HALF-YEAR RESULTS 2020

Transcript of Group CFO remarks

John R. Dacey, Group CFO

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Cautionary note on forward-looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets, and trends) 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", "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 the Group's actual results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets. Such factors include, among others:

- the frequency, severity and development of insured claim events, particularly natural catastrophes, man-made disasters, pandemics, acts of terrorism or acts of war;
- mortality, morbidity and longevity experience;
- the cyclicality 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, 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 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 reserves, including differences between actual claims experience and underwriting and reserving assumptions;
- policy renewal and lapse rates;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes and certain large man-made losses, 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;
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- mortality, morbidity and longevity experience;
- the cyclicality 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;
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- legal actions or regulatory investigations or actions, including in respect of industry requirements or business conduct rules of general applicability;
- the outcome of tax audits, the ability to realize tax loss carryforwards and the ability to realize 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, and the overall impact of changes in tax regimes on the Group's business model;
- changes in accounting estimates or assumptions that affect reported amounts of assets, liabilities, revenues or expenses, including contingent assets and liabilities;
- changes in accounting standards, practices or policies;
- strengthening or weakening of foreign currencies;
- 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.

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.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.

[John R. Dacey]

What are the main points to highlight for the first half of 2020 for Swiss Re?

The Group reported a loss of 1.1billion dollars for the first half, reflecting the impact of COVID-19 across the businesses. Excluding the claims impact of COVID-19, net income would have been a positive 865 million dollars, demonstrating the strong underlying performance and a strong investment result.

P&C and Life & Health Reinsurance have shown healthy growth compared to last year, as we deployed capital to attractive new businesses. We are making progress on the turnaround of Corporate Solutions and have now successfully closed the sale of ReAssure, which represents a strategic milestone for Swiss Re.

We are also pleased to be able to confirm that our capital position remains very strong in spite of the adverse impact of the ongoing pandemic, with the Group SST ratio back above our target of 220%. This is thanks to our disciplined long-term approach to capital management and the decisive actions taken early in the crisis to protect our balance sheet.

Can you elaborate on the impact of COVID-19 on Swiss Re in the first half of 2020?

Before speaking about Swiss Re, I would like to extend my sincere sympathies to all who have lost a loved one or friend, and to those whose lives have been upended by the economic upheaval associated with the pandemic.

While the COVID-19 crisis is still evolving, at Swiss Re we have conducted a thorough and comprehensive analysis of our potential exposures.

The vast majority of COVID-19 losses across Swiss Re's businesses represent IBNR reserves. Various factors that we listed in our press release today, including the future progress of the pandemic and the effects of government actions, may impact the claims development in the coming quarters.

Based on our current estimates[1], we expect the claims and reserves we are building in the first half of 2020 to cover the majority of our ultimate COVID-19 losses. While the impact on our P&L is significant, it remains manageable and we continue to view this as an earnings and not a capital event for Swiss Re.

Can you elaborate on Swiss Re's business performance?

P&C Reinsurance

P&C Re grew net premiums earned by 10%, driven by large transactions and growth in nat cat business, including through successful renewals. We are satisfied with the outcome achieved in the mid-year renewals – we found attractive opportunities to deploy capital, in particular in our focus areas in short tail lines. Overall, we achieved healthy 6% volume growth, while maintaining price quality.

Excluding the impact of COVID-19, the normalised[2] combined ratio for P&C Re was 96.6% for the first half and we are on track for our 97% full year estimate.

P&C Re was impacted by 1.5 billion dollars of COVID claims in the first half of the year, mainly reflecting claims and reserves for affirmative non-damage business interruption and events cancelled or postponed in the first half of the year. Excluding the COVID-19 impact, the annualised return on equity was 14.9%.

L&H Reinsurance

We are pleased to see continued growth in Life & Health Re. The increase in net premiums earned was 6%, with expansion across all regions and successful individual large transactions.

L&H Re was impacted by 0.5 billion dollars of COVID-19 claims in the first half of the year, driven primarily by higher mortality claims in the US and the UK versus expected levels. Excluding the COVID-19 impact, the annualised return on equity was 12.3%.

Corporate Solutions

The turnaround of Corporate Solutions is well on track. The first half result reflects the benefits of decisive management actions we announced in 2019. The Business Unit has already achieved about 60% of the planned portfolio pruning and two-thirds of the cost reductions. 15% price increases have been achieved year-to-date, following 12% in

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[1] Current estimates based on information and projections available as of July 2020

[2] Assumes an average large nat cat loss burden and excludes prior-year reserve development as well as the COVID-19 impact

2019. Excluding COVID-19, the normalised[3] combined ratio was 101.3% for the first half, better than a 105% full year estimate we communicated at the beginning of the year.

Corporate Solutions was impacted by 0.5 billion dollars of COVID-19 claims in the first half of the year. This mainly reflected the anticipated claims related to event cancellations, a line of business which Corporate Solutions exited in 2019, as well as property and credit & surety claims. Excluding the COVID-19 impact, the annualised return on equity was 7.3%.

Life Capital

The closing of the ReAssure sale to Phoenix Group, as announced on the 22nd of July, represents a key strategic milestone for the Group.

The open book of Life Capital continues to grow with 20% premiums increase in the first half. Swiss Re's white-label digital insurance platform, iptiQ, added seven new partners in the period, bringing the total to 36.

Life Capital reported a net loss for the first six months of 2020, driven by the mark-to-market charge related to the decline in the Phoenix Group's share price, partly offset by a hedge on the broader UK equity market. Losses related to COVID-19 were minimal at 13 million dollars.

Group Investments

Our investment portfolio generated a strong ROI of 3.2% for the first six months of the year. The result was driven by recurring income and realised gains from the fixed income portfolio, as well as a positive contribution from portfolio hedges that partially offset the impact of global market volatility.

The Group's high-quality portfolio was maintained throughout the crisis due to timely management actions such as targeted exposure reduction, including to issuers who subsequently experienced downgrades and defaults.

The running yield declined to 2.5% from 2.9% in the prior-year period, reflecting the unprecedented low-yield environment.

What is the outlook for the remainder of the year?

In spite of the impact of COVID-19 on Swiss Re's first half results, we are encouraged by the strong underlying performance we see across our businesses, as well as our very strong capital position.

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[3] Assumes an average large nat cat loss burden and excludes prior-year reserve development as well as the COVID-19 impact

We remain on track for our normalised[4] combined ratio estimates for the full year in both P&C Re and Corporate Solutions, and ongoing pricing momentum is supportive for both businesses.

Our L&H Re business continues to deliver strong underlying results towards the top end of our 10-12% ROE target range.

As previously announced, following the successful disposal of ReAssure, Swiss Re will simplify its legal entity structure by disbanding the Life Capital Business Unit. This is expected to be concluded by the end of 2020. The growth of the open book business continues to be encouraging.

We are in a strong position to continue to support our clients and deploy capital for business growth in improving pricing conditions. We maintain a disciplined approach to underwriting and capital management.

Overall, we are confident in the outlook for the Group. We will give more details about the Business Units' performance and strategy at our Investor Day in November.

Many thanks for watching this video.

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[4] Assumes an average large nat cat loss burden and excludes prior-year reserve development as well as the COVID-19 impact

Corporate calendar & contacts

Corporate calendar

30 October 2020	9M 2020 Key Financial Data
20 November 2020	Investors' Day 2020

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