

Strong half-year results as second-quarter operating profits rise 13%

- Q2 business operating profit (BOP) rose 13% to USD 1.2 billion and Q2 net income after tax attributable to shareholders increased 21% to USD 896 million
- Property & Casualty (P&C) combined ratio (excluding Ogden¹) improved by 0.3 percentage points to 97.8%, compared to full year 2016
- Life continued to perform strongly with BOP of USD 650 million, up 16% in the first half with margin expansion and positive contribution from growing bank distribution channel
- Farmers delivered continued growth in fee income while the underwriting performance of the Farmers Exchanges² improved significantly
- On track to deliver on 2017 to 2019 targets with around USD 550 million in cost savings achieved, a 12.5% BOPAT ROE (excluding Ogden¹) and an estimated Zurich Economic Capital Model (Z-ECM) ratio of 134%³

Select financial highlights (unaudited) – half year (H1) and second quarter (Q2) of 2017

(For a more comprehensive set of financial highlights covering the six months ended June 30, see page 7)

in USD millions, for the six and three months ended June 30, unless otherwise stated	H1 2017	H1 2016	Change in USD ⁴	Q2 2017	Q2 2016	Change in USD ⁴
Business operating profit (BOP), excluding Ogden ¹	2,456	2,163	14%	1,238	1,096	13%
Business operating profit (BOP), including Ogden ¹	2,167	2,163	0%	1,238	1,096	13%
Net income after tax attributable to shareholders (NIAS)	1,503	1,613	(7%)	896	739	21%
Business operating profit (after tax) return on common shareholder's equity (BOPAT ROE), excluding Ogden ¹	12.5%	11.2%	1.3 ppts	12.5%	11.4%	1.1 ppts

“I am very pleased to report results that show what dedicated people can accomplish in a relatively short time, as we were able to grow our businesses in local currencies, improve our underwriting and expand our customer reach, all while reducing our cost base,” said Group Chief Executive Officer Mario Greco. “Based on that performance, we are confident that we will maintain this positive momentum, which positions us well to improve our shareholders’ returns and drive sustainable dividend growth.”

Zurich is delivering on the four targets for 2017 to 2019 that were presented at the Group’s investor day in November 2016. Excluding Ogden¹, the Group’s business



operating profit after tax return on equity (BOPAT ROE) was 12.5%, ahead of the target of over 12% and growing over the period. Cumulative cost savings of around USD 550 million have been achieved towards the target of USD 1.5 billion by 2019 against the 2015 baseline, with the benefits from additional actions that are underway expected to flow through by the end of the year. Cash remittances for the first half of the year are in line with the target to achieve in excess of USD 9.5 billion over the 2017 to 2019 period, and the estimated Z-ECM ratio stands at 134%³, above the 100-120% target range.

In terms of business highlights, the acquisition of the Cover-More Group Limited in Australia, a leading travel insurer, and Halo Insurance Services Limited, a specialist UK-based online rental car insurance platform, expanded the Group's personal lines offerings and distribution channels while solidifying Zurich's position as a leading global travel insurance provider. In addition, a new and exclusive distribution agreement was signed in May with Standard Chartered to provide life insurance solutions to its customers in the United Arab Emirates. This further underpins Zurich's position as a leader in bancassurance, while contributing to volumes and margin growth in the Life business.

Business performance *(for the half-year ended June 30, 2017)*

Property & Casualty

in USD millions, for the six months ended June 30, unless otherwise stated

	2017	2016	Change in USD ⁴	Change in LC ⁴
P&C gross written premiums and policy fees	18,005	18,517	(3%)	(1%)
P&C business operating profit, excluding Ogden ¹	1,229	1,204	2%	6%
P&C business operating profit	1,020	1,204	(15%)	(13%)
P&C combined ratio	99.5%	98.1%	(1.4 pts)	

- **Improved underwriting results, lower absolute expenses and stable customer retention**

Property & Casualty (P&C) business operating profit for the six months ended June 30 rose 2% in U.S. dollar terms, and 6% on a local currency basis, to USD 1.2 billion,

excluding the impact of the Ogden¹ discount rate in the UK announced in the first quarter, while the combined ratio for the half-year strengthened by 0.3 points over the full-year 2016 to 97.8%. Including Ogden, BOP fell by USD 184 million to USD 1.0 billion.

The stronger underlying performance over the half year reflects rate actions, a declining cost base over the period and an improved underwriting result. The accident year loss ratio excluding catastrophes for the period improved by 0.6% points over the full-year 2016 result, driven by the continued underwriting measures taken by the Group. The impact from natural catastrophes was slightly higher than seasonal expectations, while reserves remained strong over the half year.

On a like-for-like basis, excluding foreign exchange movements and businesses exited in South Africa, Morocco, Middle East and Taiwan, gross written premiums and policy fees were up slightly on a local currency basis, reflecting a targeted approach to reshaping the portfolio. In U.S. dollar terms premiums were down 3% or USD 512 million. Overall, rates rose by around 1% in the first half year of 2017 despite challenging market conditions.

Life

in USD millions, for the six months ended June 30, unless otherwise stated	2017	2016	Change in USD ⁴	Change in LC ⁴
Life gross written premiums, policy fees and insurance deposits	14,361	14,842	(3%)	0%
Life business operating profit	650	562	16%	18%
Life new business annual premium equivalent (APE)	2,275	2,203	3%	7%
Life new business margin, after tax (as % of APE)	25.3%	23.9%	1.5 ppts	
Life new business value, after tax	503	453	11%	14%

- **Continued strong performance and increased new business value with growing margins due to improved product mix and higher yields**

Life continues to deliver on its unit-linked and protection-oriented strategy with BOP up 16% or USD 88 million to USD 650 million in U.S. dollar terms, and 18% in local currency, with increases in all segments on a local currency basis. The Asia Pacific

region was the strongest driver of this growth, helped by the successful integration of the Macquarie Life retail insurance protection business in Australia and continued growth in Japan. Latin America also delivered strong growth, with increased BOP from Zurich Santander and Zurich branded businesses. In Europe, Middle East & Africa (EMEA), lower costs combined with growth in the UK, Ireland, Spain and Italy partly compensated for lower BOP across the rest of the region.

Gross written premiums, policy fees and insurance deposits decreased by USD 481 million to USD 14.4 billion, or by 3% in U.S. dollar terms. The Group's bancassurance joint ventures in Latin America and Spain continued to perform strongly, fueling a 32% increase in new business value across the bancassurance channel. On a local currency basis, there were improvements in Latin America, from higher sales of individual protection products in Zurich Santander and a large corporate contract in the Zurich branded business in Chile, and in Asia Pacific, where business has been growing. EMEA had a reduction in sales of individual savings products in Germany and Spain.

Farmers

in USD millions, for the six months ended June 30, unless otherwise stated	2017	2016	Change in USD ⁴
Farmers Management Services management fees and other related revenues	1,438	1,422	1%
Farmers Re gross written premiums and policy fees	772	759	2%
Farmers Life ⁵ gross written premiums and policy fees	438	439	(0%)
Farmers business operating profit	794	766	4%
Farmers Management Services gross management result	688	675	2%
Farmers Management Services managed gross earned premium margin	7.0%	7.0%	(0.0 ppts)

- **Continued growth in fee income at Farmers Management Services (FMS), a stronger underwriting result at Farmers Re and a stable performance from Farmers Life⁵**

BOP rose 4% from the prior year period to USD 794 million, driven by continued premium growth at the Farmers Exchanges², which are owned by their policyholders, and an improved underwriting result at Farmers Re.

Farmers Management Services BOP rose by USD 3 million to USD 700 million, largely due to an increase in fee income supported by higher gross earned premiums at the Farmers Exchanges². Rate and underwriting actions taken by the Farmers Exchanges² also contributed to a 4.1% improvement in the combined ratio of Farmers Re, which helped lift BOP at the reinsurer by USD 25 million to USD 6 million. New business value at Farmers Life⁵ increased by 16% to USD 49 million, mainly due to improved persistency and sales mix, while BOP remained stable at USD 87 million.

The **Non-Core Businesses**, which comprise run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported BOP of USD 83 million excluding Ogden¹, compared to USD 26 million in the prior year period. This was largely due to the release of long-term reserves as a consequence of a buy-back program for a variable annuity product in the U.S., lower expenses and reserve releases related to other products in run-off.

Group Functions & Operations reported a net operating expense of USD 301 million for the half year, an improvement of USD 95 million or 24% over the prior year period, largely due to lower holding and financing expenses and a net underlying reduction in expenses at Zurich's headquarters.

The **net investment result on Group investments**, which includes net investment income, realized net capital gains and losses and impairments, contributed USD 3.1 billion to the Group's total revenues for the first half of 2017, a net return of 1.6% (not annualized) compared to 1.9% in the prior year period.

Shareholders' equity increased by USD 56 million to USD 30.7 billion over the period after the payment of around USD 2.6 billion in dividends.



With effect from the third quarter, the Group intends to move to reporting full financial disclosure for the half-year and full-year only. For first and third quarter reporting, the Group will release a statement providing highlights for the quarter focusing on top-line development, together with qualitative comments on recent trading and market trends as well as the development of the Group's capital position and notable exceptional items. The Group will continue to host an analyst conference call with management in each quarter.

¹ Ogden is the discount rate for calculating personal injury and accident claims in the UK. A change to the rate in February had a USD 289 million impact on the Group's profitability in Q1. This commentary therefore focuses on operating results 'ex-Ogden' to more accurately reflect Zurich's performance in the first half of 2017.

² 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 administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

³ Reflects midpoint estimates as of June 30, 2017 with an error margin of +/- 5pts for Z-ECM.

⁴ Parentheses around numbers represent an adverse variance.

⁵ Reflects management view and contains the ongoing business and some closed books of Farmers New World Life Insurance Company

Financial highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the six months ended June 30, 2017 and June 30, 2016, and the financial position as of June 30, 2017 and December 31, 2016, 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 the Annual Report 2016 for the Zurich Insurance Group and with its consolidated financial statements 2016. 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 six months ended June 30, unless otherwise stated	2017	2016	Change ¹
Business operating profit (BOP)	2,167	2,163	0%
Net income attributable to shareholders (NIAS)	1,503	1,613	(7%)
P&C business operating profit	1,020	1,204	(15%)
P&C gross written premiums and policy fees	18,005	18,517	(3%)
P&C combined ratio	99.5%	98.1%	(1.4 pts)
Life business operating profit	650	562	16%
Life gross written premiums, policy fees and insurance deposit	14,361	14,842	(3%)
Life new business annual premium equivalent (APE) ²	2,275	2,203	3%
Life new business margin, after tax (as % of APE) ²	25.3%	23.9%	1.5 pts
Life new business value, after tax ²	503	453	11%
Farmers business operating profit	794	766	4%
Farmers Management Services management fees and other related revenues	1,438	1,422	1%
Farmers Management Services managed gross earned premium margin	7.0%	7.0%	(0.0 pts)
Farmers Re gross written premiums and policy fees	772	759	2%
Farmers Life new business annual premium equivalent (APE) ⁵	46	46	(0%)
Average Group investments ³	187,372	188,564	(1%)
Net investment result on Group investments	3,091	3,651	(15%)
Net investment return on Group investments ⁴	1.6%	1.9%	(0.3 pts)
Total return on Group investments ⁴	1.7%	4.9%	(3.2 pts)
Shareholders' equity ⁵	30,717	30,660	0%
Z-ECM ⁶	134%	125%	9.0 pts
Return on common shareholders' equity (ROE) ⁷	11.3%	11.9%	(0.6 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPATROE) ⁷	11.0%	11.2%	(0.2 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 the annual results 2016. 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 As of June 30, 2017 and December 31, 2016, respectively.

⁶ Ratios as of June 30, 2017 and December 31, 2016, respectively. Ratio for June 30, 2017 reflects midpoint estimate with an error margin of +/- 5 pts.

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 information](#) will be available from 06.45 CEDT on www.zurich.com. The Group's half year report 2017 will be published on www.zurich.com on August 23, 2017.

There will be a media conference call in English starting at 08.00 CEDT for questions by journalists to the Group Chief Executive Officer Mario Greco and Group Chief Financial Officer George Quinn. In addition, there will be a conference call Q&A session for analysts and investors starting at 13.00 CEDT. Media may listen in. A podcast of this Q&A session will be available from 17.00 CEDT.

Please dial-in to register 10 minutes prior to the start of the respective call.

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Zurich Insurance Group (Zurich) is a leading multi-line insurer that serves its customers in global and local markets. With about 54,000 employees, it provides a wide range of property and casualty, and life insurance products and services in more than 210 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. The Group is headquartered in Zurich, Switzerland, where it was founded in 1872. The holding company, 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 about Zurich is available at www.zurich.com.

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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 inter-insurance 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.

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