Second Quarter 2009 Report

Key information

Corporate highlights

- Substantial improvements in estimated excess rating capital
- Significant progress made in de-risking Legacy portfolio
- Net loss of CHF 381 million and earnings per share of CHF –1.13
- Successful July renewals with healthy rate increase
- Property & Casualty operating income increased to CHF 1.0 billion, driven by a strong underwriting result; excellent combined ratio of 89.4%
- Life & Health negatively impacted by results from discontinued variable annuity business; operating income declined to a loss of CHF 10 million
- Investment result affected by hedging activities

Financial highlights (unaudited)

For the three months ended 30 June

CHF millions, unless otherwise stated	2008	2009	Change in %
Property & Casualty			
Premiums earned	3 445	**3 533**	3
Combined ratio, traditional business in %	91.0	**89.4**	
Life & Health			
Premiums earned	2 662	**2 656**	0
Benefit ratio in %	77.5	**78.6**	
Asset Management			
Operating income	1 130	**525**	–54
Return on investments in %, (annualised)	2.9	**0.5**	
Legacy			
Operating income/loss	–368	**71**	–
Group			
Premiums earned	6 114	**6 201**	1
Net income/loss attributable to common shareholders	564	**–381**	–
Earnings per share in CHF	1.70	**–1.13**	–
Shareholders' equity (31.12.2008/30.06.2009)	20 453	**23 791**	16
Return on equity[1] in %, (annualised)	8.5	**–7.4**	–
Number of employees[2] (31.12.2008/30.06.2009)	11 560	**11 295**	–2

[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 July 2009	S&P	Moody's	A. M. Best
Rating	A+	A1	A
Outlook	stable	negative	stable

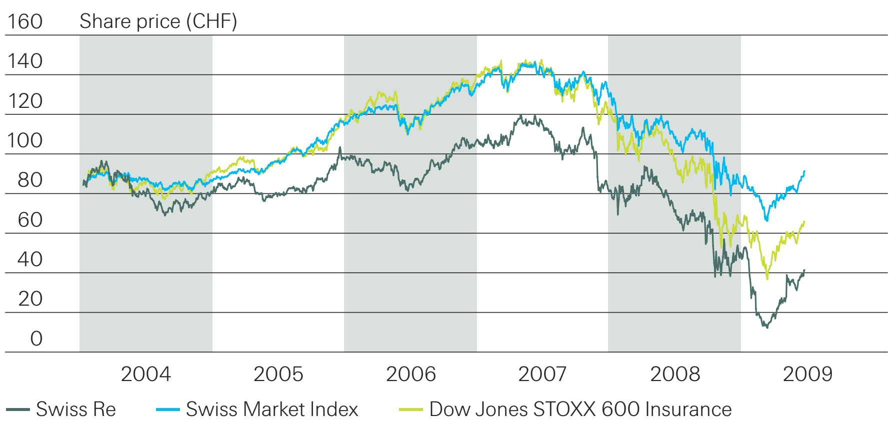
Share performance

Market information as of 31 July 2009

Share price in CHF	41.00
Market capitalisation in CHF millions	15 199

Performance

in %	2004 – 31 July 2009 (p. a.)	Year to 31 July 2009
Swiss Re	–12.0	**–18.5**
Swiss Market Index	1.5	**7.5**
Dow Jones STOXX 600 Insurance	–4.4	**0.6**



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Walter B. Kielholz
Chairman of the Board of Directors

Stefan Lippe
Chief Executive Officer

Dear shareholders

Swiss Re substantially increased its capital strength in the second quarter of 2009. We estimate that our excess capital at the AA level improved to CHF 4.5 billion. At the same time, Swiss Re reported a net loss of CHF 381 million for the quarter, which equates to earnings per share of CHF –1.13.

This apparent ambiguity stems from three factors that generated substantial volatility in the income statement. First, the mark-to-market losses on the corporate bond hedges of CHF 1.1 billion are reflected in net income, whereas the unrealised gains of CHF 1.9 billion on these corporate bonds are recorded in shareholders' equity only. Second, impairments, primarily on securitised products, meant Swiss Re's net income further narrowed by CHF 0.6 billion. Last, while Swiss Re's credit spreads improved considerably in the quarter, US GAAP requires that we recognise the effects of our own credit spreads in certain financial liabilities, resulting in a mark-to-market loss of CHF 0.4 billion for the quarter. The effects of hedges and impairments resulted in a return on investments of 0.5%.

Protecting our capital base
Despite the rebound of the financial markets in the second quarter of 2009, we have maintained a cautious stance on credit. For this reason, we have retained the hedging of the corporate bonds portfolio to protect our capital base. In addition, we increased allocation to cash and cash equivalents, and government securities in the quarter. Running yield was 4.8% in the second quarter of 2009.

Shareholders' equity increased to CHF 23.8 billion at the end of June 2009, compared to CHF 23.6 billion at the end of the first quarter of 2009. Book value per common share was CHF 60.69, compared to CHF 61.39 at the end of the previous quarter.

Legacy risk significantly reduced
De-risking our Legacy portfolio remained a priority over the quarter. We terminated substantially all of the remaining portfolio credit default swap contracts in the Legacy portfolio and decreased corresponding notional exposure from CHF 13.9 billion at the end of March 2009 to CHF 0.8 billion at the end of June 2009.

Strong operating result in Property & Casualty and Life & Health
Property & Casualty posted an operating income of CHF 1.0 billion and achieved an excellent combined ratio of 89.4%, or 87.6% excluding unwind of discount. This result is primarily due to disciplined underwriting and strict expense management.

Life & Health operating income declined to a loss of CHF 10 million; however, the benefit ratio continues to be satisfactory at 78.6%. Premium and fee revenue increased slightly compared to the prior year period. The above-mentioned requirement to record the effect of improvements in the Group's own credit standing had a negative impact of CHF 0.4 billion on the discontinued variable annuity business.

Successful renewals
Conditions in the reinsurance market continued to improve in the second quarter of 2009. We see the strongest immediate improvements taking place in some life segments, especially in the US, and in many natural catastrophe markets. In many other segments, the softness of the market has slowed but has not yet fully reversed. In the July 2009 Property & Casualty renewals, we achieved a rate increase of 4%, reflecting the shift in our reinsurance portfolio from Casualty lines towards more profitable Property non-proportional business, as well as a gradual hardening of the market. More importantly, though, we succeeded in raising long-term price adequacy.

These renewals and transactions demonstrate that our client franchise remains strong and that we have sufficient capacity to provide the solutions our clients need.

Improving efficiency
Several major milestones in the company's efficiency programme were achieved in the second quarter of 2009. We optimised our global office network and merged or closed a number of offices across the globe to serve clients more effectively while consolidating support functions in regional hubs. At the same time, we informed those employees whose positions have become redundant or are being relocated. These measures translated into running cost savings, before restructuring costs, of more than CHF 300 million in the first half of 2009. Net savings, after restructuring costs, are now expected to exceed CHF 150 million in 2009, compared to our original target of CHF 100 million.

Outlook
We have succeeded in increasing our capital strength, and we remain a strong partner for our clients. For Property & Casualty, we expect further modest rate increases. We are likely to surpass our underwriting year 95% combined ratio target, provided that natural catastrophe events remain at normal levels. However, the economic environment remains uncertain and our investment and Legacy portfolios remain exposed to market volatility. This financial market volatility and the shift towards lower risk investments, which allowed us to reduce our exposures significantly, may adversely impact future earnings. Despite this, we believe the underlying operating trends are positive and we have the ability to allocate significant capacity to lines of business that offer an appropriate return on Swiss Re's capital.

Zurich, 5 August 2009

Walter B. Kielholz
Chairman of the Board of Directors

Stefan Lippe
Chief Executive Officer

Key events

7 May 2009

Net profit for first quarter of 2009

Swiss Re reported a net profit of CHF 150 million for the first quarter of 2009. Shareholders' equity increased 15% to CHF 23.6 billion, compared to year end 2008.

19 May 2009

Swiss Re report shows how (re)insurers can increase capital efficiency under Solvency II

Swiss Re's new Focus report "Solvency II Standard Formula: Consideration of Non-Life Reinsurance" provides an important contribution to help reinsurers and their clients adapt to the new regulatory environment.

9 June 2009

Swiss Re enters Lead Umbrella marketplace in the US, offering net capacity for large corporate accounts

Swiss Re now offers Lead Umbrella coverage to retail brokers and risk managers in the US. Lead Umbrella coverage from Swiss Re's Industrial Risk Insurer (IRI) is available on an admitted basis in 46 states and underwritten by North American Elite Insurance Company, a member of the Swiss Re Group.

12 June 2009

Swiss Re transfers USD 100 million natural catastrophe risk for ACE with World Bank collateral investment

Swiss Reinsurance America Corporation obtained USD 100 million protection against US hurricane and earthquake risks from Calabash Re III Ltd, financed through the successful offering by the issuer of insurance-linked securities. Swiss Reinsurance America Corporation will use the reinsurance as a source of capacity for a reinsurance agreement that provides ACE American Insurance Company and its affiliates with USD 100 million of coverage over three years.

16 June 2009

Swiss Re sells third-party asset manager Conning

In line with Swiss Re's strategy to focus on core business, the Group reached an agreement to sell its third-party asset manager Conning & Company and its affiliates to private equity fund Aquiline Capital Partners LLC. Swiss Re will maintain a strong relationship with Conning as a recipient of its services.

14 July 2009

Swiss Re in Europe – completion of new carrier structure

Swiss Re Europe S.A. and Swiss Re International SE replace more than 20 former Swiss Re risk carriers or branches in the EU. The new structure allows Swiss Re to benefit from the EU Reinsurance Directive by increasing both its regulatory capital efficiency and its concentration of financial supervision in Luxembourg. The new European legal structure also enables Swiss Re to standardise its operational processes across locations.

29 July 2009

Swiss Re transfers USD 200 million hurricane risk through Parkton Re Program

Swiss Re closed a USD 200 million insurance-linked securities offering of hurricane risk in North Carolina through Parkton Re Ltd.

31 July 2009

Innovative solution to tackle agricultural catastrophe risks in China

Swiss Re entered into an agreement with the Beijing Municipal Government to provide reinsurance coverage for catastrophe risks under Beijing's government-funded agricultural insurance scheme. This innovative public-private partnership also facilitates the sustainable development of agricultural insurance, which helps stimulate agricultural productivity in China amid global concern over food security.

Group

Swiss Re reports a net loss of CHF 381 million for the second quarter of 2009. Property & Casualty continued to deliver a strong underwriting result, benefiting from underlying business growth, lower expenses and good claims experience despite higher man-made losses. Life & Health was impacted by unfavourable results from the discontinued variable annuity business. Return on investments was reduced as a result of mark-to-market losses on corporate bond hedges and impairments. Shareholders' equity increased to CHF 23.8 billion.

Group results

Swiss Re reported a net loss for common shareholders of CHF 381 million in the second quarter of 2009, compared to a profit of CHF 564 million in the second quarter of 2008. Earnings per share were CHF –1.13.

During the quarter, the Swiss franc depreciated 8% against the US dollar but appreciated 19% against the British pound and 7% against the euro, compared to second quarter of 2008 average rates.

Excluding foreign exchange impacts, premiums earned were flat for both Property & Casualty and Life & Health, compared to the prior year period. Higher premiums in the property and specialty lines of business reflected higher volumes and improved profitability margins, which were mostly offset by the year-on-year impact of the quota share arrangement with Berkshire Hathaway. Life & Health benefited from new traditional life business as well as the inclusion of Barclays Life in the Admin Re® unit for the reporting period. This benefit was partially offset by the effect of changes in cedent reporting estimates.

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 1.7 billion, a 13% decrease compared to the prior year period. As a result of the shift to less risky assets, the running yield decreased to 4.8% in the second quarter of 2009 from 5.2% in the second quarter of 2008.

The Group reported proprietary net realised investment losses of CHF 1.7 billion in the second quarter of 2009, compared to a loss of CHF 0.7 billion in the second quarter of 2008. This increase was primarily due to CHF 1.1 billion mark-to-market losses on derivatives hedging the Group's credit risk, as well as impairments, mainly in the securitised products portfolio, of CHF 0.6 billion in the reporting period.

The Group's de-risking strategy made significant progress in the second quarter of 2009. The Legacy segment terminated substantially all the exposure in Portfolio CDS.

Other revenues increased 36% to CHF 49 million in the second quarter of 2009.

Property & Casualty claims and claim adjustment expenses increased 8% to CHF 2.3 billion at constant foreign exchange rates. The positive effect from the lower natural catastrophe burden in the second quarter of 2009 was offset by large man-made losses, particularly in the aviation and space lines of business, slightly less benefit from net claims experience and a modest increase in non-traditional claims expense. The improvement in the combined ratio to 89.4% from 91.0% was driven largely by the absence of prior year development in Casualty and an improvement in the expense ratio, partially offset by the aviation and space losses.

Life and health benefits increased 15% to CHF 2.4 billion at constant foreign exchange rates in the second quarter of 2009, mainly as a result of less favourable mortality and morbidity experience in the traditional life and health business, compared to the prior year period.

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 second quarter of 2009, policyholders benefited from investment gains of CHF 1.4 billion, mainly driven by the recovery of equity markets, compared to a loss of CHF 1.0 billion in the prior year period.

Acquisition costs decreased 6% to CHF 1.1 billion, driven by Property & Casualty. The acquisition cost ratio was 18.5% in the second quarter of 2009, compared to 19.9% in the same period of the previous year.

Other expenses at constant foreign currency rates increased slightly to CHF 0.8 billion. Lower variable compensation was offset by the impact of the restructuring plan the Group announced in April 2009.

Income statement

CHF millions, for the three months ended 30 June	2008	2009	Change in %
Revenues			
Premiums earned	6 114	**6 201**	1
Fee income from policyholders	201	**221**	10
Proprietary net investment income	1 999	**1 730**	–13
Net investment income from unit-linked and with-profit business	288	**282**	–2
Proprietary net realised investment gains/losses	–741	**–1 700**	129
Net realised investment gains/losses from unit-linked and with-profit business	–973	**1 402**	–
Other revenues	36	**49**	36
Total revenues	6 924	**8 185**	18
Expenses			
Claims and claim adjustment expenses	–2 122	**–2 448**	15
Life and health benefits	–2 039	**–2 351**	15
Return credited to policyholders	395	**–1 614**	–
Acquisition costs	–1 216	**–1 148**	–6
Other expenses	–778	**–843**	8
Interest expenses	–393	**–247**	–37
Total expenses	–6 153	**–8 651**	41
Income/loss before income tax expense	771	**–466**	–
Income tax expense	–207	**154**	–
Net income/loss	564	**–312**	–
Interest on convertible perpetual capital instrument		**–69**	
Net income/loss attributable to common shareholders	564	**–381**	–

Excluding the impact of foreign currency movements, interest expenses decreased 29% to CHF 247 million. The impact of new borrowings was more than offset by maturities and the extinguishment of existing debt positions.

For the second quarter of 2009, the Group's effective tax rate was 33.0%, compared to 26.8% in the same period of the previous year, resulting in a total tax benefit of CHF 154 million.

Shareholders' equity increased slightly to CHF 23.8 billion compared to the end of the prior quarter. Net unrealised investment gains of CHF 0.8 billion, mainly driven by corporate bonds, and the benefit from the conversion of a mandatory convertible bond in June 2009 were partially offset by negative 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 60.69 at the end of June 2009, compared to CHF 61.39 at the end of the first quarter of 2009. Book value per share is based on total shareholders' equity, excluding the CPCI, divided by the closing number of shares outstanding.

For the second quarter of 2009, annualised return on equity was –7.4%, compared to –3.4% for the full year of 2008 and 2.9% for the first 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 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 from the assessment of each segment's performance.

Income reconciliation

CHF millions, for the three months ended 30 June	2008	**2009**	Change in %
Operating income			
Property & Casualty	895	**995**	11
Life & Health	535	**–10**	–
Asset Management	1 130	**525**	–54
Legacy	–368	**71**	–
Allocation	–1 161	**–1 124**	–3
Total operating income	1 031	**457**	–56
Corporate Centre expenses	–50	**–63**	26
Items excluded from the segments:			
Net investment income	168	**61**	–64
Net realised investment gains/losses	–185	**271**	–
Foreign exchange gains/losses	251	**–796**	–
Financing costs	–393	**–247**	–37
Other income/expenses	–51	**–149**	192
Income/loss before tax	771	**–466**	–

Property & Casualty

Property & Casualty operating income increased 11% to CHF 1.0 billion in the second quarter of 2009, compared to CHF 0.9 billion in the second quarter of 2008. Excluding the effect of foreign exchange movements, Property & Casualty operating income rose 17%.

The improvement in the second quarter result of 2009 was largely driven by a strong underwriting result and an increase in the non-traditional business results. Net investment income was stable at CHF 0.7 billion.

Gross premiums earned increased to CHF 4.5 billion in the second quarter of 2009, compared to CHF 4.1 billion in the second quarter of 2008. After retrocession, premiums earned increased 3% to CHF 3.5 billion in the second quarter of 2009, compared to the same period of 2008. At constant foreign exchange rates, net premiums earned increased 1% year-on-year in 2009.

The combined ratio improved to 89.4% in the second quarter of 2009 from 91.0% in the same period of the previous year, mainly as a result of disciplined underwriting and expense management, and the absence of adverse prior year development, partially offset by higher loss activity in aviation and space.

The combined ratio for the property business was 67.7% for the reporting period, compared to 64.9% in the second quarter of 2008. The increase was mainly due to less favourable net claims experience, partially offset by lower expenses.

For the casualty line of business, the combined ratio improved to 103.8% in the second quarter of 2009 from 116.5% in the same period of 2008, largely due to the absence of unfavourable prior year development.

The specialty combined ratio increased to 101.1% in the reporting period, compared to 89.2% in the second quarter of 2008, mainly driven by higher claims activity in aviation and space.

The expense ratio declined to 10.7% in the second quarter of 2009, compared to 11.7% in the prior year period.

Life & Health

Life & Health reported an operating loss of CHF 10 million in the second quarter of 2009, compared to an operating income of CHF 535 million in the prior year period. Excluding the effect of foreign exchange movements, operating income declined CHF 527 million.

Premiums and fee income remained stable at CHF 2.9 billion in the second quarter of 2009. At constant foreign exchange rates, premiums and fee income increased 2%, mainly driven by premiums and fees from Admin Re® transactions which were closed during the fourth quarter of 2008 and new traditional life business, partially offset by changes in cedent reporting estimates.

The overall Life & Health benefit ratio increased to 78.6% in the second quarter of 2009, compared to 77.5% in the same quarter of 2008. This increase primarily reflects the prior year favourable mortality and morbidity experience within the traditional life and health segments, respectively.

The management expense ratio declined to 5.6% in the second quarter of 2009, compared to 6.2% in the prior year period, reflecting lower incurred expenses.

The life business result for the second quarter of 2009 was depressed by unfavourable movements from the discontinued variable annuity business, compared to a gain in the same period of 2008. The variable annuity result, a loss of CHF 561 million, was partly due to modified estimated future cash flows, driven primarily by current and expected lapse experience. In addition, as Swiss Re's credit spreads tightened significantly in the reporting period, the fair value of the embedded derivative liability rose. Hedging experience of the modelled variable annuity cash flows was as expected. Mortality experience in the second quarter of 2009 was within expectations although it was less favourable than experienced in the second quarter of 2008.

The health business result benefited from a gain of CHF 237 million related to an arbitration award that rescinded a 2001 disability income reinsurance agreement with Lincoln National Reinsurance Company (Barbados) Ltd. This gain includes the release of the fair value of the embedded derivative liability related to this funds-withheld agreement. In addition, the second quarters of 2009 and 2008 included gains from the commutation of certain personal accident treaties. Morbidity experience was at expectations in the reporting period, compared to favourable experience in the second quarter of 2008.

Admin Re® reported an operating loss in the second 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 by a positive impact from the inclusion of the Barclays Life transaction, completed in the fourth quarter of 2008.

Asset Management

The annualised return on investments was 0.5% in the second quarter of 2009, compared to 2.9% for the same quarter of the previous year.

Total invested assets were CHF 132.7 billion at the end of June 2009, excluding unit-linked and with-profit businesses. Net mark-to-market gains in the credit portfolio, including hedges, were offset by rising interest rates on government bonds and the impact of foreign currency movements.

Operating income for the second quarter of 2009 was CHF 525 million, compared to CHF 1.1 billion in the second quarter of 2008.

Swiss Re's credit and rates portfolio increased to CHF 127.4 billion at the end of June 2009 from CHF 126.2 billion at the end of March 2009. The increase primarily relates to mark-to-market gains, partially offset by hedges and the impact of foreign currency movements. The running yield decreased to 4.8% at the end of June 2009 from 4.9% at the end of March 2009. Portfolio activity for the quarter included continued de-risking and maturities with proceeds reinvested into short-term investments.

Net investment income for Asset Management declined to CHF 1.4 billion in the second quarter of 2009 from CHF 1.8 billion in the prior year period, primarily due to reducing the risk profile through an increased allocation to short-term investments, including cash and cash equivalents, and government securities, as well as lower interest rates.

Net realised losses on investments in Asset Management were CHF 816 million in the second quarter of 2009, compared to net realised investment losses of CHF 480 million in the same period of the previous year. Net realised investment gains/losses in the second quarter of 2009 reflected losses on credit hedges of approximately CHF 1.1 billion and impairments of CHF 377 million, mainly offset by gains of CHF 683 million in the rates and credit portfolios.

Net unrealised loss in shareholders' equity for credit and rates decreased CHF 548 million to CHF 4.6 billion in the second quarter of 2009 due to an improvement in the credit markets, partially offset by the impact of rising interest rates.

Total asset management expenses decreased to CHF 80 million in the reporting period from CHF 171 million in the second quarter of 2008, resulting from a decrease in investment expenses and lower variable compensation expenses.

Legacy

Legacy generated net operating income of CHF 71 million in the second quarter of 2009, compared to an operating loss of CHF 368 million for the same period of 2008. The net operating income was mainly driven by gains of CHF 325 million for Portfolio CDS, offset by losses of CHF 124 million in former trading activities, including the assets formerly in Structured CDS, and CHF 130 million for Financial Guarantee Re (FG Re). De-risking transactions during the quarter led to a significant reduction in the notional exposure in Portfolio CDS, FG Re and former trading activities.

The gains on Portfolio CDS related to the unwind of multiple structures and mark-to-market gains due to credit spread tightening. During the second quarter of 2009, Swiss Re negotiated the termination of substantially all the exposure in Portfolio CDS with a decrease in notional exposure from CHF 13.9 billion at the end of the prior period to CHF 842 million.

FG Re reported an operating loss of CHF 130 million in the second quarter of 2009. This loss was driven by commutation expense and additions to technical reserves, primarily for RMBS. During the quarter, CHF 2.6 billion of notional was commuted with total exposure down 22% from year end 2008.

Former trading activities generated operating losses of CHF 124 million in the second quarter of 2009 versus a loss of CHF 345 million in the second quarter of 2008. This was mainly driven by impairments on securitised products from the former Structured CDS.

Expenses included in net investment income were CHF 28 million in the second quarter of 2009, in line with the prior year period.

Outlook

The Group expects to benefit from its leading position in the Property & Casualty and Life & Health reinsurance markets and the outlook is for improvements in pricing to continue. The Group's capital strength has improved further, but it remains exposed to financial market volatility. We have made good progress in de-risking in both the Asset Management portfolio and the Legacy activities; however, this may adversely impact earnings in the future. We would expect a significant reduction in the Legacy exposures by the end of 2010.

Also refer to Note on risk factors on page 64 and Cautionary note on forward-looking statements on page 68.

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Income statement (unaudited)

CHF millions	Note	Three months ended 30 June 2008	2009	Six months ended 30 June 2008	2009
Revenues					
Premiums earned	7, 12	6 114	**6 201**	12 571	**12 729**
Fee income from policyholders	7, 12	201	**221**	384	**435**
Net investment income	2, 12	2 287	**2 012**	4 666	**3 514**
Net realised investment gains/losses (total impairments for the three months ended 30 June 2009: 1 131 of which 607 recognised in earnings)[1]	2, 12	–1 714	**–298**	–3 855	**–2 624**
Other revenues	12	36	**49**	105	**92**
Total revenues		6 924	**8 185**	13 871	**14 146**
Expenses					
Claims and claim adjustment expenses	7, 12	–2 122	**–2 448**	–4 680	**–5 091**
Life and health benefits	7, 12	–2 039	**–2 351**	–4 312	**–4 465**
Return credited to policyholders	12	395	**–1 614**	1 526	**–257**
Acquisition costs	7, 12	–1 216	**–1 148**	–2 545	**–2 514**
Other expenses	12	–778	**–843**	–1 560	**–1 503**
Interest expenses	12	–393	**–247**	–823	**–527**
Total expenses		–6 153	**–8 651**	–12 394	**–14 357**
Income/loss before income tax expense		771	**–466**	1 477	**–211**
Income tax expense		–207	**154**	–289	**56**
Net income/loss		564	**–312**	1 188	**–155**
Interest on convertible perpetual capital instrument			**–69**		**–76**
Net income/loss attributable to common shareholders		564	**–381**	1 188	**–231**
Earnings per share in CHF					
Basic	9	1.70	**–1.13**	3.54	**–0.69**
Diluted	9	1.65	**–1.13**	3.43	**–0.69**

[1] Total impairments for the six months ended 30 June 2009: 2 563 of which 1 400 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	30.06.2009
Investments	2, 3, 4		
Fixed income securities:			
Available-for-sale, at fair value (including 8 188 in 2008 and 12 882 in 2009 subject to securities lending and repurchase agreements) (amortised cost: 2008: 106 216; 2009: 101 964)		103 438	**96 768**
Trading (including 33 in 2008 and 426 in 2009 subject to securities lending and repurchase agreements)		13 961	**12 641**
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: 586)		833	**699**
Trading		15 355	**17 364**
Policy loans, mortgages and other loans		6 611	**6 270**
Investment real estate		2 143	**2 383**
Short-term investments, at amortised cost which approximates fair value (including 0 in 2008 and 342 in 2009 subject to securities lending and repurchase agreements)		5 802	**9 863**
Other invested assets		15 822	**16 950**
Total investments		163 965	**162 938**
Cash and cash equivalents (including 2 477 in 2008 and 2 858 in 2009 subject to securities lending)		17 268	**26 560**
Accrued investment income		1 449	**1 305**
Premiums and other receivables		12 446	**15 877**
Reinsurance recoverable on unpaid claims and policy benefits	7	11 934	**13 934**
Funds held by ceding companies		11 230	**10 839**
Deferred acquisition costs	5, 7	4 311	**4 436**
Acquired present value of future profits	5	6 139	**6 382**
Goodwill		4 265	**4 479**
Income taxes recoverable		757	**976**
Other assets		6 113	**7 468**
Total assets		239 877	**255 194**

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

Liabilities and shareholders' equity

CHF millions	Note	31.12.2008	30.06.2009
Liabilities			
Unpaid claims and claim adjustment expenses	7	75 510	**76 294**
Liabilities for life and health policy benefits	7	39 911	**42 451**
Policyholder account balances	7	34 518	**36 428**
Unearned premiums		7 802	**9 362**
Funds held under reinsurance treaties		5 872	**6 354**
Reinsurance balances payable		5 493	**6 477**
Income taxes payable		769	**1 182**
Deferred and other non-current taxes		1 329	**137**
Short-term debt	6	6 522	**6 531**
Accrued expenses and other liabilities		21 245	**23 724**
Long-term debt	6	20 453	**22 463**
Total liabilities		219 424	**231 403**
Shareholders' equity			
Convertible perpetual capital instrument			**3 000**
Common stock, CHF 0.10 par value			
2008: 363 516 036; 2009: 370 700 443 shares authorised and issued		36	**37**
Additional paid-in capital		10 776	**11 142**
Treasury shares, net of tax		–1 640	**–1 588**
Accumulated other comprehensive income:			
Net unrealised investment gains/losses, net of tax		–2 407	**–3 746**
Cumulative translation adjustments, net of tax		–4 854	**–3 825**
Accumulated adjustment for pension and post-retirement benefits, net of tax		–529	**–579**
Total accumulated other comprehensive income/loss		–7 790	**–8 150**
Retained earnings		19 071	**19 350**
Total shareholders' equity		20 453	**23 791**
Total liabilities and shareholders' equity		239 877	**255 194**

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 six months of 2009 ended 30 June

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		**–12**
Share-based compensation	78	**–27**
Realised gains/losses on treasury shares	–49	**67**
Balance as of period end	10776	**11142**
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	**36**
Balance as of period end	–1640	**–1588**
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		**–775**
Cumulative effect of adoption of SFAS 159	–33	
Other changes during the period	–5493	**–284**
Balance as of period end	–2407	**–3746**
Foreign currency translation, net of tax		
Balance as of 1 January	–2554	**–4854**
Other changes during the period	–2300	**1029**
Balance as of period end	–4854	**–3825**
Adjustment for pension and other post-retirement benefits, net of tax		
Balance as of 1 January	–115	**–529**
Change during the period	–414	**–50**
Balance as of period end	–529	**–579**
Retained earnings		
Balance as of 1 January	21712	**19071**
Net loss	–864	**–155**
Interest on convertible perpetual capital instrument		**–76**
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[4]	–408	
Balance as of period end	19071	**19350**
Total shareholders’ equity	20453	**23791**

[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] 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 June 2008	2009	Six months ended 30 June 2008	2009
Net income/loss attributable to common shareholders	564	**–381**	1 188	**–231**
Other comprehensive income, net of tax:				
Change in unrealised gains/losses	–1 679	**753**	–3 256	**–1 339**
Change in foreign currency translation	374	**–408**	–1 824	**1 029**
Change in adjustment for pension benefits	151	**–41**	180	**–50**
Comprehensive income/loss	–590	**–77**	–3 712	**–591**

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

Statement of cash flow (unaudited)

For the six months ended 30 June

CHF millions	2008	2009
Cash flows from operating activities		
Net income/loss attributable to common shareholders	1 188	**–231**
Adjustments to reconcile net income to net cash provided/used by operating activities:		
Depreciation, amortisation and other non-cash items	401	**340**
Net realised investment gains/losses	3 855	**2 624**
Change in:		
Technical provisions, net	–3 632	**–2 937**
Funds held by ceding companies and other reinsurance balances	–75	**–1 205**
Reinsurance recoverable on unpaid claims and policy benefits	137	**–1 893**
Other assets and liabilities, net	–2 723	**–423**
Income taxes payable/recoverable	215	**–323**
Income from equity-accounted investees, net of dividends received	–71	**217**
Trading positions, net	3 818	**–667**
Securities purchased/sold under agreement to resell/repurchase, net	–5 637	**872**
Net cash provided/used by operating activities	–2 524	**–3 626**
Cash flows from investing activities		
Fixed income securities:		
Sales and maturities	34 623	**117 654**
Purchases	–26 475	**–106 534**
Net purchase/sale/maturities of short-term investments	–4 106	**–3 632**
Equity securities:		
Sales	5 908	**208**
Purchases	–1 198	**–20**
Cash paid/received for acquisitions/disposals and reinsurance transactions, net		
Net purchases/sales/maturities of other investments	–1 292	**990**
Net cash provided/used by investing activities	7 460	**8 666**
Cash flows from financing activities		
Issuance of long-term debt	460	**3 110**
Issuance/repayment of short-term debt		**–2 307**
Equity issued	–2 519	**1**
Proceeds from the issuance of convertible perpetual capital instrument, net of issuance cost		**2 987**
Purchase/sale of treasury shares	–1 205	**–12**
Interest on convertible perpetual capital instrument		**–61**
Dividends paid to shareholders	–1 331	**–34**
Net cash provided/used by financing activities	–4 595	**3 684**
Total net cash provided/used	341	**8 724**
Effect of foreign currency translation	–981	**568**
Change in cash and cash equivalents	–640	**9 292**
Cash and cash equivalents as of 1 January	11 531	**17 268**
Cash and cash equivalents as of 30 June	10 891	**26 560**

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

Interest paid during 2009 was CHF 569 million. Income tax paid during 2009 was CHF 204 million.

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 77 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 4 August 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 on 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 six months ended 30 June 2009, gross of tax, were CHF 2 563 million of which CHF 1 400 million was recognised in earnings and CHF 1 163 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 SFAS No. 157 "Fair Value Measurements" 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 fair value of financial instruments for all interim reporting periods. The Group adopted FSP FAS 107-1 and APB 28-1 for 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 for the second quarter of 2009.

2 Investments

Investment income

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

	Three months ended 30 June		Six months ended 30 June	
CHF millions	2008	**2009**	2008	**2009**
Fixed income securities	1 669	1 411	3 543	2 902
Equity securities	303	202	489	327
Policy loans, mortgages and other loans	121	121	227	240
Investment real estate	61	55	118	107
Short-term investments	72	19	149	26
Other current investments	89	42	136	58
Share in earnings of equity-accounted investees	68	91	101	–170
Cash and cash equivalents	74	17	174	52
Deposits with ceding companies	169	223	286	359
Gross investment income	2 626	**2 181**	5 223	**3 901**
Investment expenses	–211	–116	–360	–257
Interest charged for funds held	–128	–53	–197	–130
Net investment income	2 287	**2 012**	4 666	**3 514**

Dividends received from investments accounted for using the equity method were CHF 30 million and CHF 47 million for the six months ended 30 June 2008 and 2009, respectively.

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

	Three months ended 30 June		Six months ended 30 June	
CHF millions	2008	**2009**	2008	**2009**
Unit-linked investment income	228	216	421	366
With-profit investment income	60	66	138	105

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 June were as follows:

	Three months ended 30 June		Six months ended 30 June	
CHF millions	2008	**2009**	2008	**2009**
Fixed income securities available-for-sale:				
Gross realised gains	427	936	615	2 267
Gross realised losses	–423	–571	–506	–1 336
Equity securities available-for-sale:				
Gross realised gains	236	40	739	64
Gross realised losses	–19	–5	–729	–23
Other-than-temporary impairments	–175	–607	–361	–1 400
Net realised investment gains/losses on trading securities	–513	–148	–931	–415
Change in net unrealised investment gains/losses on trading securities	–1 327	2 057	–3 416	17
Other investments:				
Gross realised/unrealised gains/losses	–171	–1 726	231	–1 318
Foreign exchange gains/losses	251	–274	503	–480
Net realised investment gains/losses	–1 714	**–298**	–3 855	**–2 624**

Proceeds from the sales of fixed income securities available-for-sale amounted to CHF 23 246 million and CHF 60 945 million for the three months ended 30 June 2008 and 2009 respectively, and CHF 32 525 million and CHF 108 894 million for the six months ended 30 June 2008 and 2009, respectively. Sales of equity securities available-for-sale amounted to CHF 1 018 million and CHF 120 million for the three months ended 30 June 2008 and 2009, respectively, and CHF 5 923 million and CHF 210 million for the six months ended 30 June 2008 and 2009, respectively.

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

	Three months ended 30 June		Six months ended 30 June	
CHF millions	2008	**2009**	2008	**2009**
Unit-linked gains/losses	–852	1 255	–2 280	–385
With-profit realised gains/losses	–121	147	–449	–72

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 to early adopt FSP FAS 115-2. 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 and for which a portion has been recognised in other comprehensive income 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	671
Reductions for securities sold during the period	–174
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	317
Impact of increase in cash flows expected to be collected	–19
Impact of foreign exchange movements	–10
Balance as of 30 June 2009	**1 371**

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 June 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	24 558	374	–796		24 136
States of the United States and political subdivisions of the states	47	2	–3		46
United Kingdom	11 680	257	–350		11 587
Canada	3 454	275	–51		3 678
Germany	1 558	33	–28		1 563
France	2 308	24	–10		2 322
Other	7 837	172	–193		7 816
Total	51 442	1 137	–1 431		51 148
Corporate debt securities	21 573	824	–909	–278	21 210
Residential mortgage-backed securities	6 649	12	–1 409	–679	4 573
Commercial mortgage-backed securities	7 318	10	–2 020	–45	5 263
Agency securitised products	6 786	226	–23	–1	6 988
Other asset-backed securities	8 196	62	–121	–551	7 586
Fixed income securities available-for-sale	**101 964**	**2 271**	**–5 913**	**–1 554**	**96 768**
Equity securities available-for-sale	**586**	**155**	**–42**		**699**

Investments trading

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

CHF millions	2008	2009
Debt securities issued by governments and government agencies	9026	8220
Corporate debt securities	3429	2716
Mortgage-backed and asset-backed securities	1506	1705
Fixed income securities trading	13961	**12641**
Equity securities trading	15355	**17364**

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

CHF millions	2008	2009
Fixed income securities trading held for unit-linked business	2230	2452
Fixed income securities trading held for with-profit business	1597	1770
Fixed income securities trading	3827	**4222**
Equity securities trading held for unit-linked business	13229	15283
Equity securities trading held for with-profit business	1005	1078
Equity securities trading	14234	**16361**

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 June 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 June 2009, CHF 8648 million and CHF 8082 million, respectively, of fixed income securities available-for-sale were callable.

		2008		2009
CHF millions	Amortised cost or cost	Estimated fair value	Amortised cost or cost	Estimated fair value
Due in one year or less	6369	6384	5195	5180
Due after one year through five years	15468	15095	19235	19314
Due after five years through ten years	17931	17506	16794	16771
Due after ten years	36291	37510	34901	33770
Mortgage and asset-backed securities with no fixed maturity	30157	26943	25839	21733
Total fixed income securities available-for-sale	106216	103438	**101964**	**96768**

Assets pledged

As of 31 December 2008 and 30 June 2009, securities of CHF 10 707 million and CHF 16 508 million, respectively, were pledged as collateral in securities lending transactions and repurchase agreements. The associated liabilities of CHF 4 465 million and CHF 7 660 million, respectively, were recognised in accrued expenses and other liabilities.

A real estate portfolio with a carrying amount of CHF 313 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 June 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 June 2009, CHF 27 million of the gross unrealised loss on equity securities available-for-sale relates to declines in value for less than 12 months and CHF 15 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	11 266	864	867	236	12 133	1 100
Corporate debt securities	11 511	1 605	3 080	930	14 591	2 535
Mortgage and asset-backed securities	13 033	3 240	5 061	1 137	18 094	4 377
Total	35 810	5 709	9 008	2 303	44 818	8 012

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	25 508	1 407	186	24	25 694	1 431
Corporate debt securities	6 122	826	2 279	361	8 401	1 187
Mortgage and asset-backed securities	9 828	3 075	6 511	1 774	16 339	4 849
Total	**41 458**	**5 308**	**8 976**	**2 159**	**50 434**	**7 467**

Mortgages, loans and real estate

As of 31 December 2008 and 30 June 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	6270	6270
Investment real estate	2143	3093	2383	3126

As of 31 December 2008 and 30 June 2009, the Group's investment in mortgages and other loans included CHF 200 million and CHF 195 million, respectively, of loans due from employees and CHF 444 million and CHF 420 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 June 2009, investments in real estate included CHF 9 million and CHF 10 million, respectively, of real estate held for sale.

Depreciation expense related to income-producing properties was CHF 22 million and CHF 23 million for the six months ended 30 June 2008 and 2009, respectively. Accumulated depreciation on investment real estate totalled CHF 493 million and CHF 533 million as of 31 December 2008 and 30 June 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 SFAS No.157 "Fair Value Measurements" (SFAS 157). SFAS 157 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 SFAS 157, 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.

SFAS 157 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, state and 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. In the second quarter of 2009, these valuation adjustments have resulted in a net realised loss from assets and liabilities measured at fair value using significant unobservable inputs. 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 June 2009 respectively, 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 (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] FIN 39 permits the netting of derivative receivables and derivative payables 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 June 2009 CHF millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Impact of netting[1]	Total
Assets					
Fixed income securities	18918	81471	9020		109409
Debt securities issued by US government and government agencies	18777	5594			24371
Debt securities issued by non-US governments and government agencies	141	34643	216		35000
Corporate debt securities		19984	3941		23925
Residential mortgage-backed securities		3852	1150		5002
Commercial mortgage-backed securities		5066	378		5444
Agency securitised products		7015			7015
Other asset-backed securities		5317	3335		8652
Equity securities	16970	910	183		18063
Equity securities backing unit-linked and with-profit life and health policies	16289	70			16359
Equity securities held for proprietary investment purposes	681	840	183		1704
Derivative financial instruments	144	64217	8022	–66543	5840
Other assets	291		1350		1641
Total assets at fair value	**36323**	**146598**	**18575**	**–66543**	**134953**
Liabilities					
Derivative financial instruments	–157	–63189	–9556	65157	–7745
Liabilities for life and health policy benefits			–395		–395
Accrued expenses and other liabilities	–919	–141			–1060
Total liabilities at fair value	**–1076**	**–63330**	**–9951**	**65157**	**–9200**

[1] FIN 39 permits the netting of derivative receivables and derivative payables 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 June 2009 respectively, 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	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	2 609	220	14 286	1 580	27 607
Realised/unrealised gains/losses:									
Included in net income	10	192	–68	–3	–56	–9	–8 826	–178	–8 938
Included in other comprehensive income	–51	165	295	–53	–11	2		–95	252
Purchases, issuances, and settlements	–202	–1 658	–399	–76	248	–58	2 404	59	318
Transfers in and/or out of Level 3	315	–1 033	–864	–64	97	28	–165	–57	–1 743
Impact of foreign exchange movements	–9	–200	390	86	448		323	41	1 079
Closing balance as of 30 June 2009	**216**	**3 941**	**1 150**	**378**	**3 335**	**183**	**8 022**	**1 350**	**18 575**

	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	110	8 906	9 016
Included in other comprehensive income			
Purchases, issuances, and settlements		–306	–306
Transfers in and/or out of Level 3		163	163
Impact of foreign exchange movements	–11	–403	–414
Closing balance as of 30 June 2009	**–395**	**–9 556**	**–9 951**

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 six months ended 30 June 2008 and 2009 were as follows:

CHF millions	2008	**2009**
Gains/losses included in net income for the period	–1 291	–357
Whereof change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	–1 033	1 684

Fair value option

SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities", 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 SOP 03-01 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 June 2009 were as follows:

CHF millions	2008	**2009**
Assets		
Fixed income securities trading	13 961	12 641
of which at fair value pursuant to the fair value option	681	662
Equity securities trading	15 355	17 364
of which at fair value pursuant to the fair value option	121	450
Liabilities		
Liabilities for life and health policy benefits	–39 911	–42 451
of which at fair value pursuant to the fair value option	–494	–395

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 quarter ended 30 June 2008 and 2009, including foreign exchange impact, were CHF –140 million and CHF 409 million respectively.

Fair value changes from fixed income securities trading (CHF –19 million) and equity securities trading (CHF 329 million) are reported in net realised investment gains/losses. Fair value changes from the GMDB reserves (CHF 99 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 June 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	581 020	7 116	–7 286	–170
Foreign exchange contracts	67 047	50 980	–52 414	–1 434
Equity contracts	25 269	3 308	–1 139	2 169
Credit contracts	230 326	8 610	–7 779	831
Other contracts	39 842	1 874	–4 284	–2 410
Total	**943 504**	**71 888**	**–72 902**	**–1 014**
Derivatives designated as hedging instruments				
Interest rate contracts	2 514	495		495
Total	**2 514**	**495**	**0**	**495**
Total derivative financial instruments	**946 018**	**72 383**	**–72 902**	**–519**
Amount offset				
Where a right of setoff exists according to FIN 39		–63 672	63 672	
Due to cash collateral according to FIN 39-1[2]		–2 871	1 485	
Total net amount of derivative financial instruments[3]		**5 840**	**–7 745**	**–1 905**

[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 June 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 six months ended 30 June 2009, gains and losses of derivative financial instruments not designated as hedging instruments were as follows:

CHF millions	Three months ended 30 June	Six months ended 30 June
Derivatives not designated as hedging instruments[1]		
Interest rate contracts	–101	–207
Foreign exchange contracts	306	25
Equity contracts	–797	–589
Credit contracts	–1 420	–1 425
Other contracts	236	420
Total gain/loss recognised in income	**–1 776**	**–1 776**

[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 in accordance with SFAS 133, "Accounting for Derivative Instruments and Hedging Activities". The designation of derivative financial instruments is primarily used for overall portfolio and risk management strategies. As of 30 June 2009, the following hedging relationships were outstanding:

Fair Value Hedges

The Group entered into interest rate swaps to reduce the exposure to interest rate 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 ended 30 June 2009, the Group recorded a loss of CHF 332 million for the hedging instruments whereas a gain of CHF 366 million for the hedged items. The net ineffective portion was a loss of CHF 2 million and the net portion excluded from the assessment of hedge effectiveness was a gain of CHF 36 million.

For the six months ended 30 June 2009, the Group recorded a loss of CHF 473 million for the hedging instruments whereas a gain of CHF 554 million for the hedged items. The net ineffective portion was a gain of CHF 43 million and the net portion excluded from the assessment of hedge effectiveness was a gain of CHF 38 million. The hedged item is located in long-term debt.

For the three months and the six months ended 30 June 2009, the gains and losses for the fair value hedges were as follows:

CHF millions	Three months ended 30 June	Six months ended 30 June
Fair value hedging relationships[1]		
Interest rate contracts[2]	–332	–473
Total gain/loss recognised in income	**–332**	**–473**

[1] Gains and losses of derivative financial instruments designated as fair value hedging instruments are recorded in net realised investment gains/losses.
[2] For the three months and the six months ended 30 June 2009, net interest income of designated fair value hedging instruments amounted to CHF 11 million and CHF 18 million, respectively. Net interest income of derivative financial instruments designated as fair value hedging instruments is recorded in other interest expenses.

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 six months ended 30 June 2009, the Group recorded net unrealised foreign currency remeasurement losses in shareholders' equity of CHF 210 million and CHF 173 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 June 2009 was approximately CHF 8 711 million. The maximum potential loss is based on the positive market replacement cost assuming non-performance of all counterparties, excluding the cash collateral netting according to FIN 39-1.

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 5 927 million as of 30 June 2009, for which the Group posted collateral of CHF 1 485 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 4 442 million. This equals the amount needed to settle the instruments immediately as of 30 June 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 credit derivatives, which protect the counterparty against credit risk, are classified as credit derivatives under FSP FAS 133-1. The total return swaps, for which the Group assumes asset risk mainly of variable interest entities, qualify as guarantees under FIN 45-4. 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 June 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 June 2009, the total purchased credit protection based on notional values was CHF 169 682 million and CHF 130 075 million, respectively. Thereof CHF 90 491 million and CHF 55 401 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 June 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	–742	36325	9939[2]		46264
251–500	–303	8064	694	141	8899
501–1000	–362	3012	377	225	3614
Greater than 1000	–2117	5194	203	715[3]	6112
No credit spread available	–210	2544	408	427	3379
Total	**–3734**	**55139**	**11621**	**1508**	**68268**
Credit Spread Options					
Credit spread in basis points					
0–250	1	65			65
Total	**1**	**65**	**0**	**0**	**65**
Credit Index Products					
Credit spread in basis points					
0–250	–826	8144	17046	206	25396
251–500	–458	2477	546	870	3893
501–1000	–90	538	231		769
Greater than 1000	–781	1539	321		1860
Total	**–2155**	**12698**	**18144**	**1076**	**31918**
Total Return Swaps[4]					
Credit spread in basis points					
No credit spread available	–170	6126	632		6758
Total	**–170**	**6126**	**632**	**0**	**6758**
Total credit derivatives written/sold	**–6058**	**74028**	**30397**	**2584**	**107009**

[1] The maximum potential payout is based on notional values of the credit derivatives.
[2] The Group has terminated substantially all Portfolio CDS in the current period.
[3] The Group has 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 six months ended 30 June 2009, the DAC and PVFP were as follows:

CHF millions	2008 DAC	2008 PVFP	2009 DAC	2009 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		1 297	
Effect of acquisitions/disposals and retrocessions		1 204		–2
Amortisation	–2 842	–926	–1 427	–485
Interest accrued on unamortised PVFP		330		166
Effect of foreign currency translation	–718	–1 143	280	449
Effect of change in unrealised gains/losses		–95		109
Closing balance as of period end	4 311	6 139	**4 436**	**6 382**

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 six months of 2009 the DAC amortisation represented CHF 1 220 million and CHF 207 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 long- and short-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 June 2009, respectively, was as follows:

CHF millions	2008	**2009**
Senior financial debt	1 437	57
Senior operational debt	5 085	6 388
Subordinated financial debt		86
Short-term debt – financial and operational debt	6 522	**6 531**
Senior financial debt	415	1 004
Senior operational debt	9 467	9 810
Subordinated financial debt	5 474	5 715
Subordinated operational debt	5 097	5 934
Long-term debt – financial and operational debt	20 453	**22 463**
Total carrying value	26 975	**28 994**
Total fair value[1]	20 623	**25 850**

[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 June 2009, limited recourse debt amounted to CHF 5.2 billion and CHF 6.6 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 June 2009, operational leverage and financial intermediation liabilities amounted to CHF 34.2 billion and CHF 38.7 billion, respectively.

Interest expense on long-term debt

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

	Three months ended 30 June		Six months ended 30 June	
CHF millions	2008	**2009**	2008	**2009**
Senior financial debt	3	4	24	9
Senior operational debt	89	74	173	141
Subordinated financial debt	80	72	165	150
Subordinated operational debt	79	67	165	133
Total	251	**217**	527	**433**

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%.

7 Reinsurance information

For the three months ended 30 June

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	465	388	853	540	350	890
Assumed	2 823	2 513	5 336	3 301	2 499	5 800
Ceded	–841	–243	–1 084	–978	–182	–1 160
Total premiums written	2 447	2 658	5 105	**2 863**	**2 667**	**5 530**
Premiums earned						
Direct	478	388	866	517	350	867
Assumed	3 655	2 509	6 164	4 040	2 482	6 522
Ceded	–681	–235	–916	–1 012	–176	–1 188
Total premiums earned	3 452	2 662	6 114	**3 545**	**2 656**	**6 201**
Fee income from policyholders						
Direct		170	170		182	182
Assumed		63	63		65	65
Ceded		–32	–32		–26	–26
Total fee income from policyholders		201	201		**221**	**221**

Claims and claim adjustment expenses

CHF millions	Non-Life	Life & Health	2008 Total	Non-Life	Life & Health	2009 Total
Claims						
Claims paid, gross	–3 611	–2 556	–6 167	–4 152	–3 766	–7 918
Claims paid, retro	234	319	553	695	216	911
Claims paid, net	–3 377	–2 237	–5 614	–3 457	–3 550	–7 007
Change in unpaid claims and claim adjustment expenses; life and health benefits, gross	1 053	233	1 286	1 308	1 211	2 519
Change in unpaid claims and claim adjustment expenses; life and health benefits, retro	202	–35	167	–299	–12	–311
Change in unpaid claims and claim adjustment expenses; life and health benefits, net	1 255	198	1 453	1 009	1 199	2 208
Claims and claim adjustment expenses; life and health benefits	–2 122	–2 039	–4 161	**–2 448**	**–2 351**	**–4 799**

Acquisition costs

CHF millions	Non-Life	Life & Health	2008 Total	Non-Life	Life & Health	2009 Total
Acquisition costs						
Acquisition costs, gross	–855	–597	–1 452	–849	–610	–1 459
Acquisition costs, retro	158	78	236	277	34	311
Acquisition costs, net	–697	–519	–1 216	**–572**	**–576**	**–1 148**

For the six months ended 30 June

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	910	760	1 670	1 004	728	1 732
Assumed	9 642	5 260	14 902	9 801	4 952	14 753
Ceded	–2 234	–602	–2 836	–2 601	–375	–2 976
Total premiums written	8 318	5 418	13 736	**8 204**	**5 305**	**13 509**
Premiums earned						
Direct	1 036	761	1 797	1 075	727	1 802
Assumed	7 329	5 248	12 577	8 335	4 931	13 266
Ceded	–1 223	–580	–1 803	–1 970	–369	–2 339
Total premiums earned	7 142	5 429	12 571	**7 440**	**5 289**	**12 729**
Fee income from policyholders						
Direct		310	310		351	351
Assumed		133	133		140	140
Ceded		–59	–59		–56	–56
Total fee income from policyholders		384	384		**435**	**435**

Claims and claim adjustment expenses

CHF millions	Non-Life	Life & Health	2008 Total	Non-Life	Life & Health	2009 Total
Claims						
Claims paid, gross	–7 527	–5 341	–12 868	–7 201	–6 608	–13 809
Claims paid, retro	625	584	1 209	883	551	1 434
Claims paid, net	–6 902	–4 757	–11 659	–6 318	–6 057	–12 375
Change in unpaid claims and claim adjustment expenses; life and health benefits, gross	2 160	464	2 624	1 289	1 737	3 026
Change in unpaid claims and claim adjustment expenses; life and health benefits, retro	62	–19	43	–62	–145	–207
Change in unpaid claims and claim adjustment expenses; life and health benefits, net	2 222	445	2 667	1 227	1 592	2 819
Claims and claim adjustment expenses; life and health benefits	–4 680	–4 312	–8 992	**–5 091**	**–4 465**	**–9 556**

Acquisition costs

CHF millions	Non-Life	Life & Health	2008 Total	Non-Life	Life & Health	2009 Total
Acquisition costs						
Acquisition costs, gross	–1 668	–1 293	–2 961	–1 781	–1 334	–3 115
Acquisition costs, retro	276	140	416	533	68	601
Acquisition costs, net	–1 392	–1 153	–2 545	**–1 248**	**–1 266**	**–2 514**

Reinsurance assets and liabilities

The reinsurance assets and liabilities as of 31 December 2008 and 30 June 2009, respectively, 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	7 022	6 912	13 934
Deferred acquisition costs	1 189	3 122	4 311	1 158	3 278	4 436
Liabilities						
Unpaid claims and claim adjustment expenses	62 802	12 708	75 510	63 929	12 365	76 294
Life and health policy benefits		39 911	39 911		42 451	42 451
Policyholder account balances		34 518	34 518		36 428	36 428

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 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 June 2009 amounted to CHF 12 307 million, of which 20% 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 June 2009, the notional exposures and claims liabilities allocated to categories 1 and 2 were as follows:

CHF millions	Notional exposure	% of total notional (CHF 12 307 million)	Claims liabilities
Category 1	774	6%	26
Category 2	1 027	8%	172

Compared to the amounts recognised as of 31 December 2008, notional exposures in category 1 increased by CHF 46 million. The movement shows the net result of adopting the new recognition and measurement guidance in SFAS 163, the commutation of one cedent portfolio as well as changes to the credit quality of remaining obligations insured by our cedents, among other factors. The notional amount of exposures in category 2, which increased by CHF 420 million, was also affected by changes in the credit quality of obligations.

As of 30 June 2009, total technical provisions for financial guarantee reinsurance amounted to CHF 407 million, which includes unpaid claims and claims adjustment expenses of CHF 198 million and unearned premiums of CHF 209 million.

The impact of adopting the recognition and measurement guidance of SFAS 163 on retained earnings was immaterial.

9 Earnings per share

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

	Three months ended 30 June		Six months ended 30 June	
CHF millions (except share data)	2008	**2009**	2008	**2009**
Basic earnings per share				
Net income/loss	564	**–312**	1188	**–155**
Interest on convertible perpetual capital instrument		**–69**		**–76**
Income available to common shares	564	**–381**	1 188	**–231**
Weighted average common shares outstanding	331 614 108	**337 072 637**	335 382 500	**336 347 276**
Net income/loss per share in CHF	1.70	**–1.13**	3.54	**–0.69**
Effect of dilutive securities				
Change in income available to common shares due to convertible bonds	29		58	
Change in average number of shares due to convertible bonds and employee options	27 826 541		27 750 078	
Diluted earnings per share				
Net income assuming debt conversion and exercise of options	593		1 246	
Weighted average common shares outstanding	359 440 649		363 132 578	
Net income/loss per share in CHF	1.65	**–1.13**	3.43	**–0.69**

The effects of debt and equity instrument conversion, which totalled 135 163 578 shares for the three months ended 30 June 2009 and 80 656 680 shares for the six months ended 30 June 2009 were not 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 at the beginning of 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 beginning on 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 is 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 six months ended 30 June 2008 and 2009, respectively, 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)	49	51	27	22	12	4
Interest cost	46	46	59	51	9	7
Expected return on assets	–76	–75	–59	–55		
Amortisation of:						
Net gain/loss		4	3	3	–5	–6
Prior service cost	4	4			–3	–7
Effect of settlement, curtailment and termination	2	3				
Net periodic benefit cost	25	**33**	30	**21**	13	**–2**

Employer's contributions for 2009

As of 30 June 2009, the Group contributed CHF 150 million to its defined benefit pension plans and CHF 7 million to other post-retirement plans, compared to CHF 187 million and CHF 7 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 June 2009 for latest information, amount to CHF 208 million (31 December 2008: CHF 190 million) and CHF 15 million (31 December 2008: CHF 14 million), respectively.

11 Contingent liabilities

On 27 February 2008, a putative securities class action complaint was filed in the United States District Court for the Southern District of New York against Swiss Re Zurich and certain executive officers alleging false and misleading statements in connection with the two credit default swaps in violation of the antifraud provisions of the U.S. securities laws. The original complaint purports to be brought on behalf of U.S. purchasers of Swiss Re stock between 8 May 2007 and 19 November 2007. On 28 July 2008, the court appointed Plumbers' Union Local No. 12 Pension Fund as the lead plaintiff for the class action. On 10 September 2008, an amended complaint was filed which, among other things, seeks to expand the class period to 1 March 2007 through 19 November 2007. On 10 November 2008, Swiss Re Zurich filed a motion seeking to dismiss the amended complaint. The lead plaintiff filed its response to the motion on 9 January 2009, Swiss Re Zurich filed its reply brief on 23 February 2009, and oral argument on the motion to dismiss took place at a hearing on 24 July 2009. On 30 July 2009 (the deadline set by the court), the lead plaintiff indicated that it would file a second amended complaint by 14 August 2009. Swiss Re Zurich intends to continue to vigorously defend against the action.

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 has been referred to the arbitration panel for resolution. Swiss Re has asked the District Court to stay its consideration of the Petition pending the aforementioned ruling from the arbitration panel.

As of 30 June 2009, Swiss Re has reported the treaty as rescinded.

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. Third-party asset management is included in Credit & Rates.

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 June

2008 CHF millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	3 445	2 662		7			6 114
Fee income from policyholders		201					201
Net investment income/loss	668	954	1 597	34	168	–1 134	2 287
Net realised investment gains/losses	–39	–903	–480	–358	66		–1 714
Other revenues	16	2	13		5		36
Total revenues	4 090	2 916	1 130	–317	239	–1 134	6 924
Expenses							
Claims and claim adjustment expenses; life and health benefits	–2 073	–2 039		–49			–4 161
Return credited to policyholders		395					395
Acquisition costs	–695	–519		–2			–1 216
Other expenses	–427	–218			–106	–27	–778
Interest expenses					–393		–393
Total expenses	–3 195	–2 381	0	–51	–499	–27	–6 153
Operating income/loss	895	535	1 130	–368	–260	–1 161	771

2009 CHF millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	3 533	2 656		12			6 201
Fee income from policyholders		221					221
Net investment income/loss	688	945	1 324	98	61	–1 104	2 012
Net realised investment gains/losses	29	909	–816	105	–525		–298
Other revenues	10		17		22		49
Total revenues	**4 260**	**4 731**	**525**	**215**	**–442**	**–1 104**	**8 185**
Expenses							
Claims and claim adjustment expenses; life and health benefits	–2 305	–2 351		–143			–4 799
Return credited to policyholders		–1 614					–1 614
Acquisition costs	–571	–576		–1			–1 148
Other expenses	–389	–200			–234	–20	–843
Interest expenses					–247		–247
Total expenses	**–3 265**	**–4 741**	**0**	**–144**	**–481**	**–20**	**–8 651**
Operating income/loss	**995**	**–10**	**525**	**71**	**–923**	**–1 124**	**–466**

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 June of 2008 and 2009 as follows:

CHF millions, for the three months ended 30 June 2008	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	620	541	–27	–1 134

CHF millions, for the three months ended 30 June 2009	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	575	549	–20	–1 104

Business segment results

For the six months ended 30 June

2008 CHF millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	7 127	5 429		15			12 571
Fee income from policyholders		384					384
Net investment income/loss	1 335	1 878	3 314	44	377	–2 282	4 666
Net realised investment gains/losses	–81	–2 728	566	–1 797	185		–3 855
Other revenues	41	2	39		23		105
Total revenues	8 422	4 965	3 919	–1 738	585	–2 282	13 871
Expenses							
Claims and claim adjustment expenses; life and health benefits	–4 606	–4 312		–74			–8 992
Return credited to policyholders		1 526					1 526
Acquisition costs	–1 388	–1 153		–4			–2 545
Other expenses	–776	–474			–243	–67	–1 560
Interest expenses					–823		–823
Total expenses	–6 770	–4 413	0	–78	–1 066	–67	–12 394
Operating income/loss	1 652	552	3 919	–1 816	–481	–2 349	1 477

2009 CHF millions	Property & Casualty	Life & Health	Asset Management	Legacy	Group items	Allocation	Total
Revenues							
Premiums earned	7 416	5 289		24			12 729
Fee income from policyholders		435					435
Net investment income/loss	1 326	1 816	2 296	167	162	–2 253	3 514
Net realised investment gains/losses	72	–880	–682	63	–1 197		–2 624
Other revenues	23		35	1	33		92
Total revenues	**8 837**	**6 660**	**1 649**	**255**	**–1 002**	**–2 253**	**14 146**
Expenses							
Claims and claim adjustment expenses; life and health benefits	–4 925	–4 465		–166			–9 556
Return credited to policyholders		–257					–257
Acquisition costs	–1 242	–1 266		–6			–2 514
Other expenses	–701	–402			–358	–42	–1 503
Interest expenses					–527		–527
Total expenses	**–6 868**	**–6 390**	**0**	**–172**	**–885**	**–42**	**–14 357**
Operating income/loss	**1 969**	**270**	**1 649**	**83**	**–1 887**	**–2 295**	**–211**

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

CHF millions, for the six months ended 30 June 2008	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	1 264	1 085	–67	–2 282

CHF millions, for the six months ended 30 June 2009	Property & Casualty	Life & Health	Asset Management	Allocation
Net investment income/loss	1 183	1 112	–42	–2 253

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

For the three months ended 30 June

2008 CHF millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	1 173	1 263	928	3 364	81	3 445
Net investment income	103	391	103	597	71	668
Net realised investment gains/losses	–15		3	–12	–27	–39
Other revenues			–8	–8	24	16
Total revenues	1 261	1 654	1 026	3 941	149	4 090
Expenses						
Claims and claim adjustment expenses	–449	–1 026	–528	–2 003	–70	–2 073
Acquisition costs	–181	–259	–224	–664	–31	–695
Other expenses	–131	–186	–76	–393	–34	–427
Total expenses	–761	–1 471	–828	–3 060	–135	–3 195
Operating income	500	183	198	881	14	895
Claims ratio in %	38.3	81.3	56.9	59.6		
Expense ratio in %	26.6	35.2	32.3	31.4		
Combined ratio in %	64.9	116.5	89.2	91.0		

2009 CHF millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	1 293	1 121	1 005	3 419	114	3 533
Net investment income	55	409	95	559	129	688
Net realised investment gains/losses	20		–2	18	11	29
Other revenues			–3	–3	13	10
Total revenues	**1 368**	**1 530**	**1 095**	**3 993**	**267**	**4 260**
Expenses						
Claims and claim adjustment expenses	–584	–825	–711	–2 120	–185	–2 305
Acquisition costs	–184	–183	–203	–570	–1	–571
Other expenses	–108	–156	–102	–366	–23	–389
Total expenses	**–876**	**–1 164**	**–1 016**	**–3 056**	**–209**	**–3 265**
Operating income	**492**	**366**	**79**	**937**	**58**	**995**
Claims ratio in %	45.1	73.6	70.8	62.0		
Expense ratio in %	22.6	30.2	30.3	27.4		
Combined ratio in %	67.7	103.8	101.1	89.4		

Property & Casualty business segment – by line of business

For the six months ended 30 June

2008 CHF millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	2416	2686	1867	6969	158	7127
Net investment income	181	824	198	1203	132	1335
Net realised investment gains/losses	–45		3	–42	–39	–81
Other revenues			17	17	24	41
Total revenues	2552	3510	2085	8147	275	8422
Expenses						
Claims and claim adjustment expenses	–1450	–2058	–980	–4488	–118	–4606
Acquisition costs	–355	–530	–462	–1347	–41	–1388
Other expenses	–246	–346	–107	–699	–77	–776
Total expenses	–2051	–2934	–1549	–6534	–236	–6770
Operating income	501	576	536	1613	39	1652
Claims ratio in %	60.0	76.6	52.5	64.4		
Expense ratio in %	24.9	32.6	30.5	29.4		
Combined ratio in %	84.9	109.2	83.0	93.8		

2009 CHF millions	Property traditional	Casualty traditional	Specialty traditional	Total traditional	Non-traditional	Total
Revenues						
Premiums earned	2699	2424	2007	7130	286	7416
Net investment income	130	823	192	1145	181	1326
Net realised investment gains/losses	56			56	16	72
Other revenues					23	23
Total revenues	**2885**	**3247**	**2199**	**8331**	**506**	**8837**
Expenses						
Claims and claim adjustment expenses	–1357	–1792	–1372	–4521	–404	–4925
Acquisition costs	–433	–393	–414	–1240	–2	–1242
Other expenses	–171	–291	–180	–642	–59	–701
Total expenses	**–1961**	**–2476**	**–1966**	**–6403**	**–465**	**–6868**
Operating income	**924**	**771**	**233**	**1928**	**41**	**1969**
Claims ratio in %	50.3	73.9	68.4	63.4		
Expense ratio in %	22.4	28.2	29.6	26.4		
Combined ratio in %	72.7	102.1	98.0	89.8		

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

For the three months ended 30 June

2008 CHF millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	1 827	579	256	2 662
Fee income from policyholders	14		187	201
Net investment income	250	102	602	954
Net realised investment gains/losses	–254	24	–673	–903
Other revenues	2			2
Total revenues	1 839	705	372	2 916
Expenses				
Claims and claim adjustment expenses; life and health benefits	–1 401	–330	–308	–2 039
Return credited to policyholders	212		183	395
Acquisition costs	–314	–69	–136	–519
Other expenses	–112	–50	–56	–218
Total expenses	–1 615	–449	–317	–2 381
Operating income/loss	224	256	55	535
Operating result, excluding non-participating net realised investment gains/losses	220	232	13	465
Net investment income – unit-linked	48		180	228
Net investment income – with-profit business			60	60
Net investment income – non-participating	202	102	362	666
Net realised investment gains/losses – unit-linked	–258		–594	–852
Net realised investment gains/losses – with-profit business			–121	–121
Net realised investment gains/losses – non-participating	4	24	42	70
Operating revenues[1]	2 045	681	805	3 531
Management expense ratio in %	5.5	7.3	7.0	6.2
Benefit ratio[2] in %				77.5

[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 June

2009 CHF millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	1 912	501	243	2 656
Fee income from policyholders	14		207	221
Net investment income	208	112	625	945
Net realised investment gains/losses	–232	201	940	909
Other revenues				
Total revenues	**1 902**	**814**	**2 015**	**4 731**
Expenses				
Claims and claim adjustment expenses; life and health benefits	–1 463	–159	–729	–2 351
Return credited to policyholders	–340		–1 274	–1 614
Acquisition costs	–393	–114	–69	–576
Other expenses	–105	–24	–71	–200
Total expenses	**–2 301**	**–297**	**–2 143**	**–4 741**
Operating income/loss	**–399**	**517**	**–128**	**–10**
Operating result, excluding non-participating net realised investment gains/losses	**172**	**316**	**–5**	**483**
Net investment income – unit-linked	11		205	216
Net investment income – with-profit business			66	66
Net investment income – non-participating	197	112	354	663
Net realised investment gains/losses – unit-linked	339		916	1 255
Net realised investment gains/losses – with-profit business			147	147
Net realised investment gains/losses – non-participating	–571	201	–123	–493
Operating revenues[1]	**2 123**	**613**	**804**	**3 540**
Management expense ratio in %	4.9	3.9	8.8	5.6
Benefit ratio[2] in %				78.6

[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 six months ended 30 June

2008 CHF millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	3 715	1 234	480	5 429
Fee income from policyholders	32		352	384
Net investment income	470	203	1 205	1 878
Net realised investment gains/losses	–282	–1	–2 445	–2 728
Other revenues	2			2
Total revenues	3 937	1 436	–408	4 965
Expenses				
Claims and claim adjustment expenses; life and health benefits	–2 887	–877	–548	–4 312
Return credited to policyholders	166		1 360	1 526
Acquisition costs	–728	–194	–231	–1 153
Other expenses	–229	–88	–157	–474
Total expenses	–3 678	–1 159	424	–4 413
Operating income/loss	259	277	16	552
Operating result, excluding non-participating net realised investment gains/losses	283	278	–10	551
Net investment income – unit-linked	75		346	421
Net investment income – with-profit business			138	138
Net investment income – non-participating	395	203	721	1 319
Net realised investment gains/losses – unit-linked	–258		–2 022	–2 280
Net realised investment gains/losses – with-profit business			–449	–449
Net realised investment gains/losses – non-participating	–24	–1	26	1
Operating revenues[1]	4 144	1 437	1 553	7 134
Management expense ratio in %	5.5	6.1	10.1	6.6
Benefit ratio[2] in %				84.5

[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 six months ended 30 June

2009 CHF millions	Life traditional	Health traditional	Admin Re®	Total
Revenues				
Premiums earned	3 824	979	486	5 289
Fee income from policyholders	34		401	435
Net investment income	414	214	1 188	1 816
Net realised investment gains/losses	–329	197	–748	–880
Other revenues				
Total revenues	**3 943**	**1 390**	**1 327**	**6 660**
Expenses				
Claims and claim adjustment expenses; life and health benefits	–2 905	–572	–988	–4 465
Return credited to policyholders	–175		–82	–257
Acquisition costs	–789	–207	–270	–1 266
Other expenses	–194	–67	–141	–402
Total expenses	**–4 063**	**–846**	**–1 481**	**–6 390**
Operating income/loss	**–120**	**544**	**–154**	**270**
Operating result, excluding non-participating net realised investment gains/losses	**359**	**347**	**–13**	**693**
Net investment income – unit-linked	17		349	366
Net investment income – with-profit business			105	105
Net investment income – non-participating	397	214	734	1 345
Net realised investment gains/losses – unit-linked	150		–535	–385
Net realised investment gains/losses – with-profit business			–72	–72
Net realised investment gains/losses – non-participating	–479	197	–141	–423
Operating revenues[1]	**4 255**	**1 193**	**1 621**	**7 069**
Management expense ratio in %	4.6	5.6	8.7	5.7
Benefit ratio[2] in %				82.7

[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 June

2008 CHF millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Premiums earned			
Net investment income	1 523	74	1 597
Net realised investment gains/losses	–762	282	–480
Other revenues	12	1	13
Total revenues	773	357	1 130
Expenses			
Claims and claim adjustment expenses			
Acquisition costs			
Other expenses			
Total expenses	0	0	0
Operating income/loss	773	357	1 130

2009 CHF millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Premiums earned			
Net investment income/loss	1 224	100	1 324
Net realised investment gains/losses	–706	–110	–816
Other revenues	18	–1	17
Total revenues	**536**	**–11**	**525**
Expenses			
Claims and claim adjustment expenses			
Acquisition costs			
Other expenses			
Total expenses	**0**	**0**	**0**
Operating income/loss	**536**	**–11**	**525**

Asset Management

For the six months ended 30 June

2008 CHF millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Premiums earned			
Net investment income	3 198	116	3 314
Net realised investment gains/losses	–169	735	566
Other revenues	38	1	39
Total revenues	3 067	852	3 919
Expenses			
Claims and claim adjustment expenses			
Acquisition costs			
Other expenses			
Total expenses	0	0	0
Operating income/loss	3 067	852	3 919

2009 CHF millions	Credit & Rates	Equity & Alternative Investments	Total
Revenues			
Premiums earned			
Net investment income/loss	2 502	–206	2 296
Net realised investment gains/losses	–590	–92	–682
Other revenues	35		35
Total revenues	**1 947**	**–298**	**1 649**
Expenses			
Claims and claim adjustment expenses			
Acquisition costs			
Other expenses			
Total expenses	**0**	**0**	**0**
Operating income/loss	**1 947**	**–298**	**1 649**

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 under FIN 46(R).

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 FIN 46(R). 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 FIN 46(R). 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 June 2009, respectively:

CHF millions	2008	**2009**
Fixed income securities:		
Available-for-sale (whereof restricted: 2008: 8 144; 2009: 5 204)	8 953	7 596
Trading (whereof restricted: 2008: 0; 2009: 1 784)	131	1 944
Policy loans, mortgages and other loans (whereof restricted: 2008: 260; 2009: 0)	260	256
Other invested assets (whereof restricted: 2008: 162; 2009: 103)	162	103
Cash and cash equivalents (whereof restricted: 2008: 411; 2009: 151)	411	242
Accrued investment income (whereof restricted: 2008: 80; 2009: 46)	80	79
Premiums and other receivables		5
Reinsurance recoverable on unpaid claims and policy benefits		11
Acquired present value of future profits (whereof restricted: 2008: 84; 2009: 0)	84	166
Other assets (whereof restricted: 2008: 33; 2009: 47)	33	62
Total assets	10 114	**10 464**
Unpaid claims and claim adjustment expenses		23
Liabilities for life and health policy benefits	1 327	1 342
Policyholder account balances	1 718	1 701
Reinsurance balances payable		5
Deferred and other non-current taxes	162	136
Accrued expenses and other liabilities	525	664
Long-term debt	5 155	5 997
Additional paid-in capital	241	246
Net unrealised investment gains/losses, net of tax	–187	43
Cumulative translation adjustments, net of tax	1 204	1 487
Retained earnings	–31	–1 180
Total liabilities and shareholders' equity	10 114	**10 464**

In the second quarter of 2009, the Group revised the classification of restricted assets in certain VIEs.

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 June 2009, respectively, were as follows:

CHF millions	2008	**2009**
Insurance-linked/Credit-linked securitisations	163	171
Investment vehicles	162	103
Debt financing	6 097	6 579
Modified coinsurance agreement	3 830	3 688
Other	34	34
Total	10 286	**10 575**

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 June 2009:

CHF millions	Assets	Liabilities
Other invested assets	1855	
Accrued expenses and other liabilities		1020
Total	**1855**	**1020**

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

CHF millions	2008	**2009**
Insurance-linked/Credit-linked securitisations	6510	5650
Investment vehicles	3939	3370
Debt financing	5074	5629
Other	1721	1456
Total	17244	**16105**

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 June 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	5379	657	4722
Investment vehicles	1664		1664	1296		1296
Debt financing	266		266	295		295
Other	991	213	778	1201	466	735
Total	9176	1078	8098	**8171**	**1123**	**7048**

The liabilities of CHF 657 million as of 30 June 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 June 2009, the liabilities for the other categories amounted to CHF 466 million.

As of 30 June 2009, the consolidation of the VIEs resulted in a minority interest in the balance sheet of CHF 440 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 9 million and CHF 12 million net of tax for the six months ended 30 June 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 FIN 46(R) 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

The global financial markets have experienced extreme volatility and disruption for two years, due in large part to the turmoil affecting the liquidity of the banking system and the market reaction thereto. The impact of the turmoil in the financial markets has been exacerbated by adverse macroeconomic trends affecting an increasing number of the principal economies that have moved toward, or are now in, recession. Volatility and disruption have reached unprecedented levels.

Governments in a number of countries have undertaken initiatives to stabilise the financial markets and increase liquidity in the system. It remains to be seen whether these initiatives will be sufficient to positively impact or stabilise the volatility in the financial markets. Failure of these or other initiatives to stabilise and improve the performance of the financial markets could result in continued constraints on the liquidity available to the banking system and financial markets and increased pressure on securities prices of financial institutions. 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 unclear whether the severity of the downturn in the global financial markets and/or economic conditions will continue to worsen, or when conditions might improve. It is also unclear what the impact of further deterioration in the financial markets is likely to be on the financial condition of market participants (from a capital, liquidity or other perspective) and on investor confidence. If current levels of market disruption and volatility continue or worsen, at the very least, there can be no assurance that the Group will not be required to record further write-downs and impairments on assets over and above those announced to date, and more broadly, it is difficult to predict what the impact of continued market turbulence will be on the Group from a general business perspective or from a capital or liquidity perspective.

Market risk

As a result of the extreme and unprecedented volatility and disruption in the global financial markets, the Group is exposed 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. We are 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 we have 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 volatilities of currency rates.

These risks can have a significant effect on investment returns, which in turn may affect both 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 need for governments to raise 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 has been 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 second quarter of 2009, the Group reported a net loss of CHF 0.4 billion, which was due to mark-to-market losses on corporate bond hedges and impairments recognised in the income statement.

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, have 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 continue to deteriorate, the Group could face further write-downs in other areas of its portfolio, including other structured instruments.

More generally, the continued deterioration of the credit markets and related developments have had, and can be expected 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, 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 we 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
In the current financial crisis and in view of the impact it is having, or may have, on market participants, the Group's general exposure to counterparty risk is 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. The Group could also 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.

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.

Insurance and operational 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.

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 already 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 the Group conducts business. Current market conditions may result in significant 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 and changes in disclosure obligations. 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.

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 direct and indirect impact of the continuing deterioration in the financial markets and the efficacy of efforts to strengthen financial institutions and stabilise the credit markets and the broader financial system;
- changes in global economic conditions and the effects of the global economic downturn;
- the occurrence of other unanticipated market developments or trends;
- 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 Swiss Re's 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 Swiss Re's 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;
- risks associated with implementing Swiss Re's business strategies;
- 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;
- political risks in the countries in which Swiss Re operates or insures risks;
- the impact of current, pending and future legislation and regulation affecting us or our ceding companies, and regulatory and legal actions;
- the impact of changes in accounting standards;
- 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;
- 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
3 November 2009
Third quarter 2009 results

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

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