

Commentary on annual results 2017

Slide 3: Key messages

2017 showed a strong underlying performance, with BOP up 6% versus the prior year after adjusting for the impact of the hurricanes Harvey, Irma and Maria, the impact of charges related to the Group's restructuring taken through business operating profits and the impact of the change to the UK capital gains tax indexation relief announced in the 2017 budget.

Overall, the results show the Group making strong progress across all areas of the business and together with improved efficiency position the Group well to deliver further earnings growth and to take advantage of an improved market environment.

Reflecting the underlying performance of the Group in 2017 and management's expectations of further improvement in 2018, the board will propose a CHF 18 per share dividend for 2017. In addition the Group intends to implement anti-dilution measures and repurchase shares in the amount of ~USD 1bn. These will be used to offset past and future dilution. Further details on these measures can be found on slide 10.

During the year the Group further reduced expenses, with overall savings of USD 700m achieved to date since the start of the program and the Group is on track to deliver USD 1.5bn of savings by 2019.

In P&C the results show management actions taking hold. Top-line growth has stabilized over the year, with a return to growth in the second half, while the accident year combined ratio ex-cat reduced by around 1 percentage point driven by an improved underwriting performance and reduced expenses over the year. Overall PYD of 1.4ppts was in-line with prior indications of 1-2ppts per annum, while the impact of Ogden was absorbed and overall reserve strength was stable over 2017. The Group expects to deliver further improvement in the underwriting results as the focus on technical performance and the reshaping of the portfolio continues to have a positive effect, with this particularly the case for the Commercial Insurance business.

Life has continued to build on its unit-linked and protection orientated strategy. The combination of portfolio growth, improved product mix and cost improvements has led to strong growth in BOP of 22% as well as 28% growth in new business value.

The Farmers Exchanges, which are owned by their policyholders, have continued to show steady growth, while also improving the underwriting performance of the Farmers Exchanges against a difficult backdrop for claims. Over the second half of the year the Farmers Exchanges have also shown a clear improvement in key customer metrics which serve as leading indicators to top-line growth. Growth in the Farmers Exchanges has also continued to drive top-line growth in Farmers Management

Services, while Farmers Life has reflected the broader positive trends within the Group's life businesses with solid earnings growth combined with expanding margins for new business.

The Group Capital position is very strong with the estimated Z-ECM ratio expanding 7 percentage points to 132% during the year, while cash remittances were also strong at USD 3.7bn.

Slide 4: Key highlights – Status on financial targets

The second half of 2017 continued to build on the positive first half of the year with the Group making good progress in terms of profitability across the businesses, and is on track to meet the financial targets set out in November 2016.

In terms of the four key financial targets,

1. BOPAT ROE: After adjusting for the impact of the hurricanes Harvey, Irma and Maria, the impact of charges related to the Group's restructuring taken through business operating profits and the impact of the change to the UK capital gains tax indexation relief announced in the 2017 budget, the BOPAT ROE was 12.1% for the year, in-line with the Group's target to deliver a BOPAT ROE in excess of 12.1% and growing over the 2017-19 period and despite growth in the adjusted equity base of 8% over the year as a result of higher levels of realized gains and positive movements in pension liabilities.
2. Expense savings: The Group continued to execute against its expense targets over the second half of 2017, with cumulative net savings of USD 700m achieved to date and with further savings expected to be delivered in 2018. The Group is on track to deliver the targeted USD 1.5bn of savings by the end of 2019.
3. Capital: As of December 31, 2017 the estimated Group Z-ECM ratio remains above the 100-120% target range at 132%.
4. Cash remittances: During 2017, the Group also delivered USD 3.7bn of net remittances, consistent with the Group target of ">USD 9.5bn" (before adjustment for the OnePath Life acquisition, which is expected to complete in November 2018) for the 2017-2019 period. Cumulative cash remittances for the 2015-2017 period were USD 10.4bn.

Slide 5: Key highlights – Expense development

The FY-17 result includes expense savings of USD 700m. These savings exclude Farmers and take into account FX and the impact of acquisitions and disposals completed during 2016 and 2017, and come largely from P&C. This represents good progress towards the goal to reduce expenses by USD 1.5bn vs. the 2015 baseline, and further proof of execution against the Group targets.

To date 38% of the savings have come from Operations and IT, with a further 32% from the Group Centre and the balance from the business units. Looking forward the Group expects further savings across all areas of the business.

Slide 6: Key highlights – Proof points by business

2017 has seen the Group move steadily forward against the Group's priorities, with the business showing a range of proof points against key management goals, including:

Property & Casualty (P&C) gross written premiums were stable over the year at a reported level and show a 1% increase on a like for like basis, with an improvement in the second half of the year.

The FY-17 combined ratio was stable against the FY-16 level when adjusted for the impact of the hurricanes Harvey, Irma and Maria. The results show a clear improvement in the accident year loss ratio ex-cat of 1ppts. The other underwriting expense ratio (OUE) has also improved by around 1ppts from the full year 2016 levels. These improvements are partially offset by an increase in the commission ratio. Prior year reserve development was 1.4ppts despite the impact of the Ogden discount rate change in the UK, while overall reserve strength further improved over 2017. On an unadjusted basis the combined ratio was 100.9%.

Life performed strongly over 2017, with BOP growth of 22% when adjusted for the impact of the change to the UK capital gains tax indexation relief announced in the 2017 budget and charges related to the Group's restructuring recognized within BOP. The performance was driven by a combination of portfolio growth, particularly in Asia Pacific and Latin America, expense reductions together with positive market developments and favorable demographic experience.

Protection, unit-linked and corporate pensions business accounted for 89% of APE written in the year, reflecting the Group's focus on capital efficient products. This together with improvements in business mix and assumption changes reflecting positive experience led to an increase in overall new business value of 28% in the year.

Rate increases at the Farmers Exchanges have continued to drive top line growth and combined ratio improvement over the year, with the combined ratio ex-cat falling 2.5ppts. For Farmers Management Services (FMS) this resulted in higher management fees and an improved gross management result. The improvement in the performance of the Farmers Exchanges also led to an improvement in Farmers Re performance within the year, while Farmers Life also benefited from the same trends as the broader Life business.

Slide 7: Key highlights – Underlying BOP

During 2017 the Group's operating results were distorted by a number of one off impacts, with the most notable being the high level of natural catastrophe events as well as the impact of the change to the UK capital gains tax indexation relief announced in the 2017 budget.

The impact of the hurricanes Harvey, Irma and Maria equated to USD 700m, while charges related to the Group's restructuring recognized within BOP were USD 143m. The change to UK capital gains tax indexation relief resulted in a USD 115m impact. Of these, USD 799m were reported within P&C, USD 122m in Life and USD 38m within Group Functions and Other.

Adjusted for these impacts, BOP was USD 4,762m, representing a 6% increase over the reported 2016 figure.

Slide 8: 2018 Outlook

The economic backdrop has continued to improve in most of the geographies the Group operates, with a combination of higher economic growth and more favorable yield levels. As a significant employer and tax payer in the United States, the Group also welcomes the US administration's decision to lower the overall level of corporate taxation which should also be supportive to broader economic growth.

P&C: Specific actions to adjust the Group's portfolio mix are expected to offset underlying growth to leave overall net earned premiums broadly stable for the year on a constant currency basis. The combined ratio is expected to improve further over 2018 as the Group continues to progress towards the previously indicated range of 95-96% in 2019, with this expected to be driven by a combination of further expense savings, a gradual shift in portfolio mix and positive rates. Higher yields should result in a continued stabilization of the overall portfolio yield while portfolio mix shifts are expected to have a slight negative impact on overall asset balances, leading to a combined headwind to P&C investment income in the range of USD 50-100m.

Life: Portfolio growth together with improving business mix and expense levels as well as current F/X are expected to support growth in a mid-single digit range from the reported FY-17 level.

Farmers: The Farmers Exchanges are expected to see steady growth driven both by improved customer metrics and the continued earn through of rate increases. Combined with stable margins, this is expected to continue to support top-line development at FMS. The reduction in the All-lines Quota Share from the Farmers Exchanges to Farmers Re to 1% (previously 8%) is expected to reduce Farmers Re's earnings progressively over the next few years with in 2018 a reduction in the order of USD 20-30m expected.

Group Functions and Other: The Group functions are expected to continue to show a run rate loss of around USD 750 – 800m per annum with benefits from cost savings at the Group largely offset through lower recharges to the business units.

Restructuring charges: As previously indicated restructuring charges are expected to be around USD 500m for 2018. As in 2017 these will be taken partially in the BOP and partially outside with those within the P&C BOP being taken through the net non-technical line. In 2017, the split was approximately 30% in BOP and 70% outside of BOP.

Tax: As in 2017, restructuring charges are anticipated to have a negative impact on the Group's effective tax rate, with this more than compensated by the impact of US Tax Cut and Jobs Act. As a result the effective tax rate for 2018 is expected to be around the 26-27% level.

Slide 9: Group – BOPAT ROE walk

When compared to the ROE walk presented at the time of the November 2016 Investor Day, the Group's BOPAT ROE is expected to benefit positively from the combination of, a lower tax rate as a result of the US Tax Reforms, the capital return measures announced with the FY-17 results, and the proposed acquisition of OnePath Life in Australia. In aggregate these are expected to have a circa 1-1.5ppts impact on the BOPAT ROE.

Compared to the adjusted BOPAT ROE of 12.1% in 2017, the Group expects the BOPAT ROE to be impacted by the following effects:

1. Growth in the equity base and capital markets. Over 2017 the Group's adjusted equity base increased by 8%, together with continued downward pressure on overall investment income this is expected to weigh on the Group's BOPAT ROE development by around 1.5-2.0ppts over 2018-2019.
2. Continued growth of the Life and Farmers businesses, including the planned acquisition of OnePath Life in Australia as announced in December 2017, which are expected to add around 0.5-1ppts to the BOPAT ROE.
3. Further improvement in the loss ratio and expense levels, which are expected to add around 2-2.5ppts to the BOPAT ROE.
4. The US tax reform and the proposed USD 1bn of share repurchases, which combined are expected to add around a further 1ppt to the BOPAT ROE.

Slide 10: Dividend and capital management

The Board proposal to the AGM is to pay a dividend of CHF 18, representing a 6% increase from the 2016 level and the first year of dividend growth since 2010. As in the prior year and to ensure the tax efficiency of the payment for our shareholders, the dividend will be paid in part from the Group's capital contribution reserve as well as from Group earnings. CHF 1.4 will be paid out of the capital contribution reserve with the balance of CHF 16.6 paid out of Group earnings.

The decision to increase the dividend reflects the combination of:

1. The Group's stated dividend policy which aims to pay out around 75% of net income over time.
2. Underlying earnings improvement after adjusting for the impact of the hurricanes Harvey, Irma and Maria, the impact of charges related to the Group's restructuring taken through business operating profit and the impact of the change to the UK capital gains tax indexation relief announced in the 2017 budget within the BOP and above normal levels of capital gains and exceptional tax effects recognized in the NIAS.
3. The level of cash remittances at the Group.
4. Management's line of sight to further improvement through the combination of expense reductions, US tax reform and the OnePath Life acquisition.

In addition the Group intends to implement anti-dilution measures and repurchase shares in the amount of ~USD 1bn to offset both past and future dilution from employee incentive schemes. As part of this, the Group intends to launch a public share repurchase program for cancellation to reverse dilution from past employee participation plans. In addition the Group intends to fund future employee participation plans vesting through purchases in the market to avoid dilutive effects of using contingent capital. The majority of these repurchases will be carried out through purchases on the second line of the Swiss stock exchange.

Through the combination of dividends and buybacks, the Group expects to have returned a total of ~USD 3.9bn to shareholders during 2018.

Slide 12: Group – BOP to NIAS walk

Below the operating line, realized capital gains of USD 1,201m were ahead of prior year levels and relate primarily to realization of gains on equities following strong equity market performance over the course of 2017.

For the full year restructuring costs recognized below the operating line were USD 355m and were in-line with the guided USD 500m when considered with the USD 143m recognized within BOP.

The full year effective tax rate of 33.2% is above the expected rate of 32.5% indicated at the end of the first half. The higher tax rate reflects a number of factors including, a higher contribution from businesses and geographies with higher overall tax rates, a limited tax relief on losses related to the three third quarter hurricanes and changes to deferred tax liabilities as a result of the Tax Cut and Jobs Act 2017 in the US. This latter item contributed a positive USD 289m.

Slide 13: Impact of US tax reform

The "US Tax cut and jobs act" (US reforms) has a number of measures that will impact the Group. The most important of which is the lowering of the US Corporate income tax rate to 21% from 35% previously together with the implementation to the "Base Erosion anti abuse" (BEAT) minimum tax calculation.

In 2017 the Group recognized a net benefit from the impact of the change on the net deferred tax liabilities within the Group's North American operations equating to USD 289m.

The Group estimates that the US reforms should result in a net reduction in the Group's effective tax rate of around ~3-4ppts.

The reforms are not expected to have an impact on the overall Group solvency, while Group remittances through the 2017-19 period are expected to remain consistent with the Group's target of in excess of USD 9.5bn.

Slide 14: P&C – Top line

Gross written premiums in Property & Casualty (P&C) for the full year of 2017 increased 1% in local currency after adjusting for acquisitions and disposals and was flat on a headline basis. Growth improved steadily over the year with the second half year showing a 2% increase on the same basis. This reflects improved levels of retention and new business.

Rates overall increased by around 2%, with the rate of increase stable compared to the previous year overall. In North America, the level of rate increases improved in the latter quarter of the year. This trend is expected to continue into 2018.

Net earned premiums were as expected flat year-over-year, with a higher contribution from RCIS offsetting the decline caused by 2016's underwriting actions in other areas of the portfolio.

In EMEA, excluding the disposals of South Africa, Morocco and the Middle East, gross written premiums declined by 2%, due to reductions mainly in Germany and the UK. Gross written premiums for North America were flat compared to the prior year period, with growth in higher margin lines offsetting declines in large commercial. In Asia Pacific, gross written premiums were up 9% on a like-for-like basis, reflecting the incremental premium from underwriting the Cover-More travel business in Australia. Gross written premiums for Latin America increased by 17% in local currency, mainly driven by growth in the affinity business in Brazil and the retail motor book in Mexico.

Slide 15: P&C – BOP Components

P&C BOP for FY-17 was USD 2,344m after adjusting for the impact of the hurricanes Harvey, Irma and Maria and charges related to the Group's restructuring recognized within BOP, and is 4% lower than in the previous year.

The underwriting result adjusted for the aforementioned items is down USD 16m, with improvement in the underlying combined ratio offset by a lower level of favorable prior year reserve releases and higher catastrophe losses. The investment result increased by USD 80m driven by strong performance from the hedge fund portfolio held at fair value which more than offset a moderating decline in investment income. These were offset by lower FX gains in Latin America booked in other items.

Looking at the BOP result by region, there are offsets in between regions. EMEA BOP was down driven mainly by the Ogden charge in the first quarter and North America is up due to the improved underwriting result and the higher hedge fund gains.

Slide 16: P&C – Combined ratio details

The P&C combined ratio for FY-17 is at 98.2%, when normalized for losses related to hurricanes Harvey, Irma and Maria.

The accident year loss ratio excluding catastrophes and the other underwriting expense ratio both improved by roughly 1ppt compared to FY-16, driven by the continued underwriting measures taken by the Group. This 2ppts improvement was only partially offset by an increase in the commission ratio by 1.2ppts.

Total catastrophe losses for the year totaled 5.8ppts compared to the normalized expectation of around 3ppts. This is largely accounted for by the three Atlantic hurricanes Harvey, Irma and Maria, for which losses remain estimated at USD 700m net of reinsurance but before tax in-line with the level indicated in the Group's press release on October 19, 2017.

Prior year development for the full year was a favorable 1.4ppts and within the guidance of 1-2 percentage points and allows for the impact of the change to the Ogden discount rate in the UK. Overall, the Group's reserve strength was stable over the year.

Slide 17: P&C – Expense ratio details

The other underwriting expense ratio for FY-17 was 1.2ppts better than in FY-16. Absolute expenses continued to reduce throughout the year, with the majority of the 2017 net expense savings of circa USD 0.4bn for the Group recognized within P&C, mainly in EMEA and North America.

The commission ratio increased by 1.2ppts in FY-17. The main driver of the increase relates to planned changes in both geographic and product mix. This is predominately the case in Latin America, driven by the increase of the mass consumer business in Brazil. Some level of business mix change is also seen North America and Europe, especially through shrinkage in the large commercial business.

As indicated at the Group's investor day in November 2017, the change in commission ratio is expected to be offset through changes in the loss ratio over time.

Slide 18: P&C – Combined ratio by segment and customer unit

Looking at the FY-17 accident year combined ratio excluding catastrophes by segment and customer unit there is an underlying improvement in both the North and Latin American units and in the retail business.

The EMEA accident year combined ratio ex-catastrophes of 97.0% is higher than in the previous year, with improvements in other underwriting expenses offset by slightly higher attritional losses.

In North America the ratio of 94.1% is significantly lower than in FY-16. The improvement is driven by an underlying reduction in the accident year loss ratio and lower other underwriting expenses.

The increase in the ratio of APAC is mainly driven by an uptick in the commission ratio reflecting the underwriting of the Cover-More business which runs at a significant higher commission ratio, and which more than offset other underlying improvements.

In Latin America underwriting actions taken in the past have further improved the accident year combined ratio.

The accident year combined ratio excluding catastrophes for Commercial Insurance was 101.0%. In light of continued challenging market conditions, particularly at the larger end of the market, the Group will continue to prioritize profitability within Commercial Insurance.

For the retail business, the AY combined ratio excluding catastrophes of 92.9% for FY-17 continued to be on a very low level with further underlying improvements.

Slide 19: P&C – Investment result

The FY-17 investment result of USD 2,038m includes fair value movements of USD 191m, mainly from the Group's hedge fund portfolio. Investment income was down 2% on a reported basis and 1% in local currency compared to the prior year. The decline was narrowing throughout the year with the fourth quarter in isolation showing an increase of 3% in local currency.

Reinvestment yields for debt securities were around 2.4% for the full year with the gap to the annualized accounting yield reducing to 30bps as a result of higher reinvestment yields across the Group's major geographies.

Slide 20: Life – BOP by segment and source

Global Life BOP increased 11% on a headline basis to USD 1,258m and 22% when adjusted for the impact of the change to the UK capital gains tax indexation relief announced in the 2017 budget and charges related to the group's restructuring recognized in BOP.

In EMEA, BOP increased by 7% after adjusting for the items mentioned above, with growth across most markets. As reported at the first half, 2017 also included USD19m from the final transfer of the UK annuity book to Rothesay Life.

In LatAm growth in the underlying portfolios continued to support earnings growth, with overall BOP increasing 19% to USD 296m. In addition to the underlying growth in the year results benefited from a USD 12m one off in Brazil and a similar amount of 1-time FX effects.

Asia Pacific BOP increased to USD 132m, an increase of 73%. At the underlying level growth was driven largely by continued growth in Japan, Australia and Malaysia, together with supportive financial markets across the region.

In North America, excluding Farmers Life which is reported under Farmers, earnings improved by USD 83m, with the improvement driven by a combination of improved underlying performance of the business and the non-repeat of negative assumption updates in 2016.

Viewed by margin and beginning with revenues, loadings and fees increased by 6 percent on both a reported and local currency basis. Growth in the year was driven by both fund based and other loadings and fees. Growth in Latin America and Asia Pacific more than offset a decline in EMEA, where lower volumes of single premium business in Germany led to a decline in other loadings and fees. The

growth also benefited from a large additional contribution to an existing corporate protection scheme in North America.

Investment margin increased by 18% as reported, mainly driven by lower policyholder crediting rates in EMEA.

The technical margin improved by 12% due to growth in the portfolio, particularly in Australia and Japan and improved claims experience particularly in LatAm and North America.

On the expense side, operating costs decreased 3% on an adjusted basis, with growth in LatAm, APAC and North America more than offset by reductions in EMEA.

Acquisition costs increased 5% year on year reflecting primarily sales growth in Latin America and Asia Pacific as well as the large additional contribution in North America together with some mix effects. Changes to business mix in EMEA were the primary driver of a decrease in the level of deferrals.

Slide 21: Life – New business

FY-17 Global Life new business APE volumes increased 4% in headline terms to USD 4.9bn and 3% on a like-for-like basis excluding Australia and Malaysia Takaful acquisitions, with growth in EMEA, Asia Pacific and North America offsetting a decline in Latin America.

In EMEA, increased sales of corporate pensions in Switzerland, Ireland and Zurich International, together with unit-linked sales in Ireland, Switzerland, the UK and Italy were offset by lower volumes of individual savings business in Spain and Italy, while APE in Germany saw a slight decline compared to the prior year quarter. In Latin America lower APE sales were impacted by the absence of a repeat of a large corporate protection scheme in Chile in the prior year. Growth in Asia Pacific was broad based, with underlying growth augmented by the inclusion of the Takaful business in Malaysia and the Macquarie Life retail protection business in Australia. In the US, a single large top-up contribution to a corporate protection scheme drove much of the growth in the APE.

New business value (NBV) increased 28% in headline terms and 29% on a like-for-like basis, with all regions contributing to the growth. In EMEA, growth was driven by a combination of improved business mix in Italy and Spain, together with higher yields particularly in Germany and Switzerland. In LatAm, improved business mix drove growth despite the headline reduction in sales volumes, while in APAC yields and updated assumptions in Japan were the major drivers of growth. In North America the increase in new business value reflected primarily the restructuring of an existing contract.

The overall Group new business margin increased by 3.9ppts to 23.3%.

Slide 22: Life – Product mix and distribution

During the year, the Group continued to focus on protection, unit-linked and corporate pension business, with these products accounting for 89% of APE sales.

Unit-linked sales increased 22% compared to the prior year, while protection increased 3%, with growth of 9% in higher margin individual protection offset by a decline in corporate business, due to the absence of a large corporate protection scheme in Chile. In contrast volumes of low margin individual savings and annuity business declined significantly reflecting in particular lower volumes sold through the Spanish bank distribution partner Banco Sabadell.

In terms of new business value, improved product mix and assumption changes reflecting improved experience drove an expansion in protection new business value with this line accounting for nearly three quarters of new business value written in the year.

The bank distribution channels continue to perform well, with new business value increasing by 44% in the year, despite a decline in sales which was driven by planned reductions in sales of traditional savings products principally through the Spanish bank distribution partner Banco Sabadell. The increase in new business value was largely driven by continued improvement in business mix as well as the factors outlined on the previous page.

Other intermediary channels also performed strongly in the year with growth in both sales and new business value of 17% and 63% respectively, while a weaker product mix in corporate life and pensions led to a decline in new business value of 8% despite growth in sales volumes.

Slide 23: Life Net inflows & AuM

Net inflows were positive over the year and equated to 3% of start of year asset balances and were at a similar level as the prior year. Lower volumes of low margin traditional savings business sold through the Group's bank distribution partner Banco Sabadell in Spain were to a large extent offset by a single large additional contribution to an existing corporate protection scheme in North America.

Over the year, assets under management increased by 8%, driven by net inflows and FX with this partially offset by the exit from the UK workplace pensions.

Slide 24: Life Investment Result

Life investment income, which is gross of policyholder sharing, decreased by 2% to USD 2.9bn, driven mainly by the gradual decline in overall earned portfolio yields and reduced equity dividends over the year.

Reinvestment yields for debt securities were around 2.0%. By the end of the year the gap to the annualized accounting yield has narrowed to 70bps from 130bps the prior year.

Slide 25: Farmers Exchanges – Growth

The Farmers Exchanges showed continued growth in top-line in 2017. Gross written premiums for continuing operations increased by approximately 3% in the year. As in the first half of the year, this was partially offset by the run-off of discontinued operations, which reduced overall top-line growth to 1.0% in the full year. The headwind to growth from the discontinued operations is expected to be largely complete by the end of the first half of 2018.

Top-line growth was driven by higher average premiums, especially in auto, which more than offset a decline in vehicles in-force. The expansion of the Farmers Exchanges into the Eastern United States continued through 2017, with gross written premiums of almost USD 0.9bn, up 28% compared to the prior year.

The Farmers Exchanges are expected to see continued growth in 2018 driven by improved retention and new business production together with continued earn through of rate increases.

Slide 26: Farmers Exchanges – Profitability

The underwriting performance of the Farmers Exchanges continued to improve through 2017. The combined ratio reduced 2.3ppts year-on-year to 101.6%, primarily driven by auto, which achieved a 5.5pt reduction. The positive trend was visible throughout the year, net of some expense ratio seasonality. During the fourth quarter, the ex-cat combined ratio reached the lowest level of the last two years on a four quarter rolling basis. These results prove the effectiveness of the rate and underwriting actions undertaken and provide clear evidence that the Farmers Exchanges are on track to restore profitability.

The effectiveness of the Farmers Exchanges reinsurance programs was proven during the year with overall natural catastrophes losses equating to 7.3ppts in the combined ratio, broadly in line with the prior year figure despite the high level of events that impacted the Farmers Exchanges over the year.

Surplus at the Farmers Exchanges remained stable at USD 5.5bn in 2017, with growth in the surplus offset by the write-down of deferred tax assets as a result of the U.S. Tax Reform.

The surplus ratio improved to 38.6% driven by stable surplus and an increase in the All Lines quota share treaty from 24% to 29%. Within this, Farmers Re's participation has been reduced to 1% from 8% previously.

Slide 27: Farmers Exchanges – Growth drivers

Having fallen in the first half of the year on the back of rate actions in the Farmers Exchanges, the Net Promoter Score has recovered over the second half of the year, with the ratio reaching a record high of 46.9 in the discrete December. As a predictor of retention this improvement is expected to be supportive of growth in the Farmers Exchanges. Evidence of this began to emerge in the fourth quarter with an improvement in the overall retention rate.

New business for continuing operations was 11% lower than in the prior year. This was driven by decreases in the Farmers auto, Farmers home and 21st Century's California & Hawaii books of business, as a result of rate and underwriting actions taken to improve the profitability of the Farmers Exchanges. The decline in new business moderated steadily over the latter quarters of the year and is expected to continue to improve in the coming quarters.

Slide 28: FMS – Overview

Farmers Management Services BOP decreased by USD 64m compared to prior year. Within this underlying growth was more than offset by the absence of a repeat of a one-time benefit of USD 86m related to the Farmers Pension Plan in the prior year.

Slide 29: Farmers Life and Farmers Re - Overview

Farmers Re BOP increased by USD 15m in 2017, despite the non-recurrence of a USD 25m favorable retrospective accounting adjustment to unearned premium recorded in 2016. This was driven by a 3.2ppts improvement in the combined ratio, following improved underwriting results at the Farmers Exchanges and a slightly lower Cat loss ratio due primarily to favorable fluctuations in PYD on catastrophes.

Farmers Life BOP was USD 17m higher than in the prior year, primarily benefiting from updates to actuarial assumptions underpinned by favorable interest rates and mortality experience. New business APE was down 3% year-on-year while the New Business Value was up 18% driven primarily by improved assumptions around persistency and mortality following positive experience, as well as a more favorable sales mix and lower acquisition expenses.

Slide 30: Group Functions and Operations & Non-Core Businesses - BOP

Group Functions and Operations business operating loss improved USD 48m to USD 731m. Reduced headquarter costs were more than offset by lower recharges to the business units, while the Holding and Financing result benefited from lower external debt charges as well as the non-recurrence of some one-time items in the prior year period.

Non-Core BOP increased to USD 39m. This was primarily driven by lower expenses, the non-recurrence of some one-off items in the prior year, and favorable PYD compared to reserve strengthening in the prior year.

Slide 31: Group – Solvency ratios

The end-September Z-ECM ratio previously estimated at 136% was finalized at 138%.

The estimate for end-December is 132%, which is 7ppts higher than at the start of the year. Strong operational capital generation from the businesses have added 11ppts, with positive market development adding a further 12ppts. Year to date, the main market movements relate to higher yields in the Eurozone, UK and Switzerland, the depreciation of the US dollar, favorable equity markets and tighter credit spreads. These more than exceeded the 12ppts for the dividend accrual and the anti dilution measures.

Other movements included a number of model and assumption revisions and different capital movements which had a net negative impact on the ratio of 3ppts.

Slide 32: Group – Swiss Solvency Test

In 2017 the Group's enhanced internal model was filed with FINMA, to which FINMA has responded with a number of model revisions.

These are expected to result in a pro-forma reduction in the Group's SST ratio of between 10 and 25 percentage points from the 2016 SST ratio of 227%, with the effect of these changes to further increase the conservatism of the SST relative to Solvency II.

The changes reflect a number of model changes both positive and negative. These include the limitation of the value of the Farmers Exchanges Attorney In Fact relationship in the SST calculation to one year's forward earnings instead of a higher value previously agreed with FINMA, a reduction in the level of diversification assumed between market and credit risk and a range of other smaller changes. The net impact of these is to reduce the pro-forma ratio by around 10ppts.

In December, FINMA also communicated a decision on a revised approach to assessing reserve risk which is estimated to reduce the SST by up to 15ppts based on the 2016 SST calculation.

Economic earnings and positive market developments over 2017 are expected to have had a similar directional impact on the SST as observed in the Z-ECM.

The Group will provide a further update on the 2017 SST ratio with the 2017 Financial Condition Report which will be published for Swiss regulated entities for the first time by April 30, 2018.

The changes agreed with FINMA do not have an impact on the Group's Z-ECM model, which remains the main focus for the management of the business and which is calibrated to an AA standard.

Slide 33: Group – Balance sheet and capital structure

Shareholders' equity increased USD 2.4bn to USD 33.1bn over the year. Retained earnings together with FX movements and a reduction in pension fund liabilities were the main drivers of the increase.

As a result of the movements and the realization of gains over the year, the Group's adjusted equity base as used within the calculation of the Group's BOPAT ROE target increased by 8%.

The overall capital structure remains broadly unchanged from the one reported at the HY-17 results.

Slide 34: Group – Cash remittances & dividend proposal

During the year the Group saw net remittances of USD 3.7bn, a level consistent with the Group's target for remittances to exceed USD 9.5bn over the 2017-2019 period. The level of remittances has been driven both by operational earnings and capital released as a result of the Group's efforts to extract capital from non-core businesses.

The Board proposal to the AGM is to pay a dividend of CHF 18, representing a 6% increase from the 2016 level and the first year of dividend growth since 2010. CHF 1.4 will be paid out of the remaining capital contribution reserve with the balance of CHF 16.6 paid out of Group retained earnings.

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