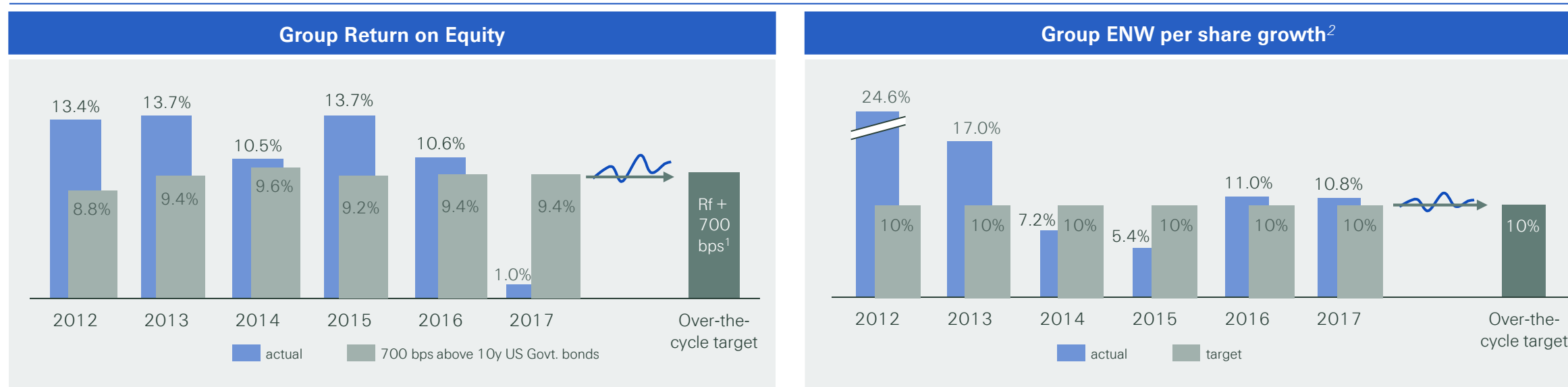


# Financial strength and capital generation

John Dacey, Group Chief Financial Officer

# We are committed to our over-the-cycle Group financial targets

## Group targets over-the-cycle



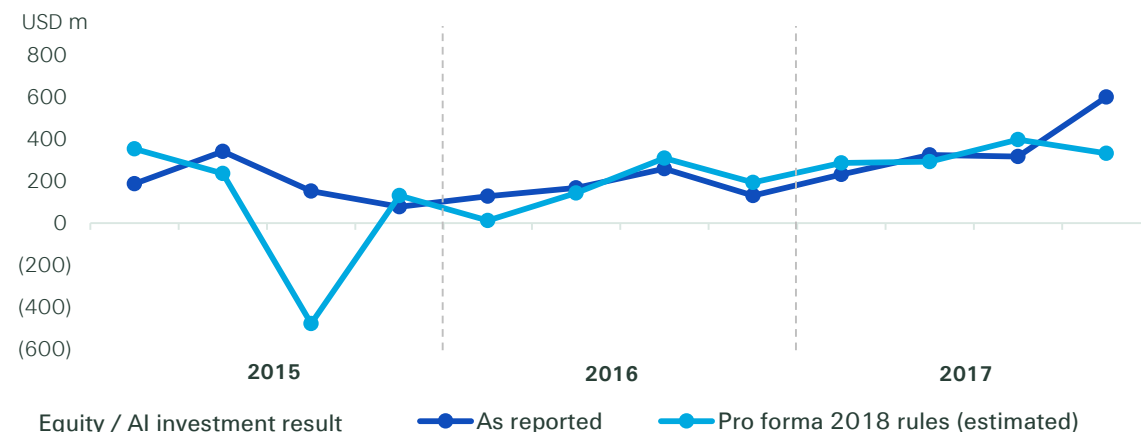
- Group ROE was below the over-the-cycle target in 2017, reflecting USD 4.7bn of estimated losses from natural catastrophes
- Group ENW per share growth target achieved in 2017, driven by a strong performance of our L&H businesses and investment activities

<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: (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)

# Higher volatility in US GAAP reported earnings expected due to accounting changes

## Impact of US GAAP rule change on equities and AI investment result



- US GAAP “available-for-sale” classification for equity securities and certain alternative investments (AI) no longer applicable starting in 2018
- All unrealised gains on equity investments were transferred to retained earnings as of 1 January 2018
- The Group’s net realised gains will fully reflect the impact of equity market movements going forward
- Approx. USD 4.8bn of the Group’s investments impacted by the new standard, in addition to USD 1.8bn existing fund investments where the change in market value is already recognised in earnings
- A 10% downward move in fair values for the combined exposure of USD 6.6bn would reduce pre-tax earnings by approx. USD 0.6bn (net of hedges)

## Portfolio segments in scope for the rule change

USD m	End FY 2017	
Equity securities	3 326	Fully impacted
Private equity	1 382	Fully impacted
Hedge funds	359	Partially impacted
Real estate	4 091	Fully impacted
Principal Investments	2 422	Fully impacted
<i>Equity securities</i>	<i>539</i>	
<i>Private equity</i>	<i>1 883</i>	
<b>Total market value</b>	<b>11 580</b>	

# Our capital management priorities remain unchanged

## Swiss Re's capital management priorities

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

## Capital management actions

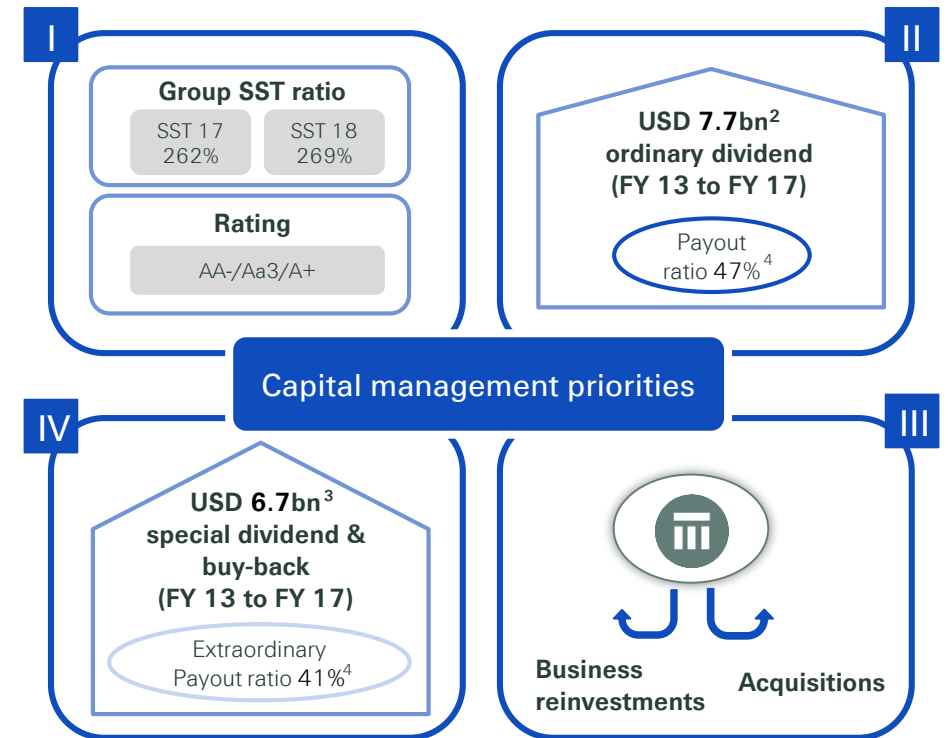
- The Board of Directors will propose to the AGM 2018 a regular dividend of CHF 5.00 per share (3% increase)
- The Board will also propose to the AGM a further public share buy-back programme of up to CHF 1 bn purchase value commencing at the discretion of the Board subject to AGM approval<sup>1</sup>
- Beyond Board approval<sup>1</sup>, considering the capital management priorities, there will be no other pre-conditions to the commencement of the proposed share buy-back programme

<sup>1</sup> Subject to legal and regulatory requirements being satisfied

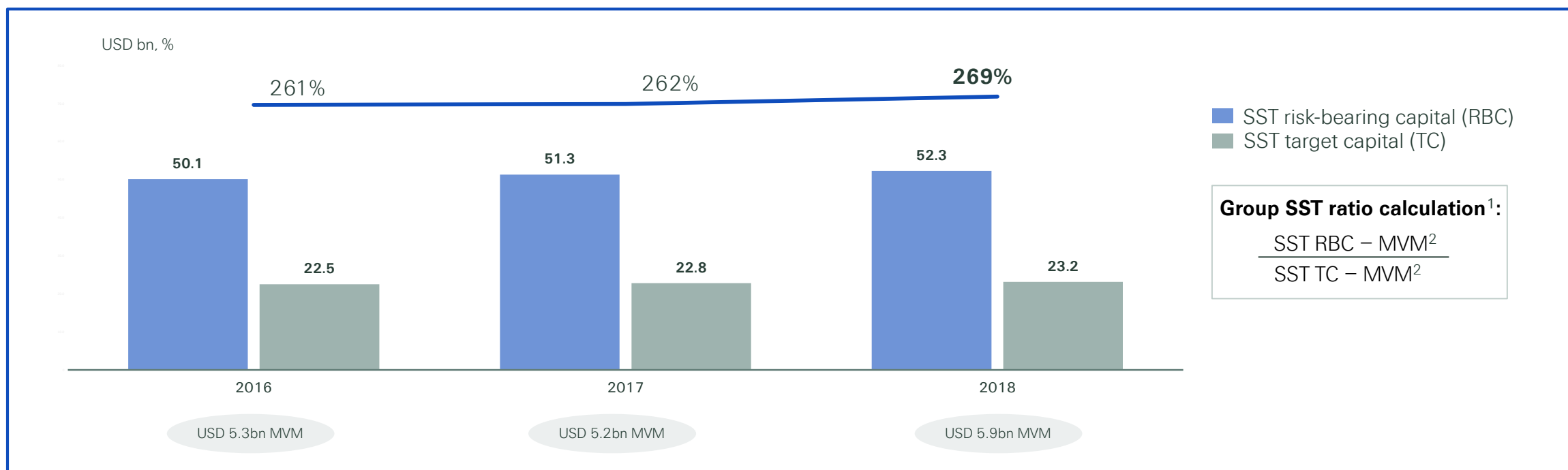
<sup>2</sup> Includes AGM 2018 proposal for ordinary dividend of CHF 5 per share

<sup>3</sup> Includes AGM 2018 proposal for share buy-back programme of up to CHF 1 bn purchase value

<sup>4</sup> Payout ratio calculated as capital repatriation over GAAP net income; assumes AGM approval of the proposed ordinary dividend of CHF 5.00 per share



Our Group's capital position remains very strong, even after significant losses from natural catastrophes and continued peer-leading capital repatriation to shareholders



- Group economic solvency remains very strong, comfortably above the Group's capitalisation target of 220%
- Group SST 2018 ratio reflects proposed capital management actions (increased ordinary dividend and new public share buy-back programme<sup>3</sup>)
- Swiss Re remains well positioned to respond to market opportunities

<sup>1</sup> SST ratio calculation as defined by FINMA

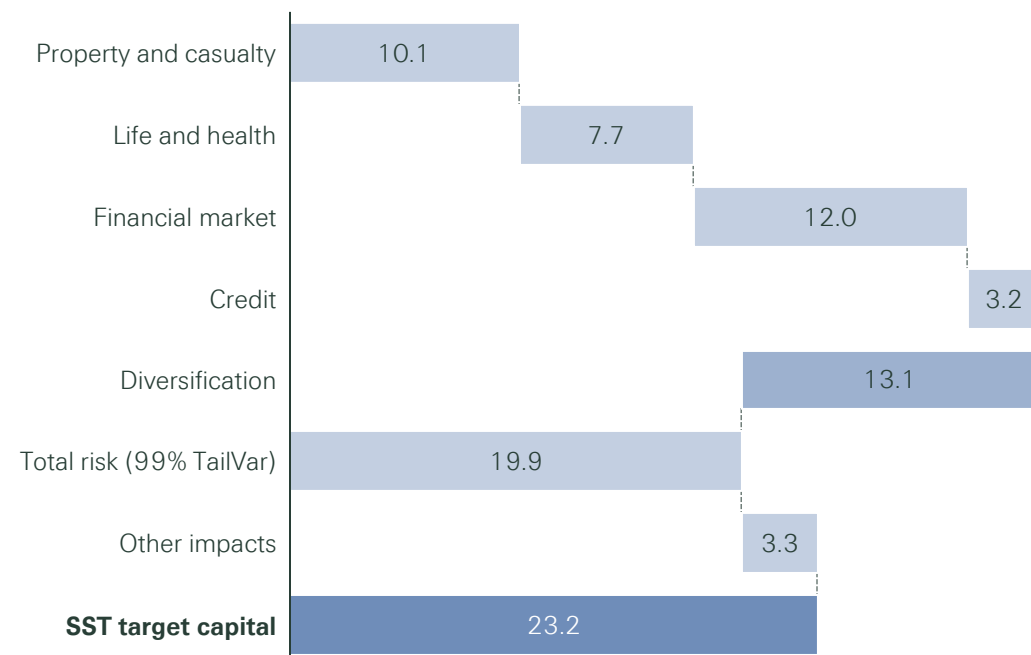
<sup>2</sup> MVM = Market Value Margin = cost of capital of the present value of future regulatory risk capital associated with the portfolio of assets and liabilities

<sup>3</sup> Pro-rata share of USD 0.8bn of 2018/2019 public share buy-back programme used for SST

# Our capital strength remains resilient to market movements

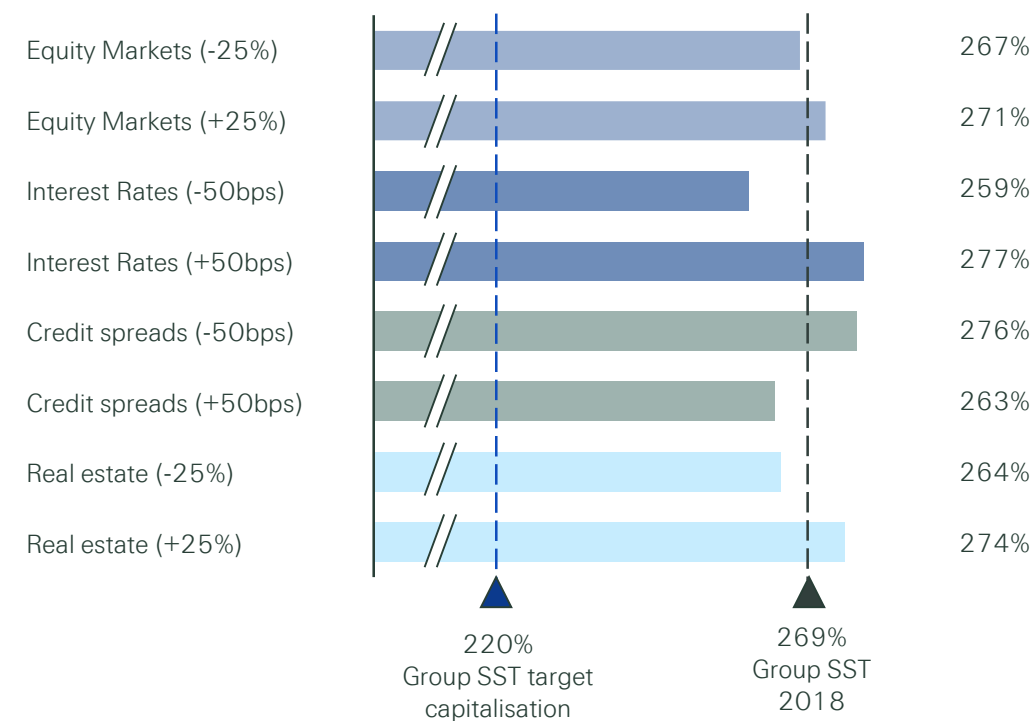
## Group regulatory capital requirement

Group SST target capital 2018, USD bn



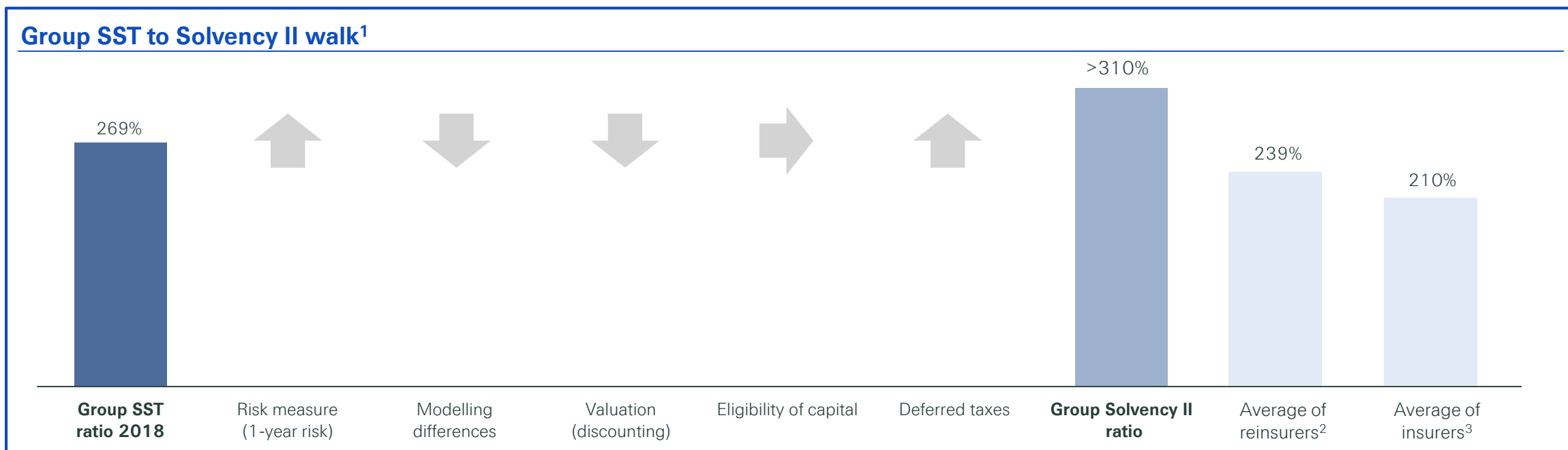
## Group SST sensitivities

Estimated impact on Group SST ratio 2018





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



- SST and Solvency II are both comprehensive economic and risk-based solvency regimes
- Due to important differences, Solvency II equivalent ratio is significantly higher
- For 2018, our comparable Group Solvency II ratio is estimated to be >40%pts higher than our Group SST ratio

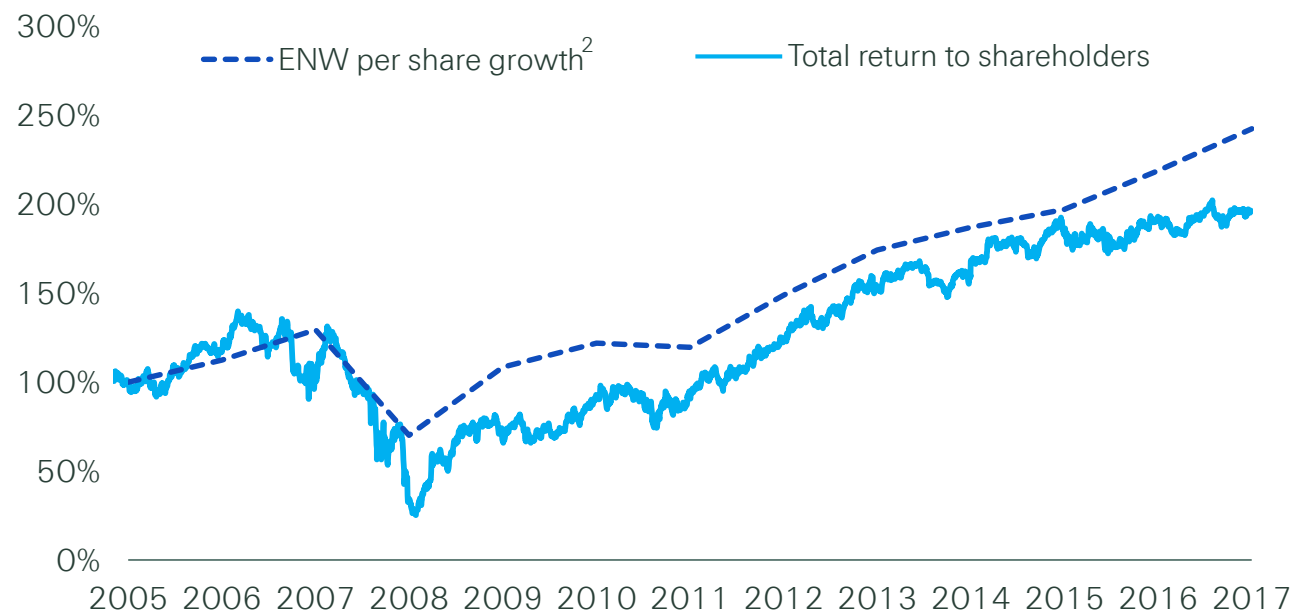
<sup>1</sup> Comparison was produced on a best effort basis using Swiss Re's SST calculation for 2018; For more details on differences between SST and Solvency II please refer to our "SST vs. Solvency II – comparison analysis" published on our website ([http://media.swissre.com/documents/2016\\_sst\\_presentation.pdf](http://media.swissre.com/documents/2016_sst_presentation.pdf)). Please note that the difference from "capital cost recognition" has been eliminated in 2017 with FINMA's change in SST ratio definition. Differences between SST and Solvency II also explained in the booklet "Measuring economic performance & solvency at Swiss Re" published on our webpage.

<sup>2</sup> Average of Munich Re, Hannover Re, SCOR

<sup>3</sup> Average of Allianz, Aviva, Axa, Generali

# Economic net worth creation is at the core of our steering framework...

ENW per share growth vs total return to shareholders<sup>1</sup> over time



Economic Value Management (EVM) is Swiss Re's integrated economic valuation and accounting framework for planning, pricing, reserving & steering our business:

- ✓ EVM allows consistent performance measurement across product lines and asset investments (on a risk adjusted basis, i.e. post cost of capital)
- ✓ EVM ensures that costing and ALM is based on economic principles

<sup>1</sup> Reflects share price development and dividends paid in USD. Shown on a cumulative basis and indexed from Dec. 2005

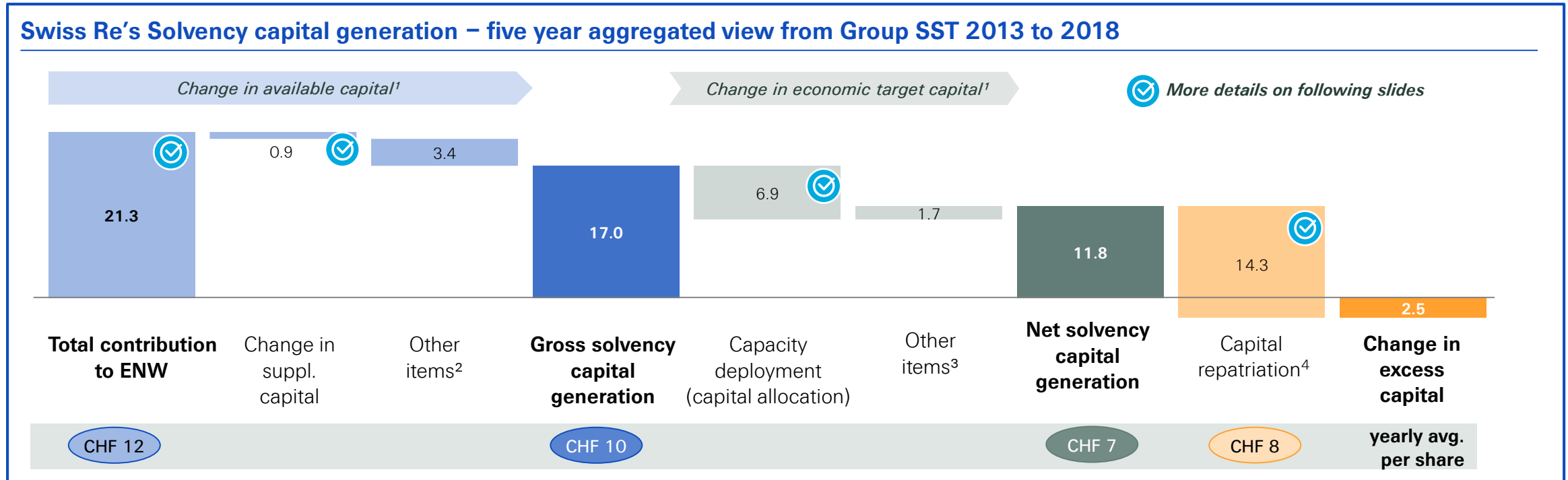
<sup>2</sup> Calculated as: (current-year closing ENW per share + current-year dividends per share) / (prior-year closing ENW per share + current-year opening balance sheet adjustments per share). Shown on a cumulative basis and indexed from December 2005

Total shareholder return performance is best tracked by ENW generation

Consistent comparison of economic returns across the Group supports active portfolio steering



## ...and drives our strong solvency capital generation



- Solvency capital generation is based on Swiss Re's Group SST capitalisation target of 220%
- Gross solvency capital generation is a long-term proxy for reinvestment and dividend capacity
- Net solvency capital generation measures how much capital is available for capital repatriation after reinvestments into the business
- Change in excess capital highlights disciplined capital management with average annual share repatriation of CHF 8 per share

<sup>1</sup> Available capital: SST RBC – MVM, excluding projected dividends and share repurchases. Swiss Re's economic target capital: 220% x (SST target capital – MVM), internal economic target as defined by Swiss Re's Board of Directors in the Group Risk Policy

<sup>2</sup> Includes change in other EVM items (including foreign exchange impacts on ENW), change in MVM and change in other SST valuation differences with EVM

<sup>3</sup> Includes foreign exchange, interest rate and other impacts on Swiss Re's economic target capital on a best effort basis

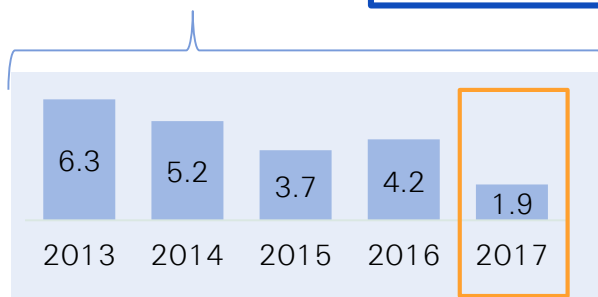
<sup>4</sup> Includes the sum of paid (2014 – 2017) and projected (2018) dividends and public share buy-backs

# Solvency capital generation is directly linked to Swiss Re's economic reporting (EVM)

USD bn

21.3

Total contribution  
to ENW  
FY 2013-17



## Published 2017 EVM income statement<sup>1</sup>

EVM INCOME STATEMENT		
For the years ended 31 December		
USD millions, unless otherwise stated	2016	2017
<b>Underwriting result</b>		
Gross premiums and fees	47 235	41 846
<i>Gross premiums and fees growth rate, %</i>	15.3	-11.4
Premiums and fees	46 566	40 796
<i>Premiums and fees retention rate, %</i>	98.6	97.5
<i>Premiums and fees growth rate, %</i>	14.8	-12.4
Claims and benefits	-31 668	-30 017
Commissions	-8 492	-7 413
Other	-240	136
<b>Gross underwriting result – new business</b>	<b>6 166</b>	<b>3 502</b>
Expenses	-3 314	-3 390
<b>Net underwriting result – new business</b>	<b>2 852</b>	<b>112</b>
Taxes	-744	18
Capital costs	-1 224	-1 475
<b>EVM profit – new business</b>	<b>884</b>	<b>-1 345</b>
<b>EVM profit – previous years' business</b>	<b>-579</b>	<b>-148</b>
<b>EVM profit – underwriting</b>	<b>305</b>	<b>-1 493</b>
<b>Investment result</b>		
Mark-to-market investment result	7 500	5 132
Benchmark investment result	-4 266	-1 761
<b>Gross outperformance (underperformance)</b>	<b>3 234</b>	<b>3 371</b>
Other	121	125
Expenses		
<b>Net outperformance (underperformance)</b>		
Taxes		
Capital costs		
<b>EVM profit – investments</b>		
<b>EVM profit</b>		
Cost of debt	-461	-626
Release of current year capital costs		
Additional taxes		
<b>Total contribution to ENW</b>		

Take a look at the booklet “Measuring economic performance & solvency at Swiss Re” on our homepage



	2016	2017
<b>EVM profit – new business</b>	<b>884</b>	<b>-1 345</b>
<b>EVM profit – previous years' business</b>	<b>-579</b>	<b>-148</b>
<b>EVM profit – underwriting</b>	<b>305</b>	<b>-1 493</b>
<b>EVM profit – investments</b>	<b>1 094</b>	<b>1 484</b>
<b>EVM profit</b>		
Cost of debt	-461	-626
Release of current year capital costs	2 778	2 792
Additional taxes	515	-290
<b>Total contribution to ENW</b>	<b>4 231</b>	<b>1 867</b>

<sup>1</sup> As published on page 57 of Swiss Re's 2017 Financial Report

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

USD bn

**- 0.9**  
Change in  
supplementary  
capital  
Group SST 2013-18<sup>1</sup>

## Implementation and maintenance of target capital structure

Established funding platforms in all Business Units to fund capital & liquidity requirements

YE 2012 – YE 2017 <sup>1</sup>	Reinsurance	Corporate Solutions	Life Capital	Group (SRL)	Outlook
Subordinated debt	-2.0	+0.5			Continued focus on optimising capital structure and cost of capital
Contingent capital	+0.6 <sup>2</sup>			+2.7 <sup>3</sup>	Continued focus on innovative, cost efficient contingent capital instruments at Group Holding level
Change in supplementary capital					
Senior debt	-6.9		+2.0		Support business growth in Life Capital in line with leverage targets
Letters of credit	-3.4				In line with Reinsurance requirements
Third party capital			+0.7		MS&AD's commitment is currently utilised at 15%

- SST supplementary capital includes traditional funded subordinated debt and funded contingent capital instruments. In line with Swiss Re's target capital structure, Swiss Re has reduced its traditional funded subordinated debt instruments by USD 1.5bn since YE 2012
- At the same time, the Group has significantly strengthened its financial flexibility through senior debt deleveraging and the issuance of USD 1.0bn contingent capital instruments at the Reinsurance level and USD 2.7bn pre-funded subordinated debt facilities at Group level (not counting as SST supplementary capital until drawn)

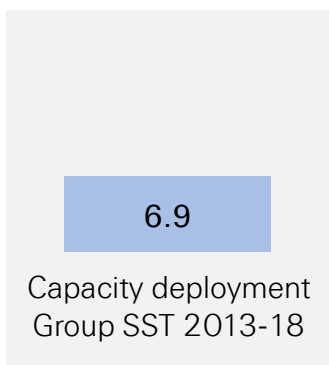
<sup>1</sup> Change in supplementary capital is calculated using YE 2012 and YE 2017 figures

<sup>2</sup> Reflects issuance of USD 1.0bn and redemption of USD 0.4bn

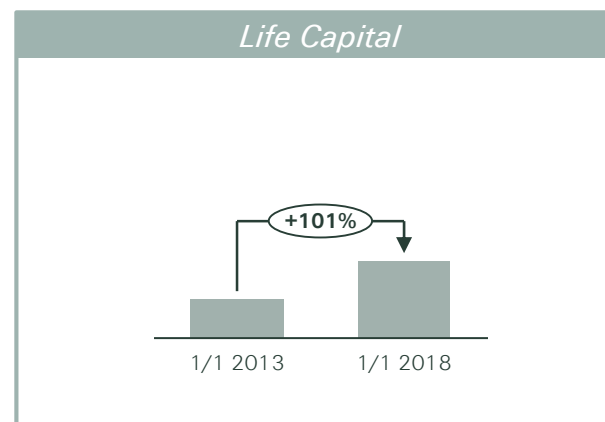
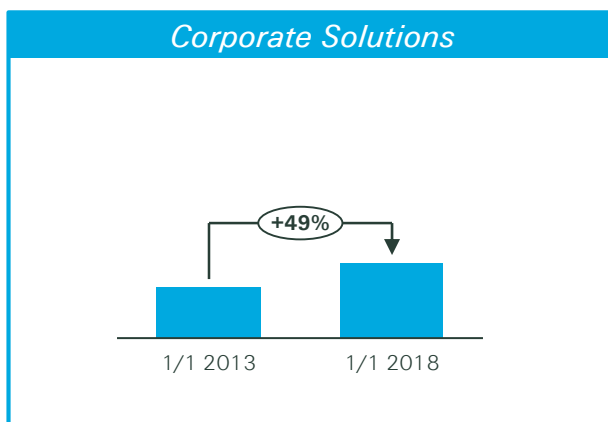
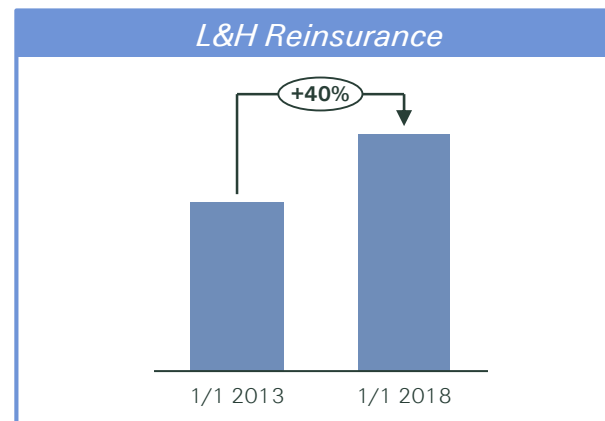
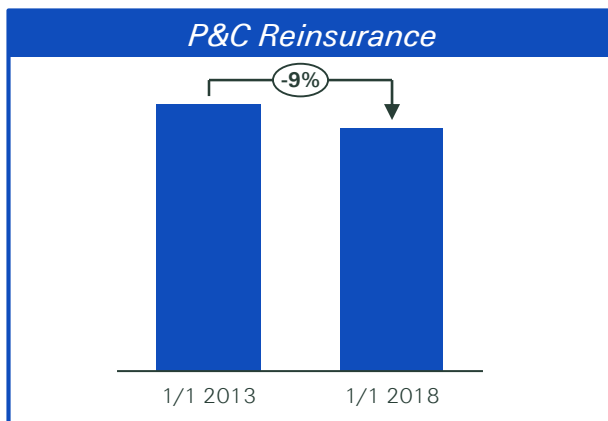
<sup>3</sup> Reflects pre-funded subordinated debt facilities, currently fully undrawn

# Investment into business (capital allocation) reflects our strategy and growth areas in a competitive environment

USD bn



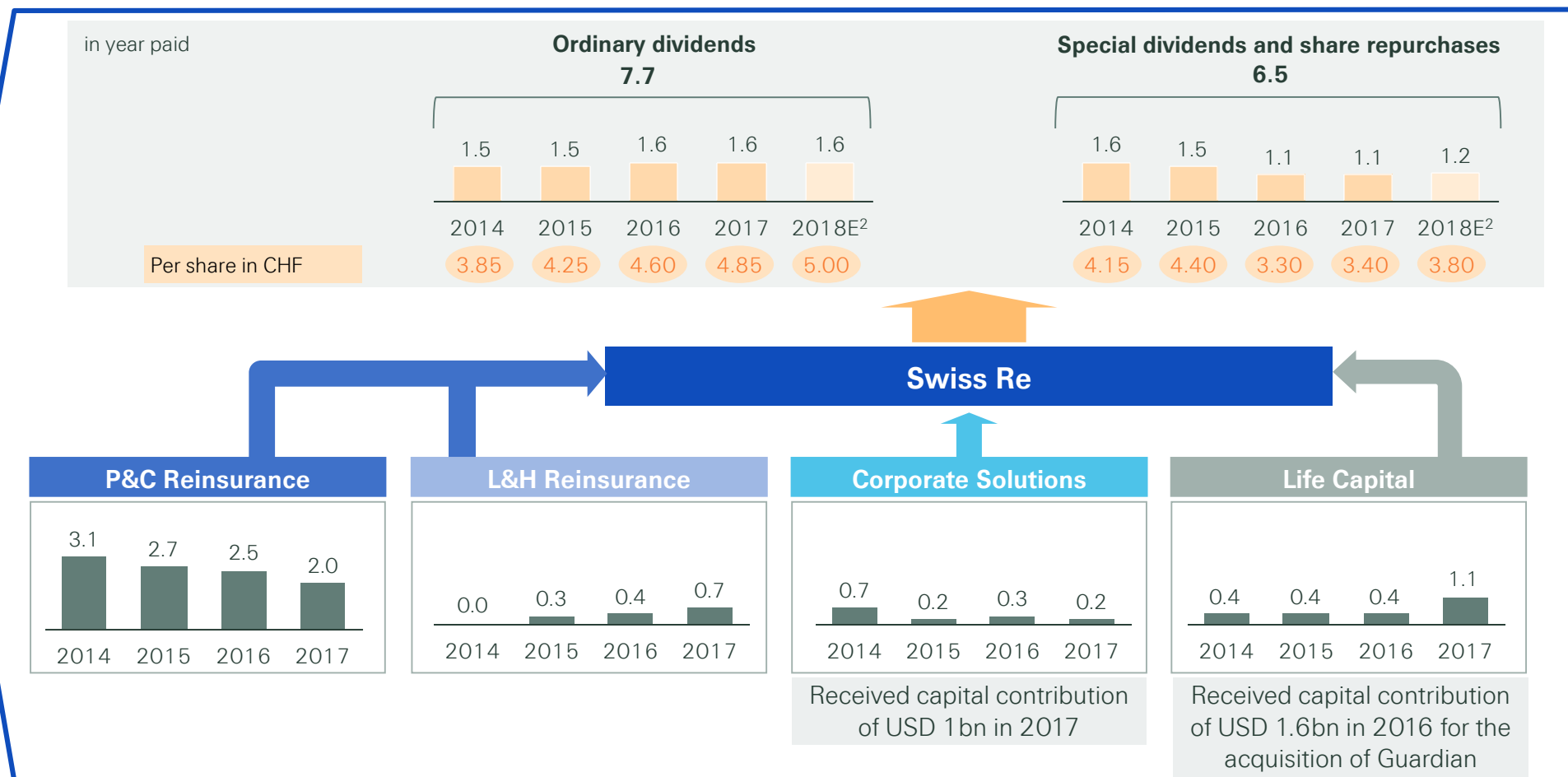
*Capital allocation by business segments (incl. asset risks)*



- Since 1/1 2013, the Group deployed capital of USD 6.9bn (at Swiss Re's Group SST capitalisation target of 220%, net of FX and interest rate impacts and diversification)
- Capital was mostly deployed to L&H Reinsurance, Corporate Solutions and Life Capital

# Peer-leading capital repatriation supported by strong dividend upstream by BUs

USD bn



<sup>1</sup> Capital repatriation includes dividends and share repurchases paid 2014-17 and projected for 2018

<sup>2</sup> Capital repatriation includes AGM 2018 proposal for regular dividend and share buy-back programme of up to CHF 1bn purchase value, of which a pro-rata share of USD 0.8bn is used for SST



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

- We invest in risk pools aiming to deliver industry-leading shareholder returns
- We remain committed to our financial targets and our capital management priorities are unchanged
- Our Group's capital position remains very strong and resilient towards market movements
- Economic net worth creation is at the core of our EVM steering framework and drives our strong solvency capital generation

269%  
Group SST,  
comfortably  
above our 220%  
capitalisation  
target

CHF 10  
per share of  
annual average  
gross capital  
generation since  
YE 2012

CHF 8  
per share of  
annual average  
capital  
repatriation  
since YE 2012



# 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:

- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- the cyclicity of the insurance and reinsurance sectors;
- instability affecting the global financial system;
- deterioration in global economic conditions;
- 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 the Group’s investment policy or the changed composition of the Group’s investment assets, and the impact of the timing of any such changes relative to changes in market 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;
- any inability to realise amounts on sales of securities on the Group’s balance sheet equivalent to their values recorded for accounting purposes;
- changes in legislation and regulation, and the interpretations thereof by regulators and courts, affecting us or the Group’s ceding companies, including as a result of shifts away from multilateral approaches to regulation of global operations;
- the outcome of tax audits, the ability to realise tax loss carryforwards, 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, and the overall impact of changes in tax regimes on business models;
- failure of the Group’s hedging arrangements to 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;
- uncertainties in estimating reserves;
- policy renewal and lapse rates;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes and certain large man-made losses, 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;
- extraordinary events affecting the Group’s clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- 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, lower-than expected benefits, or other issues experienced in connection with any such transactions;
- changing levels of competition, including from new entrants into the market; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks and the ability to manage cybersecurity risks.

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# Corporate calendar & contacts

## Corporate calendar

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### 2018

20 April	<b>154<sup>th</sup> Annual General Meeting</b>	Zurich
4 May	<b>First Quarter 2018 Key Financial Data</b>	Conference call
3 August	<b>Half-Year 2018 Results</b>	Conference call
1 November	<b>Nine Months 2018 Key Financial Data</b>	Conference call

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