Letter to shareholders

Walter B. Kielholz
Chairman of the Board of Directors

Stefan Lippe
Chief Executive Officer

Dear shareholders

Our business is fundamentally sound and our focus remains on generating sustainable profitability through active cycle management and portfolio steering

Net income in the first quarter of 2010 was USD 158 million, notwithstanding an unusually high number of natural catastrophes with significantly higher than average loss levels. Earnings per share were CHF 0.49 (USD 0.46), compared to CHF 0.45 (USD 0.39) in the first quarter of 2009.

As announced on 18 February 2010, we have changed our reporting currency and now report our results figures in US dollars. A substantial amount of the business we write is in US dollars, with a comparatively small amount in Swiss francs. We believe this change in reporting currency should contribute to reducing volatility in the Group's financial statements.

Delivering on our priorities
The economy is gradually recovering from the worst global recession and financial crisis for decades, but financial markets continue to be volatile. Primary insurance volumes and prices remain under pressure, delaying the hardening of rates in the reinsurance market. In this context, our focus remains on the core business and on generating sustainable profitability through active cycle management and portfolio steering.

Driving innovation in the industry and offering added-value expertise and services to our clients remain a priority. As market leader in life and health reinsurance, we pioneer longevity solutions for public sector counterparties as well as for private companies. In February 2010, Swiss Re launched the Life & Longevity Markets Association (LLMA) together with other financial institutions to promote the development of a liquid traded market in longevity and mortality-related risk of the type that exists for property and casualty insurance-linked securities (ILS).

We further reinforced our leading position in the ILS market in February 2010 by structuring the first catastrophe bond to rely on PERILS industry loss estimates for European windstorm. The USD 120 million catastrophe bond was placed through our Successor X Cat Bond programme and covers North Atlantic hurricane, European windstorm, and Californian and Japanese earthquake.

Our asset management team remains focused on asset-liability management. We believe that a cautious investment approach remains appropriate and we continued to position the portfolio for rising interest rates. This strategy reduces our reported net income but should bring benefits as interest rates rise by allowing us to invest at higher interest rates in the future.

Since the beginning of 2009, Swiss Re's capital position has improved steadily quarter by quarter. We estimate that Swiss Re's excess capital at the AA level has increased to more than USD 12 billion as of the end of March 2010.

The measures we have put in place to achieve a reduction in our running costs of CHF 400 million by the end of 2010 are effective and cost reductions are on track.

Strong underlying business

Our Property & Casualty business reported operating income of USD 259 million, a 69% decrease compared to the first quarter of 2009. The result was affected by the severe earthquake that hit Chile in February 2010 and winter storm Xynthia, which crossed Europe in the same month. We have estimated losses from the Chile earthquake at USD 500 million and from Xynthia at USD 100 million. Significant claims from hailstorms and floods in Australia added USD 100 million to the losses from natural catastrophes. As a result, the combined ratio rose to 109.4%, or 107.8% excluding unwind of discount. Although contributing to volatility in our earnings, such events are inherent in our business. The underlying business continues to be very satisfactory.

Life & Health achieved operating income of USD 245 million and a benefit ratio of 87.4%. In the quarter, we attracted new business across all regions, growing our traditional business by 3.5%. At the same time, we entered into a retrocession for a part of our US individual life business that enables us to redeploy capital at more attractive returns and so improve our return on equity.

Investment portfolio optimisation led to an increase in the annualised return on investments to 2.8% in the first quarter of 2010, considerably higher than the 1.8% for the full year 2009. Total return on investments was 8.1%. Asset Management achieved strong operating income of USD 0.9 billion in the reporting period.

Shareholders' equity increased by USD 0.8 billion to USD 26.2 billion in the first quarter of 2010, reflecting unrealised gains on invested assets. The annualised return on equity was 2.7%. Book value per ordinary share increased to CHF 72.23 (USD 68.62) at the end of the first quarter of 2010 from CHF 67.72 (USD 66.18) at the end of last year.

New members of the Board of Directors

We are pleased that you, our shareholders, approved the appointments of Carlos E. Represas, Malcolm D. Knight and Jean-Pierre Roth as new members of the Board of Directors at the recent 146th Annual General Meeting.

As Chairman of Nestlé Group Mexico, Carlos E. Represas combines extensive experience with a broad network of contacts across the US and Latin America.

Malcolm D. Knight is a Vice Chairman of Deutsche Bank and Jean-Pierre Roth was Chairman of the Governing Board of the Swiss National Bank from 2001 to 2009. Both bring with them in-depth experience in regulatory matters and economics.

Well positioned for the future

We succeeded in sustaining business volume and maintaining long-term price adequacy in the April renewals, which covered mainly Asian property business. Going forward, we will continue to deploy capital to those lines of business where we expect to achieve returns that meet our return on equity target of 12% over the cycle. Thanks to this disciplined approach to underwriting, our business is fundamentally sound. Combined with Swiss Re's capital strength and expertise, this puts us in a very strong position to support our clients and to benefit from opportunities when the market hardens.

Zurich, 6 May 2010

Walter B. Kielholz
Chairman of the Board of Directors

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