our 2011-2015 Group financial targets

ROE 700 bps above risk free average over 5 years (2011-2015)



EPS 10% average annual growth rate, adjusted for special dividends[1]



Delivering the 2011-2015 financial targets remains Swiss Re's top priority

ENW per share available on bi-annual basis, to be reported with Q3 2015 results

1 EPS CAGR of 10% has been adjusted to 5% for 2015 to account for the distribution of excess capital through the special dividend of USD 1.1bn in April 2015. Methodology is in line with the approach taken for the special dividend of USD 1.6bn paid in April 2014 and USD 1.5bn paid in April 2013

2 Assumes constant foreign exchange rate

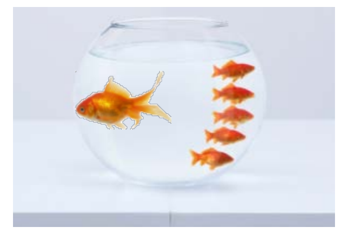
3 Excl. CPCI

Today's agenda

Key drivers of P&C reinsurance pricing are mostly adding downward pressure

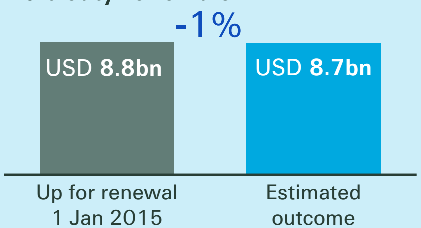
Pricing drivers	Impact	Comments
Low interest rates	↗	Improve P&C underwriting discipline
Regulatory changes	↗	Greater recognition of risk mitigating tools under risk-based and economic solvency frameworks
Natural catastrophes	↘	No globally significant nat cats have occurred recently
Reserve releases	↘	Further reserve releases could weaken underwriting discipline
Low inflation	↘	Typically means low loss trends which is good for current markets, but it creates further reserve releases
Industry capitalisation	↘	Excess capacity and alternative capital entering the industry and increasing price pressure

Key competencies driving Swiss Re's competitive advantage in underwriting

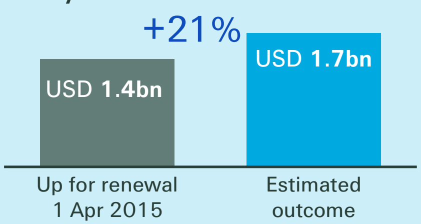
Portfolio steering	Hedging	R&D	Innovation, large and structured transactions	>150 Years Capital strength
				
In an inefficient market, skilled portfolio steering → creates extra economic value	Our retro and hedging team → exploits price differences between re/insurance and capital markets	Re/insurance is a knowledge business → markets are intransparent → R&D provides competitive advantage in risk selection → requires economies of scale	Focus on tailored and large lines → with better economics than open market placements → requires highly developed structuring and UW expertise	Superior balance sheets and >150 years of history → are valued by clients → give preferential access to long tail business

Price quality remains attractive following July renewals

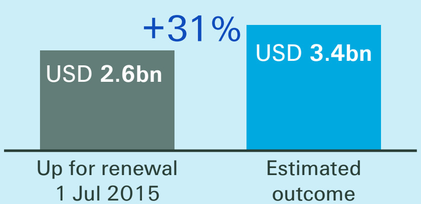
January 2015 treaty renewals[1]



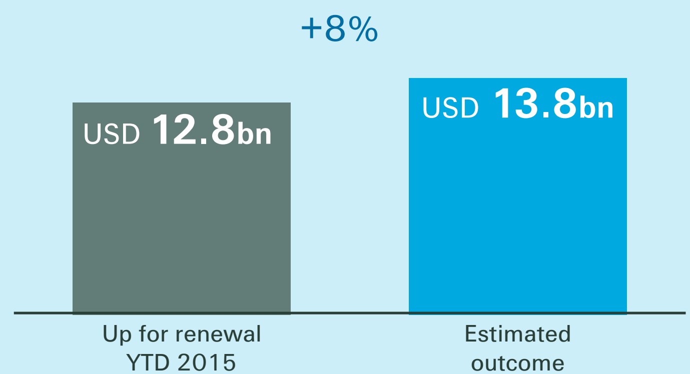
April 2015 treaty renewals[1]



July 2015 treaty renewals



YTD 2015 renewals (January – July)
Treaty portfolio volume

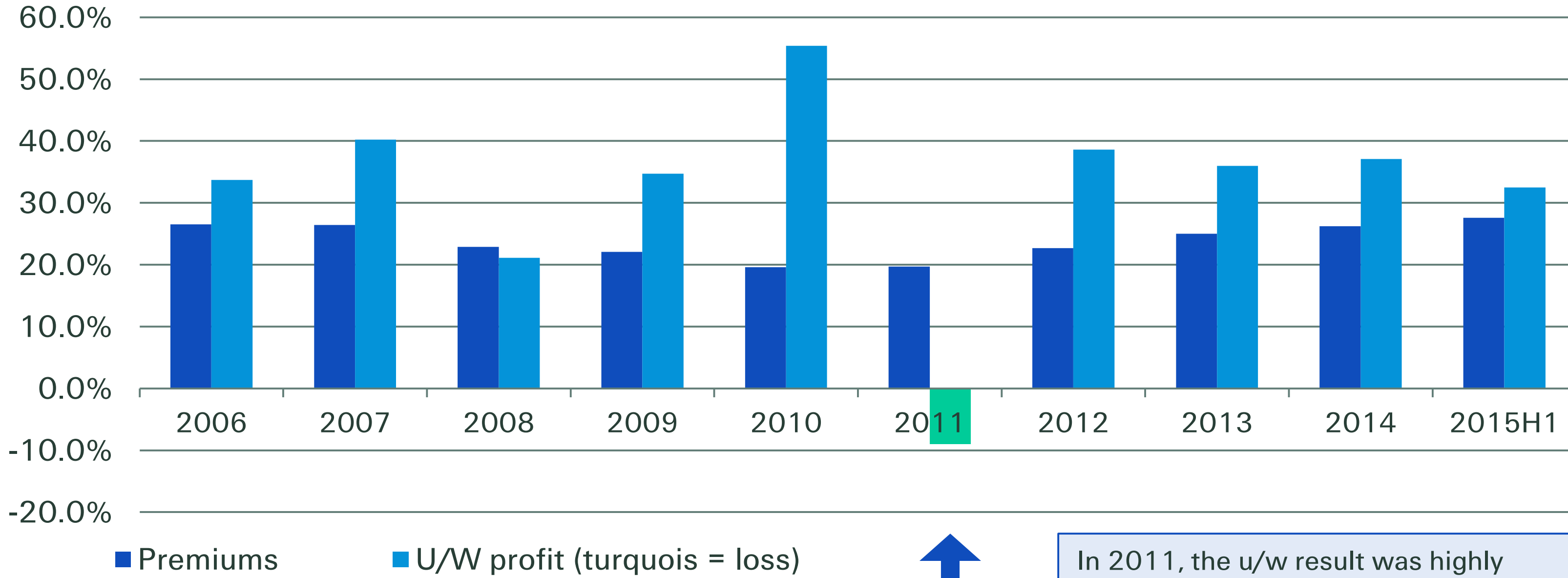


- Volume growth in July through successful implementation of our large and tailored transactions and Regionals & Nationals (R&N) client segment strategies
- Despite a challenging pricing environment, our actions have allowed us to maintain a YTD risk adjusted price quality of 105%[2]

[1] January and April 2015 numbers have been restated with current fx rates. April growth is larger than previously reported due to late notified large deals
[2] Swiss Re's risk adjusted price quality provides an economic view on price quality, ie includes rate and exposure changes, claims inflation and interest rates

Swiss Re's non-life underwriting outperformance over the longer term

Swiss Re's P&C premium and underwriting profit share vs top reinsurers



In 2011, the u/w result was highly negative for the industry due to extraordinary natural cat losses
➔ the low share in the u/w loss is therefore positive for Swiss Re

- Average premium share of 24%
- Average profit share of 41%

Underwriting profit = GAAP premiums earned - claims and claims adjustment expenses - acquisition costs - other expenses Top 8 reinsurers include: Swiss Re, Munich Re, Hannover Re, PartnerRe, SCOR, General Re, Everest Re, Transatlantic Re/Alleghany
Source: Swiss Re Economic Research and Consulting

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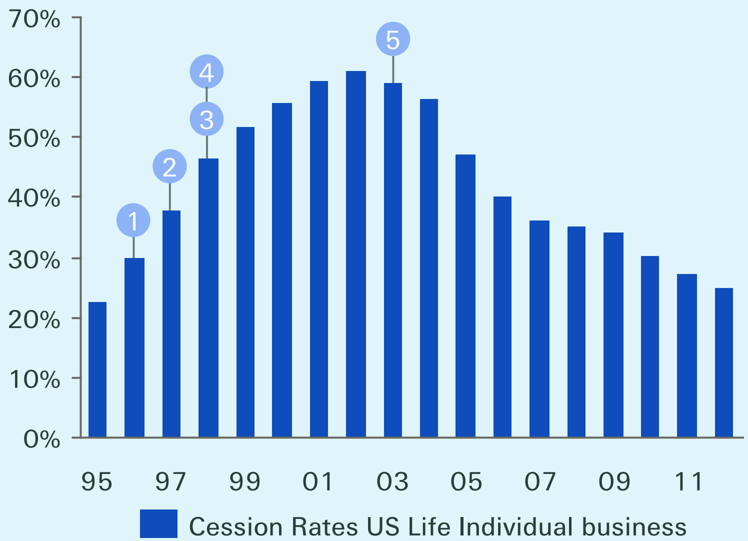
US Individual Life business issues caused by industry wide market practices in the 1990s/early 2000s

Cession Rates US Life Individual business



1. Introduction of preferred non smoker
2. NAIC viatical settlements act
3. Super preferred
4. Start of aggressive sales to the over 65s
5. Preferred Industry study available

- Introduction of preferred risk underwriting
  - Led to the availability of cheaper products, and thereby anti-selective lapse
- High cession rates
  - Led to poor alignment of interests and significant underwriting exceptions
- Aggressive sales to the over 65s
  - In the late 1990s and early 2000s, partly due to changes facilitating stranger owned life insurance (STOLI)
- Industry pricing based on out of date mortality tables and risk classifications

Life & Health Reinsurance management actions are progressing as expected

Management action		Implementation 2012	2013	2014	2015E
Liability management (pre-2004 US book)	■ Actively manage recaptured pre-2004 YRT		●	🔴	✓
	■ Actively manage pre-2004 US PLT policies	●	⇨	⇨	⇨
Capital management	■ Extraction of excess capital	🟢	🟢	✓	
	■ Deleveraging of our balance sheet	●	🟢	🟢	🟢
Asset management	■ Accelerated shift of the asset allocation towards L&H Re's revised mid-term plan	●	🟢	✓	
New business	■ Growing the well performing business, e.g. transactions and health	🟢	🟢	🟢	🟢
Overall impact		●	🟢	🔴	🟢

● Action fully scoped

⇨ Action ongoing

🔴 Negative US GAAP impact from action

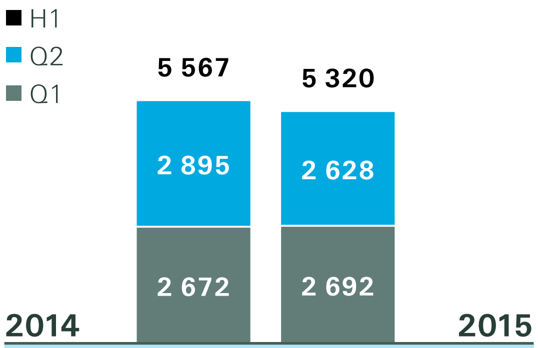
🟢 Positive US GAAP impact from action

✓ Benefit fully realised

L&H Reinsurance performance remains on track

Premiums earned and fees

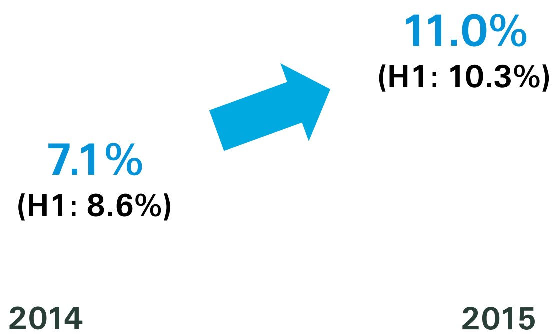
USD m



- At constant fx rates premium and fees are stable in all regions
- Successful new business, particularly in EMEA, offset the premium decrease following the 2014 client recaptures of pre-2004 US YRT business

Operating margin

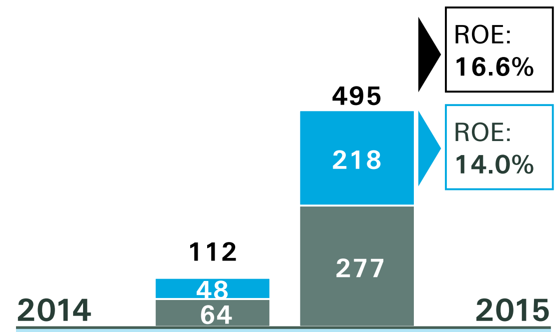
%



- Margins improved for both Life and Health lines of business
- Lower losses on post-level term and beneficial impact from YRT management actions taken in 2014

Net income

USD m



- Q2 2015 net income benefited from improved operating results, net realised gains and lower interest charges
- Underlying ROE remains well within the 10-12% range[1]
- L&H Re remains on track to achieve its 2015 ROE target[1]

[1] On an equity base as at 30 June 2013 of USD 5.5bn

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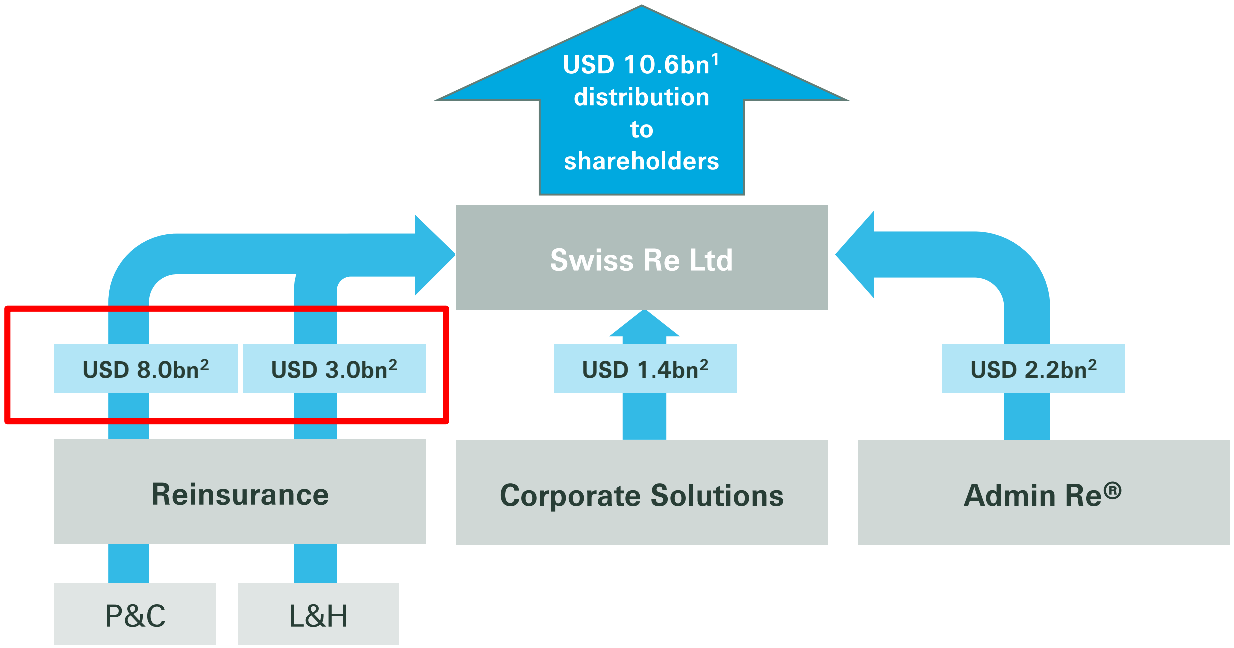
Strong flow of internal and external dividends since the introduction of Swiss Re's Business Unit structure in 2012



Swiss Re's capital management priorities

- Maximise financial flexibility and ensure superior capitalisation strength at all times
- Maintain the regular dividend, and grow it with long-term earnings
- Grow business where it meets our strategy and profitability requirements

1 Distribution to shareholders of approx USD 10.6bn includes approx USD 2.6bn dividends paid end of April 2015 and up to CHF 1.0bn for the public share buy-back
2 Dividend flows from January 2012 to June 2015

Capital is managed at both the Business Unit and legal entity level

- A target SST capital ratio is defined for each **Business Unit**
  - Target capital for Business units equals the minimum capital required to meet respectability risk tolerance criteria
- A target capital range is defined for each **Legal Entity** of the Group
  - Target capital always reflects a level above required regulatory capital, accounting for the volatility of regulatory capital and other external constraints

Year 1 — **Year 2:**

Target setting
- Dividend forecasting to pay out above SST target
- Agree target dividend as part of planning process

Perfor-mance
- Deliver against approved plans
- Monitor sensitivities to tolerated range

Pay dividend
- Pay dividend to Group as agreed
- SST needs to be within tolerated range

- Excess capital above Target Capital typically paid as dividend to Group pre-AGM

Swiss Re's risk tolerance framework is the basis for capital management, risk steering and limit setting

The 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, its risk appetite, and the regulatory and rating agency environment. It is based on the following objectives:

- Maintain capital and liquidity that are sufficiently attractive from a client perspective, and that meet regulatory requirements and expectations ("respectability criteria")
- Be able to continue to operate following an extreme loss event ("extreme loss criteria"):

Group

Capital criteria | Liquidity criteria

Respectability criteria

Rating > AA

Swiss Solvency Test > 185%

- Level reflects regulatory and client expectations

Assuring both sets of constraints determines the additional funding required to be held at the SRL level as well as the basis for external dividend proposals.

Extreme loss criteria

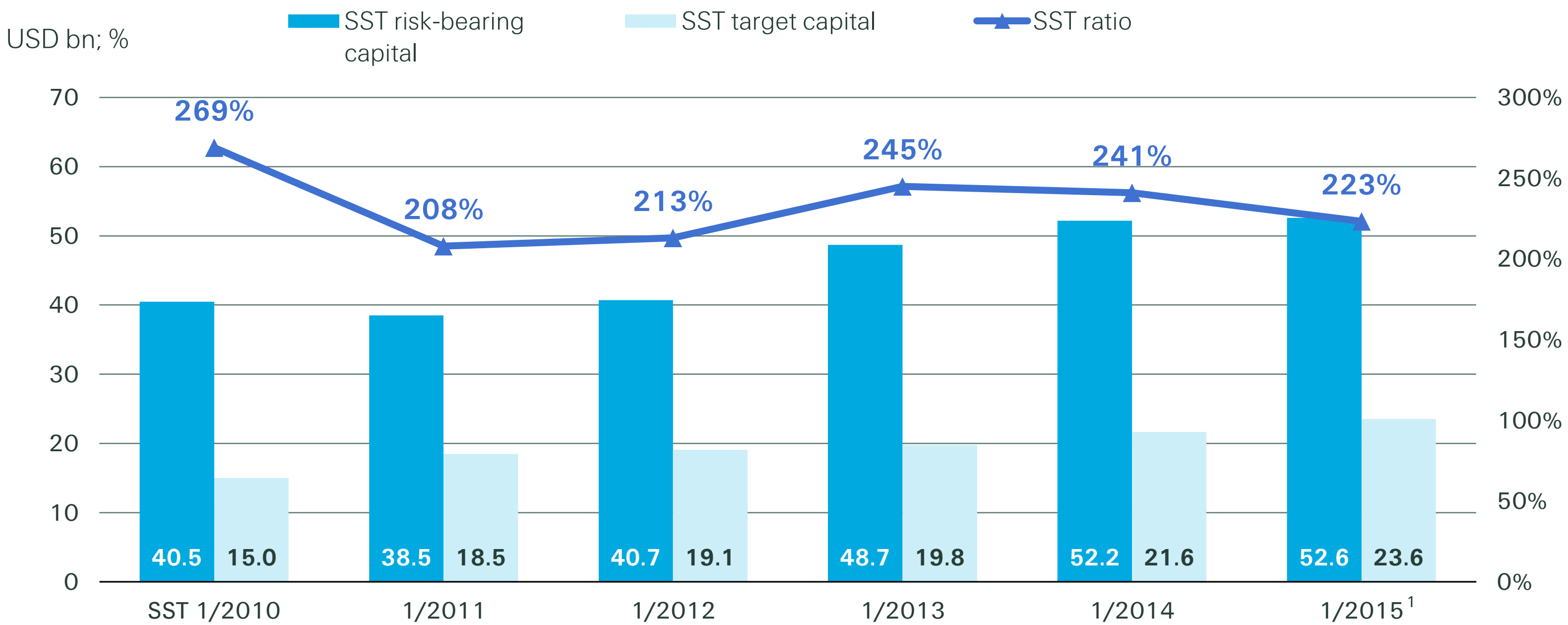
After an extreme loss event (99% shortfall) able to meet

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 recapitalizations where needed and cover committed requirements in the year following the stress loss.

Group capitalisation remains very strong under Swiss Solvency Test (SST)



Group SST 1/2015 reflects underlying business mix along with further decline in interest rates, the implementation of Swiss Re's enhanced L&H model and projected capital actions

[1] SST 1/2015 as filed with FINMA at the end of April 2015, consolidated Group view; impact of October 2013 CHF 175m subordinated contingent write-off securities not reflected in SST 1/2015

Funding principles

- Increase the return on equity within a given risk tolerance framework
- Risk tolerance provides the basis for equity and equity-like capital instruments
- Additional "non-economic" forms of funding requirements should be funded by debt-like instruments

Achieve risk tolerance

Risk capital target e.g. SST, Solvency II	1	Economic capital requirements according to risk tolerance are funded by equity and equity-like capital instruments
	2	Shareholder dilution in distress should be minimized
	3	Equity-like capital must be eligible in distress (under all relevant capital metrics)
Liquidity target	4	Incremental funding requirements are funded by debt
	5	Debt maturities should minimise roll-over risk
External constraints	6	The resulting funding structure needs to be acceptable to key stakeholders

Increase RoE

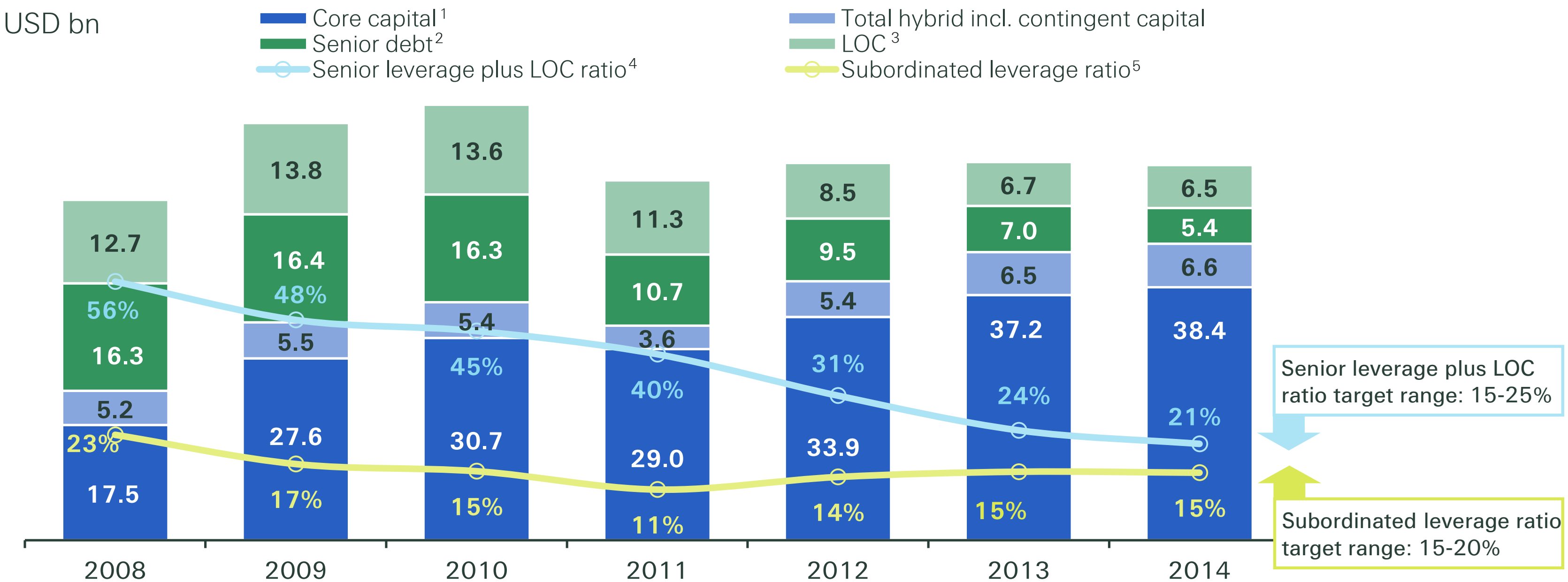
Respect external constraints

Swiss Re is well on track to implement the target capital structure by 2016

	Group	Re-insurance	Corporate Solutions	Admin Re®	
Letters of credit	↓ ✓	↓ ✓			• Letter of Credit (LoC) capacity reduction since YE2012 of USD 2.4bn
Senior	↓ ✓	↓ ✓		↑ ✓	• Reduction of USD 4.7bn in Reinsurance • Issuance of GBP 550m revolving credit facility in Admin Re® improving financial flexibility and returns while maintaining leverage & coverage
Subordinated	↓ ✗	↓ ✗	↑ ✓		• First Corporate Solutions subordinated debt issuance of USD 500m • Reinsurance subordinated debt reduction yet to come
Contingent capital	↑ ✓	↑ ✓			• In 2013, Issuance of CHF 175m and USD 750m dated subordinated contingent write-off instruments with an SST & insurance trigger and SST trigger respectively
Overall reduction	**> USD 4bn**				

✗ Not yet realized ✓ Significant progress or fully realized

Swiss Re's capital structure has evolved to reduce the cost of capital and optimise financial flexibility



Senior leverage plus LOC and subordinated leverage ratios within target range

[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

Note: 2009 and prior have been translated from CHF using respective year end fx rates

Today's agenda

Conclusion

- Swiss Re benefits from geographic and business mix diversification
- Differentiation and underwriting outperformance is of critical importance in current P&C environment. Swiss Re has outperformed in the past and will continue to do so
- Decisive action has been taken and Life & Health Re is on track to achieve its ROE target for 2015
- Swiss Re remains committed to maintaining a strong capital position whilst deploying capital towards profitable growth and creating shareholder value - delivering on our 2011-2015 financial targets remains Swiss Re's top priority

Corporate calendar & contacts

Corporate calendar

2015

29 October	**Third Quarter 2015 Results**	Conference call
8 December	**Investors' Day**	Rüschlikon

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

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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, liquidity position or prospects to be materially different from any future results of operations, financial condition, solvency ratios, liquidity position 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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