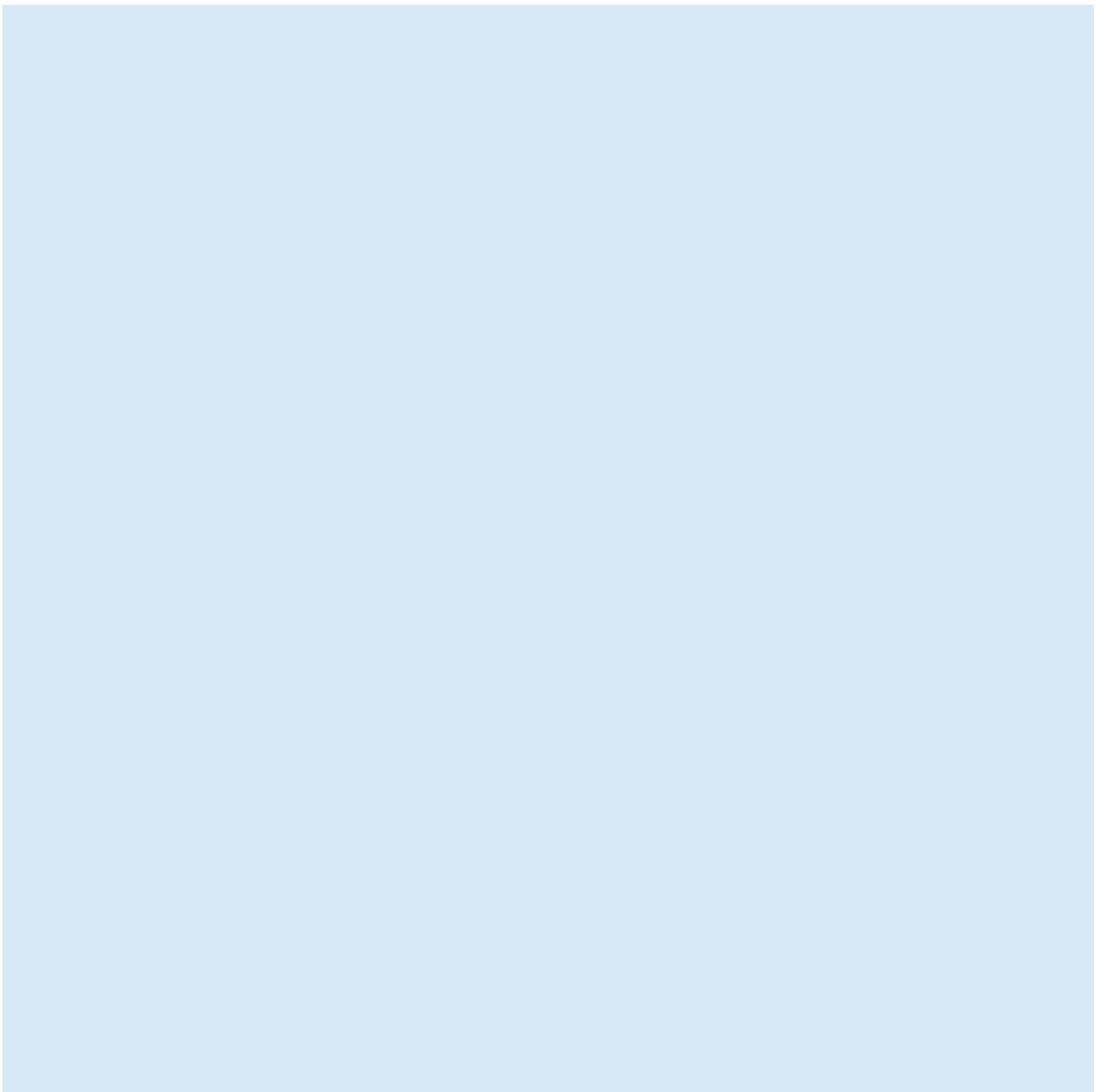


# Financial overview (unaudited) 2020

Results for the six months ended June 30, 2020



## Financial overview

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The information contained within the financial review is unaudited and is based on the consolidated results of the Group for the six months ended June 30, 2020 and 2019. All amounts are shown in U.S. dollars and rounded to the nearest million unless otherwise stated, with the consequence that the rounded amounts may not always add up to the rounded total. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts. This document should be read in conjunction with the annual results 2019 of the Group and in particular with its consolidated financial statements and embedded value report for the year ended December 31, 2019.

In addition to the figures stated in accordance with International Financial Reporting Standards (IFRS), the Group uses business operating profit (BOP), new business metrics and other performance indicators to enhance the understanding of its results. Details of these additional measures are set out in the separately published glossary. These should be viewed as complementary to, and not as substitutes for, the IFRS figures. For a reconciliation of BOP to net income attributable to shareholders (NIAS), see note 14 (table 14.4) of the unaudited consolidated financial statements for the six months ended June 30, 2020.

Certain comparatives have been revised as a result of reclassifications and other adjustments. For details refer to note 1 of the audited consolidated financial statements.

## Financial overview (continued)

## Financial highlights

in USD millions, for the six months ended June 30, unless otherwise stated	2020	2019	Change <sup>1</sup>
Business operating profit	<b>1,702</b>	2,815	(40%)
Net income attributable to shareholders	<b>1,181</b>	2,041	(42%)
P&C business operating profit	<b>751</b>	1,656	(55%)
P&C gross written premiums and policy fees	<b>18,937</b>	18,555	2%
P&C combined ratio	<b>99.8%</b>	95.1%	(4.8 pts)
Life business operating profit	<b>559</b>	701	(20%)
Life gross written premiums, policy fees and insurance deposit	<b>13,008</b>	18,101	(28%)
Life new business annual premium equivalent (APE) <sup>2</sup>	<b>1,673</b>	2,229	(25%)
Life new business margin, after tax (as % of APE) <sup>2</sup>	<b>23.9%</b>	25.9%	(1.9 pts)
Life new business value, after tax <sup>2</sup>	<b>348</b>	505	(31%)
Farmers business operating profit	<b>779</b>	866	(10%)
Farmers Management Services management fees and other related revenues	<b>1,807</b>	1,868	(3%)
Farmers Management Services managed gross earned premium margin	<b>6.6%</b>	7.0%	(0.4 pts)
Farmers Life new business annual premium equivalent (APE) <sup>2</sup>	<b>35</b>	39	(8%)
Average Group investments <sup>3</sup>	<b>196,188</b>	189,334	4%
Net investment result on Group investments <sup>3</sup>	<b>2,762</b>	3,564	(22%)
Net investment return on Group investments <sup>4</sup>	<b>1.4%</b>	1.9%	(0.5 pts)
Total return on Group investments <sup>4</sup>	<b>2.0%</b>	6.0%	(4.0 pts)
Shareholders' equity <sup>5</sup>	<b>33,194</b>	35,004	(5%)
Z-ECM <sup>6</sup>	<b>102%</b>	129%	(27 pts)
Return on common shareholders' equity (ROE) <sup>7</sup>	<b>8.1%</b>	14.2%	(6.1 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) <sup>7</sup>	<b>8.5%</b>	15.0%	(6.5 pts)

<sup>1</sup> Parentheses around numbers represent an adverse variance.

<sup>2</sup> Details of the principles for calculating new business are included in the embedded value report in 2019. New business value and new business margin are calculated after the effect of non-controlling interests, whereas APE is presented before non-controlling interests.

<sup>3</sup> Including investment cash.

<sup>4</sup> Calculated on average Group investments.

<sup>5</sup> As of June 30, 2020 and December 31, 2019, respectively.

<sup>6</sup> Ratios as of June 30, 2020 and December 31, 2019 respectively. Ratio for June 30, 2020 reflects midpoint estimate with an error margin of +/- 5 pts.

<sup>7</sup> Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges.

Business operating profit (BOP) was USD 1.7 billion and declined 40 percent on a reported basis due to the impact of COVID-19 and associated financial market impacts, as well as higher levels of other catastrophe events. The loss related to COVID-19 recorded in the first six months of 2020 amounted to USD 686 million.

Net income attributable to shareholders (NIAS) fell 42 percent in the first six months of 2020, driven by the decline in business operating profit and the recognition of net realized capital losses on investments instead of net realized gains in the prior year, as well as a higher effective tax rate.

## Financial overview (continued)

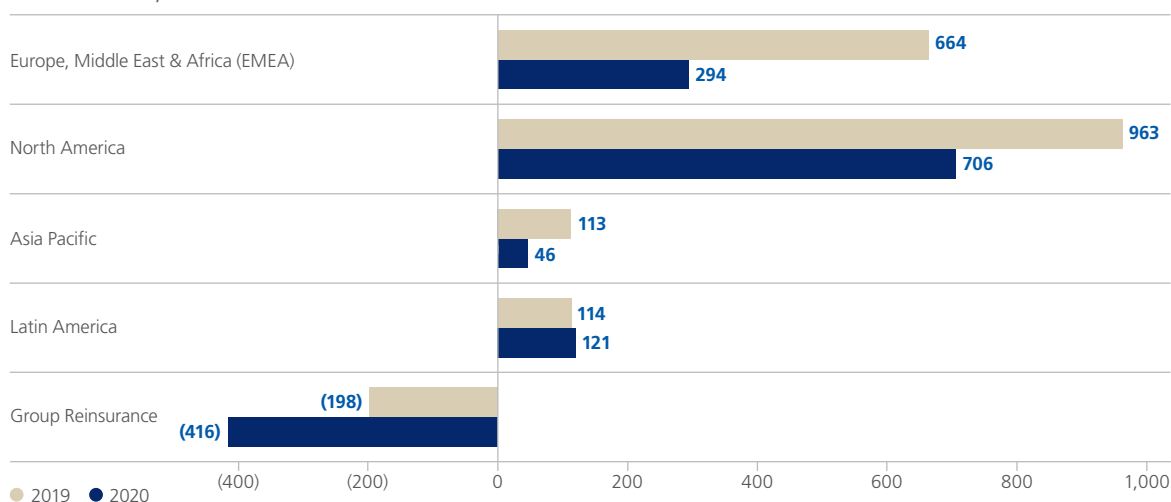
## Property &amp; Casualty (P&amp;C)

in USD millions, for the six months ended June 30

	2020	2019	Total Change
Gross written premiums and policy fees	18,937	18,555	2%
Net earned premiums and policy fees	12,612	12,382	2%
Insurance benefits and losses, net of reinsurance	8,460	7,734	(9%)
Net underwriting result	22	610	(96%)
Net investment result	943	1,129	(17%)
<b>Business operating profit</b>	<b>751</b>	<b>1,656</b>	<b>(55%)</b>
Loss ratio	67.1%	62.5%	(4.6 pts)
Expense ratio	32.8%	32.6%	(0.1 pts)
<b>Combined ratio</b>	<b>99.8%</b>	<b>95.1%</b>	<b>(4.8 pts)</b>

**P&C business operating profit (BOP)**

in USD millions, for the six months ended June 30



Property & Casualty gross written premiums increased 4 percent on a like-for-like basis, after adjusting for currency movements and closed acquisitions and disposals. Growth was driven by Europe, Middle East and Africa (EMEA) and North America. In U.S. dollars, gross written premiums grew 2 percent.

Business operating profit for the first six months of 2020 was USD 751 million, 55 percent lower than in the previous year. The decline was due primarily to the impact of the COVID-19 outbreak and associated financial market developments, as well as higher catastrophe losses than in 2019.

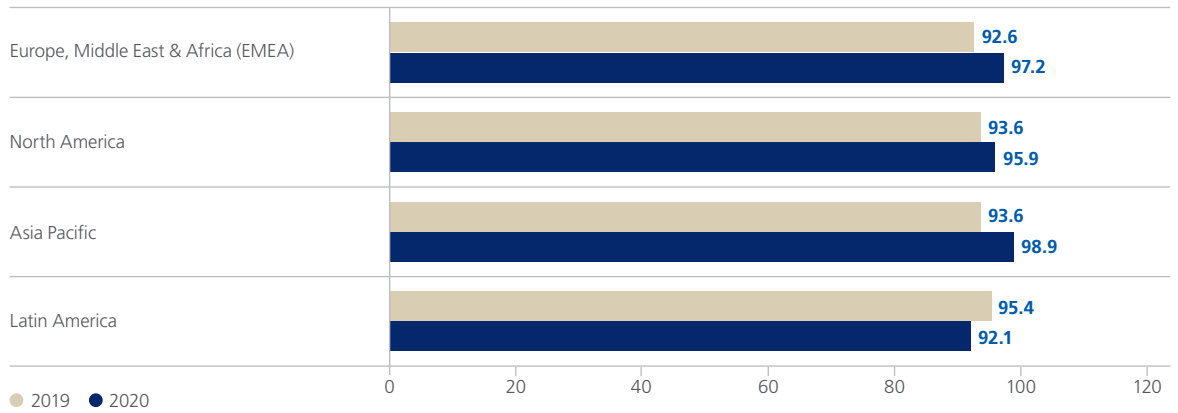
The overall impact of COVID-19 on Property & Casualty was USD 484 million, of which USD 444 million was recognized within the underwriting result and a further USD 39 million in net non-technical results.

Investment income was USD 66 million below 2019, with reductions primarily in EMEA and North America, due to lower investment yields. Realized capital gains of USD 42 million were USD 120 million below the very strong result of the first six months of 2019.

## Financial overview (continued)

**P&C combined ratio**

in %, for the six months ended June 30



The combined ratio of 99.8 percent in the first half of 2020 was 4.8 percentage points higher than in 2019. The deterioration was entirely driven by COVID-19 claims and higher catastrophes, while underlying performance continued to improve year-on-year.

In EMEA, the ratio deteriorated by 4.6 percentage points, primarily due to COVID-19 related claims and voluntary actions to support customers during the outbreak, which were partially offset by the temporary impact of lower claims frequency, especially in motor, resulting from restrictions implemented by governments to control the virus.

In North America, the combined ratio was 2.3 percentage points higher than in the previous year, due to higher catastrophe losses resulting from the COVID-19 outbreak, civil unrest in the U.S., and a series of weather-related events in the first quarter of 2020.

The Asia Pacific combined ratio was 5.3 percentage points higher than in 2019, due to higher catastrophe losses, largely related to the COVID-19 outbreak, and adverse prior year development in the Australian business.

The Latin America combined ratio was 3.3 percentage points lower than in the previous year, with the improvement driven by a lower accident year loss ratio excluding catastrophes.

## Financial overview (continued)

## Life

in USD millions, for the six months ended June 30	2020	2019	Change
Insurance deposits	6,209	10,736	(42%)
Gross written premiums and policy fees	6,799	7,365	(8%)
Net investment income on Group investments	1,360	1,484	(8%)
Insurance benefits and losses, net of reinsurance	(4,609)	(5,053)	9%
<b>Business operating profit</b>	<b>559</b>	<b>701</b>	<b>(20%)</b>
Net policyholder flows <sup>1</sup>	2,088	4,547	(54%)
Assets under management <sup>2,3</sup>	268,276	275,423	(3%)
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts (net reserves) <sup>3</sup>	218,714	226,765	(4%)

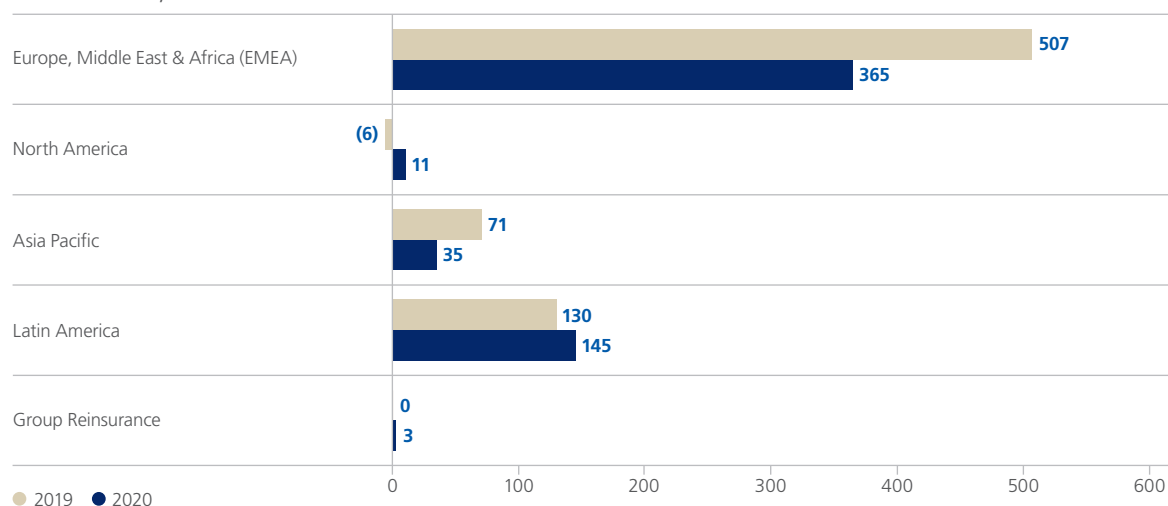
<sup>1</sup> Net policyholder flows are defined as the sum of gross written premiums and policy fees and deposits, less policyholder benefits.

<sup>2</sup> Assets under management comprise on balance sheet Group investments and unit-linked investments plus assets that are managed by third parties, on which fees are earned.

<sup>3</sup> As of June 30, 2020 and December 31, 2019, respectively.

**Life business operating profit (BOP)**

in USD millions, for the six months ended June 30



Life business operating profit for the first six months of 2020 was USD 559 million, 20 percent below 2019 on a reported basis and 3 percent lower excluding the impact of COVID-19 on Life of USD 123 million. On an underlying basis Life performance has been stable, also considering movements in exchange rates and a USD 13 million contribution from one-off items in 2019, mainly in EMEA and North America.

In EMEA, business operating profit was affected by the COVID-19 outbreak, mainly in the UK and to a lesser extent in Switzerland. On a reported basis business operating profit decreased by 28 percent compared with 2019. Adjusted for COVID-19, business operating profit was down 1 percent. Additionally, prior year results were supported by some favorable one-offs that did not repeat in the first half of 2020.

In Latin America, business operating profit increased 12 percent on a reported basis and 44 percent in local currency, mainly driven by favorable results from the unit-linked business in Argentina.

Asia Pacific business operating profit of USD 35 million declined significantly compared with 2019, mainly due to weaker results in Australia and some strengthening of assumptions in Japan, coupled with an unfavorable financial markets impact in Hong Kong.

In North America, excluding Farmers Life, which is reported separately under Farmers, business operating earnings increased by USD 18 million due to favorable claims experience more than offsetting the absence of a favorable one-off item in 2019.

Net inflows of USD 2.1 billion in the first six months of 2020 were lower than in 2019, driven mainly by EMEA. On a like-for-like basis EMEA saw USD 1.5 billion lower inflows than in the prior year with roughly half of this due to one-time inflows in Switzerland in 2019.

## Financial overview (continued)

Assets under management decreased 3 percent mainly due to currency movements, with net inflows offset by unfavorable market movements.

**NBV, APE and NBM  
by Segment**

in USD millions, for the six months ended June 30

	New business value, after tax (NBV) <sup>1</sup>		New business annual premium equivalent (APE) <sup>2</sup>		New business margin, after tax (as % of APE) (NBM) <sup>3</sup>	
	2020	2019	2020	2019	2020	2019
	Europe, Middle East & Africa (EMEA)	219	314	1,042	1,446	21.9%
North America	23	24	57	80	39.9%	30.1%
Asia Pacific	44	99	100	114	44.7%	89.0%
Latin America	62	67	474	589	21.0%	17.5%
<b>Total</b>	<b>348</b>	<b>505</b>	<b>1,673</b>	<b>2,229</b>	<b>23.9%</b>	<b>25.9%</b>

<sup>1</sup> New business value is calculated on embedded value principles net of non-controlling interests.

<sup>2</sup> APE is shown gross of non-controlling interests.

<sup>3</sup> New business margin is calculated using new business value as a percentage of APE based on figures net of non-controlling interests for both metrics.

Life new business annual premium equivalent (APE) sales decreased 15 percent on a like-for-like basis, adjusting for currency movements, acquisitions and disposals. The decline reflected the impact of COVID-19 and government lockdowns around the world on face-to-face distribution channels. The development in the first six months of 2020 also reflected expected reductions in several markets from exceptional levels in the first half of 2019. On a reported basis APE was 25 percent lower.

In EMEA APE sales decreased by 20 percent on a like-for-like basis compared with the same period in 2019, mainly driven by a reduction in corporate pension business in Switzerland after exceptional levels in the first half in 2019, by lower individual savings business in Spain and generally lower sales levels in Italy as a result of the COVID-19 lockdown.

In Latin America APE sales were flat on a like-for-like basis. Higher sales of unit-linked products at Zurich Santander were offset by lower individual savings business in Chile and lower protection volumes across the region.

In Asia Pacific APE sales decreased 24 percent on a like-for-like basis, reflecting lower sales volumes in Malaysia, Indonesia and Japan, mainly driven by the outbreak of COVID-19.

In North America APE sales were 28 percent lower than in 2019 due to reduced sales in corporate protection business mainly in the first quarter ahead of the sale of the Group life business to Aflac Incorporated, which was announced on March 19.

The new business margin remained at a good level of 23.9 percent as reported or 24.5 percent on a like-for-like basis. New business value (NBV) decreased 25 percent on a like-for-like basis, driven by lower new business volumes, unfavorable economic variances due mainly to the drop in yields and operating assumption changes impacting EMEA and key countries in Asia Pacific. On a reported basis NBV declined 31 percent.

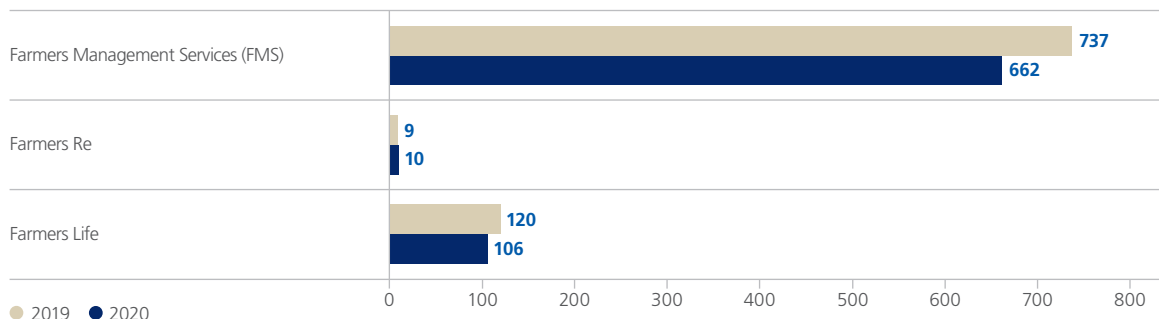
The Group continues to focus on protection, unit-linked and corporate pension businesses, with these products accounting for 89 percent of APE sales. The protection business contributed 84 percent of the overall NBV.

## Financial overview (continued)

## Farmers

**Farmers business operating profit (BOP)**

in USD millions, for the six months ended June 30



Farmers Management Services (FMS) business operating profit decreased 10 percent compared with 2019. This was mainly due to reduced fee revenues as a result of the premium credits to customers at the Farmers Exchanges, higher operating expenses largely due to timing differences and a one-time write-off of capitalized expenses. As a result, the managed gross earned premium margin decreased 0.4 percentage points to 6.6 percent. The first half of 2020 was also affected by a less favorable mark-to-market of a deferred compensation plan, compared with 2019.

Farmers Re business operating profit of USD 10 million was USD 1 million higher than in the first six months of 2019, driven by an improved loss ratio, which was partially offset by lower investment income and other income.

Farmers Life business operating profit of USD 106 million was USD 14 million lower than in 2019. The result was mainly driven by lower claims in 2019 compared with 2020.

## Farmers Exchanges

The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

Financial information about the Farmers Exchanges is proprietary to the Farmers Exchanges, but is provided to support an understanding of the performance of Farmers Group, Inc. and Farmers Re.

in USD millions, for the six months ended June 30	2020	2019	Change
Gross written premiums	10,103	10,458	(3%)
Gross earned premiums	9,923	10,137	(2%)

Gross written premiums of the Farmers Exchanges decreased 3 percent. Underlying growth of 0.2 percent was offset by approximately USD 300 million in COVID-19 premium credits and an adjustment to previously booked gross premiums relating to lower expected volumes of commercial rideshare business following the issuance of shelter-in-place orders by U.S. state governments in response to the COVID-19 outbreak.



## Financial overview (continued)

## Group Functions and Operations

in USD millions, for the six months ended June 30	2020	2019	Change
Holding and Financing	(167)	(232)	28%
Headquarters	(181)	(139)	(30%)
<b>Total business operating profit</b>	<b>(348)</b>	<b>(371)</b>	<b>6%</b>

The business operating loss reported under Group Functions and Operations improved by USD 22 million to USD 348 million. This was driven by a USD 64 million reduction in Holding and Financing costs due to lower interest expenses, partially offset by an increase in headquarter expenses compared to the prior year as a result of increased investments in innovative new business propositions.

## Non-Core Businesses

in USD millions, for the six months ended June 30	2020	2019	Change
Zurich Legacy Solutions	4	(41)	nm
Other run-off	(43)	4	nm
<b>Total business operating profit</b>	<b>(39)</b>	<b>(37)</b>	<b>(5%)</b>

The Group's Non-Core Businesses, which comprises run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported an operating loss of USD 39 million driven by adverse developments in a legacy portfolio of life liabilities as a result of declining financial markets following the outbreak of COVID-19.