

# Consolidated Financial Statements (unaudited)

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## Consolidated income statements (unaudited)

In USD millions, for the three months ended March 31	Notes	2009	2008
<b>Revenues</b>			
Gross written premiums and policy fees		14,242	14,350
Less premiums ceded to reinsurers		(1,456)	(1,431)
Net written premiums and policy fees		12,786	12,919
Net change in reserves for unearned premiums		(1,506)	(1,943)
Net earned premiums and policy fees		11,280	10,976
Farmers management fees and other related revenues		623	589
Net investment result on Group investments	3	816	2,173
Net investment income on Group investments		1,844	2,163
Net capital gains/(losses) and impairments on Group investments		(1,028)	10
Net investment result on unit-linked investments	3	(3,303)	(9,008)
Net gain/(loss) on divestments of businesses	2	(4)	(1)
Other income		374	464
<b>Total revenues</b>		<b>9,786</b>	<b>5,193</b>
<b>Benefits, losses and expenses</b>			
Insurance benefits and losses, gross of reinsurance	6	9,835	9,114
Less ceded insurance benefits and losses	6	(794)	(976)
Insurance benefits and losses, net of reinsurance	6	9,041	8,138
Policyholder dividends and participation in profits, net of reinsurance	6	(3,229)	(8,188)
Underwriting and policy acquisition costs, net of reinsurance		2,019	2,020
Administrative and other operating expense		1,490	1,432
Interest expense on debt	10	134	152
Interest credited to policyholders and other interest		122	220
<b>Total benefits, losses and expenses</b>		<b>9,576</b>	<b>3,775</b>
<b>Net income before income taxes</b>		<b>209</b>	<b>1,418</b>
Income tax expense	9	158	18
attributable to policyholders	9	274	484
attributable to shareholders	9	(116)	(466)
<b>Net income after taxes</b>		<b>367</b>	<b>1,436</b>
attributable to non-controlling interests		6	9
attributable to shareholders		362	1,427
in USD			
Basic earnings per share	11	2.59	10.15
Diluted earnings per share	11	2.57	10.05
in CHF			
Basic earnings per share	11	2.97	10.86
Diluted earnings per share	11	2.95	10.75

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

## Consolidated statements of comprehensive income (unaudited)

in USD millions, for the three months ended March 31

	Net income attributable to shareholders	Net unrealized gains/(losses) on available- for-sale investments
Notes		3
<b>2008</b>		
Comprehensive income for the period	1,427	(764)
Details of movements during the period		
Change (before reclassification, tax and currency translation effects and after allocation to policyholders)		(1,095)
Reclassification to income statement (before tax and currency translation effects and after allocation to policyholders)		109
Deferred income tax (before currency translation effects)		241
Foreign currency translation effects		(19)
<b>2009</b>		
Comprehensive income for the period	362	(689)
Details of movements during the period		
Change (before reclassification, tax and currency translation effects and after allocation to policyholders)		(1,512)
Reclassification to income statement (before tax and currency translation effects and after allocation to policyholders)		588
Deferred income tax (before currency translation effects)		171
Foreign currency translation effects		63

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

	Cash flow hedges	Cumulative translation adjustment	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Comprehensive income attributable to non-controlling interests	Total comprehensive income
	(23)	184	15	(127)	(714)	713	13	725
	80	226	20	(136)	(904)			
	(92)	(42)	–	–	(25)			
	8	–	(5)	33	277			
	(19)	–	–	(24)	(62)			
	7	(229)	–	689	(223)	139	(77)	62
	(40)	(229)	–	871	(910)			
	52	–	–	–	640			
	(9)	–	–	(233)	(70)			
	3	–	–	50	117			

## Consolidated balance sheets (unaudited)

Assets	in USD millions, as of	Notes	03/31/09	12/31/08	12/31/07
	<b>Investments</b>				
	Total Group investments		174,069	179,570	193,600
	Cash and cash equivalents		12,117	13,267	14,111
	Equity securities		13,420	14,303	20,496
	Debt securities		116,701	118,905	125,535
	Real estate held for investment		7,081	7,524	7,563
	Mortgage loans		12,141	12,820	12,718
	Other loans		12,394	12,531	12,941
	Investments in associates		214	220	238
	Investments for unit-linked contracts		72,498	78,203	122,092
	<b>Total investments</b>	3	<b>246,567</b>	<b>257,773</b>	<b>315,693</b>
	Reinsurers' share of reserves for insurance contracts	4	18,531	18,595	26,970
	Deposits made under assumed reinsurance contracts		2,418	2,397	1,359
	Deferred policy acquisition costs	7	14,220	14,323	14,941
	Deferred origination costs	7	744	770	1,003
	Accrued investment income		2,202	2,429	2,593
	Receivables		13,693	13,229	12,846
	Other assets		3,673	4,095	3,405
	Mortgage loans given as collateral		1,164	1,233	2,243
	Deferred tax assets		2,746	2,901	1,682
	Assets held for sale		64	–	–
	Property and equipment		1,770	1,889	1,972
	Goodwill	8	1,689	1,677	1,553
	Other intangible assets	8	6,458	6,633	3,083
	<b>Total assets</b>		<b>315,938</b>	<b>327,944</b>	<b>389,342</b>

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	03/31/09	12/31/08	12/31/07
<b>Liabilities</b>				
Reserve for premium refunds		602	620	625
Liabilities for investment contracts	5	33,072	35,979	54,485
Deposits received under ceded reinsurance contracts		1,574	1,619	1,739
Deferred front-end fees		4,608	4,695	5,791
Reserves for insurance contracts	4	215,727	222,179	252,740
Obligations to repurchase securities		3,519	3,608	5,370
Accrued liabilities		2,751	2,820	2,755
Other liabilities		15,508	16,944	20,257
Collateralized loans		1,164	1,233	2,243
Deferred tax liabilities		2,885	3,485	4,057
Debt related to capital markets and banking activities	10	2,544	2,527	1,663
Senior and subordinated debt	10	8,134	8,455	8,300
<b>Total liabilities</b>		<b>292,088</b>	<b>304,163</b>	<b>360,023</b>
<b>Equity</b>				
Share capital		10	10	10
Additional paid-in capital		10,085	10,131	10,289
Net unrealized gains/(losses) on available-for-sale investments		(3,647)	(2,957)	202
Cash flow hedges		(9)	(16)	(103)
Cumulative translation adjustment		(1,570)	(1,341)	1,385
Revaluation reserve		99	99	83
Retained earnings		16,727	15,616	16,406
<b>Common shareholders' equity</b>		<b>21,696</b>	<b>21,542</b>	<b>28,273</b>
Preferred securities		561	561	671
<b>Shareholders' equity</b>		<b>22,257</b>	<b>22,103</b>	<b>28,945</b>
Non-controlling interests		1,593	1,678	374
<b>Total equity</b>		<b>23,850</b>	<b>23,781</b>	<b>29,318</b>
<b>Total liabilities and equity</b>		<b>315,938</b>	<b>327,944</b>	<b>389,342</b>

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 period ended March 31	2009	2008
<b>Cash flows from operating activities</b>		
Net income attributable to shareholders	362	1,427
Adjustments for:		
Net (gain)/loss on divestments of businesses	4	1
Share of equity in income from investments in associates	5	(2)
Depreciation, amortization and impairments of fixed and intangible assets	197	153
Other non-cash items	(791)	595
Underwriting activities:	(2,001)	(7,080)
<i>Reserves for insurance contracts, gross</i>	203	(3,200)
<i>Reinsurers' share of reserves for insurance contracts</i>	(133)	337
<i>Liabilities for investment contracts</i>	(1,865)	(3,815)
<i>Deferred policy acquisition costs</i>	(205)	(369)
<i>Deferred origination costs</i>	7	2
<i>Deposits made under assumed reinsurance contracts</i>	(27)	96
<i>Deposits received under ceded reinsurance contracts</i>	19	(131)
Investments:	1,307	10,991
<i>Net capital (gain)/loss on investments and impairments</i>	4,704	10,142
<i>Net change in trading securities</i>	69	(30)
<i>Sales and maturities</i>		
<i>Debt securities</i>	45,249	22,698
<i>Equity securities</i>	10,263	20,457
<i>Other</i>	10,413	7,095
<i>Purchases</i>		
<i>Debt securities</i>	(47,976)	(22,031)
<i>Equity securities</i>	(10,558)	(20,491)
<i>Other</i>	(10,858)	(6,850)
Proceeds from sale and repurchase agreements	(13)	(230)
Movements in receivables and payables	1,144	(1,235)
Net changes in debt for capital markets and banking activities	27	(395)
Net changes in other operational assets and liabilities	(670)	(987)
Deferred income tax, net	(142)	(116)
<b>Net cash (used in)/provided by operating activities</b>	<b>(571)</b>	<b>3,122</b>

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



in USD millions, for the three months ended March 31	2009	2008
<b>Cash flows from investing activities</b>		
Sales of property and equipment	10	107
Purchase of property and equipment	(83)	(138)
Investments in associates, net	2	10
Acquisitions of companies, net of cash acquired	–	(363)
Divestments of companies, net of cash balances	(10)	–
<b>Net cash used in investing activities</b>	<b>(81)</b>	<b>(384)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(12)	(18)
Net movement in treasury shares		(295)
Issuance of debt	61	74
Payments on debt outstanding	(154)	(154)
<b>Net cash used in financing activities</b>	<b>(104)</b>	<b>(393)</b>
Foreign currency translation effects on cash and cash equivalents	(517)	690
Change in cash and cash equivalents excluding change in cash held as collateral for securities lending <sup>1</sup>	(1,274)	3,035
Cash and cash equivalents as of January 1, excluding cash held as collateral for securities lending	17,550	15,251
<b>Cash and cash equivalents as of March 31, excluding cash held as collateral for securities lending</b>	<b>16,276</b>	<b>18,286</b>
Change in cash held as collateral for securities lending	(99)	103
Cash and cash equivalents as of January 1, including cash held as collateral for securities lending	17,727	17,128
<b>Cash and cash equivalents as of March 31, including cash held as collateral for securities lending</b>	<b>16,354</b>	<b>20,266</b>
of which:		
– cash and cash equivalents – Group Investments	12,117	15,894
– cash and cash equivalents – unit linked	4,237	4,372
<b>Other supplementary cash flow disclosures</b>		
Other interest income received	2,004	2,430
Dividend income received	332	1,008
Other interest expense paid	(186)	(250)
Income tax paid	(87)	(543)

As of March 31, 2009 and December 2008, cash and cash equivalents restricted as to use were USD 1,383 million and USD 1,666 million, respectively. Cash and cash equivalents held for the benefit of policyholders in connection with unit-linked products amounted to USD 4,237 million and USD 4,372 million as of March 31, 2009 and 2008, respectively.

#### Cash and cash equivalents

in USD millions, as of March 31	2009	2008
<b>Cash and cash equivalents comprise the following:</b>		
Cash at bank and in hand	6,117	5,907
Cash equivalents	10,160	12,380
Cash held as collateral for securities lending	78	1,980
<b>Total</b>	<b>16,354</b>	<b>20,266</b>

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

## Consolidated statements of changes in equity (unaudited)

in USD millions	Share capital	Additional paid-in capital	Net unrealized gains/(losses) on available-for-sale investments
Balance as of December 31, 2007	10	10,289	202
Issuance of share capital	–	1	–
Dividends to shareholders	–	–	–
Share-based payment transactions	–	29	–
Treasury share transactions	–	(59)	–
Total comprehensive income for the period, net of tax	–	–	(764)
<i>Net income</i>	–	–	–
<i>Net unrealized gains/(losses) on available-for-sale investments</i>	–	–	(764)
<i>Cash flow hedges</i>	–	–	–
<i>Cumulative translation adjustment</i>	–	–	–
<i>Revaluation reserve</i>	–	–	–
<i>Net actuarial gains/(losses) on pension plans</i>	–	–	–
Balance as of March 31, 2008	10	10,261	(562)
Balance as of December 31, 2008	10	10,131	(2,957)
Issuance of share capital	–	1	–
Dividends to shareholders	–	–	–
Share-based payment transactions	–	22	–
Treasury share transactions	–	(69)	–
Total comprehensive income for the period, net of tax	–	–	(689)
<i>Net income</i>	–	–	–
<i>Net unrealized gains/(losses) on available-for-sale investments</i>	–	–	(689)
<i>Cash flow hedges</i>	–	–	–
<i>Cumulative translation adjustment</i>	–	–	–
<i>Revaluation reserve</i>	–	–	–
<i>Net actuarial gains/(losses) on pension plans</i>	–	–	–
Net changes in capitalization and non-controlling interests	–	–	–
<b>Balance as of March 31, 2009</b>	<b>10</b>	<b>10,085</b>	<b>(3,647)</b>

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

	Cash flow hedges	Cumulative translation adjustment	Revaluation reserve	Retained earnings	Common shareholders' equity	Preferred securities	Shareholders' equity	Non-controlling interests	Total equity
	(103)	1,385	83	16,406	28,273	671	28,945	374	29,318
	-	-	-	-	1	-	1	-	1
	-	-	-	-	-	(11)	(11)	(7)	(17)
	-	-	-	-	29	-	29	-	29
	-	-	-	(240)	(299)	-	(299)	-	(299)
	(23)	184	15	1,289	702	11	713	13	725
	-	-	-	1,416	1,416	11	1,427		
	-	-	-	-	(764)	-	(764)		
	(23)	-	-	-	(23)	-	(23)		
	-	184	-	-	184	-	184		
	-	-	15	-	15	-	15		
	-	-	-	(127)	(127)	-	(127)		
	(126)	1,569	99	17,455	28,706	671	29,378	380	29,758
	(16)	(1,341)	99	15,616	21,542	561	22,103	1,678	23,781
	-	-	-	-	1	-	1	-	1
	-	-	-	-	-	(7)	(7)	(5)	(12)
	-	-	-	-	22	-	22	-	22
	-	-	-	69	-	-	-	-	-
	7	(229)	-	1,043	132	7	139	(77)	62
	-	-	-	354	354	7	362		
	-	-	-	-	(689)	-	(689)		
	7	-	-	-	7	-	7		
	-	(229)	-	-	(229)	-	(229)		
	-	-	-	-	-	-	-		
	-	-	-	689	689	-	689		
	-	-	-	-	-	-	-	(4)	(4)
	<b>(9)</b>	<b>(1,570)</b>	<b>99</b>	<b>16,727</b>	<b>21,696</b>	<b>561</b>	<b>22,257</b>	<b>1,593</b>	<b>23,850</b>

## 1. Basis of presentation

### General information

The unaudited consolidated financial statements for the three months ended March 31, 2009, of Zurich Financial Services Ltd and its subsidiaries (the Group) have been prepared in accordance with International Accounting Standard 34, "Interim Reporting". The accounting policies used to prepare the unaudited 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 Financial Report 2008 of the Group except as outlined below.

The accounting policies applied by the reportable segments are the same as those applied by the Group. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices, with the exception of dividends, realized capital gains as well as gains and losses on transfer of net assets, which are eliminated against equity.

The unaudited consolidated financial statements should be read in conjunction with the Group's Financial Report 2008.

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

As part of our process to improve the presentation of the Group's consolidated financial statements, we have made certain changes regarding the presentation of "Other investments" in order to better reflect their nature and measurement basis. These changes in presentation have no effect on the previously reported net income or shareholders' equity. Comparative information has been amended.

"Short-term investments", previously reported under "Other investments" and amounting to USD 2,307 million (out of which Group Investments represented USD 2,103 million) and USD 2,929 million (out of which Group Investments represented USD 1,944 million) as of December 31, 2008 and 2007, respectively, are now presented, depending on their nature and measurement basis, under "Cash equivalents", "Debt securities – Available for sale", "Debt securities – Designated at Fair Value" and "Debt securities – Trading". Similarly, Group investments previously presented under "Other" within "Other investments" and amounting to USD 61 million and USD 80 million as of December 31, 2008 and 2007, respectively, are now presented under "Equity securities – Trading". These changes in presentation are reflected in the consolidated balance sheets, consolidated statements of cash flows and notes 3 and 13.

An amount of USD 169 million and USD 177 million as at December 31, 2008 and 2007, respectively, previously presented under "Goodwill" but in substance rather comparable to distribution agreement intangible assets is now reported under "Other intangible assets". This is a change in presentation with no effect on the previously reported net income or shareholders' equity and comparative amounts have been amended accordingly in the consolidated balance sheets and note 8.

All amounts in the unaudited 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.

The table below summarizes the principal exchange rates that have been used for translation purposes. Net gains on foreign currency transactions included in the unaudited consolidated income statements were USD 72 million and USD 76 million for the three months ended March 31, 2009 and 2008, respectively. Foreign currency exchange forward and swap gains and (losses) included in these amounts were USD 250 million and USD (461) million for the three months ended March 31, 2009 and 2008, respectively.

Principal exchange rates	USD per foreign currency unit	Balance sheets		Income statements and cash flows	
		03/31/09	12/31/08	03/31/09	03/31/08
		Euro	1.3266	1.3924	1.3039
Swiss franc	0.8775	0.9371	0.8720	0.9351	
British pound sterling	1.4307	1.4620	1.4349	1.9779	

#### Implementation of new accounting standards

The following new accounting standards or amendments and interpretations to standards relevant to the Group have been implemented for the financial year beginning January 1, 2009 with no material impact on the Group's financial position or performance.

- IFRS 8 "Operating Segments": The segment disclosures reflect the implementation of this standard. Segment information is disclosed in the manner in which the business is managed. As a result, the Group has amended its segment structure and some reporting units have been allocated to a different reportable segment. Additionally, the Group now includes its internal performance measure, Business Operating Profit (BOP), in the segment disclosures. Comparative information has been amended accordingly. Further details on segments are provided in note 13.
- Amendment to IAS 23 "Borrowing Costs"
- Amendment to IAS 32 "Financial Instruments: Presentation" and to IAS 1 "Presentation of Financial Instruments – Puttable Financial Instruments and Obligations Arising on Liquidation"
- Amendment to IFRS 2 "Vesting Conditions and Cancellations"
- IFRIC 13 "Loyalty Programmes"

## 2. Acquisitions and divestments

During the first quarter ended March 31, 2009, the Group completed the provisional purchase price allocation for the acquisition of 87.35 percent of Companhia de Seguros Minas Brasil (CSMB), a general insurer based in Brazil, and of 100 percent of Minas Brasil Seguradora Vida e Previdência S.A. (MBVP), a life insurer based in Brazil, from Banco Mercantil do Brasil S.A. (Banco Mercantil) and two private investors. The Group had completed the transaction on November 28, 2008. As part of this transaction, the Group had entered into an exclusive distribution agreement with Banco Mercantil for both life and general insurance products. Total acquisition costs for CSMB, MBVP and the distribution agreement amounted to USD 123 million and, based on the provisional purchase price allocation, include net tangible assets acquired of USD 11 million and identifiable intangible assets, net of deferred tax, of USD 22 million, mainly relating to the distribution agreement with Banco Mercantil. The residual goodwill of USD 91 million represents expected synergies and growth opportunities from the banc-assurance partnership and the expansion of other sales channels.

During the first quarter ended March 31, 2009, the Group sold all of its shares in Pafoong Insurance Company Ltd based in Hong Kong and in Constellation Reinsurance Company based in New York recording a loss on disposal in aggregate of USD 4 million.

### 3. Investments

Table 3.1a

Investment result  
for total  
investments

in USD millions, for the three months ended March 31

	Net investment income		Net capital gains/ (losses) on investments and impairments		Investment result	
	2009	2008	2009	2008	2009	2008
Cash and cash equivalents	50	173	(4)	17	46	190
Equity securities	354	1,123	(3,607)	(9,878)	(3,253)	(8,754)
Debt securities	1,472	1,597	(719)	(380)	753	1,217
Real estate held for investment	186	233	(328)	(231)	(142)	2
Mortgage loans	137	162	(15)	(5)	122	157
Other loans	162	166	1	(1)	163	165
Investments in associates	(5)	2	–	1	(5)	3
Other investments <sup>1</sup>	28	63	(33)	335	(5)	398
Investment result, gross	2,384	3,520	(4,704)	(10,142)	(2,320)	(6,623)
Investment expenses	(167)	(213)	–	–	(167)	(213)
<b>Investment result, net</b>	<b>2,218</b>	<b>3,307</b>	<b>(4,704)</b>	<b>(10,142)</b>	<b>(2,487)</b>	<b>(6,835)</b>

<sup>1</sup> Including net capital gains/(losses) on derivative financial instruments of USD (20) million and USD 338 million for the three months ended March 31, 2009 and 2008, respectively, of which net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 18 million and USD (6) million for the three months ended March 31, 2009 and 2008, respectively.

Rental operating expenses for real estate held for investment included in investment expenses for total investments amounted to USD 34 million and USD 45 million for the three months ended March 31, 2009 and 2008, respectively.

Table 3.1b

Investment result for  
Group  
investments

in USD millions, for the three months ended March 31

	Net investment income		Net capital gains/ (losses) on investments and impairments		Investment result	
	2009	2008	2009	2008	2009	2008
Cash and cash equivalents	41	141	(1)	–	40	141
Equity securities	74	147	(476)	(189)	(402)	(42)
Debt securities	1,378	1,487	(536)	(190)	843	1,296
Real estate held for investment	112	125	(4)	43	108	168
Mortgage loans	137	162	(15)	(5)	122	157
Other loans	147	164	1	–	148	164
Investments in associates	(5)	2	–	1	(5)	3
Other investments <sup>1</sup>	12	(2)	3	350	15	348
Investment result, gross for Group investments	1,896	2,227	(1,028)	10	869	2,237
Investment expenses for Group investments	(53)	(64)	–	–	(53)	(64)
<b>Investment result, net for Group investments</b>	<b>1,844</b>	<b>2,163</b>	<b>(1,028)</b>	<b>10</b>	<b>816</b>	<b>2,173</b>

<sup>1</sup> Including net capital gains/(losses) on derivative financial instruments of USD 3 million and USD 350 million for the three months ended March 31, 2009 and 2008, respectively, of which net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 18 million and USD (6) million for the three months ended March 31, 2009 and 2008, respectively.

For the three months ended March 31, 2009 and 2008, respectively, impairment charges on Group investments included in net capital losses amounted to USD 500 million and USD 235 million, of which impairment charges on mortgage loans and other investments comprised USD 15 million and USD 5 million.

Table 3.1c

## Investment result for unit-linked contracts

in USD millions, for the three months ended March 31

	Net investment income		Net capital gains/(losses) on investments		Investment result	
	2009	2008	2009	2008	2009	2008
Cash and cash equivalents	9	32	(2)	17	7	49
Equity securities	280	976	(3,131)	(9,689)	(2,851)	(8,713)
Debt securities	94	110	(183)	(190)	(90)	(79)
Real estate held for investment	74	108	(324)	(275)	(250)	(166)
Other loans	15	1	–	(1)	15	–
Other investments <sup>1</sup>	16	66	(36)	(15)	(19)	50
Investment result, gross for unit-linked contracts	488	1,293	(3,677)	(10,152)	(3,189)	(8,859)
Investment expenses for unit-linked contracts	(114)	(149)	–	–	(114)	(149)
<b>Investment result, net unit-linked contracts</b>	<b>374</b>	<b>1,144</b>	<b>(3,677)</b>	<b>(10,152)</b>	<b>(3,303)</b>	<b>(9,008)</b>

<sup>1</sup> Including net capital losses on derivative financial instruments of USD 23 million and USD 12 million for the three months ended March 31, 2009 and 2008, respectively.

Table 3.2

## Net capital gains, losses and impairments on equity and debt securities

in USD millions, for the three months ended March 31

	Equity securities		Debt securities		Total	
	2009	2008	2009	2008	2009	2008
Securities at fair value through profit or loss:	(3,194)	(9,783)	(438)	(273)	(3,632)	(10,056)
<i>of which: trading securities</i>						
Net capital gains/(losses) on Group investments	(30)	(55)	(1)	(2)	(31)	(57)
<i>of which: securities designated at FV</i>						
Net capital gains/(losses) on Group investments	(33)	(40)	(253)	(81)	(286)	(121)
Net capital gains/(losses) for unit-linked contracts	(3,131)	(9,689)	(183)	(190)	(3,315)	(9,878)
Available-for-sale securities:	(413)	(94)	(279)	(61)	(692)	(156)
Realized capital gains on Group investments	13	84	197	144	210	228
Realized capital losses on Group investments	(123)	(93)	(297)	(111)	(421)	(204)
Impairments on Group investments	(303)	(85)	(178)	(95)	(481)	(180)
Held-to-maturity securities	–	–	(4)	(46)	(4)	(46)
<b>Total net capital gains/(losses) and impairments</b>	<b>(3,607)</b>	<b>(9,878)</b>	<b>(719)</b>	<b>(380)</b>	<b>(4,326)</b>	<b>(10,258)</b>



Details of total investments by category	as of	Total investments			
		03/31/09		12/31/08	
		USD millions	% of total	USD millions	% of total
Cash and cash equivalents		16,354	6.6	17,727	6.9
Equity securities:					
Fair value through profit or loss		60,464	24.5	65,150	25.3
<i>of which: trading</i>		1,241	0.5	1,419	0.6
<i>of which: trading equity portfolios in capital markets and banking activities</i>		727	0.3	786	0.3
Available-for-sale		8,647	3.5	9,307	3.6
Total equity securities		69,112	28.0	74,458	28.9
Debt securities:					
Fair value through profit or loss		15,781	6.4	16,801	6.5
<i>of which: trading</i>		91	0.0	186	0.1
Available-for-sale		104,598	42.4	106,370	41.3
Held-to-maturity		5,186	2.1	5,244	2.0
Total debt securities		125,565	50.9	128,415	49.8
Real estate held for investment		10,734	4.4	11,601	4.5
Mortgage loans		12,141	4.9	12,820	5.0
Other loans		12,447	5.0	12,533	4.9
Investments in associates		214	0.1	220	0.1
<b>Total investments</b>		<b>246,567</b>	<b>100.0</b>	<b>257,773</b>	<b>100.0</b>

Details of Group investments by category	as of March 31	Group investments			
		03/31/09		12/31/08	
		USD millions	% of total	USD millions	% of total
Cash and cash equivalents		12,117	7.0	13,267	7.4
Equity securities:					
Fair value through profit or loss		4,773	2.7	4,996	2.8
<i>of which: trading</i>		1,241	0.7	1,419	0.8
<i>of which: trading equity portfolios in capital markets and banking activities</i>		727	0.4	786	0.4
Available-for-sale		8,647	5.0	9,307	5.2
Total equity securities		13,420	7.7	14,303	8.0
Debt securities:					
Fair value through profit or loss		6,917	4.0	7,291	4.1
<i>of which: trading</i>		91	0.1	186	0.1
Available-for-sale		104,598	60.1	106,370	59.2
Held-to-maturity		5,186	3.0	5,244	2.9
Total debt securities		116,701	67.0	118,905	66.2
Real estate held for investment		7,081	4.1	7,524	4.2
Mortgage loans		12,141	7.0	12,820	7.1
Other loans		12,394	7.1	12,531	7.0
Investments in associates		214	0.1	220	0.1
<b>Total Group investments</b>		<b>174,069</b>	<b>100.0</b>	<b>179,570</b>	<b>100.0</b>

Cash and investments with a carrying value of USD 5,102 million and USD 5,235 million were deposited with regulatory authorities as of March 31, 2009 and December 31, 2008, respectively.

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

As of March 31, 2009 and December 31, 2008, investments included USD 2,683 million and USD 2,917 million, respectively, of loaned securities. These loaned securities were mainly debt securities. Cash and cash equivalents included USD 78 million and USD 177 million of cash received as collateral for loaned securities as of March 31, 2009 and December 31, 2008, respectively. Liabilities for cash collateral received for securities lending comprised USD 82 million and USD 182 million as of March 31, 2009 and December 31, 2008, respectively. Non-cash collateral received for loaned securities comprised mainly equity and debt securities and amounted to USD 2,868 million and USD 3,274 million as of March 31, 2009 and December 31, 2008, respectively. The Group can sell or repledge the collateral only in the event of default by a counterparty.

As of March 31, 2009 and December 31, 2008, respectively, debt securities with a carrying value of USD 3,519 million and USD 3,608 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 amounted to USD 3,519 million and USD 3,608 million as of March 31, 2009 and December 31, 2008, 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.

Table 3.3c

Details of investments held for unit-linked contracts	as of	Investments for unit-linked contracts			
		03/31/09		12/31/08	
		USD millions	% of total	USD millions	% of total
Cash and cash equivalents		4,237	5.8	4,460	5.7
Equity securities		55,692	76.8	60,154	76.9
Debt securities		8,863	12.2	9,510	12.2
Real estate held for investment		3,653	5.0	4,077	5.2
Other loans		53	0.1	2	0.0
<b>Total investments for unit-linked contracts</b>		<b>72,498</b>	<b>100.0</b>	<b>78,203</b>	<b>100.0</b>

Investments held under unit-linked investments contracts are classified as designated at fair value through profit or loss.

Table 3.4

Net unrealized gains/(losses) on investments included in shareholders' equity	in USD millions, as of	Total	
		03/31/09	12/31/08
Equity securities: available-for-sale		(1,595)	(1,490)
Debt securities: available-for-sale		(4,014)	(2,791)
Other		(92)	(2)
Less: amount of net unrealized gains/(losses) on investments attributable to:			
Life policyholder dividends and other policyholder liabilities		686	236
Life deferred acquisition costs		373	256
Deferred income taxes		991	837
Non-controlling interests		(5)	(18)
<b>Total</b>		<b>(3,656)<sup>1</sup></b>	<b>(2,973)</b>

<sup>1</sup> Net unrealized gains/(losses) include net losses arising on cash flow hedges of USD (9) million and USD (16) million as of March 31, 2009 and December 31, 2008, respectively.

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

Reserves for insurance contracts	in USD millions, as of		03/31/09	12/31/08
	<b>Gross</b>			
Reserves for losses and loss adjustment expenses			63,993	65,218
Reserves for unearned premiums			17,789	16,399
Future life policyholders' benefits			73,475	76,218
Policyholders' contract deposits and other funds			16,076	17,047
Reserves for unit-linked contracts			44,393	47,297
<b>Total reserves for insurance contracts, gross</b>			<b>215,727</b>	<b>222,179</b>
<b>Ceded</b>				
Reserves for losses and loss adjustment expenses			(12,096)	(12,232)
Reserves for unearned premiums			(2,039)	(1,889)
Future life policyholders' benefits			(1,906)	(1,873)
Policyholders' contract deposits and other funds			(2,578)	(2,690)
Reinsurers' share of reserves for insurance contracts, ceded <sup>1</sup>			(18,620)	(18,684)
<b>Net</b>				
Reserves for losses and loss adjustment expenses			51,897	52,986
Reserves for unearned premiums			15,750	14,510
Future life policyholders' benefits			71,568	74,345
Policyholders' contract deposits and other funds			13,498	14,357
Reserves for unit-linked contracts			44,393	47,297
<b>Total reserves for insurance contracts, net</b>			<b>197,107</b>	<b>203,495</b>

<sup>1</sup> Gross of allowance for uncollectible amounts of USD 89 million as of both March 31, 2009 and December 31, 2008.

Development of reserves for losses and loss adjustment expenses	in USD millions		Gross		Ceded		Net	
	2009	2008	2009	2008	2009	2008		
As of January 1	65,218	67,890	(12,232)	(13,179)	52,986	54,712		
Losses and loss adjustment expenses incurred:								
Current year	6,227	6,746	(435)	(623)	5,792	6,123		
Prior years	135	(366)	(207)	61	(72)	(305)		
<b>Total</b>	<b>6,362</b>	<b>6,380</b>	<b>(642)</b>	<b>(562)</b>	<b>5,720</b>	<b>5,818</b>		
Losses and loss adjustment expenses paid:								
Current year	(1,197)	(1,139)	51	45	(1,145)	(1,094)		
Prior years	(5,312)	(4,926)	594	622	(4,717)	(4,304)		
<b>Total</b>	<b>(6,508)</b>	<b>(6,065)</b>	<b>646</b>	<b>667</b>	<b>(5,863)</b>	<b>(5,398)</b>		
Acquisitions/(divestments) of companies and businesses	87	–	1	–	87	–		
Foreign currency translation effects	(1,165)	1,437	130	84	(1,035)	1,521		
<b>As of March 31</b>	<b>63,993</b>	<b>69,642</b>	<b>(12,096)</b>	<b>(12,990)</b>	<b>51,897</b>	<b>56,652</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.

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 4.2 shows the development of reserves for losses and loss adjustment expenses during the quarter. Of the decrease in total net reserves during the quarter, USD 72 million has arisen due to favorable development emerging from reserves established in prior years. The positive development arose across a number of countries and lines of business primarily from our General Insurance business.

Table 4.3

Development of future life policyholders' benefits	in USD millions					
	Gross		Ceded		Net	
	2009	2008	2009	2008	2009	2008
As of January 1	76,218	80,147	(1,873)	(9,258)	74,345	70,889
Premiums and claims	8	(902)	(17)	62	(9)	(840)
Interest and bonuses credited to policyholders	629	780	(18)	(98)	611	682
Change in assumptions	44	5	5	(77)	50	(72)
(Decrease)/increase recorded in shareholders' equity	(13)	(67)	–	(12)	(13)	(79)
Foreign currency translation effects	(3,412)	5,903	(3)	(34)	(3,415)	5,869
<b>As of March 31</b>	<b>73,475</b>	<b>85,867</b>	<b>(1,906)</b>	<b>(9,418)</b>	<b>71,568</b>	<b>76,449</b>

Table 4.4

Policyholders' contract deposits and other funds gross	in USD millions, as of	
	03/31/09	12/31/08
Annuities	2,431	2,393
Universal life and other contracts	10,294	10,365
Policyholder dividends	3,351	4,289
<b>Total</b>	<b>16,076</b>	<b>17,047</b>

Table 4.5

Development of policyholders' contract deposits and other funds	in USD millions					
	Gross		Ceded		Net	
	2009	2008	2009	2008	2009	2008
As of January 1	17,047	18,687	(2,690)	(2,976)	14,357	15,711
Premiums and claims	(241)	(265)	130	80	(111)	(185)
Interest and bonuses credited to policyholders	2	461	(23)	(27)	(20)	434
Change in assumptions	1	–	–	–	1	–
Acquisitions/transfers	92	–	–	–	92	–
(Decrease)/increase recorded in shareholders' equity	(485)	(297)	–	(5)	(485)	(302)
Foreign currency translation effects	(339)	975	5	(18)	(335)	957
<b>As of March 31</b>	<b>16,076</b>	<b>19,559</b>	<b>(2,578)</b>	<b>(2,945)</b>	<b>13,498</b>	<b>16,614</b>

Development of reserves for unit-linked contracts	in USD millions	Gross		Ceded		Net	
		2009	2008	2009	2008	2009	2008
		As of January 1	47,297	70,075	–	–	47,297
Premiums and claims	(125)	(488)	–	–	(125)	(488)	
Interest and bonuses credited/(charged) to policyholders	(1,755)	(4,297)	–	–	(1,755)	(4,297)	
Foreign currency translation effects	(1,023)	1,038	–	–	(1,023)	1,038	
<b>As of March 31</b>	<b>44,393</b>	<b>66,328</b>	<b>–</b>	<b>–</b>	<b>44,393</b>	<b>66,328</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 policyholders 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. After 2001 the Group no longer issued new policies with such features.

Information on guaranteed liabilities	in USD millions (except average attained age)	03/31/2009	12/31/2008
		Account balance for products with guarantee features as of	
	Gross	1,642	1,966
	Ceded	(166)	(187)
	<b>Net</b>	<b>1,476</b>	<b>1,778</b>
	Amount at risk from minimum death benefits (GMDB) as of		
	Gross	1,804	1,744
	Ceded	(290)	(290)
	<b>Net</b>	<b>1,514</b>	<b>1,453</b>
	<b>Average attained age of policyholders (in years)</b>	<b>64</b>	<b>64</b>

The net amount at risk is the present value of payouts exceeding the current policyholder account balance assuming the payout criteria in all policies would have been collectively triggered as of the balance sheet date. The net amount at risk is not the same as the fair value of these benefits, as it does not fully take the option value accruing to the policyholder into account. In determining the excess benefit reserve, the Group follows the guidance in the US Statement of Principle 03-1 "Accounting and Reporting by Insurance Enterprises for Certain Non-traditional Long-Duration Contracts and for Separate Accounts". Under this guidance a benefit ratio (determined based on expected policyholder excess payouts and expected policyholder assessments to excess payout and assessment experience to date) coupled with a loss adequacy test are applied to determine the new reserve level. The liability for future life policyholder benefits net of reinsurance includes an excess benefit reserve of USD 724.3 million and USD 513.2 million as of March 31, 2009 and December 31, 2008, respectively.

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

Table 5.1

Liabilities for investment contracts	Table 5.1		
	in USD millions, as of	03/31/09	12/31/08
	Liabilities related to unit-linked investment contracts	27,806	30,397
	Liabilities related to investment contracts (amortized cost)	128	122
	Liabilities related to investment contracts with DPF	5,137	5,461
	<b>Total</b>	<b>33,072</b>	<b>35,979</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 5.2

Development of liabilities for investment contracts	Table 5.2		
	in USD millions	2009	2008
	As of January 1	35,979	54,485
	Premiums and claims	(429)	(208)
	Interest and bonuses charged/(credited) to policyholders	(1,440)	(3,605)
	Increase/(decrease) recorded in shareholders' equity	1	5
	Foreign currency translation effects	(1,040)	1,079
	<b>As of March 31</b>	<b>33,072</b>	<b>51,755</b>

## 6. Gross and ceded insurance revenues and expenses

Table 6.1

Insurance benefits and losses	in USD millions, for the three months ended March 31					
	Gross		Ceded		Net	
	2009	2008	2009	2008	2009	2008
Losses and loss adjustment expenses	6,362	6,380	(642)	(562)	5,720	5,818
Life insurance death and other benefits	2,786	2,847	(123)	(268)	2,662	2,580
Change in future life policyholders' benefits	687	(113)	(29)	(146)	658	(260)
<b>Total insurance benefits and losses</b>	<b>9,835</b>	<b>9,114</b>	<b>(794)</b>	<b>(976)</b>	<b>9,041</b>	<b>8,138</b>

Table 6.2

Policyholder dividends and participation in profits	in USD millions, for the three months ended March 31					
	Gross		Ceded		Net	
	2009	2008	2009	2008	2009	2008
Change in policyholders' contract deposits and other funds	(39)	466	–	(5)	(39)	461
Change in reserves for unit-linked products	(1,867)	(5,175)	–	–	(1,867)	(5,175)
Change in liabilities for investment contracts – unit-linked	(1,429)	(3,778)	–	–	(1,429)	(3,778)
Change in liabilities for investment contracts – other	47	7	–	–	47	7
Change in unit-linked liabilities related to UK capital gains tax	58	297	–	–	58	297
<b>Total policyholder dividends and participation in profits</b>	<b>(3,229)</b>	<b>(8,183)</b>	<b>–</b>	<b>(5)</b>	<b>(3,229)</b>	<b>(8,188)</b>

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

Table 7.1

Development of deferred policy acquisition costs	in USD millions							
	General Insurance		Global Life		Other segments <sup>1</sup>		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
As of January 1	3,247	3,306	10,768	11,571	308	65	14,323	14,941
Acquisition costs deferred and transfers	785	864	305	417	41	7	1,131	1,288
Amortization	(656)	(647)	(222)	(256)	(52)	(15)	(931)	(918)
Amortization charged/(credited) to shareholders' equity	–	–	113	118	(1)	(1)	112	117
Foreign currency translation effects	(90)	116	(325)	446	–	2	(415)	565
<b>As of March 31</b>	<b>3,286</b>	<b>3,639</b>	<b>10,639</b>	<b>12,296</b>	<b>295</b>	<b>58</b>	<b>14,220</b>	<b>15,993</b>

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

Table 7.2

Development of deferred origination costs	in USD millions	
	2009	2008
As of January 1	770	1,003
Origination costs deferred	14	33
Amortization	(22)	(33)
Foreign currency translation effects	(18)	10
<b>As of March 31</b>	<b>744</b>	<b>1,013</b>



## 8. Goodwill and other intangible assets

Table 8.1

Intangible assets – current period	in USD millions				
	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets	Attorney-in-fact relationships	Total
Gross carrying value as of January 1, 2009	1,698	2,617	6,235	1,025	11,575
Less: accumulated amortization/impairments	(22)	(1,364)	(1,880)	–	(3,266)
Net carrying value as of January 1, 2009	1,677	1,252	4,355	1,025	8,310
Additions and transfers	91	4	192	–	286
Divestments and transfers	–	–	2	–	2
Amortization	–	(27)	(118)	–	(146)
Amortization charged to shareholders' equity	–	9	–	–	9
Foreign currency translation effects	(78)	(47)	(189)	–	(314)
<b>Net carrying value as of March 31, 2009</b>	<b>1,689</b>	<b>1,191</b>	<b>4,242</b> <sup>1</sup>	<b>1,025</b>	<b>8,147</b>
Plus: accumulated amortization/impairments	18	1,357	1,998	–	3,374
<b>Gross carrying value as of March 31, 2009</b>	<b>1,708</b>	<b>2,548</b>	<b>6,240</b>	<b>1,025</b>	<b>11,522</b>

<sup>1</sup> Other intangible assets include software of USD 1,252 million.

In 2008, the Group acquired 50 percent stakes in several insurance companies in Spain. The Group has management control of these entities which are therefore fully consolidated. As of March 31, 2009, USD 248 million of the present value of profits of acquired insurance contracts and USD 1,308 million of other intangible assets related to non-controlling interests. In comparison, as of January 1, 2009, USD 267 million of the present value of profits of acquired insurance contracts and USD 1,387 million of other intangible assets related to non-controlling interests.

Table 8.2

Intangible assets by segment – current period	in USD millions, as of March 31, 2009				
	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets	Attorney-in-fact relationships	Total
General Insurance	903	–	1,286	–	2,189
Global Life	401	1,191	2,520	–	4,112
Farmers	382	–	240	1,025	1,647
Other Operating Businesses	5	–	195	–	200
<b>Net carrying value as of March 31, 2009</b>	<b>1,689</b>	<b>1,191</b>	<b>4,242</b>	<b>1,025</b>	<b>8,147</b>

Table 8.3

Intangible assets –  
prior period

in USD millions

	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets	Attorney-in-fact relationships	Total
Gross carrying value as of January 1, 2008	1,560	2,392	2,961	1,025	7,939
Less: accumulated amortization/impairments	(8)	(1,612)	(1,683)	–	(3,303)
Net carrying value as of January 1, 2008	1,553	780	1,278	1,025	4,636
Additions and transfers	–	–	115	–	115
Amortization	–	(15)	(52)	–	(66)
Amortization charged to shareholders' equity	–	6	–	–	6
Impairments	–	(14)	–	–	(14)
Foreign currency translation effects	66	27	59	–	153
<b>Net carrying value as of March 31, 2008</b>	<b>1,619</b>	<b>784</b>	<b>1,401</b> <sup>1</sup>	<b>1,025</b>	<b>4,828</b>
Plus: accumulated amortization/impairments	8	1,647	1,801	–	3,456
<b>Gross carrying value as of March 31, 2008</b>	<b>1,627</b>	<b>2,431</b>	<b>3,202</b>	<b>1,025</b>	<b>8,284</b>

<sup>1</sup> Other intangible assets include software of USD 1,015 million.

Table 8.4

Intangible assets  
by segment –  
prior period

in USD millions, as of December 31, 2008

	Goodwill	Present value of profits of acquired insurance contracts	Other intangible assets	Attorney-in-fact relationships	Total
General Insurance	895	–	1,303	–	2,199
Global Life	395	1,252	2,672	–	4,320
Farmers	382	–	182	1,025	1,589
Other Operating Businesses	5	–	198	–	202
<b>Net carrying value as of December 31, 2008</b>	<b>1,677</b>	<b>1,252</b>	<b>4,355</b>	<b>1,025</b>	<b>8,310</b>

## 9. Income taxes

Table 9.1				
Income tax expense – current/deferred split	in USD millions, for the years ended March 31		2009	2008
	Current		235	76
	Deferred		(393)	(94)
	<b>Total income tax expense</b>		<b>(158)</b>	<b>(18)</b>

Table 9.2				
Income tax expense – policyholder/shareholder attribution	in USD millions, for the three months ended March 31		2009	2008
	Total income tax expense attributable to policyholders		(274)	(484)
	Total income tax expense attributable to shareholders		116	466
	<b>Total income tax expense</b>		<b>(158)</b>	<b>(18)</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 insurance benefits and losses.

Table 9.3						
Expected and actual income tax expense	in USD millions, for the three months ended March 31		Rate	2009	Rate	2008
	Net income before income taxes				209	
Less: income tax (expense)/benefit attributable to policyholders				274		484
Net income before income taxes attributable to shareholders				483		1,902
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate		22.0%		106	22.0%	418
Increase/(reduction) in taxes resulting from:						
<i>Tax rate differential in foreign jurisdictions</i>				4		25
<i>Tax exempt and lower taxed income</i>				(9)		(18)
<i>Non-deductible expenses</i>				13		21
<i>Tax losses previously unrecognized or no longer recognized</i>				42		(48)
<i>Prior year adjustments and other</i>				(40)		68
Actual income tax expense attributable to shareholders		24.0%		116	24.5%	466
Plus: income tax expense/(benefit) attributable to policyholders				(274)		(484)
<b>Actual income tax expense</b>		<b>(75.6%)</b>		<b>(158)</b>	<b>(1.3%)</b>	<b>(18)</b>

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

## 10. Debt

Table 10.1

Debt		03/31/09	12/31/08
in USD millions, as of			
<b>a) Debt related to capital markets and banking activities</b>			
Zurich Capital Markets	Various debt instruments payable within 1 year	1,835	2,079
Zurich Financial Services Ltd			
EUB Holdings Limited	Various debt instruments payable within 1 year	708	447
	Various debt instruments payable in more than 1 year	1	1
<b>Debt related to capital markets and banking activities</b>		<b>2,544</b>	<b>2,527</b>
<b>b) Senior debt</b>			
Zurich Finance (USA), Inc.	3.50% CHF 300 bond, due November 2011 <sup>1</sup>	265	283
	4.50% EUR 1,000 bond, due September 2014 <sup>2</sup>	1,337	1,395
Kemper Corporation	Various debt instruments, due in 2009	22	23
Zurich Insurance Company Ltd	3.875% CHF 1,000 bond, due July 2011	878	938
	3.75% CHF 500 bond, due September 2013	433	463
	Various debt instruments payable within 1 year	100	100
Other	Various debt instruments payable within 1 year	–	1
	Various debt instruments payable in more than 1 year	154	156
<b>Senior debt</b>		<b>3,190</b>	<b>3,358</b>
<b>c) Subordinated debt</b>			
Zurich Finance (UK) plc	6.625% GBP 450 bond, undated notes <sup>3</sup>	634	648
Zurich Finance (USA), Inc.	5.75% EUR 500 bond, due October 2023	654	687
	4.5% EUR 500 bond, due June 2025 <sup>4</sup>	678	691
ZFS Finance (USA) Trust I	Series I 6.15% USD 600 ECAPS, due December 2065	566	569
ZFS Finance (USA) Trust II	Series II 6.45% USD 700 ECAPS, due December 2065	672	672
ZFS Finance (USA) Trust III	Series III Floating Rate USD 400 ECAPS, due December 2065	313	318
ZFS Finance (USA) Trust IV	Series IV 5.875% USD 500 Trust Preferred Securities, due May 2062	455	498
ZFS Finance (USA) Trust V	Series V 6.5% USD 1,000 Trust Preferred Securities, due May 2067	954	994
Other	Various debt instruments payable in more than 1 year	20	21
<b>Subordinated debt</b>		<b>4,944</b>	<b>5,096</b>
<b>Total senior and subordinated debt</b>		<b>8,134</b>	<b>8,455</b>
<b>Total debt</b>		<b>10,678</b>	<b>10,981</b>

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

<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 March 31, 2009 and December 31, 2008.

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

Debt related to capital markets and banking activities increased from USD 2,527 million as of December 31, 2008 to USD 2,544 million as of March 31, 2009. This is due to an increase of short-term funding by EUB Holdings Limited of USD 261 million due to increased business partially offset by a reduction of ZCM Holdings' debt by USD 244 million, both classified as operational debt.

**b) Senior debt**

The Group's Euro Medium Term Note Programme (EMTN Programme) allows for the issuance of senior, subordinated and deeply subordinated notes up to a maximum of USD 10 billion. All issuances are either issued or guaranteed by Zurich Insurance Company Ltd.

Zurich Finance (USA), Inc., Zurich Finance (UK) p.l.c. and Zurich Insurance Company Ltd, are issuing entities under the EMTN Programme and those entities had debt outstanding as of March 31, 2009 and December 31, 2008, respectively.

No new issues were made under the existing EMTN Programme during the first three months of 2009. For issuances after March 31, 2009, see note 14.

**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 31, 2009, Zurich Holding Company of America (ZHCA), a subsidiary of the Group, repurchased USD 93 million of ECAPS and Trust Preferred Securities. This purchase resulted in the Group recognizing a pre-tax gain of USD 52 million.

No new subordinated debt issuances took place during the first three months of 2009.

**Description and features of significant subordinated debt**

Table 10.2

in USD millions			
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	03/31/09		12/31/08	
		Carrying value	Undiscounted cash flow	Carrying value	Undiscounted cash flow
< 1 year		2,666	3,123	2,650	3,139
1 to 2 years		8	424	11	446
2 to 3 years		1,156	1,565	1,237	1,659
3 to 4 years		11	373	13	392
4 to 5 years		433	794	463	835
5 to 10 years		1,460	2,726	1,513	2,857
> 10 years		4,944	6,701	5,096	7,123
<b>Total</b>		<b>10,678</b>	<b>15,706</b>	10,981	16,451

Debt maturities shown in table 10.3 reflect original contractual dates without taking early redemption options into account. For call/redemption dates, refer to table 10.2. The total notional amount of debt due in each period is not materially different from the total carrying amount disclosed in table 10.3. Undiscounted cash flows include interest and principal cash flows on debt outstanding as at March 31, 2009 and December 31, 2008, respectively. All debt is assumed to mature within 20 years of the balance sheet date without refinancing and where the Group has the option to repay the debt, the option is assumed to expire. Floating rates of interest are assumed to be constant as at March 31, 2009 and December 31, 2008, respectively going forward. The aggregated cash flows are converted into USD at the balance sheet date.

Interest expense on debt	in USD millions, for the three months ended March 31	2009	2008
		Debt related to capital markets and banking activities	26
Senior debt	34	34	
Subordinated debt	74	85	
<b>Total</b>		<b>134</b>	<b>152</b>

#### Interest expense on debt

Interest expense on debt decreased from USD 152 million to USD 134 million, primarily as a result of lower interest rates and foreign exchange fluctuations.

#### 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 March 31, 2009 and December 31, 2008, respectively.

Dunbar Bank and Zurich Bank have access to various committed credit facilities totaling GBP 405 million and GBP 230 million, respectively. GBP 95 million and GBP 50 million had been drawn under these credit facilities as of March 31, 2009 and December 31, 2008, respectively.

In addition, Zurich Insurance Company Ltd 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 both, March 31, 2009 and December 31, 2008 USD 100 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 used by rating agencies. As of March 31, 2009 and December 31, 2008 financial debt consisted of the following components.

Table 10.5

Financial debt	in USD millions, as of	03/31/09	03/31/09	03/31/09	12/31/08
		Reported	Adjustments	Financial Debt	Financial Debt
	Debt related to capital markets and banking activities	2,544	1,165	1,379	1,379
	Senior debt	3,190	200	2,990	3,158
	Subordinated debt	4,944	–	4,944	5,096
	<b>Total</b>	<b>10,678</b>	<b>1,365</b>	<b>9,314</b>	<b>9,633</b>

The USD 1,165 million adjustment relates to USD 709 million of Zurich Financial Services EUB Holdings Limited notes and loans payable and USD 456 million issued by ZCM Holdings and then lent to our banking operation as described above, while the USD 200 million adjustment contains USD 100 million of non-recourse debt and USD 100 million drawn under the above mentioned Leschi credit facility.

## 11. Earnings per share

Table 11

Earnings per share	for the three months ended March 31	Net income	Weighted	Per share	Per share
		attributable			
		to common	number of		
		shareholders	shares		
		(in USD			
		millions)			
	<b>2009</b>				
	<b>Basic earnings per share</b>	<b>354</b>	<b>136,909,535</b>	<b>2.59</b>	<b>2.97</b>
	Effect of potentially dilutive shares related to share-based compensation plans		752,628	(0.01)	(0.02)
	<b>Diluted earnings per share</b>	<b>354</b>	<b>137,662,163</b>	<b>2.57</b>	<b>2.95</b>
	<b>2008</b>				
	<b>Basic earnings per share</b>	<b>1,416</b>	<b>139,470,795</b>	<b>10.15</b>	<b>10.86</b>
	Effect of potentially dilutive shares related to share-based compensation plans		1,384,789	(0.10)	(0.11)
	<b>Diluted earnings per share</b>	<b>1,416</b>	<b>140,855,584</b>	<b>10.05</b>	<b>10.75</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 three months ended March 31, 2009 and 2008, respectively.



## 12. 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, in December 2008, Zurich Financial Services (now Zurich Financial Services Ltd) entered into a settlement with the U.S. Securities and Exchange Commission (SEC) resolving the SEC's investigation of certain reinsurance transactions engaged in by the Group and its subsidiaries. The SEC was 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 made inquiries of Zurich Financial Services and certain of its subsidiaries related to reinsurance contracts entered into before 2001. Zurich Financial Services agreed to pay a USD 25 million penalty and USD 1 in disgorgement to settle, without admitting or denying, charges that it had aided and abetted Converium's violations of Section 10(b) of the Exchange Act and Rule 10b-5.

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). On July 25, 2008, Zurich Financial Services and the class action plaintiffs entered into an amended stipulation of settlement that calls for a payment of USD 28 million to settle the case in two parts on behalf of all persons and entities who purchased Converium securities between January 7, 2002 and September 2, 2004: one settlement in the US court, covering all US persons and entities, and all other persons who purchased Converium securities on US markets, and another settlement in the Amsterdam Court of Appeals, in the Netherlands, covering all non-US persons and entities who purchased Converium securities on the SWX Swiss Exchange (now SIX Swiss Exchange). The proposed US and Dutch settlements are both subject to court approval and are independent of each other. The US court approved the US settlement on December 12, 2008. A notice of appeal was filed on January 9, 2009 from various rulings by the US court. The statement of issues does not challenge or object to the settlement's terms, but rather focuses on the court's dismissal of the plaintiff's Securities Act claims as untimely and the court's denial of plaintiff's motion to amend the complaint. The proposed Dutch settlement has not yet been presented to the Dutch court.

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.

## 13. Segment information

The Group is managed on a matrix basis, reflecting both businesses and geography. The Group's operating segments have been identified on the basis of the businesses operated by the Group and how these are strategically managed to offer different products and services to specific customer groups. Segment information is presented accordingly. The Group's reportable 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 through global distribution and proposition pillars to develop leadership positions in its chosen segments.

**Farmers** provides through Farmers Group, Inc. and its subsidiaries (FGI) non-claims related management services to the Farmers Exchanges. FGI receives fee income for the provision of services to the Farmers Exchanges, which the Group manages, but does not own, and to their customers. This segment also includes the Farmers Re business, which includes all reinsurance assumed from the Farmers Exchanges by the Group. Farmers Exchanges are prominent writers of personal lines and small commercial lines business in the U.S.

For purposes of discussing our financial performance we consider General Insurance, Global Life and Farmers our core operating segments.

**Other Operating Businesses** predominantly consist of the Group's Headquarter and Holding & Finance activities. In addition, the Group's banking activities as well as certain alternative investment positions not allocated to core operating segments are carried in this segment.

**Non-Core Businesses** represent insurance businesses that the Group is not considering core operating and that are therefore mostly managed to achieve a beneficial run-off.

The structured alignment of the Group's segment information compared to 2008 necessitated the following major transfers between the old 2008 and the new 2009 segments:

- Farmers Re from the previously reported Other Businesses to Farmers
- Centre from previously reported Other Businesses to Non-Core Businesses
- Centrally Managed Businesses from previously reported Other Businesses to Non-Core Businesses
- Universal Underwriters Life Insurance Company from previously reported Other Businesses to Global Life
- Banking activities from the previously reported Other Businesses to Other Operating Businesses

The Group also manages its business on a geographic structure. As a result of the realignment of the previous International Businesses region into a new regional structure, as of January 1, 2009, Southern Africa is part of an expanded Europe & Africa region, Latin America is part of an expanded Americas region and Asia Pacific & Middle East forms a new stand-alone region. The Group's identified regions are as follows:

### Americas

### Europe & Africa

### Asia Pacific & Middle East

### Central Region

To be consistent with the Group's geographic structure, the following major transfers between regions have been made for 2009 financial reporting:

- Reporting Units belonging to Southern Africa from the previous International Businesses to Europe & Africa
- Reporting Units belonging to Latin America from the previous International Businesses to Americas
- Universal Underwriters Life Insurance Company from Central Region to Americas

The 2008 segmental results have been restated to reflect these changes, with no impact on the Group's financial position or performance.

## Business operating profit by business segment

Table 13.1

in USD millions, for the three months ended March 31

	General Insurance		Global Life	
	2009	2008	2009	2008
<b>Revenues</b>				
Direct written premiums and policy fees	9,400	10,840	3,211	2,643
Assumed written premiums	413	351	22	24
Gross written premiums and policy fees	9,814	11,191	3,233	2,667
Less premiums ceded to reinsurers	(1,309)	(1,313)	(186)	(181)
Net written premiums and policy fees	8,505	9,878	3,047	2,486
Net change in reserves for unearned premiums	(1,548)	(1,952)	(11)	(8)
Net earned premiums and policy fees	6,956	7,926	3,035	2,479
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	776	932	789	1,125
Net investment income on Group investments	762	931	970	1,085
Net capital gains/(losses) and impairments on Group investments	14	1	(181)	40
Net investment result on unit-linked investments	–	–	(2,980)	(8,395)
Other income	165	183	186	303
<b>Total BOP revenues</b>	<b>7,897</b>	<b>9,042</b>	<b>1,030</b>	<b>(4,488)</b>
<i>of which: intersegment revenues</i>	<i>(343)</i>	<i>(392)</i>	<i>(89)</i>	<i>(80)</i>
<b>Benefits, losses and expenses</b>				
Insurance benefits and losses, net	4,870	5,542	2,981	2,209
Losses and loss adjustment expenses, net	4,860	5,519	7	9
Life insurance death and other benefits, net	10	22	2,462	2,440
(Decrease)/increase in future life policyholders' benefits, net	–	1	513	(240)
Policyholder dividends and participation in profits, net	2	5	(2,899)	(7,731)
Income tax expense/(benefit) attributable to policyholders	–	–	(274)	(484)
Underwriting and policy acquisition costs, net	1,286	1,409	405	490
Administrative and other operating expense (excl. depreciation/amortization)	744	709	383	465
Interest credited to policyholders and other interest	11	60	99	132
Restructuring provisions and other items not relevant for BOP	(9)	26	(9)	33
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	6,905	7,752	687	(4,887)
<b>Business operating profit (before interest, depreciation and amortization)</b>	<b>992</b>	<b>1,290</b>	<b>342</b>	<b>399</b>
Depreciation and impairments of property and equipment	17	13	8	11
Amortization and impairments of intangible assets	33	20	87	44
Interest expense on debt	51	59	21	4
Business operating profit before non-controlling interests	891	1,197	226	341
Non-controlling interests	2	8	4	1
<b>Business operating profit</b>	<b>889</b>	<b>1,189</b>	<b>222</b>	<b>340</b>
Supplementary information				
Additions and capital improvements of property, equipment and intangible assets	170	160	61	28

	Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	-	-	-	(6)	133	93	(7)	4	12,737	13,575
	1,056	409	35	65	39	21	(60)	(94)	1,505	775
	1,056	409	35	59	173	114	(67)	(90)	14,242	14,350
	-	-	(14)	(27)	(15)	-	67	90	(1,456)	(1,431)
	1,056	409	21	32	158	113	-	-	12,786	12,919
	53	5	-	(3)	1	14	-	-	(1,506)	(1,943)
	1,109	414	21	29	159	128	-	-	11,280	10,976
	623	589	-	-	-	-	-	-	623	589
	48	48	69	220	(76)	147	(199)	(281)	1,406	2,190
	48	48	142	218	121	161	(199)	(281)	1,844	2,163
	-	-	(74)	1	(197)	(15)	-	-	(438)	28
	-	-	-	-	(322)	(613)	-	-	(3,303)	(9,008)
	(4)	-	274	266	41	21	(288)	(310)	374	464
	<b>1,776</b>	<b>1,051</b>	<b>364</b>	<b>515</b>	<b>(199)</b>	<b>(318)</b>	<b>(487)</b>	<b>(591)</b>	<b>10,380</b>	<b>5,211</b>
	(19)	(20)	-	19	-	(119)	451	591	-	-
	806	289	(24)	23	407	75	-	-	9,041	8,138
	806	289	1	-	47	16	(1)	(16)	5,720	5,818
	-	-	19	26	171	79	1	12	2,662	2,580
	-	-	(45)	(4)	189	(20)	-	3	658	(260)
	-	-	-	-	(333)	(461)	-	-	(3,229)	(8,188)
	-	-	-	-	-	-	-	-	(274)	(484)
	327	115	-	-	1	6	(1)	-	2,019	2,020
	284	284	148	199	9	(44)	(271)	(309)	1,298	1,304
	-	-	3	10	13	23	(4)	(4)	122	220
	-	-	26	33	1	55	-	-	10	148
	1,417	688	153	265	99	(346)	(276)	(313)	8,986	3,159
	<b>358</b>	<b>363</b>	<b>210</b>	<b>250</b>	<b>(298)</b>	<b>28</b>	<b>(211)</b>	<b>(278)</b>	<b>1,393</b>	<b>2,053</b>
	16	16	8	8	1	1	-	-	50	48
	16	13	6	3	-	-	-	-	143	80
	2	2	241	316	29	47	(211)	(278)	134	152
	324	331	(46)	(77)	(328)	(20)	-	-	1,067	1,773
	-	-	-	-	-	-	-	-	6	9
	<b>324</b>	<b>331</b>	<b>(46)</b>	<b>(77)</b>	<b>(328)</b>	<b>(20)</b>	<b>-</b>	<b>-</b>	<b>1,061</b>	<b>1,764</b>
	130	50	19	16	-	-	-	-	380	254

Reconciliation of  
BOP to net income  
after income taxes

Table 13.2

in USD millions, as of March 31

	General Insurance		Global Life	
	2009	2008	2009	2008
<b>Business operating profit</b>	<b>889</b>	<b>1,189</b>	<b>222</b>	<b>340</b>
Revenues/(expenses) not relevant for BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	(378)	(39)	(161)	(54)
Net gain/(loss) on divestments of businesses	(2)	–	–	–
Restructuring provisions and other	(9)	26	(9)	33
Add back:				
Income tax expense attributable to policyholders	–	–	(274)	(484)
Business operating profit attributable to non-controlling interests	2	8	4	1
<b>Net income before income taxes</b>	<b>503</b>	<b>1,184</b>	<b>(218)</b>	<b>(165)</b>
Income tax expense (attributable to policyholders and shareholders)				
<b>Net income after taxes</b>				

	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	<b>324</b>	<b>331</b>	<b>(46)</b>	<b>(77)</b>	<b>(328)</b>	<b>(20)</b>	<b>1,061</b>	<b>1,764</b>
	(17)	7	(34)	66	1	3	(590)	(17)
	-	-	-	-	(3)	(1)	(4)	(1)
	-	-	26	33	1	55	10	148
	-	-	-	-	-	-	(274)	(484)
	-	-	-	-	-	-	6	9
	<b>306</b>	<b>338</b>	<b>(54)</b>	<b>22</b>	<b>(329)</b>	<b>37</b>	<b>209</b>	<b>1,418</b>
							158	18
							<b>367</b>	<b>1,436</b>

## Assets and liabilities by business segment

Table 13.3

in USD millions, as of

	General Insurance		Global Life	
	03/31/09	12/31/08	03/31/09	12/31/08
<b>Assets</b>				
Total Group Investments	74,274	77,328	90,317	94,626
Cash and cash equivalents	8,119	9,703	5,272	5,969
Equity securities	5,577	5,966	4,265	4,816
Debt securities	53,234	53,578	55,281	56,874
Real estate held for investment	2,766	2,922	3,948	4,228
Mortgage loans	1,675	1,794	8,383	8,953
Other loans	2,875	3,340	13,060	13,674
Investments in associates	27	26	108	113
Investments for unit-linked contracts	–	–	60,784	65,977
<b>Total investments</b>	<b>74,274</b>	<b>77,328</b>	<b>151,101</b>	<b>160,604</b>
Reinsurers' share of reserves for insurance contracts	12,805	12,749	2,003	2,008
Deposits made under assumed reinsurance contracts	62	68	(4)	–
Deferred policy acquisition costs	3,286	3,247	10,639	10,768
Deferred origination costs	–	–	744	770
Goodwill	903	895	401	395
Other intangible assets	1,286	1,303	3,711	3,925
Other assets	16,310	16,119	6,585	6,835
<b>Total assets (after cons. of investments in subsidiaries)</b>	<b>108,927</b>	<b>111,710</b>	<b>175,180</b>	<b>185,304</b>
<b>Liabilities</b>				
Liabilities for investment contracts	–	–	33,322	36,230
Reserves for insurance contracts, gross	77,440	77,468	114,694	120,706
Reserves for losses and loss adjustment expenses, gross	60,008	61,396	33	18
Reserves for unearned premiums, gross	16,307	14,874	243	226
Future life policyholders' benefits, gross	91	95	69,860	72,782
Policyholders' contract deposits and other funds, gross	1,034	1,102	11,880	12,611
Reserves for unit-linked contracts, gross	–	–	32,678	35,069
Debt related to capital markets and banking activities	–	–	–	–
Senior debt	2,504	3,031	468	694
Subordinated debt	2,173	2,189	433	412
Other liabilities	13,698	14,680	14,848	15,399
<b>Total liabilities</b>	<b>95,815</b>	<b>97,368</b>	<b>163,766</b>	<b>173,441</b>
<b>Equity</b>				
Common shareholders' equity				
Preferred securities				
Shareholders' equity				
Non-controlling interests				
Total equity				
<b>Total liabilities and equity</b>				



	Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
	03/31/09	12/31/08	03/31/09	12/31/08	03/31/09	12/31/08	03/31/09	12/31/08	03/31/09	12/31/08
	3,954	3,607	16,977	17,956	12,005	13,103	(23,459)	(27,050)	174,069	179,570
	1,319	714	5,754	6,757	2,228	2,839	(10,576)	(12,714)	12,117	13,267
	149	224	2,539	2,801	890	496	–	–	13,420	14,303
	702	696	1,399	1,478	6,450	6,644	(365)	(365)	116,701	118,905
	156	156	41	44	170	175	–	–	7,081	7,524
	–	–	2,113	2,104	–	–	(30)	(32)	12,141	12,820
	1,627	1,817	5,125	4,765	2,194	2,874	(12,488)	(13,940)	12,394	12,531
	–	–	6	6	73	75	–	–	214	220
	–	–	–	–	11,714	12,226	–	–	72,498	78,203
	3,954	3,607	16,977	17,956	23,719	25,328	(23,459)	(27,050)	246,567	257,773
	210	209	–	–	5,231	5,477	(1,718)	(1,849)	18,531	18,595
	1,730	1,685	–	–	661	677	(32)	(32)	2,418	2,397
	294	307	–	–	2	2	–	–	14,220	14,323
	–	–	–	–	–	–	–	–	744	770
	382	382	5	5	–	–	–	–	1,689	1,677
	1,265	1,207	195	198	–	–	–	–	6,458	6,633
	1,484	1,500	1,714	1,974	1,619	1,691	(2,401)	(2,342)	25,311	25,776
	<b>9,318</b>	<b>8,897</b>	<b>18,891</b>	<b>20,132</b>	<b>31,233</b>	<b>33,176</b>	<b>(27,610)</b>	<b>(31,274)</b>	<b>315,938</b>	<b>327,944</b>
	–	–	–	–	–	–	(251)	(251)	33,072	35,979
	2,307	2,095	365	415	22,622	23,325	(1,701)	(1,831)	215,727	222,179
	1,099	835	45	44	3,951	4,147	(1,144)	(1,223)	63,993	65,218
	1,207	1,260	5	5	38	43	(11)	(10)	17,789	16,399
	–	–	314	366	3,756	3,573	(546)	(598)	73,475	76,218
	–	–	–	–	3,162	3,334	–	–	16,076	17,047
	–	–	–	–	11,716	12,228	–	–	44,393	47,297
	–	–	708	448	2,328	3,184	(493)	(1,106)	2,544	2,527
	–	–	17,665	19,893	1,124	1,054	(18,571)	(21,314)	3,190	3,358
	180	180	5,014	5,169	–	–	(2,855)	(2,853)	4,944	5,096
	1,612	1,582	3,673	4,729	2,520	2,553	(3,740)	(3,920)	32,611	35,024
	<b>4,099</b>	<b>3,858</b>	<b>27,425</b>	<b>30,654</b>	<b>28,594</b>	<b>30,116</b>	<b>(27,610)</b>	<b>(31,274)</b>	<b>292,088</b>	<b>304,163</b>
									21,696	21,542
									561	561
									22,257	22,103
									1,593	1,678
									23,850	23,781
									<b>315,938</b>	<b>327,944</b>

Table 13.4

in USD millions, for the three months ended March 31

General Insurance –  
Customer segment  
overview

	Global Corporate		North America Commercial	
	2009	2008	2009	2008
Gross written premiums and policy fees	2,388	2,594	2,382	2,769
Net earned premiums and policy fees	1,191	1,342	2,029	2,318
Insurance benefits and losses, net	897	1,070	1,383	1,585
Policyholder dividends and participation in profits, net	–	3	2	2
Total net technical expenses	220	232	576	633
Net underwriting result	74	37	69	98
Net investment income	154	176	298	309
Net capital gains/(losses) and impairments on investments	4	–	8	–
Net non-technical result (excl. items not relevant for BOP)	(26)	(7)	(62)	(69)
Business operating profit before non-controlling interests	207	207	311	337
Non-controlling interests	–	–	–	–
Business operating profit	207	207	311	338
Ratios, as % of net earned premiums and policy fees				
Loss ratio	75.3%	79.7%	68.1%	68.4%
Expense ratio	18.5%	17.5%	28.5%	27.4%
Combined ratio	93.8%	97.2%	96.6%	95.8%

	Europe General Insurance		International Markets		GI Global Functions including Group Reinsurance		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	4,602	5,305	616	646	115	141	(289)	(264)	9,814	11,191
	3,243	3,756	484	488	10	22	–	–	6,956	7,926
	2,299	2,572	311	332	(20)	(16)	–	–	4,870	5,542
	–	–	–	–	–	–	–	–	2	5
	803	912	179	171	13	2	(3)	1	1,789	1,952
	140	273	(7)	(16)	17	36	3	(1)	295	427
	269	381	35	39	9	43	(3)	(16)	762	931
	2	–	–	–	–	–	–	–	14	1
	(89)	(70)	(7)	(18)	3	(15)	1	17	(180)	(162)
	322	584	22	5	29	63	–	–	891	1,197
	1	7	1	1	–	–	–	–	2	8
	321	577	21	4	29	63	–	–	889	1,189

	70.9%	68.5%	64.4%	68.1%	nm	nm	n/a	n/a	70.0%	69.9%
	24.8%	24.3%	37.0%	35.1%	nm	nm	n/a	n/a	25.7%	24.7%
	95.7%	92.7%	101.4%	103.2%	nm	nm	n/a	n/a	95.8%	94.6%

**General Insurance –  
Revenues by region**

Table 13.5

in USD millions, for the three months ended March 31

	Gross written premiums and policy fees from external customers	
	2009	2008
Global Corporate		
North America	760	818
Europe	1,498	1,680
Rest of Global Corporate	73	16
<b>Subtotal</b>	<b>2,330</b>	<b>2,514</b>
Europe & Africa		
United Kingdom	563	864
Germany	1,317	1,522
Switzerland	1,165	1,253
Italy	500	509
Spain	356	422
Southern Africa	157	185
Rest of Europe & Africa	494	533
<b>Subtotal</b>	<b>4,553</b>	<b>5,288</b>
Americas		
United States	2,249	2,599
Rest of North America	80	118
Latin America	321	300
<b>Subtotal</b>	<b>2,650</b>	<b>3,017</b>
Asia Pacific		
Asia Pacific Mature Markets	222	257
China & South East Asia	59	70
<b>Subtotal</b>	<b>280</b>	<b>327</b>
Central Region		
Europe	–	1
<b>Subtotal</b>	<b>–</b>	<b>1</b>
<b>Total</b>	<b>9,814</b>	<b>11,147</b>

General Insurance –  
Assets by region

Table 13.6

in USD millions, as of

	Property / equipment and intangible assets	
	03/31/09	12/31/08
Europe & Africa		
United Kingdom	203	211
Germany	245	259
Switzerland	101	109
Italy	60	128
Spain	720	764
Southern Africa	11	10
Rest of Europe & Africa	1,261	1,341
<b>Subtotal</b>	<b>2,601</b>	<b>2,822</b>
Americas		
United States	241	244
Rest of North America	3	3
Latin America	110	46
<b>Subtotal</b>	<b>354</b>	<b>293</b>
Asia Pacific & Middle East		
Asia Pacific Mature Markets	69	68
China & South East Asia	22	23
<b>Subtotal</b>	<b>91</b>	<b>90</b>
<b>Total</b>	<b>3,046</b>	<b>3,206</b>

Global Life –  
Overview

Table 13.7

in USD millions, for the three months ended March 31

	Americas		United Kingdom		Germany	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Life insurance deposits	148	142	652	1,028	437	395
Gross written premiums and policy fees	292	257	103	341	725	923
Net earned premiums and policy fees	233	201	56	296	701	897
Net investment income on Group investments	109	111	80	182	411	453
Net capital gains/(losses) and impairments on Group investments	1	(1)	(70)	(121)	(106)	95
Net investment result on Group investments	109	109	10	62	305	549
Net investment income on unit-linked investments	(5)	3	332	602	10	16
Net capital gains/(losses) and impairments on unit-linked investments	(23)	(76)	(2,636)	(5,886)	(295)	(1,179)
Net investment result on unit-linked investments	(29)	(73)	(2,304)	(5,283)	(285)	(1,163)
Other income	30	32	46	106	46	96
<b>Total BOP revenues</b>	<b>343</b>	<b>270</b>	<b>(2,192)</b>	<b>(4,819)</b>	<b>767</b>	<b>379</b>
<b>Benefits, losses and expenses</b>						
Insurance benefits and losses, net	150	132	116	148	783	939
Policyholder dividends and participation in profits, net	(26)	(64)	(2,287)	(5,034)	(321)	(874)
Income tax expense/(benefit) attributable to policyholders	–	–	(287)	(460)	8	12
Underwriting and policy acquisition costs, net	52	42	147	234	86	76
Administrative and other operating expense (excl. depreciation/amortization)	54	51	86	118	88	93
Interest credited to policyholders and other interest	42	43	4	18	36	55
Restructuring provisions and other items not relevant for BOP	–	(5)	1	38	–	–
<b>Total BOP benefits, losses and expenses</b>	<b>271</b>	<b>197</b>	<b>(2,219)</b>	<b>(4,937)</b>	<b>681</b>	<b>301</b>
<b>Business operating profit (before interest, depreciation and amortization)</b>	<b>72</b>	<b>73</b>	<b>27</b>	<b>118</b>	<b>86</b>	<b>78</b>
Depreciation and impairments of property and equipment	–	–	2	3	3	4
Amortization and impairments of intangible assets	5	5	11	30	9	8
Interest expense on debt	1	1	1	1	–	–
Business operating profit before non-controlling interests	66	67	13	85	74	67
Non-controlling interests	1	–	–	–	2	1
<b>Business operating profit</b>	<b>65</b>	<b>67</b>	<b>13</b>	<b>85</b>	<b>72</b>	<b>66</b>
<b>Supplementary information</b>						
Gross written premiums and policy fees from external customers	292	257	101	341	712	909
Property, equipment and intangible assets	287	232	391	627	948	1,063

	Switzerland		Ireland		Spain		Emerging markets		Rest of the world		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	13	18	245	318	448	76	269	563	83	190	-	-	2,296	2,730
	691	743	77	80	1,078	69	60	65	210	190	(4)	(1)	3,233	2,667
	689	742	55	58	1,054	50	49	59	200	174	-	-	3,035	2,479
	147	164	18	26	114	40	14	15	78	93	-	-	970	1,085
	(9)	52	5	(5)	2	-	2	25	(6)	(6)	-	-	(181)	40
	138	217	23	21	115	40	16	41	73	87	-	-	789	1,125
	1	1	38	49	29	6	-	1	16	32	-	-	421	711
	(9)	(49)	(249)	(787)	(27)	(104)	(106)	(557)	(56)	(468)	-	-	(3,401)	(9,106)
	(9)	(49)	(211)	(738)	2	(98)	(106)	(556)	(39)	(436)	-	-	(2,980)	(8,395)
	14	15	-	-	10	3	7	14	32	36	-	-	186	303
	832	925	(133)	(659)	1,182	(5)	(34)	(442)	265	(138)	-	-	1,030	(4,488)
	663	730	10	27	1,103	68	9	26	147	140	-	-	2,981	2,209
	32	20	(188)	(729)	2	(98)	(100)	(557)	(10)	(394)	-	-	(2,899)	(7,731)
	-	-	(1)	(5)	-	-	-	-	5	(30)	-	-	(274)	(484)
	40	44	19	26	14	2	14	33	33	33	-	-	405	490
	46	66	14	15	13	7	23	36	60	78	-	-	383	465
	4	6	-	-	4	-	6	6	3	3	-	-	99	132
	5	-	-	-	(12)	-	-	-	(3)	-	-	-	(9)	33
	790	865	(145)	(665)	1,123	(21)	(48)	(457)	234	(170)	-	-	687	(4,887)
	<b>42</b>	<b>61</b>	<b>12</b>	<b>6</b>	<b>58</b>	<b>16</b>	<b>14</b>	<b>16</b>	<b>31</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>342</b>	<b>399</b>
	1	2	-	-	-	-	1	1	-	-	-	-	8	11
	-	-	-	-	42	-	1	-	19	-	-	-	87	44
	1	2	-	-	16	1	-	-	3	-	-	-	21	4
	40	57	12	6	-	15	12	14	8	31	-	-	226	341
	-	-	-	-	1	-	-	-	-	-	-	-	4	1
	<b>40</b>	<b>57</b>	<b>12</b>	<b>6</b>	<b>(1)</b>	<b>15</b>	<b>12</b>	<b>14</b>	<b>8</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>222</b>	<b>340</b>
	691	743	77	80	1,078	69	55	64	209	188	-	-	3,216	2,651
	181	386	6	7	2,569	105	14	15	235	135	-	-	4,632	2,570

Farmers –  
Overview

Table 13.8

in USD millions, for the three months ended March 31

	<b>Total</b>	
	<b>2009</b>	<b>2008</b>
<b>Farmers Management Services</b>		
Management fees and other related revenues	623	589
Management and other related expenses	(311)	(308)
<b>Gross management result</b>	<b>311</b>	<b>281</b>
Other net income (excl. items not relevant for BOP)	10	19
Business operating profit before non-controlling interest	322	300
<b>Business operating profit</b>	<b>322</b>	<b>300</b>
<b>Farmers Re</b>		
Gross written premiums and policy fees	1,056	409
Net earned premiums and policy fees	1,109	414
Insurance benefits and losses, net	(806)	(289)
Total net technical expenses	(327)	(116)
<b>Net underwriting result</b>	<b>(25)</b>	<b>9</b>
Net investment result income	27	22
Business operating profit before non-controlling interests	2	31
<b>Business operating profit</b>	<b>2</b>	<b>31</b>
<b>Farmers business operating profit</b>	<b>324</b>	<b>331</b>
Ratios, as % of net earned premiums and policy fees		
<b>Farmers Re Combined ratio</b>	<b>102%</b>	<b>98%</b>
Supplementary information		
Property, equipment and intangible assets <sup>1</sup>	1,907	1,811

<sup>1</sup> As of March 31, 2009 and December 31, 2008, respectively.





Table 13.9

in USD millions, for the three months ended March 31

Other Operating  
Businesses –  
Overview

	Alternative Investments		Banking Activities	
	2009	2008	2009	2008
Gross written premiums and policy fees	–	–	–	–
Net earned premiums and policy fees	–	–	–	–
Net investment income	2	5	42	67
Net capital gains/(losses) and impairments on investments	–	–	(26)	13
Other income	2	2	1	2
<b>Total BOP revenues</b>	<b>4</b>	<b>7</b>	<b>17</b>	<b>82</b>
Insurance benefits and losses, incl. PH dividends, net	–	–	–	–
Administrative and other operating expense (excl. depreciation/amortization)	5	5	(1)	24
Other expenses (excl. items not relevant for BOP)	–	–	3	7
Depreciation, amortization and impairments of property, equipment and intangible assets	–	–	1	–
Interest expense on debt	6	13	16	29
Business operating profit before non-controlling interests	(7)	(10)	(3)	23
<b>Business operating profit</b>	<b>(7)</b>	<b>(10)</b>	<b>(3)</b>	<b>23</b>

	Holding & Financing		Headquarters		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	33	56	2	3	–	–	35	59
	19	27	2	2	–	–	21	29
	102	160	1	3	(4)	(18)	142	218
	(48)	(12)	–	–	–	–	(74)	1
	15	(23)	275	301	(20)	(16)	274	266
	88	152	278	307	(24)	(34)	364	515
	(25)	22	1	1	–	–	(24)	23
	(71)	(65)	235	251	(20)	(16)	148	199
	27	37	–	–	–	–	29	44
	–	–	14	11	–	–	15	11
	223	290	–	3	(4)	(18)	241	316
	(65)	(131)	29	41	–	–	(46)	(77)
	<b>(65)</b>	<b>(131)</b>	<b>29</b>	<b>41</b>	<b>–</b>	<b>–</b>	<b>(46)</b>	<b>(77)</b>

**Non-Core  
Businesses –  
Overview**

Table 13.10

in USD millions, for the three months ended March 31

	<b>Total</b>	
	<b>2009</b>	<b>2008</b>
Gross written premiums and policy fees	173	114
Net earned premiums and policy fees	159	128
Insurance benefits and losses, net	407	75
Policyholder dividends and participation in profits, net	(333)	(461)
Total net technical expenses	(4)	45
Net underwriting result	88	469
Net investment income	75	594
Net capital gains/(losses) and impairments on investments	(473)	(1,061)
Net non-technical result (excl. items not relevant for BOP)	(18)	(22)
<b>Business operating profit before non-controlling interests</b>	<b>(328)</b>	<b>(20)</b>
<b>Business operating profit</b>	<b>(328)</b>	<b>(20)</b>

## 14. Events after the balance sheet date

On April 14, 2009, the Group issued EUR 800 million of senior notes with a fixed coupon of 4.875 percent, maturing in April 2012, and EUR 600 million of senior notes with a fixed coupon of 6.5 percent, maturing in October 2015. The notes were issued by Zurich Finance (USA), Inc. under Zurich Insurance Company Ltd's "Euro Medium Term Note Programme".

On April 16, 2009 the Group announced that its subsidiary Farmers Group, Inc. (FGI) had entered into an agreement under which it will acquire 100 percent of AIG's U.S. Personal Auto Group for approximately USD 1.9 billion. As part of the transaction, FGI will immediately sell the portion of the acquired business that is comprised of regulated insurance businesses to the Farmers Exchanges, which the Group manages but does not own, for approximately USD 1.4 billion. The closing of the transaction is subject to applicable antitrust and insurance regulatory approvals and other customary closing conditions and is expected to take place in the third quarter of 2009. As part of the transaction, on April 17, 2009 the Group placed 4.8 million new shares issued under the Group's authorized share capital and approximately 1.9 million existing treasury shares, bought back in 2008 on a secondary trading line, resulting in gross proceeds of CHF 1.23 billion. Furthermore, USD 400 million deeply subordinated notes will be issued by Zurich Insurance Company Ltd under its "Euro Medium Term Note Programme" to the seller. In addition, the Group will provide increased underwriting capacity to the Farmers Exchanges through an increase of the existing All Lines quota share reinsurance treaty from the Farmers Exchanges from 25 percent to approximately 40 percent, representing approximately USD 2.8 billion of premium revenue.

The Annual General Meeting approved a gross dividend of CHF 11.00 per share on April 2, 2009. This gross dividend represented a 47 percent payout of 2008 earnings to shareholders, and will be recognized through shareholders' equity during the second quarter 2009.

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

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.

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