

Consolidated Financial Statements (unaudited) 2010

Zurich Financial Services Group
Half Year Report 2010

Consolidated Financial Statements (unaudited)

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Consolidated income statements (unaudited)

In USD millions	Notes	Restated		Restated	
		2010	2009	2010	2009
		for the	for the	for the	for the
		three months	three months	six months	six months
		ended June 30	ended June 30	ended June 30	ended June 30
Revenues					
Gross written premiums and policy fees		11,403	13,184	26,387	27,426
Less premiums ceded to reinsurers		(1,559)	(1,639)	(3,084)	(3,095)
Net written premiums and policy fees		9,844	11,544	23,303	24,331
Net change in reserves for unearned premiums		826	(347)	(707)	(1,853)
Net earned premiums and policy fees		10,670	11,198	22,595	22,478
Farmers management fees and other related revenues		696	624	1,399	1,247
Net investment result on Group investments	3	2,008	1,515	3,979	2,274
Net investment income on Group investments		1,782	1,907	3,561	3,739
Net capital gains/(losses) and impairments on Group investments		227	(392)	418	(1,465)
Net investment result on unit-linked investments	3	(4,169)	4,226	364	923
Net gain/(loss) on divestments of businesses		1	–	1	(4)
Other income		331	406	641	792
Total revenues		9,537	17,969	28,979	27,709
Benefits, losses and expenses					
Insurance benefits and losses, gross of reinsurance	6	9,457	8,278	19,705	17,816
Less ceded insurance benefits and losses	6	(923)	(738)	(2,264)	(1,510)
Insurance benefits and losses, net of reinsurance	6	8,535	7,540	17,441	16,306
Policyholder dividends and participation in profits, net of reinsurance	6	(3,936)	4,418	845	1,189
Underwriting and policy acquisition costs, net of reinsurance		2,123	2,018	4,384	4,036
Administrative and other operating expense		1,863	1,735	3,575	3,225
Interest expense on debt	10	139	141	284	275
Interest credited to policyholders and other interest		127	122	267	244
Total benefits, losses and expenses		8,851	15,974	26,796	25,275
Net income before income taxes		686	1,995	2,183	2,434
Income tax expense	9	40	(565)	(505)	(466)
attributable to policyholders	9	239	(104)	3	170
attributable to shareholders	9	(199)	(460)	(508)	(636)
Net income after taxes		726	1,430	1,679	1,968
attributable to non-controlling interests		19	(5)	36	1
attributable to shareholders		707	1,434	1,642	1,967
in USD					
Basic earnings per share	11	4.86	10.03	11.32	13.99
Diluted earnings per share	11	4.82	9.96	11.22	13.89
in CHF					
Basic earnings per share	11	5.26	11.32	12.24	15.80
Diluted earnings per share	11	5.21	11.24	12.14	15.68

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 six months ended June 30

	Net income attributable to shareholders	Net unrealized gains/(losses) on available- for-sale investments
2009, as restated		
Comprehensive income for the period	1,967	725
Details of movements during the period		
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		343
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		751
Deferred income tax (before foreign currency translation effects)		(313)
Foreign currency translation effects		(56)
2010		
Comprehensive income for the period	1,642	1,545
Details of movements during the period		
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		2,017
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		27
Deferred income tax (before foreign currency translation effects)		(444)
Foreign currency translation effects		(55)

The notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

	Cash flow hedges	Cumulative foreign currency 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
	(22)	889	(1)	571	2,163	4,130	22	4,152
	37	889	–	756	2,025			
	(52)	–	–	–	699			
	(8)	–	(1)	(191)	(513)			
	1	–	–	7	(48)			
	69	(1,372)	28	(589)	(319)	1,324	(225)	1,098
	406	(1,371)	41	(920)	173			
	(344)	(1)	–	–	(318)			
	(8)	–	(13)	260	(205)			
	15	–	–	71	31			

Consolidated statements of comprehensive income (unaudited)

in USD millions, for the three months ended June 30

	Net income attributable to shareholders	Net unrealized gains/(losses) on available- for-sale investments
2009, as restated		
Comprehensive income for the period	1,434	1,379
Details of movements during the period		
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		1,810
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		163
Deferred income tax (before foreign currency translation effects)		(475)
Foreign currency translation effects		(119)
2010		
Comprehensive income for the period	707	631
Details of movements during the period		
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		743
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		102
Deferred income tax (before foreign currency translation effects)		(182)
Foreign currency translation effects		(32)

The notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

	Cash flow hedges	Cumulative foreign currency 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
	(29)	1,119	(1)	(118)	2,351	3,785	99	3,885
	77	1,119	–	(115)	2,890			
	(104)	–	–	–	59			
	1	–	(1)	41	(433)			
	(2)	–	–	(44)	(165)			
	34	(681)	25	(448)	(438)	269	(142)	127
	245	(681)	37	(678)	(333)			
	(228)	–	–	–	(126)			
	1	–	(12)	198	5			
	15	–	–	32	15			

Consolidated balance sheets (unaudited)

Assets	in USD millions, as of	Notes	06/30/10	Restated 12/31/09	Restated 12/31/08
Investments					
Total Group investments			185,664	196,258	179,570
Cash and cash equivalents			9,747	11,631	12,428
Equity securities			9,819	12,450	14,303
Debt securities			134,910	136,344	118,287
Real estate held for investment			7,313	7,789	7,524
Mortgage loans			10,923	12,736	12,820
Other loans			12,765	15,077	13,988
Equity method accounted investments			187	232	220
Investments for unit-linked contracts			92,392	99,167	78,203
Total investments		3	278,056	295,425	257,773
Reinsurers' share of reserves for insurance contracts		4	18,801	18,751	18,778
Deposits made under assumed reinsurance contracts			3,474	3,861	2,397
Deferred policy acquisition costs		7	15,032	16,181	14,323
Deferred origination costs		7	784	856	770
Accrued investment income			2,380	2,744	2,429
Receivables			12,715	13,182	13,229
Other assets			3,622	3,327	4,095
Mortgage loans given as collateral			926	1,102	1,233
Deferred tax assets			2,306	2,421	3,165
Assets held for sale ¹			12	67	–
Property and equipment			1,619	1,942	1,889
Goodwill		8	2,180	2,297	1,677
Other intangible assets		8	6,296	7,044	6,633
Total assets			348,202	369,202	328,391

¹ Includes land and buildings formerly classified as held for own use.

The notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

Liabilities and equity	in USD millions, as of	Notes	06/30/10	Restated 12/31/09	Restated 12/31/08
Liabilities					
			564	649	620
Reserve for premium refunds			564	649	620
Liabilities for investment contracts		5	42,510	46,124	35,979
Deposits received under ceded reinsurance contracts			1,361	1,558	1,619
Deferred front-end fees			5,113	5,543	4,695
Reserves for insurance contracts		4	228,204	242,094	224,078
Obligations to repurchase securities			3,471	3,976	3,608
Accrued liabilities			2,457	2,839	2,820
Other liabilities			18,370	17,485	16,944
Collateralized loans			926	1,102	1,233
Deferred tax liabilities			4,000	4,445	3,273
Debt related to capital markets and banking activities		10	881	839	2,527
Senior and subordinated debt		10	10,358	11,444	8,455
Total liabilities			318,216	338,098	305,850
Equity					
Share capital			10	10	10
Additional paid-in capital			11,491	11,400	10,131
Net unrealized gains/(losses) on available-for-sale investments			1,933	387	(3,024)
Cash flow hedges			60	(9)	(16)
Cumulative foreign currency translation adjustment			(1,768)	(396)	(1,341)
Revaluation reserve			126	98	99
Retained earnings			16,102	17,253	14,441
Common shareholders' equity			27,954	28,743	20,301
Preferred securities			515	561	561
Shareholders' equity			28,469	29,304	20,862
Non-controlling interests			1,518	1,800	1,678
Total equity			29,986	31,104	22,540
Total liabilities and equity			348,202	369,202	328,391

The notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

Consolidated statements of cash flows (unaudited)

in USD millions, for the six months ended June 30	2010	Restated 2009
Cash flows from operating activities		
Net income attributable to shareholders	1,642	1,967
Adjustments for:		
Net (gain)/loss on divestments of businesses	(1)	4
Income from equity method accounted investments	(9)	3
Depreciation, amortization and impairments of fixed and intangible assets	434	356
Other non-cash items	(485)	(120)
Underwriting activities:	3,716	931
<i>Reserves for insurance contracts, gross</i>	3,759	2,299
<i>Reinsurers' share of reserves for insurance contracts</i>	(727)	(130)
<i>Liabilities for investment contracts</i>	738	(100)
<i>Deferred policy acquisition costs</i>	(325)	(562)
<i>Deferred origination costs</i>	(2)	20
<i>Deposits made under assumed reinsurance contracts</i>	380	(614)
<i>Deposits received under ceded reinsurance contracts</i>	(108)	19
Investments:	(2,880)	(4,616)
<i>Net capital (gains)/losses on total investments and impairments</i>	(16)	1,353
<i>Net change in trading securities and derivatives</i>	(97)	138
<i>Net change in money market investments</i>	327	(630)
<i>Sales and maturities</i>		
<i>Debt securities</i>	98,250	38,390
<i>Equity securities</i>	27,387	22,252
<i>Other</i>	8,368	3,522
<i>Purchases</i>		
<i>Debt securities</i>	(102,809)	(43,754)
<i>Equity securities</i>	(26,071)	(22,257)
<i>Other</i>	(8,219)	(3,631)
Proceeds from sale and repurchase agreements	(212)	21
Movements in receivables and payables	405	3,602
Net changes in debt for capital markets and banking activities	96	(733)
Net changes in other operational assets and liabilities	274	(114)
Deferred income tax, net	(415)	273
Net cash provided by/(used in) operating activities	2,566	1,574

The notes to the Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.

in USD millions, for the six months ended June 30	2010	2009
Cash flows from investing activities		
Sales of property and equipment	30	42
Purchase of property and equipment	(89)	(145)
Investments in equity method accounted investments, net	2	3
Divestments of companies, net of cash balances	30	(10)
Dividends from equity method accounted investments	1	–
Net cash used in investing activities	(26)	(111)
Cash flows from financing activities		
Dividends paid	(2,214)	(1,413)
Issuance of share capital	51	797
Net movement in treasury shares	(38)	340
Issuance of debt	–	2,159
Repayments of debt outstanding	(200)	(347)
Net cash provided by/(used in) financing activities	(2,401)	1,536
Foreign currency translation effects on cash and cash equivalents	(1,478)	678
Change in cash and cash equivalents excluding change in cash held as collateral for securities lending	(1,340)	3,678
Cash and cash equivalents as of January 1, excluding cash held as collateral for securities lending	16,978	16,711
Cash and cash equivalents as of June 30, excluding cash held as collateral for securities lending	15,639	20,389
Change in cash held as collateral for securities lending	(193)	216
Cash and cash equivalents as of January 1, including cash held as collateral for securities lending	17,471	16,888
Cash and cash equivalents as of June 30, including cash held as collateral for securities lending	15,938	20,782
of which:		
– cash and cash equivalents – Group investments	9,747	15,554
– cash and cash equivalents – unit linked	6,191	5,228
Other supplementary cash flow disclosures		
Other interest income received	3,616	3,666
Dividend income received	801	848
Other interest expense paid	(503)	(476)
Income tax paid	(608)	(451)

As of June 30, 2010 and 2009, cash and cash equivalents restricted as to use were USD 1,292 million and USD 3,048 million, respectively.

Cash and cash equivalents

in USD millions, as of June 30	2010	2009
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	6,087	8,666
Cash equivalents	9,551	11,723
Cash held as collateral for securities lending	299	393
Total	15,938	20,782

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, 2008, as previously reported	10	10,131	(2,957)
Total adjustments due to restatement	–	–	(66)
Balance as of December 31, 2008, as restated	10	10,131	(3,024)
Issuance of share capital ¹	–	910	–
Dividends to shareholders	–	–	–
Share-based payment transactions	–	(62)	–
Treasury share transactions ²	–	100	–
Total comprehensive income for the period, net of tax	–	–	725
<i>Net income</i>	–	–	–
<i>Net unrealized gains/(losses) on available-for-sale investments</i>	–	–	725
<i>Cash flow hedges</i>	–	–	–
<i>Cumulative foreign currency translation adjustment</i>	–	–	–
<i>Net actuarial gains/(losses) on pension plans</i>	–	–	–
Net changes in capitalization and non-controlling interests	–	–	–
Balance as of June 30, 2009, as restated	10	11,079	(2,299)
Balance as of December 31, 2009, as previously reported	10	11,400	334
Total adjustments due to restatement	–	–	53
Balance as of December 31, 2009, as restated	10	11,400	387
Issuance of share capital ¹	–	171	–
Dividends to shareholders	–	–	–
Share-based payment transactions	–	(82)	–
Treasury share transactions ²	–	2	–
Change of ownership with no loss of control	–	–	–
Total comprehensive income for the period, net of tax	–	–	1,545
<i>Net income</i>	–	–	–
<i>Net unrealized gains/(losses) on available-for-sale investments</i>	–	–	1,545
<i>Cash flow hedges</i>	–	–	–
<i>Cumulative foreign currency translation adjustment</i>	–	–	–
<i>Revaluation reserve</i>	–	–	–
<i>Net actuarial gains/(losses) on pension plans</i>	–	–	–
Net changes in capitalization and non-controlling interests	–	–	–
Balance as of June 30, 2010	10	11,491	1,933

¹ The number of common shares issued as of June 30, 2010 was 146,374,524 (June 30, 2009: 147,349,860, December 31, 2009: 147,473,068, December 31, 2008: 142,122,620).

² The number of treasury shares deducted from equity as of June 30, 2010 amounted to 1,413,946 (June 30, 2009: 3,285,622, December 31, 2009: 3,269,338, December 31, 2008: 5,219,803). On March 30, 2010, the cancellation of the 1,836,404 shares with nominal value of CHF 0.10 each repurchased through the Group share buy-back program until December 2008 was approved by the Annual General Meeting. The effective date of the capital reduction was June 15, 2010.

	Cash flow hedges	Cumulative foreign currency translation adjustment	Revaluation reserve	Retained earnings	Common shareholders' equity	Preferred securities	Shareholders' equity	Non-controlling interests	Total equity
	(16)	(1,341)	99	15,616	21,542	561	22,103	1,678	23,781
	-	-	-	(1,174)	(1,241)	-	(1,241)	-	(1,241)
	(16)	(1,341)	99	14,441	20,301	561	20,862	1,678	22,540
	-	-	-	-	910	-	910	-	910
	-	-	-	(1,389)	(1,389)	(12)	(1,401)	(12)	(1,413)
	-	-	-	-	(62)	-	(62)	-	(62)
	-	-	-	240	340	-	340	-	340
	(22)	889	(1)	2,526	4,118	12	4,130	22	4,152
	-	-	-	1,955	1,955	12	1,967		
	-	-	-	-	725	-	725		
	(22)	-	-	-	(22)	-	(22)		
	-	889	-	-	889	-	889		
	-	-	-	571	571	-	571		
	-	-	-	-	-	-	-	43	43
	(38)	(451)	98	15,818	24,218	561	24,779	1,731	26,510
	(9)	(396)	98	17,680	29,117	561	29,678	1,800	31,478
	-	-	-	(427)	(374)	-	(374)	-	(374)
	(9)	(396)	98	17,253	28,743	561	29,304	1,800	31,104
	-	-	-	-	171	-	171	-	171
	-	-	-	(2,202)	(2,202)	(6)	(2,207)	(6)	(2,214)
	-	-	-	-	(82)	-	(82)	-	(82)
	-	-	-	7	8	(46)	(38)	-	(38)
	-	-	-	(3)	(3)	-	(3)	-	(3)
	69	(1,372)	28	1,047	1,318	6	1,324	(225)	1,098
	-	-	-	1,637	1,637	6	1,642		
	-	-	-	-	1,545	-	1,545		
	69	-	-	-	69	-	69		
	-	(1,372)	-	-	(1,372)	-	(1,372)		
	-	-	28	-	28	-	28		
	-	-	-	(589)	(589)	-	(589)		
	-	-	-	-	-	-	-	(51)	(51)
	60	(1,768)	126	16,102	27,954	515	28,469	1,518	29,986

1. Basis of presentation

General information

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

The unaudited Consolidated Financial Statements for the six months ended June 30, 2010 of Zurich Financial Services Ltd and its subsidiaries (collectively the Group) have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used to prepare the unaudited Consolidated Financial Statements comply with International Financial Reporting Standards (IFRS), and are consistent with those set out in the notes to the Consolidated Financial Statements in the Financial Report 2009 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. For the Consolidated Financial Statements inter-segment revenues and transfers are eliminated.

The unaudited Consolidated Financial Statements should be read in conjunction with the Group's Financial Report 2009.

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.

Interest on reinsurance deposits previously presented under "Net Investment Income" amounting to USD 38 million for the six months ended June 30, 2009 is now presented under "Other income". This change in presentation is reflected in the consolidated income statements.

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. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

Table 1 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 190 million and USD 29 million for the six months ended June 30, 2010 and 2009, respectively. Foreign currency exchange forward and swap gains and (losses) included in these amounts were USD (24) million and USD 228 million for the six months ended June 30, 2010 and 2009, respectively.

USD per foreign currency unit	Balance sheets		Income statements and cash flows	
	06/30/10	12/31/09	06/30/10	06/30/09
	Euro	1.2291	1.4333	1.3295
Swiss franc	0.9285	0.9649	0.9248	0.8857
British pound	1.4951	1.6164	1.5266	1.4915

Implementation of new accounting standards

The following new accounting standards or amendments to and interpretations of standards relevant to the Group have been implemented for the financial year beginning January 1, 2010 with no material impact on the Group's financial position or performance.

- IFRS 3 "Business Combinations" revised
- Amendments to IAS 27 "Consolidated and separate Financial Statements"
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurements - Eligible Hedged Items"
- Amendments to IFRS 2 "Share-based Payment - Group Cash-settled Share-based Payment Transactions"
- Several minor amendments as part of the IASB's annual improvement project including amendments regarding IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IAS 38 "Intangible Assets", IFRIC 9 "Reassessment of Embedded Derivatives" and IFRIC 10 "Interim Financial Reporting and Impairment"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

The Group has not early adopted the following Standards:

- Amendments to IAS 32 "Financial Instruments: Presentation – Classification of Rights Issues" effective for reporting periods beginning on or after February 1, 2010
- Amendments to IAS 24 "Related Party Disclosures" effective for reporting periods beginning on or after January 1, 2011
- IFRS 9 "Financial Instruments" effective for reporting periods beginning on or after January 1, 2013

Change in accounting policies in 2010

The Group decided to dynamically hedge the risks associated with its closed U.S. life book included in its Non-Core Businesses segment, starting in March 2010. In order to offset the accounting volatility from the fair valuation of the hedge, the Group concluded that it should measure the underlying insurance liabilities in this book of business at current value and as a consequence has changed its accounting policy for this closed U.S. life book by exercising the option in IFRS 4 to remeasure designated insurance liabilities using current financial and non-financial assumptions. All financial assets, which were previously designated as available-for-sale, related to these insurance liabilities have therefore also been redesignated at fair value through profit or loss. As a consequence of this change in accounting policy, prior year figures have been restated to ensure comparability. Business operating profit (BOP) has not been restated, as the business was not managed on a fair value basis in 2009, prior to the implementation of the dynamic hedge and therefore to restate BOP would not be a fair reflection of a sustainable operating profit nor provide comparability with the previous period.

Restatement and reclassifications of consolidated income statement

Table 1.1				
in USD millions, for the six months ended June 30, 2009				
	As reported	Amount of restatement	Reclassifications	As restated
Revenues				
Gross written premiums and policy fees	27,426	–	–	27,426
Less premiums ceded to reinsurers	(3,095)	–	–	(3,095)
Net written premiums and policy fees	24,331	–	–	24,331
Net change in reserves for unearned premiums	(1,853)	–	–	(1,853)
Net earned premiums and policy fees	22,478	–	–	22,478
Farmers management fees and other related revenues	1,247	–	–	1,247
Net investment result on Group investments	2,435	(123)	(38)	2,274
Net investment income on Group investments	3,777	–	(38)	3,739
Net capital gains/(losses) and impairments on Group investments	(1,342)	(123)	–	(1,465)
Net investment result on unit-linked investments	923	–	–	923
Net gain/(loss) on divestments of businesses	(4)	–	–	(4)
Other income	754	–	38	792
Total revenues	27,832	(123)	–	27,709
Benefits, losses and expenses				
Insurance benefits and losses, gross of reinsurance	18,927	(1,111)	–	17,816
Less ceded insurance benefits and losses	(1,560)	50	–	(1,510)
Insurance benefits and losses, net of reinsurance	17,367	(1,060)	–	16,306
Policyholder dividends and participation in profits, net of reinsurance	1,189	–	–	1,189
Underwriting and policy acquisition costs, net of reinsurance	4,036	–	–	4,036
Administrative and other operating expense	3,225	–	–	3,225
Interest expense on debt	275	–	–	275
Interest credited to policyholders and other interest	244	–	–	244
Total benefits, losses and expenses	26,336	(1,060)	–	25,275
Net income before income taxes	1,496	938	–	2,434
Income tax expense	(242)	(225)	–	(466)
attributable to policyholders	170	–	–	170
attributable to shareholders	(411)	(225)	–	(636)
Net income after taxes	1,255	713	–	1,968
attributable to non-controlling interests	1	–	–	1
attributable to shareholders	1,254	713	–	1,967
in USD				
Basic earnings per share	8.89	5.10	–	13.99
Diluted earnings per share	8.82	5.07	–	13.89
in CHF				
Basic earnings per share	10.03	5.76	–	15.80
Diluted earnings per share	9.96	5.72	–	15.68

Restatement of consolidated balance sheet

Table 1.2

in USD millions, as of December 31, 2009

	As reported	Amount of restatement	As restated
Investments			
Total Group investments	196,258	–	196,258
Cash and cash equivalents	11,631	–	11,631
Equity securities	12,450	–	12,450
Debt securities	136,344	–	136,344
Real estate held for investment	7,789	–	7,789
Mortgage loans	12,736	–	12,736
Other loans	15,077	–	15,077
Equity method accounted investments	232	–	232
Investments for unit-linked contracts	99,167	–	99,167
Total investments	295,425	–	295,425
Reinsurers' share of reserves for insurance contracts	18,627	124	18,751
Deposits made under assumed reinsurance contracts	3,861	–	3,861
Deferred policy acquisition costs	16,181	–	16,181
Deferred origination costs	856	–	856
Accrued investment income	2,744	–	2,744
Receivables	13,182	1	13,182
Other assets	3,327	–	3,327
Mortgage loans given as collateral	1,102	–	1,102
Deferred tax assets	2,257	164	2,421
Assets held for sale	67	–	67
Property and equipment	1,942	–	1,942
Goodwill	2,297	–	2,297
Other intangible assets	7,044	–	7,044
Total assets	368,914	288	369,202
Liabilities			
Reserve for premium refunds	649	–	649
Liabilities for investment contracts	46,124	–	46,124
Deposits received under ceded reinsurance contracts	1,558	–	1,558
Deferred front-end fees	5,543	–	5,543
Reserves for insurance contracts	241,412	682	242,094
Obligations to repurchase securities	3,976	–	3,976
Accrued liabilities	2,839	–	2,839
Other liabilities	17,485	–	17,485
Collateralized loans	1,102	–	1,102
Deferred tax liabilities	4,464	(20)	4,445
Debt related to capital markets and banking activities	839	–	839
Senior and subordinated debt	11,444	–	11,444
Total liabilities	337,435	662	338,098
Equity			
Shareholders' equity	29,678	(374) ¹	29,304
Non-controlling interests	1,800	–	1,800
Total equity	31,478	(374)	31,104
Total liabilities and equity	368,914	288	369,202

¹ Of the USD (374) million restatement of total equity, USD 867 million relates to 2009, and USD (1,241) million relates to 2008 and prior years.

2. Acquisitions and divestments

Recent developments

In line with the ongoing restructuring of the banking industry in Spain various banks and savings institutions are engaging in different forms of cooperation or mergers. In 2008 the Group acquired 50 percent interests in life and general insurance companies of, and entered into distribution agreements with, several of these banks and savings institutions. One of these savings institutions, Caixa d'Estalvis de Sabadell merged into Caixa d'Estalvis Unió de Caixes Manlleu Sabadell y Terrassa (Unnim) as of July 1, 2010. The Group is continuing to review and assess, as details emerge, the effects of this merger and of related industry developments on determination of control and its distribution agreements.

Transactions in 2010

On February 15, 2010, Royal Bafokeng Finance (Pty) Limited (RBF), an investment company based in South Africa and wholly owned by Royal Bafokeng Holdings (Pty) Limited, based in South Africa and responsible for the management and development of the commercial assets of the Royal Bafokeng Nation, increased its share holding in Zurich Insurance Company South Africa Limited, of which the Group owned 73.6 percent, by 15.1 percent from 10.0 percent to 25.1 percent against USD 32 million in cash with option rights to increase up to 51.0 percent or sell the entire stake back to the Group. To appropriately reflect the nature of the put and the call options on the shares, the Group has reclassified the 25.1 percent non-controlling interest of RBF as a liability measured at fair value in the unaudited Consolidated Financial Statements.

On June 4, 2010 the Group signed an agreement to acquire 80 percent of PT Mayapada Life, a life insurer based in Indonesia focused on the distribution of group and individual life and health plans. Mayapada Group will continue to hold 20 percent of PT Mayapada Life. Subject to the approval of the relevant regulatory authorities, the transaction is expected to close in the fourth quarter of 2010.

3. Investments

Table 3.1a

Investment result
for total
investments

in USD millions, for the six months ended June 30

	Net investment income		Net capital gains/ (losses) on investments and impairments		Investment result	
	2010	2009	2010	2009	2010	2009
	Cash and cash equivalents	80	102	3	29	83
Equity securities	834	848	(1,063)	243	(228)	1,091
Debt securities	2,784	2,873	1,109	(778)	3,893	2,095
Real estate held for investment	381	387	181	(592)	563	(204)
Mortgage loans	256	280	(345)	(59)	(89)	221
Other loans	355	353	(10)	1	346	353
Equity method accounted investments	9	(3)	(27)	–	(18)	(3)
Other investments ¹	–	31	166	(197)	166	(165)
Investment result, gross	4,699	4,871	16	(1,353)	4,715	3,518
Investment expenses	(372)	(321)	–	–	(372)	(321)
Investment result, net	4,327	4,550	16	(1,353)	4,343	3,197

¹ Including net capital gains/(losses) on derivative financial instruments of USD 166 million and USD (164) million for the six months ended June 30, 2010 and 2009, respectively, of which net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 16 million and USD 10 million for the six months ended June 30, 2010 and 2009, respectively.

Rental operating expenses for real estate held for investment included in investment expenses for total investments amounted to USD 91 million and USD 66 million for the six months ended June 30, 2010 and 2009, respectively.

Table 3.1b

Investment result for
Group
investments

in USD millions, for the six months ended June 30

	Net investment income		Net capital gains/ (losses) on investments and impairments		Investment result	
	2010	2009	2010	2009	2010	2009
	Cash and cash equivalents	27	68	1	(1)	28
Equity securities	173	195	(239)	(499)	(66)	(304)
Debt securities	2,632	2,727	827	(691)	3,459	2,036
Real estate held for investment	226	224	3	(8)	229	216
Mortgage loans	256	280	(345)	(59)	(89)	221
Other loans	347	352	1	1	347	353
Equity method accounted investments	9	(3)	(27)	–	(18)	(3)
Other investments ¹	–	2	197	(207)	197	(204)
Investment result, gross for Group investments	3,669	3,845	418	(1,465)	4,087	2,381
Investment expenses for Group investments	(109)	(107)	–	–	(109)	(107)
Investment result, net for Group investments	3,561	3,739	418	(1,465)	3,979	2,274

¹ The net capital gains/(losses) in other investments arise entirely from derivative financial instruments and include net capital gains/(losses) on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 16 million and USD 10 million for the six months ended June 30, 2010 and 2009, respectively.

For the six months ended June 30, 2010 and 2009, respectively, impairment charges on Group investments included in net capital gains/(losses) amounted to USD 763 million and USD 738 million, of which impairment charges on mortgage loans, other loans and equity method accounted investments comprised in total USD 368 million and USD 59 million, respectively.

Table 3.1c

Investment result for unit-linked contracts

in USD millions, for the six months ended June 30

	Net investment income		Net capital gains/(losses) on investments		Investment result	
	2010	2009	2010	2009	2010	2009
Cash and cash equivalents	53	34	2	30	55	64
Equity securities	662	654	(824)	742	(162)	1,396
Debt securities	152	146	282	(87)	433	59
Real estate held for investment	155	163	179	(583)	334	(420)
Other loans	9	–	(10)	–	(1)	–
Other investments ¹	–	29	(31)	10	(31)	39
Investment result, gross for unit-linked contracts	1,030	1,026	(402)	112	628	1,138
Investment expenses for unit-linked contracts	(264)	(215)	–	–	(264)	(215)
Investment result, net unit-linked contracts	767	811	(402)	112	364	923

¹ Including net capital gains/(losses) on derivative financial instruments of USD (31) million and USD 43 million for the six months ended June 30, 2010 and 2009, respectively.

Table 3.2

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

in USD millions, for the six months ended June 30

	Equity securities		Debt securities		Total	
	2010	2009	2010	2009	2010	2009
Securities at fair value through profit or loss:	(738)	776	679	(398)	(59)	378
Net capital gains/(losses) on Group investments	86	34	397	(312)	483	(278)
<i>of which:</i>						
<i>Trading securities</i>	18	(10)	9	(4)	27	(14)
<i>Securities designated at fair value through profit or loss</i>	68	44	388	(308)	456	(264)
Net capital gains/(losses) for unit-linked contracts	(824)	742	282	(87)	(542)	655
Available-for-sale securities:	(325)	(533)	391	(359)	66	(892)
Realized capital gains on Group investments	144	116	627	436	771	552
Realized capital losses on Group investments	(74)	(258)	(197)	(528)	(271)	(785)
Impairments on Group investments	(395)	(392)	(39)	(268)	(434)	(659)
Held-to-maturity securities	–	–	40	(20)	40	(20)
Total net capital gains/(losses) and impairments	(1,063)	243	1,109	(778)	46	(535)

Details of total investments by category	as of	Total investments			
		06/30/10		12/31/09	
		USD millions	% of total	USD millions	% of total
Cash and cash equivalents		15,938	5.7	17,471	5.9
Equity securities:					
Fair value through profit or loss		75,087	27.0	83,329	28.2
<i>of which: trading</i>		487	0.2	879	0.3
<i>of which: trading equity portfolios in capital markets and banking activities</i>		150	0.1	461	0.2
Available-for-sale		6,029	2.2	7,432	2.5
Total equity securities		81,115	29.2	90,761	30.7
Debt securities:					
Fair value through profit or loss		17,686	6.4	17,878	6.1
<i>of which: trading</i>		295	0.1	82	0.0
Available-for-sale		122,105	43.9	123,516	41.8
Held-to-maturity		4,863	1.7	5,143	1.7
Total debt securities		144,653	52.0	146,538	49.6
Real estate held for investment		11,104	4.0	11,686	4.0
Mortgage loans		10,923	3.9	12,736	4.3
Other loans		14,135	5.1	16,001	5.4
Equity method accounted investments		187	0.1	232	0.1
Total investments		278,056	100.0	295,425	100.0

Details of Group investments by category	as of	Group investments			
		06/30/10		12/31/09	
		USD millions	% of total	USD millions	% of total
Cash and cash equivalents		9,747	5.2	11,631	5.9
Equity securities:					
Fair value through profit or loss		3,791	2.0	5,018	2.6
<i>of which: trading</i>		487	0.3	879	0.4
<i>of which: trading equity portfolios in capital markets and banking activities</i>		150	0.1	461	0.2
Available-for-sale		6,029	3.2	7,432	3.8
Total equity securities		9,819	5.3	12,450	6.3
Debt securities:					
Fair value through profit or loss		7,942	4.3	7,684	3.9
<i>of which: trading</i>		295	0.2	82	0.0
Available-for-sale		122,105	65.8	123,516	62.9
Held-to-maturity		4,863	2.6	5,143	2.6
Total debt securities		134,910	72.7	136,344	69.5
Real estate held for investment		7,313	3.9	7,789	4.0
Mortgage loans		10,923	5.9	12,736	6.5
Other loans		12,765	6.9	15,077	7.7
Equity method accounted investments		187	0.1	232	0.1
Total Group investments		185,664	100.0	196,258	100.0

Cash and investments with a carrying value of USD 5,407 million and USD 4,908 million were deposited with regulatory authorities as of June 30, 2010 and December 31, 2009, respectively.

Securities under security lending and repurchase agreements

As of June 30, 2010 and December 31, 2009, investments included USD 6,187 million and USD 5,073 million, respectively, of loaned securities. These loaned securities were mainly debt securities. Cash and cash equivalents included USD 299 million and USD 493 million of cash received as collateral for loaned securities as of June 30, 2010 and December 31, 2009, respectively. Liabilities for cash collateral received for securities lending comprised USD 302 million and USD 508 million as of June 30, 2010 and December 31, 2009, respectively. Non-cash collateral received for loaned securities comprised mainly equity and debt securities and amounted to USD 6,183 million and USD 5,046 million as of June 30, 2010 and December 31, 2009, respectively. The Group can sell or repledge the collateral only in the event of default by a counterparty.

As of June 30, 2010 and December 31, 2009, respectively, debt securities with a carrying value of USD 3,474 million and USD 3,938 million have been sold to financial institutions under repurchase agreements. These securities continue to be recognized as investments in the balance sheets. Obligations to repurchase these securities amounted to USD 3,471 million and USD 3,976 million as of June 30, 2010 and December 31, 2009, respectively. The Group retains the rights to the risks and the benefits of ownership of loaned securities and securities under repurchase agreements. These risks and benefits 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			
		06/30/10		12/31/09	
		USD millions	% of total	USD millions	% of total
Cash and cash equivalents		6,191	6.7	5,840	5.9
Equity securities		71,296	77.2	78,311	79.0
Debt securities		9,744	10.5	10,194	10.3
Real estate held for investment		3,791	4.1	3,897	3.9
Other loans		1,370	1.5	924	0.9
Total investments for unit-linked contracts		92,392	100.0	99,167	100.0

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 group investments included in shareholders' equity	in USD millions, as of	Total	
		06/30/10	12/31/09
Equity securities: available-for-sale		173	112
Debt securities: available-for-sale		4,285	1,586
Other		77	9
Less: amount of net unrealized gains/(losses) on investments attributable to:			
Life policyholder dividends and other policyholder liabilities		(1,533)	(904)
Life deferred acquisition costs		(262)	(97)
Deferred income taxes		(742)	(312)
Non-controlling interests		(6)	(15)
Total¹		1,993	379

¹ Net unrealized gains/(losses) include net gains arising on cash flow hedges of USD 60 million and losses of USD (9) million as of June 30, 2010 and December 31, 2009, respectively.

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

Reserves for insurance contracts	in USD millions, as of					
	Gross		Ceded		Net	
	06/30/10	12/31/09	06/30/10	12/31/09	06/30/10	12/31/09
Reserves for losses and loss adjustment expenses	65,563	68,086	(11,992)	(12,182)	53,571	55,903
Reserves for unearned premiums	17,770	17,676	(2,354)	(2,000)	15,416	15,676
Future life policyholders' benefits	70,922	79,271	(2,170)	(2,199)	68,752	77,072
Policyholders' contract deposits and other funds	18,975	18,857	(2,382)	(2,457)	16,593	16,400
Reserves for unit-linked contracts	54,974	58,204	–	–	54,974	58,204
Total reserves for insurance contracts¹	228,204	242,094	(18,899)	(18,839)	209,305	223,255

¹ The total reserves for insurance contracts ceded are gross of allowance for uncollectible amounts of USD 98 million and USD 88 million as of June 30, 2010 and December 31, 2009, respectively.

Development of reserves for losses and loss adjustment expenses	in USD millions					
	Gross		Ceded		Net	
	2010	2009	2010	2009	2010	2009
As of January 1	68,086	65,218	(12,182)	(12,232)	55,903	52,986
Losses and loss adjustment expenses incurred:						
Current year	14,799	13,267	(2,211)	(1,223)	12,588	12,045
Prior years	(766)	(346)	261	(68)	(505)	(414)
Total incurred	14,033	12,921	(1,950)	(1,291)	12,083	11,630
Losses and loss adjustment expenses paid:						
Current year	(4,381)	(3,797)	302	141	(4,079)	(3,656)
Prior years	(9,015)	(9,235)	1,281	1,185	(7,733)	(8,050)
Total paid	(13,396)	(13,031)	1,583	1,326	(11,813)	(11,706)
Acquisitions/(divestments) and transfers	(10)	94	29	1	19	95
Foreign currency translation effects	(3,150)	1,470	529	(248)	(2,622)	1,222
As of June 30	65,563	66,672	(11,992)	(12,444)	53,571	54,228

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 first half-year of 2010. The decrease of USD 2.3 billion in total net reserves included USD 505 million of favorable reserve development emerging from reserves established in prior years from various regions and lines of business. Favorable development arose in the General Insurance business partially offset by strengthening in other segments. The positive development includes reduced exposures associated with return premiums in North America.

Table 4.3

Development of future life policyholders' benefits	in USD millions		Gross		Ceded		Net	
	2010	2009	2010	2009	2010	2009	2010	2009
As of January 1	79,271	78,118	(2,199)	(2,056)	77,072	76,061		
Premiums and claims	(1,338)	(1,834)	(51)	53	(1,388)	(1,781)		
Interest and bonuses credited to policyholders	1,295	1,287	(37)	(35)	1,258	1,252		
Change in assumptions	208	23	(19)	6	189	29		
Acquisitions/transfers	(29)	–	–	–	(29)	–		
Changes recorded in shareholders' equity	19	(6)	–	–	19	(6)		
Foreign currency translation effects	(8,503)	748	135	(115)	(8,368)	633		
As of June 30	70,922	78,336	(2,170)	(2,147)	68,752	76,189		

Table 4.4

Policyholders' contract deposits and other funds gross	in USD millions, as of	
	06/30/10	12/31/09
Annuities	2,753	2,760
Universal life and other contracts	10,724	10,801
Policyholder dividends	5,498	5,297
Total	18,975	18,857

Table 4.5

Development of policyholders' contract deposits and other funds	in USD millions	Gross		Ceded		Net	
		2010	2009	2010	2009	2010	2009
		As of January 1	18,857	17,047	(2,457)	(2,690)	16,400
Premiums and claims	58	(346)	98	210	156	(136)	
Interest and bonuses credited to policyholders	550	294	(43)	(44)	507	249	
Acquisitions	–	92	–	–	–	92	
Changes recorded in shareholders' equity	774	(259)	–	–	774	(259)	
Foreign currency translation effects	(1,264)	314	20	(5)	(1,244)	309	
As of June 30		18,975	17,141	(2,382)	(2,530)	16,593	14,612

Table 4.6

Development of reserves for unit-linked contracts	in USD millions	Gross		Ceded		Net	
		2010	2009	2010	2009	2010	2009
		As of January 1	58,204	47,297	–	–	58,204
Premiums and claims	834	286	–	–	834	286	
Interest and bonuses credited/(charged) to policyholders	420	704	–	–	420	704	
Acquisitions/transfers	29	–	–	–	29	–	
Foreign currency translation effects	(4,513)	3,053	–	–	(4,513)	3,053	
As of June 30		54,974	51,341	–	–	54,974	51,341

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

Table 5.1			
Liabilities for investment contracts	in USD millions, as of	06/30/10	12/31/09
	Liabilities related to unit-linked investment contracts	36,744	40,143
	Liabilities related to investment contracts (amortized cost)	359	254
	Liabilities related to investment contracts with DPF	5,407	5,728
	Total	42,510	46,124

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	in USD millions	2010	2009
	As of January 1	46,124	35,979
	Premiums and claims	456	(385)
	Interest and bonuses charged/(credited) to policyholders	319	282
	Acquisitions/transfers	(3)	–
	Changes recorded in shareholders' equity	(32)	2
	Foreign currency translation effects	(4,354)	3,189
	As of June 30	42,510	39,067

6. Gross and ceded insurance revenues and expenses

Table 6.1

Insurance benefits and losses	in USD millions, for the six months ended June 30					
	Gross		Ceded		Net	
	2010	2009	2010	2009	2010	2009
Losses and loss adjustment expenses	14,033	12,921	(1,950)	(1,291)	12,083	11,630
Life insurance death and other benefits	5,627	5,386	(220)	(243)	5,407	5,143
Change in future life policyholders' benefits	45	(491)	(94)	24	(50)	(467)
Total insurance benefits and losses	19,705	17,816	(2,264)	(1,510)	17,441	16,306

Table 6.2

Policyholder dividends and participation in profits	in USD millions, for the six months ended June 30					
	Gross		Ceded		Net	
	2010	2009	2010	2009	2010	2009
Change in policyholders' contract deposits and other funds	309	175	(1)	(1)	307	174
Change in reserves for unit-linked products	174	673	–	–	174	673
Change in liabilities for investment contracts – unit-linked	257	301	–	–	257	301
Change in liabilities for investment contracts – other	100	61	–	–	100	61
Change in unit-linked liabilities related to UK capital gains tax	8	(21)	–	–	8	(21)
Total policyholder dividends and participation in profits	847	1,190	(1)	(1)	845	1,189

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 ¹		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	As of January 1	3,374	3,247	12,276	10,768	531	308	16,181	14,323	
Acquisition costs deferred	1,541	1,433	833	664	512	597	2,886	2,693		
Amortization	(1,426)	(1,307)	(451)	(400)	(690)	(430)	(2,567)	(2,137)		
Amortization charged/ (credited) to shareholders' equity	–	–	(151)	3	–	(1)	(151)	3		
Foreign currency translation effects	(165)	66	(1,151)	561	–	–	(1,316)	627		
As of June 30	3,324	3,439	11,355	11,596	353	474	15,032	15,509		

¹ Net of eliminations from inter-segment transactions.

Table 7.2

Development of deferred origination costs	in USD millions		2010	2009
	As of January 1		856	770
Origination costs deferred		56	31	
Amortization		(54)	(53)	
Foreign currency translation effects		(75)	76	
As of June 30		784	825	

8. Goodwill and other intangible assets

Table 8.1

Intangible assets –
current period

in USD millions

	Goodwill	PVFP	Distribution agreements	Software	Other intangible assets	Attorney-in-fact relationships	Total
Gross carrying value as of January 1, 2010	2,331	2,749	3,426	3,430	224	1,025	13,186
Less: accumulated amortization/impairments	(34)	(1,612)	(251)	(1,861)	(85)	–	(3,844)
Net carrying value as of January 1, 2010	2,297	1,137	3,174	1,569	139	1,025	9,342
Additions and transfers	–	–	–	254	–	–	254
Divestments and transfers	–	–	–	(8)	–	–	(8)
Amortization	–	(54)	(72)	(179)	(9)	–	(314)
Amortization charged to shareholders' equity	–	(23)	–	–	–	–	(23)
Impairments	–	–	–	(8)	(5)	–	(13)
Foreign currency translation effects	(118)	(117)	(440)	(77)	(10)	–	(762)
Net carrying value as of June 30, 2010	2,180	943	2,662	1,550	115	1,025	8,475
Plus: accumulated amortization/impairments	19	1,568	283	1,932	89	–	3,890
Gross carrying value as of June 30, 2010	2,199	2,510	2,946	3,482	203	1,025	12,366

As of June 30, 2010, the intangible assets related to non-controlling interests were USD 182 million from present value of future profits (PVFP) of acquired insurance contracts, USD 1,246 million from distribution agreements and USD 5 million from software. As of December 31, 2009, the comparative figures were USD 224 million, USD 1,484 million and USD 8 million, respectively.

Table 8.2

Intangible assets
by segment –
current period

in USD millions, as of June 30, 2010

	Goodwill	PVFP	Distribution agreements	Software	Other intangible assets	Attorney-in-fact relationships	Total
General Insurance	963	–	594	601	88	–	2,246
Global Life	391	943	2,069	298	26	–	3,727
Farmers	821	–	–	436	–	1,025	2,283
Other Operating Businesses	5	–	–	212	–	–	217
Non-Core Businesses	–	–	–	3	–	–	3
Net carrying value as of June 30, 2010	2,180	943	2,662	1,550	115	1,025	8,475

Intangible assets –
prior period

	Goodwill	PVFP	Distribution agreements	Software	Other intangible assets	Attorney-in-fact relationships	Total
Gross carrying value as of January 1, 2009	1,696	2,617	3,075	2,791	247	1,025	11,451
Less: accumulated amortization/impairments	(19)	(1,364)	(42)	(1,635)	(80)	–	(3,141)
Net carrying value as of January 1, 2009	1,677	1,252	3,032	1,156	166	1,025	8,310
Additions and transfers	91	5	191	270	(9)	–	547
Amortization	–	(14)	(94)	(124)	(7)	–	(239)
Amortization charged to shareholders' equity	–	(11)	–	–	–	–	(11)
Impairments	–	(2)	–	–	(8)	–	(10)
Foreign currency translation effects	35	25	26	20	13	–	119
Net carrying value as of June 30, 2009	1,802	1,256	3,155	1,323	155	1,025	8,716
Plus: accumulated amortization/impairments	21	1,502	136	1,674	100	–	3,432
Gross carrying value as of June 30, 2009	1,823	2,757	3,291	2,996	255	1,025	12,148

Intangible assets
by segment –
prior period

	Goodwill	PVFP	Distribution agreements	Software	Other intangible assets	Attorney-in-fact relationships	Total
General Insurance	1,029	–	705	607	108	–	2,448
Global Life	442	1,137	2,470	363	31	–	4,443
Farmers	821	–	–	372	–	1,025	2,218
Other Operating Businesses	5	–	–	218	–	–	223
Non-Core Businesses	–	–	–	9	–	–	9
Net carrying value as of December 31, 2009	2,297	1,137	3,174	1,569	139	1,025	9,342

9. Income taxes

Table 9.1				
in USD millions, for the six months ended June 30				
		2010	2009	
Income tax expense – current/deferred split	Current	685	457	
	Deferred	(180)	9	
	Total income tax expense/(benefit)	505	466	

Table 9.2				
in USD millions, for the six months ended June 30				
		2010	2009	
Income tax expense – policyholder/shareholder attribution	Total income tax expense/(benefit) attributable to policyholders	(3)	(170)	
	Total income tax expense/(benefit) attributable to shareholders	508	636	
	Total income tax expense/(benefit)	505	466	

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						
in USD millions, for the six months ended June 30						
	Rate	2010	Rate	2009		
Expected and actual income tax expense	Net income before income taxes		2,183		2,434	
	Less: income tax (expense)/benefit attributable to policyholders		3		170	
	Net income before income taxes attributable to shareholders		2,186		2,603	
	Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	22.0%	481	22.0%	573	
	Increase/(reduction) in taxes resulting from:					
	<i>Tax rate differential in foreign jurisdictions</i>		181		120	
	<i>Tax exempt and lower taxed income</i>		(30)		(24)	
	<i>Non-deductible expenses</i>		30		49	
	<i>Tax losses previously unrecognized or no longer recognized</i>		41		65	
	<i>Prior year adjustments and other</i>		(195)		(147)	
	Actual income tax expense attributable to shareholders	23.2%	508	24.4%	636	
	Plus: income tax expense/(benefit) attributable to policyholders		(3)		(170)	
	Actual income tax expense/(benefit)	23.1%	505	19.1%	466	

Table 9.3 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		06/30/10	12/31/09
in USD millions, as of			
Debt related to capital markets and banking activities			
Zurich Capital Markets	Various debt instruments payable within 1 year	409	25
Zurich Financial Services			
EUB Holdings Limited	Various debt instruments payable within 1 year	471	813
	Various debt instruments payable in more than 1 year	1	1
Debt related to capital markets and banking activities		881	839
Senior debt			
Zurich Finance (USA), Inc.	3.50% CHF 300 bond, due November 2011 ^{1,6}	280	291
	4.50% EUR 1,000 bond, due September 2014 ^{2,6}	1,245	1,443
	4.875% EUR 800 bond, due April 2012 ⁶	980	1,143
	6.50% EUR 600 bond, due October 2015 ^{3,6}	735	857
Zurich Finance (Luxembourg) S.A.	3.25% USD 750 bond, due September 2013 ^{5,6}	762	747
Zurich Insurance Company Ltd	3.875% CHF 1,000 bond, due July 2011	929	965
	3.75% CHF 500 bond, due September 2013 ⁶	460	478
	Various debt instruments payable within 1 year	–	200
Other	Various debt instruments payable within 1 year	2	5
	Various debt instruments payable in more than 1 year	147	149
Senior debt		5,540	6,277
Subordinated debt			
Zurich Insurance Company Ltd	12.0% EUR 143 capital notes, undated ⁶	174	203
	7.5% EUR 425 bond, due July 2039 ⁶	517	603
Zurich Finance (UK) plc	6.625% GBP 450 bond, undated notes ^{4,6}	663	717
Zurich Finance (USA), Inc.	5.75% EUR 500 bond, due October 2023 ⁶	607	707
	4.5% EUR 500 bond, due June 2025 ^{5,6}	649	730
ZFS Finance (USA) Trust I	Series I 6.15% USD 600 ECAPS, due December 2065	568	567
ZFS Finance (USA) Trust II	Series II 6.45% USD 700 ECAPS, due December 2065	673	672
ZFS Finance (USA) Trust III	Series III Floating Rate USD 400 ECAPS, due December 2065	200	200
ZFS Finance (USA) Trust IV	Series IV 5.875% USD 500 Trust Preferred Securities, due May 2062	249	249
ZFS Finance (USA) Trust V	Series V 6.5% USD 1,000 Trust Preferred Securities, due May 2067	496	496
Other	Various debt instruments payable in more than 1 year	20	22
Subordinated debt		4,817	5,167
Total senior and subordinated debt		10,358	11,444
Total debt		11,238	12,283

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

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

³ The bond is part of a qualifying cash flow hedge.

⁴ 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.

⁵ This bond is part of a qualifying fair value hedge.

⁶ Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).

None of the debt instruments listed above were in default as of June 30, 2010 and December 31, 2009.

Debt related to capital markets and banking activities

Debt related to capital markets and banking activities increased by USD 42 million from USD 839 million as of December 31, 2009 to USD 881 million as of June 30, 2010. Zurich Capital Markets' debt increased by USD 384 million, largely due to an increase in commercial paper issues, partially offset by a decrease of USD 342 million in the level of corporate and institutional deposits held by the Group's banking operations.

Senior and subordinated debt

To facilitate the issuance of debt, the Group has in place a Euro Medium Term Note Programme (EMTN Programme) allowing for the issuance of senior and subordinated notes up to a maximum of USD 15 billion. All issuances under this programme are either issued or guaranteed by Zurich Insurance Company Ltd. The Group has also issued debt instruments outside this programme when deemed appropriate. There were no new issues in 2010.

i) Senior debt

Senior debt decreased from USD 6.3 billion to USD 5.5 billion primarily due to the strengthening of the USD against the issuing currencies and the USD 200 million repayment of debt drawn under a credit facility for the sole purpose of financing surplus notes issued by the Leschi Life Assurance Company (Leschi), which expired in June 2010.

ii) Subordinated debt

Subordinated debt decreased from USD 5.2 billion as of December 31, 2009 to USD 4.8 billion as of June 30, 2010, mainly as a result of the strengthening of the USD against the issuing currencies.

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.

Description and features of significant subordinated debt

Table 10.2

Description	in millions	Coupon conditions	Call/ redemption date	Redemption conditions
12.00% EUR 143 bond, undated notes		12.00% payable annually up to July 15, 2014 and then reset quarterly to 3-month EURIBOR plus 10.33%.	Quarterly on or after July 15, 2014	Redeemable in whole at par plus any accrued interest.
7.5% EUR 425 bond, due July 2039		7.5% payable annually up to July 24, 2019 and then reset quarterly to 3-month EURIBOR plus 5.85%.	Quarterly on or after July 24, 2019	Redeemable in whole or in part at par plus any accrued interest.
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. ¹	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 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 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%. ²	Quarterly on or after December 15, 2010	Redeemable in whole or in part at par plus any accrued interest.
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%. ²	Quarterly on or after June 15, 2016	Redeemable in whole or in part at par plus any accrued interest.
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 accrued interest.
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 accrued interest.
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 accrued interest.

¹ 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.

² 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.

in USD millions, as of	06/30/10		12/31/09	
	Carrying value	Undiscounted cash flow	Carrying value	Undiscounted cash flow
< 1 year	882	1,446	1,044	1,644
1 to 2 years	2,202	2,751	1,272	1,872
2 to 3 years	11	462	1,143	1,721
3 to 4 years	1,222	1,659	1,235	1,731
4 to 5 years	1,351	1,717	1,448	1,890
5 to 10 years	753	2,093	975	2,456
> 10 years	4,817	6,785	5,167	7,265
Total	11,238	16,913	12,283	18,579

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 of June 30, 2010 and December 31, 2009, 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 interest rates are assumed to remain constant as of June 30, 2010 and December 31, 2009, respectively. The aggregated cash flows are translated into USD at end-of-period rates.

in USD millions, for the six months ended June 30	2010	2009
Debt related to capital markets and banking activities	4	43
Senior debt	131	86
Subordinated debt	149	146
Total	284	275

Interest expense on debt

Interest expense on debt increased from USD 275 million to USD 284 million. The higher interest expense was mainly caused by two new issued senior bonds in 2009. Interest expense on debt related to capital markets and banking activities decreased due to debt reductions and a decrease of general short term interest rates.

Credit facilities

The Group has access to a syndicated revolving credit facility of USD 3 billion that terminates in 2012. Zurich Financial Services Ltd together with Zurich Insurance Company Ltd and Farmers Group, Inc. are guarantors of the facility and can draw up to USD 1.25 billion, USD 1.5 billion and USD 250 million, respectively. No borrowings were outstanding under this facility as of June 30, 2010 or December 31, 2009.

Dunbar Bank and Zurich Bank have access to various committed credit facilities totalling GBP 150 million and GBP 180 million, respectively. As of June 30, 2010 and December 31, 2009, GBP 50 million have been drawn under these credit facilities.

In addition, Zurich Insurance Company Ltd has access to a revolving credit facility of USD 150 million which will expire in June 2013. As of June 30, 2010 no borrowings have been drawn under this facility.

11. Earnings per share

Earnings per share		Net income attributable to common shareholders (in USD millions)	Weighted average number of shares	Per share (USD)	Per share (CHF) ¹
Table 11 for the six months ended June 30					
2010					
Basic earnings per share		1,637	144,608,370	11.32	12.24
Effect of potentially dilutive shares related to share-based compensation plans			1,207,816	(0.09)	(0.10)
Diluted earnings per share		1,637	145,816,186	11.22	12.14
2009					
Basic earnings per share		1,955	139,711,609	13.99	15.80
Effect of potentially dilutive shares related to share-based compensation plans			1,010,896	(0.10)	(0.11)
Diluted earnings per share		1,955	140,722,505	13.89	15.68

¹ The translation from USD to CHF is shown for information purposes only and has been calculated at the Group's average exchange rates for the six months ended June 30, 2010 and 2009, 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 U.S. state attorneys general and state insurance regulators in connection with investigations in the U.S. 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, and the appellate court has upheld the settlement approval. A number of individual claims not covered by the class action settlement remain pending against the Group.

Zurich Financial Services (now Zurich Financial Services Ltd) was 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 called 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 U.S. court, covering all U.S. persons and entities, and all other persons who purchased Converium securities on U.S. markets, and another settlement in the Amsterdam Court of Appeal, in the Netherlands, covering all non-U.S. persons and entities who purchased Converium securities on non-U.S. markets. The U.S. and Dutch settlements are both subject to court approval and are independent of each other. The U.S. court approved the U.S. settlement on December 12, 2008, but a notice of appeal was filed. The appeal, however, was dismissed by stipulation of the parties on June 25, 2009 and the U.S. settlement is now considered final. The Dutch settlement papers were filed with the Dutch court on July 10, 2010.

Zurich Financial Services Ltd. has been added as a defendant in a putative class action pending in California state court captioned Benjamin Fogel v. Farmers Group, Inc (Farmers). The case, originally filed in August 2003, is brought on behalf of a putative class of all policyholders of the Farmers Exchanges from 1999 to the present. The plaintiff alleges that Farmers Group, Inc. and certain of its affiliates, which acted as the attorneys-in-fact for policyholders of the Farmers Exchanges, collected excessive and unreasonable management fees. The complaint seeks, amongst other things, disgorgement, as well as damages and injunctive relief. In February 2005, the trial court granted Farmers' motion for summary judgment, and plaintiff appealed. In 2008, a California appellate court reversed the trial court's ruling and reinstated the litigation. On September 9, 2009, plaintiff filed a motion seeking to certify a nationwide class of all policyholders of the Farmers Exchanges since August 1, 1999. A hearing on the motion is scheduled for September 9, 2010. The Group maintains that the litigation is without merit and intends to continue to defend itself vigorously.

While the Group believes that it is not a party to, nor are any of its subsidiaries the subject of, any unresolved current legal proceedings, claims, litigation and investigations that will have a material adverse effect on the Group's consolidated financial condition, proceedings are inherently unpredictable, and it is possible that the outcome of any 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 pursues a customer-centric strategy and 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 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 are managed but not owned by Farmers Group, Inc. a wholly owned subsidiary of the Group. 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 the purpose of discussing our financial performance we consider General Insurance, Global Life and Farmers to be our core operating segments.

The Group's new management structure effective July 1, 2010, reconfirms the three core operating segments.

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

Non-Core Businesses include insurance businesses that the Group does not consider core to its operations and that are therefore mostly managed to achieve a beneficial run-off. In addition, Non-Core Businesses also include the Group's banking activities.

The Group also manages its business on a geographic structure. The Group's identified regions are as follows:

Americas

Europe & Africa

Asia-Pacific & Middle East

Central Region

The segment information includes the Groups' internal performance measure, business operating profit (BOP). This measure is the basis on which business units are managed. It indicates the underlying performance of the business units by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains on investments and impairments (except for the capital markets and banking operations included in Non-Core Businesses and investments in hedge funds and certain securities held for specific economic hedging purposes), policyholders' share of investment results for the life businesses, nonoperational foreign exchange movements, and significant items arising from special circumstances, including restructuring charges and gains and losses on divestments of businesses.

Business operating profit by business segment

Table 13.1

in USD millions, for the six months ended June 30

	General Insurance		Global Life	
	2010	2009	2010	2009
Revenues				
Direct written premiums and policy fees ¹	16,860	17,427	5,738	5,969
Assumed written premiums	1,080	820	49	54
Gross written premiums and policy fees	17,940	18,247	5,787	6,023
Less premiums ceded to reinsurers	(2,769)	(2,815)	(399)	(360)
Net written premiums and policy fees	15,171	15,432	5,388	5,663
Net change in reserves for unearned premiums	(1,393)	(1,201)	(10)	6
Net earned premiums and policy fees	13,778	14,231	5,379	5,669
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	1,444	1,584	2,176	1,824
Net investment income on Group investments	1,439	1,533	1,952	2,022
Net capital gains/(losses) and impairments on Group investments	5	50	224	(198)
Net investment result on unit-linked investments	–	–	358	826
Other income	313	341	375	384
Total BOP revenues	15,534	16,156	8,288	8,704
<i>of which: inter-segment revenues</i>	<i>(184)</i>	<i>(169)</i>	<i>(116)</i>	<i>(112)</i>
Benefits, losses and expenses				
Insurance benefits and losses, net	9,785	10,047	4,663	5,211
Losses and loss adjustment expenses, net	9,775	10,030	31	23
Life insurance death and other benefits, net	9	17	5,024	4,770
(Decrease)/increase in future life policyholders' benefits, net ¹	1	–	(392)	418
Policyholder dividends and participation in profits, net	1	6	910	1,081
Income tax expense/(benefit) attributable to policyholders	–	–	(3)	(170)
Underwriting and policy acquisition costs, net	2,641	2,595	751	784
Administrative and other operating expense (excl. depreciation/amortization)	1,541	1,612	850	771
Interest credited to policyholders and other interest	23	18	211	200
Restructuring provisions and other items not included in BOP	(86)	(45)	(40)	(19)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	13,904	14,233	7,343	7,858
Business operating profit (before interest, depreciation and amortization)	1,630	1,922	945	846
Depreciation and impairments of property and equipment	39	32	16	16
Amortization and impairments of intangible assets	89	77	152	124
Interest expense on debt	113	99	35	48
Business operating profit before non-controlling interests	1,390	1,715	743	658
Non-controlling interests	13	1	23	17
Business operating profit	1,377	1,714	720	641
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets	112	250	26	262

¹ The Global Life segment includes approximately USD 617 million and USD 1,435 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in our Spanish operations for the six months ended June 30, 2010 and 2009, respectively (see note 3 of the Group's Financial Report 2009).

² As outlined in note 1 to the unaudited Consolidated Financial Statements, business operating profit (BOP) has not been restated for the change in the current value of certain insurance liabilities and assets amounting to USD 938 million in order to ensure a fair reflection of sustainable operating profit and comparability.

	Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	-	-	-	-	183	258	-	(3)	22,781	23,651
	2,491	2,883	65	70	39	70	(120)	(121)	3,605	3,775
	2,491	2,883	65	70	223	328	(120)	(124)	26,387	27,426
	-	-	(24)	(27)	(11)	(18)	120	124	(3,084)	(3,095)
	2,491	2,883	41	43	211	310	-	-	23,303	24,331
	691	(660)	1	1	1	2	3	-	(707)	(1,853)
	3,182	2,222	42	44	212	312	3	-	22,595	22,478
	1,399	1,247	-	-	-	-	-	-	1,399	1,247
	83	85	260	139	360	77	(437)	(418)	3,886	3,291
	83	85	260	220	263	296	(437)	(418)	3,561	3,739
	-	-	-	(80)	96	(220)	-	-	326	(448)
	-	-	-	-	6	97	-	-	364	923
	47	32	369	509	58	108	(521)	(583)	641	792
	4,712	3,587	671	692	636	593	(955)	(1,001)	28,886	28,730
	(36)	(45)	(585)	(635)	(34)	(39)	955	1,001	-	-
	2,143	1,559	37	(30)	813	(481)	-	-	17,441	16,306
	2,143	1,559	-	2	133	12	-	5	12,083	11,630
	-	-	37	41	338	314	-	1	5,407	5,143
	-	-	-	(72)	342	(807)	-	(6)	(50)	(467)
	-	-	-	-	(68)	102	3	-	845	1,189
	-	-	-	-	-	-	-	-	(3)	(170)
	990	656	-	-	3	4	(2)	(2)	4,384	4,036
	659	577	507	392	96	82	(512)	(556)	3,141	2,877
	1	-	1	-	33	33	(1)	(8)	267	244
	(16)	-	(82)	56	(5)	1,062	-	-	(229)	1,053
	3,777	2,792	463	418	870	802	(512)	(566)	25,846	25,536
	935	795	208	274	(234)	(208)	(443)	(434)	3,040	3,194
	37	33	13	16	2	2	-	-	107	99
	53	33	26	14	7	2	-	-	327	249
	-	5	530	483	51	75	(443)	(434)	284	275
	845	724	(361)	(239)	(294)	(287)	-	-	2,322	2,571
	-	-	-	-	-	-	-	-	36	19
	845	724	(361)	(239)	(295)	(287)²	-	-	2,286	2,552
	172	151	30	36	2	4	-	-	343	703

Reconciliation of
BOP to net income
after income taxes

Table 13.2

in USD millions, for the six months ended June 30

	General Insurance		Global Life	
	2010	2009	2010	2009
Business operating profit	1,377	1,714	720	641
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	19	(460)	11	(288)
Net gain/(loss) on divestments of businesses	–	(2)	–	–
Restructuring provisions and other	(86)	(45)	(40)	(19)
Add back:				
Business operating profit attributable to non-controlling interests	13	1	23	17
Net income before shareholders' taxes	1,322	1,209	714	351
Income tax expense attributable to policyholders	–	–	(3)	(170)
Net income before income taxes	1,322	1,209	711	181
Income tax expense (attributable to policyholders and shareholders)				
Net income after taxes				

¹ Business operating profit (BOP) has not been restated for the change in the current value of certain insurance liabilities and assets amounting to USD 938 million in order to ensure a fair reflection of sustainable operating profit and comparability (see note 1 to the unaudited Consolidated Financial Statements).

	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	845	724	(361)	(239)	(295)	(287)	2,286	2,552
	(1)	(31)	82	(120)	(18)	(117)	92	(1,017)
	-	-	-	-	1	(3)	1	(4)
	(16)	-	(82)	56	(5)	1,062 ¹	(229)	1,053
	-	-	-	-	-	-	36	19
	828	692	(360)	(304)	(317)	655	2,186	2,603
	-	-	-	-	-	-	(3)	(170)
	828	692	(360)	(304)	(317)	655	2,183	2,434
							(505)	(466)
							1,679	1,968

Assets and liabilities by business segment

Table 13.3

in USD millions, as of

	General Insurance		Global Life	
	06/30/10	12/31/09	06/30/10	12/31/09
Assets				
Total Group Investments	81,321	85,413	93,700	101,597
Cash and cash equivalents	8,002	9,940	4,027	4,385
Equity securities	4,023	4,743	3,975	5,342
Debt securities	63,077	63,594	60,337	62,883
Real estate held for investment	2,791	3,004	4,179	4,408
Mortgage loans	1,338	1,483	7,796	9,021
Other loans	2,082	2,623	13,288	15,432
Equity method accounted investments	8	25	97	125
Investments for unit-linked contracts	–	–	80,798	87,430
Total investments	81,321	85,413	174,498	189,026
Reinsurers' share of reserves for insurance contracts	13,255	12,957	1,816	2,160
Deposits made under assumed reinsurance contracts	62	66	5	3
Deferred policy acquisition costs	3,324	3,374	11,355	12,276
Deferred origination costs	–	–	784	856
Goodwill	963	1,029	391	442
Other intangible assets	1,283	1,419	3,336	4,000
Other assets ¹	14,559	15,339	6,812	6,730
Total assets (after cons. of investments in subsidiaries)	114,768	119,597	198,996	215,494
Liabilities				
Liabilities for investment contracts	–	–	42,759	46,374
Reserves for insurance contracts	78,162	79,900	124,873	136,256
Reserves for losses and loss adjustment expenses	61,009	63,476	60	35
Reserves for unearned premiums	16,004	15,191	278	302
Future life policyholders' benefits	87	98	66,139	74,760
Policyholders' contract deposits and other funds	1,062	1,135	15,015	14,691
Reserves for unit-linked contracts	–	–	43,381	46,468
Debt related to capital markets and banking activities	–	–	–	–
Senior debt	3,697	3,462	167	265
Subordinated debt	1,687	2,054	747	1,019
Other liabilities	14,139	14,942	17,236	17,615
Total liabilities	97,685	100,357	185,782	201,530
Equity				
Common shareholders' equity				
Preferred securities				
Shareholders' equity				
Non-controlling interests				
Total equity				
Total liabilities and equity				

¹ The General Insurance segment, includes assets held for sale of USD 12 million and USD 67 million as of June 30, 2010 and December 31, 2009, respectively, related to land and buildings formerly classified as held for own use.

	Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
	06/30/10	12/31/09	06/30/10	12/31/09	06/30/10	12/31/09	06/30/10	12/31/09	06/30/10	12/31/09
	4,563	4,561	17,059	18,027	15,207	15,826	(26,186)	(29,167)	185,664	196,258
	1,047	734	6,250	6,226	2,698	2,762	(12,278)	(12,417)	9,747	11,631
	72	85	1,330	1,538	419	742	–	–	9,819	12,450
	1,321	1,302	3,366	2,920	7,739	6,669	(930)	(1,024)	134,910	136,344
	139	149	44	46	160	181	–	–	7,313	7,789
	–	–	–	–	1,789	2,264	–	(33)	10,923	12,736
	1,983	2,290	6,064	7,294	2,325	3,129	(12,978)	(15,693)	12,765	15,077
	–	–	5	3	78	79	–	–	187	232
	–	–	–	–	11,594	11,737	–	–	92,392	99,167
	4,563	4,561	17,059	18,027	26,801	27,563	(26,186)	(29,167)	278,056	295,425
	211	211	–	(95)	4,563	4,812	(1,045)	(1,293)	18,801	18,751
	2,896	3,158	–	–	537	664	(25)	(29)	3,474	3,861
	351	529	–	–	2	2	–	–	15,032	16,181
	–	–	–	–	–	–	–	–	784	856
	821	821	5	5	–	–	–	–	2,180	2,297
	1,462	1,397	212	219	3	9	–	–	6,296	7,044
	1,206	1,547	1,541	1,737	1,313	1,470	(1,852)	(2,037)	23,580	24,786
	11,510	12,224	18,817	19,893	33,218	34,521	(29,107)	(32,527)	348,202	369,202
	–	–	–	–	–	–	(249)	(250)	42,510	46,124
	3,517	3,946	59	365	22,620	22,903	(1,027)	(1,276)	228,204	242,094
	2,055	1,793	50	49	3,155	3,531	(765)	(799)	65,563	68,086
	1,462	2,153	4	5	32	33	(9)	(7)	17,770	17,676
	–	–	6	311	4,943	4,572	(253)	(470)	70,922	79,271
	–	–	–	–	2,897	3,030	1	1	18,975	18,857
	–	–	–	–	11,593	11,736	–	–	54,974	58,204
	–	–	577	553	2,103	2,584	(1,800)	(2,298)	881	839
	–	–	20,383	23,224	1,237	1,082	(19,945)	(21,756)	5,540	6,277
	–	–	4,850	5,206	137	155	(2,604)	(3,268)	4,817	5,167
	1,864	1,801	1,807	1,709	4,700	5,208	(3,483)	(3,679)	36,264	37,596
	5,381	5,747	27,677	31,058	30,797	31,932	(29,107)	(32,527)	318,216	338,098
									27,954	28,743
									515	561
									28,469	29,304
									1,518	1,800
									29,986	31,104
									348,202	369,202

General Insurance –
Customer segment
overview

Table 13.4

in USD millions, for the six months ended June 30

	Global Corporate		North America Commercial	
	2010	2009	2010	2009
Gross written premiums and policy fees	4,245	4,249	4,995	5,177
Net earned premiums and policy fees	2,382	2,402	3,715	4,121
Insurance benefits and losses, net	1,690	1,835	2,426	2,861
Policyholder dividends and participation in profits, net	(1)	–	4	6
Total net technical expenses	480	463	1,143	1,161
Net underwriting result	213	104	142	94
Net investment income	278	308	554	579
Net capital gains/(losses) and impairments on investments	1	16	3	24
Net non-technical result (excl. items not included in BOP)	(30)	(73)	(140)	(120)
Business operating profit before non-controlling interests	462	354	558	576
Non-controlling interests	–	–	–	–
Business operating profit	462	354	558	576
Ratios, as % of net earned premiums and policy fees				
Loss ratio	70.9%	76.4%	65.3%	69.4%
Expense ratio	20.1%	19.3%	30.9%	28.3%
Combined ratio	91.1%	95.7%	96.2%	97.7%

Europe General Insurance		International Markets		GI Global Functions including Group Reinsurance		Eliminations		Total	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
7,520	7,846	1,443	1,295	260	208	(522)	(528)	17,940	18,247
6,625	6,710	1,030	979	26	20	–	–	13,778	14,231
4,811	4,812	739	612	119	(73)	–	–	9,785	10,047
(3)	–	–	–	–	–	–	–	1	6
1,704	1,663	369	349	16	17	1	(11)	3,713	3,643
114	234	(79)	18	(110)	75	(1)	11	279	535
493	554	80	74	32	25	2	(6)	1,439	1,533
1	11	–	–	–	–	–	–	5	50
(189)	(176)	28	(17)	(2)	(13)	(1)	(4)	(333)	(403)
419	624	30	75	(80)	87	–	–	1,390	1,715
(1)	–	13	1	–	–	–	–	13	1
420	624	16	74	(80)	87	–	–	1,377	1,714
72.6%	71.7%	71.8%	62.5%	nm	nm	n/a	n/a	71.0%	70.6%
25.7%	24.8%	35.9%	35.7%	nm	nm	n/a	n/a	27.0%	25.6%
98.3%	96.5%	107.6%	98.2%	nm	nm	n/a	n/a	98.0%	96.2%

General Insurance –
Revenues by region

Table 13.5

in USD millions, for the six months ended June 30

	Gross written premiums and policy fees from external customers	
	2010	2009
Global Corporate		
North America	1,406	1,465
Europe	2,426	2,472
Rest of Global Corporate	262	189
Subtotal	4,093	4,126
Europe & Africa		
United Kingdom	1,442	1,486
Germany	1,696	1,765
Switzerland	1,561	1,496
Italy	1,007	1,055
Spain	640	687
Southern Africa	323	313
Rest of Europe & Africa	865	986
Subtotal	7,533	7,788
Americas		
United States	4,623	4,828
Rest of North America	268	221
Latin America	638	625
Subtotal	5,529	5,674
Asia-Pacific & Middle East		
Asia-Pacific Mature Markets	647	531
China & South East Asia	121	114
Subtotal	768	646
Central Region		
Europe	2	–
Subtotal	2	–
Total	17,925	18,234

General Insurance – Assets by region	Table 13.6 in USD millions, as of	Property / equipment and intangible assets	
		06/30/10	12/31/09
Europe & Africa			
United Kingdom		202	222
Germany		213	253
Switzerland		122	127
Italy		61	75
Spain		624	747
Southern Africa		18	22
Rest of Europe & Africa		1,350	1,437
Subtotal		2,589	2,883
Americas			
United States		221	216
Rest of North America		6	6
Latin America		163	164
Subtotal		390	386
Asia-Pacific & Middle East			
Asia-Pacific Mature Markets		96	93
China & South East Asia		22	24
Subtotal		118	117
Total		3,098	3,385

Global Life –
Overview

Table 13.7
in USD millions, for the six months ended June 30

	Americas		United Kingdom		Germany	
	2010	2009	2010	2009	2010	2009
Revenues						
Life insurance deposits	146	317	2,257	1,505	1,291	954
Gross written premiums and policy fees ¹	752	566	698	420	1,447	1,524
Net earned premiums and policy fees	599	448	601	334	1,400	1,473
Net investment income on Group investments	228	216	148	163	815	851
Net capital gains/(losses) and impairments on Group investments	2	4	160	(56)	52	(117)
Net investment result on Group investments	230	220	307	108	867	734
Net investment income on unit-linked investments	(7)	(2)	694	739	8	12
Net capital gains/(losses) and impairments on unit-linked investments	(33)	48	(724)	(1,105)	18	494
Net investment result on unit-linked investments	(40)	46	(30)	(366)	26	506
Other income	59	56	91	99	69	86
Total BOP revenues	848	771	970	174	2,362	2,800
Benefits, losses and expenses						
Insurance benefits and losses, net ¹	394	291	295	188	1,535	1,608
Policyholder dividends and participation in profits, net	(35)	44	114	(355)	254	583
Income tax expense/(benefit) attributable to policyholders	–	–	(37)	(203)	23	18
Underwriting and policy acquisition costs, net	98	100	217	240	153	181
Administrative and other operating expense (excl. depreciation/amortization)	121	99	199	184	111	161
Interest credited to policyholders and other interest	84	84	5	6	75	74
Restructuring provisions and other items not included in BOP	1	–	(9)	(18)	–	–
Total BOP benefits, losses and expenses	663	618	784	42	2,152	2,625
Business operating profit (before interest, depreciation and amortization)	185	153	185	132	210	175
Depreciation and impairments of property and equipment	1	1	5	4	6	6
Amortization and impairments of intangible assets	11	9	23	(20)	34	20
Interest expense on debt	1	1	3	7	–	–
Business operating profit before non-controlling interests	172	142	155	141	170	149
Non-controlling interests	4	2	–	–	5	4
Business operating profit	168	140	155	141	166	145
Supplementary information						
Gross written premiums and policy fees from external customers	752	566	695	417	1,422	1,497
Property, equipment and intangible assets ²	281	297	398	446	831	1,020

¹ The Global Life segment includes approximately USD 617 million and USD 1,435 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in our Spanish operations for the six months ended June 30, 2010 and 2009, respectively (see note 3 of the Group's Financial Report 2009).

² As of June 30, 2010 and December 31, 2009, respectively.

	Switzerland		Ireland		Spain		Emerging Markets in Asia		Rest of the world		Eliminations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	19	23	1,239	570	1,086	1,231	601	600	684	347	–	–	7,324	5,546
	914	945	309	176	988	1,881	210	118	497	408	(27)	(16)	5,787	6,023
	911	942	258	128	957	1,857	190	101	462	386	–	–	5,379	5,669
	300	294	47	45	211	254	21	23	181	176	–	–	1,952	2,022
	(2)	11	22	(18)	–	2	1	(2)	(11)	(24)	–	–	224	(198)
	298	305	70	27	211	256	22	22	170	152	–	–	2,176	1,824
	7	1	102	96	53	32	2	1	57	38	–	–	916	917
	(10)	15	89	168	(64)	65	186	82	(22)	139	–	–	(557)	(91)
	(3)	16	192	265	(11)	97	189	83	36	177	–	–	358	826
	24	24	–	1	23	20	25	31	86	69	(2)	(1)	375	384
	1,230	1,287	520	421	1,180	2,231	426	236	755	784	(2)	(1)	8,288	8,704
	891	865	171	17	1,002	1,929	60	39	315	273	–	–	4,663	5,211
	59	108	226	291	(10)	103	185	81	116	226	–	–	910	1,081
	–	–	9	8	–	–	–	–	2	7	–	–	(3)	(170)
	77	77	43	52	13	44	78	29	71	62	–	–	751	784
	86	94	28	28	58	32	48	31	201	143	(2)	(1)	850	771
	7	9	20	–	1	7	14	13	5	6	–	–	211	200
	(4)	18	(5)	–	(13)	(24)	(5)	10	(3)	(5)	–	–	(40)	(19)
	1,116	1,172	492	397	1,051	2,091	380	203	706	712	(2)	(1)	7,343	7,858
	114	115	28	24	129	140	46	33	48	72	–	–	945	846
	2	1	–	1	–	–	2	2	1	1	–	–	16	16
	–	–	–	1	71	84	1	2	11	28	–	–	152	124
	1	1	–	–	27	33	–	–	3	5	–	–	35	48
	112	113	27	23	31	22	42	29	33	38	–	–	743	658
	–	–	–	–	15	11	–	–	–	–	–	–	23	17
	112	113	27	23	17	11	42	29	33	38	–	–	720	641
	914	945	309	176	988	1,881	181	97	490	402	–	–	5,750	5,982
	138	198	5	5	2,386	2,859	8	11	124	163	–	–	4,169	4,998

Farmers –
Overview

Table 13.8

in USD millions, for the six months ended June 30

	Total	
	2010	2009
Farmers Management Services		
Management fees and other related revenues	1,399	1,247
Management and other related expenses	718	636
Gross management result	681	610
Other net income (excl. items not included in BOP)	13	33
Business operating profit before non-controlling interest	694	643
Business operating profit	694	643
Farmers Re		
Gross written premiums and policy fees	2,491	2,883
Net earned premiums and policy fees	3,182	2,222
Insurance benefits and losses, net	(2,143)	(1,559)
Total net technical expenses	(990)	(657)
Net underwriting result	49	7
Net non-technical result (excl. items not relevant for BOP)	45	31
Net investment result income	57	43
Business operating profit before non-controlling interests	151	80
Business operating profit	151	80
Farmers business operating profit	845	724
Ratios, as % of net earned premiums and policy fees		
Farmers Re Combined ratio	98.5%	99.7%
Supplementary information		
Property, equipment and intangible assets ¹	2,545	2,541

¹ As of June 30, 2010 and December 31, 2009, respectively.

Other Operating
Businesses –
Overview

Table 13.9

in USD millions, for the six months ended June 30

	Alternative Investments	
	2010	2009
Gross written premiums and policy fees	–	–
Net earned premiums and policy fees	–	–
Net investment income	–	5
Net capital gains/(losses) and impairments on investments	–	–
Other income	6	5
Total BOP revenues	6	10
Insurance benefits and losses, incl. PH dividends, net	–	–
Administrative and other operating expense (excl. depreciation/amortization)	11	12
Other expenses (excl. items not included in BOP)	–	–
Depreciation, amortization and impairments of property, equipment and intangible assets	–	–
Interest expense on debt	12	12
Business operating profit before non-controlling interests	(16)	(14)
Business operating profit	(16)	(14)

	Holding & Financing		Headquarters		Eliminations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	62	67	3	3	–	–	65	70
	38	40	4	4	–	–	42	44
	247	217	15	2	(2)	(4)	260	220
	–	(80)	–	–	–	–	–	(80)
	22	14	404	523	(64)	(34)	369	509
	307	191	424	530	(66)	(39)	671	692
	36	(31)	1	1	–	–	37	(30)
	38	(100)	521	515	(63)	(34)	507	392
	19	56	(100)	–	–	–	(81)	56
	–	–	39	30	–	–	39	30
	520	475	–	–	(2)	(4)	530	483
	(307)	(209)	(38)	(17)	–	–	(361)	(239)
	(307)	(209)	(38)	(17)	–	–	(361)	(239)

Non-Core
Businesses –
Overview

Table 13.10

in USD millions, for the six months ended June 30

	Total	
	2010	2009
Gross written premiums and policy fees	223	328
Net earned premiums and policy fees	212	312
Insurance benefits and losses, net	813	(481)
Policyholder dividends and participation in profits, net	(68)	102
Total net technical expenses	24	(18)
Net underwriting result	(556)	709
Net investment income	114	190
Net capital gains/(losses) and impairments on investments	251	(17)
Net non-technical result (excl. items not included in BOP)	(104)	(1,169)
Business operating profit before non-controlling interests	(294)	(287)
Business operating profit	(295)	(287)¹

¹ Business operating profit (BOP) has not been restated for the change in the current value of certain insurance liabilities and assets amounting to USD 938 million in order to ensure a fair reflection of sustainable operating profit and comparability (see note 1 to the unaudited Consolidated Financial Statements).

Review Report of the Auditors

Review Report of the Auditors

To the Board of Directors of Zurich Financial Services Ltd

Introduction

We have reviewed the consolidated financial statements (consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and related notes on pages 3 to 56) of Zurich Financial Services Ltd for the period ended June 30, 2010. The Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers AG

Patrick Shouvin

Ray Kunz

Zurich, August 4, 2010

Disclaimer & Cautionary Statement

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