



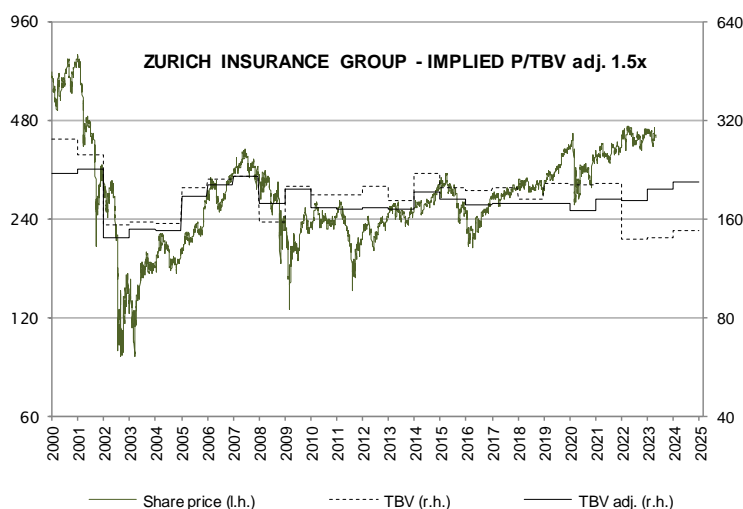
RESEARCH FLASH NOTE

APRIL 28, 2023

BLOOMBERG ZURN
 PRICE (27.4.2023) 425.2
 RATING HOLD
 PRICE TARGET (CHF) 480
 MARKET CAP (CHF bn) 64.0
 SH. EQUITY2023E (CHF bn) 26.3
 NEXT EVENTS: 17.05.2023 - Q1-23 update

ZURICH	2021	2022	2023E	2024E
Adj. P/E	12.1	15.1	13.3	12.4
P/TBV adj	2.4	2.4	2.3	2.2
% ROBV adj	15.6%	13.6%	15.5%	15.8%
% SST ratio (rep.)	na	na	na	na
% Div. Yield	5.5%	5.4%	5.6%	5.8%
ADJ EPS (CHF)	33.1	29.6	33.5	36.0
% growth	15%	-10%	13%	7%
DIVIDEND (CHF)	22.0	24.0	25.0	26.0
% payout	67%	81%	75%	72%
ISSUED SHARES (m)	0.0	0.0	0.0	150.5

Anne-Chantal Risold



Strong Financial position with SST of 267%

- Zurich published its financial condition report which highlight a strong **SST ratio (as of 1.1.2023) of 267% (+56%pts YoY)**. The increase was mainly driven by favorable market movements (+65%pts positive impact on the SST ratio) due to rising interest rates while capital actions (including the ongoing CHF 1.8bn share buyback program and the reduction in outstanding debts) reduced the ratio by 13%pts.
- The **risk-bearing (available) capital (RBC)** decreased by CHF 10bn to CHF 42.5bn compared to prior year (CHF 52.4bn). The decrease is mainly due to the capital market developments during 2022 (rising interest rates) and includes the above mentioned share buyback.
- The **target capital** decreased by CHF 9bn to CHF 18.7bn, driven by significantly lower financial market risks (-20% YoY) as a result of higher interest rates and reduced exposure to credit risks (-43% YoY).
- By comparison, **insurance risks** (-5% YoY) remained rather stable.
- The **market value margin** (MVM, run-off capital costs for insurance risks and non-hedgable market risks) decreased as a results of lower financial and credit risks.
- **Elsewhere** the Co mentioned the strong rating position of its main operating unit (Zurich insurance Company Ltd) with a AA/stable rating from S&P and Aa3/positive from Moody's (outlook upgraded at the beginning of 2023).
- Given the solid balance sheet and solvency well above target (SST ratio of 160%), Zurich is, in our view, in a good position to further invest into growth while managing the current inflationary headwinds in parts of the business.

CHF millions	SST 2022 as of 1.1.22	SST 2023 as of 1.1.23	Change (CHFm)
SST net asset value	45 543	39 891	-5652
Deductions	-3 578	-5 338	-1760
SST core capital	41 965	34 553	-7412
Supplementary capital	10 447	7 915	-2532
SST risk-bearing capital	52 412	42 468	-9944
Market value margin (MVM)	5 685	4 513	-1172
SST risk-bearing capital – MVM	46 727	37 955	-8772
Insurance risks	11 994	11 395	-599
Financial market risks	11 479	9 220	-2259
Credit	9 238	5 271	-3967
<i>Diversification</i>	-4 209	-3 796	413
Total risk	28 502	22 090	-6412
Market value margin (MVM)	5 685	4 513	-1172
other effects	-6 422	-7 900	-1478
SST target capital	27 765	18 703	-9062
SST target capital – MVM	22 080	14 190	-7890
SST RATIO	212%	267%	56%pts

SST ratio = risk-bearing capital - MVM / target capital - MVM



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