



## Economic Value Management (EVM) 2007 results

### Analyst and investor conference call

Zurich, 06 May 2008



## EVM methodology

- EVM is Swiss Re's integrated economic measurement and steering framework used for planning, pricing, reserving and managing the business
  - Splits performance of fund raising activities (underwriting) and fund investment activities (asset management)
  - Recognises all profits on new business at inception, changes in estimates as they occur, and excludes future new business
  - Values assets and liabilities on a market consistent basis
  - Reflects best estimates
  - Measures performance after capital costs
- On 31 March 2008 Swiss Re held an EVM teach-in and disclosed EVM figures for 2006<sup>1</sup>

## EVM 2007 income statement

CHF m	2006	2007
<b>Profit</b>		
New business profit	3 010	784
Previous years business profit	690	909
<b>Total profit after capital costs</b>	<b>3 700</b>	<b>1 693</b>
Release of capital costs	3 541	3 196
<b>Income before capital costs</b>	<b>7 241</b>	<b>4 889</b>

- Strong underwriting results were partially offset by investment losses in a deteriorating financial market environment

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## EVM 2007 income statement

### Business segments

CHF m	Property & Casualty	Life & Health	Financial Markets	Group items	Total
<b>2007</b>					
New business profit	1 768	1 247	-2 301	70	784
Previous years business profit	851	-42	n.a.	100	909
<b>Total profit after capital costs</b>	<b>2 619</b>	<b>1 205</b>	<b>-2 301</b>	<b>170</b>	<b>1 693</b>
Release of capital costs	1 610	1 136	791	-341	3 196
<b>Income before capital costs</b>	<b>4 229</b>	<b>2 341</b>	<b>-1 510</b>	<b>-171</b>	<b>4 889</b>
<b>2006</b>					
New business profit	1 695	391	995	-71	3 010
Previous years business profit	137	328	n.a.	225	690
<b>Total profit after capital costs</b>	<b>1 832</b>	<b>719</b>	<b>995</b>	<b>154</b>	<b>3 700</b>
Release of capital costs	1 578	1 007	857	99	3 541
<b>Income before capital costs</b>	<b>3 410</b>	<b>1 726</b>	<b>1 852</b>	<b>253</b>	<b>7 241</b>

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## EVM 2007 key drivers

### Property & Casualty

#### ■ New business

- EVM profit on new business up 4%, driven by low natural catastrophe loss levels partially offset by lower volumes in casualty

#### ■ Previous years business

- Property and Specialty generated an EVM profit of CHF 1 387 million, reflecting improved claims projections across all divisions
- Casualty generated an EVM loss of CHF -536 million, driven by adverse development in asbestos & environmental and workers' compensation business in the US, and large claims by corporate clients



## EVM 2007 key drivers

### Life & Health

#### ■ New business

- Increase of 219%, mainly attributable to large Admin Re<sup>®</sup> transactions (CHF 772 million) and variable annuities

#### ■ Previous years business

- Traditional Life & Health contributed CHF -19 million, with adverse mortality assumption changes and experience variances on traditional business in North America (CHF -665 million), offset by favourable mortality and morbidity assumption changes and experience variances in Europe (CHF 571 million) and other countries (CHF 75 million)
- Admin Re<sup>®</sup> contributed CHF -23 million, with favourable morbidity experience that was more than offset by UK reversionary property revaluations and US lapses

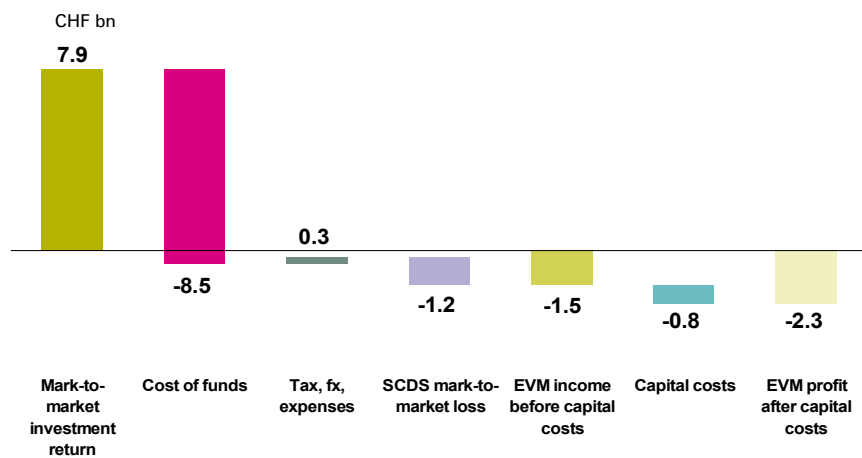
## EVM 2007 key drivers

### Financial Markets

- Credit & Rates reported an EVM loss of CHF -1 613 million, mainly attributable to widening credit spreads and the impact of lower risk-free interest rates on a short duration position relative to the benchmark
- Equities & Alternative Investments reported an EVM profit of CHF 514 million
- Mark-to-market loss of CHF -1 203 million on two structured credit default swap transactions

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## EVM 2007 investment result



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## EVM 2007 key drivers

## Group items

- **New business**

- EVM profit on new business is CHF 70 million, reflecting the result of various corporate centre positions and other items excluded from business segment performance measures

- **Previous years business**

- EVM profit on previous years business is CHF 100 million, mainly due to changes in risk capital and pension fund projections, partly offset by tax charges for current and prior years

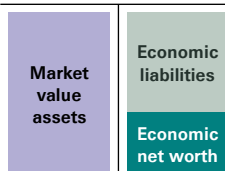


## EVM 2006 and 2007 balance sheet

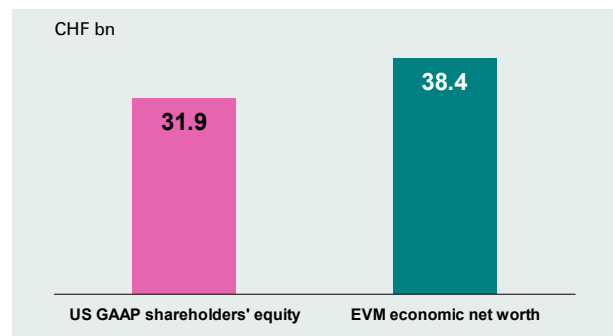
CHF bn	31 Dec 2006	31 Dec 2007
<b>Assets</b>		
Investments and cash	222.5	247.4
In-force business assets	189.2	193.0
- Property & Casualty	20.1	18.2
- Life & Health	167.8	173.3
- Other	1.3	1.5
Other assets	1.0	0.3
<b>Total assets</b>	<b>412.7</b>	<b>440.7</b>
<b>Liabilities</b>		
In-force business liabilities	323.9	340.9
- Property & Casualty	81.1	74.6
- Life & Health	240.4	263.2
- Other	2.4	3.1
Debt	24.3	28.3
Other liabilities	26.3	33.1
<b>Total liabilities</b>	<b>374.5</b>	<b>402.3</b>
<b>Economic net worth</b>	<b>38.2</b>	<b>38.4</b>

## EVM 2007 Group economic net worth

Overall economic  
balance sheet



- Group economic net worth (ENW) is the difference between the market value of assets and the economic value of liabilities
- ENW is the EVM estimate of shareholders' funds



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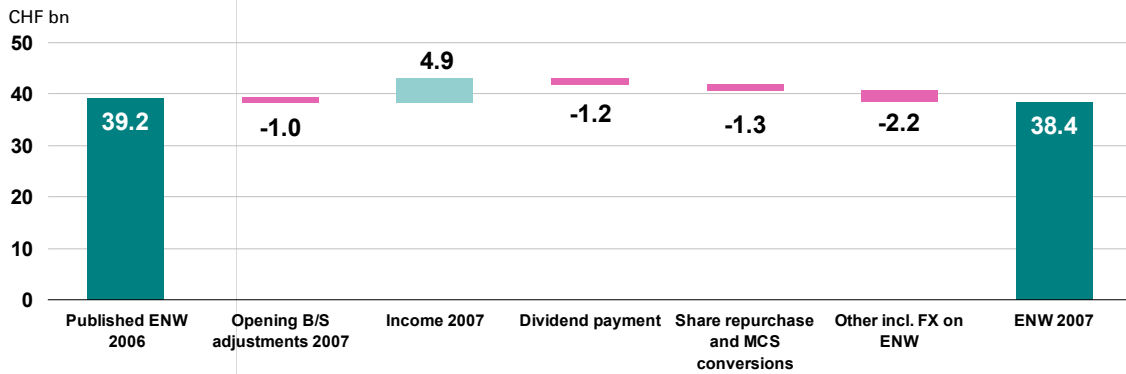
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## Comparison of 2007 US GAAP shareholders' equity to ENW by segment

CHF bn	Property & Casualty	Life & Health	Other	Total
Additional discounting	8.3	-3.1		5.2
MtM on assets & debt			2.2	2.2
Reserving basis				
- GAAP margins		12.8		12.8
- Other	1.6	-0.3	-0.9	0.4
Recognition differences	-0.7	0.3	0.4	0.0
Goodwill & other intangibles			-6.0	-6.0
Additional tax liability	-2.4	-1.6	0.2	-3.8
Other	0.1	0.1	0.1	0.3
Frictional capital costs	-0.4	-4.2		-4.6
<b>Total</b>	<b>6.5</b>	<b>4.0</b>	<b>-4.0</b>	<b>6.5</b>

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## EVM 2007 economic net worth roll forward



- The EVM production process is not subject to the same control environment as annual and quarterly US GAAP reporting
- EVM 2006 is unaudited, EVM 2007 is subject to a moderate assurance review, in line with the International Standard on Review Engagements 2400 and the Swiss Auditing Standard 910

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## EVM 2007 required capital by segment

EVM capital is the measure of capital that is required to support the business, it takes internal risk, regulatory and rating agency capital requirements into consideration

CHF m	Property & Casualty	Life & Health	Financial Markets	Group items	Total
<b>EVM capital (average)</b>					
■ 2007	19 165	11 848	3 968	210	<b>35 191</b>
■ 2006	18 104	12 183	4 381	219	<b>34 887</b>

- **P&C** increase reflects higher rating agency capital requirements for natural catastrophes
- **L&H** decrease reflects reduction of lethal epidemic scenario in the Swiss Re risk model
- **Financial Markets** reflects increase in hedging in 2007

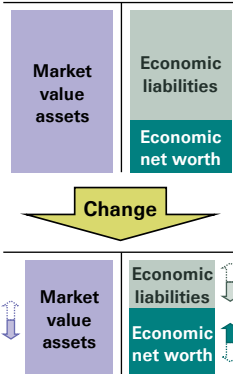
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## EVM 2007 sensitivities

### Goals and methodology

Overall economic balance sheet



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EVM sensitivities illustrate the impact on actual EVM figures to changes in EVM key parameters. EVM sensitivities are estimated on the following basis:

- Changes are applied in isolation rather than showing combined effects
- No management action taken in reaction to changes
- All sensitivities take into account second order effects (impact on EVM capital and taxes)

## EVM 2007 sensitivities

### Group sensitivities

CHF bn	Change in 2007 new business profit	Change in economic net worth as of 31.12.2007
<b>Group sensitivities</b>		
Change in frictional capital costs		
– Increase by 100bps (from 4% to 5%)	-0.3	-1.3
Equity market shock		
– 10% fall in global equity markets	n.a.	-1.0
Change in interest rate environment		
– Increase by 100bps	n.a.	0.2
– Decrease by 100bps	n.a.	-0.8

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## EVM 2007 sensitivities

## Life &amp; Health specific (1)

CHF bn	Change in 2007 new business profit	Change in economic net worth as of 31.12.2007
<b>Life &amp; Health specific sensitivities</b>		
Reduce lapse rates by 10% (e.g. from 8% to 7.2%)	0.0	0.9
Mortality and morbidity rates reduced by 5%		
- Mortality	0.2	3.5
- Longevity	-0.2	-0.3
- Morbidity	0.0	0.7
Remove all allowance for future mortality improvement		
- Mortality	-0.3	-5.2
- Longevity	0.9	1.1

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## EVM 2007 sensitivities

## Life &amp; Health specific (2)

CHF bn	Change in 2007 new business profit	Change in economic net worth as of 31.12.2007
<b>Life &amp; Health specific sensitivities</b>		
Mortality / Longevity trend rates		
- Set future mortality improvement assumption <b>at</b> 1% p.a. (mortality business)	0.2	3.2
- Increase future mortality improvement assumption <b>by</b> 100bps p.a. (longevity business)	-0.7	-1.0

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## EVM 2007 sensitivities

### Property & Casualty

CHF bn	Change in 2007 new business profit	Change in economic net worth as of 31.12.2007
<b>Property &amp; Casualty specific sensitivities</b>		
Change in weighted average term to settlement		
- Increase by 10%	0.1	0.8
- Decrease by 10%	-0.1	-0.8
Projected future claims cost		
- Increase new business claims by 10% (e.g. increase loss ratio from 60% to 66%)	-0.8	n.a.

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## Corporate calendar & contacts

### Corporate calendar

05 August 2008	<b>Second Quarter 2008 Results</b> (Conference Call)
08 September 2008	<b>Investors' meeting</b> (Monte Carlo)
25 September 2008	<b>Investors' day</b> (Zurich)
06 November 2008	<b>Third Quarter 2008 Results</b> (Conference Call)

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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 (ENW) 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 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, performance, achievements or prospects to be materially different from any future results, performance, achievements or prospects expressed or implied by such statements. Such factors include, among others:

- changes in global economic conditions and the risk of a global economic downturn;
- direct and indirect impact of continuing deterioration in the credit markets, and further adverse rating actions by credit rating agencies in respect of structured credit products or other credit-related exposures and of monoline insurance companies;
- the occurrence of other unanticipated market developments or trends;
- the ability to maintain sufficient liquidity and access to capital markets;
- the cyclical nature of the reinsurance industry;
- uncertainties in estimating reserves;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, currency values and other market indices;
- changes in Swiss Re's investment results;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- 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;
- changes in rating agency policies or practices;
- the lowering or loss of one of the financial or claims-paying ratings of one or more of Swiss Re's subsidiaries;
- political risks in the countries in which Swiss Re operates or in which it insures risks;
- extraordinary events affecting Swiss Re's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- risks associated with implementing Swiss Re's business strategies;
- the impact of current, pending and future legislation, regulation and regulatory and legal actions;
- the impact of 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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