Letter to shareholders

Walter B. Kielholz
Chairman of the Board of Directors

Stefan Lippe
Chief Executive Officer

Dear shareholders

Swiss Re continued to improve its capital strength in the third quarter of 2009, with estimated excess capital at the AA rating level increasing to more than CHF 6 billion. Our core business continued to deliver very strong results and we made further significant progress in de-risking our Legacy portfolio.

Net income was CHF 334 million for the quarter, which translates into earnings per share of CHF 0.97. Net income was again impacted by mark-to-market losses of CHF 0.7 billion on the corporate bond hedges and by impairments of CHF 0.3 billion, mainly in the securitised products portfolio. However, the total return in Asset Management was a very strong 14.3%

Capital position and shareholders' equity further strengthened
We further improved our financial flexibility in the quarter through a combination of strong underlying performance in our core business and continued de-risking in Legacy.

These measures as well as the recent recovery of capital markets increased shareholders' equity in the quarter by CHF 2.4 billion to CHF 26.2 billion at the end of September 2009. Basic book value per common share increased 11.4% to CHF 67.6, compared to CHF 60.7 at the end of the previous quarter.

With our capital base improved, we are confident that we can achieve not only our goal to redeem the Berkshire Hathaway investment but also to offer increased capacity to support our clients when prices are appropriate.

Strong core business performance
Property & Casualty reported an operating income of CHF 1.0 billion and further improved its combined ratio to 84.5%, or 82.7% excluding unwind of discount. This excellent result was partly driven by low levels of natural catastrophes in the quarter but it is also a testament to the success of Swiss Re's disciplined underwriting.

Life & Health operating income recovered to a profit of CHF 388 million and the benefit ratio improved to 80.2%. This strong improvement primarily reflected the current year favourable mortality experience within the traditional life segment, as well as the favourable outcome of an arbitration matter related to a 2001 reinsurance agreement with Lincoln National. Our Admin Re® business benefited from the impact of rising equity markets and contributed to the solid overall result.

This excellent underwriting performance, which we have consistently delivered over many years, demonstrates that our client franchise is strong. We continue to demonstrate leadership in the reinsurance market through innovative deals such as longevity swaps, the "MultiCat Mexico" insurance-linked securitisation for the World Bank's MultiCat Program, covering both hurricane and earthquake risk, and the agreement with the Beijing Municipal Government to provide reinsurance coverage for catastrophe risks under Beijing's government-funded agricultural insurance scheme.

In Asset Management, we have started to reduce our hedging programme and to increase our exposure to higher grade corporate credit. Return on investment was 1.6%, reflecting the shift towards lower-risk and shorter duration assets, lower interest rates and the impact of mark-to-market losses on the corporate bond hedges. These effects were more than offset by the improvement in the market value of the underlying assets reflected by the increase in shareholders' equity. The total return on invested assets was very strong at 14.3% compared to –1.8% in the third quarter of the previous year.

Further significant progress in de-risking Legacy
We were able to take advantage of improved liquidity in the markets for securitised assets by reducing investments from the former Structured CDS portfolio by CHF 652 million for a gain of CHF 221 million.

We significantly reduced our Financial Guarantee Re (FG Re) exposure in the reporting period by a further commutation of CHF 6.6 billion of notional exposure. Since year end 2008, this marks a total reduction in our notional exposure in FG Re of 68%, including a reduction of 90% in our exposure to residential mortgage-backed securities within FG Re.

Efficiency programme ahead of plan
We expect net savings after restructuring costs for 2009 to be in the range of CHF 150 – 200 million, well ahead of the original target of CHF 100 million.

Outlook
The outlook is encouraging. Our excess capital position is healthy and we are progressing well in de-risking our Legacy portfolio, while the underlying performance remains very strong.

Our focus now is on the January renewals. While the market fundamentals point towards higher prices, restored industry capital and the absence of hurricanes may partially delay the market correction. Even if the hardening is delayed, we are in a very strong competitive position. With our very profitable reinsurance portfolio and proven underwriting track record, we are well placed for the upcoming renewals.

Zurich, 3 November 2009

Walter B. Kielholz
Chairman of the Board of Directors

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