Swiss Re

First Quarter 2007 Report

Key information

Corporate highlights

- Net income of CHF 1.3 billion, up 54%, with good performance across all businesses; earnings per share of CHF 3.85
- Return on equity of 17.1% (annualised); shareholders equity of CHF 30.4 billion
- Share repurchase of CHF 1.7 billion from GE on 1 March, additionally a three-year share buy-back programme of up to CHF 4.2 billion approved by shareholders on 20 April
- Strong return on investments of 5.9% (annualised)
- Property & Casualty operating income up 4% despite European winter storm Kyrill, combined ratio of 94.8%
- Life & Health return on operating revenues of 8.5%
- Financial Services with excellent results, particularialy in credit and trading businesses

Financial highlights (unaudited)

For the three months ended 31 March

CHF millions unless otherwise stated	2006	2007	Change in %
Property & Casualty business			
Premiums earned	3 922	**4 639**	18
Combined ratio, traditional business (in %)	91.0	**94.8**	
Life & Health business			
Premiums earned	2 383	**3 188**	34
Return on operating revenues (in %)	8.6	**8.5**	
Financial Services business			
Total revenues	418	**678**	62
Operating income	76	**235**	209
Group			
Premiums earned	6 559	**8 091**	23
Net income	863	**1 329**	54
Earnings per share (in CHF)	2.78	**3.85**	38
Shareholders' equity (31.12.2006/31.3.2007)	30 884	**30 426**	–1
Return on investments (in %), annualised	5.4	**5.9**	
Return on equity (in %), annualised	14.1	**17.1**	
Number of employees[1] (31.12.2006/31.3.2007)	10 891	**10 707**	–2

[1] Permanent staff

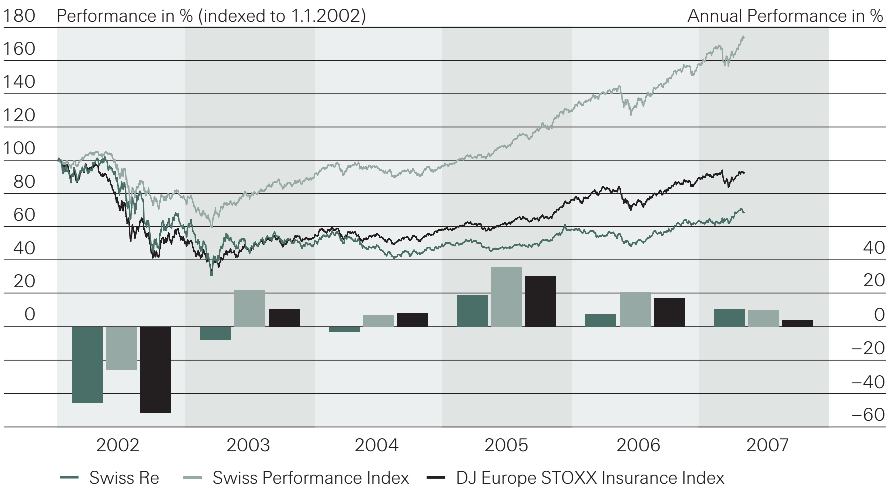
Financial strength ratings

as of 30 April 2007	S&P	Moody's	A.M. Best
Rating	AA–	Aa2	A+
Outlook	stable	negative	stable

Share performance

Market information as of 30 April 2007	
Share price (in CHF)	114.20
Market capitalisation (in CHF millions)	39 043
Number of shares entitled to dividend	341 885 369

Performance	2002 – 30 April 2007 (p.a.)	Year to 30 April 2007
Swiss Re (in %)	–4.8	10.2
Swiss Performance Index (in %)	10.9	10.0
DJ Europe STOXX Insurance Index (in %)	–1.5	4.1



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Letter to shareholders

Fellow shareholders, ladies and gentlemen

It is with great pleasure that we provide you for the first time with quarterly results – a further example of our commitment to transparency. Due to the very nature of the reinsurance business, we expect our quarterly results to show some short-term variability.

2007 has begun well for Swiss Re. We recorded a net income of CHF 1.3 billion for the first quarter, or CHF 3.85 per share, a 54% increase over the same period last year. This positive performance was once again spread across all lines of business and regions. We maintained our business focus on underwriting quality and on reducing earnings volatility, efforts which bore fruit in our net claims experience from European winter storm Kyrill earlier this year: Kyrill turned out to be a normal event for us, highlighting the diversification and risk management superiority of your firm.

Return on equity was equivalent to an annual rate of 17.1%. Shareholders' equity decreased by 1% from December 2006, as a result of the repurchase of shares from General Electric, which more than offset strong earnings accruals. This combination further increased book value per share by 3%.

The strong investment income of CHF 2.0 billion in the first quarter 2007 benefited from the highly successful sale of our award-winning office building in London, as well as active credit risk management and effective protection of our equity positions from the effects of the market downturns in March. Realised capital gains in the first quarter related to the London building amounted to CHF 268 million, while a further CHF 220 million will accrue to the income statement over the next 25 years. Our return on investments was strong at 5.9%.

Operating income for Property & Casualty increased by 4% to CHF 1.2 billion compared to the first quarter of 2006, thanks to our continued strong underwriting results and successful renewals of the business acquired through Insurance Solutions. The combined ratio for the quarter was 94.8%.

Return on operating revenues for Life & Health decreased to 8.5% from 8.6% in the first quarter of 2006. This slight reduction was expected and corresponded primarily to the initial period of consolidation of the GE Life UK Admin Re® transaction, as well as some changes in business mix. In January 2007, Swiss Re transferred USD 705 million of extreme mortality risk to the capital markets through its Vita Capital securitisation programme, leveraging our market-leading expertise in insurance-linked securities to strengthen earnings consistency and reinforce the Group's balance sheet.

Financial Services revenues grew by 62%. Operating income rose strongly to CHF 235 million, a 209% increase compared to the first quarter last year, thanks to successful Credit Solutions renewals and strong results in fee and trading business.

At the Annual General Meeting on 20 April, shareholders approved a dividend of CHF 3.40 per share. They also expressed their full support for a share buy-back programme which will repurchase up to CHF 4.2 billion over the next three years as part of our prudent yet active capital management strategy.

We plan to optimise Swiss Re's legal structure in the EU by forming three entities, based in Luxembourg, that will serve as risk carriers for most of our European reinsurance and insurance business. This new legal structure, initiated in light of the new European Reinsurance Directive, will be introduced from 1 January 2008. It will improve the alignment of our regulatory and economic capital as well as allow more efficient capital management, administration and reporting.

We look forward with confidence to the remainder of 2007, fully prepared to seize opportunities for economic profit growth. We anticipate strategic and operational benefits from the first full-year inclusion of the Insurance Solutions portfolio and also expect that our sharp focus on seeking quality business and maintaining risk-adequate pricing will continue to generate attractive results. We will build on our market-leading position in the fast-growing area of insurance risk transfer to capital markets, and continue to seek further opportunities to put our capital to work at attractive rates through Admin Re® transactions. Most importantly, we have the people, capital strength, strategic direction and know-how to meet our clients' expanding needs. The market fundamentals remain favourable and your company is well placed to reap the rewards.

Zurich, 8 May 2007

Peter Forstmoser
Chairman of the Board of Directors

Jacques Aigrain
Chief Executive Officer

Key events

2007

4 January
CO_2 reduction programme
As part of its commitment to the Clinton Global Initiative, Swiss Re launched a worldwide programme to support measures taken by employees to reduce their personal CO_2 emissions.

16 January
Extreme mortality risk protection through Vita Capital programme
Swiss Re transferred USD 705 million of extreme mortality risk to the capital markets through its Vita Capital securitisation programme. Part of the issuance replaced cover provided by Swiss Re's first Vita programme, which expired at the end of 2006, with the balance providing additional protection against extreme mortality risks.

13 February
Renewals 2007
Swiss Re grew its non-life reinsurance portfolio by CHF 1.3 billion or 14%, reflecting successful renewals of business acquired through the acquisition of GE Insurance Solutions combined with a continued focus on underwriting quality.

22 February
Sale of 30 St Mary Axe
Swiss Re completed the sale of its London office building, 30 St Mary Axe, to an affiliate of the real-estate corporation IVG Immobilien AG for GBP 600 million. Swiss Re remains a principal tenant of 30 St Mary Axe.

1 March
Annual results 2006
Swiss Re reported record earnings for 2006, with net income increasing 98% to CHF 4.6 billion, or CHF 13.49 per share, resulting in a return on equity of 16.3%. Swiss Re also announced plans to buy back shares for up to CHF 6 billion over the next three years.

1 March
Share buy-back from GE
Swiss Re re-purchased 16 650 479 shares (approximately 50% of General Electric's stake) for CHF 102.96 per share. The purchase price was calculated at a 1% discount to the price which General Electric achieved in the accelerated book-building through which it sold the remainder of its stake in Swiss Re.

13 March
Optimisation of Swiss Re's EU legal entities
Swiss Re announced that it will optimise the structure of its legal entities in the EU by forming three companies based in Luxembourg to serve as risk carriers for most of its European reinsurance and insurance business. The new legal structure will be introduced from 1 January 2008 and result in more efficient capital management, administration and reporting.

27 March
Hybrid securities placement
Swiss Re successfully placed its inaugural sterling benchmark hybrid on the back of strong support from fixed-income investors. The GBP 500 million offering was structured using a repackaging vehicle that issued notes secured over perpetual subordinated step-up loan notes issued by Swiss Reinsurance Company.

3 April
Embedded value 2006
Swiss Re's life and health embedded value earnings grew by 38% to CHF 2.4 billion, up from CHF 1.7 billion in 2005. Embedded value increased by 13% to CHF 22.6 billion in 2006, up from CHF 20.1 billion in 2005. The value of new business was CHF 664 million in 2006. The internal rate of return for new business was 12.7%.

20 April
Annual General Meeting
At Swiss Re's 143rd Annual General Meeting, shareholders approved the 2007–2010 share buy-back programme as well as an increase in dividend to CHF 3.40 per share. Hans Ulrich Maerki was elected to the Board of Directors.

27 April
Australian dollar hybrid securities placement
Swiss Re successfully issued a total of AUD 750 million of hybrid debt securities, its first foray into the Australian dollar bond market.

Group

Good performance across all businesses generated net income of CHF 1.3 billion for the first quarter of 2007 and excellent earnings per share of CHF 3.85.

Group results

Swiss Re reported net income of CHF 1.3 billion in the first quarter of 2007, representing a 54% increase compared to the first quarter of 2006. Earnings per share rose by 38% to CHF 3.85, reflecting continuing good performance across all business segments.

The US dollar weakened by 4% while the Euro and the British pound strengthened by 4% and 6%, respectively, against the Swiss franc.

Premiums earned rose by 23% to CHF 8.1 billion, largely due to the inclusion of Insurance Solutions in the first quarter of 2007. Excluding the currency exchange effects, premiums increased by 25%.

Net investment income was CHF 2.0 billion, a 37% increase over the previous year at constant exchange rates. This rise was mainly due to the overall portfolio growth as a result of the acquisition of GE Life UK business and Insurance Solutions.

Net realised investment gains were CHF 0.7 billion. This represents a decrease of 22% at constant exchange rates. Excluding realised gains credited to policyholders, net realised gains increased by 61% in the first quarter of 2007 mainly due to equities and the successful sale of Swiss Re's London office building.

Trading and other revenues increased by 157% to CHF 406 million, reflecting a very strong first quarter 2007 in the Capital Management and Advisory business.

Claims and claim adjustment expenses increased by 23% to CHF 3.4 billion, reflecting the effect of the Insurance Solutions portfolio. Claims from the European winter storm Kyrill had a relatively modest impact on the first quarter 2007.

Life and health benefits increased by 30% to CHF 2.9 billion at constant exchange rates, reflecting the inclusion of both Insurance Solutions and GE Life UK business.

Interest credited to policyholders decreased by 40% to CHF 0.6 billion at constant exchange rates. The first quarter of 2006 benefited from higher realised gains as a result of favourable equity market developments, which are credited to unit-linked policyholders.

Acquisition costs increased by 11% to CHF 1.6 billion. The acquisition cost ratio was 19.2% in the first quarter of 2007, compared to 21.3% in the same period of the previous year. This change was partly due to the purchase GAAP adjustment eliminating the historic deferred acquisition cost of Insurance Solutions, which resulted in less amortisation in the first quarter of 2007.

Other expenses were CHF 1.1 billion in the first quarter of 2007, an increase of 51% over the first quarter of 2006. This rise in operating costs and expenses was mainly due to the inclusion of Insurance Solutions and GE Life UK business reflecting the overall increase in the business volume. The good performance of Capital Management and Advisory as well as the overall performance of the Group resulted in higher variable compensation accruals in the first quarter of 2007. These increases were partly offset by cost savings achieved as a result of the Insurance Solutions integration initiatives started in 2006. Overall, the cost ratio was 9.2% in the first quarter of 2007, compared with 7.4% in the same period of the previous year.

Interest expenses were CHF 155 million in the first quarter of 2007, an increase of 65% over the first quarter of 2006, reflecting the interest expenses related to the funding for the Insurance Solutions acquisition that were fully reflected in the first quarter of 2007.

The Group's effective tax rate was 24.0% for the first quarter of 2007, compared to 24.1% for the same period of the previous year.

Shareholders' equity decreased marginally by 1% to CHF 30.4 billion. The decrease is a combination of stronger earnings in the first quarter of 2007, offset by the Group's first steps in the share buy-back programme.

Annualised return on equity increased to 17.1% from 14.1% in the first quarter of 2006, reflecting strong quarter earnings on a marginally lower average shareholders' equity base compared to year-end 2006.

Income reconciliation

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

Income reconciliation

CHF millions, for the three months ended 31 March	2006	**2007**	Change in %
Operating income			
Property & Casualty business	1 164	1 208	4
Life & Health business	287	401	40
Financial Services business	76	235	209
Total operating income	**1 527**	**1 844**	**21**
Corporate Centre expenses	–80	–92	15
Items excluded from the segments:			
Net investment income	14	16	14
Net realised gains/losses	270	71	–74
Foreign exchange gains/losses	–461	90	120
Financing costs	–94	–155	65
Other income/expenses	–39	–25	–36
Net income before tax	**1 137**	**1 749**	**54**

Property & Casualty business

Property & Casualty operating income increased by 4% to CHF 1.2 billion in the first quarter of 2007 compared to the same period of the previous year. While the first quarter 2006 benefited from a low level of natural catastrophe claims, the first quarter 2007 benefited from higher volumes from Insurance Solutions and a higher investment result (gains from the sale of the London office building are not allocated to the businesses).

Premiums benefited from the successful renewals, including the Insurance Solutions portfolio in the first quarter of 2007. Premiums earned rose to CHF 4.6 billion, an increase of 20% at constant exchange rates.

The combined ratio, including unwind of discount, was 94.8% as claims, including European winter storm Kyrill, were in line with expectations.

Life & Health business

The operating result excluding non-participating realised gains increased to CHF 401 million in the first quarter of 2007 compared to CHF 287 million in the first quarter of 2006, resulting in a return on operating revenues of 8.5 % compared to 8.6 % in 2006. Traditional Life business in the US and the UK had a good first quarter 2007, benefiting from favourable mortality developments. Admin Re® business produced a lower return on operating revenues as the acquired GE Life UK business was integrated in the first quarter.

Premiums and fee income in the Life & Health business increased by 32% at constant exchange rates to CHF 3.4 billion, reflecting the acquisition of Insurance Solutions and GE Life UK business as well as new business in North America.

Financial Services business

Operating income increased to CHF 235 million, compared to CHF 76 million in the first quarter of 2006, mainly as a result of the performance of Credit Solutions and the strong contribution from Swiss Re's capital markets platform in the development of new solutions for clients in credit, insurance-linked securities and derivatives related to variable annuities.

Revenues rose by 62% due to strong premium growth in Credit Solutions, very strong growth in Capital Management and Advisory trading revenues and a stable return on revenues in third-party asset management. These results were accompanied by improved performance, producing a return on total fee revenues of 32.8%, compared to 11.5% in 2006.

Premiums earned increased by 4%, primarily reflecting the successful renewals in Credit Solutions, while posting an improved 75.3% combined ratio versus 84.7% in the first quarter of 2006.

Investments

Swiss Re delivered a strong return on investments of 5.9% in the first quarter of 2007, compared with 5.4% in the first quarter of 2006.

The following comments on the investment performance and the investment portfolio exclude assets held for linked liabilities.

The investment portfolio grew from CHF 162.7 billion to CHF 164.8 billion due to cash flows from operations. On 31 March 2007, Swiss Re's overall gross asset allocation was essentially unchanged compared to 31 December 2006.

Net realised investment gains increased by 61% to CHF 445 million in the first quarter of 2007, mainly due to equities and the sale of Swiss Re's London office building. The gains on the London building amounted to CHF 268 million. In addition, CHF 220 million will accrue to the income statement over the next 25 years. The gains were not allocated to the businesses but reported within the segment "Other".

Net unrealised gains were CHF 4.0 billion on 31 March 2007, compared to CHF 4.2 billion on 31 December 2006 as a result of changes in interest rates and equities.

Fixed income
During the first quarter of 2007, Swiss Re further reduced the total gross exposure to corporate bonds from CHF 33.3 billion on 31 December 2006 to CHF 31.4 billion on 31 March 2007. In addition to these sales, the Group had credit default swaps in place, which had the effect of reducing Swiss Re's stress test exposure to widening credit spreads from a gross average impact of CHF 1.7 billion to a net average impact of CHF 1.4 billion in 2007.

The average running yield on Swiss Re's portfolio increased to 4.8% in the first quarter of 2007 from 4.6% in the first quarter of the previous year.

Equities
After a positive performance in January 2007, equity markets corrected in February before recovering in March. Swiss Re successfully protected its earnings during this period by using equity derivative instruments. The effect of the equity hedges was to reduce Swiss Re's stress test exposure (based on a 30% fall in traded equity markets with a simultaneous increase in volatility) from a gross average impact of CHF 2.8 billion to a net average impact of CHF 1.4 billion in 2007.

Outlook

Swiss Re remains focused on delivering enhanced sustainable returns to its shareholders. In 2007, the Group will benefit from the first full-year inclusion of the Insurance Solutions business and will continue to seek attractive opportunities through Admin Re® transactions. The Group will also continue to manage volatility on both sides of its balance sheet by actively hedging its investment and underwriting exposures, including through capital markets solutions.

Swiss Re maintains its targets of earnings per share growth of 10% and return on equity of 13% over the cycle, reflecting the Group's commitment to achieving sustainable returns for shareholders.

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Income statement (unaudited)

For the three months ended 31 March

CHF millions	2006	2007
Revenues		
Premiums earned	6 559	**8 091**
Fee income from policyholders	250	**213**
Net investment income	1 481	**1 996**
Net realised investment gains	934	**746**
Trading and other revenues	158	**406**
Total revenues	9 382	**11 452**
Expenses		
Claims and claim adjustment expenses	–2 766	**–3 412**
Life and health benefits	–2 274	**–2 893**
Interest credited to policyholders	–1 019	**–636**
Acquisition costs	–1 397	**–1 557**
Other expenses	–695	**–1 050**
Interest expenses	–94	**–155**
Total expenses	–8 245	**–9 703**
Income before income tax expense	1 137	**1 749**
Income tax expense	–274	**–420**
Net income	863	**1 329**
Earnings per share in CHF		
Basic	2.78	**3.85**
Diluted	2.60	**3.55**

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

Balance sheet (unaudited)

Assets

CHF millions	31.12.2006	31.03.2007
Investments		
Fixed income securities:		
Available-for-sale, at fair value (including 18 744 in 2006 and 18 471 in 2007 subject to securities lending and repurchase agreements) (amortised cost: 2006: 92 151; 2007: 95 958)	93 127	**96 830**
Trading (including 2 234 in 2006 and 1 573 in 2007 subject to securities lending and repurchase agreements)	22 622	**22 174**
Equity securities:		
Available-for-sale, at fair value (including 923 in 2006 and 1 805 in 2007 subject to securities lending and repurchase agreements) (amortised cost: 2006: 8 839; 2007:8 449)	10 845	**10 325**
Trading	20 828	**21 146**
Policy loans, mortgages and other loans	7 058	**7 061**
Investment real estate	4 227	**3 659**
Short-term investments, at amortised cost, which approximates fair value	9 464	**8 685**
Other invested assets	4 336	**5 194**
Total investments	172 507	**175 074**
Cash and cash equivalents	13 606	**13 214**
Accrued investment income	1 782	**1 908**
Premiums and other receivables	14 726	**17 276**
Reinsurance recoverables on unpaid claims and policy benefits	18 699	**17 271**
Funds held by ceding companies	14 211	**14 859**
Deferred acquisition costs	5 270	**5 857**
Acquired present value of future profits	7 550	**7 409**
Goodwill	4 838	**4 882**
Income taxes recoverable	714	**1 122**
Financial services assets:		
Fixed income securities, trading (including 8 746 in 2006 and 10 609 in 2007 subject to securities lending and repurchase agreements)	23 714	**29 600**
Other financial services assets	8 638	**8 746**
Other assets	5 045	**5 049**
Total assets	291 300	**302 267**

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

Liabilities and shareholders' equity

CHF millions	31.12.2006	31.03.2007
Liabilities		
Unpaid claims and claim adjustment expenses	95 011	**94 714**
Liabilities for life and health policy benefits	44 899	**44 645**
Policyholder account balances	42 834	**42 673**
Unearned premiums	8 025	**10 948**
Funds held under reinsurance treaties	10 531	**11 013**
Reinsurance balances payable	6 832	**7 177**
Income taxes payable	866	**1 086**
Deferred and other non-current taxes	2 685	**2 873**
Financial services liabilities:		
Financial services liabilities: Short-term debt	7 201	**8 221**
Financial services liabilities: Long-term debt	6 765	**6 798**
Other financial services liabilities	18 407	**23 345**
Short-term debt	1 917	**1 941**
Accrued expenses and other liabilities	6 470	**7 219**
Long-term debt	7 973	**9 188**
Total liabilities	260 416	**271 841**
Shareholders' equity		
Common stock, CHF 0.10 par value;		
2006: 374 440 378; 2007: 374 680 494 shares authorised and issued	37	**37**
Additional paid-in capital	11 136	**11 155**
Treasury shares	–272	**–2 016**
Accumulated other comprehensive income:		
Net unrealised investment gains/losses, net of deferred tax	2 230	**2 097**
Foreign currency translation	–205	**–170**
Accumulated adjustment for pension and post-retirement benefits	–724	**–718**
Total accumulated other comprehensive income	1 301	**1 209**
Retained earnings	18 682	**20 041**
Total shareholders' equity	30 884	**30 426**
Total liabilities and shareholders' equity	291 300	**302 267**

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

Statement of shareholders' equity (unaudited)

For the twelve months of 2006 ended 31 December and the three months of 2007 ended 31 March

CHF millions	2006	2007
Common shares		
Balance as of 1 January	32	37
Issue of common shares	5	
Balance as of period end	37	**37**
Additional paid-in capital		
Balance as of 1 January	6852	11136
Issue of common shares	4234	12
Share based compensation	57	9
Realised gains/losses on treasury shares	–7	–2
Balance as of period end	11136	**11155**
Treasury shares		
Balance as of 1 January	–209	–272
Purchase of treasury shares	–284	–1812
Sale of treasury shares	221	68
Balance as of period end	–272	**–2016**
Net unrealised gains/losses, net of tax		
Balance as of 1 January	1908	2230
Change during the period	322	–133
Balance as of period end	2230	**2097**
Foreign currency translation		
Balance as of 1 January	971	–205
Change during the period	–1176	35
Balance as of period end	–205	**–170**
Adjustment for pension and post-retirement benefits		
Balance as of 1 January	–59	–724
Change during the period	–665	6
Balance as of period end	–724	**–718**
Retained earnings		
Balance as of 1 January	14898	18682
Net income	4560	1329
Dividends on common stock	–776	
Cumulative effect of adoption of FIN 48		30
Balance as of period end	18682	**20041**
Total shareholders' equity	**30884**	**30426**

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

Statement of comprehensive income (unaudited)

For the three months ended 31 March

CHF millions	2006	2007
Net income	863	1 329
Other comprehensive income, net of tax:		
Change in unrealised losses	–628	–133
Change in foreign currency translation	–96	35
Change in adjustment for pension benefits		6
Comprehensive income	139	**1 237**

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

Statement of cash flow (unaudited)

For the three months ended 31 March

CHF millions	2006	2007
Cash flows from operating activities		
Net income	863	**1 329**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	165	**224**
Net realised investment losses	–934	**–746**
Change in:		
Technical provisions, net	3 446	**1 817**
Funds held by ceding companies and other reinsurance balances	–2 292	**–1 534**
Other assets and liabilities, net	–72	**–159**
Income taxes payable/recoverable	130	**116**
Income from equity-accounted investments, net of dividends received	–68	**–31**
Trading positions, net	–266	**–310**
Change in financial services assets and liabilities:		
Financial services assets	–3 085	**–6 084**
Financial services liabilities – Short-term debt	–247	**1 004**
Financial services liabilities – Long-term debt		**48**
Financial services liabilities – Other	3 465	**4 998**
Net cash provided/used by operating activities	1 105	**672**
Cash flows from investing activities		
Fixed income securities:		
Sales and maturities	7 609	**11 922**
Purchases	–7 425	**–14 759**
Net purchases/sales/maturities of short-term investments	851	**915**
Equity securities:		
Sales	1 178	**2 452**
Purchases	–1 953	**–1 565**
Net purchases/sales/maturities of other investments	–221	**467**
Net cash provided/used by investing activities	39	**–568**
Cash flows from financing activities		
Issuance of long-term debt		**1 207**
Issuance/repayment of short-term debt	–12	
Equity issued		**12**
Net purchases/sales of treasury shares	–37	**–1 746**
Net cash provided/used by financing activities	–49	**–527**
Total net cash provided/used	1 095	**–423**
Effect of foreign currency translation	–14	**31**
Change in cash and cash equivalents	1 081	**–392**
Cash and cash equivalents as of 1 January	8 368	**13 606**
Cash and cash equivalents as of 31 March	9 449	**13 214**

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

Notes to the Group financial statements

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 (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, clients and others worldwide through a network of offices in over 25 countries as well as through reinsurance brokers.

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 financial statements for the year ended 31 December 2006.

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 on the basis of historical information, actuarial analyses, financial modelling and other analytical techniques. Actual results could differ significantly from the estimates described above.

Recent accounting guidance

On 6 June 2006, the FASB issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As a result of the initial application of the provisions of FIN 48 in the first quarter of 2007, the Group recognised a decrease of CHF 30 million in reserves for uncertain tax positions. The decrease was reported as an adjustment to the opening balance of retained earnings.

On 19 September 2005, the AICPA released SOP 05-1 "Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts" ("SOP 05-1"). The adoption of SOP 05-1 in the first quarter of 2007 did not have a material impact on the Group's financial statements.

2. Shareholders equity

Earnings per share

CHF millions (except share data), for the three months ended 31 March	2006	**2007**
Basic earnings per share		
Income available to common shares	863	**1 329**
Weighted average common shares outstanding	310 035 302	**345 128 819**
Net income per share in CHF	2.78	**3.85**
Effect of dilutive securities		
Change in income available to common shares due to convertible bonds	29	**40**
Change in average number of shares due to convertible bonds and employee options	33 115 267	**40 885 721**
Diluted earnings per share		
Net income assuming debt conversion and exercise of options	892	**1 369**
Weighted average common shares outstanding	343 150 569	**386 014 540**
Net income per share in CHF	2.60	**3.55**

3. Information on business segments

The Group provides reinsurance, insurance and financial services throughout the world through three business segments. The business segments are determined by the organisational structure. The business segments in place are Property & Casualty, Life & Health and Financial Services. The other section includes items which are not allocated to operating segments. The main items are foreign exchange remeasurement, the mark to market of trading portfolios designated to match foreign currency reinsurance net liabilities, financing costs for financial debt and corporate centre expenses.

Net investment income and realised investment gains are allocated to the business segments based on the net investment income and realised investment gains of the legal entities that are operated by these business segments. Where one entity is utilised by two or more business segments, the net investment income and realised investment gains are allocated to these business segments using technical reserves and other information as a key for the allocation. The Financial Services business segment provides investment management services to the other business segments, and includes the fees charged in net investment income. These fees are based on service contracts.

Financial Services provides structuring support for certain transactions, for example insurance-linked securities, issued on behalf of the business segments. The Financial Services business segment includes the fees charged in net investment income. The business segments provide origination services for certain transactions underwritten and accounted for within another business segment. The commissions are included in acquisition costs.

Business segment results

For the three months ended 31 March

2006 CHF millions	Property & Casualty	Life & Health	Financial Services	Other	Total
Revenues					
Premiums earned	3 922	2 383	254		6 559
Fee income		250			250
Net investment income	522	924	21	14	1 481
Net realised investment gains/losses	422	697	6	–191	934
Trading and other revenues	19		137	2	158
Total revenues	4 885	4 254	418	–175	9 382
Expenses					
Claims and claim adjustment expenses; life and health benefits	–2 656	–2 274	–110		–5 040
Interest credited to policyholders		–1 019			–1 019
Acquisition costs	–830	–480	–87		–1 397
Other expenses	–235	–194	–145	–121	–695
Interest expenses				–94	–94
Total expenses	–3 721	–3 967	–342	–215	–8 245
Operating income/loss	1 164	287	76	–390	1 137

2007 CHF millions	Property & Casualty	Life & Health	Financial Services	Other	Total
Revenues					
Premiums earned	4 639	3 188	264		8 091
Fee income		213			213
Net investment income	845	1 097	38	16	1 996
Net realised investment gains	252	321	12	161	746
Trading and other revenues	32		364	10	406
Total revenues	**5 768**	**4 819**	**678**	**187**	**11 452**
Expenses					
Claims and claim adjustment expenses; life and health benefits	–3 336	–2 893	–76		–6 305
Interest credited to policyholders		–636			–636
Acquisition costs	–871	–591	–95		–1 557
Other expenses	–353	–298	–272	–127	–1 050
Interest expenses				–155	–155
Total expenses	**–4 560**	**–4 418**	**–443**	**–282**	**–9 703**
Operating income/loss	**1 208**	**401**	**235**	**–95**	**1 749**

4. 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.

Effective from 1 January 2007, Swiss Re has changed the structure of its Swiss pension plan to a defined contribution scheme. The plan will continue to be accounted for as a defined benefit plan under US GAAP.

The Group also provides certain health-care 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 first quarter ended 31 March 2006 and 2007, respectively, were as follows:

	Swiss plans pension benefits		Foreign plans pension benefits		Other benefits	
CHF millions	2006	**2007**	2006	**2007**	2006	**2007**
Service cost (net of participant contributions)	29	**21**	16	**18**	9	**10**
Interest cost	21	**22**	22	**30**	6	**6**
Expected return on assets	–32	**–35**	–19	**–24**		
Amortisation of:						
Net gain/loss	9	**6**	6	**8**		
Prior service cost	1	**2**			–2	**–2**
Effect of settlement, curtailment and termination	1					
Net periodic benefit cost	29	**16**	25	**32**	13	**14**

Employers contributions for 2007

As of 31 March 2007, the Group contributed CHF 94 million to its defined benefit plans and CHF 3 million to other post-retirement plans, compared to CHF 32 million and CHF 3 million in 2006, respectively.

The expected 2007 contributions to the defined benefit plans, revised as of 31 March 2007 for latest information, amount to CHF 262 million (31 December 2006: CHF 211 million). The expected contributions to the other post-retirement plans are unchanged at CHF 13 million.

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:

- the impact of 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;
- cyclicality of the reinsurance industry;
- changes in general economic conditions, particularly in our core markets;
- uncertainties in estimating reserves;
- the performance of financial markets;
- expected changes in our investment results as a result of the changed composition of our invested assets or changes in our investment policy;
- 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;
- changes in rating agency policies or practices;
- the lowering or withdrawal of one or more of the financial strength or credit ratings of one or more of our subsidiaries;
- changes in levels of interest rates;
- political risks in the countries in which we operate or in which we insure risks;
- extraordinary events affecting our clients, such as bankruptcies and liquidations;
- risks associated with implementing our business strategies;
- changes in currency exchange rates;
- changes in laws and regulations, including changes in accounting standards and taxation requirements; and
- changes in competitive pressures.

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

Information

Important dates
7 August 2007
Second quarter results

6 November 2007
Third quarter results

11 December 2007
Investors' Day

29 February 2008
2007 annual results

18 April 2008
144th Annual General Meeting

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