Zurich Insurance Group

Half Year Report 2015

Report for the six months to June 30, 2015

ZURICH®

About Zurich

Zurich is a leading multi-line insurer that serves its customers in global and local markets. With about 55,000 employees, we provide a wide range of general insurance and life insurance products and services. We serve individuals, small businesses, and mid-sized and large companies, including multinational corporations, in more than 170 countries.

Our cover
Our customers want the best possible protection for the people and things they truly love – from personal accident and life insurance to global risk coverage for corporations.

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Contents

Message from the Chairman and Chief Executive Officer

Dear Shareholders,

For the six months to June 30, 2015, we reported a business operating profit[1] (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 Farmers[2] 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.

[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.

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 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.

Tom de Swaan and Martin Senn

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 Rothesay 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.

Tom de Swaan
Chairman of the Board of Directors

Martin Senn
Chief Executive Officer

Operating and financial review

The Operating and financial review is the management analysis of the business performance of Zurich Insurance Group Ltd and its subsidiaries (collectively the Group) for the six months ended June 30, 2015, compared with the same period of 2014. It also explains key aspects of the Group's financial position as of June 30, 2015 compared with December 31, 2014.

Contents

The information contained within the Operating and financial review is unaudited and is based on the consolidated results of the Group for the six months ended June 30, 2015 and compared with the same period of 2014. 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 2014 of the Group and, in particular, with its unaudited Consolidated financial statements for the six months ended June 30, 2015.

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 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, see table 13.2 of the unaudited Consolidated financial statements.

From January 1, 2015, the Global Life business changed its regional structure by establishing the regions Europe, Middle East & Africa (EMEA) and Asia Pacific. EMEA includes the European business units, Zurich International Life and Luxembourg. This change had no impact on total Global Life or the Group. Comparative figures have been restated to reflect this change.

From January 1, 2015, the management of the UK asbestos business, which is in run-off, has been transferred from General Insurance to Non-Core Businesses. This change had no impact on the Group. Comparative figures have been restated to reflect this change.

Financial highlights

in USD millions, for the six months ended June 30, unless otherwise stated	2015	2014	Change[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)

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.

Operating and financial review *continued*

Performance overview

The Group delivered overall business operating profit of USD 2.2 billion, a decrease of USD 383 million or 15 percent compared with the same period of 2014. This was driven by a lower contribution from General Insurance which was impacted by an increase in the costs of large losses and by an increase in expenses, partly relating to the implementation of growth initiatives. Global Life achieved a strong result whilst maintaining its focus on priority markets and on extracting value from in-force business. Farmers continued its positive momentum in premium growth, although it produced a slightly lower result. The overall lower profit from the core businesses was partly offset by lower Group borrowing costs and currency exchange gains following the action by the Swiss National Bank in January 2015 to discontinue the link of the Swiss franc to the euro. Business operating profit for the Group was negatively impacted in U.S. dollar terms because of the weakening in its major trading currencies against the U.S. dollar.

The Group's capital and solvency positions remain strong. Solvency measured on an economic basis as determined under the Swiss Solvency Test decreased by 19 percentage points since July 1, 2014 to 196 percent as of January 1, 2015, mainly as a result of changes in investment markets and business growth assumptions. Shareholders' equity decreased since December 31, 2014 by USD 2.9 billion to USD 31.9 billion. This decrease resulted from the cost of the dividend, unrealized losses on investments and negative currency translation adjustments offset by net income attributable to shareholders. The dividend of CHF 17.00 per share, approved at the Annual General Meeting on April 1, 2015, cost a total of USD 2.7 billion.

Business operating profit decreased by USD 383 million to USD 2.2 billion, or by 15 percent in U.S. dollar terms and 10 percent on a local currency basis.

- **General Insurance** business operating profit decreased by USD 515 million to USD 1.2 billion, or 31 percent in U.S. dollar terms, and 27 percent on a local currency basis. This was primarily due to a deterioration in the net underwriting result of USD 413 million and to a lesser extent lower investment income. The deterioration in the net underwriting result mainly arose in Global Corporate and EMEA and resulted from an increase in large losses, which were partly offset by higher levels of favorable loss development on reserves established in prior years. The cost of ongoing growth initiatives was reflected in an increase in the expense ratio.
- **Global Life** business operating profit increased by USD 39 million to USD 673 million, or 6 percent in U.S. dollar terms, and 21 percent on a local currency basis. The weakening of Latin American and European currencies against the U.S. dollar compared with the same period of 2014 had a significant impact on the reported results translated into U.S. dollars. On a local currency basis business operating profit improved in all regions. The ongoing focus on fee-based and protection business resulted in increases in loadings and fees and the technical margin, offset by a reduction in the investment margin.
- **Farmers** business operating profit decreased by USD 36 million, or 5 percent, to USD 719 million. This was due to a USD 44 million reduction in Farmers Management Services business operating profit partly offset by an improvement at **Farmers Re**, which benefited from a better underwriting result. **Farmers Management Services** business operating profit reduced by USD 44 million to USD 658 million, due to lower management fees and other related revenues and an increase in management and other related expenses, as well as a significant reduction in other net income.
- **Other Operating Businesses** reported a business operating loss of USD 330 million, compared with a loss of USD 452 million in the same period of 2014. This improvement was primarily driven by lower interest expense on debt refinanced in 2014 and 2015 and favorable foreign exchange impacts partly as a result of the Swiss National Bank action in January 2015.
- **Non-Core Businesses** reported a business operating profit of USD 10 million compared with USD 2 million in the same period of 2014, primarily due to the impact from the strengthening of reserves in 2014 in the UK asbestos business not repeated in 2015.

Business volumes for the core business segments, comprising gross written premiums, policy fees, insurance deposits and management fees, decreased by USD 1.6 billion to USD 36.0 billion, or by 4 percent in U.S. dollar terms, but increased 7 percent on a local currency basis.

- **General Insurance** gross written premiums and policy fees decreased by USD 1.3 billion to USD 18.7 billion, or 7 percent in U.S. dollar terms, but increased by 3 percent on a local currency basis led by underlying growth in the Group's priority markets.
- **Global Life** gross written premiums, policy fees and insurance deposits increased by USD 612 million to USD 14.8 billion, or 4 percent in U.S. dollar terms, and 22 percent on a local currency basis. The increase on a local currency basis occurred predominantly in Europe, driven by growth in corporate and single premium individual savings business.
- **Farmers Management Services** management fees and other related revenues decreased by USD 11 million, or by 1 percent, to USD 1.4 billion. **Farmers Re** gross written premiums and policy fees decreased by USD 834 million to USD 1.1 billion, or by 43 percent, due to reductions in reinsurance assumed.

The **net investment result on Group investments**, before allocations to policyholders, of USD 4.0 billion decreased by USD 347 million, or 8 percent, resulting in a **net investment return on average Group investments** of 2.0 percent compared with 2.1 percent in the same period of 2014. **Net investment income**, predominantly included in the core business results, of USD 2.8 billion was USD 408 million lower in U.S. dollar terms, and USD 67 million lower on a local currency basis. **Net capital gains on investments and impairments** included in the net investment result increased marginally in U.S. dollar terms by USD 61 million to USD 1.2 billion. **Total return on average Group investments** was 0.1 percent, compared with 4.8 percent in the same period of 2014. Total return includes the net investment return as well as the effect of net unrealized investment losses, before allocations to policyholders, of USD 3.8 billion, which do not flow through net income, mainly as a result of rising interest rates and widening credit spreads, compared with net unrealized investment gains of USD 5.7 billion in the same period of 2014.

The U.S. dollar strengthened significantly against all of the Group's major trading currencies during the first six months of 2015 compared with the same period of 2014. This affected many line items in both the consolidated income and cash flow statements. The translation effect of the strengthening of the U.S. dollar in the first six months of 2015 compared with the same period of 2014 reduced business operating profit and net income attributable to shareholders by USD 119 million and USD 112 million respectively. The euro and Latin American currencies as of June 30, 2015 compared with December 31, 2014 were weaker against the U.S. dollar, but this effect was offset by strengthening of the Swiss franc and the British pound. The net effect of currency movements on translation resulted in a reduction in shareholders' equity of USD 2.1 billion since December 31,2014.

Net income attributable to shareholders decreased by USD 64 million to USD 2.1 billion, primarily due to the decrease of USD 383 million in business operating profit offset by lower tax expense attributable to shareholders and lower negative impact of non-recurring items, including foreign currency gains in 2015 and lower costs related to restructuring. The **shareholders' effective tax rate** decreased to 24.5 percent compared with 27.4 percent for the same period of 2014 and 27.0 percent for the year ended December 31, 2014. The tax rate for the six months is based on the expected rate for the full year 2015. The decrease of 2.9 percentage points, compared with the same period of 2014, reflects changes in the profit mix and the effect of several non-recurring costs which did not attract tax relief in 2014.

ROE improved by 0.2 percentage points to 14.2 percent, due to the reduction in average shareholders' equity compared with the same period of 2014, partly offset by the reduction in net income attributable to shareholders. **BOPAT ROE** decreased by 0.9 percentage points to 11.6 percent, as a result of the decrease in business operating profit partly offset by the lower shareholders' effective tax rate and the reduction in average shareholders' equity. **Diluted earnings per share** in CHF increased by 2 percent to CHF 12.99 compared with CHF 12.74 in the same period of 2014. However, diluted earnings per share in USD decreased by 4 percent to USD 13.73 compared with USD14.31 in the same period of 2014.

Operating and financial review *continued*

General Insurance

in USD millions, for the six months ended June 30	2015	2014	Change
Gross written premiums and policy fees	18,669	19,995	(7%)
Net earned premiums and policy fees	13,928	14,990	(7%)
Insurance benefits and losses, net of reinsurance	9,315	9,857	6%
Net underwriting result	230	643	(64%)
Net investment result	1,044	1,147	(9%)
Net non-technical result (excl. items not included in BOP)	(60)	(59)	(1%)
Non-controlling interests	49	50	1%
Business operating profit	**1,166**	**1,681**	**(31%)**
Loss ratio	66.9%	65.8%	(1.1 pts)
Expense ratio	31.5%	30.0%	(1.5 pts)
Combined ratio	**98.3%**	**95.7%**	**(2.6 pts)**

in USD millions, for the six months ended June 30	Business operating profit (BOP)		Combined ratio	
	2015	2014	2015	2014
Global Corporate	214	418	101.0%	95.2%
North America Commercial	469	469	96.4%	96.3%
Europe, Middle East & Africa (EMEA)	426	692	97.2%	94.2%
International Markets	71	97	101.0%	99.9%
GI Global Functions including Group Reinsurance	(14)	6	nm	nm
Total	**1,166**	**1,681**	**98.3%**	**95.7%**

Business operating profit decreased by USD 515 million to USD 1.2 billion, or 31 percent in U.S. dollar terms, and 27 percent on a local currency basis. This resulted from a deterioration in the net underwriting result of USD 413 million to USD 230 million, principally in Global Corporate and EMEA, as well as a lower net investment result mainly from foreign currency translation and lower yields in EMEA.

Gross written premiums and policy fees decreased by USD 1.3 billion to USD 18.7 billion. On a local currency basis gross written premiums increased by 3 percent, driven by growth in most regions. In North America Commercial, this resulted from organic growth and an increase in new business through captives. Global Corporate increased on a local currency basis despite continuing pressure on rates, mainly in the property and global energy lines of business. EMEA grew slightly in local currency terms with growth in Germany and Spain, as well as in the personal lines business in Switzerland. In International Markets, gross written premiums increased on a local currency basis mainly in Latin America, partly due to inflation, but also from new distribution agreements in Brazil. Rates increased across all regions, overall by around 1 percent.

The **net underwriting result** decreased by USD 413 million to USD 230 million, reflected in the 2.6 percentage points deterioration in the combined ratio to 98.3 percent. The loss ratio increased 1.1 percentage points reflecting higher large losses in Global Corporate North America and in EMEA’s UK business compared with 2014. These effects were partly offset by significantly higher levels of favorable development of loss reserves established in prior years. The expense ratio increased by 1.5 percentage points. This arose from higher expenses from investments in growth initiatives in all regions and the effect of positive non-recurring items in 2014, as well as higher commissions due to changes in both product and geographic mix for which higher levels of commission apply.

Global Corporate

in USD millions, for the six months ended June 30	2015	2014	Change
Gross written premiums and policy fees	4,974	5,426	(8%)
Net underwriting result	(29)	149	nm
Business operating profit	**214**	**418**	**(49%)**
Loss ratio	77.7%	73.4%	(4.3 pts)
Expense ratio	23.3%	21.8%	(1.4 pts)
Combined ratio	**101.0%**	**95.2%**	**(5.7 pts)**

Business operating profit decreased by USD 203 million to USD 214 million. The decrease resulted mainly from the deterioration in the underwriting result, but also from a decrease in the net investment result due to lower yields in Europe and a deterioration in the non-technical result from higher hedging costs for foreign exchange transactions.

Gross written premiums and policy fees decreased by USD 451 million, or 8 percent in U.S. dollar terms, to USD 5.0 billion, but increased 1 percent on a local currency basis, with some higher levels of retention in Europe. The rate environment continues to be under pressure and lower rates, particularly in the U.S., contributed to the decline. Rates overall increased by 0.2 percent.

The **net underwriting result** deteriorated by USD 178 million to an underwriting loss of USD 29 million, reflected in the deterioration of 5.7 percentage points in the combined ratio to 101 percent. The deterioration in the loss ratio of 4.3 percentage points was mainly due to an increase in the number of large losses, as well as higher losses from catastrophe and weather-related events in North America. These effects were partly offset by favorable development in the underlying loss ratio driven by re-underwriting actions in Europe. The expense ratio deteriorated by 1.4 percentage points as a result of investments in growth initiatives, as well as higher management expenses.

Operating and financial review *continued*

North America Commercial

in USD millions, for the six months ended June 30	2015	2014	Change
Gross written premiums and policy fees	5,383	5,229	3%
Net underwriting result	137	135	1%
Business operating profit	**469**	**469**	**–**
Loss ratio	64.1%	65.5%	1.4 pts
Expense ratio	32.2%	30.8%	(1.4 pts)
Combined ratio	**96.4%**	**96.3%**	**(0.0 pts)**

Business operating profit remained flat at USD 469 million, where a slight increase in the underwriting result and the non-technical result was offset by a reduction in the investment result.

Gross written premiums and policy fees increased by USD 154 million, or 3 percent, to USD 5.4 billion. This increase was driven by organic growth and new business in captives, particularly from workers compensation and liability lines of business. The rate environment remained positive in liability, motor and specialties lines of business with overall rates increasing by 1 percent despite market pressure.

The **net underwriting result** increased by USD 1 million to USD 137 million, with the combined ratio at 96.4 percent remaining flat. The loss ratio improved compared with the same period of 2014 reflecting a favorable development of reserves established in prior years compared with unfavorable development in the same period of 2014, as well as lower large losses and catastrophe and weather-related losses. These improvements were partly offset by unfavorable deterioration in the underlying loss ratio with an increase in the severity of liability claims. The expense ratio increased by 1.4 percentage points, mainly as a result of investments in growth initiatives and higher management expenses, as well as an increase in commissions due to growth in products for which higher levels of commission apply.

Europe, Middle East & Africa

in USD millions, for the six months ended June 30	2015	2014	Change
Gross written premiums and policy fees	6,357	7,305	(13%)
Net underwriting result	149	365	(59%)
Business operating profit	**426**	**692**	**(38%)**
Loss ratio	65.8%	64.1%	(1.7 pts)
Expense ratio	31.5%	30.1%	(1.4 pts)
Combined ratio	**97.2%**	**94.2%**	**(3.1 pts)**

Business operating profit decreased by USD 266 million to USD 426 million, or 38 percent in U.S. dollar terms, and 31 percent on a local currency basis, primarily as a result of the deterioration in the net underwriting result. The investment result reduced by USD 72 million in U.S. dollar terms, mainly as a result of foreign currency translation and lower yields, which was partly offset by an improvement in the non-technical result.

Gross written premiums and policy fees decreased by USD 947 million to USD 6.4 billion, or by 13 percent in U.S. dollar terms, but remained flat on a local currency basis. On a local currency basis, there was growth in Germany and Spain, as well as in the personal lines business in Switzerland. These positive impacts were offset by decreased premiums written in markets enduring competitive pressures especially in the UK in property and personal lines of business, and in Italy in the motor line of business, as well as from the sale of the retail market business in Russia in October 2014. There were positive developments in retention and new business levels, and overall rates have increased by 1 percent, 1 percentage point lower than in the same period of 2014.

The **net underwriting result** decreased by USD 216 million to USD 149 million, reflected in the deterioration in the combined ratio of 3.1 percentage points to 97.2 percent. The deterioration in the loss ratio of 1.7 percentage points reflected unfavorable experience of large losses, mainly in the UK, and less favorable development of reserves established in prior years. These deteriorations were partly offset by lower weather-related losses. The expense ratio deteriorated by 1.4 percentage points resulting from the effect of several favorable non-recurring items in 2014, and increased expenses following investments in growth initiatives.

Operating and financial review *continued*

International Markets

in USD millions, for the six months ended June 30	2015	2014	Change
Gross written premiums and policy fees	2,063	2,160	(4%)
Net underwriting result	(17)	1	nm
Business operating profit	**71**	**97**	**(27%)**
Loss ratio	57.8%	59.2%	1.4 pts
Expense ratio	43.1%	40.7%	(2.4 pts)
Combined ratio	**101.0%**	**99.9%**	**(1.0 pts)**

Business operating profit decreased by USD 26 million to USD 71 million, or 27 percent in U.S. dollar terms, and 32 percent on a local currency basis. The decrease resulted from a deterioration in the underwriting result with a decrease in Asia Pacific partly offset by an improvement in Latin America and a less favorable investment result, mainly in Australia.

Gross written premiums and policy fees decreased by USD 97 million to USD 2.1 billion, or by 4 percent in U.S. dollar terms, but increased by 12 percent on a local currency basis. On a local currency basis, gross written premiums grew by 26 percent in Latin America due to new distribution agreements in Brazil and inflation in Venezuela. This increase was partly offset by the impact of underwriting actions in the personal motor portfolio in Brazil which began in the second half of 2014. Despite growth in some areas of Asia Pacific, premiums decreased by 2 percent on a local currency basis due to the impact of underwriting actions in Australia. Overall, International Markets achieved average rate increases of 4 percent, mainly in Latin America.

The **net underwriting result** deteriorated by USD 18 million, reflected in the 1 percentage points deterioration in the combined ratio to 101 percent. The loss ratio improved by 1.4 percentage points, mainly as a result of an improvement in the underlying loss ratio. This positive effect was partly offset by adverse catastrophe and weather-related losses, mainly due to storms in Australia. The expense ratio deteriorated by 2.4 percentage points due to an increase in commissions and higher expenses including costs related to the implementation of new distribution agreements in Brazil.

Global Life

in USD millions, for the six months ended June 30	2015	2014	Change
Insurance deposits	7,946	7,082	12%
Gross written premiums and policy fees	6,887	7,139	(4%)
Net investment income on Group investments	1,690	1,981	(15%)
Insurance benefits and losses, net of reinsurance	(3,191)	(5,069)	37%
Business operating profit	**673**	**634**	**6%**
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts (net reserves)[1]	216,549	221,926	(2%)
Assets under management[1, 2]	263,133	265,507	(1%)
Net policyholder flows[3]	3,410	889	nm

1 As of June 30, 2015 and December 31, 2014, respectively.
2 Assets under management comprise Group and unit-linked investments that are included in the Global Life balance sheet plus assets that are managed by third parties, on which fees are earned.
3 Net policyholder flows are defined as the sum of gross written premiums and policy fees and deposits, less policyholder benefits.

New business – highlights

in USD millions, for the six months ended June 30	2015	2014	Change
New business annual premium equivalent (APE)[1]	**2,443**	**2,373**	**3%**
New business margin, after tax[2]	**18.9%**	**23.2%**	**(4.3 pts)**
New business value, after tax[3, 4]	**411**	**487**	**(15%)**

1 APE is shown gross of non-controlling interests.
2 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.
3 New business value is calculated on embedded value principles after the effect of non-controlling interests.
4 As of January 1, 2015 a change in new business value methodology was implemented relating to the calculation of the cost of residual non-hedgeable risk, which no longer includes diversification benefits between covered and non-covered business in accordance with Market Consistent Embedded Value Principles. New business value figures for 2014 have been restated.

Source of earnings[1]

in USD millions, for the six months ended June 30	2015	2014	Change
Loadings and fees	1,964	2,082	(6%)
Investment margin	226	296	(24%)
Technical margin	664	541	23%
Operating and funding costs	(857)	(877)	2%
Acquisition costs	(1,506)	(1,572)	4%
Impact of deferrals	182	163	12%
Business operating profit	**673**	**634**	**6%**

1 Each line represents Zurich's interest after deducting non-controlling interests, amounting in total to USD 124 million (in 2014 USD 111 million) in business operating profit.

Operating and financial review *continued*

Business operating profit increased by USD 39 million to USD 673 million, or 6 percent in U.S. dollar terms, and 21 percent on a local currency basis. The weakening of Latin American and European currencies against the U.S. dollar compared with the same period of 2014 had a significant impact on the reported results with only North America and Other reporting an improvement in U.S. dollar terms. However, on a local currency basis, business operating profit improved in all regions, with the largest increases occurring in North America and EMEA. EMEA benefited from improvements in both loadings and fees and the technical margin, offset by a lower investment margin. The same period of 2014 included non-recurring adverse effects from a law change in Germany and from the transfer of an annuity portfolio from North America to Non-Core Businesses, as well as impairments of software intangible assets.

Ongoing focus on fee-based and protection business has resulted in underlying improvements in loadings and fees and the technical margin, offset by a reduced contribution from the investment margin.

Loadings and fees decreased by USD 118 million, or by 6 percent in U.S dollar terms, but increased by 8 percent on a local currency basis. The increase in local currency terms was driven by higher volumes in Zurich Santander and higher fees in EMEA, half of which were from the increase in unit-linked assets under management.

The technical margin improved by USD 122 million, or by 23 percent in U.S dollar terms and by 36 percent on a local currency basis. These improvements arose mainly in EMEA, driven by favorable claims experience as well as by positive impacts associated with management actions to drive value from in-force business, including amortization of the gain on the transfer of risk in a legacy in-force annuity portfolio in the UK through reinsurance. In North America, the improvement in technical margin largely resulted from the effect of non-recurring costs incurred in the same period of 2014 relating to the transfer of an annuity portfolio to Non-Core Businesses.

The improvements in loadings and fees and in the technical margin in local currency terms were partly offset by a decrease in the investment margin. The latter decreased by USD 70 million, or 24 percent in U.S. dollar terms, and 11 percent on a local currency basis, due to the impact of persistently low yields primarily in EMEA, with a partial offset from increased investment yields in Latin America.

Operating and funding costs decreased by USD 20 million, or by 2 percent in U.S dollar terms, but increased by 10 percent on a local currency basis. The increase on a local currency basis was primarily driven by the effect of positive non-recurring items included in the same period of 2014, including the favorable impact from policyholders' tax expense and a reduction in pension liabilities, partly offset by the impairment of software assets. Acquisition costs decreased by USD 65 million, or by 4 percent in U.S dollar terms, but increased by 10 percent on a local currency basis. The increase on a local currency basis reflected higher volumes of business in EMEA, Asia Pacific and Zurich Santander, partly offset by decreasing volumes in the Independent Financial Adviser (IFA) business in North America. The impact of deferrals improved by USD 19 million, or 12 percent in U.S. dollar terms, and 28 percent on a local currency basis. The movement on a local currency basis substantially reflected the same drivers as acquisition costs.

Insurance deposits increased by USD 864 million to USD 7.9 billion, or 12 percent in U.S. dollar terms, and 31 percent on a local currency basis. Europe experienced strong growth predominantly driven by higher sales of Corporate Life and Pensions products in the UK and sales of individual saving products in both Italy and Germany.

Gross written premiums and policy fees decreased by USD 252 million to USD 6.9 billion, or 4 percent in U.S. dollar terms, but increased 12 percent on a local currency basis. The increase on a local currency basis was predominantly driven by increased sales in Zurich Santander and in individual savings products in Spain, partly offset by a reduction related to the non-renewal of a large corporate contract in Chile.

Net reserves decreased by 2 percent in U.S. dollar terms, but increased by 1 percent on a local currency basis compared with December 31, 2014, primarily reflecting favorable market movements on the underlying assets and positive net policyholder flows. **Assets under management** decreased by 1 percent in U.S. dollar terms, but increased by 2 percent on a local currency basis compared with December 31, 2014 driven by favorable market movements and positive net policyholder flows. **Net policyholder flows** were positive at USD 3.4 billion, with EMEA, Asia Pacific and Other all experiencing improved net inflows. This compared with a lower net inflow of USD 889 million in the same period of 2014, which was mainly due to the discontinuation of certain private banking products in the UK and investment products in Australia.

NBV, APE, NBM and BOP by region

in USD millions, for the six months ended June 30	New business value, after tax (NBV)[1, 2]		New business annual premium equivalent (APE)[3]		New business margin, after tax (as % of APE) (NBM)[4]		Business operating profit (BOP)	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
North America	43	57	88	104	48.5%	54.7%	100	37
Latin America	69	83	505	613	22.7%	20.9%	111	128
of which:								
Zurich Santander	*56*	*55*	*399*	*434*	*27.6%*	*24.9%*	*101*	*93*
Europe, Middle East & Africa	234	276	1,744	1,563	14.0%	18.4%	443	476
United Kingdom	*97*	*83*	*710*	*578*	*13.7%*	*14.5%*	*84*	*110*
Germany	*(7)*	*22*	*177*	*166*	*(4.0%)*	*13.3%*	*105*	*106*
Switzerland	*40*	*41*	*194*	*157*	*20.7%*	*25.8%*	*108*	*139*
Ireland	*29*	*32*	*210*	*236*	*13.8%*	*13.5%*	*37*	*35*
Spain	*48*	*44*	*152*	*132*	*57.9%*	*59.6%*	*27*	*22*
Italy	*(7)*	*12*	*122*	*84*	*(5.4%)*	*14.2%*	*19*	*23*
Zurich International Life	*32*	*39*	*165*	*179*	*19.3%*	*21.5%*	*36*	*24*
Rest of Europe, Middle East & Africa	*2*	*4*	*15*	*31*	*15.1%*	*14.1%*	*28*	*18*
Asia Pacific	40	36	73	62	56.0%	58.7%	29	29
Other	25	35	34	31	74.2%	113.2%	(10)	(37)
Total	**411**	**487**	**2,443**	**2,373**	**18.9%**	**23.2%**	**673**	**634**

NBV, APE and NBM by pillar

in USD millions, for the six months ended June 30	New business value, after tax (NBV)[1, 2]		New business annual premium equivalent (APE)[3]		New business margin, after tax (as % of APE) (NBM)[4]	
	2015	2014	**2015**	2014	**2015**	2014
Bank Distribution	119	142	793	825	22.7%	25.9%
Other Retail	138	189	750	731	18.5%	25.9%
Corporate Life and Pensions	154	156	900	817	17.1%	19.1%
Total	**411**	**487**	**2,443**	**2,373**	**18.9%**	**23.2%**

1 New business value is calculated on embedded value principles after the effect of non-controlling interests.
2 As of January 1, 2015 a change in new business value methodology was implemented relating to the calculation of the cost of residual non-hedgeable risk, which no longer includes diversification benefits between covered and non-covered business in accordance with Market Consistent Embedded Value Principles. New business value figures for 2014 have been restated.
3 APE is shown gross of non-controlling interests.
4 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.

Global Life continued to benefit from its acquisitions and investments in organic growth in priority markets, leveraging global bank distribution and corporate life relationships, as well as maintaining focus on protection and unit-linked products.

New business value decreased by USD 75 million to USD 411 million, or by 15 percent in U.S. dollar terms, and 5 percent on a local currency basis. The decrease was primarily driven by the impact of low interest rates in continental Europe, particularly in Germany and Italy. This decrease was partly offset by increases in the UK, driven by higher sales of corporate business, and in Asia Pacific, driven by higher sales in Japan.

APE increased by USD 71 million to USD 2.4 billion, or 3 percent in U.S. dollar terms, and 19 percent on a local currency basis. The increase on a local currency basis was mainly driven by EMEA, which experienced increased sales of corporate business primarily in the UK and of single premium individual savings business in Spain and Italy. These increases were partly offset by decreased sales in North America.

Operating and financial review *continued*

New business margin decreased by 4.3 percentage points to 18.9 percent, with decreases occurring in North America, EMEA and Other. In North America, new business margin was primarily impacted by persistency related assumption changes and modelling changes. In addition, the continued reduction in interest rates negatively affected new business margin in continental European countries. In Other, the decrease arose from changes in product mix in corporate business.

On a **geographical basis**, the new business results were as follows:

In North America, the rapid increase in sales through IFA and Brokers seen in the same period of 2014 was not sustained and resulted in an overall decrease in APE of 15 percent and NBV of 25 percent. NBV was also affected by the persistency related assumption changes and modelling changes. Overall, this resulted in a lower, but still strong, NBM of 48.5 percent.

In Latin America, APE decreased by 18 percent in U.S. dollar terms, but increased by 2 percent on a local currency basis. The increase on a local currency basis mainly arose from increased sales in Zurich Santander. This was partly offset by decreased sales in the rest of the region, primarily in Chile, Brazil and Mexico, which also resulted in a reduced NBV on a local currency basis.

In EMEA, the increase in APE in the UK was driven by higher volumes of corporate business, which was also the largest driver of the overall APE increase in the region. APE also increased in Spain and Italy as a result of increased sales of single premium individual savings products, and in Switzerland, driven by higher sales of corporate products. The overall decrease of USD 42 million in NBV was primarily driven by Germany and Italy, which were particularly affected by the impact of lower interest rate assumptions, partly offset by the impact of increased sales in the UK and Spain.

In Asia Pacific, the increase in APE was primarily driven by increased volumes in Japan, which also drove an increase in NBV. These positive effects were both partly offset in Australia, where volumes reduced following the closure of new sales of corporate protection business.

In Other, the decrease in NBV was driven by changes in product mix in corporate business reducing the NBM despite an increase in sales.

On a **pillar basis**, the new business results were as follows:

In Bank Distribution, NBV decreased by USD 23 million to USD 119 million, or 16 percent in U.S. dollar terms, but increased 3 percent on a local currency basis. The increase on a local currency basis resulted from higher volumes in Zurich Santander and Spain, offset by a decrease in Germany, due to business mix and the impact of lower interest rates.

In Other Retail, NBV decreased by USD 51 million to USD 138 million, or 27 percent in U.S. dollar terms, and 20 percent on a local currency basis. The decrease arose mainly in North America and Latin America, impacted by lower volumes, and in EMEA, which experienced lower margins.

In Corporate Life and Pensions, NBV decreased by USD 2 million to USD 154 million, or 1 percent in U.S. dollar terms, but increased 8 percent on a local currency basis, benefiting from higher volumes in EMEA, primarily in the UK, partly offset by the effects of changes in product mix.

Farmers

Farmers business operating profit decreased by USD 36 million to USD 719 million. This was due to a USD 44 million reduction in Farmers Management Services business operating profit partly offset by an improvement in Farmers Re.

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.

Farmers Management Services

in USD millions, for the six months ended June 30	**2015**	2014	Change
Management fees and other related revenues	1,380	1,391	(1%)
Management and other related expenses	(727)	(717)	(1%)
Gross management result	654	674	(3%)
Other net income	5	28	(82%)
Business operating profit	**658**	**702**	**(6%)**
Managed gross earned premium margin	7.0%	7.3%	(0.3 pts)

Business operating profit decreased by USD 44 million to USD 658 million due to reduced management fees and other related revenues and an increase in management and other related expenses, as well as a significant reduction in other net income.

Management fees and other related revenues of USD 1.4 billion decreased by USD 11 million, or by 1 percent, due to a reduction in the average management fee rate, offset in part by increased revenues due to the growth in gross earned premiums of the Farmers Exchanges. **Management and other related expenses** of USD 727 million increased by USD 10 million, or by 1 percent. **Other net income** of USD 5 million decreased by USD 23 million primarily due to losses recognized in 2015 from a mark-to-market valuation of securities backing certain employee benefit liabilities that generated gains in 2014, as well as a non-recurring gain in 2014 due to the sale of a property.

The **managed gross earned premium margin** decreased to 7.0 percent compared with 7.3 percent for the same period of 2014.

Operating and financial review *continued*

Farmers Re

in USD millions, for the six months ended June 30	2015	2014	Change
Gross written premiums and policy fees	1,126	1,960	(43%)
Net underwriting result	16	(11)	nm
Business operating profit	**61**	**53**	**14%**
Loss ratio	67.7%	69.2%	1.6 pts
Expense ratio	30.9%	31.3%	0.4 pts
Combined ratio	**98.6%**	**100.6%**	**2.0 pts**

Business operating profit increased by USD 7 million to USD 61 million. The profit was negatively impacted by lower participation in the reinsurance agreements with the Farmers Exchanges, reducing both business volumes and investment income. However, despite the lower participation, the underwriting result improved, but this was further offset by the impact of lower interest rates on investment income.

Gross written premiums and policy fees decreased by USD 834 million, or by 43 percent, to USD 1.1 billion as a result of lower participation in the reinsurance agreements with the Farmers Exchanges. Participation in the All Lines quota share reinsurance agreement was reduced from 18 percent to 10 percent effective December 31, 2014. Participation in the Auto Physical Damage quota share reinsurance agreement (APD) was reduced from USD 900 million of ceded premiums in 2014 to USD 500 million in 2015.

The **net underwriting result** improved by USD 27 million to USD 16 million as a result of lower catastrophe losses assumed from the Farmers Exchanges, reflected in the 1.6 percentage points reduction in the **loss ratio**. The **expense ratio**, based on ceded reinsurance commission rates payable to the Farmers Exchanges, was slightly lower due primarily to a change in the APD ceding commission rate.

Farmers Exchanges

Financial information about the Farmers Exchanges, which are owned by their policyholders, 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 six months ended June 30	2015	2014	Change
Gross written premiums	9,527	9,335	2%
Gross earned premiums	9,338	9,216	1%

Gross written premiums in the Farmers Exchanges increased by USD 192 million to USD 9.5 billion, or by 2 percent. Growth in most books of business was partly offset by decreases in businesses managed for value, Direct Auto and Business Insurance sold through independent agents.

Gross earned premiums in the Farmers Exchanges increased by USD 122 million to USD 9.3 billion, or by 1 percent, reflecting the return to growth in gross written premiums achieved in 2014.

Other Operating Businesses

in USD millions, for the six months ended June 30	2015	2014	Change
Business operating profit:			
Holding and Financing	(216)	(358)	40%
Headquarters	(114)	(93)	(22%)
Total business operating profit	**(330)**	**(452)**	**27%**

Holding and Financing business operating loss decreased by USD 142 million to USD 216 million, primarily driven by lower interest expense on debt refinanced in 2014 and 2015 and favorable foreign exchange impacts partly as a result of the Swiss National Bank action in January 2015 to discontinue the link of the Swiss franc to the euro.

Headquarters reported a business operating loss of USD 114 million compared with a loss of USD 93 million in the same period of 2014. The result included several non-recurring items in both 2015 and 2014.

Non-Core Businesses

in USD millions, for the six months ended June 30	2015	2014	Change
Business operating profit:			
Centrally managed businesses	1	(26)	nm
Other run-off	9	28	(69%)
Total business operating profit	**10**	**2**	**nm**

Centrally managed businesses, which comprise run-off portfolios managed with the intention of proactively reducing risk and releasing capital, reported a business operating profit of USD 1 million. The result is primarily driven by changes to reserves in the run-off portfolios. The improvement of USD 27 million arose primarily from the impact from the strengthening of reserves in 2014 in the UK asbestos business, not repeated in 2015.

Other run-off, which largely comprises U.S. life insurance and annuity portfolios, reported a business operating profit of USD 9 million, a reduction of USD 19 million. This arose primarily from the effect of lower decreases in loss reserves held for future liabilities established in prior years, linked to movements in investment markets.

Consolidated financial statements (unaudited)

Contents

Consolidated income statements

in USD millions	Notes	2015 for the three months ended June 30	Restated 2014 for the three months ended June 30	2015 for the six months ended June 30	Restated 2014 for the six months ended June 30
Revenues					
Gross written premiums		11,833	13,136	25,599	27,874
Policy fees		628	707	1,273	1,439
Gross written premiums and policy fees		12,461	13,843	26,872	29,314
Less premiums ceded to reinsurers[1]		(3,391)	(1,678)	(5,015)	(3,283)
Net written premiums and policy fees		9,070	12,165	21,857	26,030
Net change in reserves for unearned premiums		(118)	(269)	(1,844)	(1,989)
Net earned premiums and policy fees		8,952	11,896	20,013	24,042
Farmers management fees and other related revenues		693	699	1,380	1,391
Net investment result on Group investments	3	1,890	2,176	4,023	4,369
Net investment income on Group investments		1,478	1,681	2,809	3,217
Net capital gains/(losses) and impairments on Group investments		412	495	1,214	1,153
Net investment result on unit-linked investments		(3,444)	2,938	5,230	4,405
Net gain/(loss) on divestments of businesses		–	(13)	–	(13)
Other income		375	475	727	849
Total revenues		8,465	18,171	31,372	35,043
Benefits, losses and expenses					
Insurance benefits and losses, gross of reinsurance		8,073	8,925	16,757	18,155
Less ceded insurance benefits and losses[1]		(2,561)	(745)	(3,384)	(1,409)
Insurance benefits and losses, net of reinsurance		5,512	8,181	13,374	16,746
Policyholder dividends and participation in profits, net of reinsurance	5	(2,700)	3,419	6,198	5,318
Underwriting and policy acquisition costs, net of reinsurance		2,275	2,513	4,433	5,080
Administrative and other operating expense		2,053	2,393	3,935	4,268
Interest expense on debt		111	139	223	277
Interest credited to policyholders and other interest		121	158	236	285
Total benefits, losses and expenses		7,372	16,802	28,400	31,974
Net income before income taxes		1,093	1,370	2,973	3,069
Income tax (expense)/benefit	9	(191)	(466)	(800)	(824)
attributable to policyholders	9	102	(42)	(95)	21
attributable to shareholders	9	(293)	(425)	(705)	(846)
Net income after taxes		**902**	**904**	**2,172**	**2,245**
attributable to non-controlling interests		62	56	113	122
attributable to shareholders		840	848	2,059	2,123
in USD					
Basic earnings per share		5.64	5.73	13.84	14.36
Diluted earnings per share		5.60	5.71	13.73	14.31
in CHF					
Basic earnings per share		5.30	5.09	13.10	12.79
Diluted earnings per share		5.27	5.07	12.99	12.74

[1] The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was an increase of USD 1.6 billion in premiums ceded to reinsurers and an increase of USD 1.7 billion in ceded insurance benefits and losses in the Global Life business.

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Consolidated financial statements (unaudited) *continued*

Consolidated statements of comprehensive income

in USD millions, for the six months ended June 30	Net income attributable to shareholders	Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges
2014			
Comprehensive income for the period, as restated	2,123	1,748	100
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		2,950	118
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(721)	10
Deferred income tax (before foreign currency translation effects)		(485)	(29)
Foreign currency translation effects		3	1
2015			
Comprehensive income for the period	2,059	(946)	(23)
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		100	(83)
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(1,281)	51
Deferred income tax (before foreign currency translation effects)		254	(9)
Foreign currency translation effects		(19)	18

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Cumulative foreign currency translation adjustment	Total other comprehensive income recycled through profit or loss	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income not recycled through profit or loss	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Total comprehensive income attributable to non-controlling interests	Total comprehensive income
(880)	967	21	(176)	(155)	813	2,936	160	3,096
(880)	2,188	28	(115)	(87)	2,101			
–	(711)	–	–	–	(711)			
–	(513)	(7)	(5)	(12)	(525)			
–	4	–	(56)	(56)	(52)			
(2,076)	(3,045)	–	(319)	(319)	(3,364)	(1,305)	(71)	(1,376)
(2,076)	(2,058)	1	(359)	(358)	(2,416)			
–	(1,229)	–	–	–	(1,229)			
–	244	–	61	60	305			
–	(1)	–	(21)	(21)	(22)			

Consolidated financial statements (unaudited) *continued*

in USD millions, for the three months ended June 30	Net income attributable to shareholders	Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges
2014			
Comprehensive income for the period	848	972	19
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		1,546	37
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(361)	11
Deferred income tax (before foreign currency translation effects)		(217)	(28)
Foreign currency translation effects		4	(1)
2015			
Comprehensive income for the period	840	(1,809)	(115)
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(1,882)	(119)
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(637)	(27)
Deferred income tax (before foreign currency translation effects)		583	18
Foreign currency translation effects		127	13

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Cumulative foreign currency translation adjustment	Total other comprehensive income recycled through profit or loss	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income not recycled through profit or loss	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Total comprehensive income attributable to non-controlling interests	Total comprehensive income
(896)	95	22	(135)	(113)	(18)	830	75	904
(896)	686	28	(73)	(45)	641			
–	(350)	–	–	–	(350)			
–	(244)	(6)	(20)	(26)	(270)			
–	3	–	(42)	(42)	(39)			
(620)	(2,544)	1	(215)	(214)	(2,758)	(1,918)	68	(1,850)
(620)	(2,621)	1	(46)	(45)	(2,666)			
–	(664)	–	–	–	(664)			
–	600	–	(15)	(16)	585			
–	140	–	(153)	(153)	(13)			

Consolidated financial statements (unaudited) *continued*

Consolidated balance sheets

Assets

in USD millions, as of	Notes	06/30/15	Restated 12/31/14	01/01/14
Investments				
Total Group investments	3	196,644	204,860	207,280
Cash and cash equivalents		8,821	7,600	7,181
Equity securities		18,998	16,099	13,183
Debt securities		142,173	153,648	156,456
Investment property		9,316	8,784	8,745
Mortgage loans		7,672	7,826	9,798
Other loans		9,595	10,834	11,789
Investments in associates and joint ventures		69	70	129
Investments for unit-linked contracts		135,021	134,416	134,267
Total investments[1]		331,666	339,276	341,547
Reinsurers' share of reserves for insurance contracts[1]	4	18,584	16,550	17,978
Deposits made under assumed reinsurance contracts		2,009	2,203	2,645
Deferred policy acquisition costs	6	18,052	17,750	18,724
Deferred origination costs	6	558	595	724
Accrued investment income[2]		1,717	1,912	2,321
Receivables and other assets		17,755	16,946	18,499
Deferred tax assets		1,595	1,561	2,020
Assets held for sale[3]		26	48	223
Property and equipment		1,266	1,273	1,494
Attorney-in-fact contracts	7	1,025	1,025	1,025
Goodwill	7	1,552	1,661	1,852
Other intangible assets	7	5,190	5,729	6,003
Total assets		**400,995**	**406,529**	**415,053**

[1] The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was a decrease of USD 1.7 billion in total investments and an increase of USD 1.7 billion in Reinsurers' share of reserves for insurance contracts in the Global Life business.
[2] Accrued investment income on unit-linked investments amounted to USD 154 million and USD 133 million as of June 30, 2015 and December 31, 2014, respectively.
[3] June 30, 2015 included land and buildings formerly classified as investment property amounting to USD 26 million. December 31, 2014 included land and buildings formerly classified as investment property amounting to USD 48 million.

Liabilities and equity

in USD millions, as of	Notes	06/30/15	Restated 12/31/14	01/01/14
Liabilities				
Reserve for premium refunds		517	606	571
Liabilities for investment contracts		73,242	70,813	67,113
Deposits received under ceded reinsurance contracts		952	1,022	1,245
Deferred front-end fees		5,500	5,539	5,791
Reserves for insurance contracts	4	248,554	253,719	265,440
Obligations to repurchase securities		1,708	1,451	1,685
Accrued liabilities		2,763	3,065	3,023
Other liabilities		17,933	17,230	17,904
Deferred tax liabilities		4,785	5,020	5,110
Liabilities held for sale		–	–	49
Senior debt	10	5,370	5,379	6,044
Subordinated debt	10	5,789	5,857	6,342
Total liabilities		**367,115**	**369,700**	**380,319**
Equity				
Share capital		11	11	11
Additional paid-in capital		3,306	4,843	6,395
Net unrealized gains/(losses) on available-for-sale investments		3,122	4,068	1,730
Cash flow hedges		283	306	106
Cumulative foreign currency translation adjustment		(8,389)	(6,313)	(4,008)
Revaluation reserve		219	218	195
Retained earnings		33,331	31,602	28,075
Shareholders' equity		31,883	34,735	32,503
Non-controlling interests		1,997	2,095	2,231
Total equity		**33,880**	**36,830**	**34,734**
Total liabilities and equity		**400,995**	**406,529**	**415,053**

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Consolidated financial statements (unaudited) *continued*

Consolidated statements of cash flows

in USD millions, for the six months ended June 30	2015	Restated 2014
Cash flows from operating activities		
Net income attributable to shareholders	2,059	2,123
Adjustments for:		
Net (gain)/loss on divestments of businesses	–	13
(Income)/expense from equity method accounted investments	(6)	(8)
Depreciation, amortization and impairments of fixed and intangible assets	496	514
Other non-cash items	264	(200)
Underwriting activities:	6,354	6,626
Reserves for insurance contracts, gross	*4,953*	*4,271*
Reinsurers' share of reserves for insurance contracts[1]	*(2,088)*	*295*
Liabilities for investment contracts	*3,923*	*2,610*
Deferred policy acquisition costs	*(633)*	*(405)*
Deferred origination costs	*21*	*32*
Deposits made under assumed reinsurance contracts	*249*	*(10)*
Deposits received under ceded reinsurance contracts	*(71)*	*(167)*
Investments:	(4,022)	(3,898)
Net capital (gains)/losses on total investments and impairments	*(5,463)*	*(4,610)*
Net change in derivatives	*(53)*	*(134)*
Net change in money market investments	*720*	*303*
Sales and maturities		
Debt securities[1]	*45,728*	*57,970*
Equity securities	*32,836*	*32,060*
Other	*4,643*	*3,387*
Purchases		
Debt securities	*(43,529)*	*(53,889)*
Equity securities	*(34,400)*	*(36,693)*
Other	*(4,504)*	*(2,292)*
Net changes in sale and repurchase agreements	249	(83)
Movements in receivables and payables	(779)	242
Net changes in other operational assets and liabilities	(481)	(379)
Deferred income tax, net	59	(119)
Net cash provided by/(used in) operating activities	4,193	4,831

[1] The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was an increase of USD 1.7 billion in Reinsurers' share of reserves for insurance contracts and a transfer of USD 1.6 million of debt securities in the Global Life business.

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

in USD millions, for the six months ended June 30	2015	Restated 2014
Cash flows from investing activities		
Disposals of tangible and intangible assets	15	34
Additions to tangible and intangible assets	(277)	(540)
(Acquisitions)/disposals of equity method accounted investments, net	–	94
Divestments of companies, net of cash divested	–	55
Dividends from equity method accounted investments	8	–
Net cash provided by/(used in) investing activities	(254)	(356)
Cash flows from financing activities		
Dividends paid	(2,729)	(2,862)
Issuance of share capital	43	73
Net movement in treasury shares	17	16
Other acquisitions and divestments related cash flows	–	(413)
Issuance of debt	301	224
Repayment of debt	(321)	(54)
Net cash provided by/(used in) financing activities	(2,689)	(3,017)
Foreign currency translation effects on cash and cash equivalents	(138)	27
Change in cash and cash equivalents	1,113	1,485
Cash and cash equivalents as of January 1	8,776	8,162
Cash and cash equivalents as of June 30	**9,889**	**9,647**
of which:		
– Group investments	8,821	8,227
– Unit-linked	1,068	1,420
Other supplementary cash flow disclosures		
Other interest income received	2,694	3,399
Dividend income received	1,069	1,052
Other interest expense paid	(467)	(523)
Income taxes paid	(787)	(653)

Cash and cash equivalents

in USD millions, as of June 30	2015	2014
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	7,944	7,072
Cash equivalents	1,944	2,575
Total	**9,889**	**9,647**

As of June 30, 2015 and 2014, cash and cash equivalents held to meet local regulatory requirements were USD 835 million and USD 769 million, respectively.

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Consolidated financial statements (unaudited) *continued*

Consolidated statements of changes in equity

in USD millions	Share capital	Additional paid-in capital
Balance as of December 31, 2013	11	6,395
Issuance of share capital[1]	–	146
Dividends to shareholders[2]	–	(1,815)
Share-based payment transactions	–	(47)
Treasury share transactions[4]	–	1
Change in ownership interests with no loss of control	–	–
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of June 30, 2014, as restated	11	4,680
Balance as of December 31, 2014, as previously reported	11	4,843
Total adjustments due to restatement	–	–
Balance as of December 31, 2014, as restated	11	4,843
Issuance of share capital[1]	–	203
Dividends to shareholders[3]	–	(1,683)
Share-based payment transactions	–	(61)
Treasury share transactions[4]	–	3
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of June 30, 2015	**11**	**3,306**

[1] The number of common shares issued as of June 30, 2015 was 150,397,053 (June 30, 2014: 149,425,570, December 31, 2014: 149,636,836, December 31, 2013: 148,903,222).
[2] As approved by the Annual General Meeting on April 2, 2014, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 1,022 million between the dividend at transaction day exchange rates amounting to USD 2,837 million and the dividend at historical exchange rates amounting to USD 1,815 million is reflected in the cumulative foreign currency translation adjustment.
[3] As approved by the Annual General Meeting on April 1, 2015, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 1,022 million between the dividend at transaction day exchange rates amounting to USD 2,705 million and the dividend at historical exchange rates amounting to USD 1,683 million is reflected in the cumulative foreign currency translation adjustment.
[4] The number of treasury shares deducted from equity as of June 30, 2015 amounted to 1,249,799 (June 30, 2014: 1,302,434, December 31, 2014: 1,292,220, December 31, 2013: 1,320,652).

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

	Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges	Cumulative foreign currency translation adjustment	Revaluation reserve	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
	1,730	106	(4,008)	195	28,075	32,503	2,231	34,734
	–	–	–	–	–	146	–	146
	–	–	–	–	–	(1,815)	(25)	(1,840)
	–	–	–	–	–	(47)	–	(47)
	–	–	–	–	14	15	–	15
	–	–	–	–	(38)	(38)	–	(38)
	1,748	100	(880)	21	1,947	2,936	160	3,096
	–	–	–	–	*2,123*	*2,123*		
	1,748	–	–	–	–	*1,748*		
	–	*100*	–	–	–	*100*		
	–	–	*(880)*	–	–	*(880)*		
	–	–	–	*21*	–	*21*		
	–	–	–	–	*(176)*	*(176)*		
	–	–	–	–	–	–	(112)	(112)
	3,478	205	(4,888)	216	29,998	33,699	2,254	35,953
	4,068	306	(6,259)	218	31,548	34,735	2,095	36,830
	–	–	(54)	–	54	–	–	–
	4,068	306	(6,313)	218	31,602	34,735	2,095	36,830
	–	–	–	–	–	203	–	203
	–	–	–	–	–	(1,683)	(24)	(1,707)
	–	–	–	–	(25)	(86)	–	(86)
	–	–	–	–	14	17	–	17
	(946)	(23)	(2,076)	–	1,740	(1,305)	(71)	(1,376)
	–	–	–	–	*2,059*	*2,059*		
	(946)	–	–	–	–	*(946)*		
	–	*(23)*	–	–	–	*(23)*		
	–	–	*(2,076)*	–	–	*(2,076)*		
	–	–	–	–	–	–		
	–	–	–	–	*(319)*	*(319)*		
	–	–	–	–	–	–	(3)	(3)
	3,122	**283**	**(8,389)**	**219**	**33,331**	**31,883**	**1,997**	**33,880**

Consolidated financial statements (unaudited) *continued*

Zurich Insurance Group Ltd and its subsidiaries (collectively the Group) is a provider of insurance products and related services. The Group mainly operates in Europe, North America, Latin America and Asia Pacific through subsidiaries, as well as branch and representative offices.

Zurich Insurance Group Ltd, a Swiss corporation, is the holding company of the Group and is listed on the SIX Swiss Exchange. Zurich Insurance Group Ltd was incorporated on April 26, 2000, in Zurich, Switzerland. It is recorded in the Commercial Register of the Canton of Zurich under its registered address at Mythenquai 2, 8002 Zurich.

1. Basis of presentation

General information

The unaudited Consolidated financial statements for the six months to June 30, 2015 of the Group have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used to prepare the unaudited Consolidated financial statements comply with International Financial Reporting Standards (IFRS), and are consistent with those set out in the notes to the Consolidated financial statements in the Annual Report 2014 of the Group.

The accounting policies applied by the reportable segments are the same as those applied by the Group. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices. Dividends, realized capital gains and losses as well as gains and losses on the transfer of net assets, are eliminated within the segment, whereas all other intercompany gains and losses are eliminated at Group level. In the unaudited Consolidated financial statements inter-segment revenues and transfers are eliminated.

The unaudited Consolidated financial statements for the six months to June 30, 2015 should be read in conjunction with the Group's Annual Report 2014.

Certain amounts recorded in the unaudited Consolidated financial statements reflect estimates and assumptions made by management about insurance liability reserves, investment valuations, interest rates and other factors. Actual results may differ from the estimates and assumptions made. Interim results are not necessarily indicative of full year results.

All amounts in the unaudited Consolidated financial statements, unless otherwise stated, are shown in U.S. dollars, rounded to the nearest million 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 amounts rather than the rounded amounts.

Table 1.1 summarizes the principal exchange rates used for translation purposes. Net gains/(losses) on foreign currency transactions included in the consolidated income statements were USD 174 million and USD 56 million for the six months ended June 30, 2015 and 2014, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD 227 million and USD 45 million for the six months ended June 30, 2015 and 2014, respectively.

Principal exchange rates

Table 1.1

USD per foreign currency unit	Consolidated balance sheets at end-of-period exchange rates		Consolidated income statements and cash flows at average exchange rates	
	06/30/15	12/31/14	**06/30/15**	06/30/14
Euro	1.1140	1.2101	1.1181	1.3710
Swiss franc	1.0676	1.0064	1.0564	1.1226
British pound	1.5726	1.5577	1.5240	1.6686
Brazilian real	0.3216	0.3763	0.3388	0.4357

Implementation of new accounting standards

No new accounting standards nor amendments to and interpretations of standards have been implemented for the financial year beginning January 1, 2015.

Standard/
Interpretation

Table 1.2

		Effective date
New Standards		
IFRS 9	Financial Instruments[1]	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2017

[1] Expected to result in a significant portion of financial assets currently classified as available-for-sale being classified as at fair value through profit or loss. Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in other comprehensive income (OCI), are expected to increase due to the introduction of the expected credit loss methodology. Upon implementation of the revised standard IFRS 4 'Insurance Contracts', more assets might be classified as at fair value through profit or loss under the fair value option.

The Group has not early-adopted the standards shown in table 1.2

Restatements and reclassifications

The Group changed its accounting policy relating to recognition of cumulative foreign currency translation adjustments, moving from an absolute to a proportionate ownership interest method. The impact on the consolidated income statement was a profit of USD 14 million within net investment result on Group investments and administrative and other operating expense for the six months ended June 30, 2014. The impact on the consolidated balance sheet was a reclassification of losses of USD 54 million from retained earnings to cumulative foreign currency translation adjustment as of December 31, 2014.

The Group transferred USD 406 million from future life policyholder benefits to policyholder contract deposits and other funds. The reclassification was prospectively recognized in 2015 as the reclassification has no impact on the Group's consolidated balance sheet or income statement. The reclassifications are set out in note 4.

Consolidated financial statements (unaudited) *continued*

2. Acquisitions and divestments

Transactions in 2015

There were no material transactions in the six months to June 30, 2015.

Transactions in 2014

Acquisitions

On October 31, 2014, the Group completed the acquisition of an effective 50.0 percent stake in Mediterráneo Seguros Diversos, S.A. (MSD), a general insurance company incorporated in Spain and thus extended the existing cooperation with Banco Sabadell S.A. (Banco Sabadell) entered into during 2008. The Group obtained control over MSD by virtue of the existing shareholders' agreement between the Group and Banco Sabadell.

The initial consideration on a 50.0 percent basis amounted to USD 50 million, including an immaterial purchase price adjustment. In addition to the initial consideration, an uncapped contingent liability based on the future profitability over the term of the distribution agreement was agreed, for which the fair value was estimated to amount to USD 4 million on a 50.0 percent basis. Based on the preliminary purchase accounting, the fair value of net tangible assets acquired amounted to USD 30 million, identifiable intangible assets relating to the distribution agreement amounted to USD 79 million, net of deferred tax and the non-controlling interest amounted to USD 54 million as reflected in the Consolidated financial statements as of the acquisition date.

On May 28, 2014, the Group increased its shareholding in Deutscher Herold AG to 100 percent. This increase was the result of the non-controlling shareholder exercising its put option right over 15.17 percent of the shares and the Group exercising its call option right over 5.0 percent. The total consideration amounted to USD 366 million, of which USD 275 million for 15.17 percent was previously recorded on the balance sheet as a put option liability.

Divestments

On October 30, 2014, the Group closed the sale of its General Insurance retail business in Russia to OLMA Group. The contractually agreed sales price amounted to RUB 1 billion (approximately USD 23 million), subject to a purchase price adjustment. The Group is still in the process of finalizing any purchase price adjustment. A pre-tax loss of USD 247 million has been recorded within net gain/(loss) on divestments of businesses.

3. Group investments

Group investments are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features.

Table 3.1

Net investment result for Group investments

in USD millions, for the six months ended June 30	Net investment income		Net capital gains/(losses) and impairments		Net investment result		of which impairments	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
Cash and cash equivalents	15	18	–	–	15	19	–	–
Equity securities	271	189	488	362	759	551	(58)	(9)
Debt securities	2,049	2,401	748	664	2,796	3,065	(2)	2
Investment property	246	252	3	(5)	249	248	–	–
Mortgage loans	127	173	(35)	(11)	92	162	(35)	(11)
Other loans	223	307	4	62	228	368	–	–
Investments in associates and joint ventures	6	8	–	38	6	45	–	(2)
Derivative financial instruments[1]	–	–	6	44	6	44	–	–
Investment result, gross, for Group investments	2,938	3,348	1,214	1,153	4,152	4,501	(95)	(20)
Investment expenses for Group investments[2]	(129)	(132)	–	–	(129)	(132)	–	–
Investment result, net, for Group investments	2,809	3,217	1,214	1,153	4,023	4,369	(95)	(20)

[1] Net capital gains/(losses) on derivative financial instruments attributable to cash flow hedge ineffectiveness amounted to USD 2 million and USD (2) million for the six months ended June 30, 2015 and 2014, respectively.
[2] Rental operating expenses for investment property included in investment expenses for Group investments amounted to USD 37 million and USD 49 million for the six months ended June 30, 2015 and 2014, respectively.

Table 3.2

Details of Group investments by category

as of	06/30/15		12/31/14	
	USD millions	**% of total**	USD millions	% of total
Cash and cash equivalents	8,821	4.5	7,600	3.7
Equity securities:				
Fair value through profit or loss	3,700	1.9	3,619	1.8
Available-for-sale[1]	15,298	7.8	12,480	6.1
Total equity securities	18,998	9.7	16,099	7.9
Debt securities:				
Fair value through profit or loss	6,860	3.5	7,121	3.5
Available-for-sale[1]	131,680	67.0	142,557	69.6
Held-to-maturity	3,634	1.8	3,971	1.9
Total debt securities	142,173	72.3	153,648	75.0
Investment property	9,316	4.7	8,784	4.3
Mortgage loans	7,672	3.9	7,826	3.8
Other loans	9,595	4.9	10,834	5.3
Investments in associates and joint ventures	69	0.0	70	0.0
Total Group investments	**196,644**	**100.0**	**204,860**	**100.0**

[1] As of January 1, 2015, USD 1.5 billion of hybrid instruments were classified as available-for-sale equity securities. These were previously classified as available-for-sale debt securities.

Investments (including cash and cash equivalents) with a carrying value of USD 6,513 million and USD 6,214 million were held to meet local regulatory requirements as of June 30, 2015 and December 31, 2014, respectively.

Consolidated financial statements (unaudited) *continued*

Net unrealized gains/(losses) on Group investments included in equity

Table 3.3

in USD millions, as of	Total	
	06/30/15	12/31/14
Equity securities: available-for-sale	1,597	1,575
Debt securities: available-for-sale	8,657	12,510
Other	362	371
Gross unrealized gains/(losses) on Group investments	10,616	14,456
Less amount of unrealized gains/(losses) on investments attributable to:		
Life policyholder dividends and other policyholder liabilities	(5,301)	(7,628)
Life deferred acquisition costs and present value of future profits	(724)	(995)
Deferred income taxes	(1,154)	(1,421)
Non-controlling interests	(32)	(38)
Total[1]	**3,405**	**4,374**

[1] Net unrealized gains/(losses) on Group investments include net gains arising on cash flow hedges of USD 283 million and USD 306 million as of June 30, 2015 and December 31, 2014, respectively.

Securities lending, repurchase and reverse repurchase agreements

Table 3.4

in USD millions, as of	**06/30/15**	12/31/14
Securities lending agreements		
Securities lent under securities lending agreements[1]	6,469	7,668
Collateral received for securities lending	6,999	8,266
of which: Cash collateral	111	229
of which: Non cash collateral[2]	6,888	8,036
Liabilities for cash collateral received for securities lending	111	229
Repurchase agreements		
Securities sold under repurchase agreements[3]	1,709	1,455
Obligations to repurchase securities	1,708	1,451
Reverse repurchase agreements		
Securities purchased under reverse repurchase agreements[4]	113	294
Receivables under reverse repurchase agreements	111	290

[1] The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 6,469 million and USD 7,668 million as of June 30, 2015 and December 31, 2014, respectively. The majority of these assets were debt securities.
[2] The Group had the right to sell or repledge, in the absence of default by its counterparties, securities received as collateral with a fair value of USD 6,639 million and USD 7,344 million as of June 30, 2015 and December 31, 2014, respectively.
[3] The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 1,080 million and USD 1,307 million as of June 30, 2015 and December 31, 2014, respectively. The majority of these assets were debt securities.
[4] The Group had the right to sell or repledge, in the absence of default by its counterparties, securities received as collateral with a fair value of nil as of both June 30, 2015 and December 31, 2014.

4. Reserves for insurance contracts and reinsurers' share of reserves for insurance contracts

Reserves for insurance contracts

Table 4.1

in USD millions, as of	Gross		Ceded		Net	
	06/30/15	12/31/14	**06/30/15**	12/31/14	**06/30/15**	12/31/14
Reserves for losses and loss adjustment expenses	63,855	64,472	(9,607)	(9,770)	54,248	54,703
Reserves for unearned premiums	18,602	16,779	(2,957)	(2,446)	15,644	14,333
Future life policyholder benefits[1]	74,180	77,652	(4,148)	(2,441)	70,032	75,211
Policyholder contract deposits and other funds	22,234	23,415	(1,969)	(1,994)	20,265	21,421
Reserves for unit-linked contracts	69,684	71,400	–	–	69,684	71,400
Total reserves for insurance contracts[2]	**248,554**	**253,719**	**(18,681)**	**(16,650)**	**229,873**	**237,069**

[1] The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was an increase of USD 1.7 billion in Reinsurers' share of reserves for insurance contracts in the Global Life business.
[2] Total reserves for insurance contracts ceded are gross of allowances for uncollectible amounts of USD 97 million and USD 100 million as of June 30, 2015 and December 31, 2014, respectively.

Development of reserves for losses and loss adjustment expenses

Table 4.2

in USD millions	Gross		Ceded		Net	
	2015	2014	**2015**	2014	**2015**	2014
As of January 1	64,472	68,312	(9,770)	(10,993)	54,703	57,319
Losses and loss adjustment expenses incurred:						
Current year	11,739	12,722	(1,465)	(1,353)	10,274	11,369
Prior years	(240)	(322)	50	249	(190)	(73)
Total incurred	11,499	12,400	(1,415)	(1,104)	10,085	11,296
Losses and loss adjustment expenses paid:						
Current year	(2,992)	(3,686)	172	209	(2,820)	(3,477)
Prior years	(8,205)	(9,012)	1,265	1,464	(6,941)	(7,548)
Total paid	(11,197)	(12,698)	1,437	1,673	(9,760)	(11,025)
Acquisitions/(divestments) and transfers[1]	–	49	(44)	2	(44)	51
Foreign currency translation effects	(919)	251	184	(13)	(735)	238
As of June 30	**63,855**	**68,314**	**(9,607)**	**(10,435)**	**54,248**	**57,879**

[1] The 2015 net movement includes USD (44) million relating to a reinsurance agreement which transferred the benefits and risks of some of the Group's general insurance portfolio to a third party. The 2014 net movement includes USD 48 million reclassified from future life policyholders' benefits (see note 1).

The Group establishes loss reserves, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates or judgments are reflected in the results of operations in the period in which estimates and judgments are changed.

Significant delays may occur in the notification and settlement of claims, and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The reserves for losses and loss adjustment expenses are determined on the basis of information currently available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

The decrease of USD 455 million during the six months of 2015 in net reserves for losses and loss adjustment expenses is mostly driven by a decrease of USD 735 million for foreign currency translation effects. Favorable reserve development arising from reserves established in prior years amounted to USD 190 million for the six months of 2015, mainly driven by a reduction in medium and large losses in the UK, a reduction in case reserves in motor third party liability in Switzerland and favorable claims experience in Italy. In addition, there is favorable prior year development mainly relating to large losses in surety in North America Commercial, offset by a deterioration in run-off businesses in North America.

Consolidated financial statements (unaudited) *continued*

The increase of USD 560 million during the first six months of 2014 in net reserves for losses and loss adjustment expenses is mostly driven by an increase in foreign currency translation effects of USD 238 million. Favorable reserve development arising from reserves established in prior years amounted to USD 73 million for the first six months of 2014, in part due to favorable releases in Switzerland and the UK partly offset by increases in Global Corporate.

Development of future life policyholder benefits

Table 4.3

in USD millions	Gross		Ceded		Net	
	2015	2014	**2015**	2014	**2015**	2014
As of January 1	77,652	84,476	(2,441)	(2,501)	75,211	81,975
Premiums[1]	5,752	5,735	(2,022)	(300)	3,730	5,435
Claims	(4,495)	(4,994)	272	246	(4,222)	(4,748)
Fee income and other expenses	(1,810)	(2,005)	82	74	(1,728)	(1,930)
Interest and bonuses credited to policyholders	988	1,623	(32)	(64)	955	1,559
Changes in assumptions[1]	301	76	–	(2)	300	74
Acquisitions/(divestments) and transfers[2]	(878)	(100)	–	–	(878)	(100)
Increase/(decrease) recorded in other comprehensive income	(506)	480	–	–	(506)	480
Foreign currency translation effects	(2,823)	137	(8)	(25)	(2,831)	112
As of June 30	**74,180**	**85,429**	**(4,148)**	**(2,572)**	**70,032**	**82,857**

[1] The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was an increase of USD 1.6 billion in ceded premiums. In addition, in changes in assumptions, there was USD 220 million due to the recycling of balances previously recorded in other comprehensive income.
[2] The 2015 net movement relates to USD (472) million transferred to Banco Santander S.A., which was previously managed on a fiduciary and ring-fenced basis, and USD (406) million reclassified to policyholder contract deposits and other funds (see note 1). The 2014 net movement relates to USD (52) million reclassified to reserves for unit-linked contracts and USD (48) million reclassified to reserves for losses and loss adjustment expenses (see note 1 of the Consolidated financial statements 2014).

Policyholder contract deposits and other funds gross

Table 4.4

in USD millions, as of	**06/30/15**	12/31/14
Universal life and other contracts	12,352	12,626
Policyholder dividends	9,882	10,789
Total	**22,234**	**23,415**

Development of policyholder contract deposits and other funds

Table 4.5

in USD millions	Gross		Ceded		Net	
	2015	2014	**2015**	2014	**2015**	2014
As of January 1	23,415	20,162	(1,994)	(2,036)	21,421	18,126
Premiums	569	751	(27)	(25)	541	727
Claims	(617)	(705)	91	89	(525)	(616)
Fee income and other expenses	(248)	(161)	(2)	(2)	(250)	(163)
Interest and bonuses credited to policyholders	944	758	(38)	(38)	906	720
Acquisitions/(divestments) and transfers[1]	406	–	–	–	406	–
Increase/(decrease) recorded in other comprehensive income	(1,287)	2,190	–	–	(1,287)	2,190
Foreign currency translation effects	(948)	(32)	–	–	(948)	(32)
As of June 30	**22,234**	**22,964**	**(1,969)**	**(2,012)**	**20,265**	**20,952**

[1] The 2015 net movement relates to USD 406 million reclassified from future life policyholder benefits (see note 1).

5. Policyholder dividends and participation in profits

Policyholder dividends and participation in profits

Table 5

in USD millions, for the six months ended June 30	**2015**	2014
Change in policyholder contract deposits and other funds	914	803
Change in reserves for unit-linked products	2,693	2,457
Change in liabilities for investment contracts – unit-linked	2,578	1,983
Change in liabilities for investment contracts – other	102	127
Change in unit-linked liabilities related to UK capital gains tax	(89)	(52)
Total policyholder dividends and participation in profits	**6,198**	**5,318**

Consolidated financial statements (unaudited) *continued*

6. Deferred policy acquisition costs and deferred origination costs

Table 6.1

Development of deferred policy acquisition costs

in USD millions	General Insurance		Global Life		Farmers		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
As of January 1	3,984	3,794	13,584	14,606	182	323	17,750	18,724
Acquisition costs deferred	1,933	1,788	961	1,053	234	407	3,128	3,248
Amortization	(1,593)	(1,516)	(670)	(917)	(233)	(409)	(2,495)	(2,842)
Impairments	–	–	–	(1)	–	–	–	(1)
Amortization (charged)/ credited to other comprehensive income	–	–	205	(268)	–	–	205	(268)
Foreign currency translation effects	(81)	25	(455)	196	–	–	(536)	221
As of June 30	**4,242**	**4,090**	**13,626**	**14,670**	**183**	**321**	**18,052**	**19,082**

As of June 30, 2015, December 31, 2014 and June 30, 2014, deferred policy acquisition costs relating to non-controlling interests were USD 386 million, USD 422 million and USD 468 million, respectively.

Table 6.2

Development of deferred origination costs

in USD millions	**2015**	2014
As of January 1	595	724
Origination costs deferred	26	32
Amortization	(47)	(64)
Foreign currency translation effects	(16)	13
As of June 30	**558**	**705**

7. Attorney-in-fact contracts, goodwill and other intangible assets

Intangible assets – current period

Table 7.1

in USD millions	Attorney-in-fact relationships	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Gross carrying value as of January 1, 2015	**1,025**	**1,778**	**2,701**	**4,480**	**4,588**	**186**	**14,760**
Less: accumulated amortization/impairments	–	(117)	(2,145)	(903)	(3,046)	(133)	(6,344)
Net carrying value as of January 1, 2015	**1,025**	**1,661**	**556**	**3,577**	**1,543**	**53**	**8,415**
Additions and transfers	–	–	–	4	178	–	182
Amortization	–	–	(37)	(109)	(166)	(4)	(316)
Amortization charged to other comprehensive income	–	–	12	–	–	–	12
Impairments	–	(49)	–	(1)	(44)	(1)	(94)
Foreign currency translation effects	–	(61)	(26)	(332)	(12)	(1)	(433)
Net carrying value as of June 30, 2015	**1,025**	**1,552**	**505**	**3,140**	**1,498**	**47**	**7,767**
Plus: accumulated amortization/impairments	–	164	2,118	927	3,149	134	6,492
Gross carrying value as of June 30, 2015	**1,025**	**1,715**	**2,623**	**4,067**	**4,648**	**181**	**14,259**

As of June 30, 2015, intangible assets relating to non-controlling interests were USD 102 million for the present value of future profits (PVFP) of acquired insurance contracts, USD 1,364 million for distribution agreements and USD 14 million for software.

Following a review of a subsidiary in Global Life, the Group reassessed the recoverability of the goodwill and concluded that USD 49 million was fully impaired.

Following restructuring decisions, mainly in Global Life, certain IT assets will no longer be required, which resulted in an impairment of USD 34 million. In addition, software was identified, which was not utilized as originally expected, resulting in USD 10 million of impairments.

Intangible assets by segment – current period

Table 7.2

in USD millions, as of June 30, 2015	Attorney-in-fact relationship	Goodwill	PVFP	Distribution agreements	Software	Other	Total
General Insurance	–	495	–	847	622	43	2,007
Global Life	–	238	505	2,292	387	4	3,426
Farmers	1,025	819	–	–	334	–	2,179
Other Operating Businesses	–	–	–	–	155	–	155
Net carrying value as of June 30, 2015	**1,025**	**1,552**	**505**	**3,140**	**1,498**	**47**	**7,767**

Consolidated financial statements (unaudited) *continued*

Intangible assets – prior period

Table 7.3

in USD millions	Attorney-in-fact relationships	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Gross carrying value as of January 1, 2014	**1,025**	**2,190**	**2,918**	**4,364**	**4,720**	**226**	**15,443**
Less: accumulated amortization/ impairments	–	(338)	(2,189)	(811)	(3,080)	(145)	(6,563)
Net carrying value as of January 1, 2014	**1,025**	**1,852**	**729**	**3,553**	**1,640**	**81**	**8,880**
Additions and transfers	–	–	–	206	174	–	380
Amortization	–	–	(14)	(94)	(195)	(5)	(308)
Amortization charged to other comprehensive income	–	–	(38)	–	–	–	(38)
Impairments	–	(59)	–	–	(58)	–	(117)
Foreign currency translation effects	–	12	3	19	11	1	47
Net carrying value as of June 30, 2014	**1,025**	**1,805**	**680**	**3,683**	**1,572**	**77**	**8,844**
Plus: accumulated amortization/ impairments	–	388	2,274	906	3,265	149	6,983
Gross carrying value as of June 30, 2014	**1,025**	**2,193**	**2,954**	**4,589**	**4,837**	**227**	**15,827**

As of June 30, 2014, intangible assets relating to non-controlling interests were USD 149 million for present value of future profits (PVFP) of acquired insurance contracts, USD 1,718 million for distribution agreements and USD 13 million for software.

The Group extended the long-term distribution agreements with Banco de Sabadell S.A. (Banco Sabadell) in Spain to sell life and pension products across Banco Sabadell's extended network, resulting in an addition to distribution agreements of USD 184 million, of which 50 percent was funded by Banco Sabadell. An additional USD 22 million related to new distribution agreements entered into by General Insurance operations in Brazil.

Following a review of a subsidiary in Global Life, the Group reassessed the recoverability of the goodwill and concluded that USD 59 million was impaired.

Following a review, software was identified, primarily in Global Life, which was not utilized as originally expected, resulting in USD 58 million of impairments.

Intangible assets by segment – prior period

Table 7.4

in USD millions, as of December 31, 2014	Attorney-in-fact relationships	Goodwill	PVFP	Distribution agreements	Software	Other	Total
General Insurance	–	533	–	989	613	47	2,182
Global Life	–	309	556	2,588	406	6	3,865
Farmers	1,025	819	–	–	328	–	2,173
Other Operating Businesses	–	–	–	–	195	–	195
Net carrying value as of December 31, 2014	**1,025**	**1,661**	**556**	**3,577**	**1,543**	**53**	**8,415**

8. Restructuring provisions

Restructuring provisions

Table 8

in USD millions	2015	2014
As of January 1	125	188
Provisions made during the period	11	45
Increase of provisions set up in prior years	5	17
Provisions used during the period	(42)	(63)
Provisions reversed during the period	(3)	(4)
Foreign currency translation effects	(2)	2
As of June 30	**94**	**184**

During the six months ended June 30, 2015, restructuring programs with estimated costs of USD 11 million for the current year impacted General Insurance, Global Life and Other Operating Businesses, mainly in Europe. USD 2 million related to net increases of provisions for restructuring which were initiated in prior years. In addition, the Group recorded USD 34 million of software impairments (see note 7), resulting from restructuring decisions.

During the six months ended June 30, 2014, restructuring programs with estimated costs of USD 45 million announced in that year impacted mainly Other Operating Businesses, Global Life in the UK as well as General Insurance in the UK. This included USD 37 million relating to the Group's strategic initiative for organizational alignment to reduce complexity and cost while enhancing agility. USD 13 million related to net increases of provisions for restructuring which were initiated in prior years.

Consolidated financial statements (unaudited) *continued*

9. Income taxes

Income tax expense – current/deferred split

Table 9.1

in USD millions, for the six months ended June 30	**2015**	2014
Current	741	928
Deferred	59	(104)
Total income tax expense/(benefit)	**800**	**824**

Expected and actual income tax expense

Table 9.2

in USD millions, for the six months ended June 30	**Rate**	**2015**	Rate	2014
Net income before income taxes		2,973		3,069
less: income tax (expense)/benefit attributable to policyholders		(95)		21
Net income before income taxes attributable to shareholders		2,877		3,090
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	22.0%	633	22.0%	680
Increase/(reduction) in taxes resulting from:				
Tax rate differential in foreign jurisdictions		*138*		*139*
Tax exempt and lower taxed income		*(38)*		*(22)*
Non-deductible expenses		*22*		*37*
Tax losses previously unrecognized or no longer recognized		*(2)*		*(2)*
Prior year adjustments and other		*(47)*		*14*
Actual income tax expense attributable to shareholders	**24.5%**	**705**	**27.4%**	**846**
plus: income tax expense/(benefit) attributable to policyholders		95		(21)
Actual income tax expense	26.9%	800	26.9%	824

Table 9.2 sets out the factors that cause the actual income tax expense to differ from the expected expense computed by applying the Swiss statutory tax rate of 22.0 percent, which is the rate applicable in the jurisdiction where the ultimate parent company is resident.

The Group is required to record taxes on policyholder earnings for life insurance policyholders in certain jurisdictions. Accordingly, the income tax expense or benefit attributable to these life insurance policyholder earnings is included in income tax expense. In certain jurisdictions an accrual for future policy fees that will cover the tax charge is included in insurance benefits and losses.

10. Senior and subordinated debt

Senior and subordinated debt

Table 10

in USD millions, as of		06/30/15	12/31/14
Senior debt			
Zurich Insurance Company Ltd	Floating rate CHF 200 million notes, due June 2016[4]	213	201
	2.25% CHF 500 million notes, due July 2017[4]	532	501
	2.375% CHF 525 million notes, due November 2018[4]	557	525
	1.50% CHF 400 million notes, due June 2019[3,4,7]	446	414
	1.125% CHF 400 million notes, due September 2019[3,4,7]	451	419
	0.625% CHF 250 million notes, due July 2020[3,4,7]	276	256
	2.875% CHF 250 million notes, due July 2021[4]	264	249
	3.375% EUR 500 million notes, due June 2022[3,4,6,7]	592	656
	1.875% CHF 100 million notes, due September 2023[3,4,7]	118	110
	1.750% EUR 500 million notes, due September 2024[4,6,7]	553	609
	1.500% CHF 150 million notes, due July 2026[3,4,7]	173	161
Zurich Finance (USA), Inc.	Euro Commercial Paper Notes, due in less than 1 year	400	400
	6.50% EUR 600 million notes, due October 2015[1,4,5]	668	726
Zurich Santander Insurance America S.L.	7.5% EUR 77 million loan, due December 2035	86	113
Other	Various debt instruments	40	40
Senior debt		5,370	5,379
Subordinated debt			
Zurich Insurance Company Ltd	4.25% CHF 700 million perpetual notes, first callable May 2016[4]	745	702
	8.25% USD 500 million perpetual capital notes, first callable January 2018[4,6]	497	497
	4.625% CHF 500 million perpetual notes, first callable May 2018[4]	530	499
	7.5% EUR 425 million notes, due July 2039, first callable July 2019[4,6]	471	512
	2.75% CHF 200 million perpetual capital notes, first callable September 2021[3,4,7]	222	206
	4.25% EUR 1 billion notes, due October 2043, first callable October 2023[4,6]	1,102	1,196
	4.25% USD 300 million notes, due October 2045, first callable October 2025[4,6]	298	–
Zurich Finance (UK) plc	6.625% GBP 450 million perpetual notes, first callable October 2022[2,4]	701	694
Zurich Finance (USA), Inc.	4.5% EUR 269 million notes, due June 2025, first callable June 2015[3,4,5]	–	330
ZFS Finance (USA) Trust II	Series II 6.45% USD 700 million Trust Preferred Securities (ECAPS), due December 2065, first callable June 2016	680	680
ZFS Finance (USA) Trust V	Series V 6.5% USD 1 billion Trust Preferred Securities, due May 2067, first callable May 2017	501	501
Other	Various debt instruments	42	41
Subordinated debt		5,789	5,857
Total senior and subordinated debt		**11,159**	**11,236**

1 The bond is part of a qualifying cash flow hedge (100 percent).
2 The holders of these notes benefit from the Replacement Capital Covenant which states that if Series V Fixed/Floating Trust Preferred Securities, issued by ZFS Finance (USA) Trust V, are called before 2047, the Group will issue a replacement debt instrument with terms and provisions that will be as or more equity-like than the replaced notes.
3 These bonds are part of qualifying fair value hedges (100 percent).
4 Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).
5 The Group applied the cash flow hedge methodology to hedge the foreign currency exposure and deferred the attributable basis spreads in shareholders' equity, whereas the fair value hedge methodology was used to hedge the interest rate exposure with changes in the fair value being recorded through the income statement.
6 These bonds are part of a qualifying net investment hedge (100 percent).
7 The Group applied the fair value hedge methodology to hedge the interest rate exposure.

None of the debt instruments listed in table 10 were in default as of June 30, 2015 or December 31, 2014.

Consolidated financial statements (unaudited) *continued*

11. Commitments and contingencies, legal proceedings and regulatory investigations

The Group has provided contractual commitments and financial guarantees to external parties, associates and joint ventures as well as partnerships. These arrangements include commitments under certain conditions to make liquidity advances to cover default principal and interest payments, make capital contributions or provide equity financing.

Quantifiable commitments and contingencies

Table 11

in USD millions, as of	06/30/15	12/31/14
Remaining commitments under investment agreements	1,011	871
Guarantees and letters of credit[1]	9,739	9,661
Future operating lease commitments	1,485	1,222
Undrawn loan commitments	5	3
Other commitments and contingent liabilities	559	538

[1] Guarantee features embedded in life insurance products are not included.

Legal, compliance and regulatory developments

In recent years there has been an increase in the number of legislative initiatives that require information gathering and tax reporting regarding the Group's customers and their contracts, including the U.S. Foreign Account Tax Compliance Act (FATCA) and the expected introduction of other automatic tax information exchange regimes based on the Common Reporting Standard (CRS). The Group's compliance activities in this area, as well as actions by local tax and law enforcement officials (including inquiries and investigations into cross-border business activities), could result in higher compliance costs, remedial actions and other related expenses for its life insurance, saving and pension business. As with the industry more generally, it is also possible that implementation of automatic tax information exchange and other developments relating to cross-border life, saving and pension business could give rise to inquiries by legal, tax and/or regulatory authorities in the future.

Legal proceedings and regulatory investigations

The Group's business is subject to extensive supervision, and the Group is in regular contact with various regulatory authorities. The Group is continuously involved in legal proceedings, claims and regulatory investigations arising, for the most part, in the ordinary course of its business operations. Specifically, certain companies within the Group are engaged in the following legal proceedings:

An action entitled Fuller-Austin Asbestos Settlement Trust, et al. v. Zurich American Insurance Company (ZAIC), et al., was filed in May 2004 in the Superior Court for San Francisco County, California. Three other similar actions were filed in 2004 and 2005 and have been coordinated with the Fuller-Austin action (collectively, the Fuller-Austin Case). In addition to ZAIC and four of its insurance company subsidiaries, Zurich Insurance Company Ltd and Orange Stone Reinsurance Dublin (Orange Stone) are named as defendants. The plaintiffs, who are historical policyholders of the Home Insurance Company (Home), plead claims for, inter alia, fraudulent transfer, tortious interference, unfair competition, alter ego and agency liability relating to the recapitalization of Home, which occurred in 1995 following regulatory review and approval. The plaintiffs allege that pursuant to the recapitalization and subsequent transactions, various Zurich entities took assets of Home without giving adequate consideration in return, and contend that this forced Home into liquidation. The plaintiffs further allege that the defendants should be held responsible for Home's alleged obligations under their Home policies. The trial judge designated the plaintiffs' claims for constructive fraudulent transfer for adjudication before all other claims; he subsequently ordered an initial bench trial on certain threshold elements of those fraudulent transfer claims and on certain of defendants' affirmative defenses (Phase 1). The Phase 1 trial commenced on November 1, 2010. Closing arguments were heard on February 22 and 23, 2012.

The court issued its Statement of Decision for Phase 1 on December 27, 2013. While the court found that the plaintiffs had established that Home transferred certain assets to one of the defendants in connection with the 1995 recapitalization transaction, it held that the plaintiffs' fraudulent transfer claims, which all related to transfers allegedly made as part of the 1995 recapitalization, were time-barred. The court further held that Home's liquidator had exclusive standing to bring fraudulent transfer claims involving Home's assets. The effect of these holdings should be the dismissal of the plaintiffs' fraudulent transfer claims. In addition, the court accepted the defendants' arguments that the findings made by the regulators in approving the recapitalization transaction are binding on the plaintiffs in the Fuller-Austin Case.

Following a hearing to consider the effect of the initial decision on the plaintiffs' remaining claims, on July 21, 2014, the court issued a Tentative Statement of Decision for Phase 1A. The court ruled that all of the plaintiffs' fraudulent transfer causes of action were barred, and asked the plaintiffs to confirm on the record their concession that their unfair competition claims were also barred (the final Statement of Decision for Phase 1A was filed on February 27, 2015). The court allowed the plaintiffs' remaining claims to proceed, but held that the plaintiffs are bound by the insurance regulators' determinations that the 1995 recapitalization was fair and in the best interests of Home's policyholders, including the plaintiffs. In early 2015, certain plaintiffs committed to voluntarily dismiss their claims with prejudice in exchange for an agreement that the defendants will not pursue them for litigation costs. Requests for dismissal with prejudice of their claims were filed with the Court. The Group maintains that the Fuller-Austin Case is without merit and intends to continue to defend itself vigorously against the claims of any plaintiff that remains in the case.

While the Group believes that it is not a party to, nor are any of its subsidiaries the subject of, any unresolved current legal proceedings, claims, litigation and investigations that will have a material adverse effect on the Group's consolidated financial condition, proceedings are inherently unpredictable, and it is possible that the outcome of any proceeding could have a material impact on results of operations in the particular reporting period in which it is resolved.

Consolidated financial statements (unaudited) *continued*

12. Fair value measurement

This note excludes financial assets and financial liabilities relating to unit-linked contracts. Table 12.1 compares the fair value of financial assets and financial liabilities with their carrying value. Certain financial instruments are not included within this table as their carrying value is a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, obligations to repurchase securities, deposits made under assumed reinsurance contracts and deposits received under ceded reinsurance contracts and other financial assets and liabilities.

Fair value and carrying value of financial assets and financial liabilities

Table 12.1

in USD millions, as of	Total fair value		Total carrying value	
	06/30/15	12/31/14	**06/30/15**	12/31/14
Available-for-sale securities				
Equity securities	15,298	12,480	15,298	12,480
Debt securities	131,680	142,557	131,680	142,557
Total available-for-sale securities	146,978	155,037	146,978	155,037
Fair value through profit or loss securities				
Equity securities	3,700	3,619	3,700	3,619
Debt securities	6,860	7,121	6,860	7,121
Total fair value through profit or loss securities	10,560	10,740	10,560	10,740
Derivative assets	1,461	1,230	1,461	1,230
Held-to-maturity debt securities	4,408	4,747	3,634	3,971
Investments in associates and joint ventures	69	70	69	70
Mortgage loans	8,261	8,452	7,672	7,826
Other loans	11,253	12,943	9,595	10,834
Total financial assets	**182,990**	**193,219**	**179,969**	**189,706**
Derivative liabilities	(476)	(429)	(476)	(429)
Financial liabilities held at amortized cost				
Liabilities related to investment contracts	(990)	(977)	(853)	(843)
Liabilities related to investment contracts with DPF	(6,521)	(6,195)	(7,102)	(7,006)
Senior debt	(5,541)	(5,626)	(5,370)	(5,379)
Subordinated debt	(6,301)	(6,483)	(5,789)	(5,857)
Total financial liabilities held at amortized cost	(19,353)	(19,282)	(19,114)	(19,084)
Total financial liabilities	**(19,829)**	**(19,710)**	**(19,590)**	**(19,513)**

Recurring fair value measurements of assets and liabilities

Fair value hierarchy – non unit-linked – current period

Table 12.2a

in USD millions, as of June 30, 2015	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Equity securities	12,332	1,985	981	15,298
Debt securities	234	126,155	5,290	131,680
Total available-for-sale securities	12,566	128,141	6,271	146,978
Fair value through profit or loss securities				
Equity securities	1,116	106	2,479	3,700
Debt securities	–	6,680	180	6,860
Total fair value through profit or loss securities	1,116	6,785	2,659	10,560
Derivative assets	11	1,033	417	1,461
Total	**13,693**	**135,958**	**9,348**	**158,999**
Derivative liabilities	(2)	(328)	(146)	(476)
Total	**(2)**	**(328)**	**(146)**	**(476)**

For the six months ended June 30, 2015, no material transfers between level 1 and level 2 occurred.

Fair value hierarchy – non unit-linked – prior period

Table 12.2b

in USD millions, as of December 31, 2014	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Equity securities	11,291	259	929	12,480
Debt securities	362	139,431	2,764	142,557
Total available-for-sale securities	11,653	139,691	3,693	155,037
Fair value through profit or loss securities				
Equity securities	978	223	2,417	3,619
Debt securities	1	6,934	185	7,121
Total fair value through profit or loss securities	979	7,157	2,603	10,740
Derivative assets	2	853	375	1,230
Total	**12,634**	**147,701**	**6,671**	**167,006**
Derivative liabilities	(18)	(350)	(61)	(429)
Total	**(18)**	**(350)**	**(61)**	**(429)**

For the year ended December 31, 2014, no material transfers between level 1 and 2 occurred.

Development of assets and liabilities classified within level 3 – non unit-linked – current period

Table 12.3a

in USD millions	**Available-for-sale securities**		**Fair value through profit or loss securities**			
	Equity securities	Debt securities	Equity securities	Debt securities	**Derivative assets**	**Derivative liabilities**
As of January 1, 2015	929	2,764	2,417	185	375	(61)
Realized gains/(losses) recognized in income[1]	60	4	42	–	(3)	–
Unrealized gains/(losses) recognized in income[1,2]	(8)	(36)	6	(1)	(3)	(16)
Unrealized gains/(losses) recognized in other comprehensive income	(43)	(32)	–	–	38	(70)
Purchases	90	1,083	190	7	–	–
Settlements/sales/redemptions	(114)	(347)	(197)	(11)	(3)	–
Transfers into level 3	60	1,909	–	–	2	–
Transfers out of level 3	–	(46)	–	–	(5)	–
Foreign currency translation effects	6	(8)	21	1	16	1
As of June 30, 2015	**981**	**5,290**	**2,479**	**180**	**417**	**(146)**

[1] Presented as net capital gains/(losses) and impairments on Group investments in the consolidated income statements.
[2] Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments.

For the six months ended June 30, 2015, the Group transferred USD 1,909 million of available-for-sale debt securities out of level 2 into level 3 as a result of a review of the classification of certain collateralized loan obligations and privately placed securities. The fair value of these securities is obtained from third party pricing providers, who use significant unobservable inputs and expert judgment in their valuation models.

Consolidated financial statements (unaudited) *continued*

Development of assets and liabilities classified within level 3 – non unit-linked – prior period

Table 12.3b

in USD millions	Available-for-sale securities		Fair value through profit or loss securities			
	Equity securities	Debt securities	Equity securities	Debt securities	**Derivative assets**	**Derivative liabilities**
As of January 1, 2014	1,000	2,775	2,175	219	95	(70)
Realized gains/(losses) recognized in income[1]	23	12	7	–	–	–
Unrealized gains/(losses) recognized in income[1,2]	(1)	(19)	85	8	(13)	(1)
Unrealized gains/(losses) recognized in other comprehensive income	31	33	–	–	–	–
Purchases	67	451	213	13	–	–
Settlements/sales/redemptions	(125)	(452)	(193)	(29)	–	–
Transfers into level 3	3	–	–	5	–	–
Transfers out of level 3	–	(87)	–	–	–	–
Foreign currency translation effects	3	23	9	5	1	(1)
As of June 30, 2014	**1,000**	**2,735**	**2,297**	**221**	**82**	**(72)**

[1] Presented as net capital gains/(losses) and impairments on Group investments in the consolidated income statements.
[2] Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments.

For the six months ended June 30, 2014, the Group transferred USD 87 million of available-for-sale debt securities out of level 3 into level 2. The transfers were mainly the result of lower price volatility and credit rating upgrades of certain asset-backed securities, resulting in an increase of market activity in the instruments.

Non-recurring fair value measurements of assets and liabilities
In particular circumstances, the Group may measure certain assets or liabilities at fair value on a non-recurring basis when an impairment charge is recognized.

The Group has valued USD 342 million and USD 477 million of mortgage loans at fair value on a non-recurring basis as of June 30, 2015 and December 31, 2014, respectively. These are classified within level 3 as the fair value measurement is based on internal pricing models, using significant unobservable inputs.

Sensitivity of fair values reported for level 3 instruments to changes to key assumptions
Within level 3, the Group classified asset-backed securities (ABS) amounting to USD 5,471 million and USD 2,956 million as of June 30, 2015 and 2014, respectively.

Within level 3, the Group also classified investments in private equity funds, certain hedge funds and other securities which are not quoted on an exchange amounting to USD 3,460 million and USD 3,297 million for Group investments as of June 30, 2015 and 2014, respectively. These investments are valued based on regular reports from the issuing funds, and their fair values are reviewed by a team of in-house investment professionals and may be adjusted based on their understanding of the circumstances of individual investments.

The key assumptions driving the valuation of these investments include equity levels, discount rates, credit spread rates and prepayment rates. The effect on reported fair values of using reasonably possible alternative values for each of these assumptions, while the other key assumptions remain unchanged, is disclosed in tables 12.4a and 12.4b. While these tables illustrate the overall effect of changing the values of unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. Inter-relationships between those unobservable inputs are disclosed in tables 12.5a and 12.5b. The correlation is based on the historical correlation matrix derived from the risk factors which are assigned to each of the level 3 exposures (equity and debt securities). The main market drivers are equity markets and rate indicators and the impact of such changes on the other factors. The spread scenario has been added to analyze the impact of an increase of borrowing cost for entities.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Group's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

Table 12.4a

Sensitivity analysis of level 3 investments to changes in key assumptions – current period

as of June 30, 2015	Less favorable values (relative change)	Decrease in reported fair value (in USD millions)	More favorable values (relative change)	Increase in reported fair value (in USD millions)
Key assumptions				
Equity levels	–20%	(692)	+20%	692
Discount rates	+20%	(140)	–20%	141
Spread rates	+20%	(149)	–20%	150
Prepayment rates	–20%	2	+20%	(2)

Table 12.4b

Sensitivity analysis of level 3 investments to changes in key assumptions – prior period

as of June 30, 2014	Less favorable values (relative change)	Decrease in reported fair value (in USD millions)	More favorable values (relative change)	Increase in reported fair value (in USD millions)
Key assumptions				
Equity levels	–20%	(659)	+20%	659
Discount rates	+20%	(71)	–20%	72
Spread rates	+20%	(60)	–20%	60
Prepayment rates	–20%	1	+20%	(2)

Table 12.5a

Inter-relationship analysis of level 3 investments to changes in key assumptions – current period

as of June 30, 2015	Key assumptions				Increase/decrease in reported fair value (in USD millions)
	Equity Levels	Discount Rates	Spread rates	Prepayment rates	
Scenarios					
Equity levels +10%	+10.0%	–1.4%	–1.4%	–1.4%	325
Equity levels –10%	–10.0%	+1.3%	+1.3%	+1.3%	(334)
Discount rates +10%	+0.5%	+10.0%	+7.5%	–2.0%	(109)
Discount rates –10%	–0.4%	–10.0%	–7.5%	+2.0%	110
Spread rates +10%	+0.5%	+7.0%	+10.0%	+0.2%	(110)

Table 12.5b

Inter-relationship analysis of level 3 investments to changes in key assumptions – prior period

as of June 30, 2014	Key assumptions				Increase/decrease in reported fair value (in USD millions)
	Equity Levels	Discount Rates	Spread rates	Prepayment rates	
Scenarios					
Equity levels +10%	+10.0%	–1.5%	–1.5%	–1.5%	278
Equity levels –10%	–10.0%	+1.6%	+1.6%	+1.6%	(278)
Discount rates +10%	0.0%	+10.0%	+15.0%	–2.0%	(76)
Discount rates –10%	0.0%	–10.0%	–7.5%	+2.0%	67
Spread rates +10%	0.0%	+7.0%	+10.0%	+0.2%	(54)

Consolidated financial statements (unaudited) *continued*

13. Segment information

From January 1, 2015, the management of the UK asbestos business, which is in run-off, has been transferred from General Insurance to Non-Core Businesses. This change had no impact on the Group. Comparative figures have been restated to reflect this change.

Table 13.1

Business operating profit by segment

in USD millions, for the six months ended June 30	General Insurance		Global Life	
	2015	2014	**2015**	2014
Revenues				
Direct written premiums[1]	17,732	19,009	5,609	5,754
Assumed written premiums	937	986	145	112
Gross Written Premiums	18,669	19,995	5,754	5,865
Policy fees	–	–	1,133	1,273
Gross written premiums and policy fees	18,669	19,995	6,887	7,139
Less premiums ceded to reinsurers[2]	(2,999)	(3,009)	(2,045)	(302)
Net written premiums and policy fees	15,670	16,986	4,842	6,837
Net change in reserves for unearned premiums	(1,743)	(1,996)	(97)	(1)
Net earned premiums and policy fees	13,928	14,990	4,745	6,835
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	1,044	1,147	2,503	2,342
Net investment income on Group investments	988	1,088	1,690	1,981
Net capital gains/(losses) and impairments on Group investments	57	60	812	361
Net investment result on unit-linked investments	–	–	5,107	4,118
Other income	442	401	595	592
Total BOP revenues	15,414	16,538	12,949	13,888
of which: inter-segment revenues	*(301)*	*(178)*	*(191)*	*(199)*
Benefits, losses and expenses				
Insurance benefits and losses, net[1, 2]	9,315	9,857	3,191	5,069
Losses and loss adjustment expenses, net	9,314	9,855	–	–
Life insurance death and other benefits, net[1]	1	2	3,191	5,069
Policyholder dividends and participation in profits, net	2	1	6,024	4,944
Income tax expense/(benefit) attributable to policyholders	–	–	95	(21)
Underwriting and policy acquisition costs, net	2,871	2,962	1,215	1,502
Administrative and other operating expense (excl. depreciation/amortization)	1,712	1,844	1,212	1,316
Interest credited to policyholders and other interest	55	19	226	208
Restructuring provisions and other items not included in BOP	32	(81)	(33)	(118)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	13,988	14,602	11,931	12,900
Business operating profit (before interest, depreciation and amortization)	**1,427**	**1,935**	**1,019**	**988**
Depreciation and impairments of property and equipment	46	42	14	15
Amortization and impairments of intangible assets	114	103	200	218
Interest expense on debt	52	59	7	9
Business operating profit before non-controlling interests	1,215	1,731	797	745
Non-controlling interests	49	50	124	111
Business operating profit	**1,166**	**1,681**	**673**	**634**

[1] Global Life included approximately USD 1,018 million and USD 383 million of gross written premiums and future life policyholder benefits for certain universal life-type contracts in the Group's Spanish operations for the six months ended June 30, 2015 and 2014, respectively (see note 3 of the Consolidated financial statements 2014).
[2] The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was an increase of USD 1.6 billion in premiums ceded to reinsurers and an increase of USD 1.7 billion in ceded insurance benefits and losses in the Global Life business. The gain resulting from this transaction of approximately USD 85 million will be recognized on a linear basis over the lifetime of the reinsurance contract, which is expected to end on June 30, 2016.

Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
–	–	–	–	37	45	–	–	23,378	24,808
1,126	1,960	24	21	46	50	(56)	(63)	2,221	3,066
1,126	1,960	24	21	82	95	(56)	(63)	25,599	27,874
–	–	–	–	140	166	–	–	1,273	1,439
1,126	1,960	24	21	222	262	(56)	(63)	26,872	29,314
–	–	(21)	(26)	(7)	(9)	56	63	(5,015)	(3,283)
1,126	1,960	3	(5)	215	253	–	–	21,857	26,030
(5)	9	–	–	–	–	–	–	(1,844)	(1,989)
1,122	1,969	3	(5)	215	253	–	–	20,013	24,042
1,380	1,391	–	–	–	–	–	–	1,380	1,391
24	36	153	163	26	431	(216)	(283)	3,534	3,837
24	36	153	163	169	232	(216)	(283)	2,809	3,217
–	–	–	–	(143)	200	–	–	726	621
–	–	–	–	123	287	–	–	5,230	4,405
26	56	543	404	35	10	(914)	(615)	727	849
2,552	3,452	699	562	399	982	(1,130)	(898)	30,884	34,523
(8)	*(18)*	*(611)*	*(476)*	*(19)*	*(27)*	*1,130*	*898*		
759	1,363	(1)	(9)	110	465	–	–	13,374	16,746
759	1,363	(1)	(1)	13	78	–	–	10,085	11,296
–	–	–	(8)	97	387	–	–	3,289	5,450
–	–	–	–	173	374	–	–	6,198	5,318
–	–	–	–	–	–	–	–	95	(21)
346	617	–	–	4	3	(4)	(5)	4,433	5,080
670	649	539	490	53	56	(745)	(595)	3,442	3,759
–	–	68	2	46	76	(158)	(19)	236	285
–	3	(18)	(8)	–	–	–	–	(18)	(204)
1,776	2,632	589	475	384	974	(908)	(619)	27,759	30,963
776	**820**	**110**	**87**	**15**	**8**	**(222)**	**(279)**	**3,124**	**3,560**
20	23	4	3	–	–	–	–	84	85
37	41	59	62	–	–	–	–	410	425
–	–	382	481	5	6	(222)	(279)	223	277
719	756	(334)	(460)	10	2	–	–	2,407	2,774
–	–	(4)	(8)	–	1	–	–	169	153
719	**756**	**(330)**	**(452)**	**10**	**2**	**–**	**–**	**2,238**	**2,621**

Consolidated financial statements (unaudited) *continued*

Reconciliation of BOP to net income after income taxes

Table 13.2

in USD millions, for the six months ended June 30	General Insurance		Global Life	
	2015	2014	2015	2014
Business operating profit	**1,166**	**1,681**	**673**	**634**
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	272	266	99	257
Net gain/(loss) on divestments of businesses	–	–	–	–
Restructuring provisions	(5)	(9)	(2)	(29)
Net income/(expense) on intercompany loans[1]	(10)	(6)	(9)	(1)
Impairments of goodwill	–	–	(49)	(59)
Change in estimates of earn-out liabilities	11	(19)	(6)	(14)
Other adjustments[2]	37	(46)	32	(15)
Add back:				
Business operating profit attributable to non-controlling interests	49	50	124	111
Net income before shareholders' taxes	1,519	1,916	863	884
Income tax expense/(benefit) attributable to policyholders	–	–	95	(21)
Net income before income taxes	**1,519**	**1,916**	**958**	**863**
Income tax (expense)/benefit				
attributable to policyholders				
attributable to shareholders				
Net income after taxes				
attributable to non-controlling interests				
attributable to shareholders				

[1] The impact on Group level relates to foreign currency translation differences.
[2] Total Group includes accounting and other restructuring charges of USD 63 million (of which USD 34 million relates to software impairments, see note 7) relating to initiatives announced at the 2015 Investor Day, and foreign currency gains of USD 113 million for the six months ended June 30, 2015. General Insurance includes real estate transfer tax of USD 41 million relating to the acquisition of non-controlling interests of Deutscher Herold AG for the six months ended June 30, 2014 (see note 2).

	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	719	**756**	**(330)**	**(452)**	**10**	**2**	**2,238**	**2,621**
	14	9	99	–	5	–	488	532
	–	–	–	–	–	(13)	–	(13)
	1	1	(7)	(21)	–	–	(13)	(58)
	–	–	18	7	–	–	(1)	–
	–	–	–	–	–	–	(49)	(59)
	–	–	–	–	–	–	5	(33)
	(1)	2	(29)	5	–	–	39	(54)
	–	–	(4)	(8)	–	1	169	153
	733	768	(253)	(468)	15	(10)	2,877	3,090
	–	–	–	–	–	–	95	(21)
	733	**768**	**(253)**	**(468)**	**15**	**(10)**	**2,973**	**3,069**
							(800)	(824)
							(95)	21
							(705)	(846)
							2,172	**2,245**
							113	122
							2,059	2,123

Review report of the auditors

Review report of the auditors

To the Board of Directors of Zurich Insurance Group Ltd

Introduction
We have reviewed the accompanying unaudited Consolidated financial statements (consolidated income statement (unaudited), consolidated statement of comprehensive income (unaudited), consolidated balance sheet (unaudited), consolidated statement of cash flows (unaudited), consolidated statement of changes in equity (unaudited) and related notes on pages 21 to 55) of Zurich Insurance Group Ltd for the period ended June 30, 2015. The Board of Directors is responsible for the preparation and presentation of these unaudited Consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these unaudited Consolidated financial statements based on our review.

Scope of Review
We conducted our review in accordance with Swiss Auditing Standard 910 and International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swiss Auditing Standards and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the unaudited Consolidated financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers AG

Mark Humphreys
Audit expert

Stephen O'Hearn
Global relationship partner

Zurich, August 5, 2015

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Shareholder information

Contents

Zurich Insurance Group Ltd registered share data

Key indicators

	06/30/2015	06/30/2014
Number of shares issued	149,636,836	148,903,222
Number of dividend-bearing shares[1]	149,636,836	148,903,222
Market capitalization (in CHF millions at end of period)	42,587	39,802
Authorized capital, number of shares	10,000,000	10,000,000
Contingent capital, number of shares	11,658,423	12,392,037

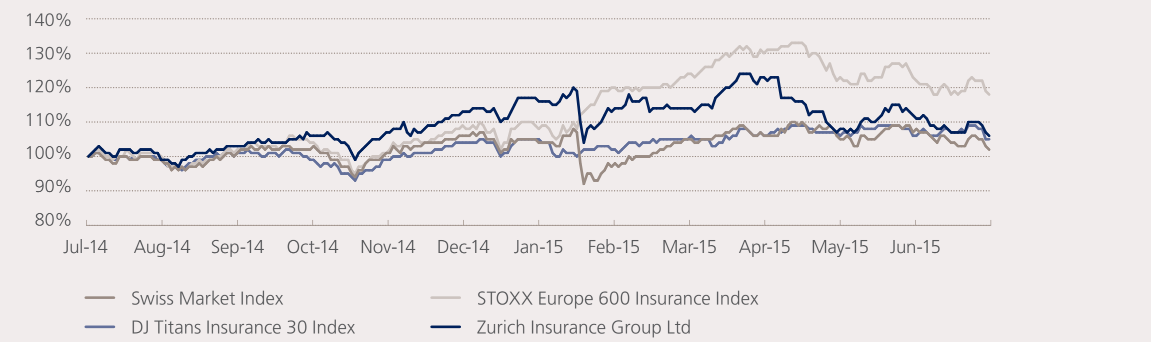
[1] Treasury shares are not entitled to dividends.

Per share data

in CHF	06/30/2015	06/30/2014
Gross dividend[1]	17.00	17.00
Basic earnings per share	13.10	12.79
Diluted earnings per share	12.99	12.74
Book value per share, as of June 30	200.23	232.65
Nominal value per share	0.10	0.10
Price at end of period	284.60	267.30
Price period high	332.90	274.30
Price period low	280.00	247.10

[1] Gross dividend per registered share; payment date was from April 9, 2015

Zurich share performance (indexed) over one year, ending June 2015



Source: Thomson Reuters Datastream

Shareholder information *continued*

Financial calendar

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

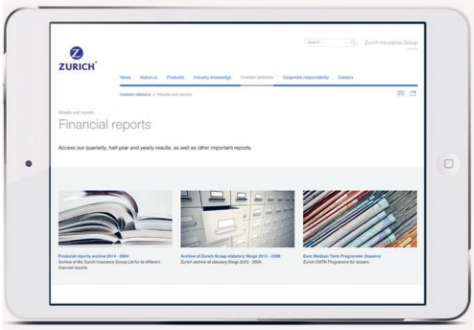
Results for the three months to March 31, 2016
May 12, 2016

Half year results 2016
August 11, 2016

Results for the nine months to September 30, 2016
November 10, 2016

Publications

www.zurich.com
For more on Zurich's financial performance, please visit the investor relations section of our website at: www.zurich.com/investors



Contact information

For more information please contact the appropriate office below, or visit our website at www.zurich.com

Registered Office
Zurich Insurance Group Ltd
Mythenquai 2
8002 Zurich, Switzerland

Media Relations
Zurich Insurance Group Ltd, Switzerland
Telephone: +41 (0)44 625 21 00
E-mail: media@zurich.com

Investor Relations
Zurich Insurance Group Ltd, Switzerland
Telephone: +41 (0)44 625 22 99
E-mail: investor.relations@zurich.com

Share Register Services
Zurich Insurance Group Ltd, Switzerland
Telephone: +41 (0)44 625 22 55
E-mail: shareholder.services@zurich.com
Website:
www.zurich.com/shareholder-information

Corporate Responsibility
Zurich Insurance Group Ltd, Switzerland
E-mail: corporate.responsibility@zurich.com

American Depositary Receipts
Zurich Insurance Group Ltd has an American Depositary Receipt program with The Bank of New York Mellon (BNYM). For information relating to an ADR account, please contact BNY Mellon's Shareowner Services at www.mybnymdr.com. In the U.S. call +1 888 BNY ADRS or outside the U.S. +1 201 680 6825, or email shrrelations@cpushareownerservices.com General information on the company's ADR program can be obtained from The Bank of New York Mellon at www.adrbnymellon.com

Glossary

Group

Book value per share

is a measure that is calculated by dividing shareholders' equity by the number of shares issued less the number of treasury shares as of the period end.

Business operating profit (BOP)

is a measure that is the basis on which the Group manages all of its business units. It indicates the underlying performance of the Group's business units, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains/(losses) and impairments on investments (except for the capital markets and property lending/banking operations included in Non-Core Businesses, investments in hedge funds, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses) and non-operational foreign exchange movements. Significant items arising from special circumstances, including restructuring charges, charges for litigation outside the ordinary course of business, gains and losses on divestments of businesses, impairments of goodwill and the change in estimates of earn-out liabilities (with the exception of experience adjustments, which remain within BOP) are also excluded from BOP. **Business operating profit before interest, depreciation and amortization (BOPBIDA)** is BOP before interest expense on debt, depreciation and impairments of property and equipment and amortization and impairments of intangible assets, but including amortization of deferred policy acquisition costs and deferred origination costs.

Business operating profit (after-tax) return on shareholders' equity (BOPAT ROE)

indicates the level of BOP relative to resources provided by shareholders. It is calculated as BOP, annualized on a linear basis and adjusted for taxes, divided by the average value of shareholders' equity, adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges, using the value at the beginning and end of each quarter within the period. The average shareholders' equity for each quarter is then added together and divided by the number of quarters. If the dividend is approved at the Annual General Meeting within the first ten working days in April, then the dividend is deducted from the second quarter opening shareholders' equity.

Investments

Total investments in the consolidated balance sheets includes Group investments and investments for unit-linked contracts. **Group investments** are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features. Average invested assets exclude cash collateral received for securities lending. The Group manages its diversified investment portfolio to optimize benefits for both shareholders and policyholders while ensuring compliance with local regulatory and business requirements under the guidance of the Group's Asset/Liability Management and Investment Committee. **Investments for unit-linked contracts** include such investments where the policyholder bears the investment risk, and are held for liabilities related to unit-linked investment contracts and reserves for unit-linked contracts. They are managed in accordance with the investment objectives of each unit-linked fund. The investment result for unit-linked products is passed to policyholders through a charge to policyholder dividends and participation in profits.

Return on shareholders' equity (ROE)

is a measure that indicates the level of profit or loss relative to resources provided by shareholders. It is calculated as net income after taxes attributable to shareholders, annualized on a linear basis, divided by the average value of shareholders' equity, adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges, using the value at the beginning and end of each quarter within the period. The average shareholders' equity for each quarter is then added together and divided by the number of quarters. If the dividend is approved at the Annual General Meeting within the first ten working days in April, then the dividend is deducted from the second quarter opening shareholders' equity.

General Insurance

The following General Insurance measures are net of reinsurance.

Net underwriting result

is calculated as the difference between net earned premiums and policy fees and the sum of insurance benefits and losses, net and net technical expenses.

Total net technical expenses

includes underwriting and policy acquisition costs, as well as the technical elements of administrative and other operating expenses, amortization of intangible assets, interest credited to policyholders and other interest, and other income.

Combined ratio

is a performance measure that indicates the level of claims and net technical expenses during the period relative to net earned premiums and policy fees. It is calculated as the sum of the loss ratio and the expense ratio.

Loss ratio
is a performance measure that indicates the level of claims during the period relative to net earned premiums and policy fees. It is calculated as insurance benefits and losses net, which include paid claims, claims incurred but not reported (IBNR) and claims handling costs, divided by net earned premiums and policy fees.

Expense ratio
is a performance measure that indicates the level of technical expenses during the period relative to net earned premiums and policy fees. It is calculated as the sum of net technical expenses and policyholder dividends and participation in profits, divided by net earned premiums and policy fees.

Net non-technical result
includes expenses or income not directly linked to the insurance operating performance, such as gains/losses on foreign currency translation and interest expense on debt. It includes the impact of financial market volatility and other non-operational variables that distort the ongoing business performance.

Global Life

Embedded value (EV) principles
is a methodology using a "bottom-up" market consistent approach, which explicitly allows for market risk. In particular, asset and liability cash flows are valued using risk discount rates consistent with those applied to similar cash flows in the capital markets. A liquidity premium, which increases risk discount rates, has been applied to certain lines of business consistent with the CFO Forum principles. Options and guarantees are valued using market consistent models calibrated to observable market prices.

Insurance deposits
are deposits, similar to customer account balances, not recorded as revenues. However, the fees charged on insurance deposits are recorded as revenue within gross written premiums and policy fees within the consolidated income statement. These deposits arise from investment contracts and insurance contracts that are accounted for under deposit accounting. They represent the pure savings part, which is invested.

New business annual premium equivalent (APE)
is calculated as new business annual premiums plus 10 percent of single premiums, before the effect of non-controlling interests. **Present value of new business premiums (PVNBP)** is calculated as the value of new business premiums discounted at the risk-free rate, before the effect of non-controlling interests.

New business value, after tax
is a measure that reflects the value added by new business written during the period, including allowance for frictional costs, time value of options and guarantees, and the cost of non-market risk, and is valued at the point of sale. It is calculated as the present value of the projected after-tax profit from life insurance contracts sold during the period using a valuation methodology consistent with the EV principles, after the effect of non-controlling interests.

Source of earnings (SOE)
reporting presents the key drivers of Global Life BOP identifying specific profit sources. This information provides the shareholders' view of earnings, thereby the components attributable to policyholders and non-controlling interests are included in each line item and are not separately identified.

Loadings and fees include fund and non-fund based fees. The investment margin is the spread between the investment result and interest credited to policyholders, plus the return on free surplus. The technical margin shows the mortality, morbidity, and longevity premiums less benefits to the policyholders together with the reinsurance result.

Operating and funding costs include administrative and operating expenses, interest expense on debt, depreciation and amortization of fixed assets and non-acquisition related intangible assets. Acquisition expenses include commissions and other new business expenses, as well as costs related to business combinations, including amortization of acquisition related intangible assets. The impact of deferrals is the net effect of deferral and amortization of policy acquisition costs and front-end fees, which may be affected by movements in financial markets and changes in assumptions.

Farmers

Gross management result
is a performance measure of Farmers Management Services calculated as management fees and other related revenues minus management and other related expenses, which include amortization and impairments of intangible assets.

Managed gross earned premium margin
is a performance measure calculated as the gross operating profit of Farmers Management Services divided by the gross earned premiums of the Farmers Exchanges, which are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims administrative and management services as attorney-in-fact and receives fees for its services.

Disclaimer and cautionary statement

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

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