Swiss Re launches share repurchase programme, first tranche

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Swiss Re is launching a share repurchase programme and plans, in a first tranche, to repurchase its own shares up to a total value of CHF 1000 million. This is equivalent to just under three percent of its current market capitalisation. This decision was taken at a meeting of the Board of Directors on 12 December 1997. A corresponding capital reduction to the amount of the repurchase will be submitted to the General Meeting of Shareholders of 26 June 1998 for approval. The share repurchase will be effected on the Swiss Stock Exchange by means of a second line of trading established specifically for this purpose. The share repurchase programme underlines Swiss Re's determination to continually and actively manage its capital base.

Thanks to the 1994 decision to focus on core business, and excellent progress on the income front, Swiss Re possesses an equity base which, in the opinion of the Board of Directors, provides not only an extremely solid foundation for the current volume of business, but also provides adequate scope for organic growth and complementary acquisitions.

The key factors in the size of the proposed first tranche of CHF 1000 million were the anticipated profit for the 1997 business year and the further marked rise in equity capital. The repurchase programme is being carried out in the context of the active management of the capital base. The Board of Directors will continue to direct the development of the company's equity capital and of business risks as part of a prudent balance-sheet policy. It reserves the right to postpone or abandon the share repurchase programme in the event of a significant change in the operating environment.

The share repurchase programme will have a positive impact on both return on equity and earnings per share. The Board of Directors thus firmly believes that a share repurchase for the purposes of a capital reduction will be to the advantage of all shareholders. However, this does not constitute a general recommendation of participation in the programme on the part of the Swiss Re Board. Shareholders are also advised to consider the individual tax implications.

The repurchase of Swiss Re shares will be effected on the Swiss Stock Exchange by means of a second line of trading established specifically for this purpose. The repurchase price in the second line of trading, in which Swiss Re alone may purchase shares, is likely to be determined by the price of Swiss Re shares traded in the first line. Shareholders wishing to sell their shares can therefore either make the shares available to the company for the purpose of the subsequent capital reduction or sell said shares via the first line of trading. Swiss Re shares will be quoted for the second line of trading from 17 December 1997 in the main sector of the Swiss Stock Exchange.

Tax implications

The following tax considerations must be taken into account in respect of the second line of trading.
As far as Federal withholding tax and direct tax are concerned, the repurchase of own shares for the purpose of a capital reduction is treated as a partial liquidation of the company making the repurchase. The implications of this for shareholders selling their shares are detailed below.

1. Withholding tax

Swiss Federal withholding tax amounts to 35% of the difference between the repurchase price of the shares and their nominal value. The company making the repurchase, or the bank it has mandated, will deduct tax from the repurchase price for payment to the Federal Tax Administration.

Shareholders domiciled in Switzerland are entitled to a reimbursement of the withholding tax if they are beneficial owners of the shares at the time they are surrendered (Art. 21, paragraph 1a of the Withholding Tax Law). Shareholders domiciled outside Switzerland may claim back the tax in accordance with any applicable double taxation agreements.

2. Stamp duty

The repurchase of own shares for the purposes of a capital reduction does not attract stamp duty (however, from 1 January 1998 the stock exchange fee and Federal Banking Commission duty of 0.01% will apply).

3. Direct taxes

The following applies to the levying of direct Federal income tax. Cantonal and municipal taxation procedures are, as a rule, the same as for Federal tax.

a. Shares held as private assets
For shares sold back directly to the company, the difference between the repurchase price and the nominal value of the shares constitutes taxable income (par value principle).

b. Shares held as corporate assets
For shares sold back directly to the company, the difference between the repurchase price and the book value of the shares constitutes taxable profits.

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