

ANNUAL RESULTS 2021

Transcript of investor and analyst video presentation

John R. Dacey, Group CFO

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- mortality, morbidity and longevity experience;
- the cyclical nature of the reinsurance sector;
- central bank intervention in the financial markets, trade wars or other protectionist measures relating to international trade arrangements, adverse geopolitical events, domestic political upheavals or other developments that adversely impact global economic conditions;
- increased volatility of, and/or disruption in, global capital and credit markets;
- the Group'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 due to actual or perceived deterioration of the Group's financial strength or otherwise;
- the Group's inability to realize amounts on sales of securities on the Group's balance sheet equivalent to their values recorded for accounting purposes;
- the Group's inability to generate sufficient investment income from its investment portfolio, including as a result of fluctuations in the equity and fixed income markets, the composition of the investment portfolio or otherwise;

- changes in legislation and regulation, including changes in regulation related to environmental, social and governance (“ESG”) matters, or the interpretations thereof by regulators and courts, affecting the Group or its ceding companies, including as a result of comprehensive reform or shifts away from multilateral approaches to regulation of global operations;
- the Group’s ability to fully achieve one or more of its ESG or sustainability goals or to fully comply with applicable ESG or sustainability standards;
- matters negatively affecting the reputation of the Group, its board of directors or its management, including matters relating to ESG or sustainability, such as allegations of greenwashing, lack of diversity and similar allegations;
- the lowering or loss of one of the financial strength or other ratings of one or more companies in the Group, and developments adversely affecting its ability to achieve improved ratings;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, certain large man-made losses and social inflation litigation, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- legal actions or regulatory investigations or actions, including in respect of industry requirements or business conduct rules of general applicability, the intensity and frequency of which may also increase as a result of social inflation;
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- reforms of, or other potential changes to, benchmark reference rates;
- failure of the Group’s hedging arrangements to be effective;
- significant investments, acquisitions or dispositions, and any delays, unforeseen liabilities or other costs, lower-than-expected benefits, impairments, ratings action or other issues experienced in connection with any such transactions;
- extraordinary events affecting the Group’s clients and other counterparties, such as bankruptcies,
- liquidations and other credit-related events; changing levels of competition;
- the effects of business disruption due to terrorist attacks, cyberattacks, natural catastrophes, public health emergencies, hostilities or other events;
- limitations on the ability of the Group’s subsidiaries to pay dividends or make other distributions; and
- operational factors, including the efficacy of risk management and other internal procedures in anticipating and managing the foregoing risks.

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John R. Dacey

What are the key drivers behind Swiss Re's FY 2021 net income of USD 1.4 billion?

First, we are very pleased with the strong performance of our P&C businesses, both on a reported and normalised basis.

Despite significant natural catastrophe events impacting the industry, P&C Re achieved a 97.1% reported combined ratio in 2021, a large improvement from 109% in 2020. P&C Re's 94.7% normalised combined ratio was in line with the full-year target of less than 95%.

Corporate Solutions achieved a very strong reported combined ratio of 90.6%, supported by reserve releases, which more than offset the impact from natural catastrophes. Corporate Solutions' normalised combined ratio of 95% surpassed our target of less than 97% in 2021, thereby completing the important turnaround of this business.

Second, COVID-19 related claims amounted to 2 billion dollars, with the vast majority of these pandemic losses impacting the L&H Re business.

Third, the robust return of investment of 3.2% in 2021 was driven by recurring income and strong equity valuations.

And finally, we have achieved our growth across all our businesses, increasing net premiums earned and fee income for the Group by 4.8% compared with the previous year.

Can you elaborate on the impact of COVID-19 on Swiss Re in 2021 and the expectation for 2022?

The total impact from COVID-19 on the Group's net income was 2 billion dollars, coming almost entirely from L&H Re, with less than 50 million dollars in P&C Re and Corporate Solutions.

The L&H Re losses were primarily driven by the heightened COVID-19-related mortality rates in the US and reflected the spike in infection rates at the beginning of the year as well as during the third and fourth quarters.

For future quarters, uncertainty remains across key markets on the L&H side, in particular the US, where the first quarter of 2022 continues to feature a high amount of COVID-19 and excess mortality. Based on what we know today, we are targeting a net income of approximately 300 million dollars for L&H Re in 2022, which is approximately half a billion dollars below the normal targeted run-rate of the business.

On the other hand, no material COVID-19 losses are expected in either of our P&C businesses for 2022.

Can you elaborate on the proposed capital management actions and rationale?

Swiss Re's capital position remains very strong. We estimate that the January 1 2022 SST ratio was around the mid-point of our 200-250% target range. We will publish the final figure with our Annual Report disclosure in March.

Based on our very strong capitalisation and the positive outlook, we are proposing a stable dividend of CHF 5.90 for the financial year 2021.

What is the outlook for the coming year?

Today, we published ambitious targets for the Group and business segments, focusing on driving profitable growth across all businesses. We have introduced new US GAAP ROE targets for the Group, replacing our over-the-cycle ROE target. We aim for a US GAAP Group ROE of 10% in 2022, increasing to 14% in 2024. We have kept the economic net worth growth per share target unchanged at 10% per annum.

P&C Re targets a normalised combined ratio of less than 94% in 2022. Our focus on margins led to a nominal price increase of 4% at the January 2022 renewals, sufficient to cover more conservative loss assumptions, including those due to inflation. P&C Re renewed treaty business contracts with 8.9 billion dollars in premium volume, representing a 6% increase compared with the business that was up for renewal. The strong increase was achieved in areas that we have targeted, such as property and specialty lines, with natural catastrophe-related premium volume up by 24%.

Corporate Solutions targets a reported combined ratio of less than 95% in 2022, which will no longer be normalised to reflect the goal to have lower volatility in this business.

L&H Re continues to offer attractive capital deployment opportunities, although, as already mentioned, it is likely to remain impacted by the COVID-19 pandemic in 2022. Taking this into account, L&H Re targets a net income of approximately USD 300 million for the year.

In summary, we see attractive market conditions and we are in a strong position to continue to support our clients and deploy our capital. We will maintain our disciplined underwriting and capital management approach and are confident in our outlook for the Group.

Thank you for your attention.