Swiss Re

Annual EVM results 2012

Zurich, 15 March 2013

Swiss Re

EVM methodology

- **An integrated economic valuation and accounting framework for business planning, pricing, reserving, steering**
  - Shows direct connection between risk-taking and value creation
  - Provides consistent economic framework for evaluating risk-taking outcomes and capital management decisions
  - Enables comparing economic returns across businesses and product lines for capital allocation decisions on a risk-adjusted basis

- **Key features**
  - Market consistent valuation of all assets and liabilities
  - Exclusion of potential future new business (closed book approach)
  - Recognition of all profits on new business at inception and of changes in estimates as they occur
  - Best estimates of future projected cash flows on a discounted basis
  - Performance is after capital costs
  - Segregation between underwriting and investment activities

- Segmentation of P&C Re, L&H Re, Corporate Solutions and Admin Re® balance sheet and income statement consistent with US GAAP methodology

2012 EVM Financial Highlights

Excellent performance with contributions from all business units and strong investment result

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- **Significant 29% increase in EVM premiums and fees, USD 31.7bn**
- **EVM profit USD 4.2bn**
  - Strong new business profit of USD 2.0bn, driven by excellent underlying business performance particularly in P&C Re
  - Very strong profit from investment activities of USD 1.6bn, with gains in fixed income, private and listed equity
  - Previous years' business profit of USD 0.5bn primarily driven by favourable prior year reserve development, partially offset by corporate realignment and continued investment in Admin Re®
- **EVM income USD 5.2bn**
  - Strong improvement in EVM income (2011: USD 0.8bn)
- **Economic net worth increased by 16.9%, USD 33.9bn**
  - Economic net worth per share USD 98.87 (2011: USD 84.72)

EVM key figures

USD million, unless otherwise stated	P&C Re	L&H Re	Corporate Solutions	Admin Re®	Group items	**Total FY 2012**	**Total FY 2011**
▪ Premiums and fees	14 562	14 301	2 465	379	-	**31 707**	**24 619**
▪ EVM income	3 261	880	471	621	-15	**5 218**	**797**
▪ EVM profit (loss)	2 588	1 017	292	112	143	**4 152**	**-1 704**
of which new business	*1 154*	*646*	*97*	*116*	*-13*	*2 000*	*893*
of which previous years' business	*910*	*137*	*12*	*-486*	*-35*	*538*	*-119*
of which investment activities	*524*	*234*	*183*	*482*	*191*	*1 614*	*-2 478*
▪ Profit margin new business (underwriting)	17.3%	10.4%	7.2%	147.2%[1]	-	**13.8%**	**4.9%**
▪ Economic ROC on new business	22.9%	16.6%	20.3%	30.8%	-	**21.4%**	**2.0%**

	P&C Re	L&H Re	Corporate Solutions	Admin Re®	Group items		
▪ Economic net worth (ENW)	15 646	8 994	3 675	4 887	3 447	**33 928**[2]	**29 031**
▪ Economic net worth per share						**98.87**	**84.72**

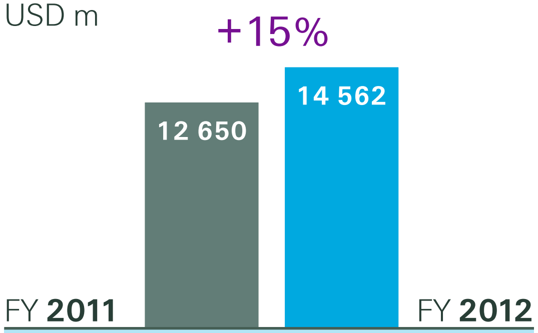
[1] Profit margin new business (underwriting) distorted by the sale of the Admin Re® US business in 2012

[2] Total FY 2012 ENW includes USD -2 721million from consolidation

P&C Reinsurance
Strong new business performance and favourable prior-year claims development

PV new business premiums and fees

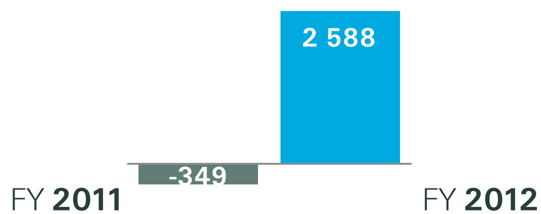
USD m



- Growth in premiums was mainly driven by large capital relief quota shares, as well as by successful renewals in 2012

EVM profit

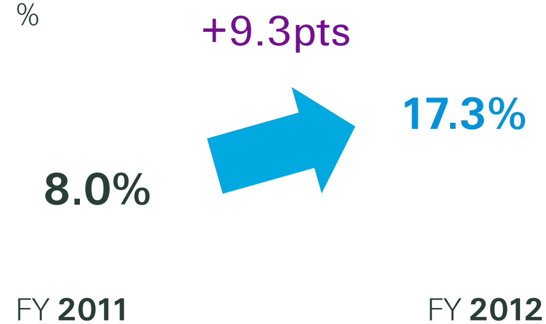
USD m



- New business profit USD 1.2bn, driven by higher volumes with better margins and lower claims
- Previous years' business profit was USD 0.9bn, mainly from prior year reserve releases
- Profit from investment activities was USD 0.5bn, reflecting gains in credit, equity and private equity investments

Profit margin new business underwriting

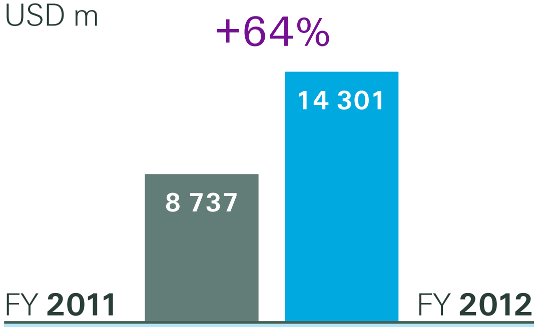
%



- Profit margin on new business reflects strong new business performance
- Adjusting for expected natural catastrophe impact, profit margin on new business for underwriting was 15.9%

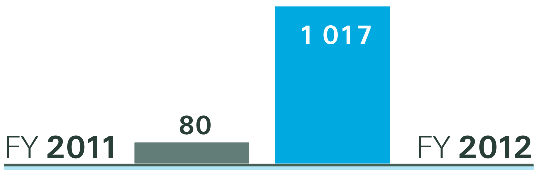
L&H Reinsurance
New business volumes and profit strongly increased

PV new business premiums and fees
USD m



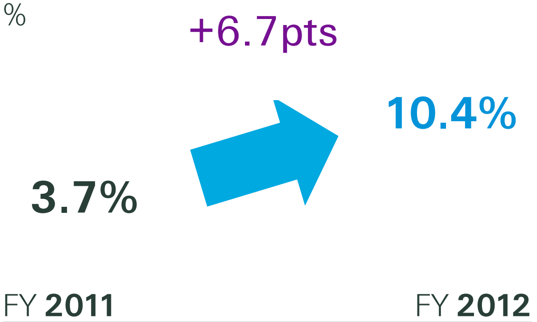
- Increase in premiums and fees driven by new large transactions, including longevity, higher volumes in the Americas and increased Health business in Asia and Europe

EVM profit
USD m



- New business profit USD 0.6bn, driven by higher volumes and improved margins
- Previous years' business profit USD 0.1bn, due to positive mortality experience variance and assumption changes
- Investment activities profit USD 0.2bn, reflecting gains in corporate credit and securitised products as spreads tightened

Profit margin new business underwriting
%



- Profit margin improved in line with new business profit, including from updated mortality and lapse assumptions

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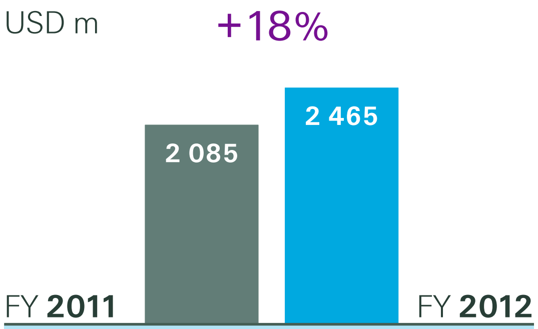
Corporate Solutions
Profitable growth

PV new business premiums and fees

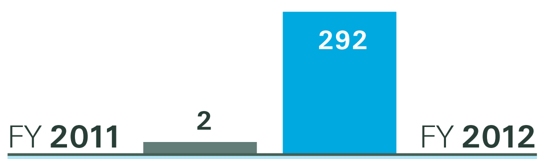
USD m



- Continued growth in-line with plan, across all lines of business
- Gross premiums net of intra-group transactions increased by 22% to USD 3.4bn, growth is not expected to continue at similar pace

EVM profit

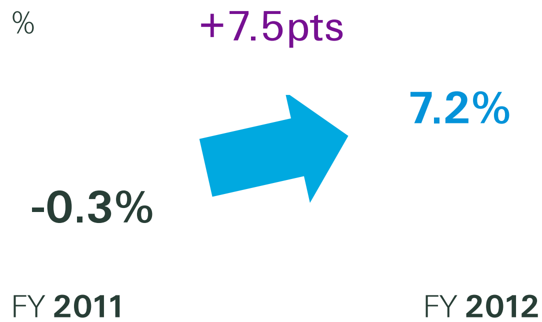
USD m



- New business profit USD 97m
- Previous years' business profit USD 12m
- Profit from investment activities USD 183m, driven by gains in credit and equity investments
- Economic profit on basis of estimated TFC[1] to Swiss Re Group USD 500m

Profit margin new business underwriting

%



- Profit margin on new business improved mainly due to business growth
- 2011 impacted by large nat cat losses

[1] Estimated total financial contribution (TFC) of Corporate Solutions business written within Swiss Re Group and includes development of historic loss reserves remaining in Reinsurance for the previous years' business profit

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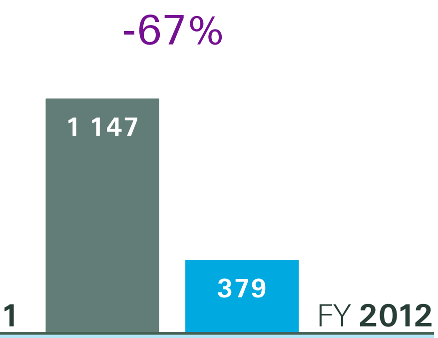
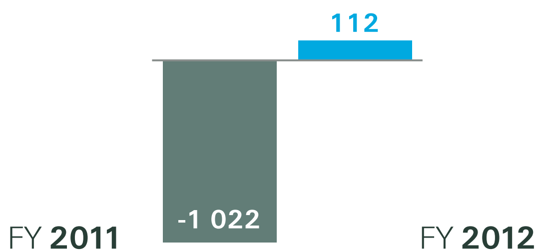
Admin Re®
EVM profit driven by gain on sale of Admin Re® US and investment result, partially offset by previous years' business loss

PV new business premiums and fees
USD m



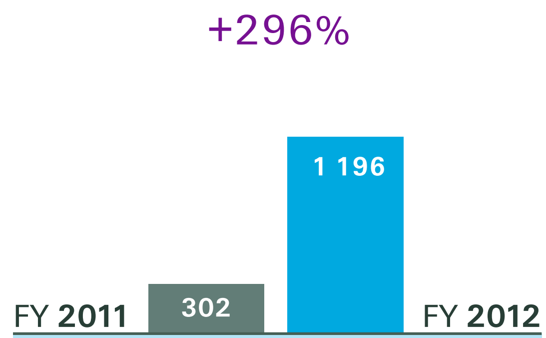
- Present value of FY 2012 premiums driven by two large UK longevity transactions (10% retained in Admin Re®, 90% retroceded to L&H Reinsurance)
- FY 2011 driven by Alico UK transaction

EVM profit
USD m



- 2012 EVM profit mainly driven by
  - asset gains mainly from credit spread tightening, USD 0.5bn
  - EVM gain on sale of Admin Re® US business, USD 0.2bn
  - previous years' business loss from corporate realignment and continued investment in Admin Re®, USD -0.5bn
- EVM loss in 2011 mainly driven by investment activities

Gross cash generation[1]
USD m

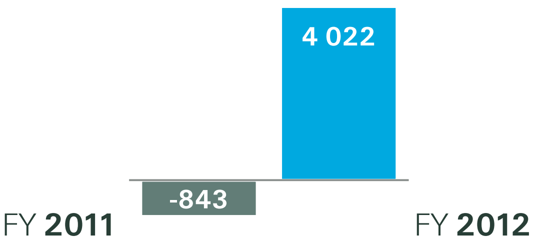


- Increase of gross cash generation mainly due to sale of Admin Re® US
- Total cash payments to Group of USD 1.4bn, of which dividends USD 1.0bn and internal loan repayments of USD 0.4bn

[1] Estimated Gross Cash Generation (GCG). Final 2012 GCG position expected post regulatory capital submissions in April 2013

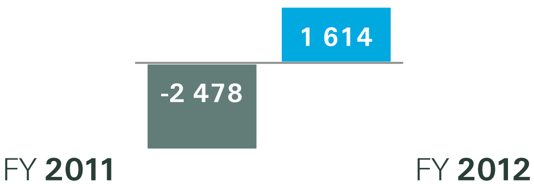
Investment activities
Strong result driven by fixed income gains

Outperformance
USD m



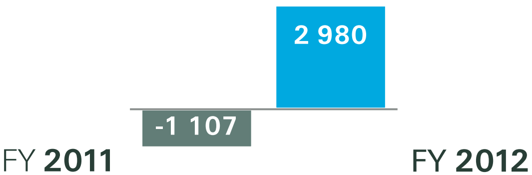
- Outperformance primarily driven by fixed income gains from impact of spreads tightening on credit exposure
- Additional gains from equities, private equity, direct real estate, and strategic investments

EVM profit
USD m



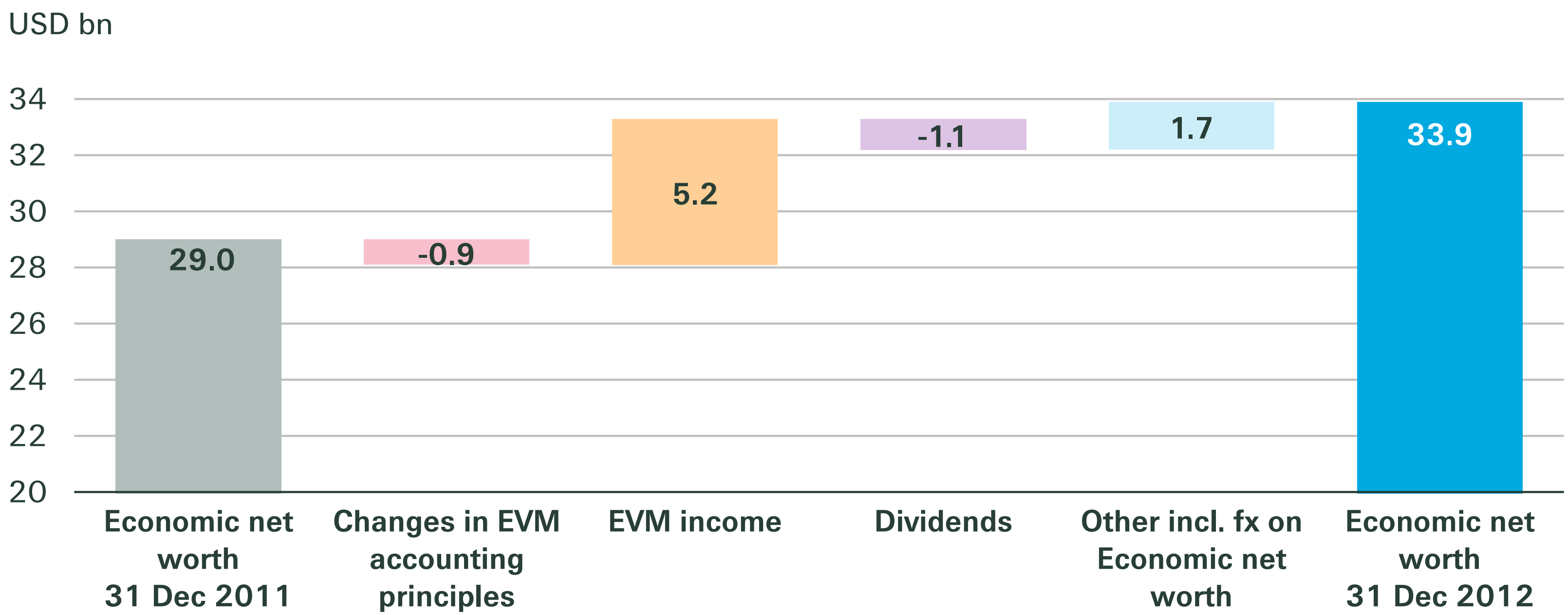
- Positive result mainly driven by corporate credit, as spreads tightened, and strong performance on equity and private equity investments

EVM income
USD m



- Represents the total return for shareholders, in excess of liability-based benchmark
- All business segments contributed positively

Economic net worth (ENW)
EVM income drives strong increase



- Changes in accounting principles related to new method of modelling and steering liquidity risk ("Funding Cost Framework")
- "Other" includes foreign exchange movements, purchases of treasury shares and certain non-cash relevant economic net worth movements

Reconciliation EVM Economic Net Worth to US GAAP shareholders' equity

USD billions	P&C Re	L&H Re	Reinsurance	Corporate Solutions	Admin Re®	Group items	**Total** (after consolidation)
2012 US GAAP shareholders' equity	**12.4**	**8.3**	**20.7**	**3.0**	**6.7**	**3.6**	**34.0**
Discounting	4.4	0.5	4.9	0.4	-2.5	0.0	0.1[1]
M-t-m on assets and debt	2.2	-2.4	-0.2	0.0	-0.2	0.0	-0.4
Reserving basis							
GAAP margins		13.2	13.2		0.6		13.8
Other	0.8	0.3	1.1	0.6	-0.8	-0.5	0.4
Recognition differences	-0.3	0.1	-0.2	0.0	0.7	0.0	0.5
Goodwill & other intangibles	-2.4	-2.1	-4.5	0.0	0.0	0.0	-4.5
Additional tax liability	-0.7	-2.0	-2.7	-0.1	1.3	0.2	-1.3
Other	-0.3	0.1	-0.2	0.0	0.0	0.1	-0.1
Frictional capital costs	-0.5	-7.0	-7.5	-0.2	-0.9	0.0	-8.6
Total 2012 Economic net worth	**15.6**	**9.0**	**24.6**	**3.7**	**4.9**	**3.4**	**33.9**[1]

- Consistent economic treatment of assets and liabilities (discounting) drives ENW uplift in P&C
- US GAAP margins increased in 2012 as a result of positive mortality assumption changes and higher new business volumes
- ENW of Admin Re® lower than US GAAP equity mainly due to lower discount rates in EVM for liabilities compared to US GAAP locked-in assumptions

[1] Total (after consolidation): Discounting includes USD -2.7bn from consolidation

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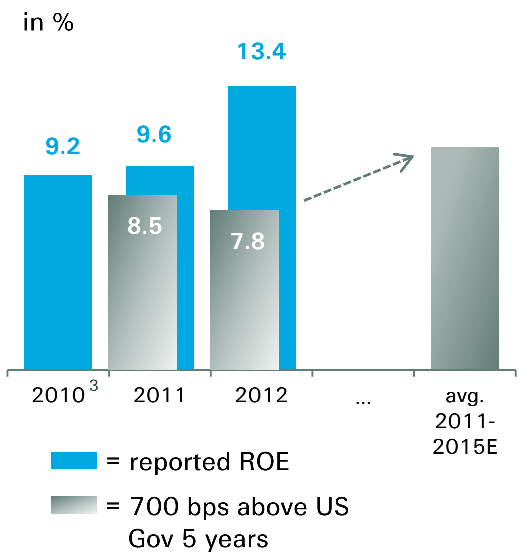
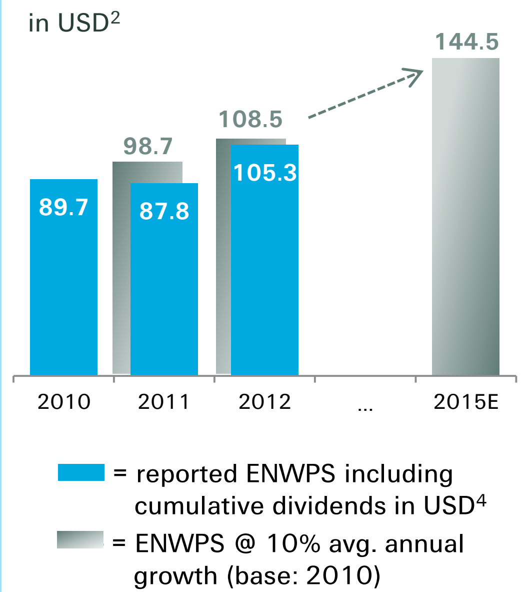
Group financial targets
Well on track

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



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

ENW per share growth plus dividends 10% avg. annual growth rate over 5 years



1 EPS CAGR of 10% has been adjusted to 5% for 2013 to account for the distribution of excess capital through a proposed special dividend of approx. USD 1.5bn. Special dividend assumed to be fully reinvested and thus comparable to excess capital re-deployment via share buyback at a share price of approx. CHF 70
2 Assumes constant foreign exchange rate
3 Excl. CPCI
4 Cumulative dividends included in ENW per share were translated from CHF to USD using the fx rate of the dividend payment date; dividends included for 2011: USD 3.1 (CHF 2.75), 2012: USD 6.4 (additional CHF 3.00 or USD 3.3 on top of the 2011 dividend)

Appendix

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EVM segmental income statement 2012

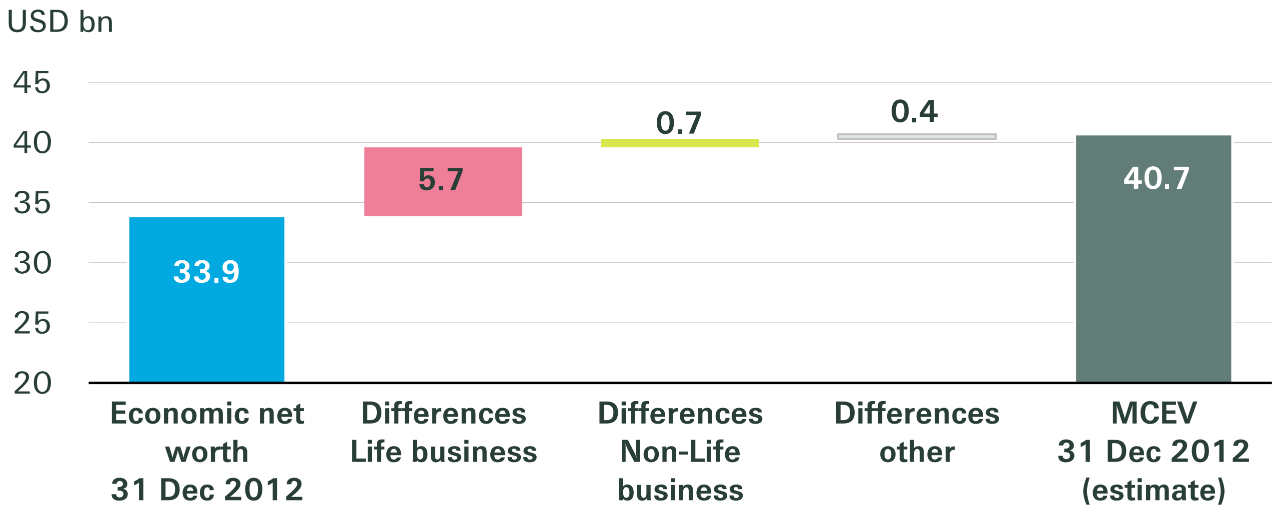
USD millions	P&C Re	L&H Re	Reinsurance	Corporate Solutions	Admin Re®	Group items	**Total**
Underwriting result							
New business result							
Premium and fees	14 562	14 301	28 863	2 465	379		31 707
Claims and benefits	-8 691	-10 969	-19 660	-1 444	-350		- 21 454
Commissions	-2 720	-1 186	-3 906	-258			- 4 164
Expenses	-1 209	-733	-1 942	-524	-66	-135	- 2 667
Taxes	-471	-316	-787	-40	8	63	- 756
Capital costs	-279	-416	-695	-98	-6	47	- 752
Other	-38	-35	-73	-4	-2	12	- 67
Sale of Admin Re® US					153		153
New business profit	**1 154**	**646**	**1 800**	**97**	**116**	**-13**	**2 000**
Previous years' business profit	**910**	**137**	**1 047**	**12**	**-486**	**-35**	**538**
Profit underwriting	**2 064**	**783**	**2 847**	**109**	**-370**	**-48**	**2 538**
Investment result							
Outperformance	1 396	806	2 202	304	1 232	284	4 022
Expenses	-151	-80	-231	-16	-74	-28	- 349
Taxes	-185	-257	-442	-58	-311	-15	-826
Capital costs	-576	-264	-840	-52	-389	-50	-1 331
Other	40	29	69	5	24		98
Profit investment activities	**524**	**234**	**758**	**183**	**482**	**191**	**1 614**
Total profit	**2 588**	**1 017**	**3 605**	**292**	**112**	**143**	**4 152**
Cost of debt	-293	-880	-1 173			-157	-1 330
Release of total current year capital costs	966	743	1 709	179	509	-1	2 396
Income	**3 261**	**880**	**4 141**	**471**	**621**	**-15**	**5 218**

Swiss Re

EVM balance sheet 2012

31 December 2012, USD millions	P&C Re	L&H Re	Reinsurance	Corporate Solutions	Admin Re®	Group items	Consoli-dation	Total
Assets								
Investments	57 293	39 724	97 017	6 835	56 864	7 342	-7 252	160 806
Cash and cash equivalents	6 905	1 412	8 317	978	1 472	71		10 838
In-force business assets	11 135	186 880	198 015	1 813	5 160	3		204 991
External retrocession assets	8 904	48 618	57 522	2 004	32			59 558
Other assets	4 746	1 506	6 252	-6	515	376	-4 045	3 092
Total assets	**88 983**	**278 140**	**367 123**	**11 624**	**64 043**	**7 792**	**-11 297**	**439 285**
Liabilities								
In-force business liabilities	50 248	190 774	241 022	6 625	56 839	608	2 274	307 368
External retrocession liabilities	4 163	47 363	51 526	451	358			52 335
Provision for capital costs	869	6 767	7 636	289	861	2	447	9 235
Future income tax liability	1 407	3 675	5 082	207	-92	-40		5 157
Debt	8 012	16 615	24 627		784	1 292	-3 757	22 946
Other liabilities	8 638	3 952	12 590	377	406	2 483	-7 540	8 316
Total liabilities	**73 337**	**269 146**	**342 483**	**7 949**	**59 156**	**4 345**	**-8 576**	**405 357**
Economic net worth (ENW)	**15 646**	**8 994**	**24 640**	**3 675**	**4 887**	**3 447**	**-2 721**	**33 928**

MCEV and EVM 2012 comparison
MCEV recognises higher value than EVM



- In line with MCEV guidelines, swap yield curves are used as reference rates, compared to government rates in EVM
- No credit for liquidity premiums is reflected in either EVM or MCEV
- Differences between EVM and MCEV are mainly related to capital costs
  - EVM frictional capital costs are a 4% charge on EVM capital and 2% charge on leverage
  - MCEV costs of residual non-hedgeable risks are shown at 3% on 99.5% Value-at-Risk, which are lower than EVM frictional capital costs

Designation relates to type of business rather than Business Unit

EVM developments in 2012 and 2013

2012

- EVM segment reporting has been aligned with US GAAP reporting, reflecting the new Group structure
- Swiss Re introduced a new method of modeling and steering liquidity risk, referred to as the Funding Cost Framework. The new framework measures and recognizes capital costs by explicitly including liquidity funding or consumption as an element of capital determination

2013

- The method to calculate taxes will be changed and aligned to the current SII guidance; the new approach will be based on US GAAP taxes plus adjustments for EVM recognition differences
- Effective 1 January 2013, the frictional capital costs charged to consumers of leverage have been refined: charges are now higher the longer leverage is required; until the end of 2012, a flat charge was applied

Corporate calendar & contacts

Corporate calendar

18 March 2013	**AGM Briefing Call**	Conference call
10 April 2013	**149th Annual General Meeting**	Zurich
02 May 2013	**First Quarter 2013 results**	Conference call
24 June 2013	**Investors' Day**	Zurich
08 August 2013	**Second Quarter 2013 results**	Conference call
07 November 2013	**Third Quarter 2013 results**	Conference call

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Cautionary note on non-GAAP financial measures

This presentation includes information on Economic Value Management ("EVM") which contains non-GAAP financial measures. EVM is not based on US GAAP, which are the principles in accordance with which Swiss Re prepares its financial statements, and should not be viewed as a substitute for US GAAP financial measures. Among other items, the EVM income statement (and its components) should not be viewed as a substitute for the income statement (and its line items) included as part of Swiss Re's US GAAP consolidated financial statements, and the Economic net worth figure should not be viewed as a substitute for shareholders' equity as reported in Swiss Re's US GAAP consolidated balance sheet. Nonetheless, Swiss Re believes that EVM provides meaningful additional measures to evaluate its business.

Swiss Re

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" 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, including as a result of concerns over, or adverse developments relating to, sovereign debt of euro area countries;
- further 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 interpretations 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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