Letter to shareholders

Peter Forstmoser
Chairman of the Board of Directors
(until 30 April 2009)

Walter B. Kielholz
Chairman of the Board of Directors
(as of 1 May 2009)

Stefan Lippe
Chief Executive Officer

Dear shareholders

In the first quarter of 2009, Swiss Re returned to profitability with a net income of CHF 150 million and earnings per share of CHF 0.45. Book value per share increased to CHF 61.39. These results demonstrate that Swiss Re's earnings power in the core business remains solid, and that our efforts to reduce asset risk are beginning to bear fruit. We expect investment returns to remain low, however, as we reduce asset risk.

We have taken the necessary steps to strengthen our capital base. At the 145th Annual General Meeting you approved our proposal to create conditional capital to secure the necessary underlying shares for a convertible instrument, enabling us to raise CHF 3 billion from Berkshire Hathaway. The Adverse Development Cover with Berkshire Hathaway further bolstered our capital above AA capital rating levels. With our capital base thus improving, we are well positioned to take advantage of new profitable business opportunities.

We will continue our strict underwriting discipline by concentrating on business activities that produce quality returns, and we remain determined to reduce costs and to increase efficiency.

Focus on core business
Property & Casualty posted an operating income of CHF 1.0 billion and an excellent combined ratio of 90.2%, or 88.6% excluding unwind of discount. These results not only benefited from the absence of major loss events in the reporting period, but also from the robust January 2009 renewals, which confirmed the trend towards stronger prices in several major business lines. The results also reflect the trust that our clients place in our ability and capacity to provide innovative and sustainable reinsurance solutions and to meet continued demand for significant solvency support.

Life & Health operating income grew to CHF 0.3 billion with an improved benefit ratio of 86.9%. Favourable mortality experience in the US as well as a hardening market had a positive effect on the results of our Life & Health unit in the reporting period. Despite improving market conditions in some regions, we expect only low growth in our Life & Health business due to the impact of lower investment returns and the economic environment for the market as a whole.

Swiss Re provides a highly attractive value proposition given its ability to deploy capital to profitable client deals. Recently we have completed various large capital relief transactions and reinsurance swaps in the life and non-life sectors across the globe. We will continue to actively manage the cycle and to deploy the capital for the highest returns.

Further reducing asset risks
Return on investments was 1.9% and Asset Management delivered an operating income of CHF 1.1 billion. In line with our previously announced intention to de-risk our portfolio, we sold selected positions, implemented hedging strategies where a sale of underlying assets was not deemed prudent, increased the proportion of short-term maturity securities, and invested new cash inflows in lower risk asset classes. While this shift into cash, short-term and government backed securities reduces the level of investment returns, it allows us to deploy our capital more effectively to core (re)insurance risks and benefit from future increases in interest rates. In the case of our Legacy structured credit default swap transactions, reducing asset risk meant bringing these assets onto our balance sheet where we are in a better position to actively manage them.

Total invested assets were CHF 132.7 billion at the end of March 2009. This slight increase since the end of December 2008 was driven mainly by changes in foreign exchange rates. Discontinued activities reported in the Legacy segment delivered a narrow positive result of CHF 12 million. Operating income in Asset Management and Legacy benefited by CHF 639 million gross of tax from recent changes in accounting rules that affect the recognition of impairments.

Enhancing our competitive position
In our efforts to succeed in a highly competitive market, we have analysed each line of business and taken de-risking steps on the (re)insurance liabilities side to substantially reduce capacity in Credit & Surety and to exit variable annuity business.

To manage our capital and costs more effectively, we have started an efficiency programme to simplify our worldwide office structure and to focus on servicing clients through a leaner local presence. We are doing this to reduce management complexity and to increase the effectiveness of client service. As a result of this measure, we will further consolidate support resources into fewer locations to achieve economies of scale and to enhance the quality of services. The full effect of these measures, disclosed at the time of the full year 2008 results, will be reflected continually in the upcoming reporting periods.

Revised mid-term targets
In the light of these new priorities and continued volatile market conditions, we have revised our mid-term targets. Over the next three years, we will focus on generating sufficient organic capital to avoid the potential dilution of our existing shareholders' capital. Building on our strengths in (re)insurance and the expertise of our employees, we seek to generate a 14% return on capital for (re)insurance pricing, to maintain a AA level of capital adequacy, and to reduce the expenses run-rate by CHF 400 million by the end of 2010.

Appointments
The past quarter has seen some changes in our Executive Committee and the Board of Directors. Agostino Galvagni was appointed Chief Operating Officer as of 1 May 2009, succeeding Stefan Lippe who will be focusing fully on his role as Chief Executive Officer. In his new role, Agostino Galvagni will help strengthen the client focus, building on his extensive experience in the (re)insurance business and in serving clients.

Kaspar Villiger resigned from the Board of Directors of Swiss Re in order to stand for election as Chairman of UBS AG. At the 145th Annual General Meeting, Thomas W. Bechtler and Bénédict G. F. Hentsch also resigned as members of the Board of Directors. On behalf of the Board, we thank each of these former directors for their valuable contribution and commitment to Swiss Re and wish them well for the future.

In March 2009, Peter Forstmoser announced his intention to step down as Chairman of the Board. He was a member of Swiss Re's Board of Directors from 1990, and served as Chairman from 2000. Under his leadership, Swiss Re weathered the challenging tasks in the wake of the tragic events of 11 September 2001 and accomplished the strategically important acquisitions of Lincoln Re and GE Insurance Solutions. In the current global economic downturn, Peter Forstmoser contributed significantly to preparing Swiss Re to return to the road of success.

Walter B. Kielholz was elected Chairman of the Board as of 1 May 2009, and Mathis Cabiallavetta has been named Vice Chairman. Together they will employ their leadership experience, their thorough understanding of (re)insurance and financial services businesses, as well as their intimate knowledge of Swiss Re for the benefit of the company and all its stakeholders.

Outlook

Our priorities are clear and simple: to focus on the core (re)insurance business, ensure capital strength, and enhance our competitive position. The corporate realignment we implemented earlier in the year was complemented with a number of decisions also aimed at enabling Swiss Re to return to higher levels of sustainable profitability once market conditions permit. It will take some time to complete our programmes to reduce asset risk in part of our investment portfolio, and to resolve the Legacy portfolio. There is a risk that we will suffer some volatility as this process is completed, but we are confident that the Group is on the right track. We expect to make progress here in 2009.

In our core business segments of Property & Casualty and Life & Health reinsurance, we are seeing a trend towards hardening prices and rising demand. By promoting these business areas, we are confident that the Group is well positioned to identify and seize opportunities as they present themselves.

Zurich, 7 May 2009

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the Board of Directors
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