

Letter to shareholders

Dear shareholders

The world barely started breaking free from the constraints of COVID-19 when Russia invaded Ukraine on 24 February 2022, causing the greatest humanitarian crisis in Europe since World War II. Like the COVID-19 pandemic in the past two years, the wide-ranging economic ramifications of this war are not leaving anyone unaffected. In fact, it is exacerbating already existing global risks around supply chain disruptions, inflation, economic downturn and turmoil on financial markets. It is also giving rise to new risks, such as potential energy and food crises.

Swiss Re's results in the first half of 2022 are reflective of this challenging environment, with a Group net income of USD 157 million. Financial market volatility is directly affecting our results, as under the US Generally Accepted Accounting Principles we have to book mark-to-market adjustments on financial investments in our income statements each quarter. This resulted in approximately USD 0.4 billion of listed equity mark-to-market losses, net of hedges, in the first half of the year.

Claims related to COVID-19 mortality totalled USD 540 million in the period, with the vast majority affecting the first quarter. Also in the first quarter we established reserves of USD 283 million for potential impacts from the war in Ukraine.

At the same time, a number of key developments are underpinning our confidence in the longer-term outlook. The Group returned to profitability in the second quarter, with a net income of USD 405 million after a net loss of USD 248 million in the first three months of the year. This was supported by strong results in Life & Health Reinsurance

(L&H Re) and Corporate Solutions, as well as robust underwriting performance in Property & Casualty Reinsurance (P&C Re). For both P&C Re and Corporate Solutions, reserves for the Ukraine conflict have not increased in the second quarter, confirming our cautious approach at the beginning of the year.

Rising interest rates are positive for our industry and provide an important lever for future profitability. Already in the second quarter, we started to see some positive, albeit still small, effects from tightening monetary conditions. Swiss Re's recurring income yield edged up to 2.3% in the first half of 2022 from 2.2% for the full-year 2021, with fixed income reinvestment yield increasing markedly to 3.1% in the second quarter from 0.9% in 2021.

Our capital position remains very strong, with Group Swiss Solvency Test ratio above the target range of 200–250%, also benefitting from higher interest rates. This enables us to capture further profitable growth opportunities in a supportive pricing environment, as we have been doing in strong renewals year to date.

Net premiums earned and fee income for the Group increased 1.9% to USD 21.2 billion in the first six months of 2022. Growth was negatively affected by adverse foreign exchange developments, while at stable foreign exchange rates net premiums earned would have increased by 5.1%.

P&C Re reported a net income of USD 316 million for the first half of 2022, reflecting the robust technical underwriting performance of the business, offset by lower investment results and first-quarter reserves in relation to the Ukraine war. The business absorbed large natural

catastrophe claims of USD 938 million in the period, mainly relating to flooding in Australia and South Africa, February storms in Europe and a series of hailstorms in France in June.

Total claims came in USD 0.27 billion above expectations for large natural catastrophe losses the first half of the year. Importantly, P&C Re still has USD 1.2 billion of the USD 1.9 billion full-year natural catastrophe budget allocated for the remainder of 2022. The normalised¹ combined ratio was 95.8%, which includes 1.5 percentage points for the reserves relating to the war in Ukraine. For the second half of the year, the normalised combined ratio is expected to be lower as the business earns the majority of its natural catastrophe premiums in the third and fourth quarters. P&C Re remains focused on achieving the normalised combined ratio target of less than 94% for the full year.

We have been observing some competitors retreating from the natural catastrophe market in light of recent high loss experience. 2021 was the fourth-costliest year for the insurance industry in terms of natural catastrophes, nearly 50% above the decennial average. We rely on the Group's deep knowledge and proprietary models in the natural catastrophe market, building on 30 years of continuous advancements in dedicated research and claims data experience to capture the present-day risk landscape and climate trends. This enables highly bespoke and profitable underwriting, with a combined ratio around 75% over the past decade. Swiss Re is a market leader in this space, and we remain committed to providing the much needed re/insurance for natural catastrophes – at the right price.

¹ Normalised combined ratio assumes average large natural catastrophe loss burden and excludes prior-year reserve development.



Sergio P. Ermotti

Chairman of the Board of Directors



Christian Mumenthaler

Group CEO

In this light, we are very satisfied with P&C Re renewals year to date. The business achieved a price increase of 12% in the July renewal round, which fully offsets higher loss assumptions, reflecting a clear view on inflation and other changes in exposure. Since the start of the year, P&C Re has delivered a 3% increase in treaty premium volumes and a price increase of 6%, focusing on profitable growth in property and specialty lines. Natural catastrophe-related business saw particularly strong growth, with premium volume up by 23%.

L&H Re returned to strong profitability in the second quarter of 2022, with net income of USD 232 million as deaths from COVID-19 declined sharply compared with the start of the year. While for the first half of 2022 the business reported a net income of only USD 2 million, its target of approximately USD 300 million in net income for the full year is within reach, supported by our assumptions that COVID-19 is on the way to becoming an endemic disease.

Corporate Solutions continues to deliver strong results, with a net income of USD 220 million in the first half of 2022,

in spite of lower investment income and reserves related to the Ukraine war. Corporate Solutions' combined ratio of 93.2% for the first half of 2022 is well on track to reach the full-year target of less than 95%. The Business Unit successfully closed the sale of its life insurance subsidiary Elips Life AG to Swiss Life International on 1 July 2022, which will further improve its profitability. Excluding the divested business, Corporate Solutions' pro forma combined ratio² was 90.9% in the first half of 2022.

Finally, our digital white-label platform iptiQ continues to grow, achieving a 37% increase in gross premiums written for the core business to USD 455 million in the first half and over 2 million policies in force at the end of June 2022.

We are closely monitoring any new developments in the Ukraine war. Based on current information, we continue to believe that the ultimate insured market loss for the industry related to this conflict is likely to be similar in dimension to a mid-sized natural catastrophe event, ie between USD 10 billion and USD 20 billion. We estimate that the

reserves we made in the first quarter should cover the majority of our total ultimate loss under this scenario, covering exposures in both Ukraine and Russia.

We are also vigilant to the effects of surging consumer price inflation and have been incorporating these new realities into pricing of new business and the setting of initial loss expectations.

Despite the ongoing challenges, our businesses are well positioned and focused on achieving their segmental targets for the year. The achievement of the Group targets is highly dependent on the performance of financial markets and large-loss experience in the second half of 2022.

In a world dominated by uncertainty, Swiss Re remains committed to supporting our clients and making the world more resilient. We thank our employees for their dedication and hard work and you, our shareholders, for your continued support.

Zurich, 29 July 2022

Sergio P. Ermotti

Chairman of the Board of Directors

Christian Mumenthaler

Group CEO

² Pro forma Corporate Solutions combined ratio of 90.9% excludes all Elips Life AG business sold to Swiss Life International for the first half of 2022 and includes the medical business of Elips Versicherungen AG in Ireland, which remained with Swiss Re.