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# Annual EVM results 2011

Zurich, 16 March 2012

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# 2011 Financial Highlights
## Significant nat cats and challenging financial markets

- **EVM loss USD 1.7bn**
  - Represents risk adjusted return. Loss driven by volatile markets and nat cat activities
- **Resilient P&C new business result USD 1.0bn**
  - Profit margin on new business 18.0%, excluding excess nat cats
- **Significantly improved L&H new business result USD 0.4bn**
  - Profit margin 5.4%
- **Investment activities performance negatively affected by market volatility**
  - Underperformance against the liability-based benchmark of 0.6bn
- **Economic net worth per share USD 84.72**
  - USD 89.71 at end 2010
  - Economic net worth per share growth plus dividend -2.1%

Financial results are for Swiss Re Ltd (the new parent company of the Swiss Re Group) and its subsidiaries (including Swiss Reinsurance Company Ltd (SRZ)). Financial results were prepared as if Swiss Re Ltd held 100% of SRZ for the periods presented.



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# Key figures

USD, unless otherwise stated

| | FY 2010 | FY 2011 |
|---|---|---|
| ■ Group EVM income[1] | 3.2bn | 0.8 bn |
| ■ EVM profit/loss (risk adjusted) | 1.3bn | -1.7bn |
| – EVM profit on new business | 1.2bn | -1.6bn |
| – EVM profit on previous years' business | 0.1bn | -0.1bn |
| ■ New business profit margin | 6.7% | -7.0% |

| | FY 2010 | FY 2011 |
|---|---|---|
| ■ Economic net worth | 30.7bn | 29.0bn |
| ■ Economic net worth per share (USD) | 89.71 | 84.72 |

[1] Group EVM income attributable to shareholders

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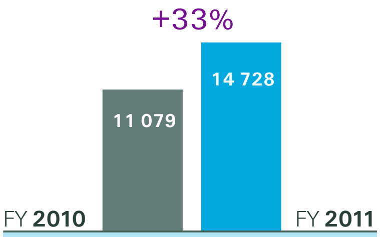
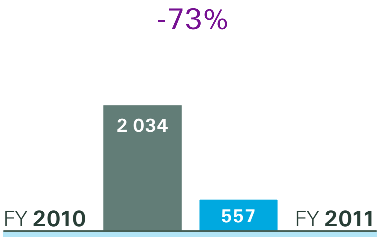
# Property & Casualty
## Continued strong underwriting, impacted by natural catastrophes

### PV new business premiums
USD m



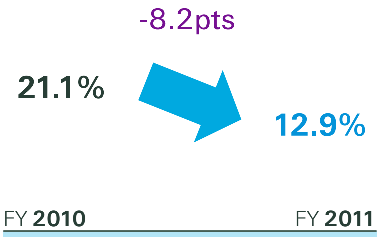

- Present value of new business premiums increased 33%, reflecting higher business volumes, notably in Asia
- At constant fx rates, premiums increased by 29%

### EVM profit
USD m




- Resilient new business result of USD 1.0bn, impacted by nat cat activities
- Previous years' business loss of USD 0.5bn driven by earthquakes in Japan and New Zealand and floods in Australia, partially offset by favourable claims development of prior underwriting years

### Profit margin new business
%




- New business profit margin of 18.0% in 2011, excluding excess nat cats
- Previous years' business profit margin of -7.6% as nat cat losses were partially offset by favourable net reserve development



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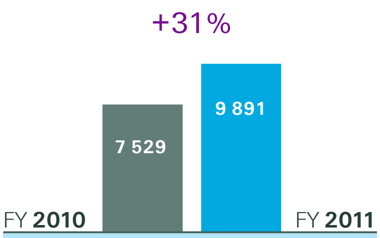
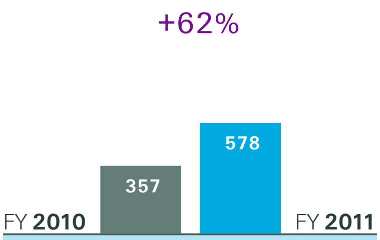
# Life & Health
## EVM new business profit rose by 48%

### PV new business premiums
USD m



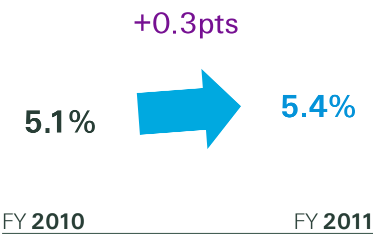

- Present value of premiums and fees increased 31%, driven by Admin Re® new business and growth in Traditional Life & Health
- Average risk free rates declined by 55bps for GBP and 50bps for USD in 2011, driving an increase in the present value of premiums and fees
- At constant fx rates, premiums increased by 27%

### EVM profit
USD m




- New business profit of USD 407m was driven by Admin Re® new business and broad increases in volume and margins in Health
- Previous years' business profit of USD 171m; morbidity experience and related assumption changes in Health were partially offset by model updates, assumption changes and experience in Admin Re®

### Profit margin new business
%




- Improved margins in all areas
- Previous years' business profit margin of 2.0%. Favourable current year morbidity and mortality experience supplemented by positive impact of assumption changes for mortality, morbidity and persistency. Partially offset by Admin Re® model updates and assumption and experience changes

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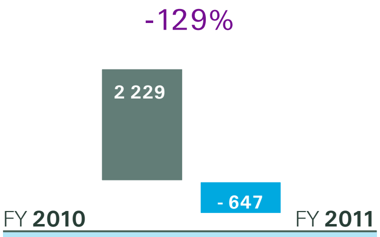
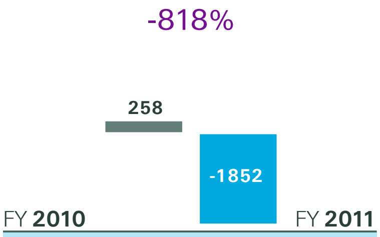
# Asset Management
## EVM loss reflects challenging market environment

### Outperformance
USD m



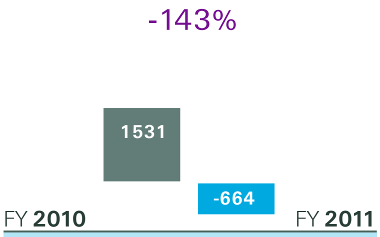

- Underperformance against liability-based benchmark
- Driven by credit spread widening and decline in equity market performance, partially offset by gains on actively managed short duration positions and positive performance by alternative investment portfolio

### EVM profit
USD m




- EVM profit includes capital cost charges of USD 1.2bn (2010: 1.3bn), reflecting market risk premiums and frictional capital costs

### EVM income
USD m




- Represents the total return for shareholders, in excess of liability-based benchmark



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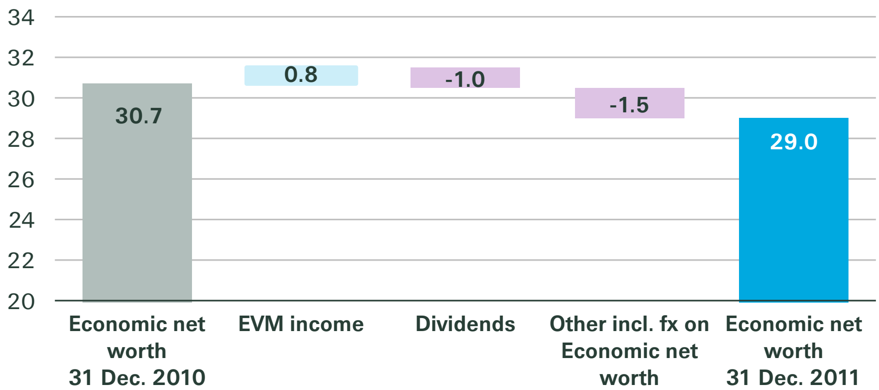
# Economic net worth 2011
## EVM income more than offset by dividends

USD bn




- Decreasing interest rates had no significant impact on the Economic net worth as changes in asset values were offset by changes in liability values
- Nat cat activities, credit spread widening and falling equity markets significantly reduced EVM income
- Other includes foreign exchange movements, share repurchase and changes in certain non cash deferred tax positions

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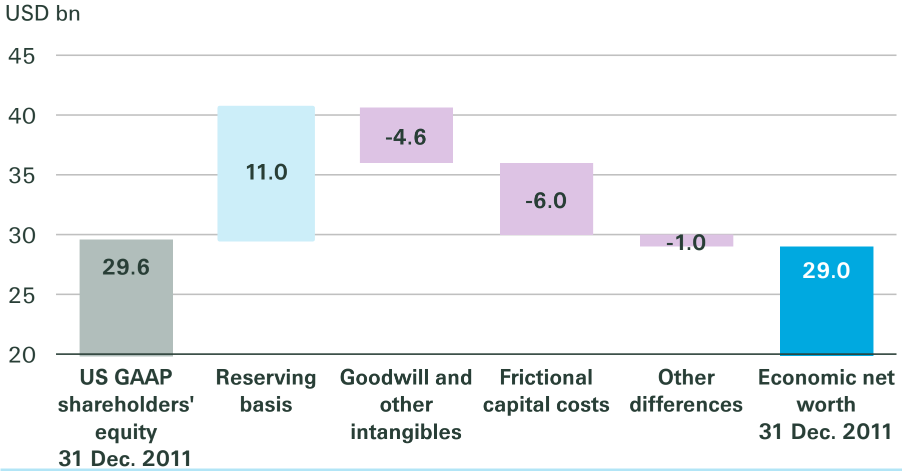
# Reconciliation to US GAAP
## Unrealised interest-related gains in shareholders' equity




- US GAAP shareholders' equity for year end 2011 benefited by USD 7.0bn of gains from falling interest rates. These gains are offset in EVM by increased liability values
- Reserving assumptions for L&H products are generally locked-in under US GAAP
- Frictional capital costs are an EVM liability, representing the opportunity cost of shareholder capital



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# Financial targets
## Committed to achieving our financial targets

| Target (all average over 5 years, 2011-15) | Actual FY 2010[1] | Actual FY 2011 | Actual vs Target |
|---|---|---|---|
| **ROE** "700bps above risk free" | 9.2% | 9.6% 700bps above 1.5%[2] = **8.5%** | ✔ |
| **EPS** "10% annual growth rate (in USD)" | 6.62 | 7.68 Actual growth rate: **16%**[3] | ✔ |
| **ENW per share** "10% average annual growth rate ENWPS plus dividend (in USD)" | 89.71 | 84.72 Actual growth rate: **-2.1%**[4] | ✘ |

1 ROE and EPS shown excluding CPCI
2 Risk free rate = daily average 5 year US Treasury bond yield from 31 December 2010 until 31 December 2011 = 1.5%
3 EPS growth rate from 31 December 2010 until 31 December 2011
4 ENW growth rate from 31 December 2010 until 31 December 2011, including dividends per share paid in 2011

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# EVM developments in 2012
## Disclosures and parameters

- Disclosures
  - EVM segment reporting will align consistently with US GAAP reporting, reflecting the new Group structure
- Parameter change
  - Effective 1 January 2012, frictional capital costs will be allocated based on a weighted average of internal risk capital and regulatory required excess capital rather than based on an equally weighted average of internal risk, regulatory and rating agency capital
  - While the impact will depend on the business mix and jurisdiction, in general Casualty profitability is expected to improve, while the EVM profit of Property & Specialty as well as Life & Health is expected to experience a moderate decline
- Solvency II developments
  - The public debate on liquidity premium is expected to be resolved during 2012 and we will evaluate the implications on EVM

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# Appendix



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## Business segment results FY 2011

| USD m | Property & Casualty | Life & Health | Investment activities | Group items | Total |
|---|---|---|---|---|---|
| Underwriting result | | | | | |
| **New business result** | | | | | |
| Premiums and fees | 14 728 | 9 891 | | 0 | 24 619 |
| Claims and benefits | -9 081 | -7 097 | | 0 | -16 178 |
| Commissions | -2 416 | -1 099 | | 0 | -3 515 |
| Expenses | -1 502 | - 697 | | - 423 | -2 622 |
| Other | - 29 | - 63 | | - 62 | - 154 |
| Taxes | - 356 | - 239 | | - 72 | - 667 |
| Capital costs | - 347 | - 289 | | - 203 | - 839 |
| **New business profit** | **997** | **407** | | **- 760** | **644** |
| **Previous years' business profit** | **- 471** | **171** | | **181** | **- 119** |
| **Profit underwriting** | **526** | **578** | | **- 579** | **525** |
| Investment result | | | | | |
| Outperformance | 45 | | - 647 | - 241 | - 843 |
| Expenses | - 4 | | - 318 | - 37 | - 359 |
| Other | 0 | | 92 | 0 | 92 |
| Taxes | - 10 | | 192 | 53 | 235 |
| Capital costs | 0 | | -1 171 | - 183 | -1 354 |
| **Profit investment activities** | **31** | | **-1 852** | **- 408** | **-2 229** |
| **Total profit** | **557** | **578** | **-1 852** | **- 987** | **-1 704** |
| Release of total current year capital costs | 374 | 458 | 1 188 | 481 | 2 501 |
| **Income** | **931** | **1 036** | **- 664** | **- 506** | **797** |

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# MCEV and EVM 2011 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
  - 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



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# Corporate calendar & contacts

### Corporate calendar

| | | |
|---|---|---|
| 22 March 2012 | **AGM briefing** | Conference call |
| 13 April 2012 | **148th Annual General Meeting** | Zurich |
| 17 April 2012 | **Investors' Day** | London |
| 04 May 2012 | **First Quarter 2012 US GAAP results** | Conference call |
| 09 August 2012 | **Second Quarter 2012 US GAAP results** | Conference call |
| 08 November 2012 | **Third Quarter 2012 US GAAP results** | Conference call |

### Investor Relations contacts

**Hotline**
+41 43 285 4444

**E-mail**
Investor_Relations@swissre.com

Eric Schuh
+41 43 285 4708

Ross Walker
+41 43 285 2243

Chris Menth
+41 43 285 3878

Simone Lieberherr
+41 43 285 4190

Simone Fessler
+41 43 285 7299

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# Cautionary note on non-GAAP financial measures

This presentation on Economic Value Management ("EVM") 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.



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# Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements 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. 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 financial strength or other ratings of 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 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;
- legal actions or regulatory investigations or actions, including those in respect of industry requirements or business conduct rules of general applicability;
- changes in economic theory or principles;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition;
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks; and
- challenges in implementation, adverse responses from counterparties, regulators or rating agencies, or other issues arising from, or otherwise relating to, the changes in Swiss Re's corporate structure.

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