Letter to shareholders

From left:
Peter Forstmoser
Chairman of the Board of Directors
Jacques Aigrain
Chief Executive Officer

Dear shareholders

The unprecedented conditions we saw in the capital markets in the first half of this year further intensified in the third quarter of 2008. The widespread volatility has affected the entire financial sector and we have not been immune. As a result, we report a net loss of CHF 0.3 billion, or CHF 0.93 per share, for the third quarter of 2008. For the first nine months of 2008, net income was CHF 0.9 billion, or CHF 2.66 per share. Our Property & Casualty and Life & Health businesses continued to perform well, with Property & Casualty reporting good technical results despite hurricanes Gustav and Ike.

The annualised rate of return on equity was a disappointing –4.9% for the quarter and 4.3% for the first nine months of 2008. Compared to the end of the second quarter of 2008, shareholders' equity decreased 6% to CHF 24.1 billion at the end of the third quarter of 2008.

A strong balance sheet
Book value per share decreased to CHF 74.16 at the end of September 2008, compared to CHF 77.65 at the end of June 2008. This modest reduction is a direct result of our prudent investment approach with low exposure to equities and the significantly increased hedging of our corporate bond portfolio.

Our risk management remains geared towards ensuring your company has strong capital and liquidity positions. This was confirmed on 25 September 2008 when Standard & Poor's Ratings Services reaffirmed Swiss Re's AA- insurer financial strength and long-term counterparty rating.

Business performance impacted by investment result
Operating income in Property & Casualty decreased to CHF 0.1 billion, mainly as a result of lower investment returns, selective underwriting and materially higher natural catastrophe claims from hurricanes Gustav and Ike. Swiss Re's effective protection successfully mitigated the impact of these claims. Excluding realised investment losses, the operating result declined to CHF 0.7 billion from CHF 1.8 billion. The combined ratio of 99.8%, or 97.6% excluding the unwind of discount, was good despite the higher natural catastrophe burden in the third quarter of 2008.

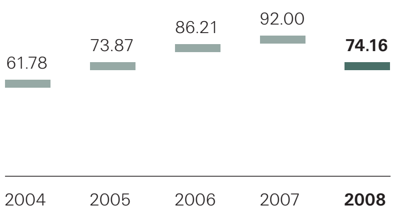
Life & Health operating income also suffered from the adverse market conditions that affected our investment returns. Reduced investment income and realised investment losses, as well as higher mortality in North America resulted in an operating loss of CHF 0.6 billion. Excluding realised investment losses, the operating result declined to CHF 22 million from CHF 868 million. On 31 October 2008, we closed the GBP 762 million acquisition of Barclays Life Assurance Company Ltd, announced on 5 August 2008.

In the light of current conditions, we are focusing on ensuring the resilience of our balance sheet. Swiss Re has a high quality and well diversified investment portfolio with over 50% in cash, short-term deposits, treasury bills or government backed instruments. In addition, we significantly reduced the company's exposure to corporate credit through hedging. Similarly, the traded equity portfolio was also further reduced through disposals and hedging.

These measures, although effective from an economic standpoint and protecting Swiss Re from the risk of significant increases in default rates, reduce investment returns. Annualised return on investments declined to 1.6% in the reporting period and 3.4% for the first nine months of 2008. Financial Markets delivered an operating loss of CHF 0.1 billion.

Book value

Per common share (CHF)
as of 31 December, current year as of 30 September



Outlook

Given the market turmoil, we have suspended our share buy-back programme. The combination of high volatility in the capital markets and a significant increase in demand for reinsurance by our clients means that this prudent step is appropriate. We can still meet our completion target of April 2010, but this will depend on some stability returning to the capital markets and the business opportunities arising for our Property & Casualty and Life & Health businesses.

Swiss Re is not immune to events in the capital markets or their impact on the broader economy. The market movements had a negative impact on our earnings and balance sheet in the third quarter of 2008, and this may continue in the fourth quarter. But we are taking steps to reduce investment risk, which we intend to continue, despite the fact that this will lead to a decline in the yield on the company's investment portfolio.

We are seeing increased demand from our clients, however, for traditional capital support as they look to grow organically or by acquisition. Against this backdrop, we have significantly increased our hurdle rates for Admin Re® transactions, not only recognising the current shift in the market, but also anticipating a shift in capital back to Property & Casualty should the early indicators of a hardening market prove correct. We remain committed to our over-the-cycle targets of 14% ROE and 10% compound EPS growth although composition of earnings will clearly change.

Our key strengths are our people focused on client delivery, our underwriting expertise, our strong capital base and our prudent asset management. These strengths will allow us to continue to provide sustainable solutions in all aspects of reinsurance. Our clients face increasing financial pressure at a time when the loss impact of natural catastrophes is rising, and they are looking for further assistance and reinsurance support. They are turning to us, and we are responding. This will lead to opportunities that benefit our clients and you, our shareholders.

Zurich, 4 November 2008

Peter Forstmoser
Chairman of the Board of Directors

Jacques Aigrain
Chief Executive Officer