

## **CONVERTIBLE PERPETUAL CAPITAL INSTRUMENT TO BE ISSUED TO BERKSHIRE HATHAWAY – SUMMARY OF MAIN TERMS**

Set forth below is a summary of the main terms of the investment to be made by Berkshire Hathaway Inc. (or a direct or indirect subsidiary thereof) (“Berkshire Hathaway”) in Swiss Reinsurance Company Ltd (“Swiss Re”).

### **The Investment**

Swiss Re will issue to Berkshire Hathaway a convertible perpetual capital instrument (the “Instrument”) in an aggregate face amount of CHF 3,000,000,000. The Instrument will be convertible into Swiss Re shares (“Shares”).

### **Term**

The Instrument is perpetual, and so does not have a maturity date or term. Also, there are no events of default that would permit the Instrument to be accelerated. The Instrument will cease to be outstanding when it is converted in full by Berkshire Hathaway, or repurchased or redeemed in full by Swiss Re.

### **Ranking**

The Instrument is an unsecured and deeply subordinated obligation of Swiss Re. The Instrument is subordinated to “senior securities” as defined in the Instrument (which term includes senior indebtedness and perpetual subordinated preferred securities and loan notes) and it ranks *pari passu* with “parity securities” as defined in the Instrument (which term includes preferred securities, including preferred participation certificates, but excluding preferred securities treated as senior securities)). Swiss Re currently has no parity securities outstanding. The Instrument is senior to all “junior securities” as defined in the Instrument (which term includes classes of Swiss Re shares, including the Shares, participation certificates and benefit certificates). In effect, today, the Instrument is only senior to the Shares. Berkshire Hathaway has the right to object to the issuance of parity securities.

### **Interest Rate; Deferral of Interest**

The Instrument bears a fixed interest rate of 12% per annum on the outstanding face amount of the Instrument, payable semi-annually in arrears in cash, subject to Swiss Re’s right to defer interest payments.

Swiss Re has the right to pay interest in Shares (or warrants exercisable for Shares) in lieu of cash, and any such Shares will be valued at 95% of the average daily volume weighted average price, or VWAP, per Share for the five stock exchange trading days ending on the last trading day prior to the interest payment date. If Swiss Re elects to pay interest in Shares (or warrants), in certain circumstances, the payment may be subject to delay provisions.

In addition, in certain circumstances tied to the absence of dividends on, or of repurchases of, junior or parity securities, Swiss Re may choose to, or in the case of certain other circumstances it may be required to, defer all or a portion of one or more of the interest payments on the Instrument. Were optional or required deferral to occur, the deferred interest payment or payments may later be settled only by delivery of Shares valued at 95% of the VWAP per Share for the five stock exchange trading days ending on the last trading day prior to the settlement date, or by payment in cash from the proceeds of a sale of existing or newly issued Shares, qualifying mandatory convertibles or warrants.

For all interest not paid on an original interest payment date, an additional amount will accrue on delayed or deferred interest at the rate of 15% per annum, compounded semi-annually.

## **Conversion Rights**

The Instrument can be converted by Berkshire Hathaway into Shares beginning three years after the date of issuance of the Instrument (the “Issue Date”).

*Conversion price.* If and when Berkshire Hathaway elects to convert the Instrument, it will convert based on a conversion price of CHF 25 per Share (subject to customary anti-dilution adjustments and a separate adjustment for rights issues in the next six months, if any, as described below). Upon conversion, the number of Shares to be issued will equal the face amount of the Instrument, or portion of the Instrument to be converted, plus accrued and unpaid interest thereon, divided by the then-effective conversion price. Delayed or deferred interest payments, if any, will be added to the face amount for purposes of conversion. If converted in full today, the Instrument would convert into 120 million, or 24.8%, of our Shares, on an as converted basis (assuming Shares delivered on conversion are sourced from conditional capital).

*Customary anti-dilution protection.* The number of Shares issuable upon conversion and the resulting ownership percentage of total Shares could change because of provisions that protect Berkshire Hathaway from dilutive events. These customary anti-dilution adjustments to which the conversion price could be subject include adjustment in the event of:

- a change in the nominal value of Shares as a result of a consolidation or subdivision;
- a bonus issue of Shares by way of a capitalization of profits or reserves;
- a capital distribution (which includes the payment of stock or cash dividends in excess of the lower of 5% of the then current market price of a Share or 36% of net income available to holders of Shares, on a per Share basis, and certain repurchases of Shares);
- a rights issue of Shares or options over Shares at less than 95% of the then current market price of a Share;
- a rights issue of other securities;
- other issuances of Shares or other securities (convertible or exercisable for Shares) or grants of options, warrants or other rights in respect of Shares at less than 95% of the then current market price of a Share;
- other offers of securities to all shareholders; and
- certain other events having a dilutive impact on the conversion right of the Instrument.

*Separate rights issue adjustment.* Separately, if Swiss Re announces or commences a rights issue within six months after the March 2009 Annual General Meeting (“2009 AGM”), instead of application of the customary anti-dilution adjustments, the conversion price will be (a) in the case of a discounted rights issue, the lower of CHF 25 and the so-called theoretical ex-right price, or TERP (which is the theoretical share price post-offering weighted with the number of shares pre- and post-offering), and (b) in the case of any other form of rights issue, as determined by Swiss Re and Berkshire Hathaway at such time to be economically consistent with the principles underlying clause (a) and will not be greater than the lower of CHF 25 and the resulting offer price for the Shares in the rights issue.

*Earlier conversion upon a fundamental change.* Prior to the third anniversary of the Issue Date, Berkshire Hathaway may convert the Instrument upon the occurrence of a “fundamental change,” including a merger or other business combination, a share exchange, any sale or disposition of all or substantially all of the assets of Swiss Re or change of control.

*Possible need for additional capital.* Adjustments to the conversion price could require Swiss Re to deliver Shares in excess of the conditional capital earmarked for conversion that is to be approved at the 2009 AGM. Were that to be the case, for example because of a future discounted rights issue or the declaration of a significant dividend, the board of directors would be required to take steps to procure that additional capital is authorized by the shareholders.

### **Repurchase and Redemption Rights**

Swiss Re has the right to repurchase the Instrument, in whole, or in part in increments of at least 20% of the face amount, on or after the second anniversary of the Issue Date, at a 20% premium. Swiss Re may redeem the Instrument, at a 40% premium, at any time prior to the second anniversary of the Issue Date, upon the occurrence of specified tax events, regulatory events or events tied to the rating agency treatment of the Instrument. The repurchase or redemption rights may only be exercised if Swiss Re's primary regulator has given, and has not subsequently withdrawn, its consent, to the extent such consent is required, or has not otherwise objected to such repurchase or redemption.

If Swiss Re seeks to repurchase the Instrument following the third anniversary of the Issue Date and Berkshire Hathaway elects to convert, the conversion right prevails.

### **Shareholder Approval**

At the 2009 AGM, shareholders will be voting to approve conditional capital to source Shares to be delivered upon conversion, or otherwise in respect, of the Instrument. The issuance of the Instrument is subject to obtaining this approval.

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The foregoing is intended only as a summary of the main terms of the Instrument and, as such, does not purport to set forth all of the terms and conditions of the Instrument.

**13 March 2009**