

# Credit investor update

November 2018

**Zurich Insurance Group**



# Our proposition to investors

**A HIGHLY STABLE AND CASH GENERATIVE BUSINESS MODEL, SUPPORTED BY:**

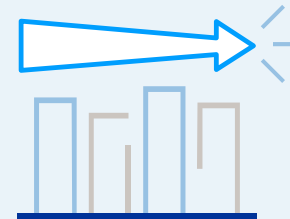
A balanced and diverse global business



Industry leading capital levels



Stable, consistent and conservatively managed balance sheet



Consistent growth with scope to enhance returns through capital re-deployment



**Providing security to debt investors and sustainable and growing dividends for equity investors**

# One of few genuinely global insurers

## FY-17 KEY FACTS

**USD 63bn** total revenues

**USD 315bn** total group and unit linked investments

**USD 3.8bn** business operating profit (BOP)

**USD 3.0bn** net income attributable to shareholders (NIAS)

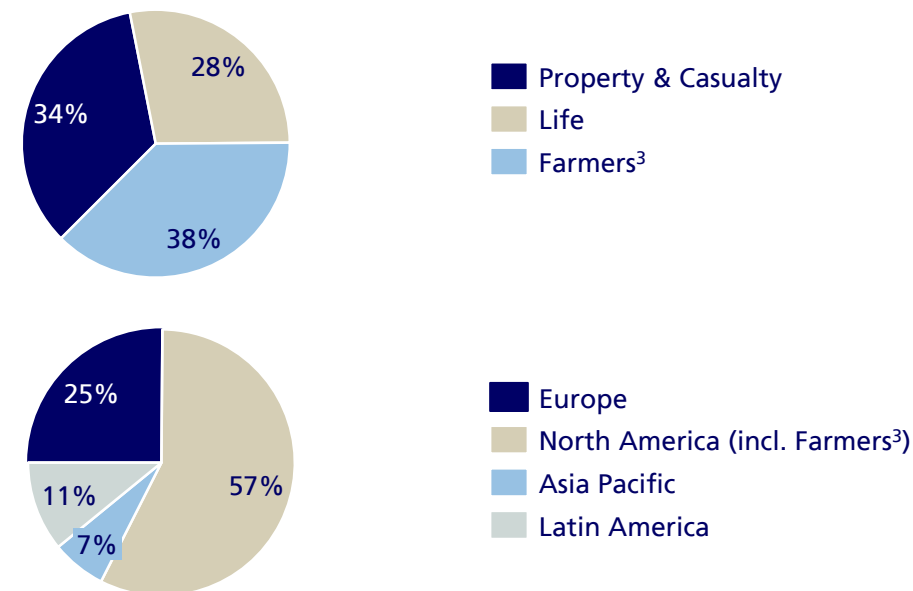
**216%** SST regulatory solvency ratio<sup>1</sup>

**134%** Zurich Economic Capital (Z-ECM) ratio calibrated to 'AA' rating (1 in 2000 year event), estimated as of Q3-18

**USD 33bn** shareholders' equity

**USD 46bn** market cap

## BOP BY BUSINESS AND REGION<sup>2</sup>



<sup>1</sup> The Swiss Solvency Test (SST) ratio is for the full year 2017. It is calculated based on the Group's internal model, which is subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). The ratio is filed with FINMA at the full year and is subject to its approval.

<sup>2</sup> BOP splits per business and region exclude Group Reinsurance, Group Functions and Operations and Non-Core Businesses.

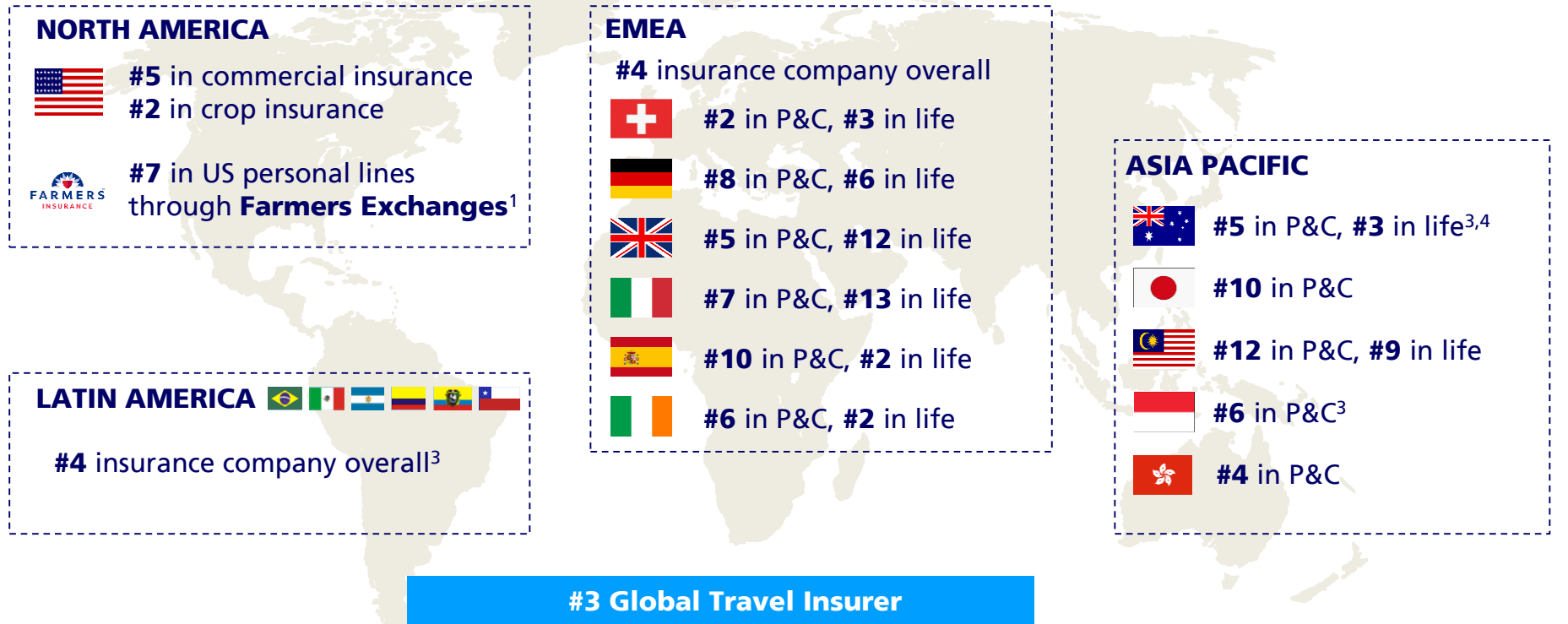
<sup>3</sup> Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services. Farmers BOP consists of Farmers Management Services and Farmers Re.

# Genuinely global franchise with distinct capabilities



## Top 3

cross-border insurer to multinational corporations<sup>2</sup>



#3 Global Travel Insurer

Source: Axco, Company reports and presentations, local statistics (2017 or most recent available), SNL Financial, Strategic Insight, Zurich internal data.

<sup>1</sup> See footnote 3 on page 3.

<sup>2</sup> Estimate based on annual reports and investor presentations.

<sup>3</sup> Pro-forma for the acquisition of the QBE operations in Latin America, OnePath Life in Australia and Adira Insurance in Indonesia.

<sup>4</sup> #1 in individual Life, #6 in group life.

# Strong capital position and cash generation



## VERY STRONG FINANCIAL STRENGTH



AA- / outlook 'stable'



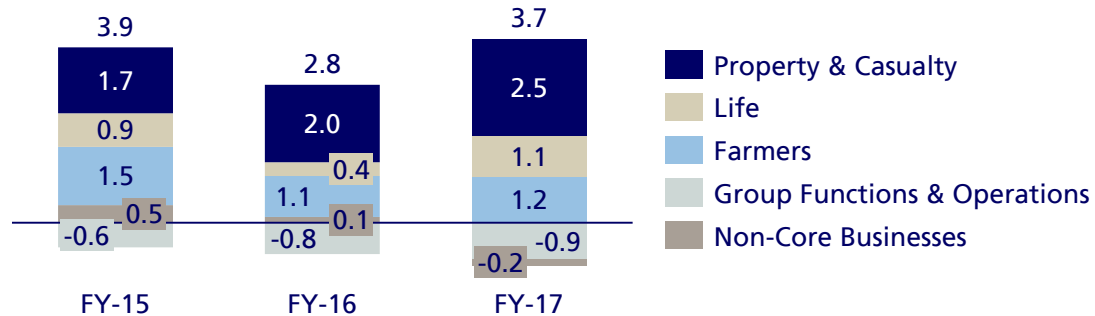
Aa3 / outlook 'stable'



A+ (Superior) / outlook 'stable'

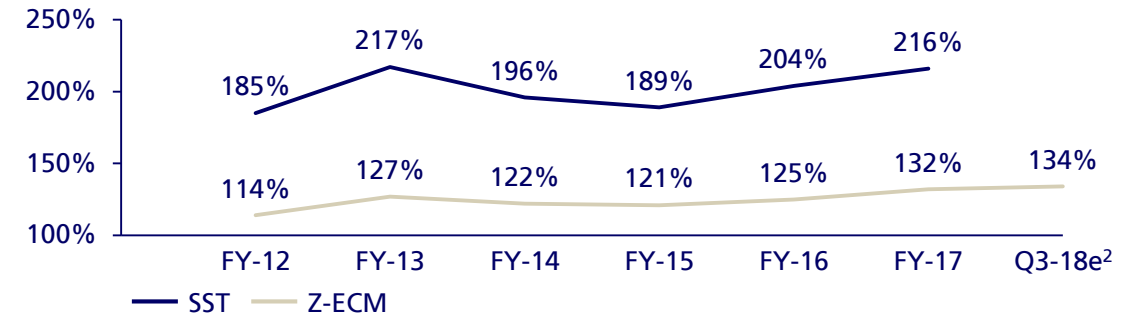
## HIGHLY CASH GENERATIVE

Cash remittance (USDbn)

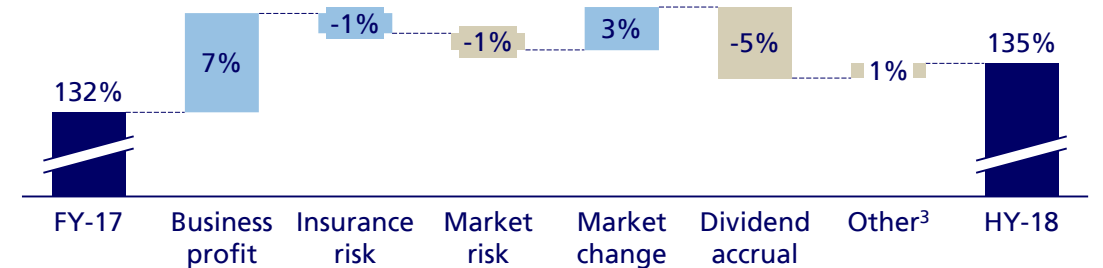


## STRONG CAPITAL POSITION

SST and Z-ECM ratio (%)<sup>1</sup>



Indicative Z-ECM ratio development (%)

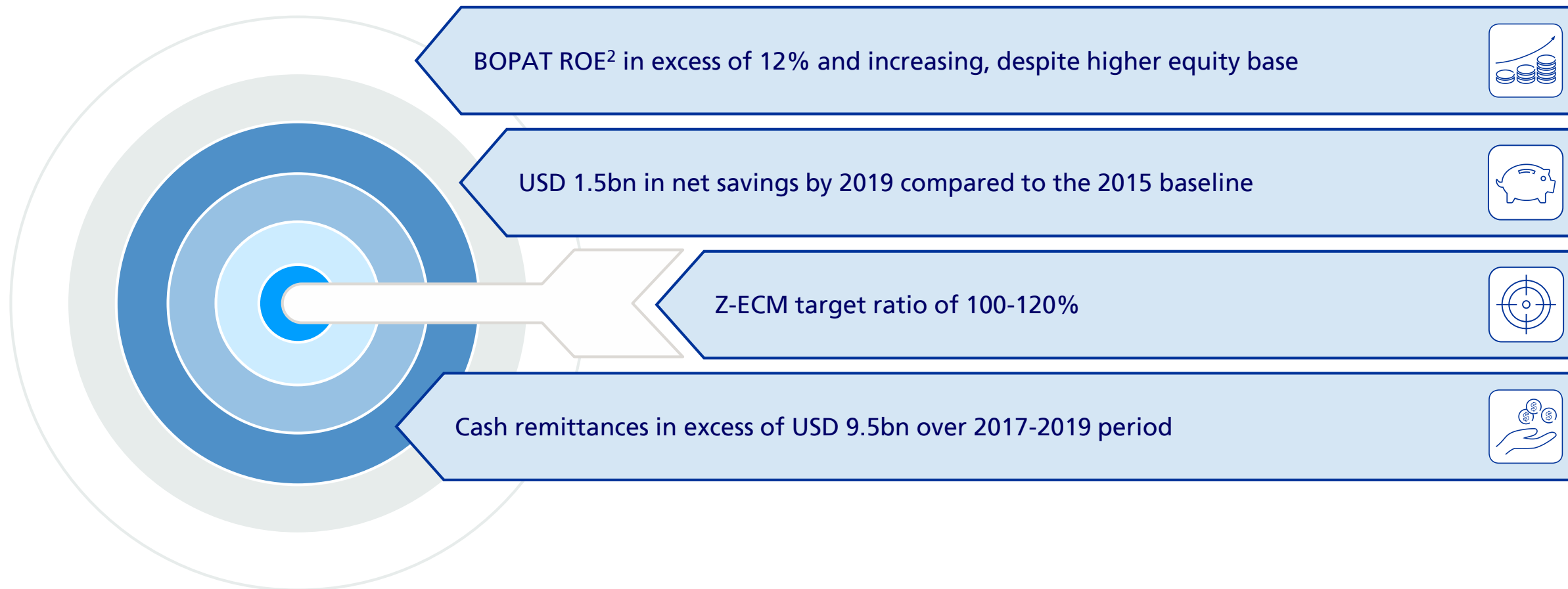


<sup>1</sup> The Swiss Solvency Test (SST) ratio as of January 1, 2018 is calculated based on the Group's internal model, which is subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). The full year ratio is filed with FINMA and is subject to its approval.

<sup>2</sup> Q3-18 Z-ECM reflects midpoint estimate with an error margin of +/- 5ppts.

<sup>3</sup> Other includes model and assumption changes and capital movements.

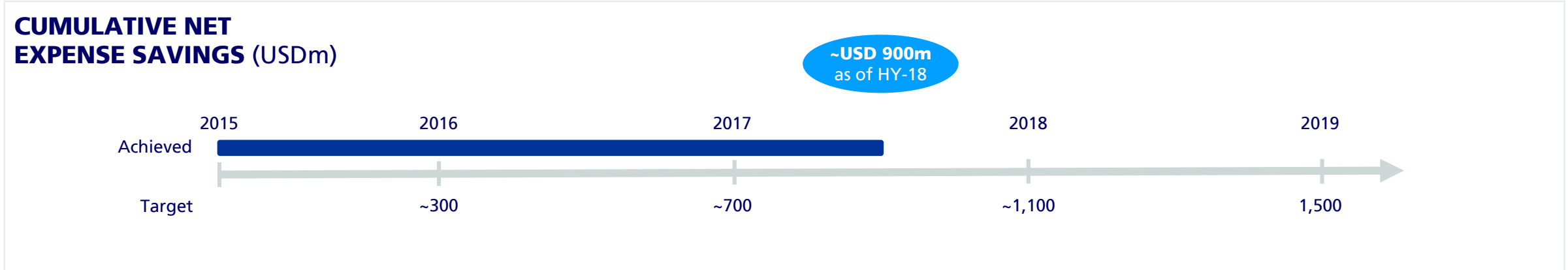
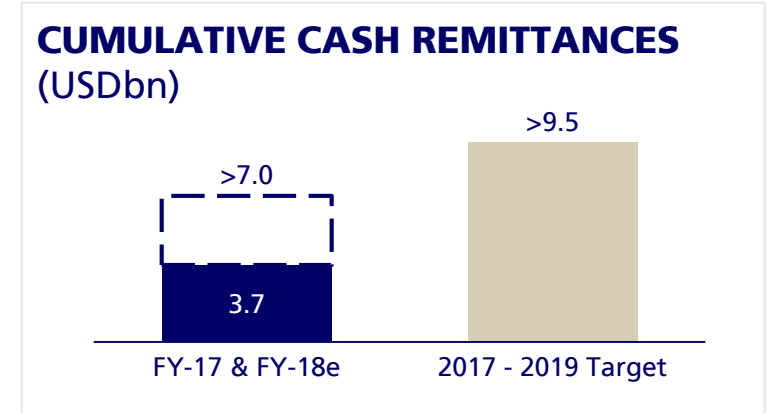
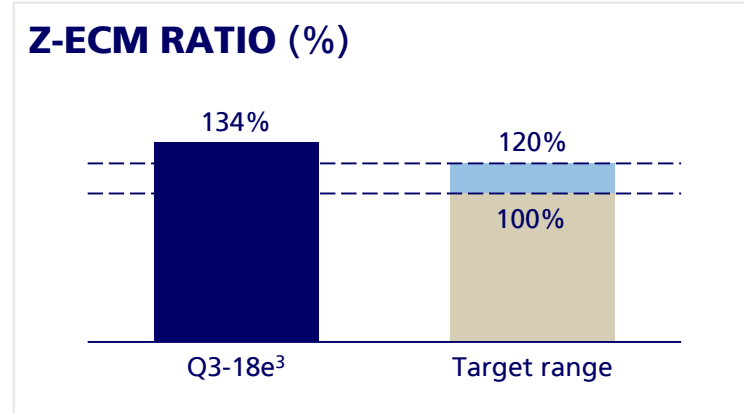
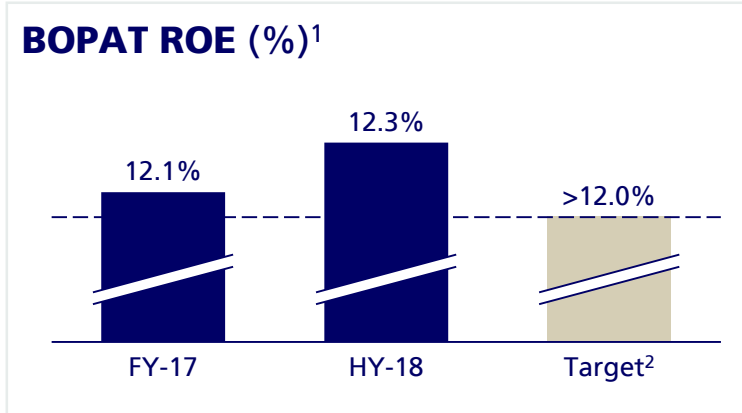
# 2017-2019 Financial targets<sup>1</sup>



<sup>1</sup> BOPAT ROE target to be increased by ~50bps for OnePath Life acquisition which is expected to close in November 2018 (see news release of December 11, 2017).

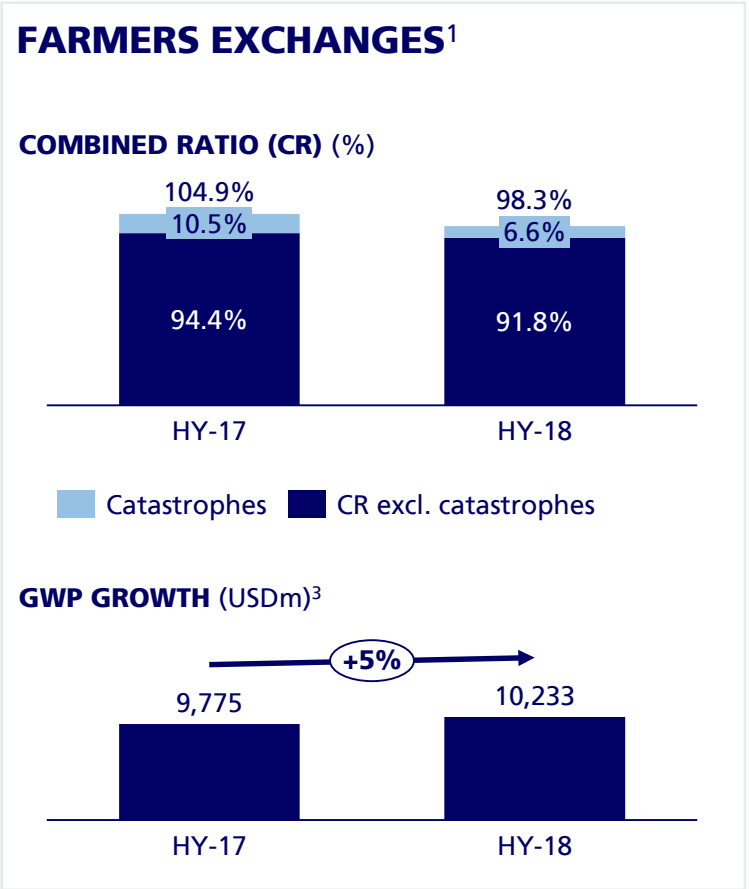
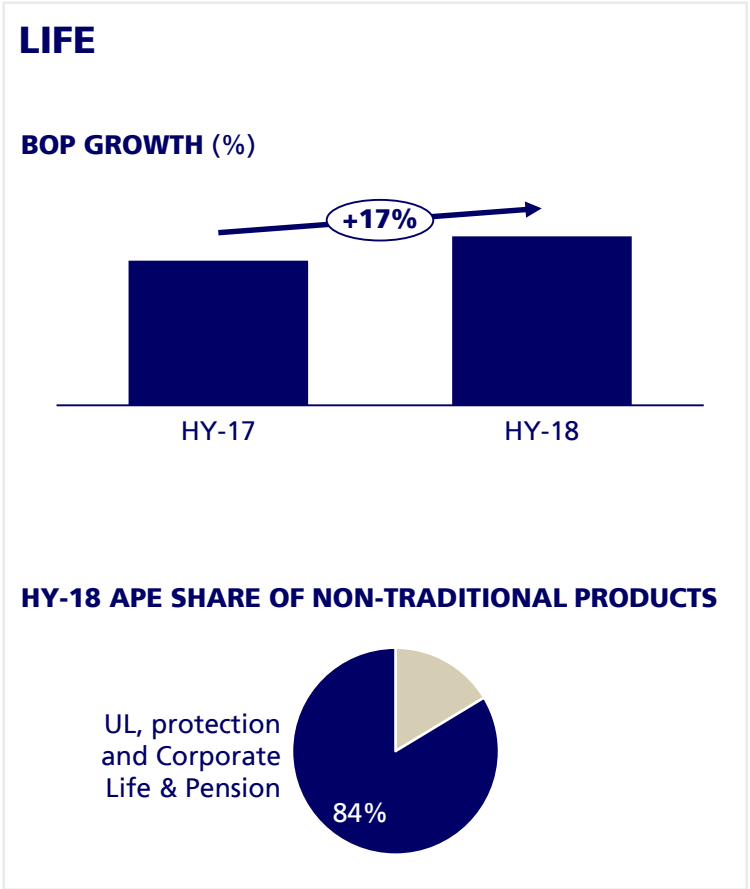
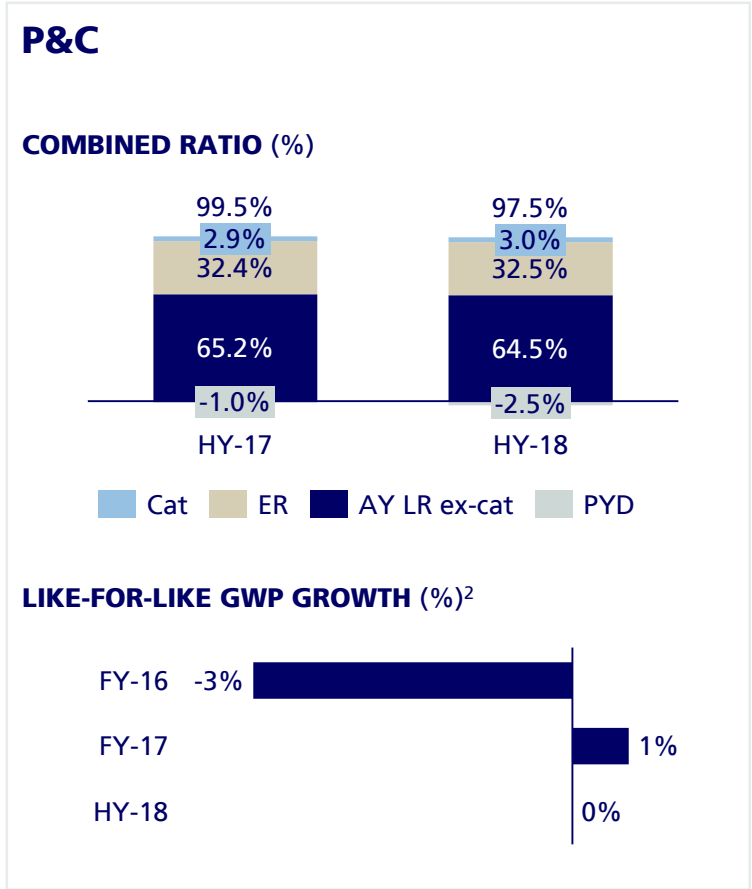
<sup>2</sup> Business Operating Profit after tax return on equity, excluding unrealized gains and losses.

# Well on track to achieve all 2017-2019 targets



<sup>1</sup> Business Operating Profit after tax return on equity, excluding unrealized gains and losses. FY-17 adjusted for the impact of the hurricanes Harvey, Irma and Maria, charges related to the Group's restructuring recognized through BOP and the change to the UK capital gains tax indexation relief.  
<sup>2</sup> BOPAT ROE target to be increased by ~50bps for OnePath Life acquisition on completion of transaction (as announced on December 11, 2017).  
<sup>3</sup> Q3-18 Z-ECM reflects midpoint estimate with an error margin of +/- 5ppts.

# Continued delivery across all businesses



<sup>1</sup> 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 administrative and management services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

<sup>2</sup> In local currency.

<sup>3</sup> Continuing operations only, excludes discontinued operations (21<sup>st</sup> Century outside of California and Hawaii, Business Insurance Independent Agents, and other businesses).



## P&C

- NEP expected to be broadly stable
- Combined ratio to move towards the indicated 95-96% range by 2019
- Investment income excluding gains expected to be stable versus the prior year

## Life

- Low double-digit growth in BOP compared to prior year

## Farmers

- Steady growth expected in Farmers Exchanges<sup>1</sup> GWP
- Managed gross earned premium margin slightly below 7%
- Farmers Re BOP expected to decline reflecting reduction in quota share from 8% to 1%

## Other

- Group Functions and Operations loss expected to be in the range of USD 750-800m
- Expected to achieve USD 400m in net cost savings with USD 500m in restructuring costs<sup>2</sup>
- Effective tax rate of around 26-27%

<sup>1</sup> See footnote 3 on slide 3.

<sup>2</sup> Restructuring charges are expected to be split between BOP and outside of BOP in similar proportions to 2017.

# A new strategy fit for purpose, now and in the future



**Focus on the customer:** We focus our significant investments on improving our quality of service and the experience of our customers. A laser focus on investing for the benefit of our customers will guide all that we do.

**Simplify:** We aim to become a more agile and more responsive organization, better able to serve our customers and respond to their needs. We strive to put the customer at the center of everything we do.

**Innovate:** We prioritize innovation – in products, services and customer care – to give us even more of a leading edge over our competitors.

# Key businesses strengthened while exiting non-core activities; Customer focus improved with tangible results

Leadership in Latin America strengthened	
Cover-More's global footprint and capabilities further increased	
Innovative customer solutions delivered	
Further focus with non-core businesses exited	Life portfolio Endsleigh Compulsory TPL

### CUSTOMER FOCUS YIELDING POSITIVE RESULTS IN RETAIL

	NET PROMOTER SCORE HY-18 vs. FY-17 (ppts)	CUSTOMER RETENTION HY-18 vs. FY-17 (ppts)
	▲ +2	▲ +0.6 <sup>1</sup>
	▲ +4	▲ +0.5
	▲ +12	▲ +1.2
	▲ +4	▼ -0.7
	▲ +6	▲ +0.8

<sup>1</sup> Refers to rolling 3-months periods (i.e., Q2-18 discrete vs. Q4-17 discrete).

# We are leveraging new technologies to redesign customer interactions, increase service offerings and digitize core processes

## STRENGTHENING OUR KNOWLEDGE OF THE CUSTOMER

- **Strengthened customer analytics** to improve segmentation
- **Artificial intelligence** to optimize sales and customize propositions
- **Advanced analytics** to augment underwriting decision making

## NEW CAPABILITIES AND BROADER SERVICE OFFERINGS

**Cover·More**  
*keep travelling*

- Travel and aviation, Employee assistance, Medical assistance



- On demand insurance



- Entrepreneur Insurance for SMEs in Switzerland

## REINVENTING THE CUSTOMER EXPERIENCE



- **One-touch claims processing**



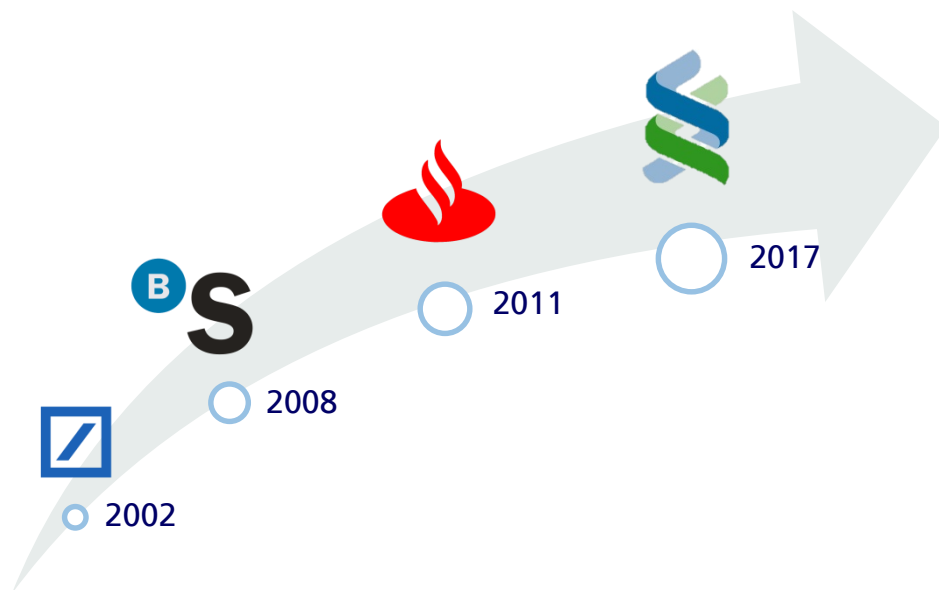
- **Behavior-based pricing**



- **Contextual offers**

# We continue to grow our access to customers through new bank and affinity partnerships

## WE ARE BUILDING ON OUR SUCCESSFUL RECORD IN BANCASSURANCE



## WE CONTINUE TO BUILD OUT OUR AFFINITY PARTNERSHIPS



### Europe's largest frequent flyer program –

- Deal signed in Germany, Austria, Switzerland
- Access to ~30m customers



### Auto manufacturer of high end sports cars and SUVs

- ~240,000 new cars delivered per year



### Reward program for goods and services purchased

- Deal signed in Italy
- ~10m active clients in Italy



### Further expansion of product offering

- ~1m policies per month through ~1,000 points of sale

**ACCESS TO OVER 100 MILLION CUSTOMERS AND GROWING**

# We have strengthened our businesses, extracted capital from non-core portfolios and returned in 2017 ~USD 3.8bn to shareholders



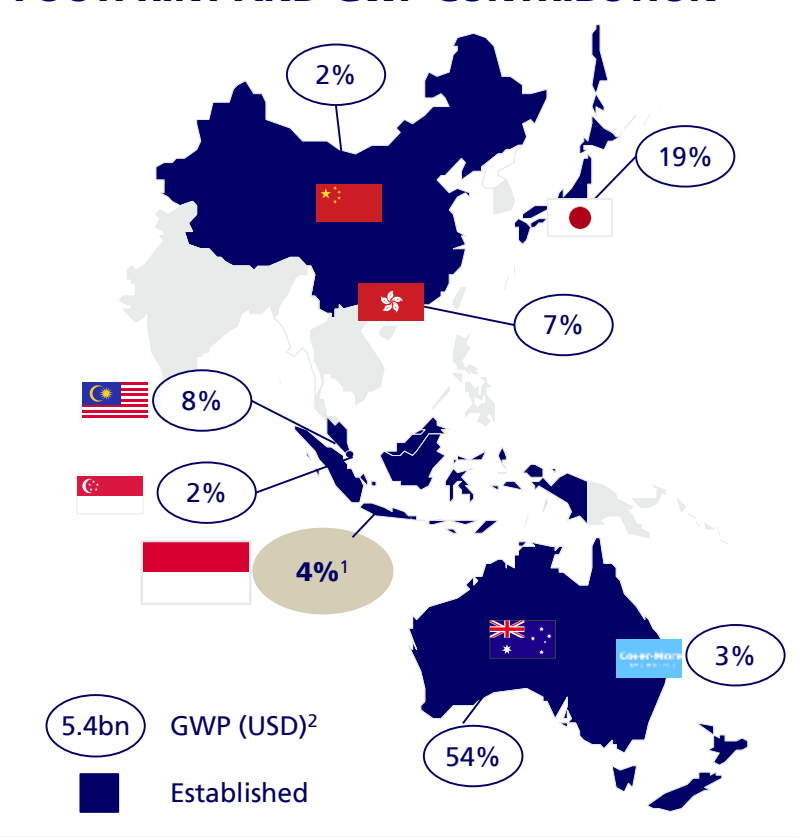
MAIN DIVESTMENTS AND CAPITAL ACTIONS	MAIN ACQUISITIONS	TYPE OF DEAL	BUSINESS	STRATEGIC RATIONALE			
				Skills	Distribution	Scale	
<b>2017</b> Sale of P&C business in Middle East Sale of P&C business in Taiwan Reinsurance of a closed annuity book Reinsurance of an individual Life risk portfolio Sale of workplace pensions and savings business Sale of a MedMal legacy portfolio	<b>2017</b> Cover-More/ Halo Standard Chartered OnePath (ANZ Life) Bright Box	M&A D.A. <sup>2</sup> M&A M&A	P&C Retail - Travel Life Retail Life Retail - Protection Connected cars	✓			
						✓	
						✓	
						✓	
	<b>2018</b> Sale of a Singapore Life portfolio Sale of Endsleigh Sale of NSW CTP <sup>1</sup> run-off	<b>2018</b> QBE Latam Travel Ace/ Universal Travel EuroAmerica Adira Insurance	M&A M&A M&A/P.T. <sup>2</sup> M&A/D.A. <sup>2</sup>	P&C P&C Retail - Travel Life Retail P&C Retail			✓
							✓
						✓	
						✓	✓

<sup>1</sup> New South Wales Compulsory Third Party motor liability.  
<sup>2</sup> D.A. = Distribution agreement. P.T. = Portfolio transfer.

# Diversifying our Asian footprint, with increased scale in our key geographies



## FOOTPRINT AND GWP CONTRIBUTION



**AUSTRALIA**  
P&C and Life

- Leading position in Individual Life after acquisition of Macquarie Life and One Path Life from ANZ with distribution agreements with ANZ and IOOF
- Significant commercial business

**JAPAN**  
P&C and Life

- Largest direct retail business in Group and large contributor to Asia Pacific profit focused on delivering innovative protection and motor
- Niche Life operations targeting shopfront IFA distribution and direct

**CHINA**  
P&C

- Subsidiary in Shanghai with branch offices in Beijing and Guangdong
- Service corporate customers for local operations and international expansion

**HONG KONG**  
P&C and Life

- Multi-channel and multi-line strategy in P&C and Life
- Capture synergies from One Zurich composite model to improve customer experience

**SINGAPORE**  
P&C

- Established commercial business hub for Asia Pacific
- Local operations service corporate customers through tailored propositions

**INDONESIA**  
P&C and Life

- Multi-channel distribution for P&C while Life products mainly distributed through agency, strong distribution partners with Bank Danamon and Adira Finance
- Grow and develop protection proposition in line with demographics

**MALAYSIA**  
P&C and Life

- Life, P&C and Takaful offerings available to customers
- Invest in tied agency and expand distribution opportunities with banks and affinity partners

**COVER-MORE**

- A global travel and assistance provider based in Australia and operating proprietary brands

<sup>1</sup> 8% for P&C only.

<sup>2</sup> As of FY-17, for P&C and Life combined (incl. insurance deposits) and adjusted for Adira Insurance and OnePath Life acquisition.



# Investment and Capital Management



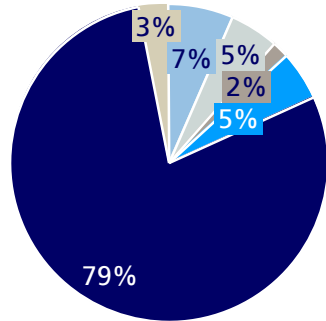


# ALM-focused strategy delivering consistent and sustainable excess returns



## ASSET ALLOCATION

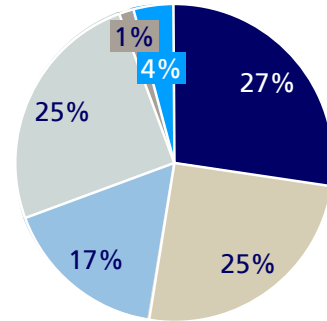
FY-17 total Group investments of USD 208bn



- Fixed income
- Mortgages
- Real estate
- Equities
- Hedge funds, Private equity
- Cash

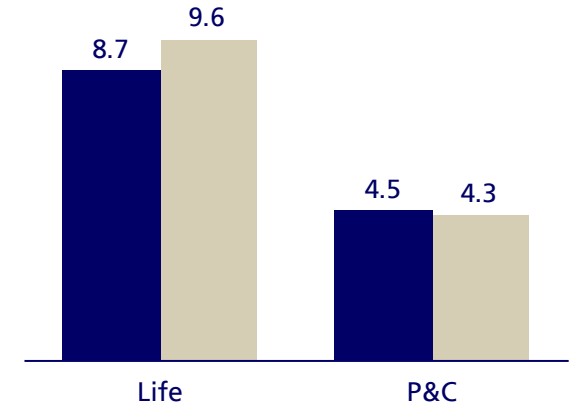
## ASSET QUALITY

FY-17 Group debt investments of USD 163bn



- AAA
- AA
- A
- BBB
- Non-rated
- Non-investment grade

## DURATION<sup>1</sup>



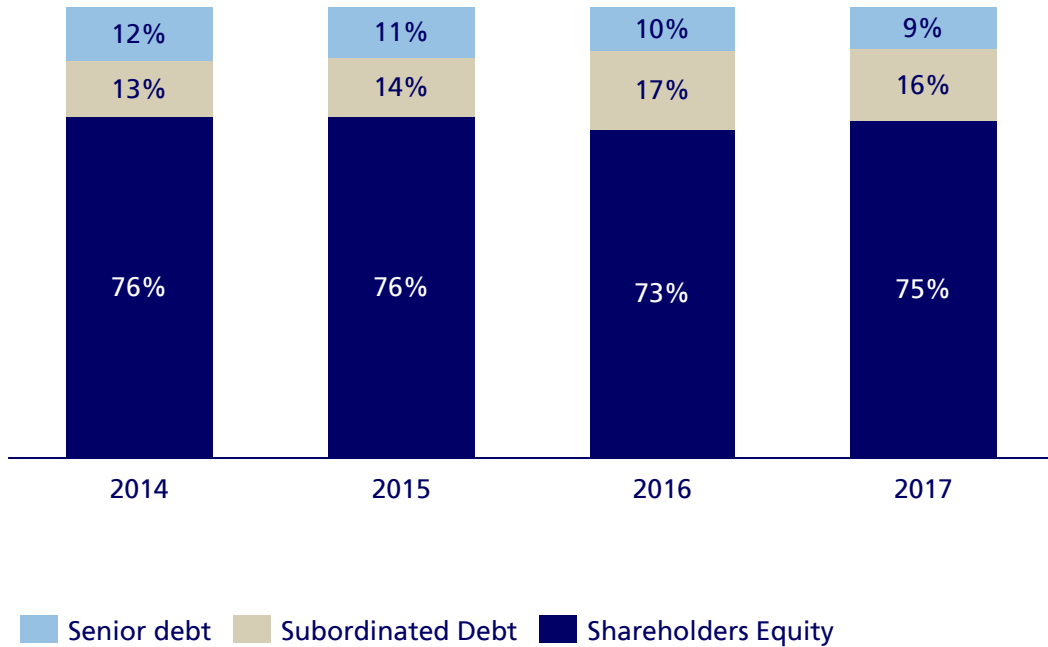
- Assets
- Liabilities

<sup>1</sup> Fixed income investments

# Proven balance sheet flexibility through leverage and coverage at AA levels



## GROUP CAPITAL STRUCTURE<sup>1</sup>

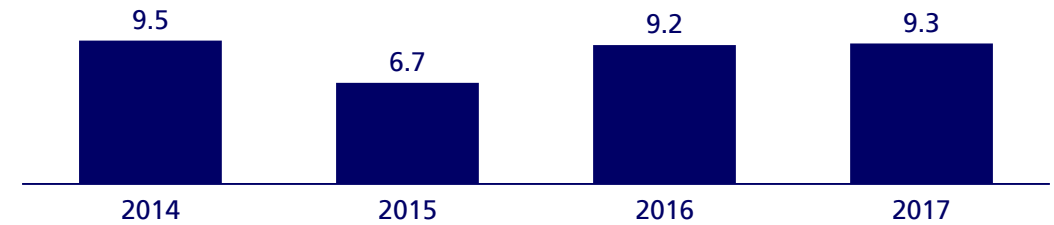


## MOODY'S LEVERAGE & COVERAGE<sup>1</sup>

Financial leverage = Aa at 15-30%



Earnings coverage = Aa at 8-12x

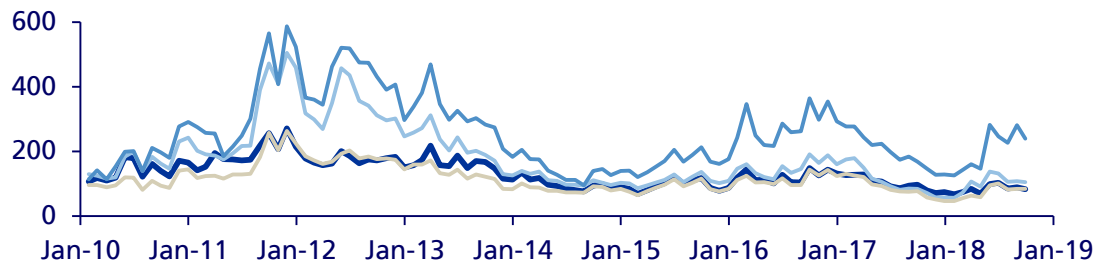


<sup>1</sup> Capital Structure shown using accounting view.

# Low cost of risk, strong ratings and balanced maturity profile



## CDS SPREAD AMONG BEST OF PEERS (bps)<sup>1</sup>



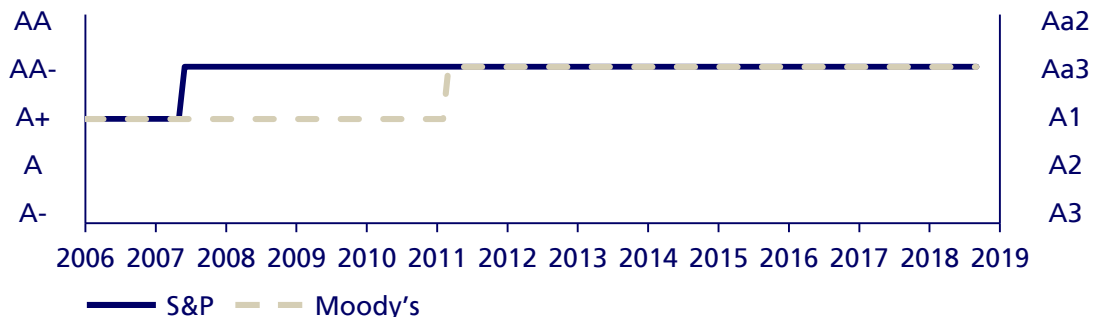
Source: Bloomberg

— Zurich — Axa — Generali — Allianz

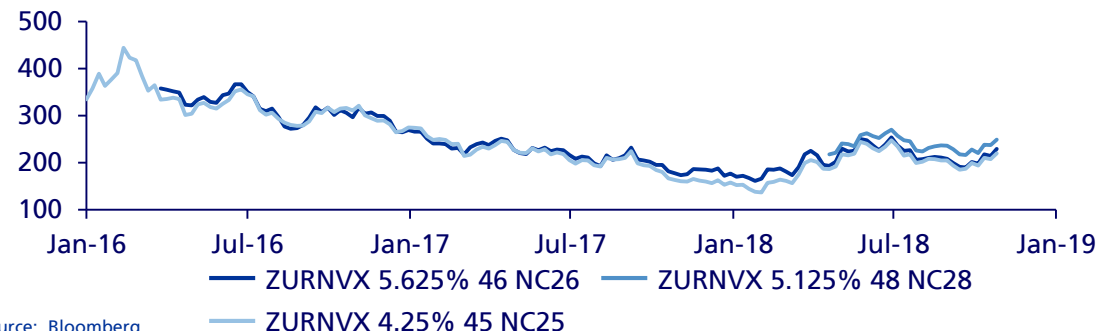
## BALANCED REFINANCING NEEDS (USDbn)<sup>2</sup>



## CONSISTENT FINANCIAL STRENGTH



## USD SUBORDINATED CREDIT SPREADS (bps)



Source: Bloomberg

<sup>1</sup> 5yEUR sub CDS.

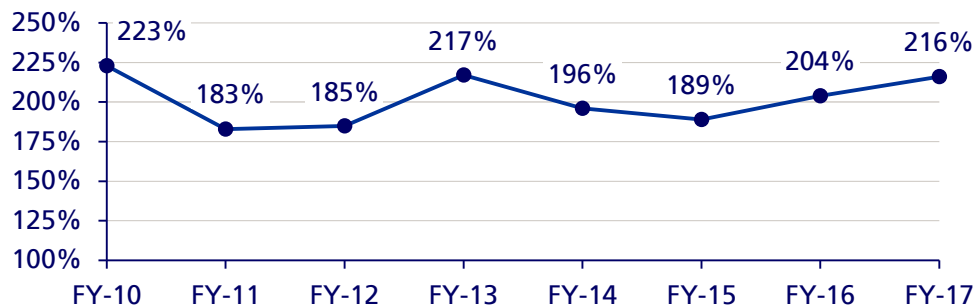
<sup>2</sup> Maturity profile based on first call date for subordinated debt and maturity date for senior debt.

# Managing our risks conservatively to AA financial strength

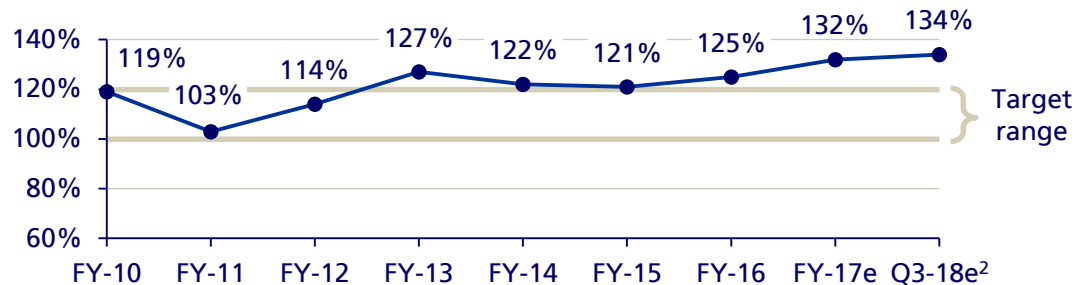


## GROUP SOLVENCY

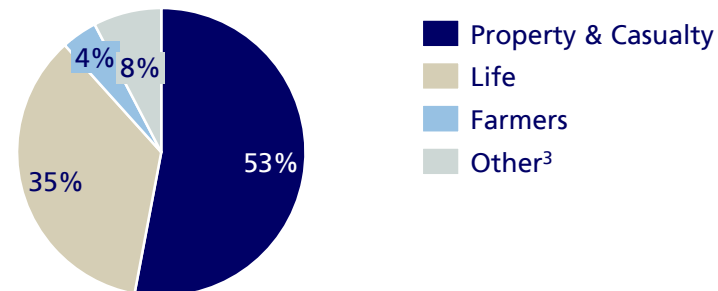
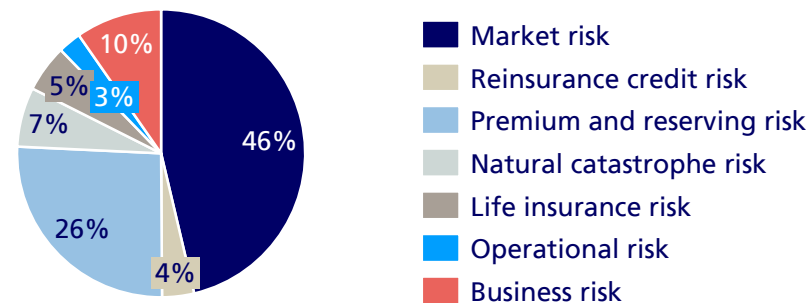
### SST<sup>1</sup>



### Z-ECM



## RBC SPLIT (%)<sup>2</sup>



<sup>1</sup> The Swiss Solvency Test (SST) ratio is calculated based on the Group's internal model, which is subject to the review and approval of the Group's regulator, the Swiss Financial Market Supervisory Authority (FINMA). Only the full year ratio is filed with FINMA and is subject to its approval.

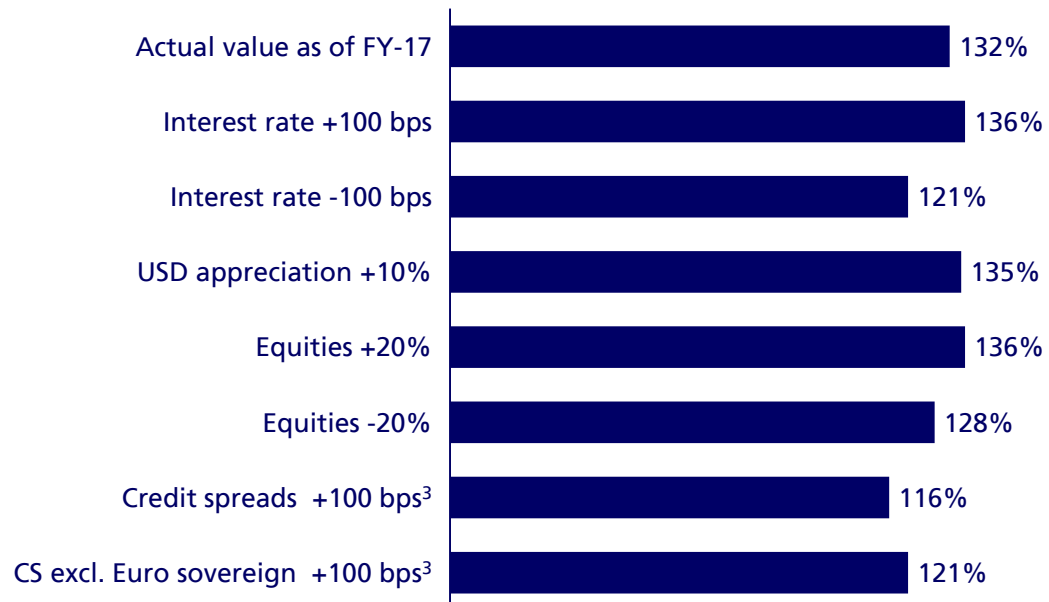
<sup>2</sup> Q3-18 Zurich Economic Capital Model (Z-ECM) reflects midpoint estimate with an error margin of +/-5pts.

<sup>3</sup> Includes Other Operating Businesses and Non-Core Businesses.

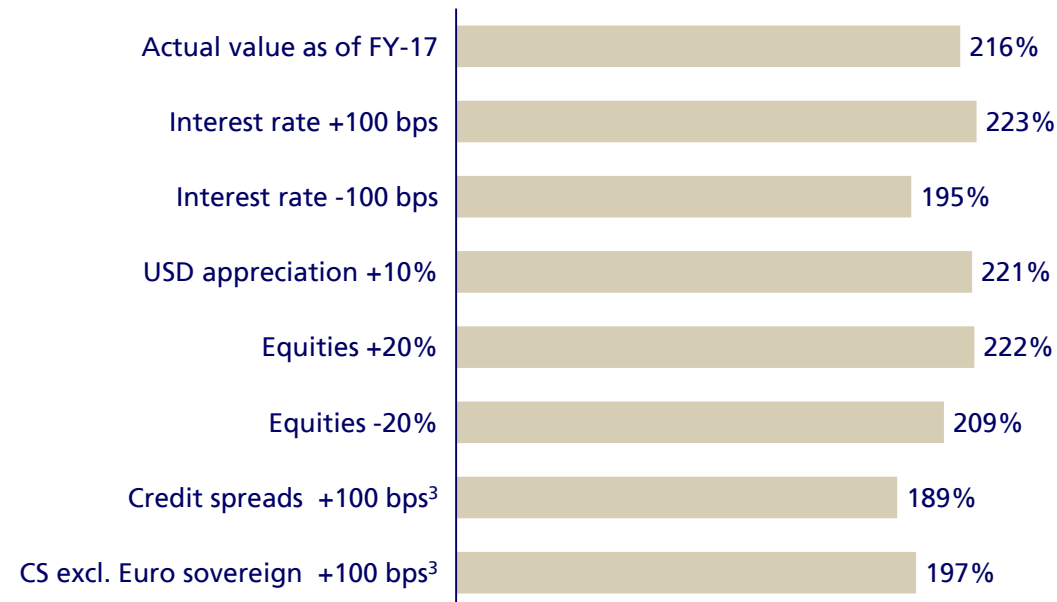
# Solvency ratios resilient to market movements



## Z-ECM IMPACT<sup>1,2</sup>



## SST IMPACT<sup>1,2</sup>



<sup>1</sup> Sensitivities are best estimate and linear, i.e. will vary depending on prevailing market conditions at the time. Z-ECM is calibrated at 99.95% Value at Risk (equivalent to an 'AA' rating); SST is calibrated at 99.0% Expected Shortfall.

<sup>2</sup> The impact of the changes to the required capital is approximated and takes into account Market and Insurance risks.

<sup>3</sup> Credit Spreads (CS) include mortgages and including/excluding Euro sovereign spreads. Z-ECM sensitivity is net of profit sharing with policyholders.

# We have a clear and transparent dividend policy and a clear capital management policy

## CAPITAL MANAGEMENT POLICY (Z-ECM, %)



## M&A CRITERIA

- Financed from internal resources and immediately accretive to shareholders
- Benefits comparison of capital return (incl. buy-backs) vs. ROI of >10%
- Fit to Group strategy (geography, customer, product mix) and risk appetite
- Acquisitions to be beneficial to Group targets
- Execution simplicity is key

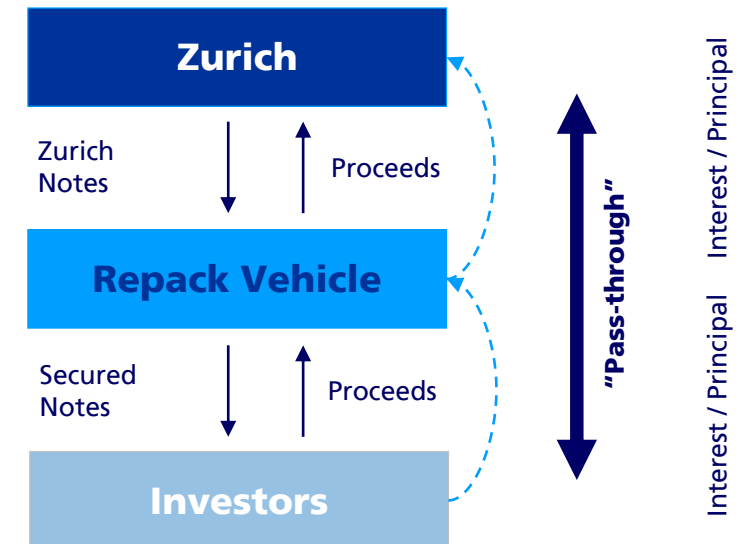
# Repackaging structure

## BACKGROUND

- Under Swiss tax legislation securities issued by a borrower resident in Switzerland would carry 35% Swiss withholding tax which may not be recoverable by international investors. Using a repackaging vehicle allows a Swiss borrower to tap international capital markets without negative tax consequences.
- Many Swiss issuers make use of this repackaging structure when issuing internationally. Zurich has so far raised senior and subordinated debt via four different repackaging vehicles (Aquarius, Cloverie, Argentum and Willow).

## STRUCTURAL OVERVIEW

- The Zurich Notes are held by the Repack Vehicle
- Investors hold Secured Notes issued by the Repack Vehicle, which are secured over the Zurich Notes
- The Secured Notes pass through the risk and returns on the underlying Zurich Notes
- Using such a Repack Vehicle structure allows Zurich to pay the gross coupon on the Zurich Notes



# Z-ECM and SST are more conservative than Solvency II

## PRIMARY DIFFERENCES – REQUIRED CAPITAL


	Z-ECM	SST <sup>1</sup>	Solvency II (Pillar 1)
<div style="border: 1px solid black; padding: 2px; width: fit-content;"> <span style="background-color: #cccccc; padding: 2px;">Most onerous impact on ratio</span> </div>			
RISK MEASURE	VaR 99.95% (~AA)	ES 99% (~BBB)	VaR 99.5% (~BBB), usually < ES 99%
RISK-TYPES COVERED	<ul style="list-style-type: none"> <li>Market Risk (including investment credit)</li> <li>Premium and Reserve Risk</li> <li>NatCat Risk</li> <li>Life Liability Risk</li> <li>Business Risk</li> <li>Operational Risk</li> <li>Reinsurance Credit Risk</li> </ul>	<ul style="list-style-type: none"> <li>Market Risk (including investment credit)</li> <li>Premium, Reserve and UPR Risk</li> <li>NatCat Risk</li> <li>Life Liability Risk</li> <li>Life Business Risk</li> <li>Reinsurance Credit Risk</li> <li>Receivables Credit Risk</li> </ul>	<div style="display: flex;"> <div style="flex: 1;"> <p>Internal model (ZIP):</p> <ul style="list-style-type: none"> <li>Market Risk (including investment credit)</li> <li>Premium, Reserve and UPR Risk</li> <li>NatCat Risk</li> <li>Business Risk</li> <li>Operational Risk</li> <li>Reinsurance Credit Risk</li> <li>Receivables Credit Risk</li> <li>Scenarios</li> </ul> </div> <div style="flex: 1;"> <p>Standard Formula (all other entities):</p> <ul style="list-style-type: none"> <li>Market risk</li> <li>Counterparty default risk</li> <li>Life underwriting risk</li> <li>Health underwriting risk</li> <li>Non-life underwriting risk (including premium, reserve and NatCat)</li> <li>Intangible asset risk</li> <li>Operational risk</li> </ul> </div> </div>
EQUIVALENCE	No concept of equivalence, ZECM applied to the entire Group		Possibility to use local regimes for subsidiaries in equivalent third countries. Not applicable for Zurich

<sup>1</sup> Regarding Swiss Solvency Test (SST) ratio see footnote on slide 3.



# Z-ECM and SST are more conservative than Solvency II

## PRIMARY DIFFERENCES – YIELD CURVES AND TRANSITIONALS

 Most onerous impact on ratio	Z-ECM / SST <sup>1,2</sup>	Solvency II (Pillar 1)
BASE RISK-FREE YIELD-CURVE	Swaps	Swaps
ENTRY-POINT TO EXTRAPOLATION OF YIELD-CURVE	Use all available market data CHF: 30 years EUR, USD, GBP: 50 years	CHF: 25 years EUR: 20 years USD, GBP: 50 years
ULTIMATE FORWARD RATE	Flat extrapolation from last observable data point	CHF: 3.2% (as of December 31, 2017) EUR, USD, GBP: 4.2% (as of December 31, 2017)
ADJUSTMENTS TO YIELD-CURVE	None (no liquidity premium)	-10bps (credit) + volatility adjustment (between 9 bps (CHF) and 78bps (USD) at Q4-16) + matching adjustment (currently not used by Zurich)
TRANSITIONAL REQUIREMENTS	n/a	Various transitional measures, especially for yield-curves and technical provisions, lasting until 2032. Zurich does not make use of these.

<sup>1</sup> Regarding Swiss Solvency Test (SST) ratio see footnote on slide 3.

<sup>2</sup> We applied for usage of our own yield curves in the SST, which was granted by FINMA subject to certain conditions.

# Z-ECM and SST are more conservative than Solvency II

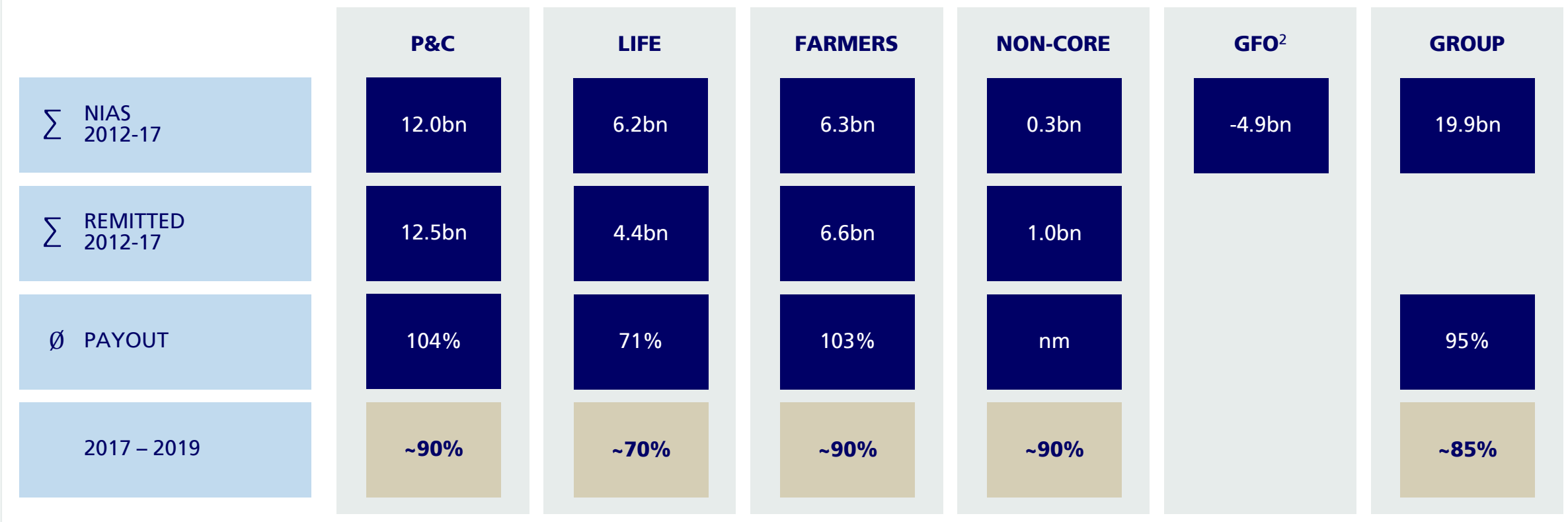
## PRIMARY DIFFERENCES – OTHER KEY ELEMENTS

	Z-ECM	SST <sup>1</sup>	Solvency II (Pillar 1)
<div style="display: flex; align-items: center;"> <div style="width: 20px; height: 20px; background-color: #d3d3d3; margin-right: 5px;"></div> <div>Most onerous impact on ratio</div> </div>			
SENIOR DEBT	Available Capital	Liability	Liability
TAX	Pre-tax	Pre-tax	Post-tax
GRANULARITY	Management view <ul style="list-style-type: none"> <li>Internal reinsurance not relevant</li> <li>Full Group diversification taken into account and allocated back to business units</li> </ul>	Legal entity view <ul style="list-style-type: none"> <li>Internal reinsurance considered</li> <li>Only legal entity diversification taken into account</li> <li>Risk of subsidiaries included (with limited liability)</li> </ul>	Legal entity view <ul style="list-style-type: none"> <li>Internal reinsurance considered</li> <li>Only legal entity diversification taken into account</li> </ul>
RISK MARGIN	Risk Margin as part of insurance liabilities	Risk Margin as part of insurance liabilities	Risk Margin as part of insurance liabilities

<sup>1</sup> Regarding Swiss Solvency Test (SST) ratio see footnote on slide 3.

# We have a strongly cash generative business reflected in high cash remittance

## NET INCOME AND REMITTANCES 2012-2017<sup>1</sup> (USD)



<sup>1</sup> Based on 2012-17 reporting structure.

<sup>2</sup> Group Functions and Operations.

# A streamlined organization with strengthened management and continued investment in people

## LEADERSHIP TEAM FURTHER STRENGTHENED

**Group Chief Executive Officer**  
Mario Greco

### BUSINESS HEADS

**Farmers Group, Inc.**  
Jeff Dailey

**Latin America**  
Claudia Dill

**North America**  
Kathleen Savio

**Asia Pacific**  
Jack Howell

**EMEA**  
Amanda Blanc

**Commercial Insurance**  
James Shea

### FUNCTIONAL HEADS

**Investment**  
Urban Angehrn

**Finance**  
George Quinn

**Risk**  
Alison Martin

**Operations**  
Kristof Terryn

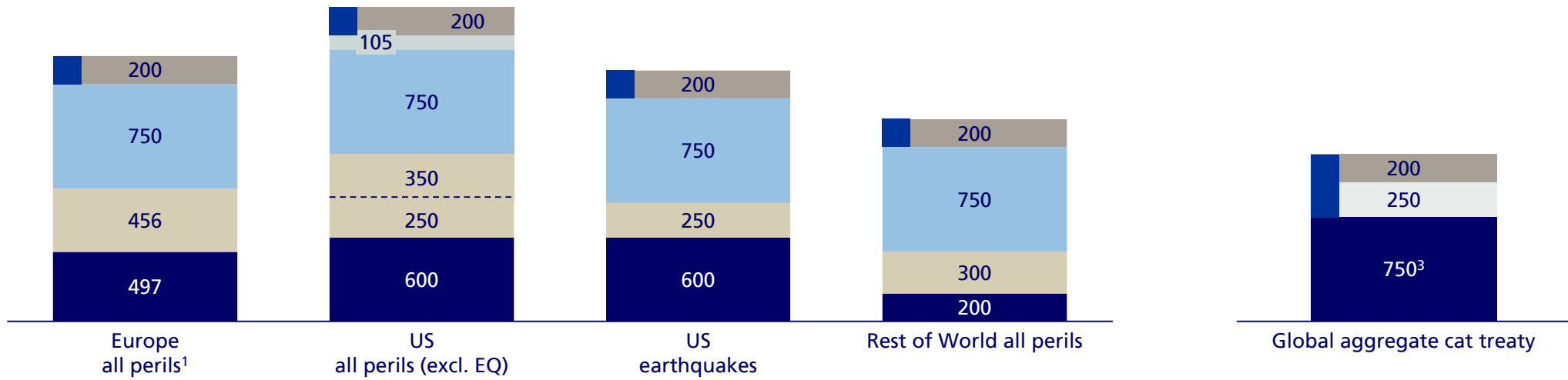
## ACTIONS TAKEN

- ✓ Group structure simplified
- ✓ Slimmed down corporate center
- ✓ Single country management teams established
- ✓ Accountability created at local level
- ✓ Improved retention of key technical staff

# Reinsurance program in line with Group risk appetite



## GROUP CATASTROPHE REINSURANCE PROTECTION (USDm)



Global aggregate cat treaty
  Combined global cat treaty<sup>2</sup>
 US wind swap
  Global cat treaty
  Regional cat treaties
  Retention
  10% co-participation

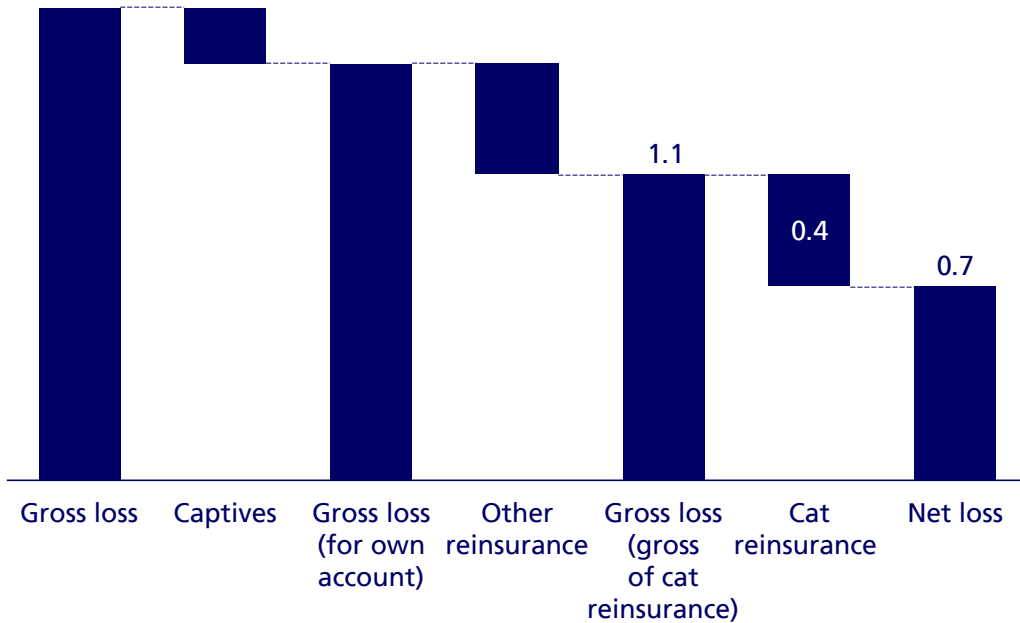
<sup>1</sup> Europe cat treaty calculated with EUR/USD exchange rate as of July 31, 2018.

<sup>2</sup> This USD 200m cover can be used only once, either for aggregated losses or for an individual occurrence or event.

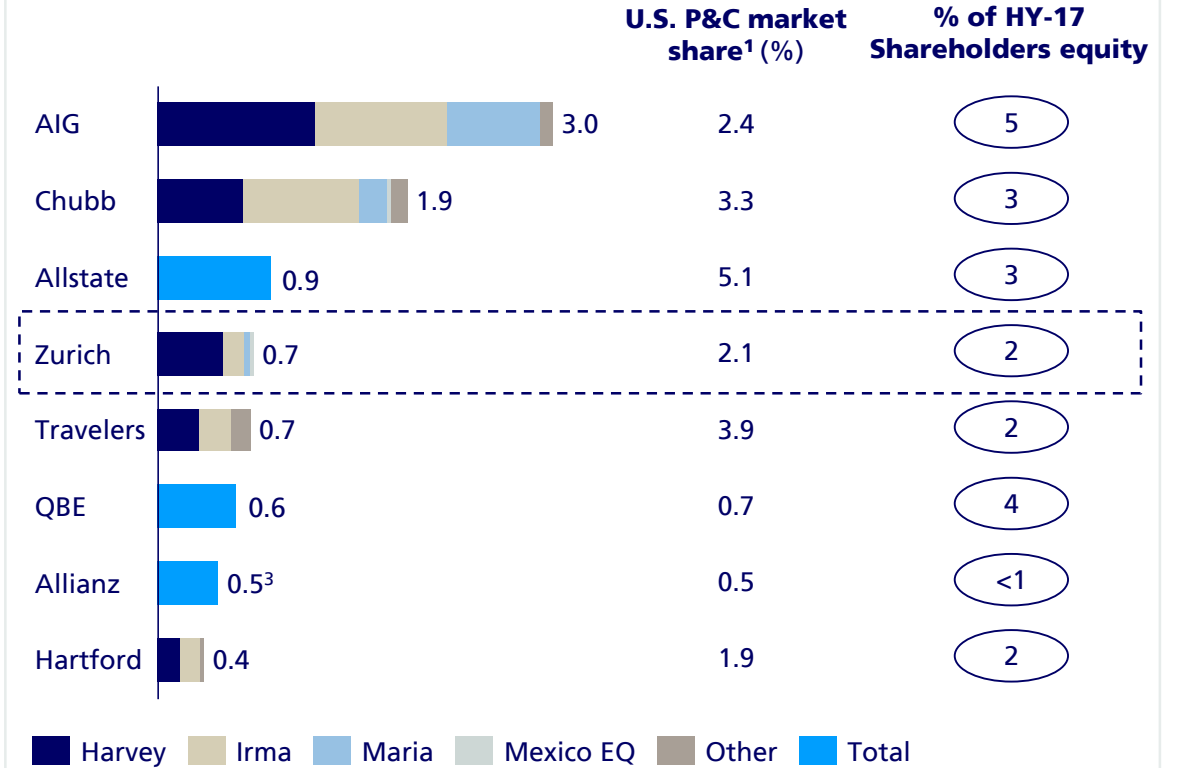
<sup>3</sup> Franchise deductible of USD 25m, i.e., losses greater than USD 25m count towards erosion of the retention (annual aggregate deductible).

# Our reinsurance has been effective in protecting earnings during recent hurricanes saving ~USD 300m v 2015 structure

**ILLUSTRATIVE WALK FROM GROSS TO ULTIMATE NET LOSS FOR HURRICANES HARVEY, IRMA AND MARIA (USDbn)**



**Q3-17 NET IMPACT FROM SIGNIFICANT CAT (USDbn)<sup>4</sup>**



<sup>1</sup> Based on FY 2016 Direct Written Premiums (excluding accepted reinsurance), including Retail and Commercial business.

<sup>2</sup> Non HIM (Harvey, Irma, Maria) losses include the impact of weather events (primarily in Europe).

<sup>3</sup> Harvey, Irma and Maria (i.e., EUR 400m).

<sup>4</sup> Impacts are net of reinsurance and pre-tax. Source: Company reports, AM Best, IR analysis.

# Acquisition of ANZ's Life insurance business, compelling strategic and financial rationale

<b>Leadership in Australian life</b>	<ul style="list-style-type: none"> <li>• Creates a leading Australian life business with a 19% retail protection market share</li> <li>• 20 year strategic partnership with ANZ, a leading Australian banking group, for the distribution of life insurance solutions</li> <li>• Distribution through independent channels further strengthened</li> </ul>
<b>Alignment with Group strategy</b>	<ul style="list-style-type: none"> <li>• Aligned with Group focus on retail banc-assurance and life protection</li> <li>• Group earnings volatility reduced through increased stable life technical income</li> </ul>
<b>Attractive financials</b>	<ul style="list-style-type: none"> <li>• USD 2.14bn<sup>1</sup> / AUD 2.85bn purchase price<sup>2</sup> equivalent to ~1x Embedded Value<sup>3</sup></li> <li>• Immediately accretive to earnings and cash, ROI &gt;10% expected from year 2</li> <li>• Distributable earnings expected to exceed NIAS due to run-off of legacy businesses, with expected cash remittances of AUD1.4bn over the first five years</li> </ul>
<b>Funding</b>	<ul style="list-style-type: none"> <li>• Transaction expected to be funded through combination of internal resources and senior debt</li> <li>• Modest reduction in Group capital flexibility</li> </ul>
<b>Enhances group financial targets</b>	<ul style="list-style-type: none"> <li>• BOPAT ROE target expected to be raised by 50bps on completion of transaction</li> <li>• Cash remittance target for 2017-19 expected to be enhanced by ~USD 225m<sup>1</sup> / AUD 300m</li> <li>• Expected to increase dividend plans within the first year post completion</li> </ul>

<sup>1</sup> Calculated with an AUD/USD exchange rate of 1.33.

<sup>2</sup> The transaction price of AUD 2.85bn comprises AUD 1bn of upfront reinsurance commissions, expected to be paid subject to regulatory approval in May 2018 with the remaining balance paid on completion.

<sup>3</sup> As calculated by ANZ (excluding franking credits).

# Acquisition of QBE's Latam business, a unique opportunity to achieve leadership in Argentina on attractive terms

## Leadership in Argentina

- Transaction creates the leading insurer<sup>1</sup> in the profitable and growing Argentine market
- Zurich to become #3 in P&C and #1<sup>1</sup> overall with ~8% market share
- Acquired business complements existing operations and brings additional capabilities particularly in SME commercial and retail as well as incremental distribution

## Regional presence strengthened

- Further strengthens the Group's overall position in Latin America becoming #4 in the region
- Significant geographical overlap with Zurich's key countries providing scope for synergies
- A leading position (#3) in Ecuador with ~9% market share in P&C
- Incremental scale, capabilities and access to distribution in Brazil, Colombia and Mexico

## Attractive financials

- Highly attractive financial profile with sizeable synergies
- Aggregate consideration of USD 409m<sup>2</sup> expected to be financed from internal resources
- ROI expected to comfortably exceed Group's 10% hurdle rate within first full year<sup>3</sup>

<sup>1</sup> Based on data from the Superintendencia de Seguros de la Nación.

<sup>2</sup> Subject to closing adjustments.

<sup>3</sup> Completion expected by year end 2018.



# Acquisition of Adira Insurance, a unique opportunity to achieve a leadership position in an attractive Asian growth market



## Transaction details

- Acquisition of 80% stake in PT Asuransi Adira Dinamika (Adira Insurance)
- Formation of two separate long term strategic partnerships with PT Bank Danamon Indonesia (5<sup>th</sup> largest bank) and Adira Finance (2<sup>nd</sup> largest provider of automotive financing)

## Attractive and growing market

- 4th most populous country in the world with 262 million people (2017), largest economy in Southeast Asia by GDP and young demographics with 84% of the population below age of 54
- Rapidly growing middle class driving increased insurance penetration

## Strong strategic fit

- Zurich becomes a leading player in a fast growing and attractive market
- Opportunity to leverage the strong distribution networks of Bank Danamon and Adira Finance
- Increased scale and diversification within Asian P&C

## Financials

- Upfront purchase price of USD 414m for 80% stake and two strategic partnerships<sup>1</sup>
- Implied 2017 P/E of 22.1x; Capital impact of ~1ppt to Group Z-ECM ratio
- Closing subject to customary regulatory approval within the next 6 months

<sup>1</sup> Transaction terms provide for potential future incremental payments contingent on business performance relative to business plan.

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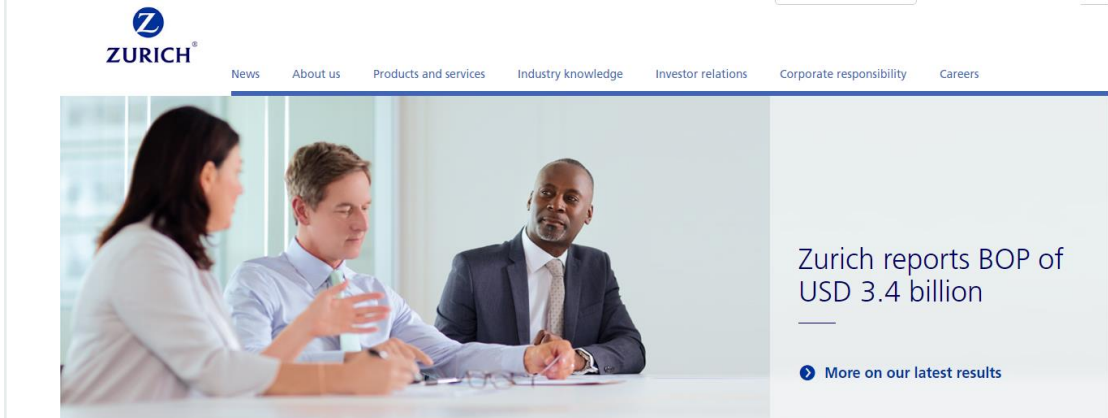
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