

# Consolidated Financial Statements

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## Consolidated Financial Statements

## Consolidated income statements (unaudited)

In USD millions, for the six months ended June 30	Notes	2008	2007
<b>Revenues</b>			
Gross written premiums and policy fees		26,376	25,072
Less premiums ceded to reinsurers <sup>1</sup>		(3,392)	(10,384)
Net written premiums and policy fees		22,984	14,688
Net change in reserves for unearned premiums	8	(1,541)	(1,670)
Net earned premiums and policy fees		21,443	13,017
Farmers management fees and other related revenues		1,196	1,093
Net investment result on Group investments	4	3,975	4,785
Net investment income on Group investments		4,402	4,282
Net capital gains/(losses) and impairments on Group investments		(426)	503
Net investment result on unit-linked investments	4	(9,404)	6,253
Net gain/(loss) on divestments of businesses	3	4	2
Other income		945	909
<b>Total revenues</b>		<b>18,160</b>	<b>26,060</b>
<b>Benefits, losses and expenses</b>			
Insurance benefits and losses, gross of reinsurance <sup>1</sup>	8	10,158	17,052
Less ceded insurance benefits and losses <sup>1</sup>	8	6,103	(9,131)
Insurance benefits and losses, net of reinsurance <sup>1</sup>	8	16,261	7,920
Policyholder dividends and participation in profits, net of reinsurance	8	(9,034)	6,963
Underwriting and policy acquisition costs, net of reinsurance	8	4,083	3,541
Administrative and other operating expense		2,953	2,917
Amortization and impairments of intangible assets		186	115
Interest expense on debt	12	302	345
Interest credited to policyholders and other interest		440	472
<b>Total benefits, losses and expenses</b>		<b>15,192</b>	<b>22,272</b>
Net income before income taxes		2,968	3,787
Income tax expense	11	(219)	(1,084)
of which:			
– attributable to policyholders	11	604	(130)
– attributable to shareholders	11	(823)	(954)
<b>Net income after taxes</b>		<b>2,749</b>	<b>2,703</b>
Net income attributable to minority interests		(69)	(27)
<b>Net income attributable to shareholders</b>		<b>2,681</b>	<b>2,676</b>
in USD			
Basic earnings per share	14	19.15	18.47
Diluted earnings per share	14	18.99	18.31
in CHF			
Basic earnings per share	14	20.11	22.68
Diluted earnings per share	14	19.94	22.48

<sup>1</sup> In 2007, premiums ceded to reinsurers included USD 7.3 billion and ceded insurance benefits and losses included USD 7.0 billion relating to the reinsurance of a UK annuity portfolio. Subsequent to the approval from the UK High Court, effective on June 30, 2008, the underlying contracts have been transferred to the reinsurer. This transaction had no impact on the income statement in 2008.

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

## Consolidated statements of total recognized income and expenses (unaudited)

in USD millions, for the six months ended June 30	2008	2007
<b>Net income attributable to shareholders</b>	<b>2,681</b>	<b>2,676</b>
Net unrealized gains/(losses) on available for sale investments <sup>1</sup>	(2,412)	(994)
Change in net unrealized gains/(losses) (excluding currency translation adjustments)	(2,389)	(919)
Foreign currency translation adjustments	(49)	1
Net realized gains/(losses) and impairment charges reclassified to the income statement	26	(76)
Change in fair value of cash flow hedges <sup>1</sup>	(23)	(69)
Cumulative translation adjustments	344	385
Net other recognized income and expense <sup>1</sup>	(28)	740
Net actuarial gains/(losses) on pension plans	(52)	720
Revaluation reserve	24	20
<b>Total recognized income and expense attributable to shareholders</b>	<b>562</b>	<b>2,738</b>
Total recognized income and expense attributable to minority interests	68	35
<b>Total recognized income and expense</b>	<b>630</b>	<b>2,774</b>

<sup>1</sup> Amounts are net of tax.

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

## Consolidated Financial Statements

## Consolidated balance sheets (unaudited)

in USD millions, as of		Notes	06/30/08	12/31/07
<b>Assets</b>	<b>Investments</b>			
	Total Group Investments		<b>195,066</b>	193,600
	Cash and cash equivalents		<b>14,682</b>	13,943
	Equity securities		<b>17,481</b>	18,589
	Debt securities		<b>123,202</b>	123,762
	Real estate held for investment		<b>8,236</b>	7,563
	Mortgage loans		<b>13,804</b>	12,718
	Other loans		<b>14,192</b>	12,936
	Investments in associates		<b>236</b>	238
	Other investments		<b>3,233</b>	3,851
	Investments for unit-linked contracts		<b>113,047</b>	122,092
	<b>Total investments</b>	4	<b>308,113</b>	315,693
	Reinsurers' share of reserves for insurance contracts <sup>1</sup>	5	<b>19,605</b>	26,970
	Deposits made under assumed reinsurance contracts		<b>1,310</b>	1,359
	Deferred policy acquisition costs	9	<b>16,337</b>	14,941
	Deferred origination costs	9	<b>1,018</b>	1,003
	Accrued investment income		<b>2,676</b>	2,593
	Receivables		<b>14,807</b>	12,846
	Other assets		<b>4,322</b>	3,405
	Mortgage loans given as collateral		<b>2,379</b>	2,243
	Deferred tax assets	11	<b>1,755</b>	1,682
	Property and equipment		<b>2,055</b>	1,972
	Goodwill	10	<b>2,080</b>	1,730
Other intangible assets	10	<b>3,137</b>	2,906	
<b>Total assets</b>		<b>379,593</b>	389,342	

<sup>1</sup> In 2007, reinsurers' share of reserves for insurance contracts included USD 7.1 billion related to the reinsurance of a UK annuity portfolio. Subsequent to the approval from the UK High Court, effective on June 30, 2008, the underlying contracts have been transferred to the reinsurer, resulting in a reduction of reinsurers' share of reserves for insurance contracts.

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

**Liabilities  
and equity**

in USD millions, as of	Notes	06/30/08	12/31/07
<b>Liabilities</b>			
Reserve for premium refunds		712	625
Liabilities for investment contracts	6	51,141	54,485
Deposits received under ceded reinsurance contracts		1,613	1,739
Deferred front-end fees		5,961	5,791
Reserves for insurance contracts <sup>1</sup>	5	248,735	252,740
Obligations to repurchase securities		5,101	5,370
Accrued liabilities		2,735	2,755
Other liabilities		20,048	20,257
Collateralized loans		2,379	2,243
Deferred tax liabilities	11	3,466	4,057
Debt related to capital markets and banking activities	12	1,984	1,663
Senior and subordinated debt	12	8,550	8,300
<b>Total liabilities</b>		<b>352,426</b>	<b>360,023</b>
<b>Equity</b>			
Share capital		10	10
Additional paid-in capital		10,158	10,289
Net unrealized gains/(losses) on investments		(2,227)	185
Cumulative translation adjustment		1,728	1,385
Net other recognized income and expense		(745)	(717)
Cash flow hedges		(125)	(103)
Retained earnings		17,436	17,224
Common shareholders' equity		26,235	28,273
Preferred securities		561	671
Shareholders' equity		26,796	28,945
Minority interests		372	374
<b>Total equity</b>		<b>27,168</b>	<b>29,318</b>
<b>Total liabilities and equity</b>		<b>379,593</b>	<b>389,342</b>

<sup>1</sup> In 2007, reinsurers' share of reserves for insurance contracts included USD 7.1 billion related to the reinsurance of a UK annuity portfolio. Subsequent to the approval from the UK High Court, effective on June 30, 2008, the underlying contracts have been transferred to the reinsurer, resulting in a reduction of reserves for insurance contracts.

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

## Consolidated statements of cash flows (unaudited)

in USD millions, for the six months ended June 30	2008	2007
<b>Cash flows from operating activities</b>		
Net income attributable to shareholders	2,681	2,676
Adjustments for:		
Net (gain)/loss on divestments of businesses	(4)	(2)
Share of equity in income from investments in associates	(4)	(12)
Depreciation, amortization and impairments of fixed and intangible assets	279	211
Other non-cash items	1,151	129
Underwriting activities:	(9,849)	(2,707)
<i>Reserves for insurance contracts, gross</i> <sup>1</sup>	(12,208)	3,314
<i>Reinsurers' share of reserves for insurance contracts</i> <sup>1</sup>	7,664	(6,582)
<i>Liabilities for investment contracts</i>	(4,580)	1,204
<i>Deferred policy acquisition costs</i>	(558)	(521)
<i>Deferred origination costs</i>	(1)	(99)
<i>Deposits made under assumed reinsurance contracts</i>	58	551
<i>Deposits received under ceded reinsurance contracts</i>	(224)	(574)
Investments:	15,289	5,561
<i>Net capital (gain)/loss on investments and impairments</i>	11,877	(4,987)
<i>Net change in trading securities</i>	(337)	23
<i>Sales and maturities</i>		
<i>Debt securities</i> <sup>1</sup>	36,094	44,478
<i>Equity securities</i>	37,403	30,758
<i>Other (primarily other investments)</i>	21,804	13,336
<i>Purchases</i>		
<i>Debt securities</i>	(34,715)	(36,633)
<i>Equity securities</i>	(35,165)	(28,151)
<i>Other (primarily other investments)</i>	(21,673)	(13,263)
Proceeds from sale and repurchase agreements	(284)	(471)
Movements in receivables and payables	(1,085)	(490)
Net changes in debt for capital markets and banking activities	313	(545)
Net changes in other operational assets and liabilities	(1,777)	(1,440)
Deferred income tax, net	(160)	863
<b>Net cash provided by operating activities</b>	<b>6,550</b>	<b>3,773</b>

<sup>1</sup> In 2007, the consolidated statements of cash flows included proceeds of USD 6.3 billion from the sale of debt securities, a reduction in cash and cash equivalents of USD 0.6 billion and an increase in reinsurers' share of reserves for insurance contracts of USD 7.0 billion related to the reinsurance of a UK annuity portfolio. Subsequent to the approval from the UK High Court, effective on June 30, 2008, the underlying contracts have been transferred to the reinsurer, resulting in a reduction of both the reinsurers' share of reserves for insurance contracts and gross reserves for insurance contracts.

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	2008	2007
<b>Cash flows from investing activities</b>		
Sales of property and equipment	227	102
Purchase of property and equipment	(236)	(129)
Investments in associates, net	12	7
Acquisitions of companies, net of cash acquired	(316)	27
Divestments of companies, net of cash balances	5	18
Other acquisitions and divestments related cashflow	–	(260)
Dividends from associates	1	2
Net cash used in investing activities	(307)	(233)
<b>Cash flows from financing activities</b>		
Dividends paid	(2,092)	(1,315)
Net movement in treasury shares	(441)	(1,018)
Redemption of preferred securities and repayments to minority interests	(124)	–
Issuance of debt	159	1,651
Payments on debt outstanding	(217)	(1,414)
Net cash used in financing activities	(2,714)	(2,097)
Foreign currency translation effects on cash and cash equivalents	608	301
Change in cash and cash equivalents excluding change in cash received as collateral for securities lending <sup>1</sup>	4,136	1,744
Cash and cash equivalents as of January 1, excluding cash received as collateral for securities lending	15,059	19,302
<b>Cash and cash equivalents as of June 30, excluding cash received as collateral for securities lending</b>	<b>19,195</b>	<b>21,046</b>
Change in cash received as collateral for securities lending	(699)	(1,314)
Cash and cash equivalents as of January 1, including cash received as collateral for securities lending	16,936	23,122
<b>Cash and cash equivalents as of June 30, including cash received as collateral for securities lending</b>	<b>20,372</b>	<b>23,552</b>
<b>Other supplementary cash flow disclosures</b>		
in USD millions		
Other interest income received	4,540	4,541
Dividend income received	2,079	1,384
Other interest expense paid	(655)	(756)
Income tax paid	(902)	(1,046)

As of June 30, 2008 and 2007, cash and cash equivalents restricted as to use were USD 5,705 million and USD 923 million, respectively. Cash and cash equivalents held for the benefit of policyholders in connection with unit-linked products amounted to USD 5,690 million and USD 6,701 million as of June 30, 2008 and 2007, respectively.

### Cash and cash equivalents

in USD millions, as of June 30	2008	2007
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	5,839	5,865
Cash equivalents	13,356	15,181
Cash held as collateral for securities lending	1,177	2,506
<b>Total</b>	<b>20,372</b>	<b>23,552</b>

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

## Consolidated Financial Statements

## Consolidated statements of changes in equity (unaudited)

in USD millions

	Share capital	Additional paid-in capital	Net unrealized gains/(losses) on investments
Balance as of December 31, 2006, as previously reported	10	10,448	819
Total adjustments due to restatement	–	–	(8)
Balance as of December 31, 2006, as restated	10	10,448	811
Issuance of share capital	–	134	–
Dividends to shareholders	–	–	–
Share-based payment transactions	–	(54)	–
Treasury share transactions	–	(200)	–
Total recognized income and expense, net of tax	–	–	(994)
<i>Net income after taxes</i>	–	–	–
<i>Net other recognized income and expenses</i>	–	–	(994)
Net changes in capitalization and minority interests	–	–	–
Balance as of June 30, 2007	10	10,328	(183)
Balance as of December 31, 2007, as previously reported	10	10,289	196
Total adjustments due to restatement	–	–	(11)
Balance as of December 31, 2007, as restated	10	10,289	185
Issuance of share capital <sup>1</sup>	–	1	–
Dividends to shareholders	–	–	–
Redemption of preferred securities	–	(14)	–
Share-based payment transactions	–	(64)	–
Treasury share transactions <sup>2</sup>	–	(54)	–
Total recognized income and expense, net of tax	–	–	(2,412)
<i>Net income after taxes</i>	–	–	–
<i>Net other recognized income and expenses</i>	–	–	(2,412)
Net changes in capitalization and minority interests	–	–	–
<b>Balance as of June 30, 2008</b>	<b>10</b>	<b>10,158</b>	<b>(2,227)</b>

<sup>1</sup> The number of common shares issued as of June 30, 2008 was 142,121,026 (June 30, 2007: 145,472,560, December 31, 2007: 145,546,820, December 31, 2006: 144,749,399).

<sup>2</sup> On February 14, 2008, the Board of Zurich Financial Services authorized a share buy-back of up to CHF 2.2 billion (approximately USD 2 billion) over the course of 2008. As of June 30, 2008 the number of treasury shares deducted from equity was 3,737,752 which comprises shares repurchased under the buy-back program of 2008 and 1,737,752 shares held to cover employee share and option plans mainly purchased in November and December 2007.

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



	Cumulative translation adjustment	Net other recognized income and expense	Cash flow hedges	Retained earnings	Common shareholders' equity	Preferred securities	Shareholders' equity	Minority interests	Total equity
	823	(1,286)	–	14,102	24,917	671	25,588	517	26,105
	–	–	–	63	55	–	55	–	56
	823	(1,286)	–	14,165	24,972	671	25,643	517	26,161
	–	–	–	–	134	–	134	–	134
	–	–	–	(1,292)	(1,292)	(21)	(1,313)	(8)	(1,321)
	–	–	–	–	(54)	–	(54)	–	(54)
	–	–	–	(817)	(1,017)	–	(1,017)	–	(1,017)
	385	740	(69)	2,655	2,718	21	2,739	35	2,774
	–	–	–	2,655	2,655	21	2,676	27	2,703
	385	740	(69)	–	62	–	62	8	70
	–	–	–	–	–	–	–	(215)	(215)
	1,208	(546)	(69)	14,713	25,462	671	26,134	329	26,463
	1,385	(717)	(103)	17,072	28,132	671	28,804	374	29,177
	–	–	–	152	141	–	141	–	141
	1,385	(717)	(103)	17,224	28,273	671	28,945	374	29,318
	–	–	–	–	1	–	1	–	1
	–	–	–	(2,064)	(2,064)	(18)	(2,082)	(9)	(2,092)
	–	–	–	–	(14)	(110)	(124)	–	(124)
	–	–	–	–	(64)	–	(64)	–	(64)
	–	–	–	(387)	(441)	–	(441)	–	(441)
	344	(28)	(23)	2,662	544	18	562	68	630
	–	–	–	2,662	2,662	18	2,681	69	2,749
	344	(28)	(23)	–	(2,118)	–	(2,118)	(1)	(2,120)
	–	–	–	–	–	–	–	(60)	(60)
	<b>1,728</b>	<b>(745)</b>	<b>(125)</b>	<b>17,436</b>	<b>26,235</b>	<b>561</b>	<b>26,796</b>	<b>372</b>	<b>27,168</b>

## 1. Basis of presentation

The half year consolidated financial statements of Zurich Financial Services Group (the Group) have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and the requirements of the Swiss Stock Exchange (SWX). The accounting policies used to prepare the 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 2007 of the Group except as outlined below.

The unaudited half year consolidated financial statements should be read in conjunction with the Group's Annual Report 2007. The Group's independent auditors have reviewed the unaudited half year consolidated financial statements. Their report is set out on page 71.

Certain amounts recorded in the half year 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.

Certain reclassifications have been made to prior period comparatives and segment disclosures to conform to the current year presentation. These reclassifications have no effect on the previously reported net income.

All amounts in the consolidated financial statements are shown in USD millions, rounded to the nearest million unless otherwise stated with the consequence that the rounded amounts may not add to the rounded total in all cases.

### **Transfer of UK annuity business**

In 2007, the Group entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of January 1, 2007. In 2007 premiums ceded to reinsurers and ceded insurance benefits and losses increased by USD 7.3 billion and USD 7.0 billion, respectively. The transaction resulted in a net loss after tax of USD 59 million. In the consolidated balance sheets, total investments and associated other assets decreased by USD 7.4 billion and reinsurer's share of reserves for insurance contracts increased by USD 7.1 billion. In April 2008, the UK High Court approved as a second step of this transaction the collective novation of all policies of this significant annuity portfolio, which became effective as of June 30, 2008. As a result the underlying contracts have been transferred to the reinsurer. This had no further impact on the income statement, but resulted in a reduction of reinsurers' share of reserves for insurance contracts of USD 7.1 billion and a corresponding reduction in the reserves for insurance contracts.

### **Sale of North America Commercial Small Business Solutions (SBS)**

On June 13, 2008, the Group completed the sale of the rights to access renewals of its North America Commercial Small Business Solutions (SBS) book of business to Truck Insurance Exchange (TIE), one of the Farmers Exchanges, which the Group manages but does not own. As part of the transaction, the Group has entered into a 100% quota share reinsurance agreement for the in-force business of the book as of June 1, 2008. This resulted in the Group paying TIE the balance of unearned premium reserve on its books related to the business ceded to TIE of USD 425 million and TIE compensating the Group for its deferred acquisition cost balance as of the effective date of the transaction by paying a ceding commission of USD 120 million. In addition, the management of the in-force SBS book of business has been transferred together with certain assets and liabilities to Farmers Group, Inc. This transaction had no impact on the scope of consolidation.

### **Changes in the German Insurance Supervisory Law**

Effective January 1, 2008, the German Insurance Supervisory Law changed its requirements for policyholder participations for life insurance. While in the past it was required that a minimum of 90 percent of the gross surplus is allocated to the policyholder, a more specific allocation has to be implemented, whereby a minimum of 90 percent of the total investment return less 100 percent of the minimum guaranteed interest on the policyholder account, a minimum of 75 percent of the risk profits and a minimum of 50 percent of the positive expense result is allocated to the policyholder. As the ordinance was only issued in April, the Group is still assessing the implication of this law change on its accounts.

### **Segment information**

The Group is managed on a matrix basis, reflecting both line of business and geography. Accordingly, segment information is presented in two formats. The primary format is based on the operating businesses of the Group and how

they are strategically managed to offer different products and services to specific customer groups. The Group's primary business segments are as follows:

- General Insurance serves the property-casualty insurance needs of a wide range of customers, from individuals to small and medium-size businesses, commercial enterprises and major multinational corporations.
- Global Life pursues a customer-focused strategy with market-leading propositions in unit-linked and protection products and multi-channel distribution to develop leadership positions in our chosen segments and superior returns for our shareholders.
- Farmers Management Services which through Farmers Group, Inc. and its subsidiaries (FGI) provides non-claims related management services to the Farmers Exchanges, prominent writers of personal lines and small commercial lines business in the United States. FGI receives fee income for the provision of those services to the Exchanges, which we manage, but do not own, and to their customers.
- Other Businesses includes Farmers Re which provides reinsurance to the Farmers Exchanges, Centre and capital markets and banking activities. This segment also includes certain businesses which are centrally managed - some to achieve a profitable run-off - and are not considered to be core businesses.
- Corporate Functions includes Group holding and financing companies, Corporate Center operations and certain alternative investments.

The Group's secondary format for segment information is geographic as follows:

- North America
- Europe
- International Businesses, and
- Central Region

#### Changes in accounting policies in 2008

We have changed the accounting policy for three run-off blocks of disability business at Centre, included in Other Businesses, by exercising the option in IFRS 4 to remeasure designated insurance liabilities using current financial and non-financial assumptions. All financial assets related to these insurance liabilities are designated as "at fair value through profit or loss." We consider this to be a better reflection of the way we manage these blocks of business.

As a consequence of this change in accounting policy, prior year figures have been restated to ensure comparability.

Table 1.1

in USD millions	As reported	Amount of restatement	As restated
as of December 31, 2007			
Total equity	29,177	141 <sup>1</sup>	29,318
Reserves for insurance contracts	252,886	(146)	252,740
Reinsurers' share of reserves for insurance contracts	26,977	(7)	26,970
Deferred tax assets	1,678	4	1,682
Deferred tax liabilities	4,055	2	4,057
for the six months ended June 30, 2007			
Net income attributable to shareholders	2,684	(8)	2,676

<sup>1</sup> Of the USD 141 million restatement of total equity, USD 85 million relates to 2007 and USD 56 million relates to 2006 and prior years.

## Consolidated Financial Statements

IFRIC 14 "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction" has been implemented for the financial year beginning January 1, 2008 and had no significant impact on the Group's financial position or performance.

## 2. Foreign currency translation and transactions

Foreign currency monetary items and foreign currency non-monetary items, which are carried at fair value are translated at end-of-period exchange rates. Foreign currency non-monetary items which are carried at historical cost are translated at historical rates. Revenues and expenses are translated using the exchange rate at the date of the transaction or a weighted average rate. The resulting exchange differences are recorded in the consolidated income statement, except when the gain or loss on a non-monetary item measured at fair value is recognized directly in equity in which case any exchange component of that gain or loss is also recognized directly in equity.

As of January 2008 movements shown in the development tables throughout the consolidated financial statements are translated at average foreign exchange rates. The comparative numbers for 2007 have been adjusted to reflect this change in foreign currency translation methodology. The change in practice did not have any impact on net income or equity.

The table below summarizes the principal exchange rates that have been used for translation purposes. Net gains and losses on foreign currency transactions included in the consolidated income statements were USD 85 million and USD (15) million for the six months ended June 30, 2008 and 2007, respectively. Foreign currency forward and swap gains and losses included in the amounts above were USD (416) million and USD 14 million for the six months ended June 30, 2008 and 2007, respectively.

Table 2.1

USD per foreign currency unit

### Principal exchange rates

	Balance sheets		Income statements and cash flows	
	06/30/08	12/31/07	06/30/08	06/30/07
Euro	1.5749	1.4601	1.5298	1.3291
Swiss franc	0.9800	0.8822	0.9526	0.8146
British pound sterling	1.9903	1.9849	1.9745	1.9701

## 3. Acquisitions and divestments

### Acquisitions

On March 31, 2008, the Group completed the acquisition of 100 percent of TEB Sigorta A.Ş. (TEB Sigorta), a general insurer based in Turkey, from TEB Mali Yatirimlar A.Ş. (TEB Mali). Total acquisition costs amounted to USD 364 million and tangible assets acquired amounted to USD 35 million. As part of the initial purchase price allocation intangible assets were identified in the amount of USD 94 million (USD 76 million net of deferred tax), mainly relating to distribution arrangements with TEB Mali subsidiaries including Türk Ekonomi Bankasi A.Ş. (TEB) for the distribution of general insurance products in Turkey on an exclusive basis. The residual goodwill of USD 253 million represents expected growth opportunities from the banc-assurance partnership with TEB and the expansion of other sales channels.

On June 3, 2008, the Group completed the acquisition of 100 percent of the Italian life insurer DWS Vita S.p.A. (DWS Vita) from Deutsche Asset Management Italy S.p.A., a subsidiary of Deutsche Bank. As part of the transaction, DWS Vita entered into an exclusive distribution agreement with Finanza & Futuro Banca S.p.A. for the distribution of life insurance products. The Group is currently in the process of preparing the initial accounting and, therefore, as of June 30, 2008, the transaction was recorded as an unconsolidated investment in other assets amounting to USD 149 million. This asset includes the present value of expected deferred consideration in the amount of USD 10 million and transaction costs.

On June 20, 2008, the Group completed the acquisition of 50 percent of Can Soluciones Integrales S.A. (Can Soluciones), based in Spain, from Caja de Ahorros y Monte de Piedad de Navarra (Caja Navarra). The Group has management control of the jointly owned company and will fully consolidate it. As part of the transaction, Can Soluciones will enter into an exclusive agreement with Caja Navarra for the distribution of general insurance products in Spain. The Group is currently in the process of preparing the initial accounting and, therefore, as of June 30, 2008, the initial purchase price and a capital increase were recorded as an unconsolidated investment in other assets together amounting to USD 78 million, excluding a potential earn-out component of up to approximately USD 63 million depending on the future performance of Can Soluciones.

On April 24, 2008, the Group announced that it had signed agreements with Caixa d'Estalvis de Sabadell (Caixa Sabadell) to acquire 50 percent of its life and general insurance companies based in Spain, CaixaSabadell Vida, S.A. de Seguros y Reaseguros (CSV), and CaixaSabadell Companyia d'Assegurances Generals, S.A. (CSG). The Group will have management control of the jointly owned companies and will fully consolidate them. The initial purchase price will be approximately USD 360 million. In addition, a potential earn-out component of up to approximately USD 150 million, depending on the future performance of CSV and CSG, has been agreed. As part of the transaction, CSV and CSG will enter into banc-assurance agreements with Caixa Sabadell group companies to sell life insurance, pension and general insurance products through Caixa Sabadell's branch network on an exclusive basis. The transaction has been approved by the relevant authorities and closing is expected to take place mid of August 2008.

Table 3.1

in USD millions		TEB Sigorta
<b>Business combinations</b>	Book value of net assets prior to acquisition	22
	Fair value of net tangible assets acquired	35
	Identifiable intangible assets, net of deferred tax	76
	Goodwill	253
	<b>Total acquisition costs</b>	<b>364</b>
	Cash consideration	363
	Transaction costs	1
	Cash and cash equivalents acquired	48

### Divestments

On June 30, 2008, the Group completed the sale of Financial Lifestyle Solutions Pty Ltd, the Australian financial planning business and life and general insurance broker, for a consideration of USD 7 million, recording a pre-tax gain of USD 5 million.

### Transactions after the balance sheet date

On July 11, 2008, the Group announced that it had signed an agreement to acquire a 50 percent stake in the life insurance, pension and general insurance operations of Banco Sabadell S.A. (Banco Sabadell), all based in Spain. The Group will have management control of the jointly owned companies and will fully consolidate them. The initial purchase price for both, BanSabadell Vida S.A. de Seguros y Reaseguros and BanSabadell Pensiones E.G.F.P., S.A., amounts to approximately USD 1,020 million. In addition, a potential earn-out component of up to approximately USD 188 million has been agreed. The initial purchase price for BanSabadell Seguros Generales, S.A. de Seguros y Reaseguros amounts to approximately USD 157 million and, in addition, a potential earn-out component of up to approximately USD 47 million has been agreed. As part of the transaction, the mentioned companies will enter into banc-assurance agreements with Banco Sabadell and two of its affiliates to sell life insurance, pension and general insurance products through Banco Sabadell's branch network on an exclusive basis. Subject to approval by the relevant authorities, the transaction is expected to close in the third quarter of 2008.

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On July 17, 2008, the Group announced that it had signed an agreement to acquire 87.35 percent of Companhia de Seguros Minas Brasil, a general insurer based in Brazil, from Banco Mercantil do Brasil S.A. (Banco Mercantil) and two private investors. In addition, the Group signed an agreement to acquire 100 percent of Minas Brasil Seguradora Vida e Previdência S.A., a life insurer based in Brazil, from Banco Mercantil. As part of this transaction, the Group will enter into an exclusive banc-assurance agreement with Banco Mercantil for the distribution of life and general insurance products. The initial purchase price for both companies amounts to approximately USD 157 million and a consideration of approximately USD 31 million for the banc-assurance agreement. In addition, a potential earn-out component of up to approximately USD 31 million, depending on the future performance under the distribution agreement, has been agreed. Subject to approval by the relevant authorities, the transaction is expected to close in the fourth quarter of 2008.

On August 5, 2008, the Group completed the acquisition of 100 percent of Baden-Badener Versicherung Aktiengesellschaft, an accident insurer based in Germany, for approximately USD 41 million. The initial accounting will be reflected in the financial statements of the third quarter of 2008.

## 4. Investments

The investment result for the six months ended June 30, 2008 and 2007 comprised the following:

Table 4.1a

in USD millions, for the six months ended June 30

### Investment result for total investments

	Net investment income		Net capital gains/ (losses) on investments and impairments		Investment result	
	2008	2007	2008	2007	2008	2007
Cash and cash equivalents	351	428	3	11	353	439
Equity securities	2,237	1,691	(11,053)	5,450	(8,816)	7,141
Debt securities	3,144	3,057	(916)	(711)	2,228	2,346
Real estate held for investment	458	464	(450)	314	8	778
Mortgage loans	331	261	–	–	331	260
Other loans	315	278	(9)	(6)	306	272
Investments in associates	4	12	(4)	(2)	–	11
Other investments	176	208	553	(68)	729	140
<i>Short-term investments</i>	49	56	–	–	49	56
<i>Investments held by investment companies</i>	–	1	197	98	197	100
<i>Other<sup>1</sup></i>	127	151	356	(166)	484	(16)
Investment result, gross	7,016	6,400	(11,877)	4,987	(4,861)	11,386
Investment expenses	(568)	(349)	–	–	(568)	(349)
<b>Investment result, net</b>	<b>6,448</b>	<b>6,051</b>	<b>(11,877)</b>	<b>4,987</b>	<b>(5,429)</b>	<b>11,037</b>

<sup>1</sup> Including net capital gains/ (losses) on derivative financial instruments of USD 359 million and USD (170) million for the six months ended June 30, 2008 and 2007, respectively, of which net capital losses on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 3 million and USD 12 million for the six months ended June 30, 2008 and 2007, respectively.

Table 4.1b

in USD millions, for the six months ended June 30

### Investment result for Group investments

	Net investment income		Net capital gains/ (losses) on investments and impairments <sup>2</sup>		Investment result	
	2008	2007	2008	2007	2008	2007
Cash and cash equivalents	271	318	–	–	271	318
Equity securities	372	360	(438)	928	(67)	1,288
Debt securities	2,967	2,868	(579)	(449)	2,388	2,420
Real estate held for investment	251	213	22	85	273	297
Mortgage loans	331	261	–	–	331	260
Other loans	315	278	(9)	(6)	306	272
Investments in associates	4	12	(4)	(2)	–	11
Other investments	27	96	581	(53)	608	43
<i>Short-term investments</i>	16	38	1	–	16	38
<i>Investments held by investment companies</i>	–	1	197	98	197	100
<i>Other<sup>1</sup></i>	12	57	383	(151)	395	(94)
Investment result, gross for Group investments	4,538	4,406	(426)	503	4,111	4,909
Investment expenses for Group investments	(136)	(125)	–	–	(136)	(125)
<b>Investment result, net for Group investments</b>	<b>4,402</b>	<b>4,282</b>	<b>(426)</b>	<b>503</b>	<b>3,975</b>	<b>4,785</b>

<sup>1</sup> Including net capital gains/ (losses) on derivative financial instruments of USD 382 million and USD (156) million for the six months ended June 30, 2008 and 2007, respectively, of which net capital losses on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 3 million and USD 12 million for the six months ended June 30, 2008 and 2007, respectively.

<sup>2</sup> Impairment (charges)/ reversals on investments amounted in total to USD (495) million and USD (6) million for the six months ended June 30, 2008 and 2007, respectively. Thereof impairments on equity securities comprised USD (315) million and USD (7) million, on debt securities USD (171) million and USD 6 million, and on mortgage loans and other loans USD (9) million and USD (5) million for the six months ended June 30, 2008 and 2007, respectively.

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Table 4.1c

in USD millions, for the six months ended June 30

**Investment result for unit-linked contracts**

	Net investment income		Net capital gains/(losses) on investments		Investment result	
	2008	2007	2008	2007	2008	2007
Cash and cash equivalents	80	110	3	11	83	120
Equity securities	1,865	1,332	(10,615)	4,522	(8,750)	5,854
Debt securities	177	189	(338)	(263)	(160)	(74)
Real estate held for investment	207	252	(473)	229	(266)	481
Other investments	149	111	(28)	(15)	121	96
<i>Short-term investments</i>	33	18	(1)	–	33	18
<i>Other</i> <sup>1</sup>	116	93	(27)	(15)	89	78
Investment result, gross for unit-linked contracts	2,478	1,993	(11,450)	4,484	(8,972)	6,477
Investment expenses for unit-linked contracts	(432)	(224)	–	–	(432)	(224)
<b>Investment result, net unit-linked contracts</b>	<b>2,046</b>	<b>1,769</b>	<b>(11,450)</b>	<b>4,484</b>	<b>(9,404)</b>	<b>6,253</b>

<sup>1</sup> Including net capital losses on derivative financial instruments of USD 23 million and USD 14 million for the six months ended June 30, 2008 and 2007, respectively.

Impairment charges on Group investments included in net capital losses amounted to USD 495 million and USD 6 million for the six months ended June 30, 2008 and 2007, respectively, of which impairment charges on mortgage loans and other loans comprised USD 9 million and USD 5 million for the six months ended June 30, 2008 and 2007, respectively.

Rental operating expenses for real estate held for investment included in investment expenses for total investments amounted to USD 94 million and USD 87 million for the six months ended June 30, 2008 and 2007, respectively.

Capital gains and losses and impairments on equity and debt securities included in the total investment result for the six months ended June 30, 2008 and 2007 comprised the following:

Table 4.2

in USD millions, for the six months ended June 30

**Net capital gains, losses and impairments on equity and debt securities included in total investments**

	Equity securities		Debt securities		Total	
	2008	2007	2008	2007	2008	2007
Securities at fair value through profit or loss:	(10,769)	4,810	(698)	(545)	(11,467)	4,266
<i>of which: trading securities</i>						
Net capital gains/(losses) on Group investments	(15)	108	(32)	(3)	(47)	105
<i>of which: securities designated at fair value</i>						
Net capital gains/(losses) on Group investments	(140)	181	(328)	(279)	(468)	(99)
Net capital gains/(losses) for unit-linked contracts	(10,615)	4,522	(338)	(263)	(10,953)	4,259
Available-for-sale securities:	(284)	639	(157)	(166)	(441)	473
Realized capital gains on Group investments	237	695	196	389	433	1,083
Realized capital losses on Group investments	(205)	(48)	(247)	(561)	(452)	(610)
Impairments on Group investments	(315)	(7)	(106)	6	(421)	(1)
Held-to-maturity securities	–	–	(61)	–	(61)	–
<b>Total net capital gains/(losses) and impairments</b>	<b>(11,053)</b>	<b>5,450</b>	<b>(916)</b>	<b>(711)</b>	<b>(11,969)</b>	<b>4,738</b>



**Details of  
total investments  
by category**

Table 4.3a

as of

	Total investments			
	06/30/08		12/31/07	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	20,372	6.6	16,936	5.4
Equity securities:				
Fair value through profit or loss	92,780	30.1	104,220	33.0
<i>of which: trading</i>	2,896	0.9	2,768	0.9
<i>of which: trading equity portfolios in capital markets and banking activities</i>	1,529	0.5	1,606	0.5
Available-for-sale	13,465	4.4	14,547	4.6
Total equity securities	106,245	34.5	118,767	37.6
Debt securities:				
Fair value through profit or loss	18,717	6.1	18,954	6.0
<i>of which: trading</i>	565	0.2	616	0.2
Available-for-sale	109,039	35.4	109,278	34.6
Held-to-maturity	5,696	1.8	5,642	1.8
Total debt securities	133,452	43.3	133,874	42.4
Real estate held for investment	15,242	4.9	15,386	4.9
Mortgage loans	13,804	4.5	12,718	4.0
Other loans	14,195	4.6	12,938	4.1
Investments in associates	236	0.1	238	0.1
Other investments:				
Short-term investments	2,903	0.9	2,929	0.9
Investments held by investment companies	1,588	0.5	1,827	0.6
Other	75	0.0	80	0.0
Total other investments	4,567	1.5	4,836	1.5
<b>Total investments</b>	<b>308,113</b>	<b>100.0</b>	<b>315,693</b>	<b>100.0</b>

## Consolidated Financial Statements

**Details  
of Group  
investments  
by category**

Table 4.3b

as of	Group investments			
	06/30/08		12/31/07	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	14,682	7.5	13,943	7.2
<b>Equity securities:</b>				
Fair value through profit or loss	4,015	2.1	4,042	2.1
<i>of which: trading</i>	2,896	1.5	2,768	1.4
<i>of which: trading equity portfolios in capital markets and banking activities</i>	1,529	0.8	1,606	0.8
Available-for-sale	13,465	6.9	14,547	7.5
<b>Total equity securities</b>	<b>17,481</b>	<b>9.0</b>	<b>18,589</b>	<b>9.6</b>
<b>Debt securities:</b>				
Fair value through profit or loss	8,466	4.3	8,843	4.6
<i>of which: trading</i>	565	0.3	616	0.3
Available-for-sale	109,039	55.9	109,278	56.4
Held-to-maturity	5,696	2.9	5,642	2.9
<b>Total debt securities</b>	<b>123,202</b>	<b>63.2</b>	<b>123,762</b>	<b>63.9</b>
Real estate held for investment	8,236	4.2	7,563	3.9
Mortgage loans	13,804	7.1	12,718	6.6
Other loans	14,192	7.3	12,936	6.7
Investments in associates	236	0.1	238	0.1
<b>Other investments:</b>				
Short-term investments	1,570	0.8	1,944	1.0
Investments held by investment companies	1,588	0.8	1,827	0.9
Other	75	0.0	80	0.0
<b>Total other investments</b>	<b>3,233</b>	<b>1.7</b>	<b>3,851</b>	<b>2.0</b>
<b>Total Group investments</b>	<b>195,066</b>	<b>100.0</b>	<b>193,600</b>	<b>100.0</b>

Cash and investments with a carrying value of USD 4,970 million and USD 4,617 million were deposited with regulatory authorities as of June 30, 2008 and December 31, 2007, respectively.

Short-term investments primarily consist of available-for-sale securities with original maturities between three months and one year. Investments held by investment companies primarily consist of investments in hedge and private equity funds.

There were no material reclassifications between the categories of financial instruments in 2008 or 2007.

#### Securities under security lending and short-term sale and repurchase agreements

As of June 30, 2008 and December 31, 2007, investments included USD 10,043 million and USD 12,204 million, respectively, of loaned securities. These loaned securities were mainly debt securities. Cash and cash equivalents included USD 1,177 million and USD 1,877 million of cash received as collateral for loaned securities as of June 30, 2008 and December 31, 2007, respectively. Liabilities for cash collateral received for securities lending comprised USD 1,201 million and USD 1,889 million as of June 30, 2008 and December 31, 2007, respectively. Non-cash collaterals received for loaned securities comprised USD 8,430 million and USD 10,911 million as of June 30, 2008 and December 31, 2007, respectively. Non-cash collaterals comprised mainly equity and debt securities. The Group can sell or repledge the collateral only in the event of default by a counterparty.

As of June 30, 2008 and December 31, 2007, respectively, debt securities with a carrying value of USD 5,101 million and USD 5,370 million have been sold to financial institutions under short-term sale and repurchase agreements. These securities continue to be recognized as investments in the balance sheets. Obligations to repurchase these securities comprised USD 5,101 million and USD 5,370 million as of June 30, 2008 and December 31, 2007, respectively. The Group retains the rights to the risks and rewards of ownership of loaned securities and securities under short-term sale and repurchase agreements. These risks and rewards include changes in market values and income earned, respectively.

Table 4.3c

as of

**Details of investments held for unit-linked contracts**

	Investments for unit-linked contracts			
	06/30/08		12/31/07	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	5,690	5.0	2,993	2.5
Equity securities	88,765	78.5	100,178	82.1
Debt securities	10,250	9.1	10,112	8.3
Real estate held for investment	7,006	6.2	7,823	6.4
Other loans	2	0.0	2	0.0
Short-term investments	1,333	1.2	985	0.8
<b>Total investments for unit-linked contracts</b>	<b>113,047</b>	<b>100.0</b>	<b>122,092</b>	<b>100.0</b>

Table 4.4

as of

**Held-to-maturity debt securities**

	06/30/08		12/31/07	
	USD millions	% of total	USD millions	% of total
Swiss federal and cantonal governments	1,664	29.2	1,498	26.6
United States government	1,647	28.9	1,598	28.3
Other governments and supranationals	873	15.3	901	16.0
Corporate securities	1,513	26.6	1,645	29.2
<b>Total held-to-maturity debt securities</b>	<b>5,696</b>	<b>100.0</b>	<b>5,642</b>	<b>100.0</b>

Table 4.5

in USD millions, as of

**Net unrealized gains/(losses) on investments included in shareholders' equity**

	Total	
	06/30/08	12/31/07
Equity securities: available-for-sale	(811)	929
Debt securities: available-for-sale	(4,224)	(1,359)
Other	6	49
Less: amount of net unrealized gains/(losses) on investments attributable to:		
Life policyholder dividends and other policyholder liabilities	1,691	459
Life deferred acquisition costs	413	78
Deferred income taxes	572	(66)
Minority interests	1	(8)
<b>Total</b>	<b>(2,352)<sup>1</sup></b>	<b>82</b>

<sup>1</sup> The unrealized gains/(losses) include net losses arising on cash flow hedges of USD 125 million and USD 103 million as of June 30, 2008 and December 31, 2007, respectively.

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## 5. Reserves for insurance contracts and reinsurers' share of reserves for insurance contracts

Table 5.1

in USD millions, as of		06/30/08	12/31/07
<b>Reserves for insurance contracts</b>	<b>Gross</b>		
	Reserves for losses and loss adjustment expenses	69,798	67,890
	Reserves for unearned premiums	18,505	15,941
	Future life policyholders' benefits <sup>1</sup>	76,955	80,147
	Policyholders' contract deposits and other funds	18,290	18,687
	Reserves for unit-linked contracts	65,187	70,075
	<b>Total reserves for insurance contracts, gross</b>	<b>248,735</b>	<b>252,740</b>
	<b>Ceded</b>		
	Reserves for losses and loss adjustment expenses	(12,935)	(13,179)
	Reserves for unearned premiums	(2,401)	(1,720)
	Future life policyholders' benefits <sup>1</sup>	(1,577)	(9,258)
	Policyholders' contract deposits and other funds	(2,873)	(2,976)
	<b>Reinsurers' share of reserves for insurance contracts, gross<sup>2</sup></b>	<b>(19,785)</b>	<b>(27,133)</b>
	<b>Net</b>		
	Reserves for losses and loss adjustment expenses	56,863	54,712
	Reserves for unearned premiums	16,104	14,221
Future life policyholders' benefits	75,377	70,889	
Policyholders' contract deposits and other funds	15,418	15,711	
Reserves for unit-linked contracts	65,187	70,075	
<b>Total reserves for insurance contracts, net</b>	<b>228,949</b>	<b>225,607</b>	

<sup>1</sup> In 2007, ceded future life policyholders' benefits include an amount of USD 7.1 billion related to the reinsurance of a UK annuity portfolio. Subsequent to the approval from the UK High Court, effective on June 30, 2008, the underlying contracts have been transferred to the reinsurer, resulting in a reduction of gross and ceded future life policyholders' benefits.

<sup>2</sup> Gross of allowance for uncollectible amounts of USD 181 million and USD 164 million as of June 30, 2008, and December 31, 2007, respectively.

Table 5.2

in USD millions		Gross		Ceded		Net	
		2008	2007	2008	2007	2008	2007
<b>Development of reserves for losses and loss adjustment expenses</b>	As of January 1	67,890	64,535	(13,179)	(13,722)	54,712	50,814
	Losses and loss adjustment expenses incurred:						
	Current year	13,715	12,607	(1,307)	(1,150)	12,408	11,457
	Prior years	(868)	(242)	281	(223)	(586)	(465)
	<b>Total</b>	<b>12,848</b>	<b>12,365</b>	<b>(1,026)</b>	<b>(1,373)</b>	<b>11,821</b>	<b>10,992</b>
	Losses and loss adjustment expenses paid:						
	Current year	(3,525)	(3,063)	132	113	(3,393)	(2,950)
	Prior years	(8,922)	(8,427)	1,196	1,895	(7,725)	(6,532)
	<b>Total</b>	<b>(12,446)</b>	<b>(11,489)</b>	<b>1,328</b>	<b>2,008</b>	<b>(11,119)</b>	<b>(9,482)</b>
	Acquisitions / (divestments) of companies and businesses	30	7	(15)	(4)	15	3
	Foreign currency translation effects	1,476	993	(42)	(278)	1,434	715
	<b>As of June 30</b>	<b>69,798</b>	<b>66,412</b>	<b>(12,935)</b>	<b>(13,369)</b>	<b>56,863</b>	<b>53,043</b>

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.

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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.

Table 5.3

in USD millions

**Development of future life policyholders' benefits**

	Gross		Ceded		Net	
	2008	2007	2008	2007	2008	2007
As of January 1	80,147	76,448	(9,258)	(1,482)	70,889	74,966
Premiums and claims	(9,354)	(4,120)	7,496	(6,594)	(1,859)	(10,714)
Interest and bonuses credited to policyholders	1,608	1,480	(232)	(51)	1,376	1,429
Change in assumptions	(545)	460	395	(539)	(150)	(79)
Divestments/transfers	–	(3)	–	1	–	(2)
(Decrease)/increase recorded in shareholders' equity	(125)	(496)	5	10	(120)	(486)
Foreign currency translation effects	5,224	1,372	17	(161)	5,241	1,211
<b>As of June 30</b>	<b>76,955</b>	<b>75,141</b>	<b>(1,577)</b>	<b>(8,817)</b>	<b>75,377</b>	<b>66,324</b>

In 2007, ceded future life policyholders' benefits include an amount of USD 7.1 billion related to the reinsurance of a UK annuity portfolio. Subsequent to the approval from the UK High Court, effective on June 30, 2008, the underlying contracts have been transferred to the reinsurer, resulting in a reduction of gross and ceded future life policyholders' benefits.

Table 5.4

in USD millions, as of

**Policyholders' contract deposits and other funds gross**

	06/30/08	12/31/07
Annuities	2,585	2,451
Universal life and other contracts	10,726	10,510
Policyholder dividends	4,979	5,725
<b>Total</b>	<b>18,290</b>	<b>18,687</b>

Table 5.5

in USD millions

**Development of policyholders' contract deposits and other funds**

	Gross		Ceded		Net	
	2008	2007	2008	2007	2008	2007
As of January 1	18,687	18,934	(2,976)	(3,258)	15,711	15,676
Premiums and claims	(451)	(658)	169	220	(282)	(438)
Interest and bonuses credited to policyholders	492	671	(59)	(64)	434	607
Change in assumptions	(2)	(3)	1	–	–	(3)
(Decrease)/increase recorded in shareholders' equity	(1,081)	(709)	4	6	(1,077)	(703)
Foreign currency translation effects	644	241	(12)	(4)	632	237
<b>As of June 30</b>	<b>18,290</b>	<b>18,477</b>	<b>(2,873)</b>	<b>(3,100)</b>	<b>15,418</b>	<b>15,377</b>

Table 5.6

in USD millions

**Development  
of reserves for  
unit-linked  
contracts**

	Gross		Ceded		Net	
	2008	2007	2008	2007	2008	2007
As of January 1	70,075	66,008	–	–	70,075	66,008
Premiums and claims	(1,205)	(736)	–	–	(1,205)	(736)
Interest and bonuses credited/(charged) to policyholders	(4,769)	3,485	–	–	(4,769)	3,485
Change in assumptions	–	(10)	–	–	–	(10)
Foreign currency translation effects	1,086	1,216	–	–	1,086	1,216
<b>As of June 30</b>	<b>65,187</b>	<b>69,963</b>	<b>–</b>	<b>–</b>	<b>65,187</b>	<b>69,963</b>

**Guarantees arising from minimum death benefits (GMDB) and retirement income benefits (GRIB)**

Certain products for which policyholders bear in full the credit and market risks associated with the underlying invested funds selected by them contain guarantees for which liabilities have been recorded for additional benefits and minimum guarantees. These arise primarily in the subsidiary Kemper Investors Life Insurance Company which has written variable annuity contracts that provide annuitants with certain guarantees related to minimum death and income benefits. The determination of these liabilities is based on models that involve a range of scenarios and assumptions, including those regarding expected market rates of return and volatility, contract surrender rates, annuitization elections and mortality experience. The assumptions used are consistent with those used in determining estimated gross profits for the purpose of amortizing deferred policy acquisition costs.

The net amount at risk from minimum death benefits after reinsurance recoveries under these policies at the balance sheet date as of June 30, 2008 would be USD 670 million (USD 353 million as of December 31, 2007). The net amount at risk is the present value of payouts exceeding the current policyholder account balance assuming the payout criteria in all policies are collectively triggered as of the balance sheet date. We do not provide for this amount but follow the accretion guidance in the US Statement of Principle 03-1 "Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts". Under this guidance future fees are taken into account in determining the net loss to be provided. The net amount at risk is not the same as the fair value of these benefits, as it does not fully take into account the option value accruing to the policyholder.

## 6. Liabilities for investment contracts with and without discretionary participation features (DPF)

Table 6.1

in USD millions, as of		06/30/08	12/31/07
<b>Liabilities for investment contracts</b>	Liabilities related to unit-linked investment contracts	44,731	48,187
	Liabilities related to investment contracts (amortized cost)	123	117
	Liabilities related to investment contracts with DPF	6,287	6,182
	<b>Total</b>	<b>51,141</b>	<b>54,485</b>

Unit-linked investment contracts issued by the Group are recorded at a value reflecting the returns on investment funds which include selected equities, debt securities and derivatives. Policyholders bear the full risk of the returns on these investments.

The value of financial liabilities at amortized cost is based on a discounted cash flow valuation technique. The discount rate is determined by the current market assessment of the time value of money and risk specific to the liability.

Table 6.2

in USD millions		2008	2007
<b>Development of liabilities for investment contracts</b>	As of January 1	54,485	50,705
	Premiums and claims	(462)	(1,319)
	Interest and bonuses charged/(credited) to policyholders	(4,117)	2,544
	Increase/(decrease) recorded in shareholders' equity	4	(22)
	Foreign currency translation effects	1,231	1,557
	<b>As of June 30</b>	<b>51,141</b>	<b>53,465</b>

## 7. Equity component relating to contracts with DPF

Certain investment and insurance contracts sold by the Group contain benefit features for which the amount and timing of declaration and payment are at the discretion of the Group. Where that discretion has not been exercised, the total amount of undeclared funds surplus is included in shareholders' equity. Mandated allocations related to unrealized results and earnings are included in policyholder liabilities and, upon declaration, discretionary bonuses are allocated to policyholders. The changes in the table below represent the increase or decrease in unallocated gains and retained earnings after charging discretionary bonuses to policyholder liabilities.

Table 7

in USD millions		2008	2007
<b>Development of the equity component relating to contracts with DPF</b>	As of January 1	1,309	1,414
	Net unrealized (losses)/gains on investments	(344)	(163)
	Current period profit	93	144
	Foreign currency translation effects	136	3
	<b>As of June 30</b>	<b>1,193</b>	<b>1,398</b>



## 8. Gross and ceded insurance revenues and expenses

Table 8.1

in USD millions, for the six months ended June 30

### Insurance benefits and losses

	Gross		Ceded		Net	
	2008	2007	2008	2007	2008	2007
Losses and loss adjustment expenses	12,848	12,365	(1,026)	(1,373)	11,821	10,992
Life insurance death and other benefits	5,620	6,758	(535)	(527)	5,085	6,231
Decrease in future life policyholders' benefits	(8,309)	(2,072)	7,664	(7,232)	(645)	(9,304)
<b>Total insurance benefits and losses<sup>1</sup></b>	<b>10,158</b>	<b>17,052</b>	<b>6,103</b>	<b>(9,131)</b>	<b>16,261</b>	<b>7,920</b>

<sup>1</sup> In 2007, ceded insurance benefits and losses included USD 7.0 billion relating to the reinsurance of a UK annuity portfolio. Subsequent to the approval from the UK High Court, effective on June 30, 2008, the underlying contracts have been transferred to the reinsurer. This transaction had no impact on the income statement in 2008.

Table 8.2

in USD millions, for the six months ended June 30

### Policyholder dividends and participation in profits

	Gross		Ceded		Net	
	2008	2007	2008	2007	2008	2007
Change in policyholders' contract deposits and other funds	293	649	47	–	340	649
Change in reserves for unit-linked products	(5,478)	3,423	–	–	(5,478)	3,423
Change in liabilities for investment contracts – unit-linked	(3,956)	2,889	–	–	(3,956)	2,889
Change in liabilities for investment contracts – other	60	2	–	–	60	2
<b>Total policyholder dividends and participation in profits</b>	<b>(9,081)</b>	<b>6,963</b>	<b>47</b>	<b>–</b>	<b>(9,034)</b>	<b>6,963</b>

Table 8.3

in USD millions, for the six months ended June 30

### Underwriting and policy acquisition costs

	Gross		Ceded		Net	
	2008	2007	2008	2007	2008	2007
<b>Underwriting and policy acquisition costs</b>	<b>4,700</b>	<b>4,016</b>	<b>(617)</b>	<b>(475)</b>	<b>4,083</b>	<b>3,541</b>

Table 8.4

in USD millions, for the six months ended June 30

### Change in reserves for unearned premiums

	Gross		Ceded		Net	
	2008	2007	2008	2007	2008	2007
<b>Change in reserves for unearned premiums</b>	<b>2,176</b>	<b>1,897</b>	<b>(634)</b>	<b>(227)</b>	<b>1,541</b>	<b>1,670</b>

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## 9. Deferred policy acquisition costs and deferred origination costs

Table 9.1

Development of deferred policy acquisition costs	in USD millions							
	General Insurance		Global Life		Other segments <sup>1</sup>		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
As of January 1	3,306	2,959	11,547	10,113	89	124	14,941	13,197
Acquisition costs deferred and transfers	1,536	1,465	860	636	15	18	2,412	2,119
Amortization	(1,378)	(1,264)	(459)	(301)	(21)	(32)	(1,858)	(1,597)
Amortization charged/(credited) to shareholders' equity	–	–	310	157	(4)	(4)	306	153
Foreign currency translation effects	112	36	425	227	(1)	3	536	266
<b>As of June 30</b>	<b>3,575</b>	<b>3,196</b>	<b>12,684</b>	<b>10,833</b>	<b>77</b>	<b>110</b>	<b>16,337</b>	<b>14,138</b>

<sup>1</sup> Net of eliminations from intersegment transactions.

Table 9.2

Development of deferred origination costs	in USD millions	
	2008	2007
As of January 1	1,003	815
Origination costs deferred	66	155
Amortization	(63)	(54)
Foreign currency translation effects	12	22
<b>As of June 30</b>	<b>1,018</b>	<b>938</b>

## 10. Goodwill and other intangible assets

Table 10.1  
in USD millions**Intangible assets –  
current period**

	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets <sup>1</sup>	Attorney-in-fact relationships	Total
Gross carrying value as of January 1, 2008	1,754	2,392	2,784	1,025	7,955
Less: accumulated amortization/impairments	(24)	(1,612)	(1,683)	–	(3,319)
Net carrying value as of January 1, 2008	1,730	780	1,100	1,025	4,636
Additions and transfers	251	–	325	–	576
Divestments and transfers	–	–	(20)	–	(20)
Amortization	–	(26)	(114)	–	(140)
Amortization charged to shareholders' equity	–	26	–	–	26
Impairments	–	(35)	–	–	(35)
Foreign currency translation effects	100	27	48	–	174
<b>Net carrying value as of June 30, 2008</b>	<b>2,080</b>	<b>772</b>	<b>1,339</b>	<b>1,025</b>	<b>5,217</b>
Plus: accumulated amortization/impairments	24	1,673	1,797	–	3,494
<b>Gross carrying value as of June 30, 2008</b>	<b>2,105</b>	<b>2,445</b>	<b>3,137</b>	<b>1,025</b>	<b>8,712</b>

<sup>1</sup> Other intangible assets include internally generated capitalised software development costs as well as intangible assets at fair value on acquisitions.

Table 10.2  
in USD millions, as of June 30, 2008**Intangible assets  
by segment –  
current period**

	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets <sup>1</sup>	Attorney-in-fact relationships	Total
General Insurance	1,019	–	634	–	1,653
Global Life	675	772	385	–	1,833
Farmers Management Services	382	–	183	1,025	1,590
Other Businesses	–	–	15	–	15
Corporate Functions	5	–	122	–	127
<b>Net carrying value as of June 30, 2008</b>	<b>2,080</b>	<b>772</b>	<b>1,339</b>	<b>1,025</b>	<b>5,217</b>

<sup>1</sup> Other intangible assets include internally generated capitalised software development costs as well as intangible assets at fair value on acquisitions.

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Table 10.3

in USD millions

**Intangible assets –  
prior period**

	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets <sup>1</sup>	Attorney-in-fact relationships	Total
Gross carrying value as of January 1, 2007	672	2,329	2,041	1,025	6,066
Less: accumulated amortization/impairments	(12)	(1,554)	(1,415)	–	(2,981)
Net carrying value as of January 1, 2007	660	775	626	1,025	3,085
Additions and transfers	225	–	300	–	525
Divestments and transfers	(12)	–	–	–	(12)
Amortization	–	(26)	(88)	–	(113)
Amortization charged to shareholders' equity	–	21	–	–	21
Foreign currency translation effects	16	15	10	–	41
<b>Net carrying value as of June 30, 2007</b>	<b>890</b>	<b>785</b>	<b>848</b>	<b>1,025</b>	<b>3,548</b>
Plus: accumulated amortization/impairments	12	1,590	1,497	–	3,099
<b>Gross carrying value as of June 30, 2007</b>	<b>902</b>	<b>2,375</b>	<b>2,345</b>	<b>1,025</b>	<b>6,647</b>

<sup>1</sup> Other intangible assets include internally generated capitalised software development costs as well as intangible assets at fair value on acquisitions.

Table 10.4

in USD millions, as of December 31, 2007

**Intangible assets  
by segment –  
prior period**

	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets <sup>1</sup>	Attorney-in-fact relationships	Total
General Insurance	706	–	538	–	1,244
Global Life	635	780	284	–	1,698
Farmers Management Services	385	–	171	1,025	1,582
Other Businesses	–	–	13	–	13
Corporate Functions	5	–	94	–	99
<b>Net carrying value as of December 31, 2007</b>	<b>1,730</b>	<b>780</b>	<b>1,100</b>	<b>1,025</b>	<b>4,636</b>

<sup>1</sup> Other intangible assets include internally generated capitalised software development costs as well as intangible assets at fair value on acquisitions.

## 11. Income taxes

Table 11.1

in USD millions, for the six months ended June 30		2008	2007
<b>Income tax expense – current/deferred split</b>	Current	343	544
	Deferred	(124)	540
	<b>Total income tax expense</b>	<b>219</b>	<b>1,084</b>

Table 11.2

in USD millions, for the six months ended June 30		2008	2007
<b>Income tax expense – policyholder/shareholder attribution</b>	Total income tax expense attributable to policyholders	(604)	130
	Total income tax expense attributable to shareholders	823	954
	<b>Total income tax expense</b>	<b>219</b>	<b>1,084</b>

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 gross written premiums and policy fees revenue.

Table 11.3

in USD millions, for the six months ended June 30		Rate	2008	Rate	2007
<b>Expected and actual income tax expense</b>	Net income before income taxes		2,968		3,787
	Less: income tax (expense)/benefit attributable to policyholders		604		(130)
	Net income before income taxes attributable to shareholders		3,572		3,657
	Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	22.0%	786	22.0%	805
	Increase/(reduction) in taxes resulting from:				
	<i>Tax rate differential in foreign jurisdictions</i>		26		165
	<i>Tax exempt and lower taxed income</i>		(63)		(101)
	<i>Non-deductible expenses</i>		43		41
	<i>Tax losses previously unrecognized or no longer recognized</i>		(59)		1
	<i>Prior year adjustments and other</i>		90		43
	Actual income tax expense attributable to shareholders	23.0%	823	26.1%	954
	Plus: income tax expense/(benefit) attributable to policyholders		(604)		130
	<b>Actual income tax expense</b>	<b>7.4%</b>	<b>219</b>	<b>28.6%</b>	<b>1,084</b>

The table above sets out the factors that cause the actual income tax expense to differ from the expected amount computed by applying the Swiss statutory rate of 22.0 percent, which is the rate applicable to the ultimate parent company.

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Table 11.4

in USD millions, as of		06/30/08	12/31/07
<b>Current tax receivables and payables</b>	Current tax receivables	1,008	743
	Current tax payables	(1,366)	(1,643)
	<b>Net current tax payables</b>	<b>(358)</b>	<b>(900)</b>

Table 11.5

in USD millions, as of		06/30/08	12/31/07
<b>Deferred tax assets and liabilities</b>	Deferred tax assets	1,755	1,682
	Deferred tax liabilities	(3,466)	(4,057)
	<b>Net deferred tax liabilities</b>	<b>(1,711)</b>	<b>(2,375)</b>

Table 11.6

in USD millions, as of		06/30/08	12/31/07
<b>Deferred taxes – policyholder/ shareholder attribution</b>	Net deferred tax liabilities attributable to policyholders	111	(566)
	Net deferred tax liabilities attributable to shareholders	(1,822)	(1,809)
	<b>Net deferred tax liabilities</b>	<b>(1,711)</b>	<b>(2,375)</b>

Table 11.7

in USD millions, as of		06/30/08		12/31/07	
		Assets	Liabilities	Assets	Liabilities
<b>Deferred tax assets/(liabilities) analysis by source</b>	Gross deferred tax assets/(liabilities) before valuation allowance	6,377	(7,742)	5,584	(7,472)
	Valuation allowance	(346)		(486)	
	Gross deferred tax assets/(liabilities) after valuation allowance	6,031	(7,742)	5,098	(7,472)
	Effect of offsetting on taxpayer basis	(4,276)	4,276	(3,416)	3,415
	Deferred tax assets/(liabilities)	1,755	(3,466)	1,682	(4,057)
	<b>Net deferred tax liabilities</b>		<b>(1,711)</b>		<b>(2,375)</b>

As of June 30, 2008 the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognized approximated to USD 18 billion. In the remote scenario in which these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

**Tax losses  
carryforwards  
and tax credits**

Table 11.8

in USD millions, as of

	06/30/08	12/31/07
<b>For which deferred tax assets have been recognized</b>		
Expiring up to 5 years	18	17
Expiring after 5 and up to 20 years	519	765
Expiring after 20 years or with no time limitation	540	110
<b>Subtotal</b>	<b>1,077</b>	<b>892</b>
<b>For which deferred tax assets have not been recognized</b>		
Expiring after 5 and up to 20 years	971	1,226
<b>Subtotal</b>	<b>971</b>	<b>1,226</b>
<b>Total</b>	<b>2,048</b>	<b>2,118</b>

The tax rates applicable to tax losses for which a deferred tax asset has not been recognized are 35 percent for both the period ended June 30, 2008 and December 31, 2007.

The Group's deferred tax assets and liabilities are recorded in the tax paying entities throughout the world, which may include several legal entities within each tax jurisdiction. Legal entities are grouped as a single taxpayer only when permitted by local legislation and when deemed appropriate.

The recoverability of the deferred tax asset for each taxpayer is based on its ability to utilize the deferred tax asset over a reasonable period of time. This analysis considers the projected taxable income to be generated by the taxpayer, as well as its ability to offset deferred tax assets with deferred tax liabilities.

Management assesses the recoverability of the deferred tax assets carrying values based on future years taxable income projections and believe that the carrying values of the deferred tax assets as of June 30, 2008, are recoverable.

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## 12. Debt

Table 12.1

in USD millions, as of		06/30/08	12/31/07	
<b>Debt</b>	<b>a) Debt related to capital markets and banking activities</b>			
	Zurich Capital Markets	Various debt instruments payable within 1 year	609	800
		Various debt instruments payable in more than 1 year	–	48
	Zurich Financial Services			
	EUB Holdings Limited	Various debt instruments payable within 1 year	1,374	814
		Various debt instruments payable in more than 1 year	1	1
	<b>Debt related to capital markets and banking activities</b>		<b>1,984</b>	<b>1,663</b>
	<b>b) Senior debt</b>			
	Zurich Finance (USA), Inc.	3.50% CHF 300 bond, due July 2008 <sup>1</sup>	294	264
		4.50% EUR 1,000 bond, due September 2014 <sup>2</sup>	1,547	1,441
	Kemper Corporation	Various debt instruments, due in 2009	26	26
	Zurich Insurance Company	3.875% CHF 1,000 bond, due July 2011	981	884
		Various debt instruments payable within 1 year	50	50
	Other	Various debt instruments payable within 1 year	53	54
		Various debt instruments payable in more than 1 year	110	111
	<b>Senior debt</b>		<b>3,061</b>	<b>2,830</b>
	<b>c) Subordinated debt</b>			
	Zurich Finance (UK) plc	6.625% GBP 450 bond, undated notes <sup>3</sup>	882	879
	Zurich Finance (USA), Inc.	5.75% EUR 500 bond, due October 2023	777	720
		4.5% EUR 500 bond, due June 2025 <sup>4</sup>	708	670
	ZFS Finance (USA) Trust I	Series I 6.15% USD 600 ECAPS, due December 2065	596	595
	ZFS Finance (USA) Trust II	Series II 6.45% USD 700 ECAPS, due December 2065	691	690
	ZFS Finance (USA) Trust III	Series III Floating Rate USD 400 ECAPS, due December 2065	317	397
ZFS Finance (USA) Trust IV	Series IV 5.875% USD 500 Trust Preferred Securities, due May 2062	497	497	
ZFS Finance (USA) Trust V	Series V 6.5% USD 1,000 Trust Preferred Securities, due May 2067	994	994	
Other	Various debt instruments payable in more than 1 year	28	29	
<b>Subordinated debt</b>		<b>5,490</b>	<b>5,471</b>	
<b>Total senior and subordinated debt</b>		<b>8,550</b>	<b>8,300</b>	
<b>Total debt</b>		<b>10,534</b>	<b>9,963</b>	

<sup>1</sup> The bond is economically hedged, but hedge accounting treatment has not been applied. The bond matured on July 22, 2008.

<sup>2</sup> The bond is part of a qualifying cash flow hedge (80% of the total) and fair value hedge (20% of the total)

<sup>3</sup> The holders of these notes benefit from the Replacement Capital Covenant which states that if Series IV and V Fixed/Floating Trust Preferred Securities, issued by ZFS Finance (USA) Trusts IV and V, are called before 2042 and 2047 respectively, the Group will issue a replacement debt instrument with terms and provisions that are as or more equity-like than the replaced notes.

<sup>4</sup> This bond is part of a qualifying fair value hedge relationship.

None of the debt instruments listed above were in default as of June 30, 2008 and December 31, 2007.



**a) Debt related to capital markets and banking activities**

Debt related to capital markets and banking activities increased from USD 1,663 million as of December 31, 2007 to USD 1,984 million as of June 30, 2008, which is attributable to increased activity of our banking business.

**b) Senior debt**

The Group's Euro Medium Term Note Programme (EMTN Programme) allows for the issuance of senior and subordinated notes up to a maximum of USD 10 billion. Zurich Finance (USA), Inc. is an issuing entity under the EMTN Programme, which has USD 1,841 million and USD 1,705 million of senior debt outstanding as of June 30, 2008 and December 31, 2007, respectively.

No new senior debt issuances took place in the first six months of 2008.

**c) Subordinated debt**

Subordinated debt securities are obligations of the Group which, in case of liquidation, rank junior to all present and future senior indebtedness and certain other obligations of the Group.

On March 27, 2008, Zurich Holding Company of America (ZHCA), a subsidiary of the Group, re-purchased USD 81 million of Series III Floating Rate USD 400 million ECAPS, due in December 2065. This purchase resulted in the Group recognizing a pre-tax gain of USD 18 million.

The outstanding subordinated debts, issued by Zurich Finance (USA) Inc. and Zurich Finance (UK) plc under the EMTN Programme, amount to USD 2,367 million and USD 2,269 million as of June 30, 2008, and December 31, 2007, respectively.

**d) Hedged debt**

The Group uses cross-currency interest rate swaps and currency swaps to manage the risks inherent in certain debt issues. Where the relationship qualifies for hedge accounting (see notes to table 12.1), such hedge accounting is applied.

The objective of the fair value hedges on debt issued is to protect against changes in the foreign currency exposure and interest rate exposure of Euro denominated debt issuances, while the objective of the cash flow hedge on debt is to hedge changes in US Dollar cash flows of the Euro denominated debt resulting from changes in the Euro/US Dollar exchange rate.

A fair value hedge relationship on EUR 500 million 4.5 percent subordinated bond due June 2025 was entered into at the issuance of the debt instrument in 2005 and will end on June 15, 2015.

A fair value hedge relationship on 20 percent of the EUR 1 billion 4.5 percent senior debt due 2014 and a cash flow hedge relationship on the remaining 80 percent of this debt were entered into on January 1, 2007 and will end at maturity of the underlying debt instrument in 2014.

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Table 12.2

in USD millions

**Description and features of significant subordinated debt**

Description	Coupon conditions	Call/ redemption date	Redemption conditions <sup>3</sup>
6.625% GBP 450 bond, undated notes	6.625% payable annually up to October 2, 2022 and then reset every 5 years to the reset rate of interest. <sup>1</sup>	Every five years on or after October 2, 2022	Redeemable in whole every five years at par plus any accrued interest.
5.75% EUR 500 bond, due October 2023	5.75% payable annually up to October 2, 2013 and then reset quarterly to 3-month EURIBOR plus 2.67%.	Quarterly on or after October 2, 2013	Redeemable in whole quarterly at par plus any accrued interest.
4.5% EUR 500 bond, due June 2025	4.5% payable annually up to June 15, 2015 and then reset quarterly to 3-month EURIBOR plus 2.20%.	Quarterly on or after June 15, 2015	Redeemable in whole quarterly at par plus any accrued interest.
Series I 6.15% Fixed/Adjustable Rate USD 600 ECAPS, due December 2065	6.15% payable semi-annually until December 15, 2010 and then reset quarterly to the adjustable rate plus 1.75%. <sup>2</sup>	Quarterly on or after December 15, 2010	Redeemable in whole or in part at par plus any accumulated and unpaid distributions.
Series II 6.45% Fixed/Adjustable Rate USD 700 ECAPS, due December 2065	6.45% payable semi-annually until June 15, 2016 and then reset quarterly to the adjustable rate plus 2.00%. <sup>2</sup>	Quarterly on or after June 15, 2016	Redeemable in whole or in part at par plus any accumulated and unpaid distributions.
Series III Floating Rate USD 400 ECAPS, due December 2065	3-month LIBOR plus 1.15% reset quarterly until December 15, 2010 and then 3-month LIBOR plus 2.15%.	Quarterly on or after December 15, 2010	Redeemable in whole or in part at par plus any accumulated and unpaid distributions.
Series IV 5.875% USD 500 Fixed/Floating Trust Preferred Securities, due May 2062	5.875% payable semi-annually until May 9, 2012 and then reset quarterly to 3-month LIBOR plus 1.815%.	Quarterly on or after May 9, 2012	Redeemable in whole or in part at par plus any accumulated and unpaid distributions.
Series V 6.5% USD 1,000 Fixed/Floating Trust Preferred Securities, due May 2067	6.5% payable semi-annually until May 9, 2017 and then reset quarterly to 3-month LIBOR plus 2.285%.	Quarterly on or after May 9, 2017	Redeemable in whole or in part at par plus any accumulated and unpaid distributions.

<sup>1</sup> Reset rate of interest is equal to the gross redemption yield on the benchmark five-year Gilt as determined by the Calculation bank, plus 2.85% per annum.

<sup>2</sup> Adjustable rate is equal to the greatest of (i) the 3-month LIBOR rate; (ii) the 10-year Treasury CMT (Constant Maturity Treasury) Rate; and (iii) the 30-year Treasury CMT Rate, subject to a maximum under (ii) and (iii) of 13.25% Series I and 13% for Series II.

<sup>3</sup> All subordinated debt instruments are also subject to mandatory redemption as a result of various tax, default or other events.

Maturity schedule of outstanding debt	in USD millions, as of	
	06/30/08	12/31/07
< 1 year	2,379	1,983
1 to 2 years	27	76
2 to 3 years	10	10
3 to 4 years	982	884
4 to 5 years	–	1
> 5 years	7,136	7,010
<b>Total</b>	<b>10,534</b>	<b>9,963</b>

Debt maturities shown in table 12.3 reflect original contractual dates. Call/redemption dates, are set out in table 12.2. The total notional amount of debt due in each period is not materially different from the total carrying amount disclosed in table 12.3.

Interest expense on debt	in USD millions, for the six months ended June 30	
	2008	2007
Debt related to capital markets and banking activities	61	49
Senior debt	71	68
Subordinated debt	170	227
<b>Total</b>	<b>302</b>	<b>345</b>

### Credit facilities

The Group has access to a syndicated revolving credit facility of USD 3 billion that terminates in 2012. Zurich Group Holding, together with Zurich Insurance Company and Farmers Group, Inc. are guarantors of the facility and can draw up to USD 1.25 billion, USD 1.5 billion and USD 250 million, respectively. No borrowings were outstanding under this facility as of June 30, 2008.

Dunbar Bank and Zurich Bank have access to various committed credit facilities totaling GBP 405 million and GBP 230 million, respectively. As of June 30, 2008 no borrowings were outstanding under these facilities.

In addition, ZIC has access to a USD 300 million credit facility expiring in 2010 for the sole purpose of financing surplus notes issued by the Leschi Life Assurance Company (Leschi), a special purpose reinsurer owned by Farmers New World Life (FNWL) and to which FNWL cedes business subject to Regulation XXX (Triple X). As of June 30, 2008, USD 50 million had been drawn under this credit facility.

### Financial debt

Financial debt consists of all debt items that are included in the financial leverage calculations of rating agencies. As of June 30, 2008 and December 31, 2007 financial debt consisted of the following components:

Financial debt	in USD millions, as of			
	06/30/08 Reported	06/30/08 Adjustments	06/30/08 Financial Debt	12/31/07 Financial Debt
Debt related to capital markets and banking activities	1,984	(1,375)	609	848
Senior debt	3,061	(150)	2,911	2,680
Subordinated debt	5,490	–	5,490	5,471
<b>Total</b>	<b>10,534</b>	<b>(1,525)</b>	<b>9,010</b>	<b>8,999</b>

The USD 1,375 million adjustment relates to Zurich Financial Services EUB Holdings Limited notes and loans payable, while USD 150 million adjustment contains USD 100 million of non-recourse debt and the USD 50 million drawn under the Leschi credit facility.

### 13. Litigation and regulatory investigations

The Group and its subsidiaries are continuously involved in legal proceedings, claims and litigation arising, for the most part, in the ordinary course of their business operations.

In 2006, the Group settled with various US state attorneys general and state insurance regulators in connection with investigations in the US concerning certain business practices involving insurance brokers and insurance companies. In July 2006, the Group also entered into a settlement agreement to resolve consolidated class-action litigation concerning those matters. Final judgment has been entered approving the settlement, but appeals are pending. A number of individual claims not covered by the class action settlement remain pending against the Group. In addition, the Group and its subsidiaries are involved in regulatory investigations in the US, including by the Securities and Exchange Commission (SEC), regarding certain reinsurance transactions engaged in by the Group and its subsidiaries. The SEC is investigating Converium's February 28, 2006 restatement of its financial results for the years 1998 through 2004. In that context, the Staff of the SEC has made inquiries of Zurich Financial Services and certain of its subsidiaries related to reinsurance contracts entered into before 2001. The SEC Staff is currently formulating its recommendation for action to the SEC Commissioners. The Group expects that the Staff will recommend that the SEC commence an enforcement action against the Group if the Group and the SEC are not able to reach a settlement. The Group has advised the Commission of its desire to settle this matter. The Group cannot predict what action the SEC will take in response to the Staff's recommendation, whether the Group will be able to settle the matter with the SEC, or whether the SEC will institute an enforcement action against the Group. The Group continues to cooperate with all remaining regulatory investigations.

Furthermore, Zurich Financial Services is a defendant in putative class-action securities lawsuits relating to its divestiture of its interest in Converium (now Scor Holding (Switzerland) AG). In August 2007, Zurich Financial Services and the class-action plaintiffs entered into an agreement to settle all claims against the company for USD 30 million. On July 25, 2008, Zurich Financial Services and the class-action plaintiffs entered into an amended stipulation of settlement that reduces the settlement amount to USD 28 million and separates the settlement into two parts: one in the U.S. court, and another in the Amsterdam Court of Appeals, in the Netherlands. The proposed U.S. and Dutch settlements are both subject to court approval and are independent of each other.

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 would have a material adverse effect on the Group's consolidated financial condition. However, it is possible that the outcome of any proceedings could have a material impact on results of operations in the particular reporting period in which it is resolved.

## 14. Earnings per Share

Table 14  
for the six months ended June 30

### Earnings per share

	Net income attributable to common shareholders (in USD millions)	Weighted average number of shares	Per share (USD)	Per share (CHF) <sup>1</sup>
<b>2008</b>				
<b>Basic earnings per share</b>	<b>2,662</b>	<b>139,019,260</b>	<b>19.15</b>	<b>20.11</b>
Effect of potentially dilutive shares related to share-based compensation plans		1,167,162	(0.16)	(0.17)
<b>Diluted earnings per share</b>	<b>2,662</b>	<b>140,186,422</b>	<b>18.99</b>	<b>19.94</b>
<b>2007</b>				
<b>Basic earnings per share</b>	<b>2,654</b>	<b>143,700,966</b>	<b>18.47</b>	<b>22.68</b>
Effect of potentially dilutive shares related to share-based compensation plans		1,250,046	(0.16)	(0.20)
<b>Diluted earnings per share</b>	<b>2,654</b>	<b>144,951,012</b>	<b>18.31</b>	<b>22.48</b>

<sup>1</sup> The translation from USD to CHF is shown for information purposes only and has been calculated at the Group's average exchange rates for the six months ended June 30, 2008 and 2007, respectively.

## 15. Related party transactions

Except as disclosed below, no material related party transactions have been entered into during the period. For information on related party transactions and Farmers Exchanges, refer to the Group's Annual Report 2007.

The rights to access renewals of the Group's North America Commercial Small Business Solutions (SBS) book of business has been sold to Truck Insurance Exchange, one of the Farmers Exchanges, which the Group manages but does not own. As part of the transaction effective as of June 1, 2008, the Group entered into a 100% quota share reinsurance agreement for the North America Commercial Small Business Solutions book of business (including policies with inception dates on or after June 1, 2008).

## Consolidated Financial Statements

## 16. Segment information

Table 16.1  
in USD millions, for the six months ended June 30

**Income statements  
by business  
segment**

	General Insurance		Global Life	
	2008	2007	2008	2007
<b>Revenues</b>				
Direct written premiums and policy fees	19,705	18,351	4,708	4,841
Assumed written premiums	888	675	50	52
Gross written premiums and policy fees	20,593	19,026	4,758	4,893
Less premiums ceded to reinsurers <sup>1</sup>	(3,140)	(2,865)	(363)	(7,557)
Net written premiums and policy fees	17,453	16,161	4,395	(2,664)
Net change in reserves for unearned premiums	(1,565)	(1,677)	(5)	(7)
Net earned premiums and policy fees	15,889	14,484	4,390	(2,671)
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	1,794	1,846	1,764	2,384
Net investment income on Group investments	1,910	1,773	2,209	2,157
Net capital gains/(losses) and impairments on Group investments	(116)	73	(445)	227
Net investment result on unit-linked investments	–	–	(8,493)	5,780
Net gain/(loss) on divestments of businesses	–	1	5	2
Other income	382	326	614	516
<b>Total revenues</b>	<b>18,065</b>	<b>16,657</b>	<b>(1,721)</b>	<b>6,011</b>
Intersegment transactions	(733)	(530)	(81)	(205)
<b>Benefits, losses and expenses</b>				
Losses and loss adjustment expenses, net of reinsurance	11,171	10,443	21	44
Life insurance death and other benefits, net of reinsurance	34	22	4,793	6,017
(Decrease)/increase in future life policyholders' benefits, net of reinsurance	1	–	(665)	(9,182)
Insurance benefits and losses, net of reinsurance <sup>1</sup>	11,206	10,465	4,148	(3,121)
Policyholder dividends and participation in profits, net of reinsurance	12	4	(8,200)	6,415
Underwriting and policy acquisition costs, net of reinsurance	2,881	2,559	962	702
Administrative and other operating expense	1,618	1,409	914	817
Amortization and impairments of intangible assets	58	35	92	51
Interest expense on debt	119	149	9	10
Interest credited to policyholders and other interest	121	130	267	277
<b>Total benefits, losses and expenses</b>	<b>16,014</b>	<b>14,752</b>	<b>(1,808)</b>	<b>5,150</b>
<b>Net income/(loss) before income taxes</b>	<b>2,051</b>	<b>1,905</b>	<b>87</b>	<b>861</b>
Income tax benefit/(expense) attributable to policyholders				
Income tax expense attributable to shareholders				
Net income attributable to minority interests				
<b>Net income/(loss) attributable to shareholders</b>				
<b>Supplementary segment information</b>				
Additions and capital improvements of property/equipment and intangible assets	548	347	138	223
Significant non-cash expenses:				
Depreciation and impairments of property and equipment	36	36	19	21
Amortization and impairments of intangible assets	58	35	92	51

<sup>1</sup> In 2007, for the Global Life segment, premiums ceded to reinsurers included USD 7.3 billion and ceded insurance benefits and losses included USD 7.0 billion relating to the reinsurance of a UK annuity portfolio. Subsequent to the approval from the UK High Court, effective on June 30, 2008, the underlying contracts have been transferred to the reinsurer. This transaction had no impact on the income statement in 2008.

Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
-	-	176	209	(6)	-	(6)	12	24,577	23,414
-	-	902	1,001	93	81	(134)	(150)	1,799	1,659
-	-	1,078	1,210	87	81	(140)	(138)	26,376	25,072
-	-	1	(25)	(30)	(76)	140	138	(3,392)	(10,384)
-	-	1,079	1,185	57	6	-	-	22,984	14,688
-	-	27	11	2	3	-	-	(1,541)	(1,670)
-	-	1,106	1,195	58	9	-	-	21,443	13,017
1,196	1,093	-	-	-	-	-	-	1,196	1,093
56	65	420	571	461	515	(519)	(597)	3,975	4,785
49	91	466	504	287	354	(519)	(597)	4,402	4,282
7	(26)	(46)	68	174	161	-	-	(426)	503
-	-	(911)	473	-	-	-	-	(9,404)	6,253
-	-	(1)	-	-	(1)	-	-	4	2
-	44	58	103	502	424	(610)	(504)	945	909
1,252	1,202	672	2,343	1,021	947	(1,129)	(1,101)	18,160	26,060
(39)	(22)	2	(75)	(279)	(269)	1,129	1,101	-	-
-	-	631	512	-	(3)	(1)	(4)	11,821	10,992
-	-	199	178	58	9	1	6	5,085	6,231
-	-	45	(51)	(26)	(68)	-	(2)	(645)	(9,304)
-	-	875	639	32	(62)	-	-	16,261	7,920
-	-	(846)	544	-	-	-	-	(9,034)	6,963
-	-	240	291	-	(11)	-	-	4,083	3,541
597	528	(2)	139	423	510	(596)	(487)	2,953	2,917
27	24	1	-	8	4	-	-	186	115
5	5	109	108	586	676	(525)	(602)	302	345
-	-	55	72	5	4	(8)	(11)	440	472
628	557	433	1,793	1,054	1,121	(1,129)	(1,101)	15,192	22,272
<b>624</b>	<b>646</b>	<b>239</b>	<b>550</b>	<b>(34)</b>	<b>(174)</b>	<b>-</b>	<b>-</b>	<b>2,968</b>	<b>3,787</b>
								604	(130)
								(823)	(954)
								(69)	(27)
								<b>2,681</b>	<b>2,676</b>
90	74	4	-	33	40	-	-	813	685
32	25	2	1	16	14	-	-	104	97
27	24	1	-	8	4	-	-	186	115

## Consolidated Financial Statements

Table 16.2

in USD millions, as of

**Assets and liabilities  
by business segment**

	General Insurance		Global Life	
	06/30/08	12/31/07	06/30/08	12/31/07
Total Group investments	86,235	84,996	97,582	95,740
Investments for unit-linked contracts	–	–	98,402	106,355
Total investments	86,235	84,996	195,985	202,094
Reinsurers' share of reserves for insurance contracts <sup>1</sup>	13,611	13,149	1,849	9,555
Deposits made under assumed reinsurance contracts	70	68	–	–
Deferred policy acquisition costs	3,575	3,306	12,684	11,547
Deferred origination costs	–	–	1,018	1,003
Goodwill	1,019	706	675	635
Other related intangible assets	–	–	772	780
Other assets	17,089	15,652	9,765	8,155
<b>Total assets after consolidation of investments in subsidiaries</b>	<b>121,600</b>	<b>117,876</b>	<b>222,748</b>	<b>233,769</b>
Liabilities for investment contracts	–	–	51,393	54,736
Reserves for losses and loss adjustment expenses, gross	65,456	63,383	10	6
Reserves for unearned premiums, gross	18,003	15,428	174	157
Future life policyholders' benefits, gross	107	97	74,254	77,422
Policyholders' contract deposits and other funds, gross	1,149	1,024	13,649	14,173
Reserves for unit-linked contracts, gross	–	–	50,540	54,337
Reserves for insurance contracts, gross <sup>1</sup>	84,715	79,932	138,626	146,096
Debt related to capital markets and banking activities	–	–	–	–
Senior debt	2,477	5,673	120	239
Subordinated debt	2,356	2,311	232	72
Other liabilities	16,181	16,291	20,242	20,758
<b>Total liabilities</b>	<b>105,729</b>	<b>104,207</b>	<b>210,613</b>	<b>221,901</b>
<b>Supplementary segment information</b>				
Reserves for losses and loss adjustment expenses, net	54,232	51,935	10	6
Reserves for unearned premiums, net	15,609	13,721	170	154
Future life policyholders' benefits, net	107	97	72,558	68,019
Policyholders' contract deposits and other funds, net	1,130	1,006	13,500	14,026
Reserves for unit-linked contracts, net	–	–	50,540	54,337
Reserves for insurance contracts, net	71,078	66,759	136,777	136,542

<sup>1</sup> In 2007, for the Global Life segment, reinsurers' share of reserves for insurance contracts included USD 7.1 billion related to the reinsurance of a UK annuity portfolio. Subsequent to the approval from the UK High Court, effective on June 30, 2008, the underlying contracts have been transferred to the reinsurer, resulting in a reduction of both the reinsurers' share of reserves for insurance contracts and gross reserves for insurance contracts.



Farmers Management Services		Other Businesses		Corporate Functions		Eliminations		Total	
06/30/08	12/31/07	06/30/08	12/31/07	06/30/08	12/31/07	06/30/08	12/31/07	06/30/08	12/31/07
1,661	2,311	18,496	18,758	14,646	18,560	(23,554)	(26,764)	195,066	193,600
-	-	14,645	15,738	-	-	-	-	113,047	122,092
1,661	2,311	33,140	34,495	14,646	18,560	(23,554)	(26,764)	308,113	315,693
208	207	5,914	6,392	-	107	(1,978)	(2,440)	19,605	26,970
-	-	1,275	1,323	-	2	(35)	(34)	1,310	1,359
-	-	79	89	-	-	(2)	(1)	16,337	14,941
-	-	-	-	-	-	-	-	1,018	1,003
382	385	-	-	5	5	-	-	2,080	1,730
1,025	1,025	-	-	-	-	-	-	1,797	1,805
1,338	1,337	1,387	1,384	1,852	1,793	(2,098)	(2,482)	29,333	25,841
<b>4,615</b>	<b>5,266</b>	<b>41,795</b>	<b>43,684</b>	<b>16,503</b>	<b>20,468</b>	<b>(27,667)</b>	<b>(31,721)</b>	<b>379,593</b>	<b>389,342</b>
-	-	-	-	-	-	(252)	(251)	51,141	54,485
-	-	5,599	6,084	43	114	(1,311)	(1,697)	69,798	67,890
-	-	343	381	4	43	(17)	(68)	18,505	15,941
-	-	2,838	2,871	388	415	(632)	(657)	76,955	80,147
-	-	3,492	3,489	-	-	-	-	18,290	18,687
-	-	14,646	15,738	-	-	-	-	65,187	70,075
-	-	26,918	28,562	436	572	(1,961)	(2,423)	248,735	252,740
-	-	3,419	3,385	-	-	(1,435)	(1,722)	1,984	1,663
-	-	763	622	18,674	18,397	(18,973)	(22,102)	3,061	2,830
180	180	100	99	5,619	5,588	(2,997)	(2,780)	5,490	5,470
1,416	1,480	4,490	5,004	1,735	1,745	(2,049)	(2,443)	42,016	42,836
<b>1,596</b>	<b>1,660</b>	<b>35,690</b>	<b>37,673</b>	<b>26,464</b>	<b>26,302</b>	<b>(27,667)</b>	<b>(31,721)</b>	<b>352,426</b>	<b>360,023</b>
-	-	2,588	2,733	43	43	(10)	(7)	56,863	54,712
-	-	322	339	4	6	-	-	16,104	14,221
(208)	(207)	2,523	2,559	388	415	10	7	75,377	70,889
-	-	769	662	-	-	18	17	15,418	15,711
-	-	14,646	15,738	-	-	-	-	65,187	70,075
(208)	(207)	20,849	22,031	435	465	18	17	228,949	225,607

## Consolidated Financial Statements

Table 16.3

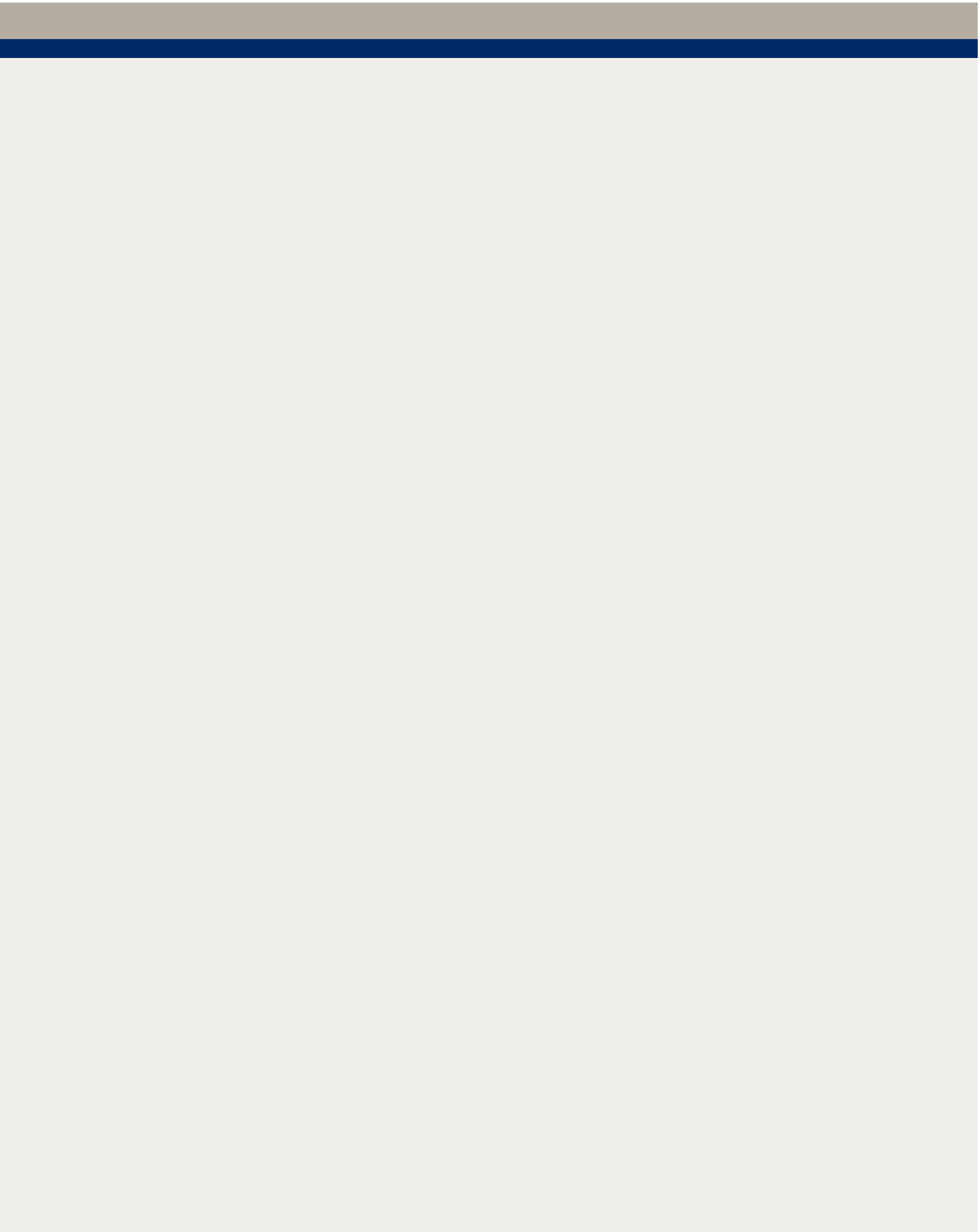
in USD millions

**Gross written premiums and policy fees, total revenues and total assets by geographical segment**

	Gross written premiums and policy fees for the six months ended June 30		Total revenues for the six months ended June 30		Total assets as of	
	2008	2007	2008	2007	06/30/08	12/31/07
North America	8,689	9,030	8,938	9,023	70,224	70,600
Europe	15,967	14,387	7,934	13,704	268,655	275,828
International Businesses	2,172	1,924	1,451	1,927	14,844	14,434
Central Region	577	650	713	2,202	51,184	54,234
Eliminations	(1,029)	(919)	(876)	(796)	(25,313)	(25,754)
<b>Total</b>	<b>26,376</b>	<b>25,072</b>	<b>18,160</b>	<b>26,060</b>	<b>379,593</b>	<b>389,342</b>

## 17. Events after the balance sheet date

On July 3, 2008 the Group's general insurance operations in the UK announced the main features of a restructuring program, expected to be implemented during the second half of 2008. The program is aligned to the Group's strategy of operational transformation and therefore is a key step towards achieving higher efficiency and increased customer orientation. The restructuring will involve an estimated 600 full time equivalents (FTEs) from within the general insurance operations as well as shared services. The financial impact is estimated to be approximately USD 50 million.



# Review Report of the Group Auditors

## Review Report of the Group Auditors

### To the Board of Directors of Zurich Financial Services

We have reviewed the half year financial information (consolidated income statement, consolidated statement of total recognized income and expenses, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes on pages 28 to 68) of Zurich Financial Services for the six month period ended June 30, 2008.

The Board of Directors is responsible for the preparation and presentation of this half year financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this half year financial information based on our 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.

Based on our review, nothing has come to our attention that causes us to believe that the half year consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers AG

P. Shoumlin

R. Kunz

Zurich, August 12, 2008

## Disclaimer & Cautionary Statement

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

This communication is directed only at persons who (i) have professional experience in matters relating to investments or (ii) are persons falling within Article 49 (2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) or to whom it may otherwise lawfully be communicated (all such persons together being referred to as relevant persons). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

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

Persons requiring advice should consult an independent adviser.

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

