Swiss Re

Third Quarter 2009 Report

Key information

Corporate highlights

- Capital strength further improved
- Significant progress in de-risking the Legacy portfolio; large commutation in Financial Guarantee Re
- Net income of CHF 334 million reflects strong core business performance across all segments; earnings per share of CHF 0.97
- Excellent underwriting result in Property & Casualty with combined ratio of 84.5%, or 82.7% excluding unwind of discount
- Strong client franchise with large deals closed both in life and non-life segments
- Started to reduce hedging programme and to increase exposure to higher grade corporate credit
- Efficiency programme ahead of plan

Financial highlights (unaudited)

For the three months ended 30 September

CHF millions, unless otherwise stated	2008	2009	Change in %
Property & Casualty			
Premiums earned	3 602	**3 170**	–12
Combined ratio, traditional business in %	99.6	**84.5**	
Life & Health			
Premiums earned	2 916	**2 651**	–9
Benefit ratio in %	91.5	**80.2**	
Asset Management			
Operating income	636	**740**	16
Return on investments in %, (annualised)	2.8	**1.6**	
Legacy			
Operating income/loss	–974	**22**	–
Group			
Premiums earned	6 526	**5 840**	–11
Net income/loss attributable to common shareholders	–304	**334**	–
Earnings per share in CHF	–0.93	**0.97**	–
Shareholders' equity (31.12.2008/30.09.2009)	20 453	**26 171**	28
Return on equity[1] in %, (annualised)	–4.9	**6.1**	–
Number of employees[2] (31.12.2008/30.09.2009)	11 560	**11 191**	–3

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

Financial strength ratings

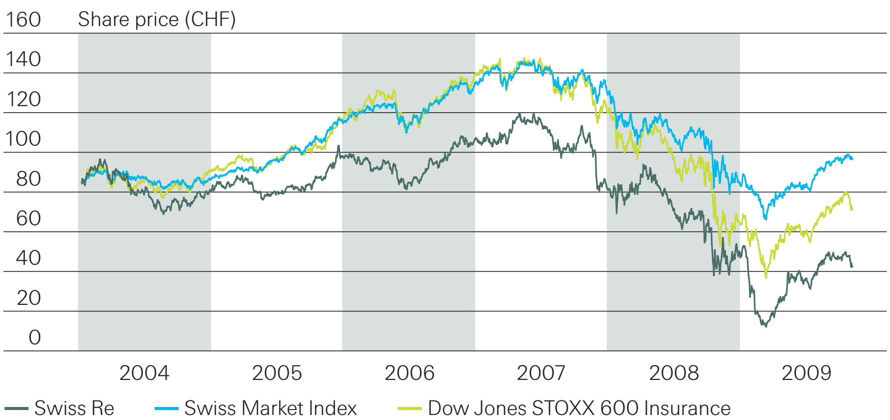
as of 31 October 2009	S&P	Moody's	A. M. Best
Rating	A+	A1	A
Outlook	stable	negative	stable

Share performance

Market information as of 31 October 2009	
Share price in CHF	42.02
Market capitalisation in CHF millions	15 577

Performance

in %	2003 – 31 October 2009 (p. a.)	Year to 31 October 2009
Swiss Re	–11.1	**–16.5**
Swiss Market Index	2.4	**13.7**
Dow Jones STOXX 600 Insurance	–2.8	**9.0**



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

Stefan Lippe
Chief Executive Officer

Key events

5 August 2009

Swiss Re further improved capital strength in the second quarter of 2009

Swiss Re estimated that its excess capital at the AA level improved to CHF 4.5 billion. The Group also made significant progress in de-risking its Legacy portfolio. Solid underlying earnings in the core business were offset by mark-to-market losses on hedges and impairments, resulting in a net loss of CHF 381 million for the second quarter of 2009.

25 August 2009

New forms of public-private partnership and stronger coordination of risk management by government will help tackle the cost of natural catastrophes

At Swiss Re's flagship Nordic Risk & Insurance Summit (NORIS) in Helsinki, the Group intensified its efforts to urge governments to take a more joined-up approach to managing risk. Swiss Re suggested how governments can improve the way they tackle large-scale disasters and work more closely with insurers to deal with crises quickly and cost-effectively.

7 September 2009

Swiss Re sigma study reveals how the use of indices in insurance-linked securities benefits both (re)insurers and investors

According to the sigma study, "The role of indices in transferring insurance risks to the capital markets", both (re)insurers and investors benefit when clearly defined and regularly updated indices are used in insurance-linked securities and other risk-transfer instruments. These instruments provide (re)insurers with an additional capital management tool, while investors gain access to an attractive, diversifying asset class.

25 September 2009

Swiss Re, Oxfam America, Rockefeller Foundation and Columbia's IRI expand joint initiative in Tigray, Ethiopia

This collaboration expands on the joint 2008 commitment which focused on using risk reduction and risk transfer skills to improve financial and food security for farmers within the drought-prone village of Adi Ha, Tigray Regional State, Ethiopia.

8 October 2009

Swiss Re acquires Retakaful licence and sets up Retakaful operation in Kuala Lumpur

Swiss Re received a composite licence from Bank Negara Malaysia to write Retakaful business, and opened a dedicated Retakaful operation in Kuala Lumpur. The license allows Swiss Re to offer Family and General Retakaful solutions to Takaful clients worldwide.

Group

Swiss Re reports net income of CHF 334 million for the third quarter of 2009. Property & Casualty delivered an excellent underwriting result, largely driven by favourable natural catastrophe and claims experience. Life & Health benefited from favourable mortality experience and improved equity markets. Return on investment was impacted by mark-to-market losses on corporate bond hedges, which were more than offset by increased market value of the same investments, reported directly in shareholders' equity. As a result of mark-to-market gains on corporate bonds and other fixed income securities, shareholders' equity increased to CHF 26.2 billion.

Group results

Swiss Re reported net income for common shareholders of CHF 334 million in the third quarter of 2009, compared to a loss of CHF 304 million in the third quarter of 2008. Earnings per share were CHF 0.97.

During the quarter, the Swiss franc depreciated 5% against the US dollar but appreciated 17% against the British pound and 6% against the euro, compared to average rates in the third quarter of 2008.

Excluding the impact of foreign exchange movements, premiums earned decreased 11% for Property & Casualty, compared to the prior year period. Underlying business growth in the property line of business was partially offset by higher retroceded volume, including the year-on-year impact of the quota share arrangement with Berkshire Hathaway. Casualty volumes declined, driven by selective underwriting. Life & Health premiums were flat at constant foreign exchange rates. The segment benefited from higher volumes in the traditional health business as well as the inclusion of Barclays Life in the Admin Re® unit for the reporting period. Lower premiums in the traditional life business and decreasing annuity volumes in Admin Re® mostly offset the positive impact of the traditional health business.

The Group's investment income and net realised gains include the investment result from assets backing unit-linked and with-profit policies. These returns are credited to policyholders' accounts and are therefore excluded from the following comments on the investment performance of the Group.

Proprietary net investment income was CHF 1.6 billion, a 13% increase compared to the prior year period, which was negatively affected by losses from private equity and hedge fund participations. As a result of the shift to lower-risk assets, short-term investments and cash equivalents increased in the third quarter of 2009. The running yield was 5% in the reporting period compared to 4.5% in the same period of 2008.

The Group reported proprietary net realised investment losses of CHF 0.7 billion in the third quarter of 2009, compared to a loss of CHF 1.0 billion in the third quarter of 2008. The loss in the reporting period was primarily due to mark-to-market losses of CHF 0.7 billion on the corporate bond hedges, as well as to impairments of CHF 0.3 billion, mainly in the securitised products portfolio.

The Group continued to make significant progress in the third quarter of 2009 in its de-risking strategy, particularly within the credit portfolio. Within the Legacy segment, Financial Guarantee Re exposure was significantly reduced by the commutation of CHF 6.6 billion of notional protection.

Other revenues decreased 48% to CHF 53 million in the third quarter of 2009.

Property & Casualty claims and claim adjustment expenses decreased 31% to CHF 1.7 billion at constant foreign exchange rates. Property and specialty lines of business reflected a very benign natural catastrophe and good claims experience in the reporting period. The casualty line of business benefited from the absence of unfavourable prior year development. The improvement in the combined ratio to 84.5% in the third quarter 2009 from 99.6% in the prior year quarter was driven largely by favourable natural catastrophe and good claims experience, as well as the absence of adverse prior year development.

Life and health benefits were stable at CHF 2.5 billion at constant foreign exchange rates in the third quarter of 2009, mainly as a result of more favourable mortality experience in the traditional life segment, compared to the prior year period. Morbidity experience was in line with expectations. The benefit ratio improved to 80.2% in the reporting period compared to 91.5% in the same quarter of 2008, primarily reflecting the current year favourable mortality experience and a reduction in liabilities in the health segment related to the favourable outcome of an arbitration award.

Return credited to policyholders reflects the investment performance on the underlying assets, mainly backing unit-linked and with-profit policies, which is passed through to contract holders. In the third quarter of 2009, policyholders benefited from investment gains of CHF 3.8 billion, mainly driven by the recovery of equity markets, compared to a loss of CHF 1.2 billion in the prior year period.

Acquisition costs decreased 10% to CHF 1.2 billion, mostly driven by Life & Health as improved equity markets positively impacted the amortisation of present value of future profits in the Admin Re® segment. Property & Casualty contributed to a lesser extent to the decrease. The acquisition cost ratio was stable at 20.7% in the third quarter of 2009, compared to the same period of the previous year.

Income statement

CHF millions, for the three months ended 30 September	2008	**2009**	Change in %
Revenues			
Premiums earned	6526	**5840**	–11
Fee income from policyholders	195	**237**	22
Proprietary net investment income	1413	**1596**	13
Net investment income from unit-linked and with-profit business	233	**169**	–27
Proprietary net realised investment gains/losses	–1048	**–661**	–37
Net realised investment gains/losses from unit-linked and with-profit business	–1199	**3817**	–
Other revenues	102	**53**	–48
Total revenues	6222	**11051**	78
Expenses			
Claims and claim adjustment expenses	–2524	**–1962**	–22
Life and health benefits	–2547	**–2521**	–1
Return credited to policyholders	742	**–3803**	–
Acquisition costs	–1347	**–1209**	–10
Other expenses	–756	**–705**	–7
Interest expenses	–377	**–253**	–33
Total expenses	–6809	**–10453**	54
Income/loss before income tax expense	–587	**598**	–
Income tax expense	283	**–194**	–
Net income/loss	–304	**404**	–
Interest on convertible perpetual capital instrument		**–70**	–
Net income/loss attributable to common shareholders	–304	**334**	–

Other expenses at constant foreign exchange rates decreased 4% to CHF 0.7 billion. As a result of the Group's efficiency programme and despite restructuring charges, operating expenses decreased in the reporting quarter, mostly driven by lower variable compensation.

Excluding the impact of foreign exchange movements, interest expense decreased 27% to CHF 253 million. The impact of new borrowings was more than offset by the generally lower interest rates and the positive impact of interest rate hedges the Group entered into in the reporting period and prior quarters.

For the third quarter of 2009, the Group reports a tax charge of CHF 194 million, compared to a tax benefit of CHF 283 million in the same period of the previous year. The tax charge is the result of the allocation among jurisdictions of emerging profits for the quarter, compared to the benefit on losses and tax audit activity for the same period in the prior year.

Shareholders' equity increased CHF 2.4 billion to CHF 26.2 billion at the end of September 2009, compared to the end of the prior quarter. Net unrealised investment gains of CHF 2.8 billion, driven by mark-to-market valuation of securitised products, corporate and government bonds, were partially offset by unfavourable foreign exchange movements.

Basic book value per share, which excludes the impact of the convertible perpetual capital instrument issued to Berkshire Hathaway (CPCI), was CHF 67.6 at the end of September 2009, compared to CHF 60.7 at the end of June 2009. Book value per share is based on total shareholders' equity, excluding the CPCI, divided by the closing number of shares outstanding.

For the third quarter of 2009, annualised return on equity was 6.1%, compared to −3.4% for the full year of 2008 and −7.4% (annualised) for the second quarter of 2009.

Income reconciliation
The income reconciliation table below reconciles the income from the business segments and the operations of the Corporate Centre with the Group's consolidated net income/loss before tax. Net realised gains or losses on certain financial instruments, certain foreign exchange gains and losses, and other income and expenses – such as indirect taxes, capital taxes and interest charges – have been excluded from the assessment of each segment's performance.

Income reconciliation

CHF millions, for the three months ended 30 September	2008	2009	Change in %
Operating income			
Property & Casualty	685	**998**	46
Life & Health	−79	**388**	–
Asset Management	636	**740**	16
Legacy	−974	**22**	–
Allocation	−1 162	**−1 076**	−7
Total operating income/loss	−894	**1 072**	–
Corporate Centre expenses	−135	**−65**	−52
Items excluded from the segments:			
Net investment income	184	**94**	−49
Net realised investment gains/losses	22	**249**	–
Foreign exchange gains/losses	546	**−421**	–
Financing costs	−377	**−253**	−33
Other income/expenses	67	**−78**	–
Income/loss before tax	−587	**598**	–

Property & Casualty

Property & Casualty operating income increased 45.7% or CHF 0.3 billion to CHF 1.0 billion in the third quarter of 2009, compared to CHF 0.7 billion in the third quarter of 2008. Excluding the impact of foreign exchange movements, Property & Casualty operating income rose 49.6%.

The improvement in the third quarter result of 2009 was largely driven by favourable natural catastrophe and claims experience. Net investment income, including realised gains and losses, declined slightly by CHF 0.1 billion to CHF 0.5 billion.

Gross premiums earned decreased to CHF 4.3 billion in the third quarter of 2009, compared to CHF 4.6 billion in the third quarter of 2008. After retrocession, premiums earned decreased 12% to CHF 3.2 billion in the third quarter of 2009, compared to CHF 3.6 billion in the same period of 2008. At constant foreign exchange rates, net premiums earned decreased 11% year-on-year in 2009.

The combined ratio improved to 84.5% in the third quarter of 2009 from 99.6% in the same period of the previous year, mainly as a result of favourable natural catastrophe and claims experience and the absence of adverse prior year development.

The combined ratio for the property business was an exceptional 65.8% for the reporting period, compared to 79.7% in the third quarter of 2008. The improvement was mainly due to favourable natural catastrophe claims experience in this quarter.

For the casualty line of business, the combined ratio of 110.8% in the third quarter of 2009 benefited principally from the absence of unfavourable prior year development.

The specialty combined ratio decreased to 82.0% in the quarter, compared to 93.7% in the third quarter of 2008. Losses from hurricanes Ike and Gustav and reserve strengthening in trade credit and surety had a negative impact in the third quarter of 2008.

The expense ratio increased to 11.1% in the third quarter of 2009, compared to 9.8% in the prior year period.

Life & Health

Life & Health reported an operating income of CHF 388 million in the third quarter of 2009, compared to an operating loss of CHF 79 million in the prior year period. Excluding the effect of foreign exchange movements, operating income rose CHF 492 million.

Premiums and fee income declined slightly to CHF 2.9 billion in the third quarter of 2009. At constant foreign exchange rates, premiums and fee income were stable.

The overall Life & Health benefit ratio improved to 80.2% in the third quarter of 2009, compared to 91.5% in the same quarter of 2008. This decline primarily reflects the current year favourable mortality experience within the traditional life segment, together with a reduction in liabilities in the health segment related to the favourable outcome of an arbitration panel's clarification in our favour of one outstanding matter on the 2001 rescinded disability income reinsurance agreement with Lincoln National Reinsurance Company (Barbados) Ltd.

The management expense ratio declined to 5.1% in the third quarter of 2009, compared to 6.0% in the prior year period.

The life business reported an operating income of CHF 170 million for the third quarter of 2009, driven by strong mortality results. Mortality experience in the third quarter of 2009 was better than expected, particularly in North America, and more favourable than experienced in the third quarter of 2008.

The health business operating income of CHF 190 million benefited from a gain of CHF 105 million related to the Lincoln disability income reinsurance agreement. Morbidity experience was in line with expectations in the reporting period, compared to favourable experience in the third quarter of 2008.

Admin Re® reported an operating income of CHF 28 million in the third quarter of 2009, mainly due to unrealised losses related to a decline in the fair value of embedded derivatives associated with certain treaties that are ceded by Swiss Re on a funds-withheld basis. This was partially offset as equity market gains resulted in higher fee income and lower amortisation of the present value of future profits (PVFP), compared to the same period of 2008. In addition, the quarter benefited from the inclusion of Barclays Life, the acquisition of which was completed in the fourth quarter of 2008.

Asset Management

The annualised return on investment was 1.6% in the third quarter of 2009, compared to 2.8% for the same quarter of the previous year.

Asset Management's investment portfolio was CHF 160.8 billion at the end of September 2009, excluding unit-linked and with-profit businesses. The portfolio was mainly impacted by net mark-to-market gains and foreign exchange movements.

Operating income for the third quarter of 2009 was CHF 740 million, compared to CHF 636 million in the third quarter of 2008.

Swiss Re's credit and rates portfolio decreased to CHF 94.8 billion at the end of September 2009 from CHF 100.2 billion at the end of June 2009. The decline primarily relates to continued de-risking and the impact of foreign exchange movements, offset by mark-to-market gains. The running yield for Asset Management was 4.6% in the quarter. Portfolio activity for the quarter included net sales in the credit portfolio and principal repayments, with proceeds primarily allocated to short-term investments and cash equivalents along with reinvestment into higher quality credit.

Net investment income for Asset Management increased to CHF 1.3 billion in the third quarter of 2009 from CHF 1.2 billion in the prior year period. The increase in net investment income was primarily due to gains on equity and alternative investments of CHF 100 million, compared to a loss of CHF 269 million in the same quarter of the previous year. Mark-to-market gains and losses on alternative investments accounted for under the equity method are included in net investment income. The increase in net investment income was partially offset by a decrease in investment income in credit and rates related to reinvesting into higher quality credit and short-term investments.

Net realised losses on investments in Asset Management were CHF 447 million in the third quarter of 2009, compared to net realised investment losses of CHF 441 million in the same period of the previous year. Net realised investment losses in the third quarter of 2009 reflected losses on credit hedges of CHF 706 million and impairments of CHF 263 million, mainly offset by gains of CHF 567 million.

Mark-to-market gains in the third quarter of 2009 in Asset Management increased shareholders' equity by CHF 4.2 billion, decreasing the unrealised loss to CHF 0.6 billion in the third quarter of 2009 from CHF 4.8 billion in the second quarter of 2009. This was due to an improvement in the credit markets and declining interest rates.

Total asset management expenses decreased to CHF 104 million in the reporting period, from CHF 192 million in the third quarter of 2008, resulting from a decrease in investment expenses and lower variable compensation expenses.

Legacy

Legacy generated net operating income of CHF 22 million in the third quarter of 2009, compared to an operating loss of CHF 974 million for the same period of 2008. Operating income for the quarter was driven by gains from the liquidation of investments included in former trading activities, offset by losses in Financial Guarantee Re (FG Re), where there was a significant reduction in exposure due to a further large commutation.

Former trading activities generated operating income of CHF 231 million in the third quarter of 2009, versus a loss of CHF 967 million in the third quarter of 2008. Operating income for the quarter was mainly driven by the liquidation and auction of investments related to one of the former Structured CDS portfolios, which resulted in a CHF 652 million net reduction of investments and a gain of CHF 221 million. These gains were partially offset by impairments of CHF 70 million.

FG Re reported an operating loss of CHF 209 million in the third quarter of 2009, compared to a loss of CHF 7 million in the same period of 2008. This loss was driven by commutation expenses and additions to technical reserves. During the quarter, CHF 6.6 billion of notional exposure was commuted. Total notional exposure was reduced by 68% since year end 2008.

Total expenses were CHF 22 million in the third quarter of 2009, compared to CHF 28 million in the prior year period.

Outlook

The Group's Property & Casualty and Life & Health business is well positioned to take advantage of opportunities in the market due to our strong capital and client relationships. We have made good progress in de-risking in both the Asset Management portfolio and the Legacy activities; however, we remain exposed to financial market volatility. We would expect a significant reduction in the Legacy exposures by the end of 2010.

Also refer to Note on risk factors on page 66 and Cautionary note on forward-looking statements on page 72.

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Income statement (unaudited)

CHF millions	Note	Three months ended 30 September 2008	Three months ended 30 September 2009	Nine months ended 30 September 2008	Nine months ended 30 September 2009
Revenues					
Premiums earned	7, 12	6 526	**5 840**	19 097	**18 569**
Fee income from policyholders	7, 12	195	**237**	579	**672**
Net investment income	2, 12	1 646	**1 765**	6 312	**5 279**
Net realised investment gains/losses (total impairments for the three months ended 30 September 2009: 731 of which 346 recognised in earnings)[1]	2, 12	–2 247	**3 156**	–6 102	**532**
Other revenues	12	102	**53**	207	**145**
Total revenues		6 222	**11 051**	20 093	**25 197**
Expenses					
Claims and claim adjustment expenses	7, 12	–2 524	**–1 962**	–7 204	**–7 053**
Life and health benefits	7, 12	–2 547	**–2 521**	–6 859	**–6 986**
Return credited to policyholders	12	742	**–3 803**	2 268	**–4 060**
Acquisition costs	7, 12	–1 347	**–1 209**	–3 892	**–3 723**
Other expenses	12	–756	**–705**	–2 316	**–2 208**
Interest expenses	12	–377	**–253**	–1 200	**–780**
Total expenses		–6 809	**–10 453**	–19 203	**–24 810**
Income/loss before income tax expense		–587	**598**	890	**387**
Income tax expense		283	**–194**	–6	**–138**
Net income/loss		–304	**404**	884	**249**
Interest on convertible perpetual capital instrument			**–70**		**–146**
Net income/loss attributable to common shareholders		–304	**334**	884	**103**
Earnings per share in CHF					
Basic	9	–0.93	**0.97**	2.66	**0.30**
Diluted	9	–0.93	**0.87**	2.66	**0.30**

[1] Total impairments for the nine months ended 30 September 2009: 3 294 of which 1 746 recognised in earnings

The accompanying notes are an integral part of the Group financial statements.

Balance sheet (unaudited)

Assets

CHF millions	Note	31.12.2008	30.09.2009
Investments	2, 3, 4		
Fixed income securities:			
Available-for-sale, at fair value (incl. 8 188 in 2008 and 13 486 in 2009 subject to securities lending and repurchase agreements) (amortised cost: 2008: 106 216; 2009: 92 017)		103 438	**91 085**
Trading (including 33 in 2008 and 641 in 2009 subject to securities lending and repurchase agreements)		13 961	**11 541**
Equity securities:			
Available-for-sale, at fair value (including 9 in 2008 and 0 in 2009 subject to securities lending and repurchase agreements) (cost: 2008: 675; 2009: 553)		833	**765**
Trading		15 355	**19 654**
Policy loans, mortgages and other loans		6 611	**5 912**
Investment real estate		2 143	**2 213**
Short-term investments, at amortised cost which approximates fair value (including 0 in 2008 and 673 in 2009 subject to securities lending and repurchase agreements)		5 802	**10 406**
Other invested assets		15 822	**16 869**
Total investments		163 965	**158 445**
Cash and cash equivalents (including 2 477 in 2008 and 4 555 in 2009 subject to securities lending)		17 268	**33 889**
Accrued investment income		1 449	**1 592**
Premiums and other receivables		12 446	**14 361**
Reinsurance recoverable on unpaid claims and policy benefits	7	11 934	**12 792**
Funds held by ceding companies		11 230	**10 584**
Deferred acquisition costs	5, 7	4 311	**4 222**
Acquired present value of future profits	5	6 139	**5 973**
Goodwill		4 265	**4 317**
Income taxes recoverable		757	**862**
Other assets		6 113	**6 984**
Total assets		239 877	**254 021**

The accompanying notes are an integral part of the Group financial statements.

Liabilities and shareholders' equity

CHF millions	Note	31.12.2008	30.09.2009
Liabilities			
Unpaid claims and claim adjustment expenses	7	75 510	**71 761**
Liabilities for life and health policy benefits	3, 7	39 911	**40 369**
Policyholder account balances	7	34 518	**38 599**
Unearned premiums		7 802	**8 151**
Funds held under reinsurance treaties		5 872	**5 815**
Reinsurance balances payable		5 493	**6 530**
Income taxes payable		769	**1 313**
Deferred and other non-current taxes		1 329	**1 171**
Short-term debt	6	6 522	**6 501**
Accrued expenses and other liabilities		21 245	**24 672**
Long-term debt	6	20 453	**22 968**
Total liabilities		219 424	**227 850**
Shareholders' equity			
Convertible perpetual capital instrument			**3 000**
Common stock, CHF 0.10 par value			
2008: 363 516 036; 2009: 370 700 883 shares authorised and issued		36	**37**
Additional paid-in capital		10 776	**11 089**
Treasury shares, net of tax		–1 640	**–1 576**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		–2 407	**–958**
Cumulative translation adjustments, net of tax		–4 854	**–4 579**
Accumulated adjustment for pension and post-retirement benefits, net of tax		–529	**–526**
Total accumulated other comprehensive income		–7 790	**–6 063**
Retained earnings		19 071	**19 684**
Total shareholders' equity		20 453	**26 171**
Total liabilities and shareholders' equity		239 877	**254 021**

The accompanying notes are an integral part of the Group financial statements.

Statement of shareholders' equity (unaudited)

For the twelve months of 2008 ended 31 December and the nine months of 2009 ended 30 September

CHF millions	2008	2009
Convertible perpetual capital instrument		
Balance as of 1 January	0	**0**
Issued		**3000**
Balance as of period end	0	**3000**
Common shares		
Balance as of 1 January	37	**36**
Issue of common shares	1	**1**
Cancellation of shares bought back	–2	
Balance as of period end	36	**37**
Additional paid-in capital		
Balance as of 1 January	11208	**10776**
Issue of common shares[1]	992	**338**
Cancellation of shares bought back	–1453	
Convertible perpetual capital instrument issuance costs		**–11**
Share-based compensation	78	**–43**
Realised gains/losses on treasury shares	–49	**29**
Balance as of period end	10776	**11089**
Treasury shares, net of tax		
Balance as of 1 January	–1540	**–1640**
Cumulative effect of adoption of EITF 07-5[2]		**64**
Purchase of treasury shares	–2032	**–48**
Cancellation of shares bought back	1453	
Sales of treasury shares	479	**48**
Balance as of period end	–1640	**–1576**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	3119	**–2407**
Cumulative effect of adoption of FSP SFAS 115-2[3]		**–280**
Other-than-temporary impairment, non-credit related[4]		**–127**
Cumulative effect of adoption of SFAS 159	–33	
Other changes during the period	–5493	**1856**
Balance as of period end	–2407	**–958**
Foreign currency translation, net of tax		
Balance as of 1 January	–2554	**–4854**
Other changes during the period	–2300	**275**
Balance as of period end	–4854	**–4579**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–115	**–529**
Change during the period	–414	**3**
Balance as of period end	–529	**–526**
Retained earnings		
Balance as of 1 January	21712	**19071**
Net income/loss	–864	**249**
Interest on convertible perpetual capital instrument		**–146**
Dividends on common shares	–1331	**–34**
Cumulative effect of adoption of FSP SFAS 115-2[3]		**355**
Cumulative effect of adoption of EITF 07-5[2]		**189**
Cumulative effect of adoption of SFAS 158	–31	
Cumulative effect of adoption of SFAS 159	–7	
Deferred income tax on cross-border business transfer[5]	–408	
Balance as of period end	19071	**19684**
Total shareholders' equity	20453	**26171**

[1] These balances represent the premium from the conversion of mandatory convertible bonds that matured in December 2008 and June 2009, respectively.
[2] The Group adopted a new accounting pronouncement, EITF 07-5, as of 1 January 2009, which resulted in a change in accounting principle for some types of instruments and embedded features linked to Swiss Re's own shares. The cumulative impact upon adoption resulted in a net increase in retained earnings of CHF 189 million, a decrease in treasury shares of CHF 64 million, an increase in other invested assets of CHF 303 million and a tax income of CHF 50 million.
[3] Retained earnings as of 31 December 2008 were increased by CHF 75 million to reflect the release of a valuation allowance against deferred tax assets associated with investment impairment losses.
[4] Refer to note 2 for further details on the presentation of non-credit related other-than-temporary impairment.
[5] The novation of certain treaties from Swiss Re's Bermuda branches to Swiss Re Zurich resulted in a net deferred tax liability transfer to Swiss Re Zurich. The respective increase in deferred tax liability is due to different jurisdictional tax rates. The transfer of the net deferred tax liability does not impact the Group's net income or effective tax rate.

The accompanying notes are an integral part of the Group financial statements.

Statement of comprehensive income (unaudited)

CHF millions	Three months ended 30 September 2008	2009	Nine months ended 30 September 2008	2009
Net income/loss attributable to common shareholders	–304	**334**	884	**103**
Other comprehensive income, net of tax:				
Change in unrealised gains/losses	–1 906	**2 788**	–5 162	**1 449**
Change in foreign currency translation	946	**–754**	–878	**275**
Change in adjustment for pension benefits		**53**	180	**3**
Comprehensive income	–1 264	**2 421**	–4 976	**1 830**

The accompanying notes are an integral part of the Group financial statements.

Statement of cash flow (unaudited)

For the nine months ended 30 September

CHF millions	2008	2009
Cash flows from operating activities		
Net income attributable to common shareholders	884	**103**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	800	**244**
Net realised investment gains/losses	6 102	**–532**
Change in:		
Technical provisions, net	–6 443	**–1 880**
Funds held by ceding companies and other reinsurance balances	542	**–332**
Reinsurance recoverable on unpaid claims and policy benefits	–5	**–1 283**
Other assets and liabilities, net	–3 228	**–401**
Income taxes payable/recoverable	–167	**–202**
Income from equity-accounted investees, net of dividends received	159	**83**
Trading positions, net	258	**32**
Securities purchased/sold under agreement to resell/repurchase, net	–4 459	**–649**
Net cash provided/used by operating activities	–5 557	**–4 817**
Cash flows from investing activities		
Fixed income securities:		
Sales and maturities	54 426	**167 134**
Purchases	–50 202	**–147 606**
Net purchase/sale/maturities of short-term investments	4 664	**–4 490**
Equity securities:		
Sales	8 765	**319**
Purchases	–1 421	**–111**
Net purchases/sales/maturities of other investments	–1 028	**1 512**
Net cash provided/used by investing activities	15 204	**16 758**
Cash flows from financing activities		
Issuance of long-term debt	661	**3 752**
Issuance/repayment of short-term debt	–2 686	**–1 496**
Equity issued		**1**
Proceeds from the issuance of convertible perpetual capital instrument, net of issuance cost		**2 989**
Purchase/sale of treasury shares	–1 509	
Interest on convertible perpetual capital instrument		**–61**
Dividends paid to shareholders	–1 331	**–34**
Net cash provided/used by financing activities	–4 865	**5 151**
Total net cash provided/used	4 782	**17 092**
Effect of foreign currency translation	–133	**–471**
Change in cash and cash equivalents	4 649	**16 621**
Cash and cash equivalents as of 1 January	11 531	**17 268**
Cash and cash equivalents as of 30 September	16 180	**33 889**

Interest paid during 2009 was CHF 612 million. Income tax paid during 2009 was CHF 469 million.

The accompanying notes are an integral part of the Group financial statements.

Notes to the Group financial statements (unaudited)

1 Organisation and summary of significant accounting policies

Nature of operations

The Swiss Re Group, which is headquartered in Zurich, Switzerland, comprises Swiss Reinsurance Company Ltd (the parent company, referred to as "Swiss Re Zurich") and its subsidiaries (collectively, the "Swiss Re Group" or the "Group"). The Group provides reinsurance and other related products and services to insurance companies, direct clients and others worldwide through reinsurance brokers and a network of offices in over 20 countries.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law. The Group's financial statements are stated in Swiss francs (CHF), the currency of the country in which Swiss Re Zurich is incorporated. All significant inter-company transactions and balances have been eliminated on consolidation.

These interim financial statements should be read in conjunction with the Swiss Re Group's financial statements for the year ended 31 December 2008.

Use of estimates in the preparation of financial statements

The preparation of financial statements requires management to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the related disclosure including contingent assets and liabilities. The Swiss Re Group's liabilities for unpaid claims and claim adjustment expenses and policy benefits for life and health include estimates for premium, claim and benefit data not received from ceding companies at the date of the financial statements. In addition, the Group uses certain financial instruments and invests in securities of certain entities for which exchange trading does not exist. The Group determines these estimates based on historical information, actuarial analyses, financial modelling, and other analytical techniques. Actual results could differ significantly from the estimates described above.

Valuation of financial assets

The fair value of the majority of the Group's financial instruments is based on quoted prices in active markets or observable inputs. These instruments include government and agency securities, commercial paper, most investment-grade corporate debt, most high-yield debt securities, exchange traded derivative instruments, most mortgage-backed and asset-backed securities and listed equity securities. In markets with reduced or no liquidity, spreads between bid and offer prices are normally wider compared to spreads in highly liquid markets. Such market conditions affect the valuation of certain asset classes of the Group, such as some asset-backed securities as well as certain derivative structures referencing such asset classes.

The Group considers both the credit risk of its counterparties, and own risk of non-performance in the valuation of certain financial instruments. In determining the fair value of the financial instruments, the assessment of the Group's exposure to the credit risk of our counterparties incorporates consideration of existing collateral and netting arrangements entered into with each counterparty. The measure of the counterparty credit risk is estimated for derivative instruments and other over-the-counter financial assets with incorporation of the observable credit spreads, where available, or credit spread estimates derived based on the benchmarking techniques where market data is not available. The impact of the Group's own risk of non-performance is analysed in the manner consistent with the aforementioned approach; with consideration of the Group's observable credit spreads. The value representing such risk is incorporated into the fair value of the financial instruments (primarily derivatives), in a liability position as of the measurement date. The change in this adjustment from period to period is reflected in realised gains and losses in the income statement.

There can also be differences between the market values implied by collateral requested by counterparties and the prices observed in the markets. The Group has provided collateral on all financial instruments in excess of the market value estimate of CHF 61 million. For these assets or derivative structures, the Group uses market prices or inputs derived from market prices. A separate internal price verification process, independent of the trading function, provides an additional control over the market prices or market input used to determine the fair values of such assets. Whilst management considers that appropriate values have been ascribed to such assets, current market conditions increase the level of uncertainty and judgement over these valuations. Subsequent valuations could differ significantly from the results of the process described above. The Group may become aware of counterparty valuations, either directly through the exchange of information or indirectly, for example, through collateral demands. Any implied differences are considered in the independent price verification process and may result in adjustments to initially indicated valuations.

Subsequent events

Subsequent events for the current reporting period have been evaluated up to 2 November 2009. This is the date on which the financial statements are available to be issued.

Recent accounting guidance

In February 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) No. FAS 140-3 "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions" (FSP FAS 140-3). The FSP provides guidance on accounting for a transfer of a financial asset and a repurchase financing. The Group adopted FSP FAS 140-3 as of 1 January 2009.

In March 2008, the Financial Accounting Standards Board issued SFAS No. 161 "Disclosures about Derivative Instruments and Hedging Activities"(SFAS 161). This standard requires enhanced disclosures about an entity's derivative and hedging activities. The Group adopted SFAS 161 as of 1 January 2009. The new disclosure requirements are reflected in Note 4.

In May 2008, the Financial Accounting Standards Board issued SFAS No. 163 "Accounting for Financial Guarantee Insurance Contracts". As required by the standard, the Group adopted as of 30 September 2008 disclosure requirements about risk management practices and exposures that have experienced credit deterioration. The remaining requirements regarding measurement and disclosures for financial guarantee insurance contracts became effective for the Group as of 1 January 2009. Refer to Note 8 for further information.

In June 2008, EITF Issue No. 07-5 "Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock" (EITF 07-5) was issued. EITF 07-5 gives guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock. The Group adopted EITF 07-5 as of 1 January 2009. The cumulative effect upon adoption is recorded in opening retained earnings and is presented in the statement of shareholders' equity.

On 9 April 2009, the Financial Accounting Standards Board issued FSP FAS 115-2 and FAS 124-2 "Recognition and Presentation of Other-Than-Temporary Impairments" (FSP FAS 115-2 and FAS 124-2). This FSP establishes a new method of recognising and reporting other-than-temporary impairments of debt securities and requires additional disclosures related to debt and equity securities. The Group chose to adopt FSP FAS 115-2 and FAS 124-2 early with effect as of 1 January 2009. Total impairments for the nine months ended 30 September 2009, gross of tax, were CHF 3 294 million of which CHF 1 746 million was recognised in earnings and CHF 1 548 million was recognised directly in shareholders' equity. The cumulative effects upon adoption are recorded in opening net unrealised gains/losses and retained earnings and are presented in the statement of shareholders' equity. The requirements of FSP FAS 115-2 and FAS 124-2 are reflected in the income statement and Note 2.

On 9 April 2009, the Financial Accounting Standards Board issued FSP FAS 157-4 "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" (FSP FAS 157-4). This FSP provides additional guidance for estimating fair value in accordance with the FASB ASC Topic 820 Fair Value Measurement and Disclosures (FAS 157) when the volume and level of activity for the asset or liability have significantly decreased. The early adoption of FSP FAS 157-4 as of 1 January 2009 did not have a material impact on the Group's financial statements. The new disclosure requirements are reflected in Note 3.

Also on 9 April 2009, the Financial Accounting Standards Board issued FSP FAS 107-1 and APB 28-1 "Interim Disclosures about Fair Value of Financial Instruments"(FSP FAS 107-1 and APB 28-1). This FSP requires disclosures about the fair value of financial instruments for all interim reporting periods. The Group adopted FSP FAS 107-1 and APB 28-1 as of the second quarter of 2009. Fair values of financial instruments are disclosed in Note 2, 3 and 6.

In May 2009, the Financial Accounting Standards Board issued SFAS No. 165 "Subsequent Events" (SFAS 165). This standard establishes principles and requirements for subsequent events. The Group adopted SFAS 165 as of the second quarter of 2009.

In June 2009, the Financial Accounting Standards Board issued SFAS No. 168 "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles". From 1 July 2009, the FASB Accounting Standards Codification (ASC) is the single source of authorative non-governmental US GAAP. Swiss Re adopted the Codification as of the third quarter of 2009. These financial statements have been updated accordingly. Certain references to guidance issued before the effective date of SFAS 168 have not been changed as no equivalent references exist under the Codification.

2 Investments

Investment income

Net investment income by source (including unit-linked and with-profit business) for the periods ended 30 September was as follows:

CHF millions	Three months ended 30 September 2008	Three months ended 30 September 2009	Nine months ended 30 September 2008	Nine months ended 30 September 2009
Fixed income securities	1 455	1 414	4 998	4 316
Equity securities	152	125	641	452
Policy loans, mortgages and other loans	151	105	378	345
Investment real estate	52	50	170	157
Short-term investments	77	10	226	36
Other current investments	186	16	322	74
Share in earnings of equity-accounted investees	–324	140	–223	–30
Cash and cash equivalents	67	22	241	74
Deposits with ceding companies	122	129	408	488
Gross investment income	1 938	**2 011**	7 161	**5 912**
Investment expenses	–227	–183	–587	–440
Interest charged for funds held	–65	–63	–262	–193
Net investment income	1 646	**1 765**	6 312	**5 279**

Dividends received from investments accounted for using the equity method were CHF 8 million and CHF 6 million for the three months ended 30 September 2008 and 2009, respectively, as well as CHF 64 million and CHF 53 million for the nine months ended 30 September 2008 and 2009, respectively.

Net investment income for the periods ended 30 September includes income on unit-linked and with-profit business, which is credited to policyholders.

CHF millions	Three months ended 30 September 2008	Three months ended 30 September 2009	Nine months ended 30 September 2008	Nine months ended 30 September 2009
Unit-linked investment income	166	143	587	509
With-profit investment income	67	26	205	131

Realised gains and losses

Realised gains and losses for fixed income, equity securities and other investments (including unit-linked and with-profit business) for the periods ended 30 September were as follows:

CHF millions	Three months ended 30 September 2008	Three months ended 30 September 2009	Nine months ended 30 September 2008	Nine months ended 30 September 2009
Fixed income securities available-for-sale:				
Gross realised gains	357	1 151	972	3 418
Gross realised losses	–390	–452	–896	–1 788
Equity securities available-for-sale:				
Gross realised gains	180	22	919	86
Gross realised losses	–425		–1 154	–23
Other-than-temporary impairments	–308	–346	–669	–1 746
Net realised investment gains/losses on trading securities	65	108	–866	–307
Change in net unrealised investment gains/losses on trading securities	–2 877	4 218	–6 766	4 235
Other investments:				
Gross realised/unrealised gains/losses	605	–1 124	1 309	–2 442
Foreign exchange gains/losses	546	–421	1 049	–901
Net realised investment gains/losses	–2 247	**3 156**	–6 102	**532**

Proceeds from the sales of fixed income securities available for sale amounted to CHF 16 134 million and CHF 37 832 million for the three months ended 30 September 2008 and 2009, respectively, and CHF 48 659 million and CHF 146 725 million for the nine months ended 30 September 2008 and 2009, respectively. Sales of equity securities available for sale amounted to CHF 2 896 million and CHF 108 million for the three months ended 30 September 2008 and 2009, respectively, and CHF 8 819 million and CHF 318 million for the nine months ended 30 September 2008 and 2009, respectively.

Net realised investment gains/losses for the periods ended 30 September include income on unit-linked and with-profit business, which is credited to policyholders.

	Three months ended 30 September		Nine months ended 30 September	
CHF millions	2008	**2009**	2008	**2009**
Unit-linked realised gains/losses	–1 028	3 457	–3 308	3 072
With-profit realised gains/losses	–171	360	–620	288

Impairment on fixed income securities relating to credit losses

The approach for measurement and recognition of other-than-temporary impairments changed in the first quarter of 2009 as a result of the Group's election for early adoption of recognition and presentation of the corresponding standard. Under the new accounting guidance, other-than-temporary impairments for debt securities are bifurcated between credit and non-credit components, with the credit component recognised through earnings and the non-credit component recognised in other comprehensive income. The Group has implemented new methodologies to measure the credit component of other-than-temporary impairments, defined as the difference between a security's amortised cost basis and expected cash flows. Methodologies for measuring the credit component of impairment are aligned to market observer forecasts of credit performance drivers which management believes are representative of median market expectations.

For securitised products, cash flow projection analysis is conducted integrating forward-looking evaluation of collateral performance drivers, including default rates, prepayment rates and loss severities, and deal-level features, such as credit enhancement and prioritisation among tranches for payments of principal and interest. Analytics are differentiated by asset class, product type and security-level differences in historical and expected performance. For corporate bonds and similar hybrid debt instruments, an expected loss approach based on default probabilities and loss severities expected in the current and forecast economic environment is used for securities identified as credit-impaired to project probability-weighted cash flows. Expected cash flows resulting from these analyses are discounted, and net present value is compared to amortised cost basis to determine the credit component of other-than-temporary impairments.

A reconciliation of the other-than-temporary impairment related to credit losses recognised in earnings during 2009 was as follows:

CHF millions	**2009**
Balance as of 1 January 2009	586
Credit losses for which an other-than-temporary impairment was not previously recognised	899
Reductions for securities sold during the period	–410
Increase of credit losses for which an other-than-temporary impairment has been recognised previously, when the Group does not intend to sell, or more likely than not will not be required to sell before recovery	400
Impact of increase in cash flows expected to be collected	–19
Impact of foreign exchange movements	–18
Balance as of 30 September 2009	**1 438**

Investments available-for-sale

Amortised cost or cost, estimated fair values and other-than-temporary impairments of fixed income securities classified as available-for-sale as of 31 December 2008 and 30 September 2009 were as follows:

2008 CHF millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Estimated fair value
Debt securities issued by governments and government agencies:				
US Treasury and other US government corporations and agencies	22 545	2 962	–339	25 168
States of the United States and political subdivisions of the states	45		–4	41
United Kingdom	10 302	488	–278	10 512
Canada	3 620	478	–180	3 918
Germany	1 193	92	–16	1 269
France	1 302	93	–14	1 381
Other	8 060	391	–269	8 182
Total	47 067	4 504	–1 100	50 471
Corporate debt securities	24 781	411	–2 535	22 657
Mortgage-backed and asset-backed securities	34 368	319	–4 377	30 310
Fixed income securities available-for-sale	106 216	5 234	–8 012	103 438
Equity securities available-for-sale	675	184	–26	833

2009 CHF millions	Amortised cost or cost	Gross unrealised gains	Gross unrealised losses	Other-than-temporary impairment recognised in other comprehensive income	Estimated fair value
Debt securities issued by governments and government agencies:					
US Treasury and other US government corporations and agencies	24 914	574	–418		25 070
States of the United States and political subdivisions of the states	60	4	–2		62
United Kingdom	10 910	386	–131		11 165
Canada	2 756	311	–21		3 046
Germany	2 674	74	–11		2 737
France	2 295	62	–5		2 352
Other	6 352	264	–133		6 483
Total	49 961	1 675	–721		50 915
Corporate debt securities	18 451	1 426	–432	–36	19 409
Residential mortgage-backed securities	6 042	62	–1 115	–410	4 579
Commercial mortgage-backed securities	6 971	28	–1 290	–100	5 609
Agency securitised products	5 786	252	–11	–6	6 021
Other asset-backed securities	4 806	96	–289	–61	4 552
Fixed income securities available-for-sale	**92 017**	**3 539**	**–3 858**	**–613**	**91 085**
Equity securities available-for-sale	**553**	**242**	**–30**		**765**

As of the third quarter of 2009 the other-than-temporary impairments recognised in other comprehensive income column only include securities with a credit related loss recognised in earnings. Subsequent recovery in fair value of securities previously impaired in other comprehensive income are presented in the other-than-temporary impairments column.

Investments trading

Fixed income securities and equity securities classified as trading as of 31 December 2008 and 30 September 2009 were as follows:

CHF millions	2008	2009
Debt securities issued by governments and government agencies	9 026	7 624
Corporate debt securities	3 429	2 307
Mortgage-backed and asset-backed securities	1 506	1 610
Fixed income securities trading	13 961	**11 541**
Equity securities trading	15 355	**19 654**

Fixed income securities and equity securities classified as trading as of 31 December 2008 and 30 September 2009 include securities held for unit-linked and with-profit business:

CHF millions	2008	2009
Fixed income securities trading held for unit-linked business	2 230	2 347
Fixed income securities trading held for with-profit business	1 597	1 739
Fixed income securities trading	3 827	**4 086**
Equity securities trading held for unit-linked business	13 229	17 463
Equity securities trading held for with-profit business	1 005	1 177
Equity securities trading	14 234	**18 640**

Maturity of fixed income securities available-for-sale

The amortised cost or cost and estimated fair values of investments in fixed income securities available-for-sale by remaining maturity as of 31 December 2008 and 30 September 2009 are shown below. Fixed maturity investments are assumed not to be called for redemption prior to the stated maturity date. As of 31 December 2008 and 30 September 2009, CHF 22 730 million and CHF 20 291 million, respectively, of fixed income securities available-for-sale were callable. The Group revised the 2008 presentation of callable fixed income securities available-for-sale in the current period to conform with the 2009 presentation.

		2008		2009
CHF millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	6 369	6 384	3 885	3 902
Due after one year through five years	15 468	15 095	17 462	17 734
Due after five years through ten years	17 931	17 506	17 519	18 042
Due after ten years	36 291	37 510	29 558	30 648
Mortgage and asset-backed securities with no fixed maturity	30 157	26 943	23 593	20 759
Total fixed income securities available-for-sale	106 216	103 438	**92 017**	**91 085**

Assets pledged

As of 31 December 2008 and 30 September 2009, securities of CHF 10707 million and CHF 19355 million, respectively, were pledged as collateral in securities lending transactions and repurchase agreements. The associated liabilities of CHF 4465 million and CHF 8299 million, respectively, were recognised in accrued expenses and other liabilities.

A real estate portfolio with a carrying amount of CHF 295 million serves as collateral for short-term senior operational debt of CHF 650 million.

Unrealised losses on securities available-for-sale

The following table shows the fair value and unrealised losses of the Group's fixed income securities, aggregated by investment category and length of time that individual securities were in a continuous unrealised loss position as of 31 December 2008 and 30 September 2009. As of 31 December 2008, the gross unrealised loss on equity securities available-for-sale of CHF 26 million relates to declines in value for less than 12 months. As of 30 September 2009, CHF 7 million of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and CHF 23 million to declines in value for more than 12 months.

2008 CHF millions	Less than 12 months Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total Fair value	 Unrealised losses
Debt securities issued by governments and government agencies	11266	864	867	236	12133	1100
Corporate debt securities	11511	1605	3080	930	14591	2535
Mortgage and asset-backed securities	13033	3240	5061	1137	18094	4377
Total	35810	5709	9008	2303	44818	8012

2009 CHF millions	Less than 12 months Fair value	 Unrealised losses	12 months or more Fair value	 Unrealised losses	Total Fair value	 Unrealised losses
Debt securities issued by governments and government agencies	11019	694	2254	27	13273	721
Corporate debt securities	2336	337	1432	131	3768	468
Mortgage and asset-backed securities	8752	2398	3413	884	12165	3282
Total	**22107**	**3429**	**7099**	**1042**	**29206**	**4471**

Mortgages, loans and real estate

As of 31 December 2008 and 30 September 2009, investments in mortgages and other loans and real estate comprised the following:

		2008		2009
CHF millions	Carrying value	Fair value	Carrying value	Fair value
Policy loans, mortgages and other loans	6611	6611	5912	5912
Investment real estate	2143	3093	2213	3068

As of 31 December 2008 and 30 September 2009, the Group's investment in mortgages and other loans included CHF 200 million and CHF 191 million, respectively, of loans due from employees and CHF 444 million and CHF 417 million, respectively, due from officers. These loans generally consist of mortgages offered at variable and fixed interest rates.

As of 31 December 2008 and 30 September 2009, investments in real estate included CHF 9 million and CHF 9 million, respectively, of real estate held for sale.

Depreciation expense related to income producing properties was CHF 33 million and CHF 34 million for the nine months ended 30 September 2008 and 2009, respectively. Accumulated depreciation on investment real estate totalled CHF 493 million and CHF 523 million as of 31 December 2008 and 30 September 2009, respectively.

Substantially all mortgages and other loans receivable are secured by buildings, land or the underlying policies. The ultimate collectibility of the receivables is evaluated regularly and an appropriate allowance for uncollectible amounts is established.

3 Fair value disclosures

As of 1 January 2008, the Swiss Re Group adopted the Fair Value Measurements and Disclosures Topic ASC 820. This topic defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It requires disclosures of the Group's assets and liabilities that are measured at fair value.

Fair value, as defined by the Fair Value Measurements and Disclosures Topic, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fair Value Measurements and Disclosures Topic requires all assets and liabilities that are measured at fair value to be categorised within the fair value hierarchy. This three-level hierarchy is based on the observability of the inputs used in the fair value measurement. The levels of the fair value hierarchy are defined as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Group has the ability to access. Level 1 inputs are the most persuasive evidence of fair value and are to be used whenever possible.

Level 2 inputs are market based inputs that are directly or indirectly observable but not considered level 1 quoted prices. Level 2 inputs consist of (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical assets or liabilities in non-active markets (eg markets which have few transactions and prices are not current or price quotations vary substantially); (iii) inputs other than quoted prices that are observable (eg interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates); and (iv) inputs derived from, or corroborated by, observable market data.

Level 3 inputs are unobservable inputs. These inputs reflect the Group's own assumptions about market pricing using the best internal and external information available.

The types of instruments valued, based on quoted market prices in active markets, include most US government and sovereign obligations, active listed equities and most money market securities. Such instruments are generally classified within level 1 of the fair value hierarchy. The Group does not adjust the quoted price for such instruments, even in situations where it holds a large position and a sale could reasonably impact the quoted price.

The types of instruments that trade in markets that are not considered to be active, but are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most government agency securities, investment-grade corporate bonds, certain mortgage and asset-backed products, less liquid listed equities, and state, municipal and provincial obligations. Such instruments are generally classified within level 2 of the fair value hierarchy.

Exchange-traded derivative instruments typically fall within level 1 or level 2 of the fair value hierarchy depending on whether they are considered to be actively traded or not.

Certain financial instruments are classified within level 3 of the fair value hierarchy because they trade infrequently and therefore have little or no price transparency. Such instruments include private equity, less liquid corporate debt securities and certain asset-backed securities. Certain over-the-counter derivatives trade in less liquid markets with limited pricing information, and the determination of fair value for these derivatives is inherently more difficult. Such instruments are classified within level 3 of the fair value hierarchy. Pursuant to the election of the fair value option, the Group classifies certain Life & Health policy reserves to level 3 of the fair value hierarchy. When appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations. Such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

The fair values of assets are adjusted to incorporate the counterparty risk of non-performance. Similarly, the fair values of liabilities reflect the risk of non-performance of the Group, captured by the Group's credit spread. These valuation adjustments from assets and liabilities measured at fair value using significant unobservable inputs are recognised in net realised gains and losses. In the third quarter of 2009, these adjustments were non-material. Whenever the underlying assets or liabilities are reported in a specific business segment, the valuation adjustment is allocated accordingly. Valuation adjustments not attributable to any business segment are reported in Group Items.

In certain situations, the Group uses inputs to measure the fair value of asset or liability positions that fall into different levels of the fair value hierarchy. In these situations, the Group will determine the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value.

Assets and liabilities measured at fair value on a recurring basis

As of 31 December 2008 and 30 September 2009, the fair values of assets and liabilities measured on a recurring basis by level of input were as follows:

As of 31 December 2008 CHF millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities	11 646	94 232	11 521		117 399
Equity securities	15 185	783	220		16 188
Derivative financial instruments	382	73 118	14 286	–79 764	8 022
Other assets	36		1 580		1 616
Total assets at fair value	27 249	168 133	27 607	–79 764	143 225
Liabilities					
Derivative financial instruments	–416	–68 579	–17 916	77 340	–9 571
Liabilities for life and health policy benefits			–494		–494
Accrued expenses and other liabilities	–607	–58			–665
Total liabilities at fair value	–1 023	–68 637	–18 410	77 340	–10 730

[1] The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

The Group revised the 2008 presentation of the netting of derivative financial instruments assets and liabilities in the current period to conform with the 2009 presentation.

As of 30 September 2009 CHF millions	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities	20 151	73 712	8 763		102 626
Debt securities issued by US government and government agencies	20 151	5 153			25 304
Debt securities issued by non-US governments and government agencies		32 925	311		33 236
Corporate debt securities		17 671	4 658		22 329
Residential mortgage-backed securities		3 566	1 515		5 081
Commercial mortgage-backed securities		5 159	587		5 746
Agency securitised products		6 023	21		6 044
Other asset-backed securities		3 215	1 671		4 886
Equity securities	19 293	919	207		20 419
Equity securities backing unit-linked and with-profit life and health policies	18 588	52			18 640
Equity securities held for proprietary investment purposes	705	867	207		1 779
Derivative financial instruments	104	54 698	6 235	–56 551	4 486
Other assets	9		1 371		1 380
Total assets at fair value	**39 557**	**129 329**	**16 576**	**–56 551**	**128 911**
Liabilities					
Derivative financial instruments	–53	–53 083	–7 767	53 653	–7 250
Liabilities for life and health policy benefits			–334		–334
Accrued expenses and other liabilities	–568	–240			–808
Total liabilities at fair value	**–621**	**–53 323**	**–8 101**	**53 653**	**–8 392**

[1] The netting of derivative receivables and derivative payables is permitted when a legally enforceable master netting agreement exists between two counterparties. A master netting agreement provides for the net settlement of all contracts, as well as cash collateral, through a single payment, in a single currency, in the event of default or on the termination of any one contract.

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3)

As of 31 December 2008 and 30 September 2009, the reconciliation of the fair values of assets and liabilities measured on a recurring basis using significant unobservable inputs were as follows:

2008 CHF millions	Fixed income securities	Equity securities	Derivative financial instruments	Other assets	Total
Assets					
Opening balance as of 1 January 2008	8 887	140	9 389	1 498	19 914
Realised/unrealised gains/losses:					
Included in net income	–1 554	116	3 878	–324	2 116
Included in other comprehensive income	–2 689	19		–248	–2 918
Purchases, issuances, and settlements	1 733	–236	1 092	187	2 776
Transfers in and/or out of Level 3	5 877	273	106	493	6 749
Impact of foreign exchange movements	–733	–92	–179	–26	–1 030
Closing balance as of 31 December 2008	11 521	220	14 286	1 580	27 607

	Liabilities for life and health policy benefits	Derivative financial instruments	Accrued expenses and other liabilities	Total
Liabilities				
Opening balance as of 1 January 2008	–102	–10 200	–170	–10 472
Realised/unrealised gains/losses:				
Included in net income	–376	–7 074		–7 450
Included in other comprehensive income		10		10
Purchases, issuances, and settlements		–760	145	–615
Transfers in and/or out of Level 3		14	34	48
Impact of foreign exchange movements	–16	94	–9	69
Closing balance as of 31 December 2008	–494	–17 916	0	–18 410

2009 CHF millions	Debt securities issued by non-US governments and government agencies	Corporate debt securities	Residential mortgage-backed securities	Commercial mortgage-backed securities	Agency securitised products	Other asset-backed securities	Equity securities held for proprietary investment purposes	Derivative financial instruments	Other assets	Total
Assets										
Balance as of 1 January 2009	153	6 475	1 796	488	0	2 609	220	14 286	1 580	27 607
Realised/unrealised gains/losses:										
Included in net income	–4	102	–70	–6	–6	208	31	–10 049	–140	–9 934
Included in other comprehensive income	–61	526	323	–85		229	–1		–30	901
Purchases, issuances, and settlements	–456	–2 033	–720	–26	21	–1 067	–88	1 523	36	–2 810
Transfers in and/or out of Level 3	580	–184	–136	152		67	46	771	–107	1 189
Impact of foreign exchange movements	99	–228	322	64	6	–375	–1	–296	32	–377
Closing balance as of 30 September 2009	**311**	**4 658**	**1 515**	**587**	**21**	**1 671**	**207**	**6 235**	**1 371**	**16 576**

	Liabilities for life and health policy benefits	Derivative financial instruments	Total
Liabilities			
Balance as of 1 January 2009	–494	–17 916	–18 410
Realised/unrealised gains/losses:			
Included in net income	149	9 913	10 062
Included in other comprehensive income			
Purchases, issuances, and settlements		292	292
Transfers in and/or out of Level 3		–481	–481
Impact of foreign exchange movements	11	425	436
Closing balance as of 30 September 2009	**–334**	**–7 767**	**–8 101**

Gains and losses on assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3)

The gains and losses relating to the assets and liabilities measured at fair value using significant unobservable inputs (Level 3) for the nine months ended 30 September 2008 and 2009 were as follows:

CHF millions	2008	**2009**
Gains/losses included in net income for the period	156	–825
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	–346	768

Fair value option

The fair value option under the Financial Instruments Topic permits the choice to measure specified financial assets and liabilities at fair value on an instrument-by-instrument basis.

The Group elected the fair value option for positions in the following line items in the balance sheet:

Fixed income securities trading
In the second quarter of 2008, the Group elected the fair value option for the specific investments acquired within a transaction. These securities are classified as debt securities under the Group's accounting policies. Upon election of the fair value option the securities are classified as trading, with changes in fair value recorded in earnings. The primary reason for electing the fair value option is to mitigate volatility in earnings as a result of using different measurement attributes.

Equity securities trading
As of 1 January 2008, the Group elected the fair value option for an investment previously classified as available-for-sale within other invested assets in the balance sheet. The Group economically hedges the investment with derivative instruments that offset this exposure. The changes in fair value of the derivatives are recorded in earnings. Electing the fair value option eliminates the mismatch previously caused by the economic hedging of the investment and reduces the volatility in the income statement.

Liabilities for life and health policy benefits
As of 1 January 2008, the Group elected the fair value option for existing guaranteed minimum death benefit (GMDB) reserves related to certain variable annuity contracts which are classified as universal life-type contracts. The Group has applied the fair value option as the equity risk associated with those contracts is managed on a fair value basis, and it is economically hedged with derivative options in the market.

Assets and liabilities measured at fair value pursuant to election of the fair value option

Pursuant to the election of the fair value option for the items described, the balances as of 31 December 2008 and 30 September 2009 were as follows:

CHF millions	2008	2009
Assets		
Fixed income securities trading	13 961	11 541
of which at fair value pursuant to the fair value option	681	694
Equity securities trading	15 355	19 654
of which at fair value pursuant to the fair value option	121	502
Liabilities		
Liabilities for life and health policy benefits	–39 911	–40 369
of which at fair value pursuant to the fair value option	–494	–334

Changes in fair values for items measured at fair value pursuant to election of the fair value option

Total gains/losses included in earnings for the nine months ended 30 September 2008 and 2009, including foreign exchange impact, were CHF –459 million and CHF 554 million, respectively.

Fair value changes from fixed income securities trading (CHF 13 million) and equity securities trading (CHF 381 million) are reported in net realised investment gains/losses. Fair value changes from the GMDB reserves (CHF 160 million) are shown in life and health benefits.

4 Derivative financial instruments

The Group uses a variety of derivative financial instruments including swaps, options, forwards, credit derivatives and exchange-traded financial futures in its trading and hedging strategies, in line with the Group's overall risk management strategy. The objectives include managing exposure to price, foreign currency and/or interest rate risk on planned or anticipated investment purchases, existing assets or liabilities, as well as locking in attractive investment conditions for future available funds.

The fair values represent the gross carrying value amounts at the reporting date for each class of derivative contract held or issued by the Group. The gross fair values are not an indication of credit risk, as many over-the-counter transactions are contracted and documented under ISDA master agreements or their equivalent. Management believes that such agreements provide for legally enforceable setoff in the event of default, which substantially reduces credit exposure.

Fair values of derivative financial instruments

As of 30 September 2009, the fair values and notional amounts of the derivatives outstanding were as follows:

CHF millions	Notional amount assets/liabilities[1]	Fair value assets	Fair value liabilities	Carrying value assets/liabilities
Derivatives not designated as hedging instruments				
Interest rate contracts	503 299	6 362	–6 110	252
Foreign exchange contracts	56 795	45 069	–46 015	–946
Equity contracts	23 431	3 005	–1 085	1 920
Credit contracts	143 105	4 033	–3 865	168
Other contracts	38 363	1 746	–3 828	–2 082
Total	**764 993**	**60 215**	**–60 903**	**–688**
Derivatives designated as hedging instruments				
Interest rate contracts	2 984	637		637
Foreign exchange contracts	4 704	185		185
Total	**7 688**	**822**	**0**	**822**
Total derivative financial instruments	**772 681**	**61 037**	**–60 903**	**134**
Amount offset				
Where a right of setoff exists		–53 082	53 082	
Due to cash collateral[2]		–3 469	571	
Total net amount of derivative financial instruments[3]		**4 486**	**–7 250**	**–2 764**

[1] The notional amounts of derivative financial instruments give an indication of the Group's volume of derivative activity.
[2] The fair value amounts that have been offset are CHF 6 189 million for assets and CHF 3 765 million for liabilities as of 31 December 2008. The fair value amounts that have not been offset are nil as of 31 December 2008 and 30 September 2009, respectively.
[3] The fair value assets are included in other invested assets and the fair value liabilities are included in accrued expenses and other liabilities.

Non-hedging activities

The Group primarily uses derivative financial instruments for risk management and trading strategies. For the three months and the nine months ended 30 September 2009, gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

CHF millions	Three months ended 30 September	Nine months ended 30 September
Derivatives not designated as hedging instruments[1]		
Interest rate contracts	71	–136
Foreign exchange contracts	277	302
Equity contracts	–216	–805
Credit contracts	–1 208	–2 633
Other contracts	111	531
Total gain/loss recognised in income	**–965**	**–2 741**

[1] Gains and losses of derivative financial instruments not designated as hedging instruments are recorded in net realised investment gains/losses.

Hedging activities

The Group designates derivative financial instruments as hedging instruments. The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 30 September 2009, the following hedging relationships were outstanding:

Fair Value Hedges

The Group entered into interest rate and foreign exchange swaps to reduce the exposure to interest rate and foreign exchange volatility for certain of its issued debt positions. These derivative instruments were designated as hedging instruments in qualifying fair value hedges.

For the three months and the nine months ended 30 September 2009, the gains and losses attibutable to the hedged risks were as follows:

CHF millions	Gains/losses on derivatives for three months ended 30 September	Gains/losses on hedged items for three months ended 30 September	Gains/losses on derivatives for nine months ended 30 September	Gains/losses on hedged items for nine months ended 30 September
Fair value hedging relationships[1]				
Interest rate contracts	76	–55	–446	510
Foreign exchange contracts	129	–96	129	–96
Total gain/loss recognised in income	**205**	**–151**	**–317**	**414**

[1] Gains and losses of derivative financial instruments designated as fair value hedging instruments are recorded in net realised investment gains/losses.

Hedges of the net investment in foreign operations
The Group designates non-derivative monetary financial instruments as hedging the foreign currency exposure of its net investment in certain foreign operations.

For the year ended 31 December 2008 and the nine months ended 30 September 2009, the Group recorded net unrealised foreign currency remeasurement losses in shareholders' equity of CHF 210 million and CHF 148 million, respectively. These offset translation gains and losses on the hedged net investment.

Maximum potential loss

In consideration of the rights of setoff and the qualifying master netting arrangements with various counterparties, the maximum potential loss as of 30 September 2009 was approximately CHF 7 955 million. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, net of cash collateral.

Credit-risk-related contingent features

Certain derivative instruments held by the Group contain provisions that require its debt to maintain an investment grade credit rating. If the Group's credit rating were downgraded or no longer rated, the counterparties could request immediate payment, guarantee or an ongoing full overnight collateralisation on derivative instruments in net liability positions.

The total fair value of derivative financial instruments containing credit-risk-related contingent features amounted to CHF 4 873 million as of 30 September 2009, for which the Group posted collateral of CHF 571 million. In the event of a reduction of the Group's credit rating to below investment grade, it would be required to post additional collateral with a fair value of CHF 4 302 million. This equals the amount needed to settle the instruments immediately as of 30 September 2009.

Credit derivatives written/sold

The Group writes/sells credit derivatives, including credit default swaps, credit spread options and credit index products, and total return swaps. The total return swaps, for which the Group assumes asset risk mainly of variable interest entities, qualify as guarantees under FASB ASC Topic 460. These activities are part of the Group's overall portfolio and risk management strategies. The events that could require the Group to perform include bankruptcy, default, obligation acceleration or moratorium of the credit derivative's underlying.

The following tables show the fair values and the maximum potential payout of the credit derivatives written/sold as of 31 December 2008 and 30 September 2009, categorised by the type of credit derivative and credit spreads, which were based on external market data. The fair values represent the gross carrying values, excluding the effects of netting under ISDA master agreements and cash collateral netting. The maximum potential payout is based on the notional values of the derivatives and represents the gross undiscounted future payments the Group would be required to make, assuming the default of all credit derivatives' underlyings.

The fair values of the credit derivatives written/sold do not represent the Group's effective net exposure as the ISDA master agreement and the cash collateral netting are excluded.

The Group has purchased protection to manage the performance/payment risks related to credit derivatives. As of 31 December 2008 and 30 September 2009, the total purchased credit protection based on notional values was CHF169 682 million and CHF 86 605 million, respectively. Thereof CHF 90 491 million and CHF 33 476 million, respectively, was related to identical underlyings for which the Group sold credit protection. For tranched indexes and baskets, only matching tranches of the respective index were determined as identical. In addition to the purchased credit protection, the Group manages the performance/payment risks through a correlation hedge, which is established with non-identical offsetting positions.

As of 31 December 2008 CHF millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity)[1] 0–5 years	5–10 years	Over 10 years	Total maximum potential payout
Credit Default Swaps					
Credit spread in basis points					
0–250	–2 310	38 109	20 784[2]	1 180	60 073
251–500	–1 233	19 464	1 943	115	21 522
501–1 000	–1 795	12 965	1 448	85	14 498
Greater than 1 000	–6 373	13 029	587	3 392[3]	17 008
No credit spread available	–149	2 685	330	173	3 188
Total	–11 860	86 252	25 092	4 945	116 289
Credit Spread Options					
Credit spread in basis points					
0–250	–35	2 372			2 372
Total	–35	2 372	0	0	2 372
Credit Index Products[4]					
Credit spread in basis points					
0–250	–1 137	4 044	21301		25 345
251–500	–695	7 494	696		8 190
501–1 000	–971	2 958	772		3 730
Greater than 1 000	–1 371	2 397	1 242	493	4 132
No credit spread available				134	134
Total	–4 174	16 893	24 011	627	41 531
Total Return Swaps[5]					
Credit spread in basis points					
No credit spread available	–534	7 227	716		7 943
Total	–534	7 227	716	0	7 943
Total credit derivatives written/sold	–16 603	112 744	49 819	5 572	168 135

[1] The maximum potential payout is based on notional values of the credit derivatives.
[2] Including Portfolio CDS which consists predominantly of large investment grade and SME corporate loans.
[3] Including Structured CDS.
[4] The Group has revised the credit spreads for credit index products.
[5] The Group enters into total return swaps mainly with variable interest entities which issue insurance-linked and credit-linked securities.

As of 30 September 2009 CHF millions	Total fair values of credit derivatives written/sold	Maximum potential payout (time to maturity)[1] 0–5 years	5–10 years	Over 10 years	Total maximum potential payout
Credit Default Swaps					
Credit spread in basis points					
0–250	–172	23 636	6 600[2]	137	30 373
251–500	–73	1 097	144	135	1 376
501–1 000	–161	1 490	98	228	1 816
Greater than 1 000	–968	1 357	131	782[3]	2 270
No credit spread available		1 064			1 064
Total	**–1 374**	**28 644**	**6 973**	**1 282**	**36 899**
Credit Spread Options					
Credit spread in basis points					
0–250					
Total	**0**	**0**	**0**	**0**	**0**
Credit Index Products					
Credit spread in basis points					
0–250	–193	2 946	11 759	205	14 910
251–500	–213	2 870	53	415	3 338
501–1 000	–47	331	140		471
Greater than 1 000	–339	672	210		882
Total	**–792**	**6 819**	**12 162**	**620**	**19 601**
Total Return Swaps[4]					
Credit spread in basis points					
No credit spread available	94	5 849	603		6 452
Total	**94**	**5 849**	**603**	**0**	**6 452**
Total credit derivatives written/sold	**–2 072**	**41 312**	**19 738**	**1 902**	**62 952**

[1] The maximum potential payout is based on notional values of the credit derivatives.
[2] The Group terminated substantially all Portfolio CDS in the second quarter of 2009.
[3] The Group settled substantially all Structured CDS in the first quarter of 2009.
[4] The Group enters into total return swaps mainly with variable interest entities which issue insurance-linked and credit-linked securities.

5 Deferred acquisition costs (DAC) and acquired present value of future profits (PVFP)

For the twelve months ended 31 December 2008 and the nine months ended 30 September 2009, the DAC and PVFP were as follows:

		2008		**2009**
CHF millions	DAC	PVFP	DAC	PVFP
Opening balance as of 1 January	5 152	6 769	4 311	6 139
Cumulative effect of adoption of FSP SFAS 115-2				6
Cumulative effect of adoption of SFAS 163			–25	
Deferred	2 719		1 863	
Effect of acquisitions/disposals and retrocessions		1 204		148
Amortisation	–2 842	–926	–2 037	–644
Interest accrued on unamortised PVFP		330		266
Effect of foreign currency translation	–718	–1 143	110	107
Effect of change in unrealised gains/losses		–95		–49
Closing balance as of period end	4 311	6 139	**4 222**	**5 973**

The amortisation of DAC for the full year 2008 was CHF 2 676 million for non-life and CHF 166 million for life and health. In the first nine months of 2009, the DAC amortisation represented CHF 1 826 million and CHF 211 million for non-life and life and health, respectively.

Retroceded DAC and PVFP may arise on retrocession of reinsurance portfolios, including reinsurance undertaken as part of a securitisation. The associated potential retrocession recoveries are determined by the nature of the retrocession agreements and by the terms of the securitisation.

6 Debt

The Group enters into short- and long-term debt arrangements to obtain funds for general corporate use and specific transaction financing. The Group defines short-term debt as debt having a maturity at the balance sheet date of less than one year and long-term debt as having a maturity of greater than one year. Interest expense is classified accordingly. The Group's debt as of 31 December 2008 and 30 September 2009 was as follows:

CHF millions	2008	2009
Senior financial debt	1 437	67
Senior operational debt	5 085	6 348
Subordinated financial debt		86
Short-term debt – financial and operational debt	6 522	**6 501**
Senior financial debt	415	1 612
Senior operational debt	9 467	10 288
Subordinated financial debt	5 474	5 576
Subordinated operational debt	5 097	5 492
Long-term debt – financial and operational debt	20 453	**22 968**
Total carrying value	26 975	**29 469**
Total fair value[1]	20 623	**27 144**

[1] Fair values for all short- and long-term debt positions are disclosed on a quarterly basis due to newly issued FSP FAS 107-1 and APB 28-1 "Interim Disclosures about Fair Value of Financial Instruments". At the same time, the fair value disclosure for year-end 2008 was revised. The revision has no impact on total revenues, net income or net equity.

The Group uses debt for general corporate purposes and to fund discrete pools of operational leverage and financial intermediation assets. Certain debt positions are limited recourse, meaning the debtors' claims are limited to assets underlying the financing. As of 31 December 2008 and 30 September 2009, limited recourse debt amounted to CHF 5.2 billion and CHF 6.2 billion, respectively. Operational leverage and financial intermediation are subject to strong asset and liability matching resulting in little to no risk that the assets will be insufficient to service and settle the liabilities. Debt used for operational leverage and financial intermediation is treated as operational debt and excluded by the rating agencies from financial leverage calculations. As of 31 December 2008 and 30 September 2009, operational leverage and financial intermediation liabilities amounted to CHF 34.2 billion and CHF 36.5 billion, respectively.

Interest expense on long-term debt

Interest expense on long-term debt for the periods ended 30 September 2008 and 2009 was as follows:

	Three months ended 30 September		Nine months ended 30 September	
CHF millions	2008	2009	2008	2009
Senior financial debt	6	17	30	26
Senior operational debt	59	88	232	229
Subordinated financial debt	85	74	250	224
Subordinated operational debt	83	80	248	213
Total	233	**259**	760	**692**

Long-term debt issued in 2009

In May 2009, the Group issued EUR 1 billion under the EMTN programme, with a three-year maturity and a coupon of 6% and EUR 600 million with a five-year maturity and a coupon of 7%.

In June 2009, the Group issued CHF 300 million under the EMTN programme, due in December 2010, with a coupon of 2.75% and CHF 700 million with a four-year maturity and a coupon of 4.25%.

In August 2009, the Group issued CHF 500 million senior notes under the EMTN programme, with a five-year maturity and a coupon of 3.25%.

In September 2009, the Group issued USD 750 million senior notes under the EMTN programme, with a four-year maturity and a coupon of 4.125%. Further, the Group issued a senior note of CHF 50 million in a private placement under the EMTN programme, with a coupon of 2.94% and a five-year maturity.

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7 Reinsurance information

For the three months ended 30 September

Premiums written, premiums earned and fees assessed against policyholders

Claims and claim adjustment expenses

Acquisition costs

			2008			2009
CHF millions	Non-Life	Life & Health	Total	Non-Life	Life & Health	Total
Premiums written						
Direct	606	350	956	522	306	828
Assumed	3 554	2 894	6 448	2 919	2 512	5 431
Ceded	–878	–322	–1 200	–865	–187	–1 052
Total premiums written	3 282	2 922	6 204	**2 576**	**2 631**	**5 207**
Premiums earned						
Direct	586	347	933	531	305	836
Assumed	4 049	2 886	6 935	3 802	2 530	6 332
Ceded	–1 025	–317	–1 342	–1 144	–184	–1 328
Total premiums earned	3 610	2 916	6 526	**3 189**	**2 651**	**5 840**
Fee income from policyholders						
Direct		155	155		199	199
Assumed		68	68		67	67
Ceded		–28	–28		–29	–29
Total fee income from policyholders		195	195		**237**	**237**
Claims						
Claims paid, gross	–4 530	–3 039	–7 569	–3 989	–2 805	–6 794
Claims paid, retro	525	378	903	552	211	763
Claims paid, net	–4 005	–2 661	–6 666	–3 437	–2 594	–6 031
Change in unpaid claims and claim adjustment expenses; life and health benefits, gross	1 256	91	1 347	2 042	110	2 152
Change in unpaid claims and claim adjustment expenses; life and health benefits, retro	225	23	248	–567	–37	–604
Change in unpaid claims and claim adjustment expenses; life and health benefits, net	1 481	114	1 595	1 475	73	1 548
Claims and claim adjustment expenses; life and health benefits	–2 524	–2 547	–5 071	**–1 962**	**–2 521**	**–4 483**
Acquisition costs						
Acquisition costs, gross	–911	–754	–1 665	–913	–633	–1 546
Acquisition costs, retro	268	50	318	293	44	337
Acquisition costs, net	–643	–704	–1 347	**–620**	**–589**	**–1 209**

For the nine months ended 30 September

Premiums written, premiums earned and fees assessed against policyholders

CHF millions	Non-Life	Life & Health	2008 Total	Non-Life	Life & Health	2009 Total
Premiums written						
Direct	1 516	1 110	2 626	1 526	1 034	2 560
Assumed	13 196	8 154	21 350	12 720	7 464	20 184
Ceded	–3 112	–924	–4 036	–3 466	–562	–4 028
Total premiums written	11 600	8 340	19 940	**10 780**	**7 936**	**18 716**
Premiums earned						
Direct	1 622	1 108	2 730	1 606	1 032	2 638
Assumed	11 378	8 134	19 512	12 137	7 461	19 598
Ceded	–2 248	–897	–3 145	–3 114	–553	–3 667
Total premiums earned	10 752	8 345	19 097	**10 629**	**7 940**	**18 569**
Fee income from policyholders						
Direct		465	465		550	550
Assumed		201	201		207	207
Ceded		–87	–87		–85	–85
Total fee income from policyholders		579	579		**672**	**672**

Claims and claim adjustment expenses

CHF millions	Non-Life	Life & Health	2008 Total	Non-Life	Life & Health	2009 Total
Claims						
Claims paid, gross	–12 057	–8 380	–20 437	–11 190	–9 413	–20 603
Claims paid, retro	1 150	962	2 112	1 435	762	2 197
Claims paid, net	–10 907	–7 418	–18 325	–9 755	–8 651	–18 406
Change in unpaid claims and claim adjustment expenses; life and health benefits, gross	3 416	555	3 971	3 331	1 847	5 178
Change in unpaid claims and claim adjustment expenses; life and health benefits, retro	287	4	291	–629	–182	–811
Change in unpaid claims and claim adjustment expenses; life and health benefits, net	3 703	559	4 262	2 702	1 665	4 367
Claims and claim adjustment expenses; life and health benefits	–7 204	–6 859	–14 063	**–7 053**	**–6 986**	**–14 039**

Acquisition costs

CHF millions	Non-Life	Life & Health	2008 Total	Non-Life	Life & Health	2009 Total
Acquisition costs						
Acquisition costs, gross	–2 579	–2 047	–4 626	–2 694	–1 967	–4 661
Acquisition costs, retro	544	190	734	826	112	938
Acquisition costs, net	–2 035	–1 857	–3 892	**–1 868**	**–1 855**	**–3 723**

Reinsurance assets and liabilities

The reinsurance assets and liabilities as of 31 December 2008 and 30 September 2009 were as follows:

CHF millions	Non-Life	Life & Health	2008 Total	Non-Life	Life & Health	2009 Total
Assets						
Reinsurance recoverable	4 701	7 233	11 934	6 241	6 551	12 792
Deferred acquisition costs	1 189	3 122	4 311	1 037	3 185	4 222
Liabilities						
Unpaid claims and claim adjustment expenses	62 802	12 708	75 510	59 987	11 774	71 761
Life and health policy benefits		39 911	39 911		40 369	40 369
Policyholder account balances		34 518	34 518		38 599	38 599

8 Financial guarantee reinsurance

As of 1 January 2009, Swiss Re Group adopted SFAS No. 163 "Accounting for Financial Guarantee Insurance Contracts" (SFAS 163). SFAS 163 provides new guidance on the recognition and measurement of premium revenue and claim liabilities of financial guarantee reinsurance contracts and requires certain related disclosures.

The Group reinsures monoline insurers against the risk of default on insured financial obligations. The Group's exposure encompasses public finance and structured finance exposures. In total, the notional exposure as of 30 September 2009 amounted to CHF 5 142 million, of which 6% is attributable to structured finance. The main driver of the Group's exposure is the credit risk of the underlying insured obligation.

The Group tracks and monitors credit deterioration in insured financial obligations. This is based on the surveillance activities of its cedents and internal reviews of its reinsured portfolio. Each cedent maintains a process for identifying credits that require higher levels of scrutiny or intervention. The cedent is required to notify the Swiss Re Group when a transaction falls under increased scrutiny.

The Group maintains a watch list based on the information provided by the cedents and the Group's internal monitoring activities. Obligations with credit deterioration are split into two categories. Category 1 (Special mention) encompasses transactions that are still currently performing, but where indicators point to an increased risk of default. Category 2 (Workout) includes insured financial obligations that are characterised as non-performing and a reserve has been reported by the cedent. A default may have occurred or is seen as likely to occur in the future.

As of 30 September 2009, the notional exposures and claims liabilities allocated to categories 1 and 2 were as follows:

CHF millions	Notional exposure	% of total notional (CHF 5 142 million)	Claims liabilities
Category 1	1 149	22%	8
Category 2	64	1%	19

Compared to the amounts recognised as of 31 December 2008, notional exposures decreased CHF 10 715 million due to the commutation of two cedent portfolios. Notional exposures in category 1 increased CHF 421 million. The movement shows the net result of adopting the new recognition and measurement guidance, commutations, changes to the credit quality of remaining obligations insured by our cedents and updates to parameters supporting our loss estimates. The decrease of the notional amount of exposures in category 2 by CHF 543 million is mainly attributable to commutations.

As of 30 September 2009, total technical provisions for financial guarantee reinsurance amounted to CHF 113 million, which includes unpaid claims and claim adjustment expenses of CHF 27 million and unearned premiums of CHF 86 million.

The impact of adopting the recognition and measurement guidance on retained earnings was immaterial.

9 Earnings per share

Earnings per share for the periods ended 30 September were as follows:

CHF millions (except share data)	Three months ended 30 September 2008	2009	Nine months ended 30 September 2008	2009
Basic earnings per share				
Net income/loss	–304	**404**	884	**249**
Interest on convertible perpetual capital instrument		**–70**		**–146**
Income available to common shares	–304	**334**	884	**103**
Weighted average common shares outstanding	326 371 299	**342 606 122**	332 348 458	**338 454 037**
Net income/loss per share in CHF	–0.93	**0.97**	2.66	**0.30**
Effect of dilutive securities				
Change in income available to common shares due to convertible bonds		**78**		**0**
Change in average number of shares due to convertible bonds and employee options		**129 796 575**		**483 899**
Diluted earnings per share				
Net income assuming debt conversion and exercise of options		**412**		**103**
Weighted average common shares outstanding		**472 402 697**		**338 937 936**
Net income/loss per share in CHF	–0.93	**0.87**	2.66	**0.30**

The effects of debt and equity instrument conversion, which totalled 96 552 120 shares for the nine months ended 30 September 2009, have not been included in the diluted earnings per share calculation because the impact of including these shares was antidilutive.

In March 2009, Swiss Re Zurich issued to National Indemnity Company, a subsidiary of Berkshire Hathaway Inc, a convertible perpetual capital instrument. The instrument has an aggregate face value of CHF 3 000 000 000, with a fixed coupon at a rate of 12% per annum. The coupon can be settled in cash or shares/warrants in lieu of cash at the option of Swiss Re. The instrument may be redeemed, in whole or in part, for cash, for an amount equal to 120% of the value of the instrument at the option of Swiss Re on or after the second anniversary of issuance of the instrument. The instrument may be converted, at the option of the holder, in whole or in part, into Swiss Re shares at the rate of CHF 25 per share on or after the third anniversary of the issuance of the instrument, subject to certain adjustments and exceptions. The instrument ranks junior to senior securities of Swiss Re Zurich and ranks pari passu among themselves and with parity securities.

At the Annual General Meeting of 13 March 2009, the shareholders approved an increase in conditional capital. This allows the share capital of the Swiss Re Group to be increased by an amount not exceeding CHF 16 000 000 through the issue of a maximum of 160 000 000 registered shares payable in full, each with a nominal value of CHF 0.10, through the exercise of conversion rights granted in connection with a convertible bond or a similar financial instrument issued by the company or one of its subsidiaries. These shares are available for issuance in connection with the convertible perpetual capital instrument.

10 Benefit plans

Defined benefit pension plans and post-retirement benefits

The Group sponsors various funded defined benefit pension plans. Employer contributions to the plans are charged to income on a basis which recognises the costs of pensions over the expected service lives of employees covered by the plans. The Group's funding policy for these plans is to contribute annually at a rate that is intended to maintain a level percentage of compensation for the employees covered. A full valuation is prepared at least every three years.

In June 2008, the Group communicated its intention to change the structure of its Swiss other post-retirement benefits plan. The change was effective as of 1 July 2009 and resulted in a decrease of the accumulated benefit obligation of CHF 130 million in 2008.

The Group also provides certain healthcare and life insurance benefits for retired employees and their dependants. Employees become eligible for these benefits when they become eligible for pension benefits.

Components of net periodic benefit cost

The components of pension and post-retirement cost for the nine months ended 30 September 2008 and 2009 were as follows:

	Swiss plans pension benefits		Foreign plans pension benefits		Other benefits	
CHF millions	2008	**2009**	2008	**2009**	2008	**2009**
Service cost (net of participant contributions)	74	77	40	32	14	6
Interest cost	70	68	88	77	13	11
Expected return on assets	–114	–112	–90	–83		
Amortisation of:						
Net gain/loss		7	5	5	–8	–9
Prior service cost	5	5			–7	–11
Effect of settlement, curtailment and termination	3	4	–10			
Net periodic benefit cost	38	**49**	33	**31**	12	**–3**

Employer's contributions for 2009

As of 30 September 2009, the Group contributed CHF 177 million to its defined benefit pension plans and CHF 10 million to other post-retirement plans, compared to CHF 223 million and CHF 11 million, respectively, in the same period of 2008.

The expected 2009 contributions to the defined benefit pension plans and to the post-retirement benefit plans, revised as of 30 September 2009 for latest information, amount to CHF 205 million (31 December 2008: CHF 190 million) and CHF 14 million (31 December 2008: CHF 14 million), respectively.

11 Contingent liabilities

On 14 August, 2009, Plumbers' Union Local No. 12 Pension Fund, a Swiss Re shareholder, filed a second amended complaint in the federal securities class action lawsuit against Swiss Re, Swiss Re's former chief executive officer and Swiss Re's chief financial officer arising out of Swiss Re's announcement, on 19 November 2007, that it would report a CHF 1.2 billion mark-to-market loss on two credit default swaps. The lawsuit is pending in New York federal court. Plaintiff alleges that defendants violated the anti-fraud provisions of the U.S. federal securities laws. Specifically, it contends that Swiss Re made false and misleading statements about its financial condition between March and November 2007, and that it failed to disclose that the Credit Solutions division had engaged in two credit default swaps that exposed the company to financial risk. Plaintiff seeks to certify a class of all U.S. residents or citizens that purchased Swiss Re stock between 1 March 2007 and 19 November 2007. Swiss Re plans to vigorously defend the lawsuit. On 4 September 2009, Swiss Re filed a motion to dismiss and requested oral argument. Plaintiff filed an opposition to that motion on 25 September, to which Swiss Re submitted a reply brief on 9 October. The parties await a date for oral argument and/or the Court's decision on the motion to dismiss.

In mid 2007, a Swiss Re subsidiary commenced an arbitration proceeding against Lincoln National Reinsurance Company (Barbados) Ltd. ("Lincoln") seeking relief from an individual disability income indemnity retrocessional agreement dated as of 1 October 2001. In late January 2009, the arbitration panel awarded Swiss Re total rescission of the affected treaty and retained limited jurisdiction to resolve any interim disputes between the parties regarding the implementation of the panel's award. In early February 2009, Swiss Re filed a petition to confirm the arbitral award in the United States District Court for the Northern District of Indiana, Ft. Wayne Division. Lincoln has opposed Swiss Re's petition to confirm the arbitral award on procedural grounds. In early June 2009, following discussions between the parties, Lincoln informed Swiss Re that it would rescind the affected treaty and that it was substantially in agreement with the rescission plan proposed by Swiss Re with the exception of one matter, which was referred to the arbitration panel for resolution. By order dated 25 September 2009 the panel resolved the outstanding issue in Swiss Re's favour and reaffirmed its order dated 24 January 2009 granting Swiss Re's request for total rescission of the affected treaty. Swiss Re will now ask the District Court to remove the stay of its consideration of the Petition to confirm the panel's arbitration ruling.

12 Information on business segments

The Group provides reinsurance, insurance and capital market solutions for clients that complement our (re)insurance offering throughout the world through its business segments. The business segments are determined by the organisational structure and by the way in which management reviews the operating result of the Group.

In 2008, as a reaction to the then current unprecedented market turmoil, the Group reassessed its business strategy with respect to its Asset Management function and the way this impacts its reportable segments.

Following the new structure, the Group presents four operating business segments: Property & Casualty, Life & Health, Asset Management and Legacy. Items not allocated to these four business segments are included in the "Group items" column.

The Property & Casualty segment consists of the following sub-segments: Property traditional, Casualty traditional, Specialty traditional and Non-traditional business. The Specialty traditional sub-segment includes certain parts of the former Credit Solutions business, Credit Reinsurance, Bank Trade Finance, and Credit securitisations. Certain parts of the former Financial Markets unit are included in the Property & Casualty business segment, including Property & Casualty insurance-linked securities.

The Life & Health segment continues to consist of the following sub-segments: Life traditional, Health traditional and Admin Re®. Certain parts of the former Financial Markets unit are now included in the Life & Health business segment, including variable annuity business.

The Asset Management business segment includes two separate sub-segments "Credit & Rates" and "Equity & Alternative Investments" resulting from the aggregation of Asset Management Risk Stripes. The Asset Management business segment includes proprietary returns on the Group's invested fixed income securities, equity securities and alternative investments.

The Legacy business segment encompasses non-core activities, which have been in run-off since November 2007 and are managed separately from the Asset Management division. Legacy includes Financial Guarantee business, SCDS, PCDS and further assets in the Group's former trading book, including Credit Correlation, Collateralised Fund Obligations and other non-core activities.

Group items include certain costs of Corporate Centre functions not allocated to the business segments, certain foreign exchange items, interest expenses on operating and financial debt and other items not considered for the performance of the operating segments.

Certain investment results, including investment income and realised gains on unit-linked business, with-profit business and reinsurance derivatives, are excluded from the performance of the Asset Management business segment and directly allocated to the Property & Casualty and Life & Health business segments.

The allocation of investment result to Property & Casualty and Life & Health is determined based on US GAAP (re)insurance liabilities. The allocation methodology applies a risk-free return to the nominal net reserves at the end of the prior quarter. The risk-free interest rate applied to the reserves is determined by currency and duration of the underlying Property & Casualty and Life & Health reserves. The Allocation column eliminates the calculated investment result allocated to either the Property & Casualty or the Life & Health business segments.

2008 information is disclosed according to 2009 segments presentation basis.

The accounting policies of the business segments are in line with those described in the summary of significant accounting policies (see Note 1).

a) Business segment results

For the three months ended 30 September

2008 CHF millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	3 602	2 916		8			6 526
Fee income from policyholders		195					195
Net investment income/loss	653	897	1 048	–3	184	–1 133	1 646
Net realised investment gains/losses	–60	–1 350	–441	–964	568		–2 247
Other revenues	6		29		67		102
Total revenues	4 201	2 658	636	–959	819	–1 133	6 222
Expenses							
Claims and claim adjustment expenses; life and health benefits	–2 512	–2 547		–12			–5 071
Return credited to policyholders		742					742
Acquisition costs	–640	–704		–3			–1 347
Other expenses	–364	–228			–135	–29	–756
Interest expenses					–377		–377
Total expenses	–3 516	–2 737	0	–15	–512	–29	–6 809
Operating income/loss	685	–79	636	–974	307	–1 162	–587

2009 CHF millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	3 170	2 651		19			5 840
Fee income from policyholders		237					237
Net investment income/loss	563	828	1 154	187	94	–1 061	1 765
Net realised investment gains/losses	–36	3 765	–447	46	–172		3 156
Other revenues	11		33		9		53
Total revenues	**3 708**	**7 481**	**740**	**252**	**–69**	**–1 061**	**11 051**
Expenses							
Claims and claim adjustment expenses; life and health benefits	–1 732	–2 521		–230			–4 483
Return credited to policyholders		–3 803					–3 803
Acquisition costs	–620	–589					–1 209
Other expenses	–358	–180			–152	–15	–705
Interest expenses					–253		–253
Total expenses	**–2 710**	**–7 093**	**0**	**–230**	**–405**	**–15**	**–10 453**
Operating income/loss	**998**	**388**	**740**	**22**	**–474**	**–1 076**	**598**

The allocation is based on technical reserves and other information, including duration of the underlying liabilities, and was allocated in the three months ended 30 September of 2008 and 2009 as follows:

CHF millions, for the three months ended 30 September 2008	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	617	545	–29	–1 133

CHF millions, for the three months ended 30 September 2009	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	536	540	–15	–1 061

Business segment results

For the nine months ended 30 September

2008 CHF millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	10729	8345		23			19097
Fee income from policyholders		579					579
Net investment income/loss	1988	2775	4362	41	561	–3415	6312
Net realised investment gains/losses	–141	–4078	125	–2761	753		–6102
Other revenues	47	2	68		90		207
Total revenues	12623	7623	4555	–2697	1404	–3415	20093
Expenses							
Claims and claim adjustment expenses; life and health benefits	–7118	–6859		–86			–14063
Return credited to policyholders		2268					2268
Acquisition costs	–2028	–1857		–7			–3892
Other expenses	–1140	–702			–378	–96	–2316
Interest expenses					–1200		–1200
Total expenses	–10286	–7150	0	–93	–1578	–96	–19203
Operating income/loss	2337	473	4555	–2790	–174	–3511	890

2009 CHF millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	10586	7940		43			18569
Fee income from policyholders		672					672
Net investment income/loss	1889	2644	3450	354	256	–3314	5279
Net realised investment gains/losses	36	2885	–1129	109	–1369		532
Other revenues	34		68	1	42		145
Total revenues	**12545**	**14141**	**2389**	**507**	**–1071**	**–3314**	**25197**
Expenses							
Claims and claim adjustment expenses; life and health benefits	–6657	–6986		–396			–14039
Return credited to policyholders		–4060					–4060
Acquisition costs	–1862	–1855		–6			–3723
Other expenses	–1059	–582			–510	–57	–2208
Interest expenses					–780		–780
Total expenses	**–9578**	**–13483**	**0**	**–402**	**–1290**	**–57**	**–24810**
Operating income/loss	**2967**	**658**	**2389**	**105**	**–2361**	**–3371**	**387**

The allocation is based on technical reserves and other information, including duration of the underlying liabilities, and was allocated in the nine months ended 30 September of 2008 and 2009 as follows:

CHF millions, for the nine months ended 30 September 2008	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	1881	1630	–96	–3415

CHF millions, for the nine months ended 30 September 2009	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	1719	1652	–57	–3314

b) Property & Casualty business segment – by line of business

For the three months ended 30 September

2008 CHF millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	1 332	1 225	855	3 412	190	3 602
Net investment income	84	424	118	626	27	653
Net realised investment gains/losses	–26	–1	12	–15	–45	–60
Other revenues			–3	–3	9	6
Total revenues	1 390	1 648	982	4 020	181	4 201
Expenses						
Claims and claim adjustment expenses	–759	–1 190	–522	–2 471	–41	–2 512
Acquisition costs	–195	–201	–196	–592	–48	–640
Other expenses	–108	–144	–83	–335	–29	–364
Total expenses	–1 062	–1 535	–801	–3 398	–118	–3 516
Operating income	328	113	181	622	63	685
Claims ratio in %	57.0	97.1	61.1	72.4		
Expense ratio in %	22.7	28.2	32.6	27.2		
Combined ratio in %	79.7	125.3	93.7	99.6		

2009 CHF millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	1 303	1 002	727	3 032	138	3 170
Net investment income	30	384	86	500	63	563
Net realised investment gains/losses	–21			–21	–15	–36
Other revenues					11	11
Total revenues	**1 312**	**1 386**	**813**	**3 511**	**197**	**3 708**
Expenses						
Claims and claim adjustment expenses	–577	–757	–373	–1 707	–25	–1 732
Acquisition costs	–188	–174	–157	–519	–101	–620
Other expenses	–92	–179	–66	–337	–21	–358
Total expenses	**–857**	**–1 110**	**–596**	**–2 563**	**–147**	**–2 710**
Operating income	**455**	**276**	**217**	**948**	**50**	**998**
Claims ratio in %	44.3	75.6	51.3	56.3		
Expense ratio in %	21.5	35.2	30.7	28.2		
Combined ratio in %	65.8	110.8	82.0	84.5		

Property & Casualty business segment – by line of business

For the nine months ended 30 September

2008 CHF millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	3748	3911	2722	10381	348	10729
Net investment income	265	1248	316	1829	159	1988
Net realised investment gains/losses	–71	–1	15	–57	–84	–141
Other revenues			14	14	33	47
Total revenues	3942	5158	3067	12167	456	12623
Expenses						
Claims and claim adjustment expenses	–2209	–3248	–1502	–6959	–159	–7118
Acquisition costs	–550	–731	–658	–1939	–89	–2028
Other expenses	–354	–490	–190	–1034	–106	–1140
Total expenses	–3113	–4469	–2350	–9932	–354	–10286
Operating income	829	689	717	2235	102	2337
Claims ratio in %	59.0	83.1	55.1	67.1		
Expense ratio in %	24.1	31.2	31.2	28.6		
Combined ratio in %	83.1	114.3	86.3	95.7		

2009 CHF millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	4002	3426	2734	10162	424	10586
Net investment income	160	1207	278	1645	244	1889
Net realised investment gains/losses	35			35	1	36
Other revenues					34	34
Total revenues	**4197**	**4633**	**3012**	**11842**	**703**	**12545**
Expenses						
Claims and claim adjustment expenses	–1934	–2549	–1745	–6228	–429	–6657
Acquisition costs	–621	–567	–571	–1759	–103	–1862
Other expenses	–263	–470	–246	–979	–80	–1059
Total expenses	**–2818**	**–3586**	**–2562**	**–8966**	**–612**	**–9578**
Operating income	**1379**	**1047**	**450**	**2876**	**91**	**2967**
Claims ratio in %	48.3	74.4	63.8	61.3		
Expense ratio in %	22.1	30.3	29.9	26.9		
Combined ratio in %	70.4	104.7	93.7	88.2		

c) Life & Health business segment – by line of business

For the three months ended 30 September

2008 CHF millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	2016	680	220	2916
Fee income from policyholders	16		179	195
Net investment income	251	101	545	897
Net realised investment gains/losses	–481		–869	–1350
Other revenues				
Total revenues	1802	781	75	2658
Expenses				
Claims and claim adjustment expenses; life and health benefits	–1654	–503	–390	–2547
Return credited to policyholders	282		460	742
Acquisition costs	–453	–125	–126	–704
Other expenses	–127	–37	–64	–228
Total expenses	–1952	–665	–120	–2737
Operating income/loss	–150	116	–45	–79
Operating result, excluding non-participating net realised investment gains/losses	22	116	–66	72
Net investment income – unit-linked	30		136	166
Net investment income – with-profit business			67	67
Net investment income – non-participating	221	101	342	664
Net realised investment gains/losses – unit-linked	–309		–719	–1028
Net realised investment gains/losses – with-profit business			–171	–171
Net realised investment gains/losses – non-participating	–172		21	–151
Operating revenues[1]	2253	781	741	3775
Management expense ratio in %	5.6	4.7	8.6	6.0
Benefit ratio[2] in %				91.5

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders and therefore do not have an impact on the operating result. Operating revenues also exclude net realised investment gains/losses from non-participating business.
[2] The benefit ratio is calculated as claims divided by premiums earned, both of which exclude unit-linked and with-profit business.

Life & Health business segment – by line of business

For the three months ended 30 September

2009 CHF millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	1 831	638	182	2 651
Fee income from policyholders	15		222	237
Net investment income	203	88	537	828
Net realised investment gains/losses	400	3	3 362	3 765
Other revenues				
Total revenues	**2 449**	**729**	**4 303**	**7 481**
Expenses				
Claims and claim adjustment expenses; life and health benefits	–1 340	–369	–812	–2 521
Return credited to policyholders	–444		–3 359	–3 803
Acquisition costs	–426	–141	–22	–589
Other expenses	–69	–29	–82	–180
Total expenses	**–2 279**	**–539**	**–4 275**	**–7 093**
Operating income	**170**	**190**	**28**	**388**
Operating result, excluding non-participating net realised investment gains/losses	**194**	**187**	**59**	**440**
Net investment income – unit-linked	5		138	143
Net investment income – with-profit business			26	26
Net investment income – non-participating	198	88	373	659
Net realised investment gains/losses – unit-linked	424		3 033	3 457
Net realised investment gains/losses – with-profit business			360	360
Net realised investment gains/losses – non-participating	–24	3	–31	–52
Operating revenues[1]	**2 044**	**726**	**777**	**3 547**
Management expense ratio in %	3.4	4.0	10.6	5.1
Benefit ratio[2] in %				80.2

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders and therefore do not have an impact on the operating result. Operating revenues also exclude net realised investment gains/losses from non-participating business.
[2] The benefit ratio is calculated as claims divided by premiums earned, both of which exclude unit-linked and with-profit business.

Life & Health business segment – by line of business

For the nine months ended 30 September

2008 CHF millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	5731	1914	700	8345
Fee income from policyholders	48		531	579
Net investment income	721	304	1750	2775
Net realised investment gains/losses	–763	–1	–3314	–4078
Other revenues	2			2
Total revenues	5739	2217	–333	7623
Expenses				
Claims and claim adjustment expenses; life and health benefits	–4541	–1380	–938	–6859
Return credited to policyholders	448		1820	2268
Acquisition costs	–1181	–319	–357	–1857
Other expenses	–356	–125	–221	–702
Total expenses	–5630	–1824	304	–7150
Operating income/loss	109	393	–29	473
Operating result, excluding non-participating net realised investment gains/losses	305	394	–76	623
Net investment income – unit-linked	105		482	587
Net investment income – with-profit business			205	205
Net investment income – non-participating	616	304	1063	1983
Net realised investment gains/losses – unit-linked	–567		–2741	–3308
Net realised investment gains/losses – with-profit business			–620	–620
Net realised investment gains/losses – non-participating	–196	–1	47	–150
Operating revenues[1]	6397	2218	2294	10909
Management expense ratio in %	5.6	5.6	9.6	6.4
Benefit ratio[2] in %				87.0

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders and therefore do not have an impact on the operating result. Operating revenues also exclude net realised investment gains/losses from non-participating business.
[2] The benefit ratio is calculated as claims divided by premiums earned, both of which exclude unit-linked and with-profit business.

Life & Health business segment – by line of business

For the nine months ended 30 September

2009 CHF millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	5 655	1 617	668	7 940
Fee income from policyholders	49		623	672
Net investment income	617	302	1 725	2 644
Net realised investment gains/losses	71	200	2 614	2 885
Other revenues				
Total revenues	**6 392**	**2 119**	**5 630**	**14 141**
Expenses				
Claims and claim adjustment expenses; life and health benefits	–4 245	–941	–1 800	–6 986
Return credited to policyholders	–619		–3 441	–4 060
Acquisition costs	–1 215	–348	–292	–1 855
Other expenses	–263	–96	–223	–582
Total expenses	**–6 342**	**–1 385**	**–5 756**	**–13 483**
Operating income/loss	**50**	**734**	**–126**	**658**
Operating result, excluding non-participating net realised investment gains/losses	**553**	**534**	**46**	**1 133**
Net investment income – unit-linked	22		487	509
Net investment income – with-profit business			131	131
Net investment income – non-participating	595	302	1 107	2 004
Net realised investment gains/losses – unit-linked	574		2 498	3 072
Net realised investment gains/losses – with-profit business			288	288
Net realised investment gains/losses – non-participating	–503	200	–172	–475
Operating revenues[1]	**6 299**	**1 919**	**2 398**	**10 616**
Management expense ratio in %	4.2	5.0	9.3	5.5
Benefit ratio[2] in %				81.9

[1] Operating revenues exclude net investment income and net realised investment gains/losses from unit-linked and with-profit business as these are passed through to contract holders and therefore do not have an impact on the operating result. Operating revenues also exclude net realised investment gains/losses from non-participating business.
[2] The benefit ratio is calculated as claims divided by premiums earned, both of which exclude unit-linked and with-profit business.

d) Asset Management

For the three months ended 30 September

2008 CHF millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Premiums earned			
Net investment income/loss	1 401	–353	1 048
Net realised investment gains/losses	150	–591	–441
Other revenues	35	–6	29
Total revenues	1 586	–950	636
Expenses			
Claims and claim adjustment expenses			
Acquisition costs			
Other expenses			
Total expenses	0	0	0
Operating income/loss	1 586	–950	636

2009 CHF millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Premiums earned			
Net investment income	1 085	69	1 154
Net realised investment gains/losses	–268	–179	–447
Other revenues	31	2	33
Total revenues	**848**	**–108**	**740**
Expenses			
Claims and claim adjustment expenses			
Acquisition costs			
Other expenses			
Total expenses	**0**	**0**	**0**
Operating income/loss	**848**	**–108**	**740**

Asset Management

For the nine months ended 30 September

2008 CHF millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Premiums earned			
Net investment income/loss	4599	–237	4362
Net realised investment gains/losses	–19	144	125
Other revenues	73	–5	68
Total revenues	4653	–98	4555
Expenses			
Claims and claim adjustment expenses			
Acquisition costs			
Other expenses			
Total expenses	0	0	0
Operating income/loss	4653	–98	4555

2009 CHF millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Premiums earned			
Net investment income/loss	3587	–137	3450
Net realised investment gains/losses	–858	–271	–1129
Other revenues	66	2	68
Total revenues	**2795**	**–406**	**2389**
Expenses			
Claims and claim adjustment expenses			
Acquisition costs			
Other expenses			
Total expenses	**0**	**0**	**0**
Operating income/loss	**2795**	**–406**	**2389**

13 Variable interest entities

Swiss Re Group enters into arrangements with variable interest entities (VIEs) in the normal course of business. The involvement ranges from being a passive investor to designing, structuring, and managing the VIEs. The variable interests held by the Group arise due to a modified coinsurance agreement, certain insurance-linked and credit-linked securitisations, private equity limited partnerships, hedge funds, debt financing and other entities, which meet the definition of a VIE.

When analysing the status of an entity, the Group mainly assesses if (1) the equity is sufficient to finance the entity's activities without additional subordinated financial support, (2) the equity owners have the right to make significant decisions affecting the entity's operations, and (3) the holders of the voting rights substantively participate in the gains and losses of the entity. When one of these criteria is not met, these entities need to be assessed for consolidation as required by the Variable Interest Entities section of the Consolidation Topic.

The party that will absorb the majority of the expected losses, receive the majority of the expected residual return, or both, is considered the primary beneficiary according to the Variable Interest Entities section of the Consolidation Topic. To determine the primary beneficiary of a VIE, a qualitative analysis is performed in which the nature and design, capital structure, contractual terms and relationships among the variable interest holders are evaluated. When the qualitative analysis is not conclusive, a quantitative analysis is performed. For this, the Group determines under various probability-weighted scenarios the cash flows that the variable interest holders will receive based on the explicit and implicit variable interests they hold. The Group consolidates a VIE when it is the primary beneficiary.

The assessment if the Group is the primary beneficiary is reviewed whenever circumstances qualify as a reconsideration event under the Variable Interest Entities section of the Consolidation Topic. These events include:

- the VIE's governing documents or contractual arrangements are changed in a manner that changes the characteristics of the Group's involvement;
- the Group's assumption of additional variable interests; and
- the Group's sale or disposal of variable interests, or the issuance of variable interests by the VIE to unrelated parties.

In general, third parties invested in consolidated VIEs do not have recourse to the Group in the event of a default, except in cases where the Group has protected the assets with a derivative contract or has provided a guarantee. In these cases, the recourse is limited to the notional amount of the guarantee or the value of the assets protected by the derivative contract.

Modified coinsurance agreement
The Group assumes insurance risk via a modified coinsurance agreement from a direct insurer, which qualifies as a VIE. The Group takes the majority of the mortality risk, which makes the Group the primary beneficiary. Consequently, the Group will incur losses if mortality risk develops unfavourably.

Insurance-linked and credit-linked securitisations
The insurance-linked and credit-linked securitisations transfer pre-existing insurance or credit risk to the capital markets through the issuance of insurance-linked or credit-linked securities. In insurance-linked securitisations, the securitisation vehicle initially assumes the insurance risk through insurance contracts. In credit-linked securitisations, the securitisation vehicle initially assumes the credit risk through credit default swaps.

The securitisation vehicle generally retains the issuance proceeds as collateral. To determine if the Group is the primary beneficiary or has a significant variable interest, the Group considers the insurance or credit risk assumed by the bondholders of the vehicles, the investment risk of the securities held as collateral, and any derivative contracts or other guarantees the Group has entered into with the VIE. Typically, the variable interests held by the Group arise through ownership of insurance-linked and credit-linked securities, or through protection provided for the value of the collateral held.

The collateral held predominantly consists of investment grade securities. The Group would incur losses when some or all of these securities drop in value or default.
The Group's maximum exposure to loss equals the higher of the carrying amount of the collateral protected or the carrying amount of the insurance-linked or credit-linked securities held.

Investment vehicles
Investment vehicles include private equity limited partnerships and hedge funds, in which the Group invested as part of its investment strategy. The Group's variable interests arise through an ownership interest in the vehicle. To determine if the Group is the primary beneficiary or holds a significant portion of the variable interests, the Group assesses its ownership share in relation to the total equity outstanding. The Group is exposed to losses when the values of the investments held by the vehicles decrease. The maximum exposure to loss equals the carrying amount of the ownership interest.

Debt financing vehicles
Debt financing vehicles issue preference shares or loan notes to provide the Group with funding. The Group is partially exposed to the asset risk by holding equity rights or by protecting some of the assets held by the VIEs via guarantees or derivative contracts. The assets held by the VIEs consist of investment grade securities, structured products, hedge fund units and others.

Others
The VIEs in this category were created for various purposes. Generally, the Group is exposed to the asset risk of the VIEs by holding an equity stake in the VIE or by guaranteeing a part or the entire asset value to third-party investors. A significant portion of the exposure of the Group is either retroceded or hedged. The assets held by the VIEs consist of investment grade securities, private equity investments, residential real estate and others.

The Group did not provide financial or other support to any VIEs in 2009 that it was not previously contractually required to provide.

The following table shows the total assets and liabilities on the Group's balance sheet related to VIEs of which the Group is the primary beneficiary as of 31 December 2008 and 30 September 2009:

CHF millions	2008	2009
Fixed income securities:		
Available-for-sale (whereof restricted: 2008: 8 144; 2009: 5 148)	8 953	7 519
Trading (whereof restricted: 2008: 0; 2009: 1 702)	131	1 860
Policy loans, mortgages and other loans (whereof restricted: 2008: 260; 2009: 0)	260	232
Other invested assets (whereof restricted: 2008: 162; 2009: 598)	162	604
Cash and cash equivalents (whereof restricted: 2008: 411; 2009: 86)	411	130
Accrued investment income (whereof restricted: 2008: 80; 2009: 50)	80	82
Premiums and other receivables		13
Reinsurance recoverable on unpaid claims and policy benefits		13
Acquired present value of future profits (whereof restricted: 2008: 84; 2009: 0)	84	57
Other assets (whereof restricted: 2008: 33; 2009: 324)	33	324
Total assets	10 114	**10 834**
Unpaid claims and claim adjustment expenses		23
Liabilities for life and health policy benefits	1 327	1 274
Policyholder account balances	1 718	1 600
Reinsurance balances payable		7
Deferred and other non-current taxes	162	83
Accrued expenses and other liabilities	525	1 296
Long-term debt	5 155	5 552
Additional paid-in capital	241	235
Net unrealised investment gains/losses, net of tax	–187	76
Cumulative translation adjustments, net of tax	1 204	1 579
Retained earnings	–31	–891
Total liabilities and shareholders' equity	10 114	**10 834**

For investment vehicles, the assets and liabilities above are presented net of minority interest.

The total assets of VIEs of which the Group is the primary beneficiary, but does not hold a majority voting interest for periods ended 31 December 2008 and 30 September 2009 were as follows:

CHF millions	2008	2009
Insurance-linked/Credit-linked securitisations	163	167
Investment vehicles	162	515
Debt financing	6 097	6 442
Modified coinsurance agreement	3 830	3 501
Other	34	34
Total	10 286	**10 659**

The following table shows the total assets and liabilities in the Group's balance sheet related to VIEs in which the Group holds a significant variable interest as of 30 September 2009:

CHF millions	Assets	Liabilities
Other invested assets	1449	
Accrued expenses and other liabilities		586
Total	**1449**	**586**

The total assets of VIEs in which the Group holds a significant variable interest for periods ended 31 December 2008 and 30 September 2009 were as follows:

CHF millions	2008	**2009**
Insurance-linked/Credit-linked securitisations	6510	5482
Investment vehicles	3939	1926
Debt financing	5074	5374
Other	1721	1382
Total	17244	**14164**

The following table shows the Group's maximum exposure to loss and the liabilities related to VIEs in which the Group holds a significant variable interest as of 31 December 2008 and 30 September 2009:

			2008			**2009**
CHF millions	Maximum exposure to loss	Total liabilities	Difference	Maximum exposure to loss	Total liabilities	Difference
Insurance-linked/Credit-linked securitisations	6255	865	5390	5248	294	4954
Investment vehicles	1664		1664	730		730
Debt financing	266		266	200		200
Other	991	213	778	1196	475	721
Total	9176	1078	8098	**7374**	**769**	**6605**

The liabilities of CHF 294 million as of 30 September 2009 for insurance-linked and credit-linked securitisations represent the negative fair value of the total return swaps the Group has entered into with the securitisation vehicles. The negative fair value is caused by a decrease in value of some of the assets held as collateral by the vehicles.

When the net asset values of the investment vehicles decrease, the carrying amount of the investment is adjusted accordingly and a loss is recognised in the income statement. Consequently, no liabilities are set up for investment vehicles when losses occur.

The liabilities for the debt financing and the other categories represent the decline in value of VIE assets which are guaranteed by the Group. For VIEs where the variable interests consist of an equity stake, a loss is recognised in the income statement rather than a liability being set up when the net asset value declines. As of 30 September 2009, the liabilities for the other categories amounted to CHF 475 million.

As of 30 September 2009, the consolidation of the VIEs resulted in a minority interest in the balance sheet of CHF 413 million (31 December 2008: CHF 420 million). The minority interest is included in accrued expenses and other liabilities. The net minority interest in income was CHF 6 million and CHF 4 million net of tax for the nine months ended 30 September 2008 and 2009, respectively. The income statement impacts are generally included in the relevant segment with the underlying movement in income or expenses.

Reconsideration events under the Variable Interest Entities section of the Consolidation Topic required the review of the consolidation assessment of certain VIEs. As a result, the Group consolidated and deconsolidated some VIEs in the first quarter of 2009. The resulting effect on the financial statements is immaterial.

Note on risk factors

Current market conditions
Beginning in 2007, the global financial markets experienced extreme volatility and disruption, due in large part to turmoil affecting the liquidity of the banking system and the market reaction thereto. The impact of the turmoil in the financial markets was exacerbated by adverse macroeconomic trends affecting a number of the principal economies. Volatility and disruption reached unprecedented levels.

Governments in a number of countries have undertaken initiatives to stabilise the financial markets and increase liquidity in the system. Additionally, there are legislative and regulatory proposals pending in a variety of jurisdictions intended to cover a range of participants, activities and products in the financial markets, as well as address broader systemic risk. It remains to be seen how these initiatives will affect the financial markets. Moreover, government intervention may have a distorting impact on the markets, ranging from changes to the competitive landscape to capital support for ceding companies, thus reducing their need for reinsurance, as well as having a distorting impact on the debt capital markets.

It is difficult to predict what the impact of market and economic conditions will be on the Group from a general business perspective or from a capital or liquidity perspective.

Market risk
Volatility and disruption in the global financial markets can expose the Group to significant financial and capital markets risk, including changes in interest rates, credit spreads, equity prices and foreign currency exchange rates, which may adversely impact the Group's financial condition, results of operations and liquidity.

The Group's exposure to interest rate risk is primarily related to the market price and cash flow variability associated with changes in interest rates. Exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. With widening of credit spreads, the net unrealised loss position of the Group's investment portfolio has increased, as have other-than-temporary impairments. With respect to equity prices, the Group is exposed to changes in the level and volatility of equity prices, as they affect the value of equity securities themselves as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. The Group is also subject to equity price risk to the extent that the value of life-related benefits under certain life contracts, most notably variable annuity business, are tied to financial market values; to the extent market values fall, the financial exposure on guarantees related to these contracts increase to the extent this exposure is not hedged. While the Group has an extensive hedging programme for variable annuities, certain risks cannot be hedged, including actuarial risks, basis risk and correlation risk. Exposure to foreign exchange risk arises from exposures to changes in spot prices, forward prices and volatile movements in exchange rates.

These risks can have a significant effect on investment returns, which in turn may affect both the Group's results of operations and financial condition. The Group is focused on asset-liability management for its investment portfolio, but pursuing even this strategy has its risks, including possible mismatch, that in turn can lead to reinvestment risk. As interest rates have dropped significantly in line with reductions in central bank rates, which trend is exacerbated by the effects of unprecedented government intervention and the corresponding issuance by governments of debt to finance rescue efforts, the Group may be unable to successfully match, or come close to, historical parameters.

The Group seeks to manage the risks inherent in its investment portfolio by repositioning the portfolio from time to time, as needed, and to reduce risk and fluctuations through the use of hedges and other risk management tools. The Group has moved to reduce risk to the portfolio by repositioning the components of the portfolio and, as a result, profitability will potentially be impacted, and unless offset by underwriting returns, will be reduced.

Credit risk
Like other financial institutions, the Group was adversely impacted by the deterioration in the credit markets, and further market fluctuations and volatility could have a material adverse effect on the Group's business, financial condition and results of operations. For 2008, the Group reported a net loss of CHF 0.9 billion, which was due principally to mark-to-market losses recognised in income and impairments on the investment portfolio, and shareholders' equity decreased to CHF 20.5 billion. For the third quarter of 2009, the Group reported a net income of CHF 0.3 billion.

The unprecedented and severe ratings downgrades that the Group and others have experienced since 2007, and the absence of a liquid market for credit-related and other securities for much of that time, resulted in a significant and material reduction in the value of the underlying assets. With respect to the credit default swaps, the Group remains exposed to continued fluctuations in the market value of the underlying securities and could be required to report further mark-to-market losses. Changes in the market value of the underlying securities and other factors impacting their price could give rise to market value losses. If the credit markets were to continue to deteriorate, the Group could face further write-downs in other areas of its portfolio, including other structured instruments.

More generally, the deterioration of the credit markets and related developments had, and can be expected to continue to have (at least in the near term), an adverse impact on the ability of market participants, including the Group and its counterparties, to value credit default swaps and other credit-related instruments. In the absence of a liquid market, various methodologies may be available to value securities positions. Valuation is a complex process involving quantitative modelling and management judgment, which is also impacted by external factors including default rates, rating agency action, financial strength of counterparties and prices of observable comparable market transactions. In addition, to the extent institutions sell assets as part of national rescue efforts or spin-offs, such sales may establish new valuation benchmarks.

Valuation processes can produce significantly different outcomes, which could create additional uncertainty and differences of opinion among counterparties to swaps and other similar instruments as to obligations in respect of collateral and other terms of such instruments. These differences in opinion, in turn, could result in legal disputes among counterparties as to their respective obligations, the outcomes of which are difficult to predict and could be material.

The Group becomes aware of counterparty valuations either directly, through the exchange of information, or indirectly, for example, through demands to post collateral. These valuations may differ significantly from the Group's estimates. Counterparty valuation estimates for collateral purposes are considered during the independent price verification process and may result in adjustments to initially indicated valuations. Resolution of any dispute in relation to asset valuation in which the Group may become involved with counterparties, in a manner adverse to it could have a material adverse effect on the Group's financial condition and results of operations.

The Group's results may be impacted by further changes in standards, or changes in interpretation of standards, in respect of fair value accounting or impairments. The results may also be impacted if regulatory authorities take issue with any conclusions the Group may reach on fair value accounting or other accounting matters.

Liquidity risks
The Group's business requires, and its clients expect, that it has sufficient capital and sufficient liquidity to meet its reinsurance obligations, and that that would continue to be the case following the occurrence of any event or series of events, including extreme catastrophes, that would trigger insurance or reinsurance coverage obligations. The Group's uses of funds include obligations arising in its reinsurance business (including claims and other payments as well as insurance provision repayments due to portfolio transfers, securitisations and commutations), which may include large and unpredictable claims (including catastrophe claims), funding of capital requirements and operating costs, payment of principal and interest on outstanding indebtedness and funding of acquisitions. The Group also enters into contracts or trading arrangements that could give rise to significant short-term funding obligations and, in connection with the Group's trading operations, it could be subject to unexpected calls to deliver collateral or unwind trading positions at a net cost to it. The Group also has unfunded capital commitments in its private equity and hedge fund investments, which could result in funding obligations at a time when it is subject to liquidity constraints.

The Group manages liquidity and funding risks by focusing on the liquidity stress that is likely to result from extreme capital markets scenarios or from extreme insurance events or combinations of the two. Generally, the ability to meet liquidity needs could be adversely impacted by factors that the Group cannot control, such as market dislocations or interruptions, the economic downturn, continued severe disruption in the financial and worldwide credit markets and the related increased constraints on the availability of credit, changes in interest rates and credit spreads, or by perceptions among market participants of the extent of the Group's liquidity needs.

The Group may not be able to secure new sources of liquidity or funding, should projected or actual liquidity fall below levels it requires. The ability to meet liquidity needs through asset sales may be constrained by market conditions and the related stress on valuations and through third party funding may be limited by constraints on the general availability of credit and willingness of lenders to lend. In addition, the Group's ability to meet liquidity needs may also be constrained by regulatory requirements that require regulated entities to maintain regulatory capital or that restrict intra-group transactions, the timing of dividend payments from subsidiaries or the fact that certain assets may be encumbered or otherwise non-tradeable. Finally, any adverse ratings action could trigger a need for further liquidity (for example, by triggering termination provisions or collateral delivery requirements in contracts to which we are a party) at a time when the Group's ability to obtain liquidity from external sources is limited by such ratings action.

Counterparty risks
Since the onset of the credit crisis, the Group's general exposure to counterparty risk has been heightened and this risk could be exacerbated to the extent defaults, or concerns about possible defaults, by certain market participants trigger more systemic concerns about liquidity. Losses due to defaults by counterparties, including issuers of investment securities (which include structured securities) or derivative instrument counterparties, could adversely affect the Group. In addition, trading counterparties, counterparties under swaps and other derivative contracts and financial intermediaries may default on their obligations due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons, which could also have a material adverse impact on the Group.

The Group could also be adversely affected by the insolvency of, or other credit constraints affecting, counterparties in its reinsurance operations. Moreover, the Group could be adversely affected by liquidity issues at ceding companies or at third parties to whom the Group has retroceded risk, and such risk could be exacerbated to the extent any such exposures are concentrated.

Risks relating to credit rating downgrades
Ratings are an important factor in establishing the competitive position of reinsurance companies, and market conditions could increase the risk of downgrade. Third-party rating agencies assess and rate the financial strength of reinsurers and insurers, such as Swiss Re. These ratings are intended to measure a company's ability to repay its obligations and are based upon criteria established by the rating agencies. The Group's ratings came under pressure due to the additional asset write-downs it recorded for the fourth quarter of 2008 and the resulting impact on the Group's capital position.

The Group's ratings reflect the current opinion of the relevant rating agencies. One or more of its ratings could be downgraded or withdrawn in the future. Rating agencies may heighten their scrutiny of rated companies, increase the frequency of and scope of ratings reviews, revise their criteria or take other actions that may negatively impact the Group's ratings, which cannot be predicted.

As claims paying and financial strength ratings are key factors in establishing the competitive position of reinsurers, a decline in ratings alone could make reinsurance provided by the Group less attractive to clients relative to reinsurance from competitors with similar or stronger ratings. A decline in ratings could also cause the loss of clients who are required by either policy or regulation to purchase reinsurance only from reinsurers with certain ratings. A further decline in ratings could also impact the availability of unsecured financing and obligate the Group to provide collateral or other guarantees in the course of its reinsurance business or trigger early termination of funding arrangements. Any rating downgrades could also have a material adverse impact on the Group's costs of borrowing and limit its access to the capital markets. Further negative ratings action could also impact reinsurance contracts.

Legal and regulatory risks
The Group has been named, from time to time, as a defendant in various legal actions in connection with its operations. The Group is also involved from time to time in investigations and regulatory proceedings, certain of which could result in adverse judgments, settlements, fines and other outcomes. The number of these investigations and proceedings involving the financial services industry has increased in recent years. The Group could also be subject to risk from potential employee misconduct, including non-compliance with internal policies and procedures. Substantial legal liability could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which could seriously harm its business.

A number of lawsuits have been filed against financial service firms raising claims tied to the unprecedented market turmoil. Swiss Re is subject to one such action, which is a putative securities class action filed in the United States District Court for the Southern District of New York in February 2008 against it and certain of its executive officers alleging false and misleading statements in connection with the mark-to-market loss, announced on 19 November 2007. The Group cannot predict whether it could be subject to further claims arising out of the market turmoil.

Swiss Re and its subsidiaries are regulated in a number of jurisdictions in which they conduct business. Recent turmoil in the markets is expected to result in regulatory changes or new legislation affecting financial institutions, including insurance and reinsurance companies. These may include changes as to which governmental bodies regulate financial institutions, changes in the way financial institutions generally are regulated, enhanced governmental authority to take control over operations of financial institutions, changes in the way financial institutions account for transactions and securities positions, changes in disclosure obligations and changes in the way rating agencies rate the creditworthiness and financial strength of financial institutions. Changes, for example, could impact capital requirements or have other direct or indirect effects on the Group. Changes may also occur in areas of broader application, such as competition policy and tax laws. Any number of these changes could apply to the Group and its operations. These changes could increase the costs of doing business, limit the scope of business or affect the competitive balance, or could make reinsurance less attractive to primary insurers.

Insurance, operational and other risks

As part of the Group's ordinary course operations, the Group is subject to a variety of risks, including risks that reserves may not adequately cover future claims and benefits, risks that catastrophic events (including hurricanes, windstorms, floods, earthquakes, explosions, fires and pandemics) may expose the Group to unexpected large losses, competitive conditions, cyclicality of the industry, risks related to emerging claims and coverage issues, risks arising from the Group's dependence on policies, procedures and expertise of ceding companies, and risks related to the failure of operational systems and infrastructure. In addition, the occurrence of future risks that the Group's risk management procedures fail to identity or anticipate could have a material adverse effect on the Group. The Group is also subject to risks relating to the preparation of estimates and assumptions that management uses, for example, as part of its risk models as well as those that affect the reported amounts of assets, liabilities, revenues and expenses in the Group's financial statements, including assumed and ceded business. To the extent that such estimates or assumptions prove to be incorrect, it could have a material impact on underwriting results (in the case of risk models) or on reported financial condition or results of operations, and such impact could be material.

The Group uses non-GAAP financial measures in its external reporting, including in this report. These measures are not prepared in accordance with U.S. GAAP or any other comprehensive set of accounting rules or principles, and should not be viewed as a substitute for measures prepared in accordance with U.S. GAAP. Moreover, these may be different from or otherwise inconsistent with non-GAAP financial measures used by other companies. These measures have inherent limitations, are not required to be uniformly applied and are not audited.

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.

Corporate calendar and contact information

Corporate calendar
9 December 2009
Investors' Day

18 February 2010
2009 annual results

7 April 2010
146th Annual General Meeting

6 May 2010
First quarter 2010 results

5 August 2010
Second quarter 2010 results

4 November 2010
Third quarter 2010 results

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The web version of the Third Quarter 2009 Report is available at: www.swissre.com/investorrelations

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