

# Swiss Re's performance and strategy

UBS Best of Switzerland 2016 Conference  
Edouard Schmid, Head Property & Specialty Reinsurance  
Wolfsberg, 16 September 2016

# Today's agenda

Recent achievements

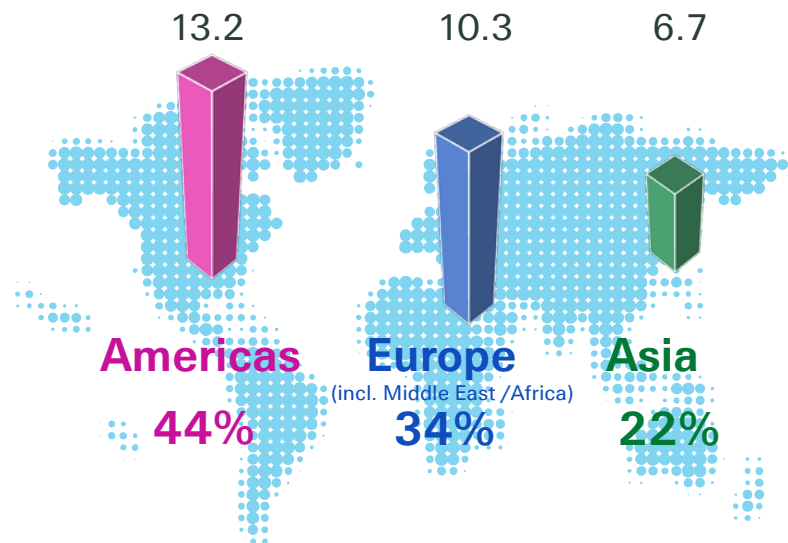
Industry environment and price trends

Strategic Framework

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

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

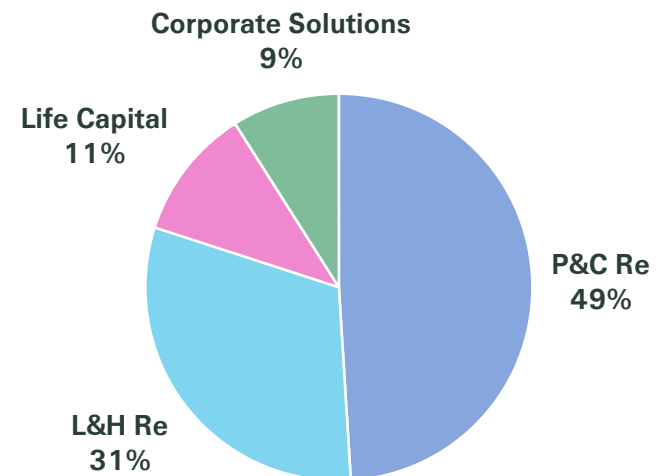
by region (in USD bn, 2015)



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

# Solid results in the first half of 2016 demonstrate Swiss Re's resilience to the market environment

Solid Group ROE in current market

10.9% ROE

Reduction in flow business & growth in large transactions

102% risk adjusted price  
quality maintained

Strong investment performance from Asset Management

3.7% ROI

Further enhancement of flexible capital structure

USD 2bn of novel capital  
market issuances

Significant distribution of capital to shareholders

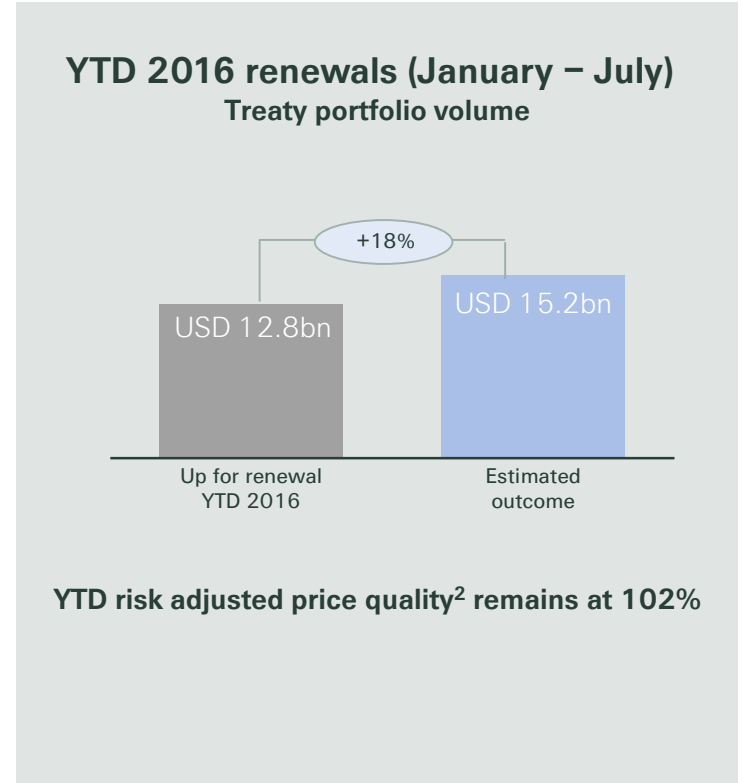
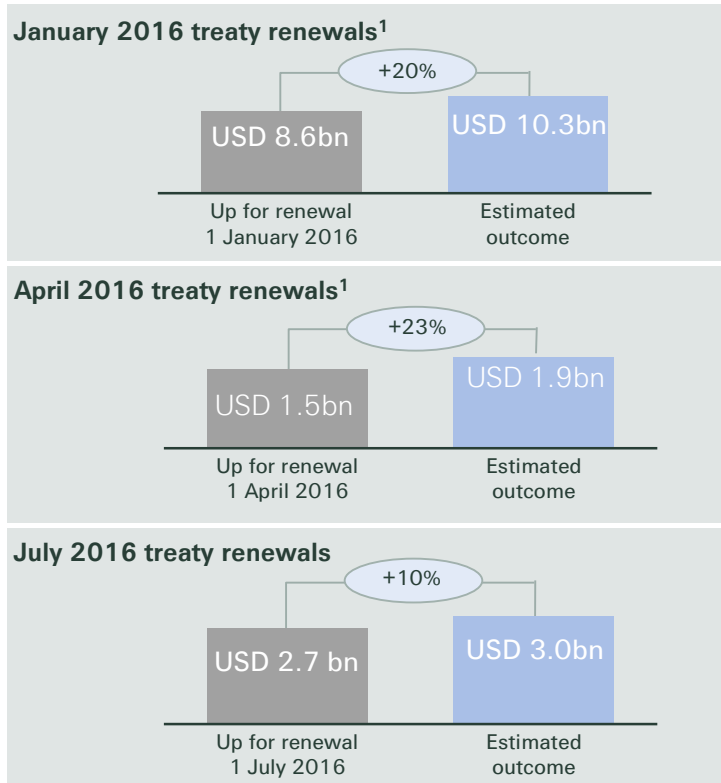
CHF 2.1bn repatriated

Swiss Re is well positioned to successfully manage the current market conditions

# Solid Q2 2016 results despite high level of large losses and continued challenging market conditions

- Swiss Re reports second quarter net income of USD 637m; ROE of 7.2%
- P&C Reinsurance's results reflect level of large losses, with net income of USD 283m; ROE of 9.4%
- L&H Reinsurance maintains a solid performance, with net income of USD 173m; ROE of 10.1%
- Corporate Solutions' results impacted by large 2015 man-made losses, with net loss of USD 25m; ROE of -4.2%
- Life Capital delivers a strong performance with net income of USD 248m and gross cash generation of USD 141m; ROE of 13.4%
- Group investment portfolio continues to provide a strong contribution with return on investments of 3.7%
- Book value per share of USD 107.95 (CHF 105.16), after USD 1.6bn distributed to shareholders in Q2

# P&C Reinsurance maintains attractive portfolio despite challenging market environment

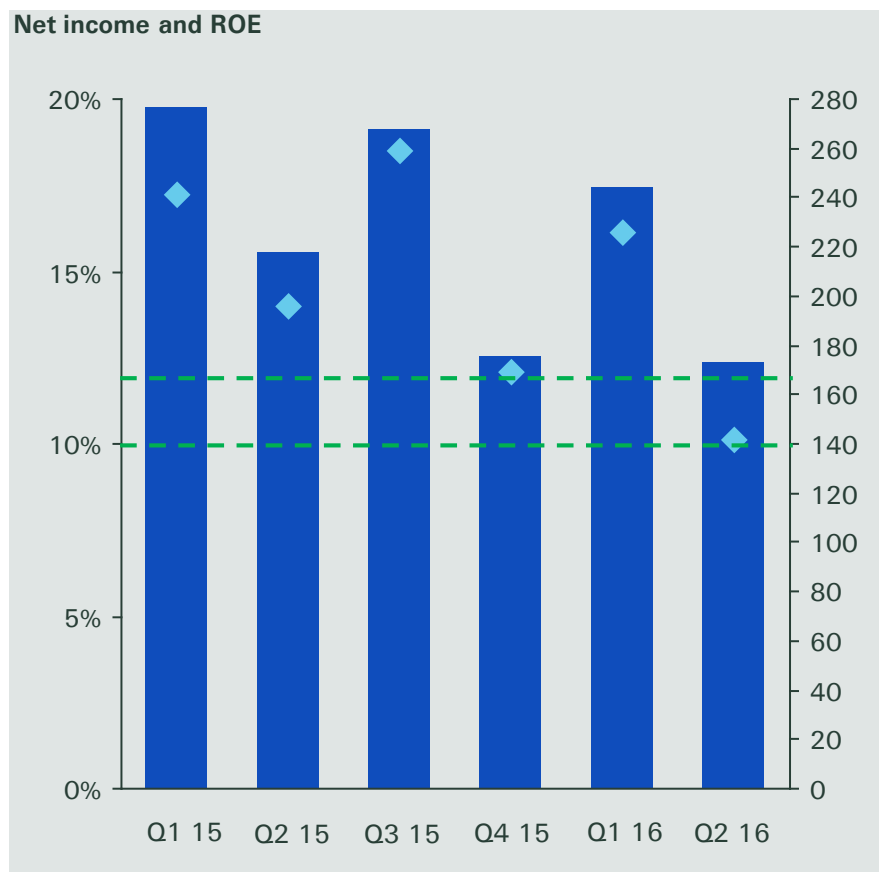


- Treaty premium volume increased by 18% YTD driven by large and tailored transactions, which are up by 76%, while flow business decreased by 7%
- Price levels continued to erode in property although to a lesser extent than previously. Reduced Nat Cat capacity in specific segments, incl. US hurricane. Stabilisation in casualty rates driven by large and tailored transactions

<sup>1</sup> January & April 2016 numbers have been restated with current fx rates

<sup>2</sup> 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

# L&H Reinsurance continues to deliver strong returns after the successful management actions in 2014

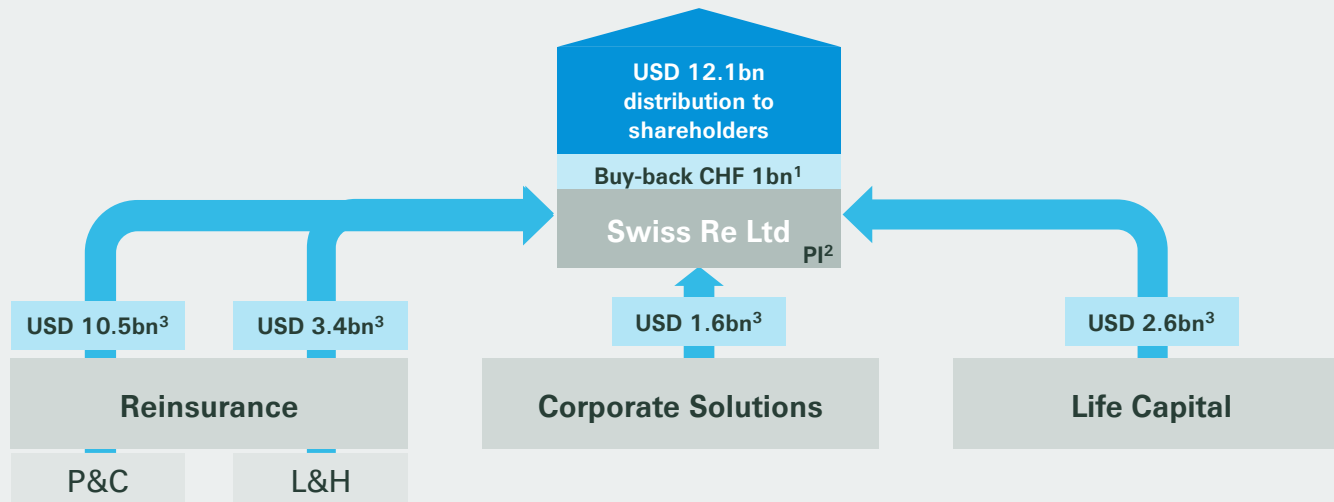


■ Net income (USD m)    ◆ ROE annualized (%)  
- - - ROE target range (over the cycle)

- L&H Reinsurance remains strategically attractive for Swiss Re
- In the past L&H Re ROE was impacted by pre 2004 US business
- Decisive management actions in 2014 set the foundation for profitable growth
- Management of in-force business continues to be a key priority
- ROE target of 10-12% over the cycle

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

## Dividend flows since new structure in 2012



## 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 public share buy-back programme up to CHF 1bn approved by the AGM 2016

<sup>2</sup> Principal Investments has paid to Group dividends of USD 0.4bn between 2012 and June 2016

<sup>3</sup> Internal dividend flows from January 2012 to June 2016



# Today's agenda

Recent achievements

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Strategic Framework

# Macroeconomic conditions and industry trends remain challenging

## Macroeconomic environment



- Low growth, low interest rates
- Financial market volatility
- High Growth Markets volatility

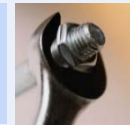
## Political / Regulatory environment



- Political instability
- Re-nationalisation
- Regulatory changes



## Industry environment



- Soft market
- Technological innovation
- Evolution of primary players with rich customer insights
- New and enlarging risk pools

# Price trends - industry outlook

## Property

- Price erosion in Nat Cat expected to slow down
- Stable rates expected for Property per risk business

## Liability

- Pressure on reinsurance rates expected to abate
- Broad rate increases possible in case of deteriorating reserve adequacy

## Special Lines

- Expect differences in price developments by market and lines of business
- High growth markets will drive long-term exposure growth

## Motor

- Overall slight hardening expected with differences by market
- Have seen increased loss trends in the US, however, accident frequency expected to decrease in the long-term

# Today's agenda

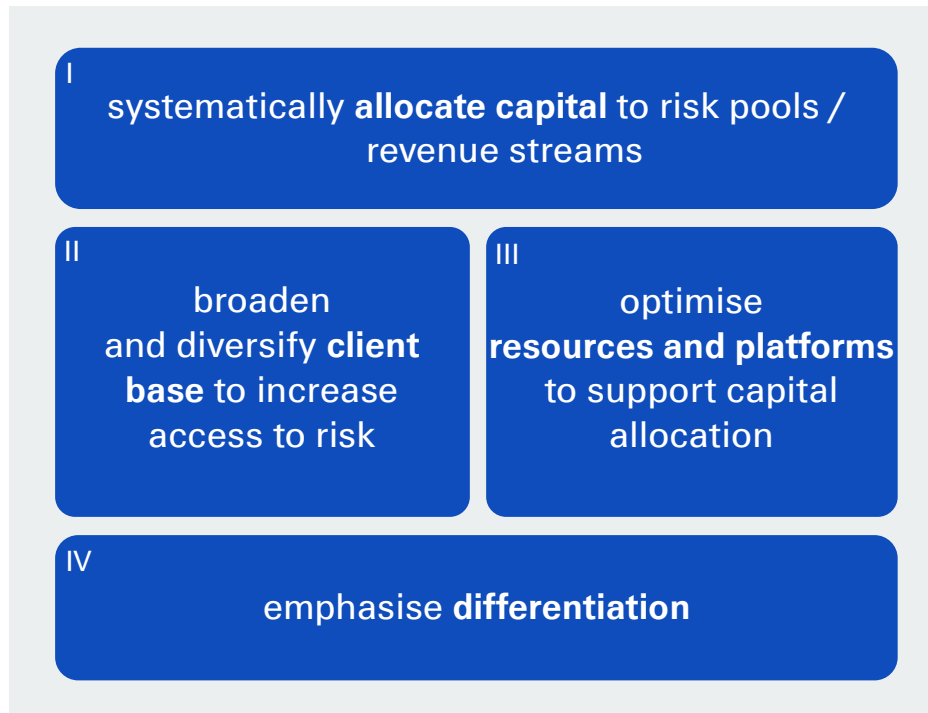
Recent achievements

Industry environment and price trends

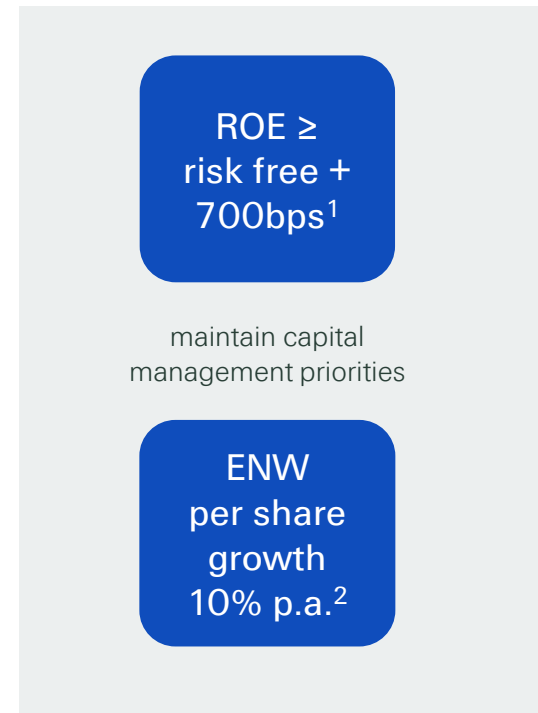
Strategic Framework

# Our strategic framework will enable us to achieve our new financial targets

## Areas of strategic action

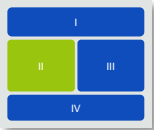


## Group financial targets



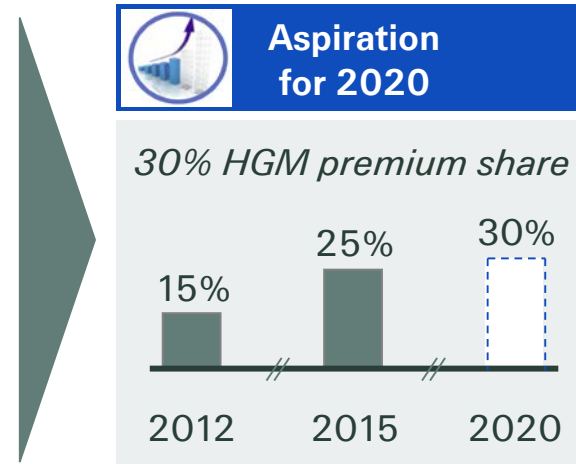
<sup>1</sup> 700bps above risk free (10-year US Gov Bonds); Swiss Re management to monitor a basket of rates reflecting Swiss Re's business mix; over the cycle

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

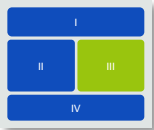


# Dedicated initiatives in place to maintain leading position in HGM

<b>Reinsurance</b>	<b>Corporate Solutions</b>
<i>Expansion in focus countries</i> <ul style="list-style-type: none"><li>• Organic growth</li><li>• Partnerships</li></ul>	<i>Further broadening the footprint</i> <ul style="list-style-type: none"><li>• Organic growth</li><li>• New offices</li><li>• Acquisitions</li></ul>
<b>Principal Investments</b>	<b>Swiss Re Group</b>
<i>Investment in selected HGM countries</i> <ul style="list-style-type: none"><li>• Increase exposure</li><li>• Complement HGM focus of Business Units</li></ul>	<i>Optimise diversification</i> <ul style="list-style-type: none"><li>• Coordination and advisory for HGM</li></ul>



Dedicated strategic initiatives across Swiss Re in place to remain the leading wholesale re/insurer in HGM



# Swiss Re adopts smart analytics and cognitive computing to extend its competitive positioning

## Selected examples from over 200 delivered cases

### Transparent motor China

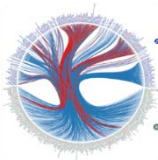
*Reinsurance*



For China, we have built a sophisticated model predicting motor accident frequencies leveraging a wide range of data sources

### Client and market intelligence

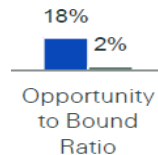
*Reinsurance*



Analysing internal and external communication, we quantify Swiss Re client relationships and identify hot topics and market trends

### Rapid sales analytics

*Corporate Solutions*



Improve sales effectiveness: binding likelihood increases by 20% when sales activities happen after quotes

### Screening risk engineering reports

*Corporate Solutions*



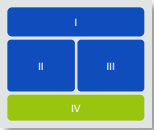
Through text analytics, we structure a large number of property risk reports, reducing the single risk report analysis time down from 4 hours to real time

### Contract intelligence hub

*Group*



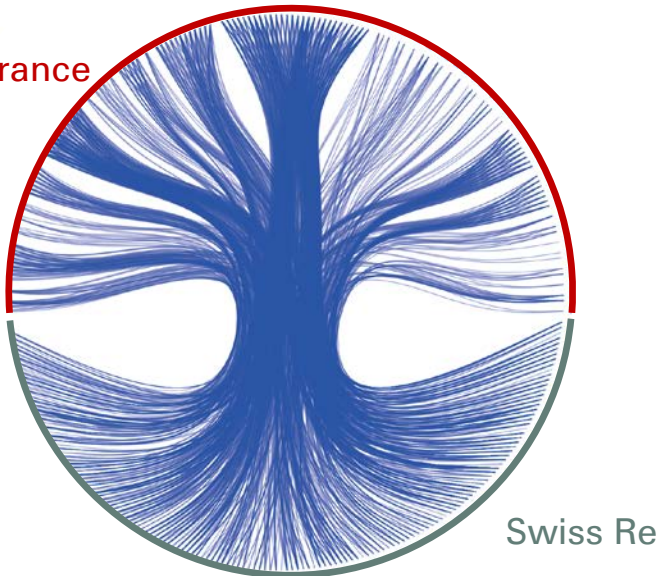
We have developed an advanced contract analytics solution covering all re/insurance contracts from all lines which allows us to analyse clauses



# We have a “high touch” client relationship interaction model

## Visualisation of an interactive client relationship

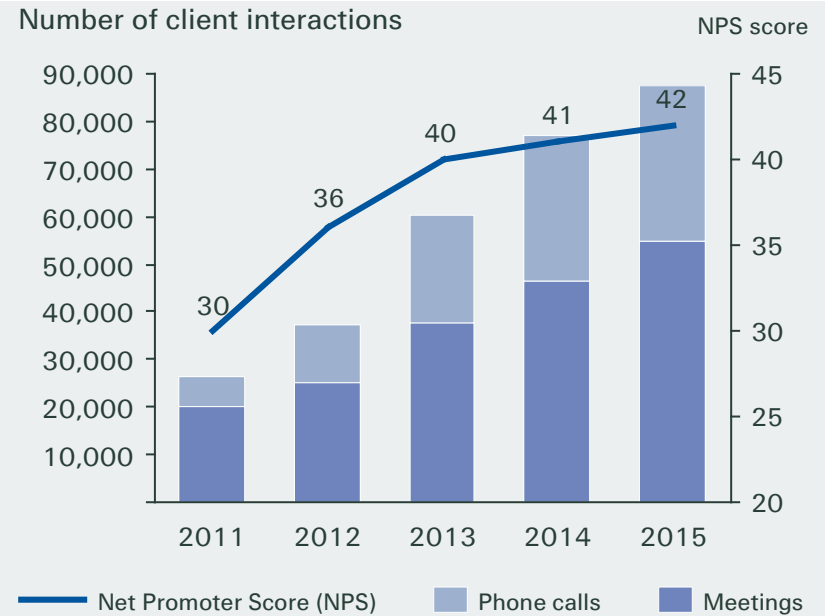
Global  
Reinsurance  
Client



Swiss Re

— 14+ interactions over last 5 years

## NPS in line with client interactions increase



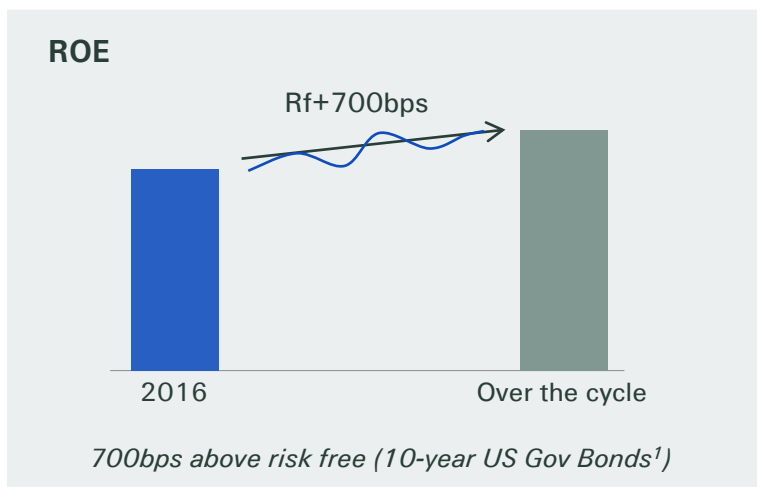
- We have documented more than 3 interactions a day between Swiss Re and a global reinsurance client over the past 5 years

- Strong franchise value confirmed by Flaspöhler ratings: Swiss Re moved up to #1 or #2 in all markets from 2011 to 2015 (except #3 in Latin America P&C Reinsurance)

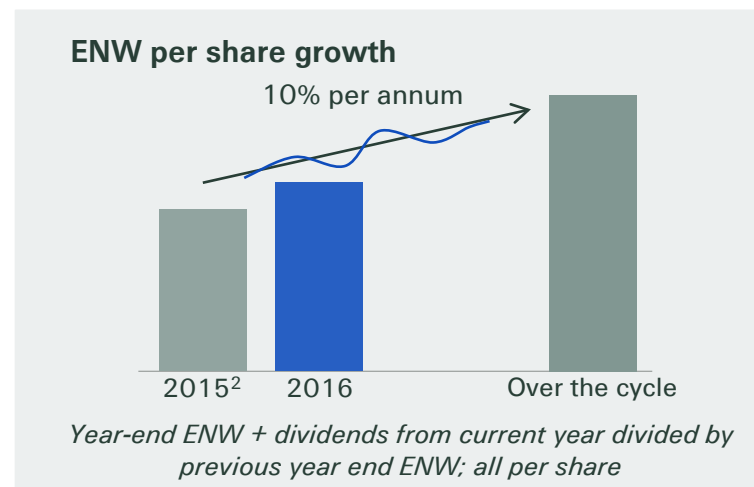


# We are well positioned to continue to deliver on our Group financial targets

## Profitability: ROE $\geq$ risk free + 700bps



## Growth: ENW per share 10% p.a.



- Strategic framework enabling systematic allocation of capital to risk pools
- Very strong capital position across multiple metrics
- Capital structure comfortably within our target ranges, providing flexibility
- Ambitious Group targets focusing on profitability and economic growth

<sup>1</sup> Management to monitor a basket of rates reflecting Swiss Re's business mix

<sup>2</sup> 2015 ENW including 2016 opening balance sheet adjustments due to change in EVM methodology

# Q&A



# Corporate calendar & contacts

## Corporate calendar

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### 2016

3 November  
2 December

**Third Quarter 2016 Results  
Investors' Day**

Conference call  
Zurich

### 2017

23 February  
16 March  
21 April

**Annual Results 2016  
Publication of Annual Report 2016 and EVM 2016  
153<sup>rd</sup> Annual General Meeting**

Conference call  
  
Zurich

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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 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.

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