Swiss Re

2009 Annual Report
Shareholders' letter

Key information

Corporate highlights

- Full-year 2009 net income of CHF 506 million; earnings per share of CHF 1.49
- Shareholders' equity increased significantly by CHF 5.7 billion to CHF 26.2 billion
- Proposed dividend: CHF 1.00 per share
- Strong performance of core business
- Good progress in de-risking Legacy and Asset Management
- Capital strength fully restored; over CHF 9 billion excess capital to AA requirement estimated as of 31 December 2009

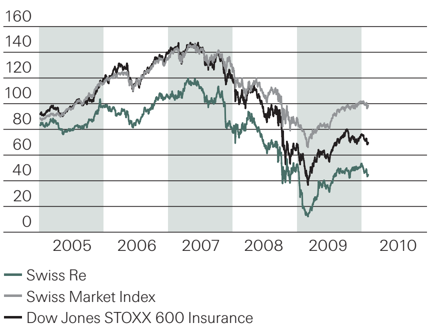
Financial highlights

For the twelve months ended 31 December

CHF millions, unless otherwise stated	2008	2009	Change in %
Property & Casualty			
Premiums earned	14 379	**13 885**	–3
Combined ratio, traditional business in %	97.9	**88.3**	–
Life & Health			
Premiums earned	11 090	**10 679**	–4
Benefit ratio in %	85.5	**82.4**	–
Asset Management			
Operating income	5 912	**3 898**	–34
Return on investments in %	4.7	**1.8**	–
Legacy			
Operating income/loss	–5 890	**139**	–
Group			
Premiums earned	25 501	**24 606**	–4
Net income/loss attributable to common shareholders	–864	**506**	–
Earnings per share in CHF	–2.61	**1.49**	–
Shareholders' equity	20 453	**26 201**	28
Return on equity[1] in %	–3.4	**2.3**	–
Number of employees[2]	11 560	**10 552**	–9

[1] Return on equity is calculated by dividing annualised net income attributable to common shareholders by average common shareholders' equity.
[2] Regular staff

Share price (in CHF)



Swiss Re's financial strength ratings

As of 12 February 2010	Financial strength rating	Outlook	Last rating action
Standard & Poor's	A+	Stable	18 February 2009
Moody's	A1	Negative	23 February 2009
A. M. Best	A	Stable	27 February 2009

Share performance

Market information as of 12 February 2010

Share price in CHF	44.11
Market capitalisation in CHF millions	16 352

Performance

in %	2004 – 12 February 2010 (p. a.)	2009
Swiss Re	–9.9	**–0.8**
Swiss Market Index	2.6	**18.3**
Dow Jones STOXX 600 Insurance	–3.2	**12.6**

Letter to shareholders

Dear shareholders

The challenges Swiss Re faced in the early part of 2009 are well known. The impact of the decisions we made on asset allocation in 2007 and 2008 as well as the problems that resulted from developing activities that were too far from our core business obscured the outstanding performance of our Property & Casualty and Life & Health businesses over the same period.

Undoubtedly, this resulted in a crisis of confidence for all of our stakeholders, and ultimately in the loss of our AA rating. This prompted concerns over Swiss Re's client franchise and capital adequacy, as well as over potential future losses from our asset exposures.

In our first year as Chairman and CEO, we committed to focus our activities on the core business. We strove to regain capital strength by de-risking assets on our balance sheet and exiting non-core business activities. We also promised to achieve significant cost reductions by gaining economies of scale in support functions while advancing our client franchise. It was critical that we took every step necessary to restore Swiss Re's reputation and to regain our position as the leading innovator in the industry.

Where we stand today

We set out to build on our traditional strengths in 2009, and can be proud of what we have achieved. First, we have fully restored our capital position. Second, we have significantly and successfully de-risked and strengthened the balance sheet. And third, we have maintained the strong earnings power of our core business through underwriting profitability and strict cost discipline. This strong record of achievement for the year has enabled us to support our clients and to generate value for our shareholders.

Capital strength restored

The measures we have taken to rebuild our capital base have proven to be very effective. In 2009, our capital position improved steadily quarter by quarter. At year end, estimated excess capital at AA level was more than CHF 9 billion. This means we are on schedule to meet our goal of redeeming the CHF 3 billion convertible perpetual capital instrument (CPCI) issued to Berkshire Hathaway.

This regained capital strength not only increases confidence about our ability to redeem the CPCI but also provides the necessary flexibility to grow the business when market conditions allow. We are well positioned to support our clients with traditional reinsurance products and Admin Re® capital relief transactions should the insurance industry go through a period of consolidation or need to improve solvency, ahead of the change to economic models such as Solvency II.

Strong client franchise demonstrated

Our relationships with our clients are at the heart of our ability to create value for shareholders. The renewals in 2009 and our ability to maintain our market position demonstrate the strength of these relationships.

We were careful to engage in an early dialogue with our clients over the decision to reduce business that fell short of our profitability targets. The fact that we were able to maintain premium income and significantly increase operating profit in 2009 clearly demonstrates that our clients have remained loyal and that we continued to meet their needs.

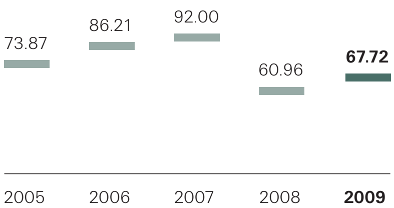
Our drive for innovation continues to underpin our client orientation and strong reputation. In 2009, we were the first reinsurer to provide longevity risk protection to a public pension fund in the UK and the first to combine earthquake and hurricane risk based on parametric triggers in an insurance-linked securitisation for the Mexican government. We also entered into a public-private partnership with a municipal government body in China to protect agricultural production against natural catastrophe events. We further strengthened our position in Sharia compliant insurance through the establishment of a dedicated Retakaful operation in Kuala Lumpur in October 2009.

In 2009, we took every step necessary to restore Swiss Re's reputation and to regain our position as the leading innovator in the industry

Letter to shareholders

Book value

Per common share (CHF), as of 31 December



Legacy issues substantially reduced

In Legacy, we succeeded in significantly reducing risk without impairing Swiss Re's capital position. We terminated substantially all of the exposures in the Portfolio CDS and selectively sold assets from the Structured CDS. We also commuted the majority of Financial Guarantee Re business. We continue to actively manage the remaining positions and expect to achieve a further significant reduction in 2010.

De-risking significantly progressed

In Asset Management, we reduced our exposure to private equity, hedge funds and securitised products. We increased the allocation to government securities and reduced our corporate credit hedging, increasing our exposure to high grade corporate bonds in the third quarter of 2009. We will continue to adjust our hedging programme as credit market conditions stabilise.

Our de-risking was not limited to Asset Management and, as part of our priority to focus on core business, we reduced our exposure in Credit & Surety. In Life & Health, we discontinued writing variable annuity business and we also re-priced US Life "XXX" business.

Taking all of these steps together, we have more than achieved our target to internally generate CHF 1 billion in capital savings.

Cost efficiency programme ahead of plan

We are well on track towards achieving a reduction in the Group's running costs of CHF 400 million by the end of 2010. As of the end of 2009, net savings, after restructuring costs, were CHF 205 million, well above the original target of CHF 100 million for the year.

Strong core business results driven by focus on profitability

The Group returned to profit in 2009, reporting net income of CHF 506 million, compared to a loss of CHF 864 million in the prior year. Our shareholders' equity also rose substantially to CHF 26.2 billion, compared to CHF 20.5 billion at the end of 2008, an increase of CHF 5.7 billion. This was partly driven by the capital injection from Berkshire Hathaway, but the underlying economic improvement is far more substantial and is masked by rising interest rates that reduced the value of our government bond holdings by CHF 4 billion.

Our Property & Casualty unit achieved excellent technical results despite continued pressure on rates. Disciplined underwriting, supported by lower natural catastrophe claims compared to 2008, resulted in operating income of CHF 3.8 billion and a combined ratio of 88.3%.

Life & Health also demonstrated strong underwriting performance, reporting operating income of CHF 0.7 billion and a benefit ratio of 82.4%. Improvement in the financial markets, favourable mortality experience as well as the positive outcome of an arbitration were partially offset by unfavourable results from the discontinued variable annuity business.

Asset Management achieved a return on investments of 1.8%. Total return on investments was 2.3%. As liquidity returned to the financial markets in the second half of 2009, we started to optimise our asset allocation and adjust our hedging programme. For the full year, the hedges on corporate bonds had a negative mark-to-market impact of CHF 1.9 billion, but were more than offset by a market value increase of CHF 2.6 billion in the underlying asset values reflected in shareholders' equity.

Given the regained capital strength of the Group, we propose to increase the dividend to CHF 1.00. This is the first step in returning to normal dividend policy.

Outlook
With our regained capital strength, the quality of our insurance portfolio and our track record of cycle management, we were well equipped for the January 2010 non-life treaty renewals. For 2010, we expect non-life treaty business to be better priced than in 2009, and a Property & Casualty combined ratio of 93%.

The strong fundamentals of our business and Swiss Re's restored capital strength put us in a leading position to respond to clients' needs and current market trends. Few reinsurers can match the size and diversification of our portfolio. Fewer still can match our underwriting performance, our ability to innovate, and our ability to provide the capacity to conduct large transactions. It is on these strengths that we build our competitive advantage.

In particular, innovation will continue to be a very important part of our culture, combined with a clear focus on risk management.

Having made considerable progress in the past year, we believe now is an appropriate time to re-establish targets. We aim to achieve a return on equity of 12% over the cycle. This target reflects the lower yield environment and the shift in Swiss Re's asset portfolio towards lower-risk and shorter duration assets. There is still work to be done in 2010, including the continuing optimisation of the investment portfolio and the further unwinding of the remaining Legacy positions. We expect this process to be largely completed in the course of the year.

Acknowledgements
Effective 1 May 2009, the Board of Directors appointed Agostino Galvagni as Chief Operating Officer and Member of the Executive Committee to support our efforts in building a leaner and more efficient organisation. Agostino's focus on delivering results has already proven instrumental in improving our cost efficiency and in reshaping our global office network to further improve our client servicing capabilities.

The fact that we were able to reinforce our strong reputation in the market in such a short period is thanks to the dedication, the skills and the expertise of our employees. The past year has required an enormous amount of flexibility and stamina on their part. They have met this challenge, applying their talent to position Swiss Re as an innovation leader. We truly appreciate their efforts.

We also thank our clients, who have remained loyal to us. We are confident that innovation and increased client focus will not only create value for them but also drive the earnings power in the current year and achieve attractive returns for you, our shareholders.

Zurich, 18 February 2010

Walter B. Kielholz
Chairman of the Board of Directors

Stefan Lippe
Chief Executive Officer

Our underwriting performance, our ability to innovate, and our ability to provide the capacity to conduct large transactions: these are the strengths on which we build our competitive advantage

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:

- further instability affecting the global financial system and developments related thereto;
- 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 one of the financial strength or other ratings of one or more companies in the Group;
- the cyclicality 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.

These factors are not exhaustive. Swiss Re operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

Information

Corporate calendar

7 April 2010
146th Annual General Meeting

6 May 2010
First quarter 2010 results, and EVM 2009 results

11 June 2010
Investors' Day

5 August 2010
Second quarter 2010 results

4 November 2010
Third quarter 2010 results

Contact information

Investor Relations
Susan Holliday
Telephone +41 43 285 4444
Fax +41 43 282 4444
investor_relations@swissre.com

Media Relations
Simone Lauper
Telephone +41 43 285 7171
Fax +41 43 285 2023
media_relations@swissre.com

Share Register
Karl Haas
Telephone +41 43 285 3294
Fax +41 43 285 3480
share_register@swissre.com

Title:
2009 Annual Report
Shareholders' letter

Original version in English.

The 2009 Annual Report Shareholders' letter is also available in German and French.

The web version of the 2009 Annual Report is available at: www.swissre.com/annualreport

CCHCC, 3/10, 4 000 en

Swiss Reinsurance Company Ltd
Mythenquai 50/60
P.O. Box
8022 Zurich
Switzerland

Telephone +41 43 285 2121
Fax +41 43 285 2999
www.swissre.com