Zurich Insurance Group

Financial overview

Annual results 2019

Message from our Group Chief Financial Officer

All targets exceeded

> "The results show the Group making further strong progress. All 2017 to 2019 targets were exceeded, with all business units contributing. Together with our customer- focused strategy, a simplified operating model and strong balance sheet, these results position us well for the future."

George Quinn
Group Chief Financial Officer

Full year 2019 results show strong performance across all businesses, with business operating profit (BOP) up 16 percent and a BOPAT ROE of 14.2 percent. Net income increased 12 percent to the highest level in a decade. A dividend increase of 5 percent has been proposed.

Well positioned for the future

Together with the Group's customer-focused strategy and simplified operating model, the results position the Group well to take advantage of ongoing changes within the global insurance industry and to deliver further value to shareholders.

2017 to 2019 targets exceeded

The Group has exceeded the ambitious targets set in 2016, resulting in a simpler, more agile and efficient company. The business has been further strengthened through targeted acquisitions in key geographies.

2017–2019 financial targets

Target: >12.0%
BOPAT ROE[1]
14.2%
FY 2019

Target range: 100–120%
Estimated Z-ECM ratio[2]
129%
FY 2019

Target: >USD 9.5bn
Cumulative cash remittances
USD 10.9bn
As of FY 2019

Target: USD 1.5bn
Cumulative net expense savings
USD 1.6bn
As of FY 2019

[1] Business operating profit after tax return on equity, excluding unrealized gains and losses.
[2] Full year 2019 Z-ECM reflects midpoint estimate with an error margin of +/–5 percentage points.

Message from our Group Chief Financial Officer

Progress made across all businesses

Property & Casualty results showed further strong year-on-year progress with BOP up 38 percent, driven by an improved underwriting performance and higher investment results, which more than compensated for a challenging year in the Group's North American crop business.

Gross written premiums increased 2 percent with growth strengthening over the year, led by hardening pricing and underlying growth, with current positive pricing trends expected to continue through 2020.

The Group's combined ratio improved by 1.4 percentage points over the year, continuing the trend of recent years and despite adverse development of the North American crop insurance business.

The results also continued to demonstrate the strength of the Group's reserves, with prior year reserve development of 2.3 points at the same level as in 2018.

The Group's Life business delivered a strong performance against a high 2018 result with BOP declining 4 percent due to adverse currency movements. On a like-for-like basis adjusting for acquisitions, disposals and currency movements, growth was 2 percent, despite a lower contribution from favorable one-time items.

The Group's strategy of focusing on protection business and capital-efficient savings products positions it well for a continuation of low investment yields, with 85 percent of annual premium equivalent (APE) sales from protection and capital-efficient savings products.

Farmers delivered business operating profit growth of 4 percent, reflecting fee growth and favorable mark-to-market movements on a deferred compensation plan at Farmers Management Services, as well as a strong performance at Farmers Life. The Farmers Exchanges continued to deliver steady and consistent growth supported by Farmers strategy to deepen customer relationships, broaden product offerings and expand in the eastern U.S.

Group Functions and Operations showed an improved performance with the associated net loss reduced by 5 percent due to lower net costs associated with the Group's headquarters.

A strong capital position and cash generation

During the year, management continued to improve the Group's focus and optimize the use of capital. The Group's balance sheet and internal economic capital model (Z-ECM) remained very strong at an estimated 129 percent[2], above the target range.

Conversion of earnings into distributable cash was strong, with USD 3.4 billion of net cash remittances over the year bringing the total net remittances to USD 10.9 billion over the past three years, well ahead of the USD 9.5 billion set in 2016.

5 percent proposed dividend increase

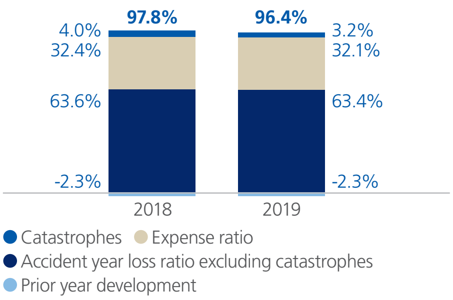
In line with the stated dividend policy, the board proposed a 5 percent increase in the dividend to CHF 20 per share.

George Quinn
Group Chief Financial Officer

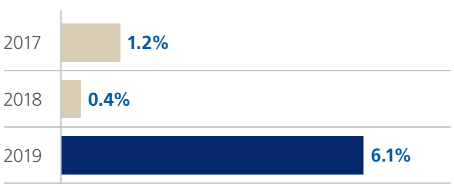
Continued strong performance across all businesses

Property & Casualty (P&C)

Combined ratio (%)

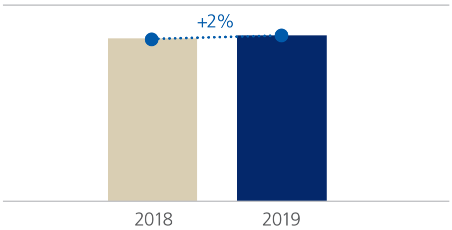


Like-for-like GWP growth (%)[4]

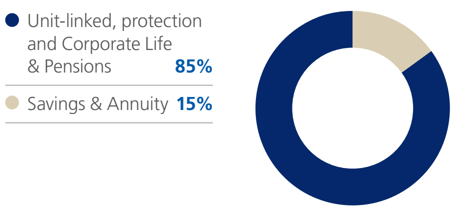


Life

Like-for-like BOP growth (%)[4]

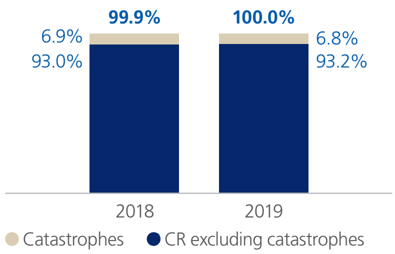


2019 APE share of non-traditional products (%)

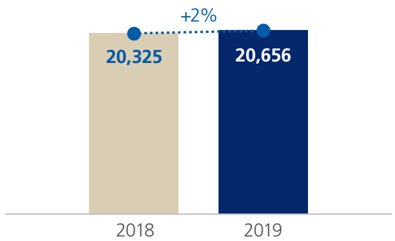


Farmers Exchanges[3]

Combined ratio (CR) (%)



GWP growth (in USD millions)



[3] Provided for informational purposes only. 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.
[4] In local currency and adjusted for closed acquisitions and disposals.

Financial overview

Contents

The information contained within the financial review is unaudited and is based on the consolidated results of the Group for the years ended December 31, 2019 and 2018. 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 27 (table 27.4) of the audited consolidated financial statements for the years ended December 31, 2019.

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

Financial highlights

in USD millions, for the years ended December 31	2019	2018	Change[1]
Business operating profit	**5,302**	4,566	16%
Net income attributable to shareholders	**4,147**	3,716	12%
P&C business operating profit	**2,878**	2,085	38%
P&C gross written premiums and policy fees	**34,184**	33,505	2%
P&C combined ratio	**96.4%**	97.8%	1.4 pts
Life business operating profit	**1,486**	1,554	(4%)
Life gross written premiums, policy fees and insurance deposit	**33,479**	33,448	0%
Life new business annual premium equivalent (APE)[2]	**4,331**	4,639	(7%)
Life new business margin, after tax (as % of APE)[2]	**25.8%**	24.1%	1.8 pts
Life new business value, after tax[2]	**976**	981	(1%)
Farmers business operating profit	**1,707**	1,643	4%
Farmers Management Services management fees and other related revenues	**3,780**	3,204	18%
Farmers Management Services managed gross earned premium margin	**7.0%**	7.0%	(0.0 pts)
Farmers Life new business annual premium equivalent (APE)[2]	**82**	84	(3%)
Average Group investments[3]	**190,237**	190,235	0%
Net investment result on Group investments[3]	**7,391**	6,288	18%
Net investment return on Group investments[3,4]	**3.9%**	3.3%	0.6 pts
Total return on Group investments[3,4]	**8.2%**	0.6%	7.6 pts
Shareholders' equity	**35,004**	30,189	16%
Z-ECM[5]	**129%**	124%	5 pts
Return on common shareholders' equity (ROE)[6]	**14.4%**	13.1%	1.3 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)[6]	**14.2%**	12.1%	2.2 pts

[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 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.
[3] Including investment cash.
[4] Calculated on average Group investments.
[5] Ratio for December 31, 2019 reflects midpoint estimate with an error margin of +/- 5 pts.
[6] 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) for the year ended December 31, 2019 was USD 5.3 billion, up 16 percent compared with the prior period. This was driven by underlying growth across the business and a strong underwriting performance in Property & Casualty.

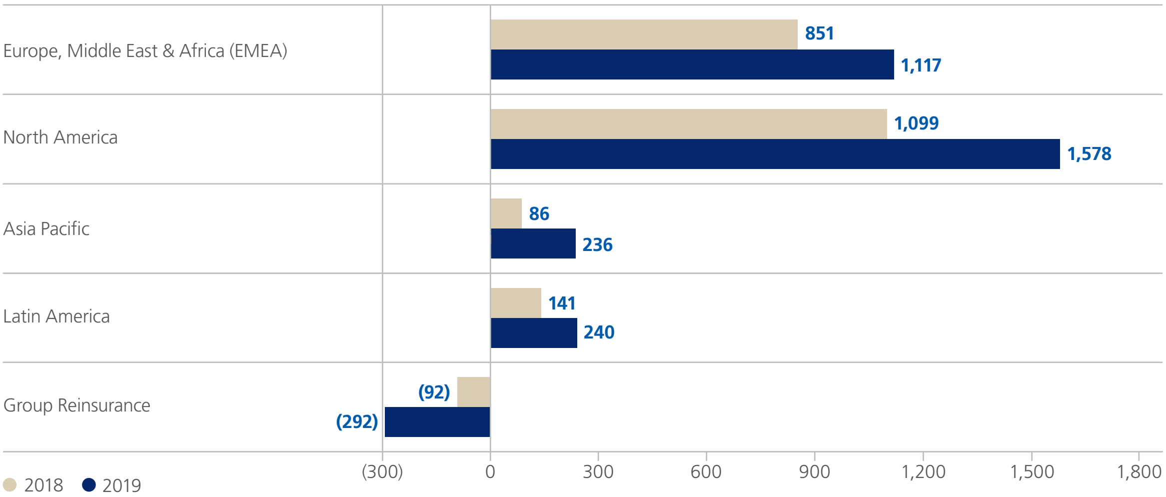
Net income attributable to shareholders (NIAS) increased 12 percent in the year 2019, with growth driven by the increase in business operating profit, higher realized gains, together with a reduction in the effective tax rate.

Operating update

Property & Casualty (P&C)

in USD millions, for the years ended December 31			Total
	2019	2018	Change
Gross written premiums and policy fees	34,184	33,505	2%
Net earned premiums and policy fees	25,608	26,431	(3%)
Insurance benefits and losses, net of reinsurance	16,475	17,291	5%
Net underwriting result	922	574	61%
Net investment result	2,171	1,884	15%
Business operating profit	**2,878**	**2,085**	**38%**
Loss ratio	64.3%	65.4%	1.1 pts
Expense ratio	32.1%	32.4%	0.3 pts
Combined ratio	**96.4%**	**97.8%**	**1.4 pts**

P&C business operating profit (BOP)
in USD millions, for the years ended December 31



Property & Casualty gross written premiums returned to growth in 2019, increasing 2 percent on a reported basis in U.S. dollars terms and 6 percent on a like-for-like basis, after adjusting for closed acquisitions and disposals and currency movements. Underlying growth was achieved in all regions.

Net earned premiums for the year decreased 3 percent in U.S. dollars and increased 1 percent on a like-for-like basis, with growth impacted by the earn-through of reductions in gross written premiums in the prior year and changes in reinsurance programs.

Business operating profit for the year ended December 31, 2019 was USD 2.9 billion, 38 percent higher than in the previous year, showing a strong performance across all regions. The strong regional performance was partly offset by higher losses in the Group Reinsurance unit.

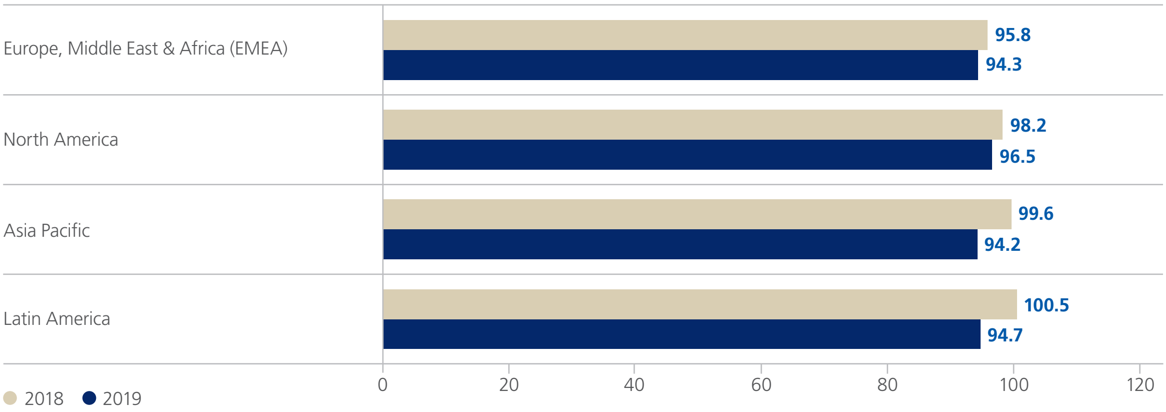
The combined ratio improved by 1.4 percentage points to 96.4 percent in 2019, leading to a USD 348 million increase in the net underwriting result to USD 922 million.

Investment income increased by 1 percent, with growth in investment income in North America and Latin America more than offsetting a decline in Europe, Middle East & Africa (EMEA). The strong performance of financial markets in 2019 led to an increase in fair value gains on the Group's hedge fund portfolio amounting to USD 211 million compared to a loss of USD 48 million in 2018.

The contribution of other items, which include the net non-technical result and non-controlling interests, was USD 158 million higher than in the previous year, mainly driven by the absence of major restructuring charges included within business operating profit and a foreign exchange gain of USD 29 million.

Operating update (continued)

P&C combined ratio
%, for the years ended December 31



The EMEA combined ratio of 94.3 percent for 2019 was 1.5 percentage points lower than in 2018, with improvement in the expense ratio and higher prior year reserve releases the main drivers.

In North America, the combined ratio was 96.5 percent, 1.7 percentage points below 2018, with a lower level of natural catastrophes and weather-related events in 2019 more than offsetting weaker results from the crop insurance portfolio.

The Asia Pacific combined ratio reduced by 5.3 percentage points to 94.2 percent, mainly due to improvements in other underwriting expenses and a lower level of natural catastrophes and weather-related events.

In Latin America, the combined ratio of 94.7 percent was 5.8 percentage points lower than in 2018, driven mainly by an improved accident year loss ratio in Mexico and Argentina and higher prior year reserve releases.

Operating update (continued)

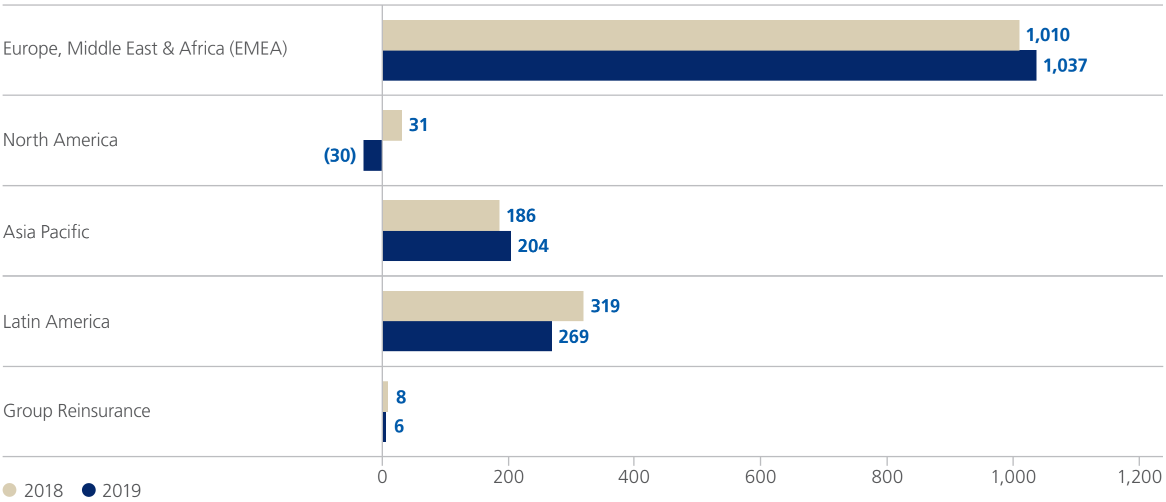
Life

in USD millions, for the years ended December 31	**2019**	2018	Change
Insurance deposits	18,328	18,694	(2%)
Gross written premiums and policy fees	15,151	14,754	3%
Net investment income on Group investments	2,915	3,035	(4%)
Insurance benefits and losses, net of reinsurance	(10,190)	(9,702)	(5%)
Business operating profit	**1,486**	**1,554**	**(4%)**
Net policyholder flows[1]	6,320	7,425	(15%)
Assets under management[2]	275,423	254,248	8%
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts (net reserves)	226,765	202,024	12%

[1] Net policyholder flows are defined as the sum of gross written premiums and policy fees and deposits, less policyholder benefits.
[2] 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.

Life business operating profit (BOP)

in USD millions, for the years ended December 31



Life delivered a strong underlying performance against a strong 2018 result. Business operating profit decreased 4 percent to USD 1.5 billion due to a strengthening of the U.S. dollar against a number of key currencies compared to 2018 and increased 2 percent on a like-for-like basis, after adjusting for closed acquisitions and disposals and currency movements. Net positive one-off items included within the 2019 results were also lower than in the prior year.

In EMEA, business operating profit increased 3 percent in U.S. dollars and 9 percent on a like-for-like basis. Underlying growth was driven by a combination of business mix, expense savings, together with a number of favorable one-off items amounting to USD 54 million.

In Latin America, business operating profit decreased 16 percent in U.S. dollars compared to an increase of 6 percent on a like-for-like basis as a result of the devaluation of several Latin American currencies. Growth in the largest market Brazil was partially offset by higher claims in corporate protection business in Chile.

Asia Pacific business operating profit increased 10 percent in U.S. dollars, with a decrease of 4 percent on a like-for-like basis. The underlying reduction was driven primarily by weaker results in Australia which more than offset a gain related to the sale and lease-back of an own-use property.

In North America, earnings decreased by USD 61 million due to a combination of higher mortality claims and unfavorable assumption updates which offset a positive change in reserving methodology.

Net inflows decreased 15 percent compared to the prior year. The decline was primarily driven by lower volumes of savings business in EMEA which were only partially offset by higher volumes of unit-linked business in Latin America.

Assets under management increased 8 percent, mainly due to favorable market movements compared to 2018.

Operating update (continued)

NBV, APE and NBM by Segment

in USD millions, for the years ended December 31

	New business value, after tax (NBV)[1]		New business annual premium equivalent (APE)[2]		New business margin, after tax (as % of APE) (NBM)[3]	
	2019	2018	**2019**	2018	**2019**	2018
Europe, Middle East & Africa (EMEA)	576	619	2,760	2,890	21.9%	22.8%
North America	49	15	139	82	35.2%	18.3%
Asia Pacific	211	186	268	231	79.9%	82.2%
Latin America	140	161	1,164	1,437	18.9%	15.3%
Total	**976**	**981**	**4,331**	**4,639**	**25.8%**	**24.1%**

[1] New business value is calculated on embedded value principles net of non-controlling interests.
[2] APE is shown gross of non-controlling interests.
[3] 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.

2019 Life new business annual premium equivalent (APE) decreased 7 percent in U.S. dollars and 3 percent on a like-for-like basis.

In EMEA, like-for-like APE was flat as strong growth in the corporate pension business in Switzerland, higher unit linked sales in Italy, and higher retail protection sales in the UK were offset by the absence of a large corporate protection scheme concluded in 2018.

In Latin America APE sales decreased 15 percent on a like-for-like basis. Strong growth in Brazil was more than offset by the absence of a large corporate protection scheme in Chile written in 2018 and which is offered for tender every two years.

APE sales in Asia Pacific remained flat on a like-for-like basis. Growth in protection business in most countries was offset by lower sales in Japan.

North America APE grew 30 percent on a like-for-like basis with growth in all product lines.

New business value (NBV) increased 4 percent on a like-for-like basis and decreased 1 percent in U.S. dollars. Underlying improvements in business and country mix as well as positive operating assumptions were partially offset by adverse economic assumption updates.

EMEA and Latin America saw a decrease of NBV mainly due to adverse changes in economic assumptions and unfavorable foreign exchange movements.

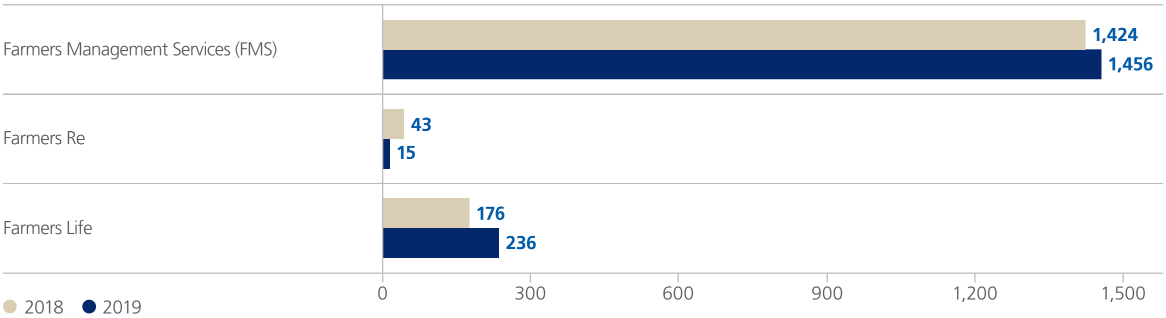
In APAC, the increase in NBV was largely driven by positive operating assumption changes. The North America NBV increased due to higher volumes and a favorable business mix.

The new business margin improved by 1.8 percentage points to 25.8 percent driven by the improvement in NBV.

Operating update (continued)

Farmers

Farmers business operating profit (BOP)
in USD millions, for the years ended December 31



Farmers Management Services (FMS) business operating profit grew 2 percent in 2019. This was driven by 1 percent growth in the gross management result, in line with the development of the Farmers Exchanges' gross earned premiums, and a USD 19 million favorable mark-to-market impact on a deferred compensation plan, compared with a USD 10 million unfavorable impact in 2018. The managed gross earned premium margin remained stable at 7.0 percent.

Farmers Re business operating profit of USD 15 million was USD 28 million lower than in 2018. This reflects the ongoing impact of the reduction in the all-lines quota share participation, further reduced to 0.25 percent effective December 31, 2019, as well as higher natural catastrophe losses and adverse prior year development from periods with a higher quota share participation.

Farmers Life business operating profit of USD 236 million was USD 59 million higher than in the prior year. Results benefited from a combination of continued growth in the in-force portfolio, favorable experience and a positive year-over-year impact from annual assumption updates. Within this, favorable mortality experience and lower amortization of deferred acquisition costs accounted for around half of the improvement.

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 years ended December 31	**2019**	2018	Change
Gross written premiums	20,656	20,325	2%
Gross earned premiums	20,441	20,171	1%

The Farmers Exchanges showed continued growth in top-line through 2019. Gross written premiums increased by 2 percent with growth across all lines of business. Growth was also supported by the expansion of the Farmers Exchanges in the Eastern U.S., with gross written premiums up 6 percent in the expansion states, and a broadening of the agreement with Uber to provide commercial rideshare insurance in twelve additional states and the District of Columbia, building on the experience in the two states of Pennsylvania and Georgia.

Operating update (continued)

Group Functions and Operations

in USD millions, for the years ended December 31	**2019**	2018	Change
Holding and Financing	(449)	(443)	(1%)
Headquarters	(268)	(310)	14%
Total business operating profit	**(716)**	**(753)**	**5%**

The business operating loss reported under Group Functions and Operations improved by USD 36 million to USD 716 million. This was driven by a USD 43 million reduction in headquarter expenses, while Holding and Financing costs remained in line with the prior year.

Non-Core Businesses

in USD millions, for the years ended December 31	**2019**	2018	Change
Zurich Legacy Solutions	(49)	43	nm
Other run-off	(3)	(7)	59%
Total business operating profit	**(52)**	**37**	**nm**

Non-Core Businesses, which comprise run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported an operating loss of USD 52 million. The loss primarily reflected the net impact of previously announced transactions to exit legacy portfolios related to UK employers' liability, U.S. asbestos and environmental business, and German professional architects' and engineers' professional indemnity, as well as reserve strengthening in selected portfolios.

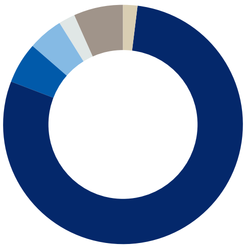
Financial update

Balance sheet review

The total assets for the Group increased to USD 405 billion in 2019 from USD 395 billion in 2018. In 2019, there was an increase in total investments as market valuations improved, particularly in debt and equity securities and investments for unit-linked contracts. This is partially offset by a reduction in other assets as assets held for sale decreased following the divestment of certain businesses in the UK. Additionally, upon adoption of IFRS 16 'Leases' in January 2019, the Group recognized a Right-of-use asset (RoU) of USD 1.4 billion and the Group's 2019 acquisitions added USD 977 million of goodwill.

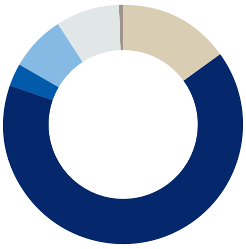
These factors also drove an increase in the total liabilities for the Group to USD 368 billion from USD 364 billion in 2018.

Group assets
Total assets as of December 31, 2019
(in USD millions)



Cash and cash equivalents	7,880
Total investments	319,523
Reinsurers' share of liabilities	22,752
Deferred policy acquisition costs	19,207
Goodwill and other intangible assets	8,968
Other assets	26,357

Group liabilities and equity
Total liabilities and equity as of December 31, 2019
(in USD millions)



Liabilities for investment contracts	61,761
Liabilities for insurance contracts	264,140
Debt	11,999
Other liabilities	30,238
Shareholders' equity	35,004
Non-controlling interests	1,545

The Group's shareholder equity increased to USD 35 billion in 2019 from USD 30 billion in 2018. The increase primarily resulted from unrealized gains on available-for-sale investments. The Group's 2019 net income attributable to shareholders of USD 4.1 billion was offset by a dividend payment of USD 2.8 billion.

Treasury and capital management

The Group's balance sheet remains very strong, as demonstrated by S&P and Moody's financial strength ratings for the Zurich Insurance Company Ltd of AA- (positive outlook) and Aa3 (stable outlook), respectively. In addition, as of December 31, 2019, the Group's estimated Z-ECM ratio remained very strong at 129 percent, with an error margin of +/–5 percentage points.

During the year the Group saw net cash remittances of USD 3.4 billion, with total remittances over the 2017–2019 period of USD 10.9 billion, a level consistent with the Group's target for remittances to exceed USD 9.5 billion over this period. The level of remittances has been driven both by core remittances from operational earnings and capital released by management actions.

Net cash remittances by business
for the year ended December 31, 2019 (in USD millions)

Property & Casualty	2,262
Life	943
Farmers	1,217
Non-Core Businesses	(94)
Group Functions and Operations	(928)

Financial update (continued)

Significant transactions in 2019

The Group continued to drive its strategic objectives of investing to improve the quality of service and experience of our customers and becoming a more agile organization.

In May 2019 the Group completed the acquisition of 100 percent of the Australian life and consumer credit insurance business (OnePath Life and OnePath General Insurance) of Australia and New Zealand Banking Group Limited (ANZ) for USD 1.4 billion, making Zurich one of the largest Life insurance players in Australia. As part of the transaction, Zurich will enter into a 20-year strategic alliance agreement with ANZ in Australia to distribute life insurance products through ANZ bank channels.

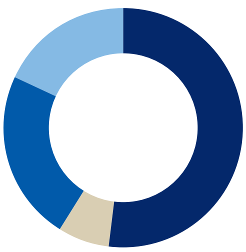
The Group continues to focus on growth opportunities in the Asia Pacific region. In November 2019 the Group completed the acquisition to acquire 80 percent of Adira Insurance from Bank Danamon Indonesia and a minority investor for approximately USD 465 million. The acquisition includes a 20-year distribution agreement.

Being a responsible taxpayer

As part of Zurich's tax strategy, the Group strives to manage tax costs and control associated risks for the benefit of its customers, employees, shareholders and for society as a whole. The Group employs rigorous tax accounting and reporting oversight. The location of Group subsidiaries and affiliated companies is driven by business reasons and not the avoidance of tax. The Group's consolidated result includes only a very limited number of companies located in low or nil tax rate jurisdictions and in all cases these carry out operative insurance, reinsurance and asset management activities.

Total tax contribution reflects Zurich's economic contribution to the economy in taxes – the direct and indirect taxes paid by Zurich ('tax borne by the shareholders') and those taxes that Zurich is legally obliged to collect on behalf of the tax administrations ('tax collected'):

Taxes borne by Shareholders
Total 2018: USD 2.1bn
(all numbers based on IFRS excluding deferred income tax)



Shareholder income tax	52%
Stamp duty and other taxes	7%
Employer social security	23%
Irrecoverable VAT	18%

Taxes collected
Total 2018: USD 6bn
(all numbers based on IFRS excluding deferred income tax)

Employee social security	7%
Other taxes (incl. WHT)	22%
Payroll tax	17%
PH income and other taxes	9%
Premium tax	36%
VAT declared	10%

See more details on our tax strategy in our Sustainability pages at www.zurich.com.

The shareholders' effective tax rate decreased to 23.6 percent for the period ended December 31, 2019 compared with 24.9 percent for the same period of 2018. The decrease was driven primarily by one-off tax benefits through the recalibration of net deferred tax liabilities arising from the Swiss corporate tax reform enacted in 2019, under which Swiss profits of the Group are now taxed at 21.0 percent, compared with 22.0 percent in previous years.

Message from our Group Chief Investment Officer

Strong performance across asset classes supports investment return

“We continue delivering attractive returns while maintaining discipline and focusing on the quality of our investment portfolios.”

Urban Angehrn
Group Chief Investment Officer

Solid net investment income of USD 5.3 billion and exceptional total investment return of 8.2 percent contributed strongly to Group financial performance in 2019.

Policy easing drives markets higher

2019 was an extraordinary year in capital markets. Many asset classes posted new records despite slowing global growth, social unrest and geopolitical friction. Government bonds, credit, equities and real estate all performed strongly, driven in large part by a profound shift toward policy easing by central banks. Amid fears of a manufacturing recession and escalating trade tensions, yields decreased markedly, with some sovereign bond yield curves dropping below zero. As a result, the levels of negative-yielding debt reached an all-time high. For institutional investors such as Zurich, with about 80 percent of assets invested in fixed income, such developments presented challenges when investing their cash flow and managing assets against liabilities.

Total investments[1]
(%)

Credit, private debt	**44.2%**
Government and government guaranteed	**34.1%**
Real estate	**7.2%**
Cash	**5.2%**
Equities	**5.2%**
Mortgages	**2.4%**
Hedge funds, private equity	**1.7%**

[1] Market value of the investment portfolio (economic view).

Message from our Group Chief Investment Officer

Solid investment result

Despite lower yields and volatile markets, we achieved USD 5.3 billion of net investment income (NII), 2 percent lower than in 2018 in U.S. dollar terms. Excluding currency effects, NII increased by 5 percent. We achieved this strong performance through a combination of higher business inflows, measures to preserve book yield, and by continuing to deploy our strategy to increase allocation into illiquid assets such as real estate and private debt.

Net capital gains totaled USD 2.1 billion, USD 1.2 billion higher than in 2018. The increase was largely driven by turnover in the equity portfolio in a rallying market, and by gains realized from several real estate transactions. Overall, full-year total investment return reached an exceptional level of 8.2 percent.

Focus on portfolio quality and investment discipline

We aim to generate superior risk-adjusted investment returns relative to liabilities. To achieve this, disciplined risk-taking and a focus on portfolio quality are key imperatives. Zurich's fixed income portfolio remains of a very high quality with investment-grade securities making up 95 percent of the total. Our credit portfolio is well-diversified across investment segments and issuers: more than 93 percent of this portfolio consists of investment grade securities and 61 percent of the portfolio has a credit rating of at least 'A.'

We are disciplined in growing our private debt portfolio by, for instance, investing in well-diversified senior corporate loans, AAA-rated tranches of collateralized loan obligations, and infrastructure debt investments. In 2019 our allocation to this asset class comprised slightly more than 5 percent of Zurich's total investment portfolio. Our high-quality real estate portfolio expanded to USD 14.8 billion[2] and now constitutes 7.2 percent of our investment assets.

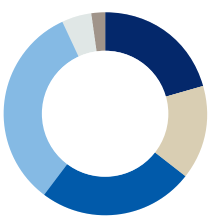
Doing well and doing good

2019 was an important year for our responsible investment strategy. Our allocation to impact investments increased to USD 4.6 billion, of which USD 3.6 billion was held in green, social and sustainability bonds. We also developed an innovative framework that allows us to measure the social and environmental impact of our impact investment portfolio. And Zurich has joined the UN Net-Zero Asset Owner Alliance as a founding member, committing to a zero-emission portfolio of investments by 2050. I am proud of these achievements. These are tangible steps toward Zurich's ambition to become one of the most responsible and impactful businesses in the world.

[2] incl. own-use real estate

Urban Angehrn
Group Chief Investment Officer

Rating of credit, private debt securities
(%)



USD 91bn
in 2019

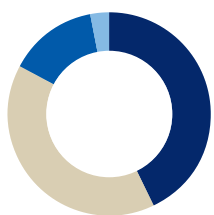
AAA	21%
AA	15%
A	25%
BBB	33%
Non-investment grade	5%
Unrated	2%

Credit and private debt
(%)

USD 91bn
in 2019

Non-Financial Credit	31%
Financial Credit	22%
Municipals, Agencies, State Credit	18%
Other	12%
Asset Backed Securities	10%
Covered Bonds	8%

Direct investment real estate
(%)



USD 13bn
in 2019

Europe	43%
Switzerland	40%
United States	14%
Other	3%

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