News Release

August 11, 2022
Ad hoc announcement pursuant to Art. 53 of the Listing Rules

Zurich reports 25% rise in first-half operating profit, on track to beat all targets

- **Group business operating profit (BOP) rises to USD 3,393 million, the highest since 2008**
- **Property and Casualty (P&C) BOP up 32% to USD 2,055 million with record-low combined ratio of 91.9%**
- **Life BOP rises 13% to USD 903 million**
- **More than 850,000 net new retail customers added in first half[1]**
- **Net income attributable to shareholders up 1% to USD 2,204 million, despite adverse effects from financial markets**
- **Very strong capital position with Swiss Solvency Test (SST) ratio at 262%[2]**
- **Special share buyback of approximately CHF 1.8 billion[3] to offset expected earnings dilution from German life back book transaction**

Zurich Insurance Group (Zurich) reported the highest first-half business operating profit since 2008 and the second highest ever, with all regions and business lines contributing to the successful results.

Group Chief Executive Officer Mario Greco said: “We are on track to beat all our targets for the second successive three-year cycle. This is particularly remarkable because the last three years have brought unprecedented and unexpected challenges. These results show our agility and our commitment to deliver results, no matter what happens in the markets.

Over the last six years, we have changed our culture and built capabilities to transform Zurich into a leaner and more agile business. This has steered us through the difficult conditions of the past three years. Since 2016, we have set about changing the structure of our organization. We have refocused our commercial business and strengthened technical expertise. We have changed the portfolios to reduce their volatility and we consolidated major market positions. We have raised customer and employee satisfaction by using data to make better decisions and provide better experiences. We have created a diverse and highly qualified leadership team and we have become one of the most sustainable insurers.

Our first-half 2022 results show the solidity of our business and the value of our mid-term transformation. The P&C business reported today its best ever combined ratio, with continued robust top-line growth. Our Life business also continued to produce excellent results with one of the strongest ever performances for operating profit despite the adverse impact of capital markets and headwinds from currency movements. The planned sale of life and pensions back books in Italy and Germany[4] will further reduce the capital intensity of our business and will increase our flexibility.

As we prepare to present our plans for the next three years at our Investor Day in November, I am confident that we are well placed to further lead the transformation of the industry and continue to reward our shareholders well.

I would like to thank all our employees and our distribution partners for their great effort. The second successful achievement of all our three-year targets is absolutely to their credit."

Select financial highlights (unaudited)

(For a more comprehensive set of financial highlights see page 10)

in USD millions, for the 6 months ended June 30 unless otherwise stated	**2022**	**2021**	**Change in USD[5]**
Business operating profit (BOP)	**3,393**	2,714	25%
Net income after tax attributable to shareholders (NIAS)	**2,204**	2,193	1%
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)	**15.7%**	13.0%	2.7pts

Half-year 2022 business operating profit (BOP) was USD 3.4 billion, an increase of 25% compared with USD 2.7 billion in the first six months of 2021. Growth was driven by an underlying improvement across all businesses. Natural catastrophe and weather-related claims were slightly above expected levels.

Property and casualty gross written premiums grew by 13% on a like-for-like[6] basis, with strong growth achieved in both commercial insurance and the retail business. Growth continued to be supported by significant rate increases in the Group's commercial business across all regions, with these trends expected to continue into 2023.

The impact of COVID-19 on business operating profit continues to decline. COVID-19-related losses in the Life business fell to USD 26 million from USD 137 million, and at Farmers Life to USD 32 million – mostly in the first quarter – from USD 42 million. On the other hand, the benefits due to reduced claims frequency in the P&C business were immaterial compared with USD 109 million in the prior-year period.

Net income after tax attributable to shareholders was USD 2.2 billion, up 1% over the prior-year period. The improvement in BOP was largely offset by negative mark-to-market effects.

The strength of the U.S. dollar versus other currencies was a headwind to both the reported BOP and net income.

The Group continues to focus on optimizing its capital allocation. In the first half, Zurich announced agreements to sell two legacy traditional life insurance back books in Italy and Germany.[4]

The Group plans a CHF 1.8 billion[3] share buyback to offset the expected earnings dilution from the agreed sale of the Germany life back book.[4] The buyback is expected to commence in the coming months, subject to market conditions and regulatory approvals. While the primary goal of the Germany life back book transaction is to reduce capital volatility, the portfolio is, and has been, a reliable contributor to earnings and it is not possible to immediately redeploy capital to offset this effect. The buyback is consistent with the Group's prior position to avoid or compensate actions that would otherwise have a dilutive effect on shareholders.

Continued focus on improving customer satisfaction

Throughout the first half, the Group continued to advance its customer-focused strategy, which has again delivered higher customer satisfaction across the business. Net promoter scores have made further positive progress in the majority of retail markets as the Group deploys digital tools and enhanced insights to improve customer experience.

Retail customer numbers continued to grow, helped by Zurich's continued strength in partnerships, with a net increase of more than 850,000.[1]

Delivering on ambition for a sustainable future

The Group took further tangible steps toward its vision of being one of the most responsible and impactful businesses in the world.

The outcome of Zurich's work on reducing the impact of the operational footprint is increasingly apparent with total emissions down 73%[7] relative to the 2019 baseline. While the pandemic has temporarily dampened emissions, Zurich is confident that it is on track to achieve durable reductions of 50% by 2025 and 70% by 2029.

The Group continued to support the restoration of part of the Atlantic Forest in Brazil to create a biodiverse and self-sustaining ecosystem on land formerly cleared for cattle farming. Since it started in 2020, the Zurich Forest project with non-profit Instituto Terra has planted 227,000 seedlings of native tree varieties out of the 1 million planned by 2028.

In May, the Group's MSCI ESG rating was upgraded to the highest possible rating of AAA (from AA).

Business performance

Property & Casualty

in USD millions, for the 6 months ended June 30, unless otherwise stated	2022	2021	Change in USD[5]	Change like-for-like[5,6]
P&C gross written premiums and policy fees	**23,797**	22,034	8%	13%
P&C business operating profit (BOP)	**2,055**	1,559	32%	36%
P&C combined ratio	**91.9%**	93.9%	2.0pts	

- **Property & Casualty (P&C) business operating profit up 32% to USD 2,055 million, driven by a record-low combined ratio of 91.9% and 8% top-line growth**

Business operating profit of USD 2,055 million was 32% higher than in the previous year. The Group achieved a record-low combined ratio of 91.9%. The reduction was mainly driven by an improvement in underwriting profitability with higher prices feeding into the results. Natural catastrophe and weather claims, which were slightly above expectations, were significantly lower than in the prior year. These improvements were partially offset by the absence of the prior year's favorable net impact from COVID-19 and realized capital losses of USD 51 million, mainly driven by the Group's hedge fund portfolio due to adverse financial markets, compared with a gain of USD 62 million in the prior-year period.

Gross written premiums grew 13% on a like-for-like[6] basis, adjusting for currency movements, with growth in both retail and commercial insurance. All regions contributed to growth as higher rates fed into the results. In EMEA, growth was mainly driven by the UK, Germany and Switzerland. North America continued to benefit from higher commercial insurance prices, as well as rising agricultural commodity prices in the crop insurance business, which contributed about 2 percentage points to overall P&C growth. Asia Pacific experienced a strong rebound in the travel insurance business and Latin America saw higher sales in Brazil and Mexico. In U.S. dollars, the Group's gross written premiums rose by 8%, with growth dampened by unfavorable currency movements.

The Group achieved price increases of about 6% in the first half. Price increases were driven largely by commercial insurance, remaining at a largely stable level and above claims cost inflation.

Life

in USD millions, for the 6 months ended June 30, unless otherwise stated	2022	2021	Change in USD[5]	Change like-for-like[5,6]
Life gross written premiums, policy fees and insurance deposits	**13,658**	14,603	(6%)	0%
Life business operating profit (BOP)	**903**	802	13%	25%
Life new business annual premium equivalent (APE)	**1,838**	1,911	(4%)	3%
Life new business margin, after tax (as % of APE)	**26.5%**	30.5%	(4.0pts)	(4.7pts)
Life new business value, after tax	**425**	500	(15%)	(10%)

- **Life BOP of USD 903 million in the first half, one of the best in the Group's history, with continued reduction in capital intensity of business**

The Group's Life business delivered a strong performance during the first half of the year, with continued focus on the execution of its long-term strategy to grow protection and capital-light savings products.

First-half BOP of USD 903 million was up 13% compared with the prior-year period, despite unfavorable currency movements due to U.S. dollar appreciation against other major currencies. On a like-for-like[6] basis, Life BOP rose by 25%. Lower COVID-19 claims and a stronger operating performance more than offset the adverse effects of financial markets. COVID-19 claims fell to USD 26 million in the first half of 2022 from USD 137 million in the prior-year period. In EMEA, BOP increased by 22% on a like-for-like[6] basis, with solid underlying performance, better COVID-19 experience and favorable effects from management actions more than offsetting the adverse impact of financial market volatility. In Asia Pacific, BOP fell by 6% on a like-for-like[6] basis, driven by higher COVID-19 claims, as the spread of the Omicron variant led to an increased amount of hospitalization claims in Japan. In Latin America, BOP more than doubled on a like-for-like[6] basis driven by improved claims experience due to lower COVID-19 claims, profitable growth and favorable market movements.

Life new business annual premium equivalent (APE) increased 3% on a like-for-like[6] basis in the first half. Growth was driven by higher sales in capital-efficient savings and protection products, which accounted for 95% of first-half APE. In U.S. dollar terms, APE was 4% below the prior-year period, with growth in local currencies offset by U.S. dollar appreciation against other major currencies. In EMEA, APE sales increased by 2% on a like-for-like[6] basis, primarily driven by growth in corporate savings in Switzerland and unit-linked business in Germany, which more than offset a reduction in low-margin individual savings in Spain. APE sales in Latin America increased 4% on a like-for-like[6] basis, driven by growth in protection and partially offset by a slowdown in unit-linked sales. In Asia Pacific, APE sales were 8% below the previous year on a like-for-like[6] basis, driven by lower sales in Japan due to competitive market conditions and product repricing.

New business margin remained attractive at 26.5%, down from 30.5% in the previous year, due to adverse economic variances, modelling and assumption updates, and a less-favorable product mix within Zurich’s preferred lines of business. These factors also resulted in new business value of USD 425 million, 10% below the prior year on a like-for-like[6] basis.

Farmers

in USD millions, for the 6 months ended June 30, unless otherwise stated	2022	2021	Change in USD[5]
Farmers Exchanges[8]			
Gross written premiums	**13,503**	11,726	15%
Gross earned premiums	**12,642**	11,160	13%
Combined ratio	**104.4%**	104.8%	0.5pts
Surplus ratio[9]	**35.4%**	40.8%	(5.4pts)
Farmers			
Farmers business operating profit (BOP)	**893**	778	15%
Farmers Management Services (FMS) management fees and related revenues	**2,220**	2,004	11%
Farmers Life annual premium equivalent (APE)	**36**	38	(6%)
Farmers Life new business value (NBV)	**31**	58	(47%)

- **Strong top-line growth at Farmers Exchanges[8] following the integration of the MetLife business leading to increase in management fees and FMS BOP**

Gross written premiums of the Farmers Exchanges[8] increased 15% in the first half of the year, following the acquisition of the MetLife U.S. P&C business in April 2021 and organic growth in the Business Insurance, Farmers Specialty and Farmers Home businesses. The Farmers Exchanges[8] combined ratio improved by 0.5 percentage points to 104.4%, mainly driven by a reduction in catastrophe losses and a lower expense ratio compared with the prior year. This was largely offset by an increase in the non-catastrophe loss ratio following inflationary pressures.

The surplus ratio declined due to the higher Farmers Exchanges[8] premium base on which it is calculated as well as a decline in the ending surplus caused by market-driven movements in unrealized capital losses and a net underwriting loss. These were only partially offset by higher net investment income. The surplus ratio remains at an adequate level. AM Best affirmed its 'A (Excellent)' Financial Strength Rating on the Farmers Exchanges[8] with a stable outlook on June 16, 2022.

Farmers BOP of USD 893 million was up 15% compared with the prior-year period, mainly driven by a 14% increase in BOP at Farmers Management Services (FMS) and a small gain at Farmers Re following an improved combined ratio. Farmers Life BOP of USD 60 million was in line with the first half of last year.

FMS management fees and other related revenues increased by 11% compared with the prior-year period. This was mainly driven by growth in the fee base following the MetLife acquisition.

Farmers Life new business APE was 6% lower than in the prior year, and new business value reduced by 47%, driven by lower sales volumes, the impact of higher discount rates and a shift in business mix to lower-margin products.

Group Functions & Operations had net expenses of USD 366 million, which was USD 80 million below the prior-year period. The key drivers of the improvement were lower Headquarter expenses and favorable currency movements in the Holding and Financing unit.

The **Group's Non-Core Businesses**, which comprise run-off portfolios that are managed to proactively reduce risk and release capital, reported an operating loss of USD 92 million.

The **net investment result on Group investments**, which includes net investment income, realized net capital gains, losses and impairments, contributed USD 1.6 billion to the Group's total revenues, down 48% compared with the prior-year period. The net return on Group investments was 0.9% for the half-year period.

Shareholders' equity declined by USD 10.1 billion in the first half of 2022, mainly driven by net unrealized losses, unfavorable currency movements and the payment of the Group dividend of USD 3.5 billion. These factors were only partially offset by first-half earnings.

The **Group's Swiss Solvency Test (SST)**[2] ratio was estimated at 262%, an increase of 51 percentage points over the first half and well above the Group's target for an SST ratio in excess of 160%.

[1] Excluding Farmers Exchanges. Based on Australia, Brazil, Germany, Japan, Italy, Santander JV, Spain, Switzerland and UK.
[2] Estimated Swiss Solvency Test (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA.
[3] Subject to regulatory approvals; volume of buyback calculated as being sufficient to offset anticipated earnings dilution from Germany life back book sale.

[4] The announced sale of the Italian life and pensions back book to GamaLife which is expected to be completed in the second half of 2022, and the announced sale of the German traditional life insurance back books to Viridium are both subject to regulatory approval.
[5] Parentheses around numbers represent an adverse variance.
[6] In local currencies and adjusted for the announced sale of the Italian life and pensions back book to GamaLife expected to be completed in the second half of 2022 subject to regulatory approval.
[7] Based on FY-21.
[8] Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.
[9] Ratios as of June 30, 2022, and December 31, 2021, respectively.

Financial highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the six months ended June 30, 2022, and June 30, 2021, and the financial position as of June 30, 2022, and June 30, 2021, respectively. 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 add up to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts. This document should be read in conjunction with other financial reports published by Zurich Insurance Group on zurich.com. In addition to the figures stated in accordance with International Financial Reporting Standards (IFRS), the Group uses business operating profit (BOP), new business measures and other performance indicators to enhance the understanding of its results. Details of these measures are set out in the separately published Glossary. These should be viewed as complementary to, and not as substitutes for, the IFRS figures.

in USD millions, for the 6 months ended June 30, unless otherwise stated	2022	2021	Change[1]
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P&C business operating profit (BOP)	**2,055**	1,559	32%
P&C gross written premiums and policy fees	**23,797**	22,034	8%
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Life new business annual premium equivalent (APE)[2]	**1,838**	1,911	(4%)
Life new business margin, after tax (as % of APE)[2]	**26.5%**	30.5%	(4.0pts)
Life new business value, after tax[2]	**425**	500	(15%)
Farmers business operating profit (BOP)	**893**	778	15%
Farmers Management Services management fees and related revenues	**2,220**	2,004	11%
Farmers Management Services managed gross earned premium margin	**6.7%**	6.8%	(0.1pts)
Farmers Life new business annual premium equivalent (APE)[2]	**36**	38	(6%)
Average Group investments[3]	**168,857**	210,694	(20%)
Net investment result on Group investments[3]	**1,604**	3,110	(48%)
Net investment return on Group investments[3,4]	**0.9%**	1.5%	(0.5pts)
Total return on Group investments[3,4]	**(9.9%)**	(0.8%)	(9.1pts)
Shareholders' equity	**27,780**	36,448	(24%)
Swiss Solvency Test[5,6]	**262%**	212%	51pts
Diluted earnings per share (in CHF)	**13.91**	13.28	5%
Book value per share (in CHF)	**178.37**	226.30	(21%)
Return on common shareholders' equity (ROE)[7]	**13.4%**	14.0%	(0.6pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)[7]	**15.7%**	13.0%	2.7pts

1 Parentheses around numbers represent an adverse variance.
2 Details of the principles for calculating new business are included in the embedded value report in the Annual Report 2020. New business value and new business margin are calculated after the effect of non-controlling interests, whereas APE is presented before non-controlling interests.
3 Including investment cash.
4 Calculated on average Group investments.
5 Estimated Swiss Solvency Test (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA.
6 Ratios as of June 30, 2022, and December 31, 2021, respectively.
7 Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for unrealized gains/(losses) on available-for-sale investments and cash flow hedges.

Further information

Supplemental financial information to accompany the investor presentation will be available from 06:45 CEST on our webpage.

The Half Year Report 2022, with detailed information about Zurich's financial performance, is available on Zurich's webpage.

Live media event

There will be a press conference at the Quai Zurich Campus (Alfred-Escher Strasse 45, 8002 Zurich) starting at 09:00 CEST with Group Chief Executive Officer Mario Greco and Group Chief Financial Officer George Quinn. Journalists who are unable to attend in person may dial in using the details provided below. The conference will be held in English.

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Q&A session for analysts and investors

There will be a conference call Q&A session for analysts and investors starting at 13:00 CEST. Media may listen in. A podcast of this Q&A session will be available from 17:00 CEST.

Participants who wish to attend the Live Q&A session will need to register ahead of the call under this link Zurich Q&A call registration and follow the on screen instructions. Following registration, you will receive details of the call, together with your personal access details (PIN) for the event by email. At the time of the event, you will need to choose the dial in number and call it, enter the Passcode of the Event (9839392#) and your personalized Pin followed by the # sign.

Zurich Insurance Group (Zurich) is a leading multi-line insurer serving people and businesses in more than 210 countries and territories. Founded 150 years ago, Zurich is transforming insurance. In addition to providing insurance protection, Zurich is increasingly offering prevention services such as those that promote wellbeing and enhance climate resilience.

Reflecting its purpose to 'create a brighter future together', Zurich aspires to be one of the most responsible and impactful businesses in the world. It is targeting net-zero emissions by 2050 and has the highest-possible ESG rating from MSCI. In 2020, Zurich launched the Zurich Forest project to support reforestation and biodiversity restoration in Brazil.

The Group has about 56,000 employees and is headquartered in Zurich, Switzerland. Zurich Insurance Group Ltd (ZURN), is listed on the SIX Swiss Exchange and has a level I American Depositary Receipt (ZURVY) program, which is traded over-the-counter on OTCQX. Further information is available at www.zurich.com.

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