

Letter to Shareholders 2015

Results for the six months to June 30, 2015



Dear Shareholder,

For the six months to June 30, 2015, we reported a business operating profit¹ (BOP) of USD 2.2 billion, a decrease of 15 percent compared with the same period of 2014. Net income attributable to shareholders decreased by 3 percent to USD 2.1 billion compared with the previous year.

While the positive trend in Global Life and Farmers² has continued, with these businesses delivering good results, the profitability of our General Insurance business has been negatively affected by higher-than-expected large losses, particularly in the UK and within Global Corporate's U.S. operations, and a higher expense ratio.

General Insurance's BOP fell by USD 515 million to USD 1.2 billion, a 31 percent decrease in the first six months of 2015. Global Life achieved a 6 percent increase in BOP, which grew by USD 39 million to USD 673 million, while maintaining its focus on priority markets

and achieving greater value from in-force business. Farmers continued its positive momentum, although BOP was slightly lower at USD 719 million, a decrease of USD 36 million or 5 percent.

Cash remittances are expected to exceed USD 3.5 billion for the full year and USD 10 billion for the period 2014–2016, well ahead of our target of USD 9 billion.

Our priority is to carry out our 2014–2016 strategy, which focuses on three cornerstones: prioritizing investment in distinctive positions, managing other businesses for value and growing our operating earnings.

Investing in distinctive positions

We are implementing our customer strategies in the corporate market, commercial mid-market and select retail markets. One example of how we are strengthening our ties to corporate customers is through a combined market



Tom de Swaan and Martin Senn

¹ Business operating profit indicates the underlying performance of the Group's business units by eliminating the impact of financial market volatility and other non-operational variables.

² The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims administrative and management services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

approach between Global Corporate and Corporate Life & Pensions. By early June, these businesses achieved over 100 new combined, or 'cross-sell' customer agreements against a target of 150 for the full year.

In retail markets, examples include our agreement with Brazilian retailer Via Varejo for exclusive sale of extended warranty insurance. And in Spain our recently-extended distribution partnership with Banco Sabadell is progressing well, helping us to reach an additional 2.4 million customers.

Managing other businesses for value

In the businesses we are managing for value, we have made good progress, including in generating the most value from Global Life's in-force business. One example of this is a successful initiative by Farmers New World Life to reduce policy lapse rates.

We are also exiting non-core or under-performing businesses. In the UK, Zurich is selling part of its legacy annuities business to life insurer Rothersey Life, pending regulatory and court approvals. Subject to regulatory approval, Zurich is also selling a non-strategic majority stake in UK investment company 7IM Holdings Ltd.

Growing our operating earnings

We announced in May that we plan to achieve cost savings of around USD 300 million by the end of 2016. These savings form part of a longer-term transformation plan as the company sees the opportunity to increase net new annual efficiency gains to at least USD 1 billion by the end of 2018.

These efforts to achieve savings and increase efficiency include consolidating the number of data centers that serve our needs. We are also reducing the own-use properties that we own, renegotiating leases, and cutting the number of telecommunications and network suppliers we depend upon. And our Zurich Way of Working program aims to create a customer-focused, efficient way of working Group-wide, while increasing employees' motivation and job satisfaction.

Leadership appointments

Cecilia Reyes was named Chief Risk Officer in July to succeed Axel Lehmann, who is stepping down and will leave Zurich at the end of 2015 after nearly 20 years of service. We would like to thank Axel for his long service and outstanding contributions to the Group. Urban Angehrn, former Head of Alternative Investments, has succeeded Cecilia as Chief Investment Officer and has joined the Group Executive Committee.

Corporate responsibility

Our green bonds program reached a new milestone: we have now invested USD 750 million in these bonds, which finance green energy and other sustainability projects. And we have now trained 350 people in our investment management team worldwide, as well as external asset managers, in Zurich's approach to including environmental, social and governance matters in investment decisions.

Our flood resilience program continues to achieve good results. We are now active in Mexico, Indonesia, Peru and Nepal, and Zurich employees

are working in all these countries on secondment. We are applying our risk expertise to understand floods and how we can better prepare for floods in future.

Looking ahead

In July we announced that we are evaluating a potential offer for UK-based insurer RSA Insurance Group plc. We believe that a transaction could bring significant benefits to us and to our investors, in terms of the complementary fit of RSA's business with our own operations, and in terms of financial benefits. But any capital deployment would need to meet the same hurdles that we apply to any other investment.

We remain committed to our 2014–2016 targets. We will continue to update you on our progress and thank you for your continued support.



For more on Zurich's financial performance, please visit our website at www.zurich.com where you can find detailed press releases in German and English. You can also find more financial reports and presentations in English in the investor relations section of our website at: www.zurich.com/investors

 www.zurich.com

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Tom de Swaan".

Tom de Swaan
Chairman of the
Board of Directors

A handwritten signature in blue ink, appearing to read "Martin Senn".

Martin Senn
Chief Executive Officer

Financial highlights (unaudited)

in USD millions, for the six months ended June 30, unless otherwise stated	H1 2015	H1 2014	Change in USD ¹
Business operating profit	2,238	2,621	(15%)
Net income attributable to shareholders	2,059	2,123	(3%)
General Insurance gross written premiums and policy fees	18,669	19,995	(7%)
Global Life gross written premiums, policy fees and insurance deposits	14,833	14,221	4%
Farmers Management Services management fees and other related revenues	1,380	1,391	(1%)
Farmers Re gross written premiums and policy fees	1,126	1,960	(43%)
General Insurance business operating profit	1,166	1,681	(31%)
General Insurance combined ratio	98.3%	95.7%	(2.6 pts)
Global Life business operating profit	673	634	6%
Global Life new business annual premium equivalent (APE) ²	2,443	2,373	3%
Global Life new business margin, after tax (as % of APE) ²	18.9%	23.2%	(4.3 pts)
Global Life new business value, after tax ²	411	487	(15%)
Farmers business operating profit	719	756	(5%)
Farmers Management Services gross management result	654	674	(3%)
Farmers Management Services managed gross earned premium margin	7.0%	7.3%	(0.3 pts)
Average Group investments	200,752	211,012	(5%)
Net investment result on Group investments	4,023	4,369	(8%)
Net investment return on Group investments ³	2.0%	2.1%	(0.1 pts)
Total return on Group investments ³	0.1%	4.8%	(4.7 pts)
Shareholders' equity ⁴	31,883	34,735	(8%)
Swiss Solvency Test capitalization ratio ⁵	196%	215%	(19.0 pts)
Diluted earnings per share (in USD)	13.73	14.31	(4%)
Diluted earnings per share (in CHF)	12.99	12.74	2%
Book value per share (in CHF) ⁴	200.23	232.65	(14%)
Return on common shareholders' equity (ROE) ⁶	14.2%	13.9%	0.2 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) ⁶	11.6%	12.5%	(0.9 pts)

The table above presents the summarized consolidated results of the Group for the six months ended June 30, 2015 and 2014, and the financial position as of June 30, 2015 and December 31, 2014 respectively. Interim results are not necessarily indicative of full year results. All amounts are shown in USD millions and rounded to the nearest million unless otherwise stated with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amount rather than the rounded amount. This document should be read in conjunction with the Annual Report 2014 for Zurich Insurance Group available on www.zurich.com and with its unaudited consolidated financial statements for the six months ended June 30, 2015.

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 2014. 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 Calculated on average Group investments.

⁴ As of June 30, 2015 and December 31, 2014, respectively.

⁵ Ratios as of January 1, 2015 and July 1, 2014, respectively. The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, and both the ratio and the internal model are subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). The ratio is filed with FINMA bi-annually.

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.

Contact

For more information please visit:
www.zurich.com/shareholder-information

Registered Office

Zurich Insurance Group Ltd
Mythenquai 2, 8002 Zurich,
Switzerland

Disclaimer and cautionary statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives of Zurich Insurance Group Ltd or the Zurich Insurance Group (the Group). Forward-looking statements include statements regarding the Group's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding the Group's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Insurance Group Ltd or the Group to differ materially from those expressed or implied in the forward-looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of a global economic downturn; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; and (viii) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. Zurich Insurance Group Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

Zurich Insurance Group
Mythenquai 2
8002 Zurich, Switzerland
Phone +41 (0)44 625 25 25
www.zurich.com

Financial Calendar

Half Year Report 2015 – August 19, 2015
Results for the nine months
to September 30, 2015 – November 5, 2015
Annual Results 2015 – February 11, 2016
Annual General Meeting 2016 – March 30, 2016
Results for the three months
to March 31, 2016 – May 12, 2016
Half year results 2016 – August 11, 2016
Results for the nine months
to September 30, 2016 – November 10, 2016

Note: all dates are subject to change

All references to 'Farmers Exchanges' mean Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange and their subsidiaries and affiliates. The three Exchanges are California domiciled interinsurance exchanges owned by their policyholders with governance oversight by their Boards of Governors. Farmers Group, Inc. and its subsidiaries are appointed as the attorneys-in-fact for the Farmers Exchanges and in that capacity provide certain non-claims administrative and management services to the Farmers Exchanges. Neither Farmers Group, Inc., nor its parent companies, Zurich Insurance Company Ltd and Zurich Insurance Group Ltd, have any ownership interest in the Farmers Exchanges. 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 Reinsurance Company.

It should be noted that past performance is not a guide to future performance. Please also note that interim results are not necessarily indicative of full year results.

Persons requiring advice should consult an independent adviser. This communication does not constitute an offer or an invitation for the sale or purchase of securities in any jurisdiction.

THIS COMMUNICATION DOES NOT CONTAIN AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES; SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR EXEMPTION FROM REGISTRATION, AND ANY PUBLIC OFFERING OF SECURITIES TO BE MADE IN THE UNITED STATES WILL BE MADE BY MEANS OF A PROSPECTUS THAT MAY BE OBTAINED FROM THE ISSUER AND THAT WILL CONTAIN DETAILED INFORMATION ABOUT THE COMPANY AND MANAGEMENT, AS WELL AS FINANCIAL STATEMENTS.

The Letter to Shareholders is published in English and German. In the event of inconsistencies in the German translation, the English original version shall prevail.



ZURICH[®]