



# Second Quarter 2010 results

Analyst and investor conference call

Zurich, 05 August 2010



## Today's agenda

- Introduction Susan Holliday, Head IR
- Business performance George Quinn, CFO
- Summary and outlook Stefan Lippe, CEO
- Questions & answers



# Introduction

Susan Holliday, Head IR



# Business performance

George Quinn, CFO



## Q2 2010 Highlights

Strong performance despite high level of claims

- **Q2 2010 net income of USD 812m (vs loss of USD 342m in Q2 2009)**
  - Annualised RoE of 13.4% in the quarter
- **Shareholders' equity increased by USD 1.3bn to USD 27.5bn**
  - Book value per ordinary share CHF 78.44, up 9% (USD 72.51)
- **Estimated excess capital above AA capital requirement**
  - >USD 10bn at end Q2 2010
- **P&C strong underlying results but large losses above expectations**
- **L&H results impacted by challenging financial markets and economic conditions**
- **Excellent Asset Management performance**
  - Rol of 5.8%, total return of 13.2%
- **Legacy - good progress in de-risking**

## Key figures

USD, unless otherwise stated

	Q2 2009	Q2 2010
■ Group net income <sup>1</sup>	-0.3bn	0.8bn
■ P&C combined ratio	89.4%	102.0%
■ Return on equity	-7.4%	13.4%
■ Earnings per share (USD)	-1.01	2.37
(CHF)	-1.13	2.56
	Q1 2010	Q2 2010
■ Shareholders' equity <sup>2</sup>	26.2bn	27.5bn
■ Book value per share (USD) <sup>3</sup>	68.62	72.51
(CHF)	72.23	78.44

<sup>1</sup> Group net income attributable to shareholders (after interest payment for CPCI and excluding non-controlling interests)

<sup>2</sup> Shareholders' equity excluding non-controlling interests

<sup>3</sup> Basic BVPS, excluding CPCI and non-controlling interests

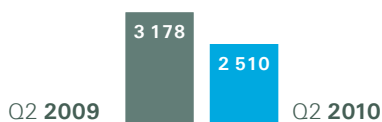
## Property & Casualty

Strong underlying performance adversely impacted by high nat cat and man-made losses

### Premiums earned

USD m

-21.0%

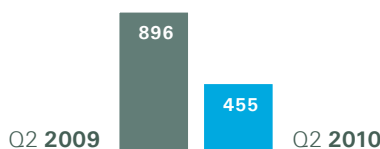


- Premiums earned decreased by 21.0%, driven by lower January renewals reflecting our active cycle management and portfolio steering
- Includes adjustments to the earnings pattern of nat cat premiums

### Operating income

USD m

-49.2%

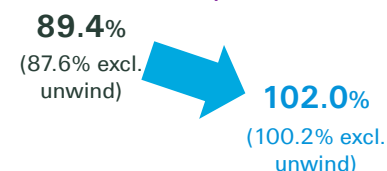


- Underwriting result impacted by unfavourable net claims experience including Chile development of USD 130m and Deepwater Horizon USD 200m
- Net investment income decreased by USD 184m due to lower interest rates and reduced level of reserves

### Combined ratio, trad.

%

+12.6pts.



Q2 2009 Q2 2010

- Strong underlying performance but high man-made losses and unfavourable nat cat experience
- Net impact from natural catastrophes was 7% pts, which is 2% pts above expected
- Expense ratio stable at 10.8%

# Property & Casualty

Underwriting result impacted by earthquake Chile increase and Deepwater Horizon

Swiss Re



## P&C traditional combined ratios

%, premiums and operating income in USD m

	Q2 2009	Q2 2010	Main drivers of change	Premiums	Operating income
Property	67.7%	94.1%	■ Q2 2009 benefited from good nat cat experience, while Q2 2010 was impacted by estimate increase for Chile earthquake	953	81
Casualty	103.8%	124.8%		823	109
Liability	103.8%	138.3%	■ Q2 2010 impacted by large losses, including Deepwater Horizon oil rig	431	18
Motor	98.2%	111.6%	■ Driven by unfavourable net premium updates in prior underwriting years	285	37
Accident (A&H)	122.1%	105.6%	■ Low volume	107	54
Specialty	101.1%	84.6%		650	199
Credit	111.9%	54.2%	■ Positive retained development and favourable effects from 2010 portfolio changes	153	123
Other Specialty	96.3%	94.0%	■ Mainly driven by lower expenses	497	76
<b>Total traditional excl. unwind</b>	<b>89.4%</b>	<b>102.0%</b>		<b>2 426</b>	<b>389</b>
<b>Total non-trad.</b>				<b>84</b>	<b>66</b>
<b>Total</b>				<b>2 510</b>	<b>455</b>

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# Life & Health

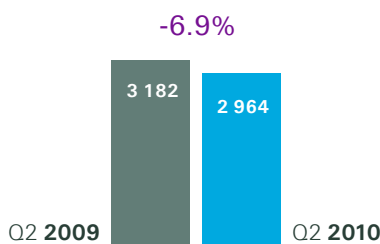
Mortality experience offset by financial market performance

Swiss Re



## Operating revenues

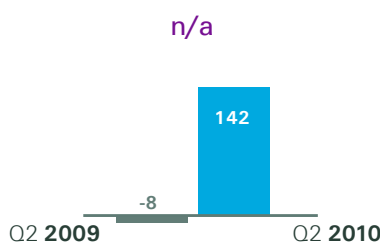
USD m



- Lower premium driven by retrocession transaction and fee income, partly offset by new business
- Excluding FX and the retrocession, premiums and fees were 7% higher than in Q2 2009, driven by global new traditional life business and new traditional health business, primarily in Asia

## Operating income

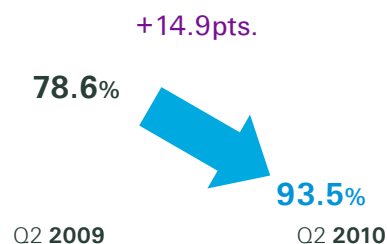
USD m



- Mortality experience favourable in both periods, morbidity slightly unfavourable
- VA and pre-2000 GMDB gain of USD 74m
- Result impacted by cedent reporting
- Challenging financial markets led to lower investment returns, driven by declining risk-free rates and lower fees in Admin Re®

## Benefit ratio

%



- Approximately 6% point increase related to VA and pre-2000 GMDB in volatile markets
- Approximately 4% point increase related to Q2 2009 effect of the rescission of a disability contract and certain commutations

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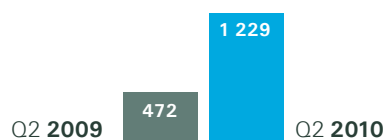
## Asset Management

Strong returns helped by lower interest rates

### Operating income<sup>1</sup>

USD m

+160%

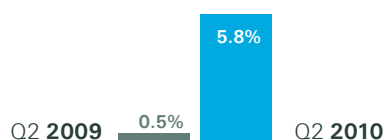


- AM investment portfolio of USD 141.3bn (excl. unit-linked and with-profit)
- AM fixed income running yield of 4.4%
- Impairments USD -75m
- Short duration reduced during Q2, DV01 USD 5.7m

### Return on Investments

%

+5.3pts.

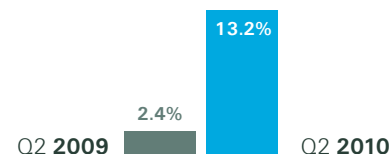


- Rol of 2.9% for rates, 5.9% for credit and 4.5% for equities and alternative investments
- FX positively impacted ROI by 1.8% during Q2 2010

### Total return<sup>2</sup>

%

+10.8pts.



- Total return Q2 2010 of 12.2% for rates and 12.1% for credit
- Equities and alternative investments -4.8%, driven by decline in equity markets
- FX positively impacted total return by 1.8% during Q2 2010

<sup>1</sup> Minority interests included in operating income but excluded from the Rol and Total Return

<sup>2</sup> Total return includes change in unrealised gains/losses

## Legacy

Further substantial progress in de-risking

- Sale of all the remaining assets from the former Structured CDS positions during Q2 2010 with a loss of USD 27m
- Reduction of FG Re notional of USD 1.0bn during Q2 2010
- Reduction in PCDS notional of USD 0.3bn

### Operating income split

USD m

	Q2 2009	Q2 2010
Financial Guarantee Re	-116	-4
Former Trading Activities <sup>1</sup>	181	-50
<b>Total</b>	<b>65</b>	<b>-54</b>

<sup>1</sup> Includes remaining PCDS and realised losses from exiting remaining former Structured CDS



## Group items

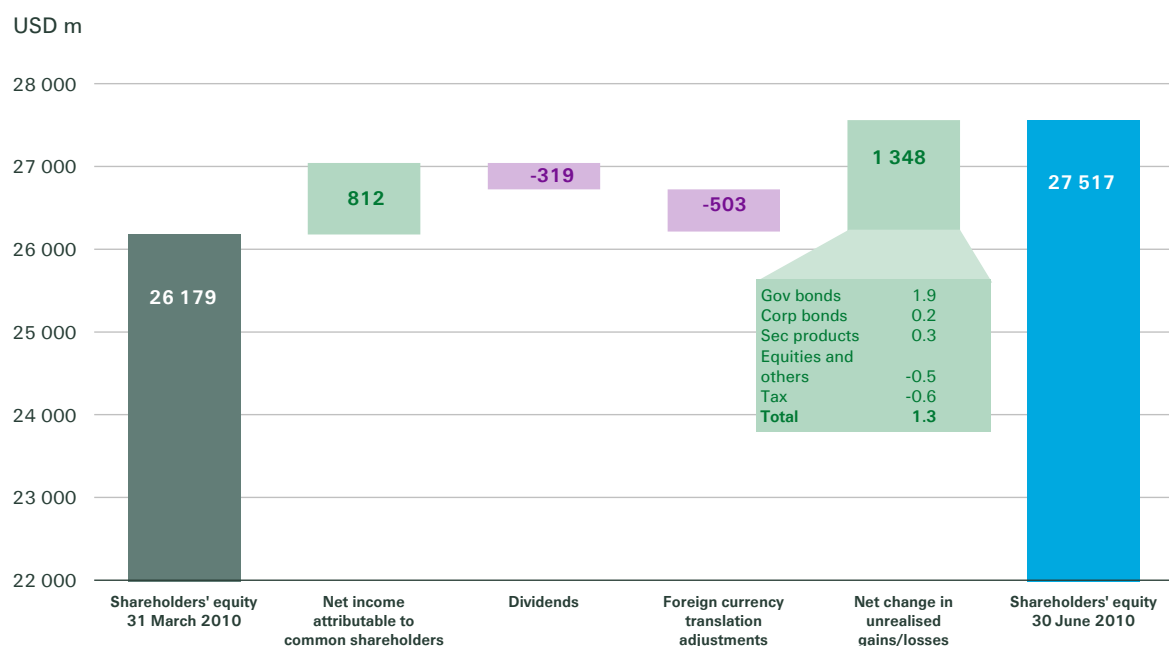
Increase in income driven by investment gains and FX

USD m	Q2 2009	Q2 2010	Change
<b>Operating income/loss</b>	-833	195	n.a.

- Change driven by net realised gains / losses
- Realised gains in Q2 2010 of USD 0.5bn, largely driven by USD 0.2bn m-t-m gains on assets designated as trading and USD 0.3bn FX gains, particularly due to the depreciation of EUR and GBP against the USD
- Q2 2009 had USD -0.5bn realised losses mainly driven by FX of USD -0.3bn as the EUR and GBP appreciated against the USD

## Shareholders' equity Q2 2010

Increase driven by net earnings and unrealised gains, partly offset by FX





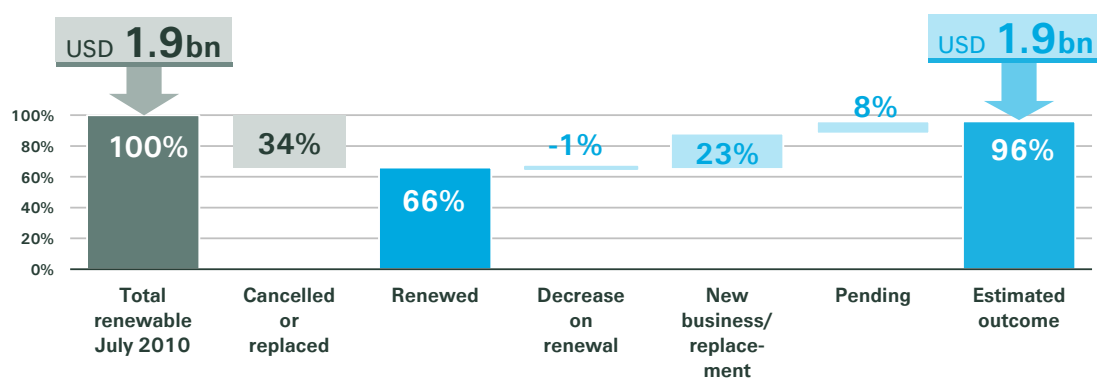
# Summary and outlook

Stefan Lippe, CEO

## July 2010 renewals

Price adequacy maintained by cycle management

### Total treaty portfolio



- Further shift from high volume, low return proportional business to more attractive non-proportional structures
- Increased higher return Property business while slightly reduced Casualty business, which has not adjusted to lower yield environment



## July 2010 renewals

Portfolio optimised to maintain price adequacy

- Successful July renewal in an increasingly competitive environment where market rates continue to decline
- Rate increases confined to local markets and loss affected programmes e.g. Chile earthquake, offshore energy risks in the Gulf of Mexico and Australia storm covers
- Active cycle management and portfolio steering allowed Swiss Re's price adequacy to remain stable despite market prices modestly decreasing by approximately 3%
- YTD July 2010 long-term price adequacy for Swiss Re is estimated to be 3 points higher than YTD July 2009 due to portfolio shifts



## Summary and outlook

- Strong results despite high P&C claims
- Excellent asset management performance
- P&C book well positioned
- L&H will benefit from recovery in global economy
- Legacy de-risking to be substantially completed by end of 2010
- 12% ROE target over the cycle

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The preferred partner
<b>Investors</b>
An excellent investment
<b>Employees</b>
The place to succeed
<b>Competitors</b>
A serious challenge
<b>Society</b>
A credible partner

- Capital strength, expertise and continued innovation position us well to support clients



# Questions & answers



## Corporate calendar & contacts

### Corporate calendar

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13 September 2010  
04 November 2010  
17 February 2011

**Investors and Media meeting**  
**Third Quarter 2010 results**  
**Annual Results 2010**

Monte Carlo  
Conference call  
Zurich

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- changes 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 under derivative contracts due to actual or perceived deterioration of Swiss Re's financial strength;
- 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 its 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 hedging arrangements may not be effective;
- the lowering or loss of financial strength or other ratings of one or more of the companies in the Group or developments adversely affecting the ability to achieve improved ratings;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- the frequency, severity and development of insured claim events;
- acts of terrorism and acts of war;
- mortality and morbidity 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 regulatory or legal actions;
- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions, including, in the case of acquisitions, issues arising in connection with integrating acquired operations;
- 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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