Swiss Re

Swiss Re Ltd

4th Annual General Meeting
Zurich, Tuesday, 21 April 2015

Address
by

Walter B. Kielholz
Chairman of the Board

Check against delivery

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Dear shareholders, ladies and gentlemen

Since we have a real "voting marathon" ahead of us again today, I will keep my comments short. Swiss Re was able to achieve a solid result in a very challenging environment. Michel Liès will present these in detail in a moment.

The headlines in the financial press remind us daily that crisis management, which was necessary seven years ago following the financial crisis, has unfortunately now become a permanent fixture. Persistent historically low interest rates are distorting the financial markets and creating false incentives. At the same time, they are allowing governments to put off the reforms that are urgently needed to return us to growth. It is largely savers who are paying the price, as low interest rates are, in effect, nothing more than a tax on savings.

But this low interest rate environment is also a huge challenge for large institutional investors such as reinsurers. The longer it continues, the more it erodes our current investment income and gross margins. In order to at least partially compensate for this, Swiss Re has imposed strict guidelines to its underwriting of insurance risks. This has paid off in recent years and technical margins are very high, as demonstrated by our solid results in 2014.

But let's look to the future: how we should measure our success and what effects our decisions will have on our results are key questions in this difficult economic environment. The more difficult it becomes to generate attractive returns on our investments, the more important it is that we consider exactly where and how we invest – in insurance risks or investment risks, how much, where and in which types of risk. I would like to share some thoughts on this from an economic perspective, which makes things look a little different from the accounting perspective based on US GAAP - accounting standards we use.

As I already mentioned, where and how we invest the money you entrust to us is crucial to our current and future success. In order to make these strategic decisions, we need to have as complete a picture as possible of the advantages and disadvantages of all the possible alternatives. That's why we take our business decisions based on a valuation method, as this gives us a better picture of insurance and investment risks than a pure accounting approach. You can find information on the EVM Report, short for Economic Value Management Report, in the Annual Report or on the Swiss Re website. EVM is our economic valuation and steering framework. It is based on market consistent valuations and is the method we use to measure value creation for our business activities. Many companies use this approach, which is often referred to as EVA (economic value accounting). We disclose the details of the principles behind this method so that anyone can evaluate our performance from an economic view in addition to the one provided by US GAAP. This EVM approach has been the basis for our strategic financial decisions since 2003. We have been publishing EVM figures since 2007, but our auditors PricewaterhouseCoopers have now for the first time in 2014 also audited our EVM results and submitted a report on them.

Incidentally, the EVM valuation approach has become widely used for insurance regulation purposes in recent years – in Switzerland in the context of the Swiss Solvency Test and in Europe as part of Solvency II. I think we can be proud of the fact that we took a leading role early on in its development and application in our industry.

Why do we go to the effort of drawing up our financial data using our proprietary economic valuation approach? The reason is simple: we want to be able to verify whether every decision we take is in the interests of this company's shareholders. The EVM approach allows us to do this better than by simply analysing figures according to accounting principles. Even the ruling powers in the field of accounting regulation, i.e. the bodies that lay down accounting principles, recognise that US GAAP has significant flaws when applied to insurance business. The work on a new set of rules, however, seems to be dragging on endlessly.

Allow me to explain EVM further. The economic net worth of a reinsurer such as Swiss Re is based almost entirely on two central pillars: the valuation of the reinsurance agreements in our portfolio and the valuation of our investments. By evaluating these two main pillars on the basis of economic criteria, we arrive at our company's economic value.

A key principle in this is the market consistent valuation of all cash flows and risks to which Swiss Re as a company – as well as the capital you provide us with – is exposed. If we always know what the commitments we make in our daily business are worth today and how they will develop over time – based on current market values – we can optimally invest the capital made available to us. For life insurance policies, which often run over several decades, for example, this long-term view taken according to EVM is particularly useful as it allows us to model the value of these policies over their entire term.

The internal separation of insurance business from investment business is a second basic principle of the EVM approach. This allows us to be transparent. We can see how much we are earning from underwriting, i.e. from writing risks, and the returns we are generating on our investments of around USD 125 billion (as at the end of 2014). Investment activities are assessed on a risk-adjusted basis. This makes it possible for us to make a meaningful comparison of insurance and investment activities.

A third key EVM principle, which is particularly important for you as shareholders, is that capital costs are systematically taken into account. We call this the risk-adjusted perspective. It creates transparency in terms of the effects our decisions have on shareholders' capital contributions. That way we ensure that your expectations of a risk-appropriate interest rate being paid on capital employed are taken into consideration in all decisions.

In short, deriving economic value using the EVM method has clear advantages over US GAAP: it tells us how much value we have actually created in a reporting year. It shows you in a more transparent way how our management has been working. And, above all, it gives us better information for managing how capital is allocated across the three pillars of our Group: Reinsurance, Corporate Solutions and AdminRe®.

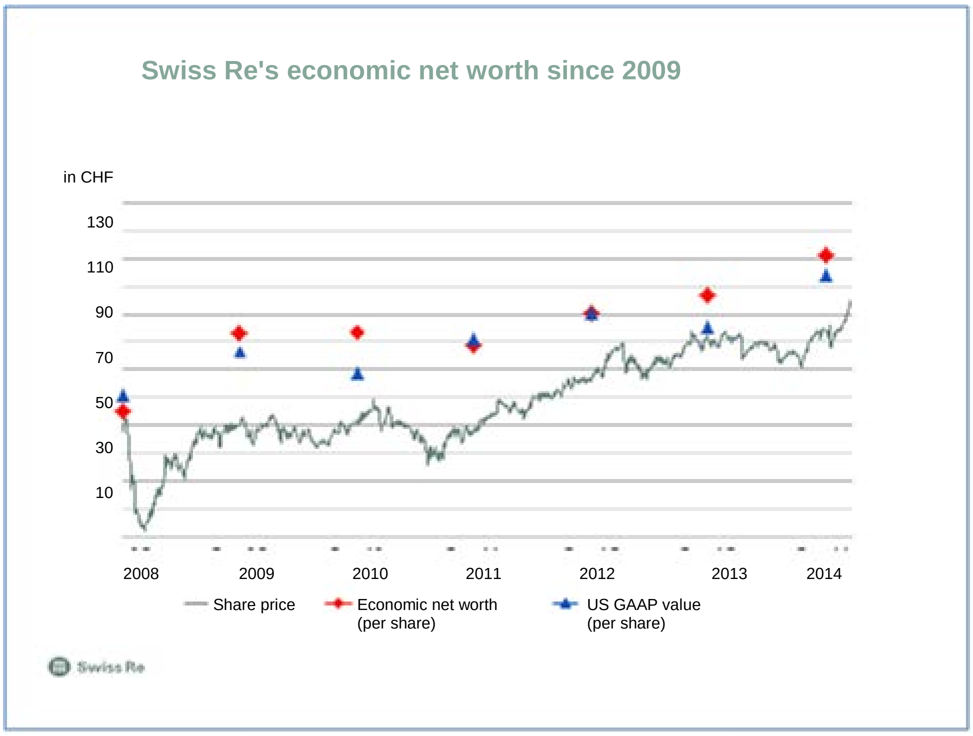


Chart 1 shows you the trend in economic net worth since 2009. For comparison, the chart also shows the development in value according to US GAAP and the market value. All the figures are per share.

You can see here that our economic net worth has increased significantly in recent years – despite the large dividends paid out to our shareholders. We invest a portion of our profits in line with our return expectations and invest in our growth. Surplus income that we don't need for this can be distributed to you.

This brings me to the second point of my short presentation: our dividend policy. In these times of low returns on savings capital and pension fund assets, it will be of particular interest to many of you what dividend yield you can expect on your Swiss Re shares.

Companies can distribute their profits to their owners in several ways, such as through ordinary dividends, special dividends, or share buy-backs.

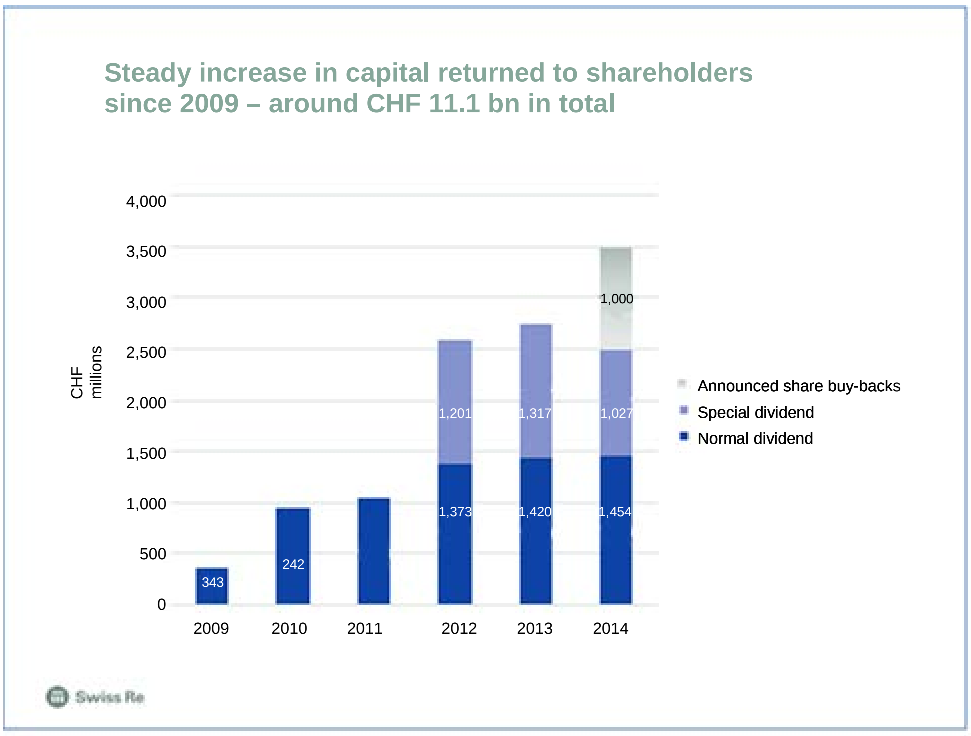
An ordinary dividend is the interest that we always want to pay out under "normal" circumstances. We determine the level based on fair expectations in terms of the performance of the capital made available to us.

You now know that it is in the nature of our business as a globally active reinsurer that in addition to "normal years", there are also years when we achieve significantly better – and from time to time, worse – annual results. This depends on whether, and if so how, we are affected by major loss events.

It may therefore be the case that, thanks to a low impact from major loss events, we are able to generate profits that are significantly larger than the amount of additional capital that we need for our business and growth. In such a case, it makes sense to return these capital surpluses to our shareholders. We have paid out special dividends like these over the last few years (since 2009) totalling around CHF 3.5 billion. For tax reasons, we were able to take the opportunity to pay out tax-exempt dividends from our capital reserves each time – and this year now too. If you agree to today's dividend proposal – and I have no doubt that you will – we will have refunded to our shareholders the entire reserve to be used for the tax-exempt dividend.

The distribution of normal dividends is rather unattractive for you as company owners given the double tax burden, as the profits will first be taxed as corporate profit before withholding tax is charged on the dividend paid out to you; or else you must pay tax on it as income or go through the arduous process of reclaiming it.

That brings me to the next possible way of returning money to shareholders: buying back our own shares. This seems to us to be a rather attractive option at the moment, especially since our economic net worth at the end of 2014 was calculated at around CHF 38 billion, significantly above market capitalisation, which at the end of 2014 was around CHF 31 billion. We can use the difference to buy back our own shares at a better price, i.e. below their actual value.



In Chart 2, you can see how much and in what form we have returned capital surpluses to you as company owners over the last few years.

By buying back our own shares and decreasing their total number by way of cancelling them, earnings per share will increase in the future. This effect will also be intensified over time. You therefore benefit from the return of surplus capital in a tax-effective way and a solid return – in comparison with dividend payouts. We are therefore today proposing a share buy-back programme of up to CHF 1 billion. The buy-back could take place at any time before the next Annual General Meeting in 2016. This programme will thus repatriate capital that we don't need. It is important to be aware that we will only carry out the share buy-back where circumstances allow. If the situation changes as a result of a new major loss event, we can stop the buy-back programme at any time.

Let me conclude: we are optimistic about the future because we are well prepared! Our financial strength makes us an attractive partner for globally diversified large risks. Our

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corporate diversification through our Corporate Solutions Business Unit ensures that we have direct access to such large risks beyond our existing reinsurance clients. With 12,000 highly qualified employees worldwide, we create tailor-made solutions for our clients. We make it possible for them to take on risk, thus contributing to economic growth and business development. Because business innovation always entails risk. By helping to manage these risks, we have been, remain and will continue to be, a strong partner for our clients around the globe.

Thank you for your attention.