

Consolidated financial statements (unaudited) 2013

Zurich Insurance Group
Results for the three months to March 31, 2013

Consolidated financial statements (unaudited)

Contents

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Consolidated income statements (unaudited)

| in USD millions, for the three months ended March 31 | | | |
|---|-------|---------------|------------------|
| | Notes | 2013 | Restated 2012 |
| Revenues | | | |
| Gross written premiums | | 14,871 | 14,445 |
| Policy fees | | 634 | 631 |
| Gross written premiums and policy fees | | 15,505 | 15,076 |
| Less premiums ceded to reinsurers | | (1,722) | (1,711) |
| Net written premiums and policy fees | | 13,783 | 13,366 |
| Net change in reserves for unearned premiums | | (2,075) | (1,788) |
| Net earned premiums and policy fees | | 11,708 | 11,578 |
| Farmers management fees and other related revenues | | 702 | 710 |
| Net investment result on Group investments | 3 | 1,693 | 1,774 |
| Net investment income on Group investments | | 1,573 | 1,729 |
| Net capital gains/(losses) and impairments on Group investments | | 120 | 45 |
| Net investment result on unit-linked investments | 3 | 6,419 | 5,665 |
| Other income | | 508 | 361 |
| Total revenues | | 21,030 | 20,088 |
| Benefits, losses and expenses | | | |
| Insurance benefits and losses, gross of reinsurance | 6 | 8,651 | 8,812 |
| Less ceded insurance benefits and losses | 6 | (654) | (802) |
| Insurance benefits and losses, net of reinsurance | 6 | 7,997 | 8,010 |
| Policyholder dividends and participation in profits, net of reinsurance | 6 | 6,641 | 5,798 |
| Underwriting and policy acquisition costs, net of reinsurance | | 2,381 | 2,381 |
| Administrative and other operating expense | | 1,962 | 1,947 |
| Interest expense on debt | 11 | 144 | 150 |
| Interest credited to policyholders and other interest | | 161 | 126 |
| Total benefits, losses and expenses | | 19,286 | 18,411 |
| Net income before income taxes | | 1,744 | 1,676 |
| Income tax expense | 10 | (587) | (517) |
| attributable to policyholders | 10 | (244) | (176) |
| attributable to shareholders | 10 | (343) | (342) |
| Net income after taxes | | 1,157 | 1,159 |
| attributable to non-controlling interests | | 95 | 19 |
| attributable to shareholders | | 1,062 | 1,140 |
| in USD | | | |
| Basic earnings per share | 12 | 7.22 | 7.80 |
| Diluted earnings per share | 12 | 7.20 | 7.75 |
| in CHF | | | |
| Basic earnings per share | 12 | 6.72 | 7.19 |
| Diluted earnings per share | 12 | 6.69 | 7.14 |

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

Consolidated financial statements (unaudited) *continued*

Consolidated statements of comprehensive income (unaudited)

in USD millions, for the three months ended March 31

| | Net income attributable to shareholders | Net unrealized gains/(losses) on available- for-sale investments | Cash flow hedges |
|--|---|--|---------------------|
| 2012 | | | |
| Comprehensive income for the period, as restated | 1,140 | 1,072 | (2) |
| Details of movements during the period | | | |
| Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders) | | 1,445 | 35 |
| Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders) | | (190) | (52) |
| Deferred income tax (before foreign currency translation effects) | | (254) | 6 |
| Foreign currency translation effects | | 70 | 9 |
| 2013 | | | |
| Comprehensive income for the period | 1,062 | (341) | (33) |
| Details of movements during the period | | | |
| Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders) | | 4 | (85) |
| Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders) | | (303) | 51 |
| Reclassification to retained earnings | | – | – |
| Deferred income tax (before foreign currency translation effects) | | 67 | 9 |
| Foreign currency translation effects | | (109) | (8) |

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

| | Cumulative foreign currency translation adjustment | Total other comprehensive income recycled through profit or loss | Revaluation reserve | Net actuarial gains/(losses) on pension plans | Total other comprehensive income not recycled through profit or loss | Total other comprehensive income attributable to shareholders | Total comprehensive income attributable to shareholders | Comprehensive income attributable to non-controlling interests | Total comprehensive income |
|--|--|--|---------------------|---|--|---|---|--|----------------------------|
| | (476) | 593 | – | 233 | 233 | 826 | 1,966 | 126 | 2,092 |
| | (476) | 1,004 | – | 388 | 388 | 1,392 | | | |
| | | (242) | – | – | – | (242) | | | |
| | – | (247) | – | (100) | (100) | (347) | | | |
| | – | 79 | – | (55) | (55) | 24 | | | |
| | (417) | (792) | (5) | (65) | (71) | (863) | 199 | 73 | 272 |
| | (415) | (496) | – | (174) | (174) | (670) | | | |
| | (2) | (255) | – | – | – | (255) | | | |
| | – | – | (5) | – | (5) | (5) | | | |
| | – | 76 | – | (6) | (6) | 70 | | | |
| | – | (117) | – | 114 | 114 | (4) | | | |

Consolidated financial statements (unaudited) *continued*

Consolidated balance sheets (unaudited)

| Assets | in USD millions, as of | Notes | Restated | | |
|---|------------------------|----------|----------------|----------------|----------------|
| | | | 03/31/13 | 12/31/12 | 01/01/12 |
| Investments | | | | | |
| Total Group investments | | 3 | 206,874 | 209,582 | 198,549 |
| Cash and cash equivalents | | | 9,230 | 9,098 | 8,835 |
| Equity securities | | | 11,768 | 12,341 | 13,037 |
| Debt securities | | | 154,805 | 155,594 | 144,139 |
| Real estate held for investment | | | 8,176 | 8,561 | 8,472 |
| Mortgage loans | | | 9,930 | 10,519 | 11,058 |
| Other loans | | | 12,882 | 13,385 | 12,928 |
| Investments in associates and joint ventures | | | 84 | 85 | 80 |
| Investments for unit-linked contracts | | 3 | 124,842 | 123,913 | 111,911 |
| Total investments | | 3 | 331,715 | 333,496 | 310,461 |
| Reinsurers' share of reserves for insurance contracts | | 4 | 18,865 | 19,753 | 19,592 |
| Deposits made under assumed reinsurance contracts | | | 2,508 | 2,588 | 2,711 |
| Deferred policy acquisition costs | | 7 | 18,136 | 18,346 | 17,420 |
| Deferred origination costs | | 7 | 719 | 770 | 824 |
| Accrued investment income | | | 2,256 | 2,414 | 2,589 |
| Receivables and other assets | | | 19,629 | 18,425 | 17,831 |
| Mortgage loans given as collateral | | | – | – | 223 |
| Deferred tax assets | | | 1,936 | 1,853 | 2,076 |
| Assets held for sale ¹ | | | 37 | 102 | 54 |
| Property and equipment | | | 1,465 | 1,530 | 1,580 |
| Goodwill | | 8 | 2,075 | 2,107 | 2,060 |
| Other intangible assets | | 8 | 7,264 | 7,448 | 8,062 |
| Total assets | | | 406,605 | 408,831 | 385,481 |

¹ March 31, 2013 included assets held for sale amounting to USD 37 million relating to land and buildings formerly classified as real estate held for investment. December 31, 2012 included land and buildings formerly classified as real estate held for investment and held for own use amounting to USD 91 million and USD 10 million, respectively. January 1, 2012 included assets relating to the sale of a company in Bolivia (see note 5 of the Consolidated financial statements 2012).

| Liabilities and equity | in USD millions, as of | | | | |
|---|------------------------|----------------|----------------------|----------------------|--|
| | Notes | 03/31/13 | Restated 12/31/12 | Restated 01/01/12 | |
| Liabilities | | | | | |
| Reserve for premium refunds | | 598 | 706 | 611 | |
| Liabilities for investment contracts | 5 | 58,538 | 57,437 | 50,309 | |
| Deposits received under ceded reinsurance contracts | | 1,333 | 1,558 | 1,560 | |
| Deferred front-end fees | | 5,799 | 6,073 | 5,720 | |
| Reserves for insurance contracts | 4 | 261,579 | 265,233 | 253,207 | |
| Obligations to repurchase securities | | 1,481 | 1,539 | 1,794 | |
| Accrued liabilities | | 3,000 | 3,279 | 3,154 | |
| Other liabilities | | 18,773 | 18,368 | 18,265 | |
| Collateralized loans | | – | – | 223 | |
| Deferred tax liabilities | | 5,240 | 5,244 | 4,577 | |
| Liabilities held for sale ¹ | | – | – | 55 | |
| Senior debt | 11 | 6,480 | 6,660 | 6,541 | |
| Subordinated debt | 11 | 6,585 | 5,861 | 5,476 | |
| Total liabilities | | 369,406 | 371,957 | 351,493 | |
| Equity | | | | | |
| Share capital | | 11 | 11 | 10 | |
| Additional paid-in capital | | 8,220 | 8,172 | 9,907 | |
| Net unrealized gains/(losses) on available-for-sale investments | | 4,182 | 4,523 | 2,800 | |
| Cash flow hedges | | 205 | 238 | 232 | |
| Cumulative foreign currency translation adjustment | | (3,440) | (3,022) | (2,581) | |
| Revaluation reserve | | 175 | 180 | 180 | |
| Retained earnings | | 25,405 | 24,403 | 20,951 | |
| Shareholders' equity | | 34,758 | 34,505 | 31,499 | |
| Non-controlling interests | | 2,442 | 2,369 | 2,490 | |
| Total equity | | 37,199 | 36,874 | 33,989 | |
| Total liabilities and equity | | 406,605 | 408,831 | 385,481 | |

¹ Related to the sale of a company in Bolivia (see note 5 of the Consolidated financial statements 2012).

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

Consolidated financial statements (unaudited) *continued*

Consolidated statements of cash flows (unaudited)

| in USD millions, for the three months ended March 31 | 2013 | Restated 2012 |
|---|--------------|------------------|
| Cash flows from operating activities | | |
| Net income attributable to shareholders | 1,062 | 1,140 |
| Adjustments for: | | |
| (Income)/expense from equity method accounted investments | (1) | (1) |
| Depreciation, amortization and impairments of fixed and intangible assets | 248 | 258 |
| Other non-cash items | (156) | 200 |
| Underwriting activities: | 7,704 | 7,479 |
| <i>Reserves for insurance contracts, gross</i> | 3,541 | 5,094 |
| <i>Reinsurers' share of reserves for insurance contracts</i> | 546 | (130) |
| <i>Liabilities for investment contracts</i> | 4,073 | 2,899 |
| <i>Deferred policy acquisition costs</i> | (357) | (332) |
| <i>Deferred origination costs</i> | 10 | 37 |
| <i>Deposits made under assumed reinsurance contracts</i> | 78 | (77) |
| <i>Deposits received under ceded reinsurance contracts</i> | (186) | (11) |
| Investments: | (8,187) | (7,530) |
| <i>Net capital (gains)/losses on total investments and impairments</i> | (6,200) | (5,320) |
| <i>Net change in trading securities and derivatives</i> | (114) | (167) |
| <i>Net change in money market investments</i> | 489 | (186) |
| <i>Sales and maturities</i> | | |
| <i>Debt securities</i> | 26,953 | 29,829 |
| <i>Equity securities</i> | 17,356 | 16,037 |
| <i>Other</i> | 7,222 | 10,640 |
| <i>Purchases</i> | | |
| <i>Debt securities</i> | (30,809) | (30,896) |
| <i>Equity securities</i> | (16,534) | (16,157) |
| <i>Other</i> | (6,551) | (11,311) |
| Proceeds from sale and repurchase agreements | 45 | (159) |
| Movements in receivables and payables | (190) | (642) |
| Net changes in other operational assets and liabilities | (937) | (571) |
| Deferred income tax, net | 103 | 171 |
| Net cash provided by/(used in) operating activities | (309) | 346 |

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

| in USD millions, for the three months ended March 31 | 2013 | Restated 2012 |
|---|---------------|------------------|
| Cash flows from investing activities | | |
| Sales of property and equipment | 21 | 5 |
| Purchases of property and equipment | (35) | (51) |
| Divestments of companies, net of cash balances | – | (9) |
| Net cash provided by/(used in) investing activities | (14) | (54) |
| Cash flows from financing activities | | |
| Issuance of share capital | 20 | 58 |
| Net movement in treasury shares | 6 | 15 |
| Issuance of debt | 1,024 | 500 |
| Repayments of debt outstanding | (107) | – |
| Net cash provided by/(used in) financing activities | 943 | 572 |
| Foreign currency translation effects on cash and cash equivalents | (335) | 279 |
| Change in cash and cash equivalents | 285 | 1,143 |
| Cash and cash equivalents as of January 1 | 10,208 | 9,705 |
| Cash and cash equivalents as of March 31 | 10,493 | 10,848 |
| of which: | | |
| – cash and cash equivalents – Group investments | 9,230 | 10,000 |
| – cash and cash equivalents – unit linked | 1,263 | 848 |
| Other supplementary cash flow disclosures | | |
| Other interest income received | 1,733 | 2,003 |
| Dividend income received | 269 | 357 |
| Other interest expense paid | (208) | (165) |
| Income taxes paid | (186) | (214) |

| Cash and cash equivalents | in USD millions, as of March 31 | 2013 | Restated 2012 |
|---------------------------|---|---------------|------------------|
| | Cash and cash equivalents comprise the following: | | |
| | Cash at bank and in hand | 6,168 | 5,352 |
| | Cash equivalents | 4,325 | 5,496 |
| | Total | 10,493 | 10,848 |

As of March 31, 2013 and 2012, cash and cash equivalents held to meet local regulatory requirements were USD 1,182 million and USD 1,551 million, respectively.

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

Consolidated financial statements (unaudited) *continued*

Consolidated statements of changes in equity (unaudited)

in USD millions

| | Share capital | Additional paid-in capital |
|--|---------------|----------------------------|
| Balance as of December 31, 2011, as previously reported | 10 | 9,907 |
| Total adjustments due to restatement | – | – |
| Balance as of December 31, 2011, as restated | 10 | 9,907 |
| Issuance of share capital ¹ | – | 172 |
| Dividends to shareholders ² | – | (1,923) |
| Share-based payment transactions | – | (98) |
| Treasury share transactions ³ | – | (2) |
| Total comprehensive income for the period, net of tax | – | – |
| <i>Net income</i> | – | – |
| <i>Net unrealized gains/(losses) on available-for-sale investments</i> | – | – |
| <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 of non-controlling interests | – | – |
| Balance as of March 31, 2012, as restated | 11 | 8,056 |
| Balance as of December 31, 2012, as previously reported | 11 | 8,172 |
| Total adjustments due to restatement | – | – |
| Balance as of December 31, 2012, as restated | 11 | 8,172 |
| Issuance of share capital ¹ | – | 120 |
| Share-based payment transactions | – | (78) |
| Treasury share transactions ³ | – | 6 |
| Reclassification from revaluation reserves | – | – |
| Total comprehensive income for the period, net of tax | – | – |
| <i>Net income</i> | – | – |
| <i>Net unrealized gains/(losses) on available-for-sale investments</i> | – | – |
| <i>Cash flow hedges</i> | – | – |
| <i>Cumulative foreign currency translation adjustment</i> | – | – |
| <i>Reclassification to retained earnings</i> | – | – |
| <i>Net actuarial gains/(losses) on pension plans</i> | – | – |
| Net changes in capitalization of non-controlling interests | – | – |
| Balance as of March 31, 2013 | 11 | 8,220 |

¹ The number of common shares issued as of March 31, 2013 was 148,779,500 (March 31, 2012: 148,082,750, December 31, 2012: 148,300,123, December 31, 2011: 147,385,822).

² As approved by the Annual General Meeting on March 29, 2012, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 840 million between the dividend at transaction day exchange rates amounting to USD 2,763 million and the dividend at historical exchange rates amounting to USD 1,923 million is reflected in the cumulative foreign currency translation adjustment.

³ The number of treasury shares deducted from equity as of March 31, 2013 amounted to 1,343,210 (March 31, 2012: 1,371,908, December 31, 2012: 1,348,395, December 31, 2011: 1,373,392).

| | Net unrealized gains/(losses) on available-for-sale investments | Cash flow hedges | Cumulative foreign currency translation adjustment | Revaluation reserve | Retained earnings | Shareholders' equity | Non-controlling interests | Total equity |
|--|---|------------------|--|---------------------|-------------------|----------------------|---------------------------|---------------|
| | 2,800 | 232 | (2,581) | 180 | 20,936 | 31,484 | 2,489 | 33,973 |
| | - | - | - | - | 15 | 15 | 1 | 16 |
| | 2,800 | 232 | (2,581) | 180 | 20,951 | 31,499 | 2,490 | 33,989 |
| | - | - | - | - | - | 172 | - | 172 |
| | - | - | - | - | - | (1,923) | (1) | (1,924) |
| | - | - | - | - | - | (98) | - | (98) |
| | - | - | - | - | 16 | 15 | - | 15 |
| | 1,072 | (2) | (476) | - | 1,372 | 1,966 | 126 | 2,092 |
| | - | - | - | - | 1,140 | 1,140 | | |
| | 1,072 | - | - | - | - | 1,072 | | |
| | - | (2) | - | - | - | (2) | | |
| | - | - | (476) | - | - | (476) | | |
| | - | - | - | - | - | - | | |
| | - | - | - | - | 233 | 233 | | |
| | - | - | - | - | - | - | (5) | (5) |
| | 3,871 | 230 | (3,058) | 180 | 22,340 | 31,630 | 2,610 | 34,240 |
| | 4,523 | 238 | (3,022) | 180 | 24,391 | 34,494 | 2,368 | 36,862 |
| | - | - | - | - | 11 | 11 | 1 | 12 |
| | 4,523 | 238 | (3,022) | 180 | 24,403 | 34,505 | 2,369 | 36,874 |
| | - | - | - | - | - | 120 | - | 120 |
| | - | - | - | - | - | (78) | - | (78) |
| | - | - | - | - | - | 6 | - | 6 |
| | - | - | - | - | 5 | 5 | - | 5 |
| | (341) | (33) | (417) | (5) | 996 | 199 | 73 | 272 |
| | - | - | - | - | 1,062 | 1,062 | | |
| | (341) | - | - | - | - | (341) | | |
| | - | (33) | - | - | - | (33) | | |
| | - | - | (417) | - | - | (417) | | |
| | - | - | - | (5) | - | (5) | | |
| | - | - | - | - | (65) | (65) | | |
| | - | - | - | - | - | - | - | - |
| | 4,182 | 205 | (3,440) | 175 | 25,405 | 34,758 | 2,442 | 37,199 |

Consolidated financial statements (unaudited) *continued*

Zurich Insurance Group Ltd and its subsidiaries (collectively the Group) is a provider of insurance-based products. The Group also distributes non-insurance products, such as mutual funds, mortgages and other financial services products, from selected third-party providers. The Group operates mainly in Europe, the USA, Latin America and Asia Pacific through subsidiaries, as well as branch and representative offices.

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

1. Basis of presentation

General information

The unaudited Consolidated financial statements for the three months to March 31, 2013 of the Group have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used to prepare the unaudited Consolidated financial statements comply with International Financial Reporting Standards (IFRS), and are consistent with those set out in the notes to the Consolidated financial statements in the Annual Report 2012 of the Group.

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

The unaudited Consolidated financial statements for the three months to March 31, 2013 should be read in conjunction with the Group's Annual Report 2012.

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

All amounts in the unaudited Consolidated financial statements, unless otherwise stated, are shown in USD, rounded to the nearest million with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

Table 1.1 summarizes the principal exchange rates used for translation purposes. Net gains/(losses) on foreign currency transactions included in the consolidated income statements were USD 14 million and USD (18) million for the three months ended March 31, 2013 and 2012, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD (35) million and USD 14 million for the three months ended March 31, 2013 and 2012, respectively.

Table 1.1

| Principal exchange rates | USD per foreign currency unit | Consolidated balance sheets | | Consolidated income statements and cash flows | |
|--------------------------|-------------------------------|-----------------------------|------------|---|------------|
| | | 03/31/2013 | 12/31/2012 | 03/31/2013 | 03/31/2012 |
| | | | | | |
| Euro | | 1.2817 | 1.3188 | 1.3205 | 1.3109 |
| Swiss franc | | 1.0535 | 1.0928 | 1.0755 | 1.0852 |
| British pound | | 1.5193 | 1.6272 | 1.5540 | 1.5707 |

Implementation of new accounting standards

Table 1.2 shows new accounting standards or amendments to and interpretations of standards relevant to the Group that have been implemented for the financial year beginning January 1, 2013, with no material impact on the Group's financial position or performance.

| Table 1.2 | | |
|-----------------------------|---|-----------------|
| Standard/ Interpretation | | Effective date |
| New Standards | | |
| IFRS 10 | Consolidated Financial Statements ¹ | January 1, 2013 |
| IFRS 11 | Joint Arrangements | January 1, 2013 |
| IFRS 12 | Disclosure of Interests in Other Entities | January 1, 2013 |
| IFRS 13 | Fair Value Measurement | January 1, 2013 |
| Amended Standards | | |
| IAS 1 | Presentations of Components of Other Comprehensive Income (OCI) | July 1, 2012 |
| IAS 19 | Employee Benefits ¹ | January 1, 2013 |
| IAS 27 | Separate Financial Statements | January 1, 2013 |
| IAS 28 | Investments in Associates and Joint Ventures | January 1, 2013 |
| IFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities | January 1, 2013 |

¹ Impacts shown in tables 1.4 and 1.5

The Group has not early-adopted the standards shown in table 1.3.

| Table 1.3 | | |
|-----------------------------|---|-----------------|
| Standard/ Interpretation | | Effective date |
| New Standards | | |
| IFRS 9 | Financial Instruments | January 1, 2015 |
| Amended Standards | | |
| IAS 32 | Offsetting Financial Assets and Financial Liabilities | January 1, 2014 |

Restatements and reclassifications

In 2011, the Group completed the acquisition of the life insurance, pension and general insurance operations of Banco Santander S.A. (Santander) in Brazil, Argentina, Chile, Mexico and Uruguay (see note 5 of the Consolidated financial statements 2012). The Consolidated financial statements 2012 included restated amounts as of December 31, 2011 to reallocate the preliminary numbers to individual balance sheet line items and for the subsequent reassessment of the initial purchase accounting. Table 1.4 shows the impact of the reclassifications as well as updates to the initial purchase accounting on the consolidated income statement for the three months ended March 31, 2012. Consolidated income statements, consolidated statements of comprehensive income, consolidated statements of cash flows, consolidated statements of changes in equity and notes 3, 4, 5, 6, 7, 8, 10, 12 and 16 have been restated accordingly.

Tables 1.4 and 1.5 show the impacts of implementing IAS 19 "Employee Benefits" and IFRS 10 "Consolidated Financial Statements" on the consolidated income statement for the three months ended March 31, 2012 and consolidated balance sheet as of December 31, 2012. Consolidated income statements, consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and notes 3, 5, 6, 10, 12, 14, 15 and 16 have been restated accordingly.

Consolidated financial statements (unaudited) *continued*

| Table 1.4 | | | | | | |
|--|---|---------------|------------|------------|-------------|---------------|
| in USD millions, for the three months ended March 31, 2012 | | As reported | Santander | IAS 19 | IFRS 10 | As restated |
| Restatement of the consolidated income statement | Revenues | | | | | |
| | Gross written premiums | 14,445 | – | – | – | 14,445 |
| | Policy fees | 632 | (1) | – | – | 631 |
| | Gross written premiums and policy fees | 15,077 | (1) | – | – | 15,076 |
| | Less premiums ceded to reinsurers | (1,711) | – | – | – | (1,711) |
| | Net written premiums and policy fees | 13,367 | (1) | – | – | 13,366 |
| | Net change in reserves for unearned premiums | (1,788) | – | – | – | (1,788) |
| | Net earned premiums and policy fees | 11,578 | – | – | – | 11,578 |
| | Farmers management fees and other related revenues | 710 | – | – | – | 710 |
| | Net investment result on Group investments | 1,760 | (4) | – | 18 | 1,774 |
| | Net investment income on Group investments | 1,710 | 1 | – | 18 | 1,729 |
| | Net capital gains/(losses) and impairments on Group investments | 50 | (5) | – | – | 45 |
| | Net investment result on unit-linked investments | 5,695 | (1) | – | (30) | 5,665 |
| | Other income | 361 | – | – | – | 361 |
| | Total revenues | 20,105 | (5) | – | (12) | 20,088 |
| | Benefits, losses and expenses | | | | | |
| | Insurance benefits and losses, gross of reinsurance | 8,794 | 18 | – | – | 8,812 |
| | Less ceded insurance benefits and losses | (796) | (6) | – | – | (802) |
| | Insurance benefits and losses, net of reinsurance | 7,998 | 12 | – | – | 8,010 |
| | Policyholder dividends and participation in profits, net of reinsurance | 5,828 | – | – | (30) | 5,798 |
| | Underwriting and policy acquisition costs, net of reinsurance | 2,389 | (8) | – | – | 2,381 |
| | Administrative and other operating expense | 1,941 | 6 | (1) | – | 1,947 |
| | Interest expense on debt | 150 | – | – | – | 150 |
| | Interest credited to policyholders and other interest | 111 | (2) | – | 17 | 126 |
| | Total benefits, losses and expenses | 18,417 | 8 | (1) | (12) | 18,411 |
| | Net income before income taxes | 1,688 | (13) | 1 | – | 1,676 |
| | Income tax expense | (522) | 5 | – | – | (517) |
| | attributable to policyholders | (176) | – | – | – | (176) |
| | attributable to shareholders | (346) | 5 | – | – | (342) |
| | Net income after taxes | 1,166 | (8) | 1 | – | 1,159 |
| | attributable to non-controlling interests | 23 | (4) | – | – | 19 |
| attributable to shareholders | 1,143 | (4) | 1 | – | 1,140 | |
| in USD | | | | | | |
| Basic earnings per share | 7.82 | (0.03) | 0.01 | – | 7.80 | |
| Diluted earnings per share | 7.77 | (0.03) | 0.01 | – | 7.75 | |
| in CHF | | | | | | |
| Basic earnings per share | 7.21 | (0.02) | 0.01 | – | 7.19 | |
| Diluted earnings per share | 7.16 | (0.02) | 0.01 | – | 7.14 | |

Restatement of the consolidated balance sheet

| Table 1.5 | | | | |
|---|----------------|-------------|--------------|----------------|
| in USD millions, as of December 31, 2012 | As reported | IAS 19 | IFRS 10 | As restated |
| Investments | | | | |
| Total Group investments | 208,707 | – | 875 | 209,582 |
| Cash and cash equivalents | 9,098 | – | – | 9,098 |
| Equity securities | 12,341 | – | – | 12,341 |
| Debt securities | 155,594 | – | – | 155,594 |
| Real estate held for investment | 8,561 | – | – | 8,561 |
| Mortgage loans | 10,519 | – | – | 10,519 |
| Other loans | 12,423 | – | 962 | 13,385 |
| Investments in associates and joint ventures | 172 | – | (87) | 85 |
| Investments for unit-linked contracts | 125,226 | – | (1,313) | 123,913 |
| Total investments | 333,934 | – | (438) | 333,496 |
| Reinsurers' share of reserves for insurance contracts | 19,753 | – | – | 19,753 |
| Deposits made under assumed reinsurance contracts | 2,588 | – | – | 2,588 |
| Deferred policy acquisition costs | 18,346 | – | – | 18,346 |
| Deferred origination costs | 770 | – | – | 770 |
| Accrued investment income | 2,414 | – | – | 2,414 |
| Receivables and other assets | 18,423 | – | 3 | 18,425 |
| Deferred tax assets | 1,854 | – | – | 1,853 |
| Assets held for sale | 102 | – | – | 102 |
| Property and equipment | 1,530 | – | – | 1,530 |
| Goodwill | 2,107 | – | – | 2,107 |
| Other intangible assets | 7,448 | – | – | 7,448 |
| Total assets | 409,267 | – | (436) | 408,831 |
| Liabilities | | | | |
| Reserve for premium refunds | 706 | – | – | 706 |
| Liabilities for investment contracts | 58,131 | – | (693) | 57,437 |
| Deposits received under ceded reinsurance contracts | 1,558 | – | – | 1,558 |
| Deferred front-end fees | 6,073 | – | – | 6,073 |
| Reserves for insurance contracts | 265,233 | – | – | 265,233 |
| Obligations to repurchase securities | 1,539 | – | – | 1,539 |
| Accrued liabilities | 3,272 | – | 7 | 3,279 |
| Other liabilities | 18,135 | (18) | 251 | 18,368 |
| Deferred tax liabilities | 5,238 | 6 | – | 5,244 |
| Senior debt | 6,660 | – | – | 6,660 |
| Subordinated debt | 5,861 | – | – | 5,861 |
| Total liabilities | 372,405 | (12) | (436) | 371,957 |
| Equity | | | | |
| Share capital | 11 | – | – | 11 |
| Additional paid-in capital | 8,172 | – | – | 8,172 |
| Net unrealized gains/(losses) on available-for-sale investments | 4,523 | – | – | 4,523 |
| Cash flow hedges | 238 | – | – | 238 |
| Cumulative translation adjustment | (3,022) | – | – | (3,022) |
| Revaluation reserve | 180 | – | – | 180 |
| Retained earnings | 24,391 | 12 | – | 24,403 |
| Shareholders' equity | 34,494 | 11 | – | 34,505 |
| Non-controlling interests | 2,368 | – | 1 | 2,369 |
| Total equity | 36,862 | 11 | 1 | 36,874 |
| Total liabilities and equity | 409,267 | – | (435) | 408,831 |

Consolidated financial statements (unaudited) *continued*

2. Acquisitions and divestments

Transactions in 2013

There were no transactions in the three months ended March 31, 2013.

Transactions in 2012

Acquisitions

On May 25, 2012, the Group increased its shareholding in Zurich Insurance Company South Africa Limited, a partially owned subsidiary, to 84.05 percent by purchasing a 25.1 percent, shareholding from Royal Bafokeng Finance (Pty) Limited (RBF) for a purchase price of approximately USD 75 million. With this purchase of 25.1 percent, the Group's controlled interest for the Consolidated financial statements is now in line with its legal ownership. The put option right granted to RBF in 2010 to sell back its entire shareholding to the Group also ceased to exist.

Divestments and loss of control

The Group lost control over one of its subsidiaries and consequently derecognized the assets and liabilities at their carrying value and recognized its retained investment in this entity as an equity security classified as available-for-sale as of September 30, 2012. A USD 38 million pre-tax loss was recorded within net gain/(loss) on divestments of businesses.

3. Investments

Total investments include Group investments and investments for unit-linked products. Group investments are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features. Investments for unit-linked products include investments where the policyholder bears the investment risk, and are held for liabilities related to unit-linked investment contracts and reserves for unit-linked insurance contracts. They are managed in accordance with the investment objectives of each unit-linked fund.

Table 3.1a

in USD millions, for the three months ended March 31

Investment result for total investments

| | Net investment income | | Net capital gains/ (losses) on investments and impairments | | Investment result | |
|---|-----------------------|--------------|--|--------------|-------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Cash and cash equivalents | 15 | 20 | (2) | 8 | 13 | 27 |
| Equity securities | 331 | 364 | 6,222 | 5,428 | 6,553 | 5,792 |
| Debt securities | 1,262 | 1,363 | 219 | 289 | 1,481 | 1,652 |
| Real estate held for investment | 185 | 208 | (33) | (90) | 153 | 118 |
| Mortgage loans | 99 | 111 | (29) | (30) | 69 | 81 |
| Other loans | 207 | 228 | 126 | – | 333 | 228 |
| Investments in associates and joint ventures | 1 | 1 | 2 | – | 2 | 1 |
| Derivative financial instruments ¹ | – | – | (305) | (285) | (305) | (285) |
| Investment result, gross | 2,098 | 2,295 | 6,200 | 5,320 | 8,298 | 7,615 |
| Investment expenses | (186) | (176) | – | – | (186) | (176) |
| Investment result, net | 1,913 | 2,119 | 6,200 | 5,320 | 8,113 | 7,439 |

¹ Net capital losses on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 36 million and USD 16 million for the three months ended March 31, 2013 and 2012, respectively.

Rental operating expenses for real estate held for investment included in investment expenses for total investments amounted to USD 42 million and USD 44 million for the three months ended March 31, 2013 and 2012, respectively.

Table 3.1b

in USD millions, for the three months ended March 31

Investment result for Group investments

| | Net investment income | | Net capital gains/ (losses) on investments and impairments | | Investment result | |
|--|-----------------------|--------------|--|-----------|-------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Cash and cash equivalents | 9 | 14 | – | – | 8 | 14 |
| Equity securities | 57 | 71 | 252 | 140 | 310 | 211 |
| Debt securities | 1,202 | 1,301 | 114 | 121 | 1,317 | 1,422 |
| Real estate held for investment | 122 | 129 | 7 | 17 | 129 | 146 |
| Mortgage loans | 99 | 111 | (29) | (30) | 69 | 81 |
| Other loans | 144 | 163 | 47 | – | 191 | 163 |
| Investments in associates and joint ventures | 1 | 1 | 2 | – | 2 | 1 |
| Derivative financial instruments ¹ | – | – | (272) | (203) | (272) | (203) |
| Investment result, gross, for Group investments | 1,634 | 1,789 | 120 | 45 | 1,754 | 1,834 |
| Investment expenses for Group investments | (61) | (60) | – | – | (61) | (60) |
| Investment result, net, for Group investments | 1,573 | 1,729 | 120 | 45 | 1,693 | 1,774 |

¹ Net capital losses on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 36 million and USD 16 million for the three months ended March 31, 2013 and 2012, respectively.

Consolidated financial statements (unaudited) *continued*

Impairment charges on Group investments included in net capital gains/(losses) amounted to USD 31 million and USD 52 million, including impairment charges on mortgage loans and other loans of USD 29 million and USD 30 million, for the three months ended March 31, 2013 and 2012, respectively.

Table 3.1c

Investment result for unit-linked contracts

in USD millions, for the three months ended March 31

| | Net investment income | | Net capital gains/(losses) on investments | | Investment result | |
|--|-----------------------|------------|---|--------------|-------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Cash and cash equivalents | 6 | 6 | (2) | 8 | 4 | 13 |
| Equity securities | 273 | 293 | 5,970 | 5,288 | 6,243 | 5,581 |
| Debt securities | 59 | 62 | 105 | 167 | 164 | 229 |
| Real estate held for investment | 63 | 79 | (40) | (107) | 23 | (27) |
| Other loans | 62 | 65 | 79 | – | 142 | 65 |
| Derivative financial instruments | – | – | (33) | (82) | (33) | (82) |
| Investment result, gross, for unit-linked contracts | 464 | 505 | 6,080 | 5,275 | 6,544 | 5,781 |
| Investment expenses for unit-linked contracts | (125) | (116) | – | – | (125) | (116) |
| Investment result, net, for unit-linked contracts | 340 | 390 | 6,080 | 5,275 | 6,419 | 5,665 |

Table 3.2

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

in USD millions, for the three months ended March 31

| | Equity securities | | Debt securities | | Total | |
|---|-------------------|--------------|-----------------|------------|--------------|--------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Securities at fair value through profit or loss: | 6,103 | 5,422 | 42 | 93 | 6,145 | 5,515 |
| Net capital gains/(losses) on Group investments | 133 | 134 | (63) | (74) | 70 | 59 |
| <i>of which:</i> | | | | | | |
| <i>Trading securities</i> | 12 | 12 | – | 1 | 11 | 12 |
| <i>Securities designated at fair value through profit or loss</i> | 122 | 122 | (63) | (75) | 59 | 47 |
| Net capital gains/(losses) for unit-linked contracts | 5,970 | 5,288 | 105 | 167 | 6,075 | 5,455 |
| Available-for-sale securities: | 119 | 6 | 177 | 196 | 296 | 202 |
| Realized capital gains on Group investments | 160 | 46 | 246 | 346 | 406 | 392 |
| Realized capital losses on Group investments | (28) | (25) | (80) | (143) | (108) | (168) |
| Impairments on Group investments | (13) | (15) | 11 | (7) | (1) | (21) |
| Total net capital gains/(losses) and impairments | 6,222 | 5,428 | 219 | 289 | 6,441 | 5,717 |

Details of total investments by category

| as of | 03/31/13 | | 12/31/12 | |
|---|----------------|--------------|----------------|--------------|
| | USD millions | % of total | USD millions | % of total |
| Cash and cash equivalents | 10,493 | 3.2 | 10,208 | 3.1 |
| Equity securities: | | | | |
| Fair value through profit or loss | 104,704 | 31.6 | 103,023 | 30.9 |
| <i>of which:</i> | | | | |
| <i>Trading securities</i> | 385 | 0.1 | 410 | 0.1 |
| <i>Securities designated at fair value through profit or loss</i> | 104,319 | 31.4 | 102,613 | 30.8 |
| Available-for-sale | 8,246 | 2.5 | 8,796 | 2.6 |
| Total equity securities | 112,951 | 34.1 | 111,819 | 33.5 |
| Debt securities: | | | | |
| Fair value through profit or loss | 20,583 | 6.2 | 20,630 | 6.2 |
| <i>of which:</i> | | | | |
| <i>Trading securities</i> | 44 | 0.0 | 48 | 0.0 |
| <i>Securities designated at fair value through profit or loss</i> | 20,539 | 6.2 | 20,583 | 6.2 |
| Available-for-sale | 141,426 | 42.6 | 141,597 | 42.5 |
| Held-to-maturity | 4,656 | 1.4 | 5,012 | 1.5 |
| Total debt securities | 166,665 | 50.2 | 167,239 | 50.1 |
| Real estate held for investment | 11,305 | 3.4 | 11,962 | 3.6 |
| Mortgage loans | 9,930 | 3.0 | 10,519 | 3.2 |
| Other loans | 20,288 | 6.1 | 21,664 | 6.5 |
| Investments in associates and joint ventures | 84 | 0.0 | 85 | 0.0 |
| Total investments | 331,715 | 100.0 | 333,496 | 100.0 |

Details of Group investments by category

| as of | 03/31/13 | | 12/31/12 | |
|---|----------------|--------------|----------------|--------------|
| | USD millions | % of total | USD millions | % of total |
| Cash and cash equivalents | 9,230 | 4.5 | 9,098 | 4.3 |
| Equity securities: | | | | |
| Fair value through profit or loss | 3,522 | 1.7 | 3,545 | 1.7 |
| <i>of which:</i> | | | | |
| <i>Trading securities</i> | 385 | 0.2 | 410 | 0.2 |
| <i>Securities designated at fair value through profit or loss</i> | 3,136 | 1.5 | 3,135 | 1.5 |
| Available-for-sale | 8,246 | 4.0 | 8,796 | 4.2 |
| Total equity securities | 11,768 | 5.7 | 12,341 | 5.9 |
| Debt securities: | | | | |
| Fair value through profit or loss | 8,723 | 4.2 | 8,985 | 4.3 |
| <i>of which:</i> | | | | |
| <i>Trading securities</i> | 44 | 0.0 | 48 | 0.0 |
| <i>Securities designated at fair value through profit or loss</i> | 8,679 | 4.2 | 8,937 | 4.3 |
| Available-for-sale | 141,426 | 68.4 | 141,597 | 67.6 |
| Held-to-maturity | 4,656 | 2.3 | 5,012 | 2.4 |
| Total debt securities | 154,805 | 74.8 | 155,594 | 74.2 |
| Real estate held for investment | 8,176 | 4.0 | 8,561 | 4.1 |
| Mortgage loans | 9,930 | 4.8 | 10,519 | 5.0 |
| Other loans | 12,882 | 6.2 | 13,385 | 6.4 |
| Investments in associates and joint ventures | 84 | 0.0 | 85 | 0.0 |
| Total Group investments | 206,874 | 100.0 | 209,582 | 100.0 |

Investments (including cash and cash equivalents) with a carrying value of USD 6,450 million and USD 6,340 million were held to meet local regulatory requirements as of March 31, 2013, and December 31, 2012, respectively.

Consolidated financial statements (unaudited) *continued*

Securities under security lending and repurchase agreements

As of March 31, 2013 and December 31, 2012, respectively, investments included USD 7,371 million and USD 7,751 million of loaned securities. These loaned securities were mainly debt securities. Liabilities for cash collateral received for securities lending comprised USD 352 million and USD 330 million as of March 31, 2013 and December 31, 2012, respectively. Non-cash collateral received for loaned securities comprised mainly equity and debt securities, and amounted to USD 7,719 million and USD 8,085 million as of March 31, 2013 and December 31, 2012, respectively. The Group can sell or repledge the collateral only in the event of default by a counterparty.

As of March 31, 2013 and December 31, 2012, respectively, debt securities with a carrying value of USD 1,495 million and USD 1,550 million have been sold to financial institutions under repurchase agreements. These securities continue to be recognized as investments in the Group's consolidated balance sheets. Obligations to repurchase these securities amounted to USD 1,481 million and USD 1,539 million as of March 31, 2013 and December 31, 2012, respectively.

The Group retains the rights to the risks and the benefits of loaned securities and securities under repurchase agreements. These risks and benefits include changes in market values and income earned.

As of March 31, 2013 and December 31, 2012, respectively, securities with a carrying value of USD 1,282 million and USD 990 million have been purchased from financial institutions under short-term reverse sale and repurchase agreements. Receivables under these agreements have been recognized in the Group's consolidated balance sheets and amounted to USD 1,290 million and USD 988 million as of March 31, 2013 and December 31, 2012, respectively.

Table 3.3c

Details of
investments held for
unit-linked contracts

| as of | 03/31/13 | | 12/31/12 | |
|--|----------------|--------------|----------------|--------------|
| | USD millions | % of total | USD millions | % of total |
| Cash and cash equivalents | 1,263 | 1.0 | 1,110 | 0.9 |
| Equity securities | 101,182 | 81.0 | 99,478 | 80.3 |
| Debt securities | 11,860 | 9.5 | 11,646 | 9.4 |
| Real estate | 3,130 | 2.5 | 3,401 | 2.7 |
| Other loans | 7,407 | 5.9 | 8,279 | 6.7 |
| Total investments for unit-linked contracts | 124,842 | 100.0 | 123,913 | 100.0 |

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

Accrued interest on unit-linked investments disclosed under accrued investment income amounted to USD 211 million and USD 210 million as of March 31, 2013 and December 31, 2012, respectively.

Table 3.4

Net unrealized
gains/(losses)
on Group
investments
included in
other comprehensive
income

| in USD millions, as of | Total | |
|---|--------------|--------------|
| | 03/31/13 | 12/31/12 |
| Equity securities: available-for-sale | 1,798 | 1,679 |
| Debt securities: available-for-sale | 7,727 | 8,679 |
| Other | 254 | 300 |
| Less: amount of net unrealized gains/(losses) on investments attributable to: | | |
| Life policyholder dividends and other policyholder liabilities | (3,600) | (3,918) |
| Life deferred acquisition costs and present value of future profits | (491) | (571) |
| Deferred income taxes | (1,279) | (1,385) |
| Non-controlling interests | (22) | (23) |
| Total¹ | 4,387 | 4,762 |

¹ Net unrealized gains/(losses) included net gains arising on cash flow hedges of USD 205 million and USD 238 million as of March 31, 2013 and December 31, 2012, respectively.

Derivative financial instruments: offsetting of financial assets and liabilities

Tables 3.5 and 3.6 show the net asset and liability position of derivative financial instruments subject to master netting arrangements and collateral agreements. Master netting arrangements are used by the Group to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations. These arrangements commonly create a right of offset that becomes enforceable and affects the realization or settlement of individual financial assets and financial liabilities only following a specified event of default or other circumstances which would not be expected to arise in the normal course of business.

Table 3.5

| Table 3.5 | | | | | | |
|--|---------------------------------------|--------------|----------------------------|-------------------------------------|---|--------------|
| Derivative financial instruments subject to enforceable master netting arrangements and collateral agreements – current period | in USD millions, as of March 31, 2013 | | Related amounts not offset | Cash collateral (received)/ pledged | Non cash collateral (received)/ pledged | Net amount |
| | | Fair value | | | | |
| Assets | | | | | | |
| | | 1,517 | (228) | (1,029) | (13) | 248 |
| | | 54 | – | (45) | – | 9 |
| | | 1,571 | (228) | (1,074) | (13) | 257 |
| Liabilities | | | | | | |
| | | (506) | 228 | 92 | 16 | (171) |
| | | (8) | – | – | – | (8) |
| | | (514) | 228 | 92 | 16 | (179) |

Table 3.6

| Table 3.6 | | | | | | |
|--|--|--------------|----------------------------|-------------------------------------|---|--------------|
| Derivative financial instruments subject to enforceable master netting arrangements and collateral agreements – prior period | in USD millions, as of December 31, 2012 | | Related amounts not offset | Cash collateral (received)/ pledged | Non cash collateral (received)/ pledged | Net amount |
| | | Fair value | | | | |
| Assets | | | | | | |
| | | 1,750 | (276) | (1,152) | (13) | 309 |
| | | 62 | – | (47) | – | 15 |
| | | 1,813 | (276) | (1,199) | (13) | 324 |
| Liabilities | | | | | | |
| | | (537) | 276 | 72 | 15 | (174) |
| | | (5) | – | – | – | (5) |
| | | (542) | 276 | 72 | 15 | (179) |

Consolidated financial statements (unaudited) *continued*

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

Table 4.1

| Reserves for insurance contracts | Gross | | Ceded | | Net | |
|---|----------------|----------------|-----------------|-----------------|----------------|----------------|
| | 03/31/13 | 12/31/12 | 03/31/13 | 12/31/12 | 03/31/13 | 12/31/12 |
| in USD millions, as of | | | | | | |
| Reserves for losses and loss adjustment expenses | 67,476 | 69,986 | (11,679) | (12,601) | 55,797 | 57,385 |
| Reserves for unearned premiums | 18,963 | 17,300 | (2,797) | (2,666) | 16,166 | 14,634 |
| Future life policyholders' benefits | 81,879 | 83,807 | (2,449) | (2,507) | 79,430 | 81,300 |
| Policyholders' contract deposits and other funds | 19,729 | 20,024 | (2,082) | (2,106) | 17,647 | 17,917 |
| Reserves for unit-linked contracts | 73,532 | 74,117 | – | – | 73,532 | 74,117 |
| Total reserves for insurance contracts¹ | 261,579 | 265,233 | (19,007) | (19,880) | 242,572 | 245,353 |

¹ The total reserves for insurance contracts ceded are gross of allowances for uncollectible amounts of USD 142 million and USD 127 million as of March 31, 2013 and December 31, 2012, respectively.

Table 4.2

| Development of reserves for losses and loss adjustment expenses | Gross | | Ceded | | Net | |
|---|----------------|----------------|-----------------|-----------------|----------------|----------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| in USD millions | | | | | | |
| As of January 1 | 69,986 | 67,762 | (12,601) | (12,421) | 57,385 | 55,341 |
| Losses and loss adjustment expenses incurred: | | | | | | |
| Current year | 6,249 | 6,385 | (680) | (662) | 5,569 | 5,723 |
| Prior years | (147) | (118) | 130 | (31) | (17) | (149) |
| Total incurred | 6,102 | 6,267 | (550) | (693) | 5,552 | 5,574 |
| Losses and loss adjustment expenses paid: | | | | | | |
| Current year | (1,188) | (1,298) | 50 | 72 | (1,138) | (1,227) |
| Prior years | (6,161) | (4,889) | 1,333 | 670 | (4,828) | (4,219) |
| Total paid | (7,350) | (6,187) | 1,383 | 742 | (5,967) | (5,445) |
| Foreign currency translation effects | (1,262) | 885 | 88 | (141) | (1,174) | 744 |
| As of March 31 | 67,476 | 68,727 | (11,679) | (12,513) | 55,797 | 56,214 |

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 three months of 2013 and 2012.

The decrease of USD 1,588 million during the first three months of 2013 in net reserves for losses and loss adjustment expenses is mostly driven by the foreign currency translation effects of USD 1,174 million. Favorable reserve development emerging from reserves established in prior years amounted to USD 17 million. An increase in reserves in North America Commercial from prior accident years was offset by reductions in case reserves in the UK and Switzerland.

The increase of USD 873 million during the first three months of 2012 in net reserves for losses and loss adjustment expenses was mostly driven by foreign currency translation effects of USD 744 million and also included USD 149 million of favorable reserve development emerging from reserves established in prior years from various regions and

lines of business, in particular in Switzerland's motor line of business and in the UK, across many lines of business, except employers' liability due to adverse development on deafness claims.

Table 4.3

| Development of future life policyholders' benefits | in USD millions | | Gross | | Ceded | | Net | |
|--|-----------------|---------------|----------------|----------------|---------------|---------------|--------|------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | As of January 1 | 83,807 | 80,584 | (2,507) | (2,583) | 81,300 | 78,001 | |
| Premiums | 2,558 | 2,456 | (150) | (126) | 2,408 | 2,330 | | |
| Claims | (2,225) | (2,178) | 110 | 111 | (2,115) | (2,066) | | |
| Fee income and other expenses | (467) | (533) | 29 | 13 | (437) | (521) | | |
| Interest and bonuses credited to policyholders | 507 | 513 | 11 | (7) | 518 | 507 | | |
| Change in assumptions | (59) | (155) | 3 | 24 | (56) | (131) | | |
| (Decreases)/increases recorded in other comprehensive income | (8) | 44 | – | – | (8) | 44 | | |
| Foreign currency translation effects | (2,234) | 2,338 | 54 | (44) | (2,180) | 2,294 | | |
| As of March 31 | 81,879 | 83,068 | (2,449) | (2,611) | 79,430 | 80,457 | | |

Table 4.4

| Policyholders' contract deposits and other funds gross | | 03/31/13 | 12/31/12 |
|--|--|---------------|---------------|
| in USD millions, as of | | | |
| Universal life and other contracts | | 12,189 | 12,219 |
| Policyholder dividends | | 7,540 | 7,804 |
| Total | | 19,729 | 20,024 |

Table 4.5

| Development of policyholders' contract deposits and other funds | in USD millions | | Gross | | Ceded | | Net | |
|---|-----------------|---------------|----------------|----------------|---------------|---------------|--------|------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | As of January 1 | 20,024 | 18,356 | (2,106) | (2,181) | 17,917 | 16,175 | |
| Premiums | 329 | 309 | (18) | (18) | 310 | 291 | | |
| Claims | (347) | (320) | 64 | 50 | (282) | (270) | | |
| Fee income and other expenses | (67) | (72) | (2) | 2 | (69) | (71) | | |
| Interest and bonuses credited to policyholders | 360 | 215 | (20) | (19) | 341 | 196 | | |
| (Decrease)/increase recorded in other comprehensive income | (181) | 702 | – | – | (181) | 702 | | |
| Foreign currency translation effects | (389) | 353 | – | (1) | (389) | 351 | | |
| As of March 31 | 19,729 | 19,542 | (2,082) | (2,168) | 17,647 | 17,374 | | |

Consolidated financial statements (unaudited) *continued*

| Table 4.6 | | | |
|--|--|---------------|---------------|
| Development of reserves for unit-linked contracts | in USD millions | | |
| | | 2013 | 2012 |
| | As of January 1 | 74,117 | 68,844 |
| | Premiums | 1,556 | 2,613 |
| | Claims | (2,321) | (2,248) |
| | Fee income and other expenses | (390) | (650) |
| | Interest and bonuses credited/(charged) to policyholders | 3,145 | 3,170 |
| | Acquisitions/transfers ¹ | – | 259 |
| | Foreign currency translation effects | (2,575) | 1,610 |
| | As of March 31 | 73,532 | 73,597 |

¹ The 2012 movement related to a transfer from liabilities for investment contracts (see note 1 of the Consolidated financial statements 2012).

5. Liabilities for investment contracts

| Table 5.1 | | | |
|--------------------------------------|--|---------------|----------|
| Liabilities for investment contracts | in USD millions, as of | | |
| | | 03/31/13 | 12/31/12 |
| | Liabilities related to unit-linked investment contracts | 51,639 | 50,229 |
| | Liabilities related to investment contracts (amortized cost) | 1,166 | 1,305 |
| | Liabilities related to investment contracts with DPF | 5,733 | 5,903 |
| Total | 58,538 | 57,437 | |

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 liabilities related to investment contracts at amortized cost is based on a discounted cash flow valuation technique. The initial valuation of the discount rate is determined by the current market assessment of the time value of money and risks specific to the liabilities.

| Table 5.2 | | | |
|---|--|---------------|---------------|
| Development of liabilities for investment contracts | in USD millions | | |
| | | 2013 | 2012 |
| | As of January 1 | 57,437 | 50,309 |
| | Premiums | 1,924 | 1,735 |
| | Claims | (1,474) | (1,432) |
| | Fee income and other expenses | (136) | (148) |
| | Interest and bonuses credited/(charged) to policyholders | 3,760 | 2,745 |
| | Acquisitions/transfers ¹ | – | (259) |
| | Foreign currency translation effects | (2,972) | 1,484 |
| | As of March 31 | 58,538 | 54,435 |

¹ The 2012 movement related to a transfer to reserves for unit-linked contracts (see note 1 of the Consolidated financial statements 2012).

Consolidated financial statements (unaudited) *continued*

6. Gross and ceded insurance revenues and expenses

Table 6.1

| Insurance benefits and losses | in USD millions, for the three months ended March 31 | Gross | | Ceded | | Net | |
|-------------------------------|--|--------------|--------------|--------------|--------------|--------------|--------------|
| | | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | Losses and loss adjustment expenses | 6,102 | 6,267 | (550) | (693) | 5,552 | 5,574 |
| | Life insurance death and other benefits | 2,549 | 2,545 | (104) | (109) | 2,445 | 2,436 |
| | Total insurance benefits and losses | 8,651 | 8,812 | (654) | (802) | 7,997 | 8,010 |

Table 6.2

| Policyholder dividends and participation in profits | in USD millions, for the three months ended March 31 | Gross | | Ceded | | Net | |
|---|---|--------------|--------------|----------|----------|--------------|--------------|
| | | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | Change in policyholders' contract deposits and other funds | 380 | 239 | – | – | 380 | 239 |
| | Change in reserves for unit-linked products | 3,323 | 3,213 | – | – | 3,323 | 3,213 |
| | Change in liabilities for investment contracts – unit-linked | 3,095 | 2,452 | – | – | 3,095 | 2,452 |
| | Change in liabilities for investment contracts – other | 72 | 64 | – | – | 72 | 64 |
| | Change in unit-linked liabilities related to UK capital gains tax | (230) | (169) | – | – | (230) | (169) |
| | Total policyholder dividends and participation in profits | 6,641 | 5,798 | – | – | 6,641 | 5,798 |

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 | |
|--|-----------------|--------------|-------------------|---------------|-------------|------------|-----------------------------|---------------|--------|------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | As of January 1 | 3,543 | 3,482 | 14,466 | 13,584 | 337 | 353 | 18,346 | 17,420 | |
| Acquisition costs deferred | 986 | 900 | 607 | 478 | 198 | 215 | 1,791 | 1,592 | | |
| Amortization | (829) | (778) | (397) | (259) | (212) | (226) | (1,437) | (1,263) | | |
| Amortization charged/ (credited) to other comprehensive income | – | – | 55 | (99) | – | – | 55 | (99) | | |
| Foreign currency translation effects | (72) | 37 | (547) | 337 | – | – | (619) | 374 | | |
| As of March 31 | 3,628 | 3,641 | 14,185 | 14,040 | 323 | 342 | 18,136 | 18,024 | | |

¹ Net of eliminations from inter-segment transactions.

As of March 31, 2013, December 31, 2012 and March 31, 2012, deferred policy acquisition costs relating to non-controlling interests were USD 618 million, USD 572 million and USD 520 million, respectively.

Table 7.2

| Development of deferred origination costs | in USD millions | | 2013 | 2012 |
|---|-----------------|------------|------------|------|
| | As of January 1 | | 770 | 824 |
| Origination costs deferred | | 17 | 17 | |
| Amortization | | (27) | (54) | |
| Foreign currency translation effects | | (41) | 23 | |
| As of March 31 | | 719 | 810 | |

Consolidated financial statements (unaudited) *continued*

8. Goodwill and other intangible assets

Table 8.1

| Intangible assets – current period | in USD millions | | | | | | |
|---|-----------------|--------------|----------------------------|---------------------------------------|--------------|------------|---------------|
| | Goodwill | PVFP | Distribution agreements | Attorney- in-fact relationships | Software | Other | Total |
| Gross carrying value as of January 1, 2013 | 2,239 | 2,890 | 4,435 | 1,025 | 4,418 | 219 | 15,226 |
| Less: accumulated amortization/impairments | (132) | (2,047) | (620) | – | (2,747) | (125) | (5,671) |
| Net carrying value as of January 1, 2013 | 2,107 | 844 | 3,815 | 1,025 | 1,670 | 94 | 9,555 |
| Additions and transfers | – | – | 5 | – | 73 | – | 77 |
| Amortization | – | (36) | (48) | – | (93) | (3) | (179) |
| Amortization charged to other comprehensive income | – | 15 | – | – | – | – | 15 |
| Impairments | – | – | – | – | (20) | – | (20) |
| Foreign currency translation effects | (32) | (16) | (13) | – | (43) | (4) | (109) |
| Net carrying value as of March 31, 2013 | 2,075 | 806 | 3,759 | 1,025 | 1,586 | 87 | 9,339 |
| Plus: accumulated amortization/impairments | 130 | 1,990 | 650 | – | 2,766 | 122 | 5,658 |
| Gross carrying value as of March 31, 2013 | 2,205 | 2,796 | 4,409 | 1,025 | 4,352 | 209 | 14,997 |

As of March 31, 2013, intangible assets relating to non-controlling interests were USD 189 million for present value of future profits (PVFP) of acquired insurance contracts, USD 1,763 million for distribution agreements and USD 11 million for software.

A review of existing IT platforms in General Insurance in Latin America identified software, which was not utilized as originally expected, resulting in a USD 20 million impairment.

Table 8.2

| Intangible assets by segment – current period | in USD millions, as of March 31, 2013 | | | | | | |
|---|--|------------|----------------------------|---------------------------------------|--------------|-----------|--------------|
| | Goodwill | PVFP | Distribution agreements | Attorney- in-fact relationships | Software | Other | Total |
| General Insurance | 836 | – | 713 | – | 548 | 71 | 2,168 |
| Global Life | 420 | 806 | 3,046 | – | 385 | 15 | 4,673 |
| Farmers | 819 | – | – | 1,025 | 369 | – | 2,214 |
| Other Operating Businesses | – | – | – | – | 284 | – | 284 |
| Net carrying value as of March 31, 2013 | 2,075 | 806 | 3,759 | 1,025 | 1,586 | 87 | 9,339 |

| in USD millions | | | | | | | | |
|--|--|--------------|--------------|-------------------------|--------------------------------|--------------|------------|---------------|
| | | Goodwill | PVFP | Distribution agreements | Attorney-in-fact relationships | Software | Other | Total |
| Gross carrying value as of January 1, 2012 | | 2,186 | 2,824 | 4,562 | 1,025 | 4,210 | 190 | 14,997 |
| Less: accumulated amortization/impairments | | (126) | (1,640) | (430) | – | (2,593) | (86) | (4,876) |
| Net carrying value as of January 1, 2012 | | 2,060 | 1,184 | 4,132 | 1,025 | 1,616 | 104 | 10,121 |
| Additions and transfers | | – | – | – | – | 81 | – | 81 |
| Divestments and transfers | | – | – | (2) | – | (2) | – | (3) |
| Amortization | | – | (52) | (47) | – | (98) | (3) | (201) |
| Amortization charged to other comprehensive income | | – | (78) | – | – | – | – | (78) |
| Impairments | | – | – | – | – | (5) | – | (5) |
| Foreign currency translation effects | | 54 | 35 | 152 | – | 29 | 4 | 274 |
| Net carrying value as of March 31, 2012 | | 2,113 | 1,089 | 4,235 | 1,025 | 1,621 | 105 | 10,188 |
| Plus: accumulated amortization/impairments | | 136 | 1,807 | 490 | – | 2,708 | 91 | 5,233 |
| Gross carrying value as of March 31, 2012 | | 2,249 | 2,896 | 4,725 | 1,025 | 4,330 | 196 | 15,421 |

As of March 31, 2012, intangible assets related to non-controlling interests were USD 268 million for present value of future profits (PVFP) of acquired insurance contracts, USD 2,002 million for distribution agreements and USD 6 million for software.

| in USD millions, as of December 31, 2012 | | | | | | | | |
|---|--|--------------|------------|-------------------------|--------------------------------|--------------|-----------|--------------|
| | | Goodwill | PVFP | Distribution agreements | Attorney-in-fact relationships | Software | Other | Total |
| General Insurance | | 852 | – | 713 | – | 586 | 76 | 2,227 |
| Global Life | | 435 | 844 | 3,102 | – | 403 | 17 | 4,801 |
| Farmers | | 819 | – | – | 1,025 | 382 | – | 2,226 |
| Other Operating Businesses | | – | – | – | – | 300 | – | 300 |
| Non-Core Businesses | | – | – | – | – | 1 | – | 1 |
| Net carrying value as of December 31, 2012 | | 2,107 | 844 | 3,815 | 1,025 | 1,670 | 94 | 9,555 |

Consolidated financial statements (unaudited) *continued*

9. Restructuring provisions

Table 9

| Restructuring provisions | in USD millions | |
|--|-----------------|------------|
| | 2013 | 2012 |
| As of January 1 | 297 | 254 |
| Provisions made during the period | 21 | 4 |
| Increase of provisions set up in prior years | 1 | 11 |
| Provisions used during the period | (51) | (49) |
| Provisions reversed during the period | (3) | – |
| Foreign currency translation effects | (9) | 6 |
| As of March 31 | 258 | 226 |

During the three months ended March 31, 2013, the restructuring programs primarily impacted the UK within Global Life with estimated costs of USD 21 million for restructuring announced in the current year and USD 1 million for increases of provisions for restructuring which were initiated in prior years.

During the three months ended March 31, 2012, restructuring provisions amounting to USD 4 million were set up for the restructuring of the Group's Spanish corporate life business.

10. Income taxes

Table 10.1

| in USD millions, for the three months ended March 31 | | 2013 | 2012 |
|--|---------------------------------|------------|------------|
| Income tax expense – current/deferred split | Current | 462 | 358 |
| | Deferred | 125 | 160 |
| | Total income tax expense | 587 | 517 |

Table 10.2

| in USD millions, for the three months ended March 31 | | 2013 | 2012 |
|---|--|------------|------------|
| Income tax expense – policyholder/shareholder attribution | Total income tax expense/(benefit) attributable to policyholders | 244 | 176 |
| | Total income tax expense attributable to shareholders | 343 | 342 |
| | Total income tax expense | 587 | 517 |

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 10.3

| in USD millions, for the three months ended March 31 | | Rate | 2013 | Rate | 2012 |
|--|---|--------------|------------|--------------|------------|
| Expected and actual income tax expense | Net income before income taxes | | 1,744 | | 1,676 |
| | less: income tax (expense)/benefit attributable to policyholders | | (244) | | (176) |
| | Net income before income taxes attributable to shareholders | | 1,500 | | 1,501 |
| | Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate | 22.0% | 330 | 22.0% | 330 |
| | Increase/(reduction) in taxes resulting from: | | | | |
| | <i>Tax rate differential in foreign jurisdictions</i> | | 42 | | 17 |
| | <i>Tax exempt and lower taxed income</i> | | (29) | | (16) |
| | <i>Non-deductible expenses</i> | | 12 | | 13 |
| | <i>Tax losses previously unrecognized or no longer recognized</i> | | 6 | | (2) |
| | <i>Prior year adjustments and other</i> | | (17) | | – |
| | Actual income tax expense attributable to shareholders | 22.9% | 343 | 22.8% | 342 |
| | plus: income tax expense/(benefit) attributable to policyholders | | 244 | | 176 |
| | Actual income tax expense | 33.7% | 587 | 30.9% | 517 |

Table 10.3 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.

Consolidated financial statements (unaudited) *continued*

11. Senior and subordinated debt

| Table 11.1 | | | | |
|------------------------------|---|---|---------------|---------------|
| in USD millions, as of | | 03/31/13 | 12/31/12 | |
| Senior and subordinated debt | Senior debt | | | |
| | Zurich Insurance Company Ltd | 3.75% CHF 500 million notes, due September 2013 ⁶ | 526 | 545 |
| | | 2.25% CHF 500 million notes, due July 2017 ⁶ | 524 | 543 |
| | | 2.875% CHF 250 million notes, due July 2021 ⁶ | 260 | 269 |
| | | 2.375% CHF 525 million notes, due November 2018 ⁶ | 548 | 568 |
| | | 1.50% CHF 400 million notes, due June 2019 ^{5,6,7} | 422 | 440 |
| | | 3.375% EUR 500 million notes, due June 2022 ^{5,6,7} | 658 | 682 |
| | Zurich Finance (Luxembourg) S.A. | 3.25% USD 750 million notes, due September 2013 ^{5,6,7} | 755 | 757 |
| | Zurich Finance (USA), Inc. | 4.50% EUR 1 billion notes, due September 2014 ^{2,6,7} | 1,293 | 1,333 |
| | | 6.50% EUR 600 million notes, due October 2015 ^{3,6,7} | 767 | 790 |
| | | Euro Commercial Paper Notes | 400 | 400 |
| | Zurich Santander Insurance America S.L. | 7.5% EUR 167 million loan, due December 2035 | 214 | 220 |
| | Other | Various debt instruments payable in more than 1 year | 113 | 113 |
| | | Senior debt | 6,480 | 6,660 |
| | | Subordinated debt | | |
| | Zurich Insurance Company Ltd | 12.0% EUR 143 million perpetual capital notes ⁶ | 183 | 188 |
| | | 7.5% EUR 425 million notes, due July 2039 ⁶ | 541 | 557 |
| | | 4.25% CHF 700 million perpetual notes ⁶ | 729 | 756 |
| | | 4.625% CHF 500 million perpetual notes ⁶ | 520 | 539 |
| | | 8.25% USD 500 million perpetual capital notes ⁶ | 495 | 495 |
| | | 4.25% EUR 788 million notes, due October 2043 ⁶ | 995 | – |
| | Zurich Finance (UK) plc | 6.625% GBP 450 million perpetual notes ^{4,6} | 676 | 723 |
| | Zurich Finance (USA), Inc. | 5.75% EUR 500 million notes, due October 2023 ^{1,6} | 634 | 652 |
| | | 4.5% EUR 418 million notes, due June 2025 ^{5,6,7} | 568 | 705 |
| | ZFS Finance (USA) Trust II | Series II 6.45% USD 700 million Trust Preferred Securities (ECAPS), due December 2065 | 676 | 676 |
| | ZFS Finance (USA) Trust V | Series V 6.5% USD 1 billion Trust Preferred Securities, due May 2067 | 498 | 498 |
| | Other | Various debt instruments payable in more than 1 year | 71 | 73 |
| | | Subordinated debt | 6,585 | 5,861 |
| | | Total senior and subordinated debt | 13,065 | 12,521 |

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 percent of the total) and fair value hedge (20 percent of the total).

³ The bond is part of a qualifying cash flow hedge (100 percent).

⁴ The holders of these notes benefit from the Replacement Capital Covenant which states that if Series V Fixed/Floating Trust Preferred Securities, issued by ZFS Finance (USA) Trust V, are called before 2047, the Group will issue a replacement debt instrument with terms and provisions that will be as or more equity-like than the replaced notes.

⁵ These bonds are part of qualifying fair value hedges (100 percent).

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

⁷ The Group applied the cash flow hedge methodology to hedge the foreign currency exposure and deferred the attributable basis spreads in shareholders' equity, whereas the fair value hedge methodology was used to hedge the interest rate exposure with changes in the fair value being recorded through the income statement.

None of the debt instruments listed in table 11.1 were in default as of March 31, 2013 or December 31, 2012.

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 18 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.

i) Senior debt

Senior debt amounted to USD 6,480 million and USD 6,660 million as of March 31, 2013 and December 31, 2012, respectively.

The decrease was due to the translation effects of the U.S. dollar against the currencies in which the notes were issued.

ii) Subordinated debt

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

Subordinated debt amounted to USD 6,585 million and USD 5,861 million as of March 31, 2013 and December 31, 2012, respectively.

The increase is mainly the result of 4.25% EUR 788 million notes issued in March 2013 by Zurich Insurance Company Ltd under its EMTN Programme. Simultaneously with this new issuance, investors who held Zurich Finance (USA), Inc. 4.5% EUR 500 million subordinated notes due June 2025, were made an offer to switch part or all of their holdings for this new issue. The total nominal amount of the 2025 notes switched was EUR 82 million for which those investors received EUR 88 million of the new notes. The net increase in debt was partially offset by the translation effects of the U.S. dollar against the currencies in which the notes were issued.

Operational and financial debt

Table 11.2

| Indebtedness | in USD millions, as of | Senior debt | | Subordinated debt | | Total | |
|--------------|------------------------|--------------------|--------------------|-------------------|-----------------|---------------|---------------|
| | | 03/31/13 | 12/31/12 | 03/31/13 | 12/31/12 | 03/31/13 | 12/31/12 |
| | Operational debt | 827 ^{1,2} | 829 ^{1,2} | 28 ² | 28 ² | 855 | 857 |
| | Financial debt | 5,653 | 5,831 | 6,557 | 5,833 | 12,210 | 11,664 |
| | Total | 6,480 | 6,660 | 6,585 | 5,861 | 13,065 | 12,521 |

¹ Operational senior debt included USD 750 million in senior debt issued under the EMTN Programme by Zurich Finance (Luxembourg) S.A. in September 2009, which was loaned directly to the Group's banking activities. During 2012 the entity to which the funds were loaned surrendered its bank license. The debt proceeds continue to finance the same loan portfolio as they were before the license was returned. This issue has been recognized as operational debt by Moody's but not by Standard & Poor's.

² In addition, operational senior debt included an adjustment of USD 100 million for non-recourse debt.

Consolidated financial statements (unaudited) *continued*

Table 11.3

| Description and features of significant subordinated debt | Table 11.3 | | |
|--|---|--|--|
| | Coupon conditions | Call/ redemption date | Redemption conditions |
| Description | | | |
| 12.00% EUR 143 million perpetual capital 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 million notes, 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. |
| 4.25% CHF 700 million perpetual notes | 4.25% payable annually up to May 26, 2016 and then reset quarterly to 3-month CHF-Libor plus 3.046%. | Quarterly on or after May 26, 2016 | Redeemable in whole or in part at par plus any accrued interest. |
| 4.625% CHF 500 million perpetual notes | 4.625% payable annually up to May 16, 2018 and then reset to the prevailing 7 year CHF mid swap rate plus 2.691%. | Annually on or after May 16, 2018 | Redeemable in whole or in part at par plus any accrued interest. |
| 8.25% USD 500 million perpetual capital notes | 8.25% per annum payable quarterly until January 18, 2018. Resets to the 6-Year USD mid swap rate plus 6.84% until January 18, 2024. Resets thereafter every 6 years to the 6-Year USD mid swap rate plus 7.84%. | Quarterly on or after January 18, 2018 | Redeemable in whole or in part at par plus any accrued interest. |
| 4.25% EUR 788 million notes, due October 2043 | 4.25% payable annually up to October 02, 2023 and then reset quarterly to 3-month EURIBOR plus 3.45%. | Quarterly on or after October 2, 2023 | Redeemable in whole or in part at par plus any accrued interest. |
| 6.625% GBP 450 million perpetual notes | 6.625% payable annually up to October 2, 2022 and then reset every 5 years to the reset rate of interest plus 2.85%. 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 million notes, 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 418 million notes, 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 II 6.45% USD 700 million Fixed/Adjustable Trust Preferred Securities (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 V 6.5% USD 1 billion 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.

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% for Series II.

| in USD millions, as of | 03/31/13 | | 12/31/12 | |
|------------------------|----------------|-------------------------|----------------|-------------------------|
| | Carrying value | Undiscounted cash flows | Carrying value | Undiscounted cash flows |
| < 1 year | 1,681 | 2,286 | 1,702 | 2,299 |
| 1 to 2 years | 1,428 | 1,973 | 1,356 | 1,907 |
| 2 to 3 years | 768 | 1,271 | 902 | 1,371 |
| 3 to 4 years | – | 452 | – | 429 |
| 4 to 5 years | 524 | 941 | 543 | 934 |
| 5 to 10 years | 2,584 | 4,365 | 2,705 | 4,340 |
| > 10 years | 6,081 | 8,518 | 5,313 | 7,418 |
| Total | 13,065 | 19,806 | 12,521 | 18,698 |

Debt maturities reflect original contractual dates without taking early redemption options into account. For call/redemption dates, see table 11.3. The total notional amount of debt due in each period is not materially different from the total carrying value disclosed in table 11.4. Undiscounted cash flows included interest and principal cash flows on debt outstanding as of March 31, 2013 and December 31, 2012. All debt is assumed to mature within 20 years of the balance sheet date without refinancing. Floating interest rates are assumed to remain constant as of March 31, 2013 and December 31, 2012. The aggregated cash flows are translated into U.S. dollars at end-of-period rates.

| in USD millions, for the three months ended March 31 | 2013 | 2012 |
|--|------------|------------|
| Senior debt | 53 | 63 |
| Subordinated debt | 91 | 87 |
| Total | 144 | 150 |

Interest expense on debt amounted to USD 144 million and USD 150 million for the three months ended March 31, 2013 and 2012, respectively.

The lower interest expense on senior debt was mainly due to the maturity of the 4.875% EUR 800 million notes in April 2012. This reduction was partially offset by the issuance of two new senior notes under the EMTN Programme in June 2012.

Interest expense on subordinated debt increased mainly as a result of the issuance of two new subordinated notes in January 2012 and March 2013 and was mostly offset by the early redemption of the remaining USD 250 million of 5.875% USD 500 million Series IV Fixed/Floating Trust Preferred Securities in June 2012.

Credit facilities

The Group has access to a multicurrency revolving credit facility of USD 3.2 billion that terminates in 2018 at the latest. It is guaranteed by Zurich Insurance Company Ltd.

In addition, the Group has access to four other revolving credit facilities totaling USD 441 million, of which USD 336 million are expiring in 2014 and USD 75 million in 2015. No borrowings were outstanding under any of these facilities as of March 31, 2013 or December 31, 2012.

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12. Earnings per share

| Table 12 | | | | |
|---|--|-----------------------------------|-----------------|------------------------------|
| Earnings per share for the three months ended March 31 | | | | |
| | Net income attributable to common shareholders (in USD millions) | Weighted average number of shares | Per share (USD) | Per share (CHF) ¹ |
| 2013 | | | | |
| Basic earnings per share | 1,062 | 146,977,593 | 7.22 | 6.72 |
| Effect of potentially dilutive shares related to share-based compensation plans | | 594,418 | (0.03) | (0.03) |
| Diluted earnings per share | 1,062 | 147,572,011 | 7.20 | 6.69 |
| 2012 | | | | |
| Basic earnings per share | 1,140 | 146,047,855 | 7.80 | 7.19 |
| Effect of potentially dilutive shares related to share-based compensation plans | | 1,064,005 | (0.06) | (0.05) |
| Diluted earnings per share | 1,140 | 147,111,860 | 7.75 | 7.14 |

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 three months ended March 31, 2013 and 2012, respectively.

13. Legal proceedings and regulatory investigations

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

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

Consolidated financial statements (unaudited) *continued*

14. Fair value of financial assets and financial liabilities

The Group has implemented IFRS 13 "Fair Value Measurement" effective January 1, 2013 (see note 1), which affects fair value hierarchy disclosures, including requirements for interim reporting. IFRS 13 provides guidance on the measurement of fair value and requires disclosures about fair value measurements to increase transparency. It does not require any new measurements of assets or liabilities at fair value.

In determining the fair values of debt and equity instruments, the Group makes extensive use of third party pricing providers and, only in rare cases, places reliance on prices that are derived from internal models. One of the objectives of the Group's control environment and the process of selection of pricing providers is to ensure that fair values of investments are sourced only from independent, reliable and reputable third party pricing providers that have proper processes and controls in place to guarantee that the price quality meets the Group's standards.

In addition, the Group's policy is to ensure that independently sourced prices are developed by making maximum use of current observable market inputs derived from orderly transactions and by employing widely accepted valuation techniques and models. When third party pricing providers are unable to obtain adequate observable information for a particular financial instrument, the fair value is determined either by requesting selective non-binding broker quotes or by using internal valuation models.

Investment accounting, operations and process functions, are independent from those responsible for buying and selling the assets, and are responsible for receiving, challenging and verifying values provided by third party pricing providers to ensure that fair values are reliable, as well as ensuring compliance with applicable accounting and valuation policies. The quality control procedures used depend on the nature and complexity of the invested assets. They include regular reviews of valuation techniques and inputs used by pricing providers (for example, default rates of collateral for asset backed securities), variance and stale price analysis, and comparisons with fair values of similar instruments and with alternative values obtained from asset managers and brokers.

Tables 14.1a and 14.1b compare the fair value of financial assets and financial liabilities with their carrying value.

Fair value (FV) and carrying value of financial assets and financial liabilities – Group investments and other non unit-linked

Table 14.1a

in USD millions, as of

| | Total fair value | | Total carrying value | |
|--|------------------|-----------------|----------------------|-----------------|
| | 03/31/13 | 12/31/12 | 03/31/13 | 12/31/12 |
| Cash and cash equivalents | 9,230 | 9,098 | 9,230 | 9,098 |
| Available-for-sale securities | | | | |
| Debt securities | 141,426 | 141,597 | 141,426 | 141,597 |
| Equity securities | 8,246 | 8,796 | 8,246 | 8,796 |
| Total available-for-sale securities | 149,673 | 150,392 | 149,673 | 150,392 |
| Securities at FV through profit or loss | | | | |
| Trading | | | | |
| Debt securities | 44 | 48 | 44 | 48 |
| Equity securities | 385 | 410 | 385 | 410 |
| Designated at FV | | | | |
| Debt securities | 8,679 | 8,937 | 8,679 | 8,937 |
| Equity securities | 3,136 | 3,135 | 3,136 | 3,135 |
| Total securities at FV through profit or loss | 12,245 | 12,530 | 12,245 | 12,530 |
| Derivative assets | 1,517 | 1,750 | 1,517 | 1,750 |
| Held-to-maturity debt securities | 5,313 | 5,745 | 4,656 | 5,012 |
| Investments in associates and joint ventures | 84 | 85 | 84 | 85 |
| Loans and receivables | | | | |
| Mortgage loans | 10,611 | 11,298 | 9,930 | 10,519 |
| Other loans | 15,161 | 15,857 | 12,882 | 13,385 |
| Deposits made under assumed reinsurance contracts | 2,502 | 2,583 | 2,508 | 2,588 |
| Receivables | 15,043 | 13,611 | 15,115 | 13,642 |
| Total loans and receivables | 43,317 | 43,349 | 40,435 | 40,134 |
| Total financial assets | 221,378 | 222,949 | 217,838 | 219,002 |
| Derivative liabilities | (506) | (537) | (506) | (537) |
| Financial liabilities held at amortized cost: | | | | |
| Liabilities related to investment contracts | (1,375) | (1,540) | (1,166) | (1,305) |
| Liabilities related to investment contracts with DPF | (5,579) | (5,663) | (5,733) | (5,903) |
| Senior debt | (6,829) | (7,180) | (6,480) | (6,660) |
| Subordinated debt | (7,128) | (6,379) | (6,585) | (5,861) |
| Deposits received under ceded reinsurance contracts | (1,256) | (1,482) | (1,333) | (1,558) |
| Other financial liabilities | (2,629) | (2,750) | (2,629) | (2,750) |
| Obligation to repurchase securities | (1,481) | (1,539) | (1,481) | (1,539) |
| Total financial liabilities | (26,784) | (27,070) | (25,914) | (26,113) |

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| Fair value (FV) and carrying value of financial assets and financial liabilities – unit-linked | in USD millions, as of | Total fair value | | Total carrying value | |
|--|------------------------|---------------------------|-----------------|----------------------|----------|
| | | 03/31/13 | 12/31/12 | 03/31/13 | 12/31/12 |
| | | Cash and cash equivalents | 1,263 | 1,110 | 1,263 |
| Investments at FV through profit or loss | | | | | |
| Designated at FV | | | | | |
| Debt securities | 11,860 | 11,646 | 11,860 | 11,646 | |
| Equity securities | 101,182 | 99,478 | 101,182 | 99,478 | |
| Other loans | 7,407 | 8,279 | 7,407 | 8,279 | |
| Total investments at FV through profit or loss | 120,449 | 119,403 | 120,449 | 119,403 | |
| Derivative assets | 54 | 62 | 54 | 62 | |
| Total financial assets | 121,766 | 120,574 | 121,766 | 120,574 | |
| Financial liabilities at FV through profit or loss | | | | | |
| Designated at FV | | | | | |
| Liabilities related to unit-linked investment contracts | (51,639) | (50,229) | (51,639) | (50,229) | |
| Derivative liabilities | (8) | (5) | (8) | (5) | |
| Total financial liabilities | (51,647) | (50,234) | (51,647) | (50,234) | |

All of the Group's financial assets and financial liabilities are initially recorded at fair value. Subsequently, available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss and derivative financial instruments are carried at fair value, as of the balance sheet date. All other financial instruments are carried at amortized cost, with their fair values disclosed in tables 14.1a and 14.1b. Their valuation techniques are described below.

Certain financial instruments are carried at nominal value which represents a reasonable estimate of fair value as these positions are readily convertible to known amounts of cash and subject to insignificant risk of changes in fair value. Such instruments include cash and cash equivalents, receivables, obligations to repurchase securities and other short-term financial assets and financial liabilities.

Fair values of held-to-maturity debt securities are obtained from third party pricing providers. The fair value received from these pricing providers may be based on quoted prices in an active market for identical assets, alternative pricing methods such as matrix pricing or an income approach employing discounted cash flow models.

Discounted cash flow models are used for mortgage and other loans as well as long-term receivables. The discount yields in these models use either current interest rates charged by the Group on these instruments or calculated rates that reflect the return a market participant would expect to receive on instruments with similar remaining maturities, cash flow patterns, currencies, credit risk, collateral and interest rates.

Fair values of debt instruments issued by the Group are estimated using discounted cash flow models based on the Group's current incremental borrowing rates for similar types of borrowings, with maturities consistent with those remaining for the debt instruments being valued.

Fair values of liabilities related to other investment contracts are determined using discounted cash flow models that incorporate a variety of factors, including credit risk, embedded derivatives (such as unit-linking features), volatility factors (including contract holder behavior), servicing costs and surrenders.

Recurring fair value measurements of financial assets and financial liabilities

| in USD millions, as of March 31, 2013 | | Level 1 | Level 2 | Level 3 | Total |
|---|--|--------------|----------------|--------------|----------------|
| Fair value hierarchy – Group investments and other non unit-linked | Available-for-sale securities | | | | |
| | Debt securities | 921 | 137,770 | 2,736 | 141,426 |
| | Equity securities | 6,934 | 368 | 944 | 8,246 |
| | Total available-for-sale securities | 7,855 | 138,138 | 3,680 | 149,673 |
| | Securities at FV through profit or loss | | | | |
| | Trading | | | | |
| | Debt securities | – | 44 | – | 44 |
| | Equity securities | – | 40 | 345 | 385 |
| | Designated at FV | | | | |
| | Debt securities | 45 | 8,413 | 222 | 8,679 |
| | Equity securities | 1,406 | 293 | 1,438 | 3,136 |
| | Total securities at FV through profit or loss | 1,450 | 8,790 | 2,005 | 12,245 |
| | Derivative assets | 1 | 1,493 | 23 | 1,517 |
| | Total | 9,306 | 148,421 | 5,708 | 163,435 |
| | Derivative liabilities | (6) | (500) | – | (506) |
| | Total | (6) | (500) | – | (506) |

| in USD millions, as of March 31, 2013 | | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------|---|---------------|-----------------|--------------|-----------------|
| Fair value hierarchy – unit-linked | Investments at FV through profit or loss | | | | |
| | Designated at FV | | | | |
| | Debt securities | 1,464 | 10,309 | 87 | 11,860 |
| | Equity securities | 70,498 | 27,989 | 2,695 | 101,182 |
| | Other loans | 5,170 | 2,236 | – | 7,407 |
| | Total investments at FV through profit or loss | 77,132 | 40,534 | 2,782 | 120,449 |
| | Derivative assets | – | 54 | – | 54 |
| | Total | 77,132 | 40,588 | 2,782 | 120,503 |
| | Financial liabilities at FV through profit or loss | | | | |
| | Designated at FV | | | | |
| | Liabilities related to unit-linked investment contracts | (306) | (51,333) | – | (51,639) |
| | Derivatives liabilities | – | (8) | – | (8) |
| | Total | (306) | (51,341) | – | (51,647) |

The Group gives the highest priority to quoted and unadjusted prices in active markets to measure fair value. In the absence of quoted prices, fair values are calculated through valuation techniques, making the maximum use of relevant observable market data inputs. Whenever observable parameters are not available, the inputs used to derive the fair value are based on common market assumptions that market participants would use when pricing assets and liabilities. Depending on the observability of prices and inputs to valuation techniques, the Group classifies instruments measured at fair value within the following three levels (the fair value hierarchy).

Level 1 – includes assets and liabilities for which fair values are determined directly from unadjusted current quoted prices resulting from orderly transactions in active markets for identical assets/liabilities. Within level 1, the Group has classified common stocks, exchange traded derivative financial instruments, investments in unit trusts that are actively traded in an exchange market and highly liquid debt securities.

Level 2 – includes assets and liabilities for which fair values are determined using significant inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable market inputs. Within level 2, the Group has classified government and corporate bonds, investments in unit trusts, and investments in agency-backed and senior tranches of asset-backed securities where quotes are obtained from independent pricing providers. The fair value received from these pricing

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providers may be based on quoted prices in an active market for similar assets, alternative pricing methods such as matrix pricing or an income approach employing discounted cash flow models. If such quoted prices are not available, then fair values are estimated on the basis of information from external pricing providers or internal pricing models (for example, discounted cash flow models or other recognized valuation techniques). Upon adoption of IFRS 13, the Group elected to classify certain government and corporate debt within level 2, which were previously within level 1. While these debt securities may qualify for level 1 classification based on ordinary transactions in identical instruments, it has been assumed, as a practical expedient, that such instruments would predominantly be valued based on a mix of observable inputs.

Over the counter derivative financial instruments are valued using internal models. The fair values are determined using dealer price quotations, discounted cash flow models and option pricing models, which use various inputs including current market and contractual prices for underlying instruments, time to expiry, correlations, yield curves, prepayment rates and volatility of underlying instruments. Prices are typically sourced from independent pricing providers, banks and brokers. Such instruments are classified within level 2 as the inputs used in pricing models are generally market observable or derived from market observable data.

Fair values of liabilities related to unit-linked investment contracts are usually determined by reference to the fair value of the underlying assets backing these liabilities. The majority of such instruments are classified within level 2.

Level 3 – includes assets and liabilities for which fair values are determined using valuation techniques with at least one significant input not being based on observable market data. This approach is used only in circumstances when there is little, if any, market activity for a certain instrument, and the Group is required to develop internal valuation inputs based on the best information available about the assumptions that market participants would use when pricing the asset or liability. This would normally apply in the case of private equity funds, asset-backed securities for which very limited market activity is currently observed, long-dated derivative financial instruments as well as equity and debt securities from organizations in default.

The effect of changes in the internal valuation inputs to reasonably possible alternative values are disclosed in tables 14.4 and 14.5.

The Group holds certain asset classes that are not actively traded, in particular certain hedge funds and private equity investments. Fair values of such instruments are obtained from net asset value information and audited financial statements provided by the issuing hedge funds and private equity funds. Such instruments are classified within level 3. Performance of these investments and determination of their fair value are monitored closely by the Group's in-house investment professionals.

The fair value hierarchy is reviewed at the end of each reporting period to determine whether significant transfers between levels have occurred. Transfers between levels mainly arise as a result of changes in market activity and observability of the inputs to the valuation techniques used to determine the fair value of certain instruments.

For the three months ended March 31, 2013, no transfers between level 1 and level 2 occurred.

| Development of financial instruments classified within level 3 – Group investments and other non unit-linked | Available-for-sale securities | | Securities at FV through profit or loss | | | Derivative assets |
|--|-------------------------------|-------------------|---|------------------|-------------------|-------------------|
| | Debt securities | Equity securities | Trading | Designated at FV | | |
| | | | Equity securities | Debt securities | Equity securities | |
| As of January 1, 2013 | 2,788 | 917 | 367 | 246 | 1,260 | 30 |
| Realized gains/(losses) recognized in income ¹ | 8 | 6 | (1) | – | – | – |
| Unrealized gains/(losses) recognized in income ^{1,2} | (1) | (1) | 30 | 2 | 57 | (6) |
| Unrealized gains/(losses) recognized in other comprehensive income | 2 | 37 | – | – | – | – |
| Purchases | 341 | 65 | 4 | – | 203 | – |
| Settlements/sales/redemptions | (404) | (67) | (44) | (13) | (77) | – |
| Transfers into level 3 | 58 | – | – | – | – | – |
| Foreign currency translation effects | (57) | (12) | (11) | (12) | (5) | (1) |
| As of March 31, 2013 | 2,736 | 944 | 345 | 222 | 1,438 | 23 |

¹ Presented as net capital gains/(losses) and impairments on Group investments in the consolidated income statements.

² Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments. Unrealized gains/(losses) recognized in income for securities at fair value through profit or loss relate to net capital gains/(losses) and impairments.

For the three months ended March 31, 2013, the Group transferred USD 58 million of available-for-sale debt securities into level 3. The transfers were mainly the result of higher price volatility and credit rating downgrades of certain asset-backed securities, resulting from a reduction of market activity in the instruments.

| Development of financial assets classified within level 3 – unit-linked | Securities at FV through profit or loss | |
|---|---|-------------------|
| | Debt securities | Equity securities |
| As of January 1, 2013 | 109 | 2,663 |
| Realized gains/(losses) recognized in income ¹ | – | 6 |
| Unrealized gains/(losses) recognized in income ¹ | (8) | (5) |
| Purchases | – | 33 |
| Sales/redemptions | (7) | (1) |
| Foreign currency translation effects | (7) | (1) |
| As of March 31, 2013 | 87 | 2,695 |

¹ Presented as net investment result on unit-linked investments in the consolidated income statements.

For the three months ended March 31, 2013, no transfers between levels occurred.

Non-recurring fair value measurements of financial assets and financial liabilities

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

For the three months ended March 31, 2013, the Group has valued USD 666 million of mortgage loans at fair value on a non-recurring basis. The fair value measurement is classified within level 3 as it is based on internal pricing models, using significant unobservable inputs.

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Sensitivity of fair values reported for level 3 instruments to changes to key assumptions

Within level 3, the Group classified asset-backed securities (ABSs) amounting to USD 2,957 million and USD 87 million for Group investments and investments for unit-linked contracts, respectively, as of March 31, 2013. These ABSs include non-agency backed securities for which limited market activity observable required the Group's external pricing providers to make internal valuation assumptions. To determine the fair value of these investments, pricing providers use valuation models that are based on an expected present value technique.

Within level 3, the Group also classified investments in private equity funds, certain hedge funds and other securities which are not quoted on an exchange amounting to USD 2,727 million and USD 2,695 million for Group investments and investments for unit-linked contracts, respectively, as of March 31, 2013. These investments are valued based on regular reports from the issuing funds, and their fair values are reviewed by a team of in-house investment professionals and may be adjusted based on their understanding of the circumstances of individual investments.

The key assumptions driving the valuation of these investments include equity levels, and discount, credit spread and prepayment rates. The effect on reported fair values of using reasonably possible alternative values for each of these assumptions, while the other key assumptions remain unchanged, is disclosed in table 14.4. While this table illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. Inter-relationships between those unobservable inputs are disclosed in table 14.5. The correlation is based on the historical correlation matrix derived from the risk factors which are assigned to each of the level 3 exposures (equity and debt securities). The main market drivers are equity markets and rate indicators and the impact of such changes on the other factors. The spread scenario has been added to analyze the impact of an increase of borrowing cost for entities.

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

Table 14.4

as of March 31, 2013

Sensitivity analysis of level 3 investments to changes in key assumptions

| | Less favorable values (relative change) | Decrease of reported fair value (in USD millions) | More favorable values (relative change) | Increase of reported fair value (in USD millions) |
|------------------------|--|---|---|---|
| Key assumptions | | | | |
| Equity levels | -20% | (1,081) | +20% | 1,081 |
| Discount rates | +20% | (70) | -20% | 70 |
| Spread rates | +20% | (62) | -20% | 63 |
| Prepayment rates | -20% | (2) | +20% | 2 |

Table 14.5

as of March 31, 2013

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

| Scenarios | Key assumptions | | | | Increase/ decrease of reported fair value (in USD millions) |
|---------------------|-----------------|----------------|--------------|---------------------|---|
| | Equity Levels | Discount Rates | Spread rates | Prepayment rates | |
| Equity levels +10% | +10.0% | +1.3% | +1.3% | +1.3% | 533 |
| Equity levels -10% | -10.0% | -1.5% | -1.5% | -1.5% | (531) |
| Discount rates +10% | 0.0% | +10.0% | +15.0% | -2.0% | (83) |
| Discount rates -10% | +0.1% | -10.0% | -7.5% | +2.0% | 72 |
| Spread rates +10% | +0.1% | +7.5% | +10.0% | 0.0% | (59) |

15. Related party transactions

In the normal course of business, the Group enters into various transactions with related companies, including various reinsurance and cost-sharing arrangements. These transactions are not considered material to the Group, either individually or in aggregate. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

Table 15 sets out related party transactions with equity method accounted investments, reflected in the consolidated income statements and consolidated balance sheets.

| Table 15 | | | |
|--|---|-----------------|----------|
| Related party transactions included in the Consolidated financial statements | in USD millions | | |
| | for the three months ended March 31 | | |
| | | 2013 | 2012 |
| | Net earned premiums and policy fees | 1 | 3 |
| | Net investment result on Group investments | 1 | 1 |
| | Insurance benefits and losses, net of reinsurance | – | (4) |
| | Administrative and other operating expense | (1) | (1) |
| | | | |
| | as of | 03/31/13 | 12/31/12 |
| | Other loans | 17 | 18 |
| Deposits made under assumed reinsurance contracts | 4 | 4 | |
| Receivables and other assets | 3 | 5 | |
| Reserves for insurance contracts | (10) | (11) | |
| Other liabilities | (1) | (1) | |

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16. 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 provides a variety of motor, home and commercial products and services for individuals, as well as small and large businesses.

Global Life pursues a strategy of providing market-leading unit-linked, protection and corporate propositions 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 owned by their policyholders and managed by Farmers Group, Inc. a wholly owned subsidiary of the Group. This segment also includes all reinsurance assumed from the Farmers Exchanges by the Group. Farmers Exchanges are prominent writers of personal and small commercial lines of business in the U.S.

For the purpose of discussing financial performance the Group considers General Insurance, Global Life and Farmers to be its core business segments.

Other Operating Businesses predominantly consist of the Group's Headquarters and Holding and Financing activities. Certain alternative investment positions not allocated to business operating segments are included within Holding and Financing.

Non-Core Businesses include insurance and reinsurance 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 includes the Group's management of property loans and banking activities. Non-core businesses are mainly situated in the U.S., Bermuda, the United Kingdom and Ireland.

The Group also manages two of the three core segments on a secondary level.

General Insurance is managed based on market-facing businesses, including:

- Global Corporate
- North America Commercial
- Europe
- Latin America
- Asia-Pacific
- Middle East and Africa

Global Life is managed on a regional-based structure within a global framework, including:

- North America
- Latin America
- Europe
- Asia-Pacific and Middle East

The segment information includes the Group's 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 property lending/banking operations included in Non-Core Businesses and investments in hedge funds, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses), non-operational foreign exchange movements, and significant items arising from special circumstances, including restructuring charges, charges for litigation outside the ordinary course of business and gains and losses on divestments of businesses.

Consolidated financial statements (unaudited) *continued*

Table 16.1

Business operating profit by business segment

in USD millions, for the three months ended March 31

| | General Insurance | | Global Life | |
|---|-------------------|--------------|---------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| Revenues | | | | |
| Direct written premiums ¹ | 10,185 | 9,914 | 3,151 | 2,865 |
| Assumed written premiums | 501 | 557 | 21 | 16 |
| Gross Written Premiums | 10,686 | 10,470 | 3,172 | 2,881 |
| Policy fees | – | – | 571 | 567 |
| Gross written premiums and policy fees | 10,686 | 10,470 | 3,742 | 3,447 |
| Less premiums ceded to reinsurers | (1,566) | (1,559) | (179) | (184) |
| Net written premiums and policy fees | 9,119 | 8,911 | 3,563 | 3,264 |
| Net change in reserves for unearned premiums | (1,911) | (1,807) | (215) | (21) |
| Net earned premiums and policy fees | 7,208 | 7,104 | 3,348 | 3,242 |
| Farmers management fees and other related revenues | – | – | – | – |
| Net investment result on Group investments | 614 | 691 | 1,152 | 1,041 |
| Net investment income on Group investments | 562 | 658 | 978 | 1,003 |
| Net capital gains/(losses) and impairments on Group investments | 53 | 33 | 173 | 38 |
| Net investment result on unit-linked investments | – | – | 6,313 | 5,312 |
| Other income | 226 | 204 | 328 | 263 |
| Total BOP revenues | 8,048 | 8,000 | 11,141 | 9,859 |
| <i>of which: inter-segment revenues</i> | <i>(90)</i> | <i>(126)</i> | <i>(74)</i> | <i>(90)</i> |
| Benefits, losses and expenses | | | | |
| Insurance benefits and losses, net ¹ | 4,882 | 4,793 | 2,528 | 2,547 |
| Losses and loss adjustment expenses, net | 4,882 | 4,789 | – | 14 |
| Life insurance death and other benefits, net ¹ | – | 4 | 2,528 | 2,533 |
| Policyholder dividends and participation in profits, net | 1 | (1) | 6,502 | 5,407 |
| Income tax expense/(benefit) attributable to policyholders | – | – | 244 | 176 |
| Underwriting and policy acquisition costs, net | 1,413 | 1,385 | 648 | 653 |
| Administrative and other operating expense (excl. depreciation/amortization) | 795 | 856 | 622 | 561 |
| Interest credited to policyholders and other interest | 5 | 5 | 132 | 91 |
| Restructuring provisions and other items not included in BOP | (5) | (26) | (50) | (5) |
| Total BOP benefits, losses and expenses (before interest, depreciation and amortization) | 7,090 | 7,012 | 10,626 | 9,430 |
| Business operating profit (before interest, depreciation and amortization) | 958 | 988 | 515 | 429 |
| Depreciation and impairments of property and equipment | 21 | 27 | 8 | 8 |
| Amortization and impairments of intangible assets | 59 | 50 | 100 | 114 |
| Interest expense on debt | 37 | 43 | 5 | 2 |
| Business operating profit before non-controlling interests | 840 | 868 | 402 | 305 |
| Non-controlling interests | 33 | 10 | 94 | 15 |
| Business operating profit | 807 | 858 | 308 | 290 |

¹ Global Life included approximately USD 120 million and USD 170 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in the Group's Spanish operations for the three months ended March 31, 2013 and 2012, respectively (see note 3 of the Consolidated financial statements 2012).

| | Farmers | | Other Operating Businesses | | Non-Core Businesses | | Eliminations | | Total | |
|--|------------|------------|----------------------------|--------------|---------------------|------------|--------------|--------------|--------------|--------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | - | - | - | - | 31 | 28 | - | - | 13,367 | 12,806 |
| | 971 | 1,053 | 33 | 35 | 26 | 30 | (48) | (52) | 1,504 | 1,639 |
| | 971 | 1,053 | 33 | 35 | 57 | 58 | (48) | (52) | 14,871 | 14,445 |
| | - | - | - | - | 63 | 65 | - | - | 634 | 631 |
| | 971 | 1,053 | 33 | 35 | 121 | 123 | (48) | (52) | 15,505 | 15,076 |
| | - | - | (13) | (14) | (12) | (6) | 48 | 52 | (1,722) | (1,711) |
| | 971 | 1,053 | 21 | 21 | 109 | 117 | - | - | 13,783 | 13,366 |
| | 53 | 40 | (2) | (2) | - | 1 | - | - | (2,075) | (1,788) |
| | 1,024 | 1,094 | 19 | 20 | 109 | 118 | - | - | 11,708 | 11,578 |
| | 702 | 710 | - | - | - | - | - | - | 702 | 710 |
| | 26 | 33 | 81 | 112 | (103) | (59) | (155) | (187) | 1,615 | 1,631 |
| | 26 | 33 | 81 | 112 | 82 | 110 | (155) | (187) | 1,573 | 1,729 |
| | - | - | - | - | (184) | (169) | - | - | 41 | (98) |
| | - | - | - | - | 106 | 353 | - | - | 6,419 | 5,665 |
| | 22 | 21 | 180 | 228 | 31 | 21 | (280) | (376) | 508 | 361 |
| | 1,773 | 1,857 | 280 | 360 | 144 | 432 | (434) | (563) | 20,951 | 19,944 |
| | (16) | (18) | (241) | (314) | (13) | (15) | 434 | 563 | - | - |
| | 655 | 769 | 17 | 18 | (84) | (117) | - | - | 7,997 | 8,010 |
| | 655 | 769 | 1 | - | 16 | 6 | (1) | (4) | 5,552 | 5,574 |
| | - | - | 16 | 17 | (100) | (122) | 1 | 4 | 2,445 | 2,436 |
| | - | - | - | - | 138 | 392 | - | - | 6,641 | 5,798 |
| | - | - | - | - | - | - | - | - | 244 | 176 |
| | 321 | 341 | - | - | 2 | 2 | (2) | (1) | 2,381 | 2,381 |
| | 345 | 339 | 206 | 283 | 21 | 25 | (268) | (375) | 1,719 | 1,688 |
| | - | - | 1 | 2 | 24 | 29 | - | (1) | 161 | 126 |
| | (1) | - | 3 | 1 | - | - | - | - | (52) | (30) |
| | 1,320 | 1,448 | 226 | 304 | 100 | 332 | (271) | (377) | 19,091 | 18,149 |
| | 454 | 409 | 53 | 56 | 43 | 101 | (163) | (186) | 1,860 | 1,796 |
| | 12 | 14 | 2 | 3 | - | - | - | - | 43 | 52 |
| | 21 | 24 | 19 | 17 | - | - | - | - | 199 | 206 |
| | - | 1 | 259 | 273 | 6 | 19 | (163) | (186) | 144 | 150 |
| | 420 | 370 | (226) | (237) | 37 | 82 | - | - | 1,473 | 1,387 |
| | - | - | (5) | (8) | - | - | - | - | 123 | 17 |
| | 420 | 370 | (221) | (229) | 37 | 81 | - | - | 1,351 | 1,370 |

Consolidated financial statements (unaudited) *continued*

Table 16.2

in USD millions, for the three months ended March 31

Reconciliation of
BOP to net income
after income taxes

| | General Insurance | | Global Life | |
|--|-------------------|------------|-------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Business operating profit | 807 | 858 | 308 | 290 |
| Revenues/(expenses) not included in BOP: | | | | |
| Net capital gains/(losses) on investments and impairments, net of policyholder allocation | 94 | 134 | (6) | (17) |
| Restructuring provisions | – | (10) | (19) | (5) |
| Net income/(expense) on intercompany loans ¹ | (3) | (11) | – | 4 |
| Other adjustments | (2) | (4) | (30) | (5) |
| Add back: | | | | |
| Business operating profit attributable to non-controlling interests | 33 | 10 | 94 | 15 |
| Net income before shareholders' taxes | 930 | 976 | 346 | 283 |
| Income tax expense/(benefit) attributable to policyholders | – | – | 244 | 176 |
| Net income before income taxes | 930 | 976 | 589 | 459 |
| Income tax expense | | | | |
| attributable to policyholders | | | | |
| attributable to shareholders | | | | |
| Net income after taxes | | | | |
| attributable to non-controlling interests | | | | |
| attributable to shareholders | | | | |

¹ The impact at Group level relates to foreign currency translation differences.

| | Farmers | | Other Operating Businesses | | Non-Core Businesses | | Total | |
|--|------------|------------|----------------------------|--------------|---------------------|-----------|--------------|--------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | 420 | 370 | (221) | (229) | 37 | 81 | 1,351 | 1,370 |
| | | | | | | | | |
| | 4 | 12 | (16) | 8 | 3 | 6 | 79 | 143 |
| | (1) | (1) | – | – | – | – | (19) | (15) |
| | – | – | 3 | 13 | – | – | – | 6 |
| | – | – | – | (12) | – | – | (33) | (20) |
| | – | – | (5) | (8) | – | – | 123 | 17 |
| | 424 | 381 | (239) | (228) | 40 | 87 | 1,500 | 1,501 |
| | – | – | – | – | – | – | 244 | 176 |
| | 424 | 381 | (239) | (228) | 40 | 87 | 1,744 | 1,676 |
| | | | | | | | (587) | (517) |
| | | | | | | | (244) | (176) |
| | | | | | | | (343) | (342) |
| | | | | | | | 1,157 | 1,159 |
| | | | | | | | 95 | 19 |
| | | | | | | | 1,062 | 1,140 |

Consolidated financial statements (unaudited) *continued*

Table 16.3

| Assets and liabilities by business segment | General Insurance | | Global Life | |
|---|-------------------|----------------|----------------|----------------|
| | 03/31/13 | 12/31/12 | 03/31/13 | 12/31/12 |
| in USD millions, as of | | | | |
| Assets | | | | |
| Total Group Investments | 88,835 | 89,557 | 111,086 | 113,305 |
| Cash and cash equivalents | 10,287 | 10,795 | 3,757 | 3,096 |
| Equity securities | 5,743 | 5,716 | 4,171 | 4,467 |
| Debt securities | 65,423 | 65,556 | 78,179 | 79,626 |
| Real estate held for investment | 2,734 | 2,827 | 5,052 | 5,334 |
| Mortgage loans | 1,421 | 1,460 | 7,518 | 7,934 |
| Other loans | 3,220 | 3,197 | 12,340 | 12,779 |
| Investments in associates and joint ventures | 6 | 7 | 68 | 69 |
| Investments for unit-linked contracts | – | – | 112,784 | 112,036 |
| Total investments | 88,835 | 89,557 | 223,869 | 225,340 |
| Reinsurers' share of reserves for insurance contracts | 13,606 | 13,901 | 1,961 | 1,983 |
| Deposits made under assumed reinsurance contracts | 46 | 46 | 29 | 29 |
| Deferred policy acquisition costs | 3,628 | 3,543 | 14,185 | 14,466 |
| Deferred origination costs | – | – | 719 | 770 |
| Goodwill | 836 | 852 | 420 | 435 |
| Other intangible assets | 1,332 | 1,375 | 4,253 | 4,366 |
| Other assets ¹ | 15,737 | 15,642 | 7,049 | 6,669 |
| Total assets (after cons. of investments in subsidiaries) | 124,019 | 124,916 | 252,484 | 254,059 |
| Liabilities | | | | |
| Liabilities for investment contracts | – | – | 58,538 | 57,437 |
| Reserves for insurance contracts, gross | 82,302 | 82,693 | 155,847 | 158,533 |
| Reserves for losses and loss adjustment expenses, gross | 64,436 | 66,542 | – | – |
| Reserves for unearned premiums, gross | 17,742 | 16,023 | – | – |
| Future life policyholders' benefits, gross | 93 | 96 | 77,055 | 78,718 |
| Policyholders' contract deposits and other funds, gross | 32 | 32 | 17,317 | 17,572 |
| Reserves for unit-linked contracts, gross | – | – | 61,475 | 62,243 |
| Senior debt | 6,592 | 6,625 | 591 | 289 |
| Subordinated debt | 611 | 617 | 332 | 334 |
| Other liabilities | 13,746 | 13,967 | 17,795 | 17,447 |
| Total liabilities | 103,252 | 103,901 | 233,103 | 234,040 |
| Equity | | | | |
| Shareholders' equity | | | | |
| Non-controlling interests | | | | |
| Total equity | | | | |
| Total liabilities and equity | | | | |
| Supplementary information | | | | |
| Additions and capital improvements to property, equipment and intangible assets | 57 | 331 | 27 | 150 |

¹ As of March 31, 2013 Global Life and Farmers included assets held for sale amounting to USD 13 million and USD 23 million, respectively, relating to land and buildings formerly classified as real estate held for investment. As of December 31, 2012 General Insurance, Global Life and Farmers included assets held for sale amounting to USD 36 million, USD 22 million and USD 33 million, respectively, relating to land and buildings formerly classified as real estate held for investment and General Insurance also included assets held for sale amounting to USD 10 million, relating to land and buildings formerly classified as real estate held for own use.

| | Farmers | | Other Operating Businesses | | Non-Core Businesses | | Eliminations | | Total | |
|--|--------------|--------------|----------------------------|---------------|---------------------|---------------|-----------------|-----------------|----------------|----------------|
| | 03/31/13 | 12/31/12 | 03/31/13 | 12/31/12 | 03/31/13 | 12/31/12 | 03/31/13 | 12/31/12 | 03/31/13 | 12/31/12 |
| | 3,891 | 3,881 | 20,115 | 18,503 | 12,329 | 13,120 | (29,382) | (28,785) | 206,874 | 209,582 |
| | 395 | 377 | 9,514 | 8,562 | 2,258 | 2,518 | (16,982) | (16,249) | 9,230 | 9,098 |
| | 96 | 96 | 1,520 | 1,686 | 238 | 376 | – | – | 11,768 | 12,341 |
| | 1,260 | 1,274 | 5,711 | 4,707 | 6,001 | 6,250 | (1,770) | (1,819) | 154,805 | 155,594 |
| | 95 | 101 | 42 | 43 | 253 | 256 | – | – | 8,176 | 8,561 |
| | – | – | – | – | 991 | 1,125 | – | – | 9,930 | 10,519 |
| | 2,044 | 2,033 | 3,320 | 3,498 | 2,587 | 2,595 | (10,631) | (10,717) | 12,882 | 13,385 |
| | – | – | 9 | 9 | 1 | 1 | – | – | 84 | 85 |
| | – | – | – | – | 12,058 | 11,877 | – | – | 124,842 | 123,913 |
| | 3,891 | 3,881 | 20,115 | 18,503 | 24,387 | 24,998 | (29,382) | (28,785) | 331,715 | 333,496 |
| | – | – | – | – | 3,437 | 4,042 | (140) | (174) | 18,865 | 19,753 |
| | 2,255 | 2,319 | – | – | 179 | 194 | – | – | 2,508 | 2,588 |
| | 323 | 337 | – | – | – | – | – | – | 18,136 | 18,346 |
| | – | – | – | – | – | – | – | – | 719 | 770 |
| | 819 | 819 | – | – | – | – | – | – | 2,075 | 2,107 |
| | 1,395 | 1,407 | 284 | 300 | – | 1 | – | – | 7,264 | 7,448 |
| | 1,056 | 1,071 | 2,385 | 1,717 | 1,277 | 1,347 | (2,180) | (2,122) | 25,323 | 24,324 |
| | 9,739 | 9,834 | 22,784 | 20,520 | 29,281 | 30,583 | (31,702) | (31,081) | 406,605 | 408,831 |
| | – | – | – | – | – | – | – | – | 58,538 | 57,437 |
| | 2,796 | 2,841 | 42 | 36 | 20,731 | 21,303 | (140) | (174) | 261,579 | 265,233 |
| | 1,587 | 1,580 | 27 | 27 | 1,518 | 1,969 | (92) | (131) | 67,476 | 69,986 |
| | 1,209 | 1,262 | 6 | 4 | 19 | 20 | (13) | (9) | 18,963 | 17,300 |
| | – | – | 9 | 6 | 4,757 | 5,020 | (35) | (33) | 81,879 | 83,807 |
| | – | – | – | – | 2,379 | 2,420 | – | – | 19,729 | 20,024 |
| | – | – | – | – | 12,057 | 11,874 | – | – | 73,532 | 74,117 |
| | 214 | 214 | 24,233 | 24,398 | 2,473 | 2,554 | (27,623) | (27,421) | 6,480 | 6,660 |
| | – | – | 6,514 | 5,788 | 23 | 23 | (895) | (901) | 6,585 | 5,861 |
| | 1,274 | 1,318 | 2,446 | 1,925 | 4,007 | 4,695 | (3,044) | (2,586) | 36,223 | 36,766 |
| | 4,284 | 4,373 | 33,235 | 32,148 | 27,234 | 28,576 | (31,702) | (31,081) | 369,406 | 371,957 |
| | | | | | | | | | 34,758 | 34,505 |
| | | | | | | | | | 2,442 | 2,369 |
| | | | | | | | | | 37,199 | 36,874 |
| | | | | | | | | | 406,605 | 408,831 |
| | 18 | 120 | 8 | 150 | 2 | – | – | – | 112 | 751 |

Consolidated financial statements (unaudited) *continued*

Table 16.4

in USD millions, for the three months ended March 31

General Insurance –
Customer segment
overview

| | Global Corporate | | North America Commercial | |
|--|------------------|-------|--------------------------|-------|
| | 2013 | 2012 | 2013 | 2012 |
| Gross written premiums and policy fees | 2,896 | 2,693 | 2,452 | 2,336 |
| Net earned premiums and policy fees | 1,453 | 1,345 | 1,773 | 1,772 |
| Insurance benefits and losses, net | 998 | 950 | 1,237 | 1,175 |
| Policyholder dividends and participation in profits, net | – | (2) | 1 | 1 |
| Total net technical expenses | 267 | 256 | 523 | 529 |
| Net underwriting result | 188 | 140 | 13 | 67 |
| Net investment income | 123 | 146 | 167 | 228 |
| Net capital gains/(losses) and impairments on investments | 15 | 8 | 36 | 23 |
| Net non-technical result (excl. items not included in BOP) | (24) | (29) | (34) | (51) |
| Business operating profit before non-controlling interests | 302 | 264 | 181 | 268 |
| Non-controlling interests | – | – | – | – |
| Business operating profit | 302 | 264 | 181 | 268 |
| Ratios, as % of net earned premiums and policy fees | | | | |
| Loss ratio | 68.6% | 70.6% | 69.7% | 66.3% |
| Expense ratio | 18.4% | 19.0% | 29.5% | 29.9% |
| Combined ratio | 87.0% | 89.6% | 99.3% | 96.2% |

| | Europe | | International Markets | | GI Global Functions including Group Reinsurance | | Eliminations | | Total | |
|--|--------|-------|-----------------------|-------|--|------|--------------|-------|--------|--------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | 4,085 | 4,267 | 1,408 | 1,287 | 97 | 89 | (252) | (203) | 10,686 | 10,470 |
| | 2,874 | 2,993 | 1,106 | 993 | 1 | 1 | – | – | 7,208 | 7,104 |
| | 1,944 | 2,049 | 711 | 620 | (8) | (2) | – | – | 4,882 | 4,793 |
| | – | – | – | – | – | – | – | – | 1 | (1) |
| | 750 | 789 | 416 | 358 | 4 | (2) | (1) | (2) | 1,959 | 1,928 |
| | 180 | 155 | (21) | 14 | 5 | 6 | 1 | 2 | 367 | 384 |
| | 185 | 205 | 67 | 64 | 20 | 16 | – | (1) | 562 | 658 |
| | 2 | – | – | 2 | – | – | – | – | 53 | 33 |
| | (97) | (95) | 53 | (29) | (38) | (3) | (1) | (1) | (141) | (207) |
| | 271 | 265 | 99 | 52 | (13) | 19 | – | – | 840 | 868 |
| | 2 | – | 31 | 11 | – | – | – | – | 33 | 10 |
| | 269 | 265 | 69 | 41 | (13) | 19 | – | – | 807 | 858 |
| | 67.6% | 68.5% | 64.3% | 62.5% | nm | nm | n/a | n/a | 67.7% | 67.5% |
| | 26.1% | 26.4% | 37.6% | 36.1% | nm | nm | n/a | n/a | 27.2% | 27.1% |
| | 93.7% | 94.8% | 101.9% | 98.6% | nm | nm | n/a | n/a | 94.9% | 94.6% |

Consolidated financial statements (unaudited) *continued*

Table 16.5

General Insurance –
Revenues by region

in USD millions, for the three months ended March 31

| | Gross written premiums and policy fees from external customers | | of which Global Corporate | |
|-----------------------|--|---------------|------------------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| North America | | | | |
| United States | 3,144 | 2,919 | | |
| Canada | 210 | 209 | | |
| Bermuda | 2 | 2 | | |
| North America | 3,356 | 3,130 | 944 | 823 |
| Europe | | | | |
| United Kingdom | 824 | 824 | | |
| Germany | 1,411 | 1,485 | | |
| Switzerland | 1,723 | 1,754 | | |
| Italy | 489 | 468 | | |
| Spain | 456 | 492 | | |
| Rest of Europe | 846 | 852 | | |
| Europe | 5,749 | 5,876 | 1,631 | 1,585 |
| Latin America | | | | |
| Argentina | 98 | 97 | | |
| Brazil | 309 | 234 | | |
| Chile | 72 | 82 | | |
| Mexico | 199 | 127 | | |
| Venezuela | 37 | 47 | | |
| Rest of Latin America | 11 | 8 | | |
| Latin America | 727 | 595 | – | – |
| Asia-Pacific | | | | |
| Australia | 233 | 227 | | |
| Hong Kong | 58 | 52 | | |
| Japan | 195 | 203 | | |
| Taiwan | 36 | 35 | | |
| Rest of Asia-Pacific | 112 | 110 | | |
| Asia-Pacific | 634 | 627 | 156 | 159 |
| Middle East | 56 | 63 | 42 | 40 |
| Africa | | | | |
| South Africa | 120 | 135 | | |
| Morocco | 44 | 40 | | |
| Africa | 164 | 175 | 14 | 9 |
| Total | 10,685 | 10,467 | 2,786 | 2,616 |

General Insurance –
Non-current assets
by region

Table 16.6

in USD millions, as of

| | Property/equipment and intangible assets | |
|-----------------------|---|--------------|
| | 03/31/13 | 12/31/12 |
| North America | | |
| United States | 215 | 223 |
| Canada | 4 | 4 |
| Bermuda | 23 | 24 |
| North America | 243 | 252 |
| Europe | | |
| United Kingdom | 207 | 213 |
| Germany | 205 | 210 |
| Switzerland | 568 | 593 |
| Italy | 30 | 34 |
| Spain | 332 | 346 |
| Rest of Europe | 592 | 605 |
| Europe | 1,934 | 2,001 |
| Latin America | | |
| Argentina | 11 | 11 |
| Brazil | 219 | 234 |
| Chile | 34 | 34 |
| Mexico | 272 | 263 |
| Venezuela | 11 | 16 |
| Rest of Latin America | 5 | 5 |
| Latin America | 552 | 561 |
| Asia-Pacific | | |
| Australia | 74 | 74 |
| Hong Kong | 12 | 13 |
| Japan | 24 | 27 |
| Taiwan | 8 | 9 |
| Rest of Asia-Pacific | 4 | 4 |
| Asia-Pacific | 123 | 128 |
| Middle East | 48 | 43 |
| Africa | | |
| South Africa | 13 | 15 |
| Morocco | 31 | 32 |
| Africa | 43 | 46 |
| Total | 2,944 | 3,032 |

Consolidated financial statements (unaudited) *continued*

Table 16.7

in USD millions, for the three months ended March 31

Global Life –
Overview

| | North America | | Latin America | |
|---|---------------|------------|---------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Revenues | | | | |
| Life insurance deposits | 70 | 62 | 432 | 649 |
| Gross written premiums ¹ | 137 | 130 | 903 | 497 |
| Policy fees | 77 | 72 | 17 | 18 |
| Gross written premiums and policy fees | 214 | 202 | 920 | 515 |
| Net earned premiums and policy fees | 162 | 149 | 719 | 502 |
| Net investment income on Group investments | 73 | 80 | 83 | 54 |
| Net capital gains/(losses) and impairments on Group investments | – | – | (17) | 11 |
| Net investment result on Group investments | 73 | 80 | 67 | 65 |
| Net investment income on unit-linked investments | (11) | (11) | 3 | 3 |
| Net capital gains/(losses) and impairments on unit-linked investments | 38 | 48 | 201 | 286 |
| Net investment result on unit-linked investments | 27 | 37 | 204 | 289 |
| Other income | 22 | 23 | 129 | 21 |
| Total BOP revenues | 284 | 289 | 1,119 | 877 |
| Benefits, losses and expenses | | | | |
| Insurance benefits and losses, net ¹ | 92 | 79 | 344 | 230 |
| Policyholder dividends and participation in profits, net | 33 | 43 | 214 | 289 |
| Income tax expense/(benefit) attributable to policyholders | – | – | – | – |
| Underwriting and policy acquisition costs, net | 34 | 29 | 244 | 206 |
| Administrative and other operating expense (excl. depreciation/amortization) | 37 | 35 | 89 | 71 |
| Interest credited to policyholders and other interest | 37 | 38 | 44 | (1) |
| Restructuring provisions and other items not included in BOP | – | – | – | 7 |
| Total BOP benefits, losses and expenses | 233 | 225 | 935 | 802 |
| Business operating profit (before interest, depreciation and amortization) | 50 | 64 | 184 | 75 |
| Depreciation and impairments of property and equipment | – | – | 1 | 1 |
| Amortization and impairments of intangible assets | 5 | 5 | 34 | 50 |
| Interest expense on debt | 1 | 1 | – | (6) |
| Business operating profit before non-controlling interests | 44 | 58 | 149 | 30 |
| Non-controlling interests | – | – | 87 | 10 |
| Business operating profit | 44 | 58 | 62 | 20 |

¹ Europe included approximately USD 120 million and USD 170 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in the Group's Spanish operations for the three months ended March 31, 2013 and 2012, respectively (see note 3 of the Consolidated financial statements 2012).

| | Europe | | Asia-Pacific and Middle East | | Other | | Eliminations | | Total | |
|--|------------|------------|------------------------------|-----------|-------------|------------|--------------|----------|------------|------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | 1,913 | 2,729 | 334 | 322 | 224 | 185 | – | – | 2,973 | 3,948 |
| | 1,899 | 2,051 | 202 | 175 | 56 | 38 | (25) | (10) | 3,172 | 2,881 |
| | 441 | 431 | 33 | 44 | 2 | 1 | – | – | 571 | 567 |
| | 2,340 | 2,481 | 236 | 219 | 58 | 39 | (25) | (10) | 3,742 | 3,447 |
| | 2,214 | 2,365 | 201 | 189 | 53 | 38 | – | – | 3,348 | 3,242 |
| | 783 | 824 | 35 | 43 | 4 | 3 | – | (1) | 978 | 1,003 |
| | 174 | 12 | 16 | 16 | – | – | – | – | 173 | 38 |
| | 957 | 836 | 52 | 58 | 4 | 3 | – | (1) | 1,152 | 1,041 |
| | 404 | 442 | 12 | 13 | 6 | 10 | – | – | 415 | 457 |
| | 4,882 | 3,982 | 735 | 486 | 42 | 53 | – | – | 5,899 | 4,856 |
| | 5,287 | 4,424 | 747 | 499 | 48 | 63 | – | – | 6,313 | 5,312 |
| | 72 | 89 | 49 | 43 | 56 | 88 | (1) | (1) | 328 | 263 |
| | 8,530 | 7,715 | 1,048 | 789 | 161 | 191 | (1) | (2) | 11,141 | 9,859 |
| | 1,956 | 2,153 | 97 | 58 | 39 | 26 | – | – | 2,528 | 2,547 |
| | 5,443 | 4,461 | 760 | 548 | 51 | 66 | – | – | 6,502 | 5,407 |
| | 241 | 171 | 3 | 5 | – | – | – | – | 244 | 176 |
| | 319 | 322 | 24 | 64 | 27 | 32 | – | – | 648 | 653 |
| | 313 | 333 | 128 | 58 | 56 | 66 | (1) | (2) | 622 | 561 |
| | 46 | 50 | 5 | 5 | – | – | – | – | 132 | 91 |
| | (46) | (22) | – | 9 | (4) | – | – | – | (50) | (5) |
| | 8,271 | 7,467 | 1,017 | 747 | 170 | 190 | (1) | (2) | 10,626 | 9,430 |
| | 258 | 248 | 31 | 42 | (9) | 1 | – | – | 515 | 429 |
| | 5 | 5 | 2 | 2 | – | – | – | – | 8 | 8 |
| | 58 | 58 | 2 | 1 | 1 | 1 | – | – | 100 | 114 |
| | 4 | 6 | – | – | 1 | – | – | – | 5 | 2 |
| | 191 | 179 | 28 | 39 | (10) | (1) | – | – | 402 | 305 |
| | 8 | 6 | – | – | – | – | – | – | 94 | 15 |
| | 183 | 173 | 28 | 40 | (10) | (1) | – | – | 308 | 290 |

Consolidated financial statements (unaudited) *continued*

Table 16.8

Global Life –
Revenues by region

in USD millions, for the three months ended March 31

| | Gross written premiums and policy fees from external customers | | Life insurance deposits | |
|---|--|--------------|-------------------------|--------------|
| | 2013 | 2012 | 2013 | 2012 |
| North America | | | | |
| United States | 214 | 202 | 70 | 62 |
| North America | 214 | 202 | 70 | 62 |
| Latin America | | | | |
| Chile | 276 | 136 | – | – |
| Argentina | 30 | 28 | 11 | 9 |
| Mexico | 72 | 52 | 139 | – |
| Venezuela | 16 | 17 | – | – |
| Brazil | 525 | 283 | 282 | 640 |
| Uruguay | 2 | – | – | – |
| Latin America | 920 | 515 | 432 | 649 |
| Europe | | | | |
| United Kingdom | 427 | 382 | 657 | 1,478 |
| Germany | 657 | 706 | 419 | 519 |
| Switzerland | 763 | 854 | 26 | 27 |
| Ireland ¹ | 126 | 127 | 619 | 497 |
| Spain | 212 | 266 | 52 | 73 |
| Italy | 87 | 72 | 111 | 115 |
| Portugal | 8 | 10 | 17 | 8 |
| Austria | 47 | 51 | 13 | 12 |
| Europe | 2,328 | 2,467 | 1,913 | 2,729 |
| Asia-Pacific and Middle East | | | | |
| Hong Kong | 22 | 21 | 30 | 32 |
| Taiwan | – | – | 1 | – |
| Indonesia | 1 | – | 1 | – |
| Australia | 79 | 79 | 22 | 15 |
| Japan | 21 | 25 | 4 | 5 |
| Malaysia | 50 | 57 | – | – |
| Zurich International Life ² | 62 | 37 | 277 | 270 |
| Asia-Pacific and Middle East | 236 | 219 | 334 | 322 |
| Other | | | | |
| Luxembourg ¹ | 2 | 1 | 224 | 185 |
| International Group Risk Solutions ³ | 31 | 28 | – | – |
| Other | 33 | 29 | 224 | 185 |
| Total | 3,730 | 3,434 | 2,973 | 3,948 |

¹ Includes business written under freedom of services and freedom of establishment in Europe.² Mainly includes business written through licenses into Asia-Pacific and Middle East.³ Includes business written through licenses into all regions.

Global Life –
Non-current assets
by region

Table 16.9

in USD millions, as of

| | Property/equipment and intangible assets | |
|------------------------------|---|--------------|
| | 03/31/13 | 12/31/12 |
| North America | | |
| United States | 166 | 165 |
| North America | 166 | 165 |
| Latin America | | |
| Chile | 470 | 472 |
| Argentina | 92 | 96 |
| Mexico | 262 | 256 |
| Brazil | 963 | 965 |
| Latin America | 1,787 | 1,789 |
| Europe | | |
| United Kingdom | 393 | 426 |
| Germany | 695 | 743 |
| Switzerland | 79 | 81 |
| Ireland ¹ | 3 | 2 |
| Spain | 1,688 | 1,759 |
| Italy | 126 | 122 |
| Austria | 30 | 32 |
| Europe | 3,014 | 3,164 |
| Asia-Pacific and Middle East | | |
| Hong Kong | 7 | 8 |
| Indonesia | 3 | 3 |
| Japan | 3 | 3 |
| Singapore | 1 | 1 |
| Malaysia | 122 | 124 |
| Zurich International Life | 18 | 20 |
| Asia-Pacific and Middle East | 154 | 158 |
| Other | | |
| Luxembourg ¹ | 3 | 4 |
| Other | 3 | 4 |
| Total | 5,124 | 5,280 |

¹ Includes assets relating to business written under freedom of services and freedom of establishment in Europe.

Consolidated financial statements (unaudited) *continued*

| Table 16.10 | | | | |
|--|---|------------|---------------|--------|
| in USD millions, for the three months ended March 31 | | | | |
| | | 2013 | Total 2012 | |
| Farmers – Overview | Farmers Management Services | | | |
| | Management fees and other related revenues | 702 | 710 | |
| | Management and other related expenses | 372 | 371 | |
| | Gross management result | 330 | 338 | |
| | Other net income (excl. items not included in BOP) | 8 | 14 | |
| | Business operating profit before non-controlling interest | 338 | 352 | |
| | Business operating profit | 338 | 352 | |
| | Farmers Re | | | |
| | Gross written premiums and policy fees | 971 | 1,053 | |
| | Net earned premiums and policy fees | 1,024 | 1,094 | |
| | Insurance benefits and losses, net | (655) | (769) | |
| | Total net technical expenses | (321) | (341) | |
| | Net underwriting result | 48 | (17) | |
| | Net non-technical result (excl. items not relevant for BOP) | 16 | 15 | |
| | Net investment income | 17 | 19 | |
| | Business operating profit before non-controlling interests | 82 | 18 | |
| | Business operating profit | 82 | 18 | |
| | Farmers business operating profit | 420 | 370 | |
| | Ratios, as % of net earned premiums and policy fees | | | |
| | Farmers Re Combined ratio | | 95.3% | 101.5% |
| | Supplementary information | | | |
| | Property, equipment and intangible assets ¹ | | 2,385 | 2,403 |

¹ As of March 31, 2013 and December 31, 2012, respectively.

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Consolidated financial statements (unaudited) *continued*

Table 16.11

in USD millions, for the three months ended March 31

| | Holding and Financing | |
|---|-----------------------|--------------|
| | 2013 | 2012 |
| Gross written premiums and policy fees | 29 | 31 |
| Net earned premiums and policy fees | 17 | 18 |
| Net investment income | 72 | 102 |
| Other income | 15 | 17 |
| Total BOP revenues | 104 | 137 |
| Insurance benefits and losses, incl. PH dividends, net | 17 | 18 |
| Administrative and other operating expense (excl. depreciation/amortization) | 47 | 53 |
| Other expenses (excl. items not included in BOP) | 4 | 3 |
| Depreciation, amortization and impairments of property, equipment and intangible assets | – | – |
| Interest expense on debt | 260 | 274 |
| Business operating profit before non-controlling interests | (223) | (211) |
| Non-controlling interests | (5) | (8) |
| Business operating profit | (219) | (202) |

Other Operating
Businesses –
Overview

| | Headquarters | | Eliminations | | Total | |
|--|--------------|-------------|--------------|----------|--------------|--------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | 4 | 4 | – | – | 33 | 35 |
| | 2 | 2 | – | – | 19 | 20 |
| | 10 | 11 | (1) | (2) | 81 | 112 |
| | 226 | 245 | (61) | (34) | 180 | 228 |
| | 238 | 258 | (62) | (35) | 280 | 360 |
| | – | – | – | – | 17 | 18 |
| | 220 | 264 | (61) | (34) | 206 | 283 |
| | – | – | – | – | 4 | 3 |
| | 21 | 20 | – | – | 21 | 20 |
| | – | – | (1) | (2) | 259 | 273 |
| | (3) | (26) | – | – | (226) | (237) |
| | – | – | – | – | (5) | (8) |
| | (3) | (26) | – | – | (221) | (229) |

Consolidated financial statements (unaudited) *continued*

| Table 16.12 | | | |
|--|---|--------------|-----------|
| in USD millions, for the three months ended March 31 | | Total | |
| | | 2013 | 2012 |
| Non-Core Businesses – Overview | Gross written premiums and policy fees | 121 | 123 |
| | Net earned premiums and policy fees | 109 | 118 |
| | Insurance benefits and losses, net | (84) | (117) |
| | Policyholder dividends and participation in profits, net | 138 | 392 |
| | Total net technical expenses | 8 | 19 |
| | Net underwriting result | 47 | (177) |
| | Net investment income | 7 | 43 |
| | Net capital gains/(losses) and impairments on investments | (3) | 250 |
| | Net non-technical result (excl. items not included in BOP) | (13) | (35) |
| | Business operating profit before non-controlling interests | 37 | 82 |
| | Non-controlling interests | – | – |
| | Business operating profit | 37 | 81 |

17. Events after the balance sheet date

The Annual General Meeting approved a gross dividend of CHF 17.00 per share on April 4, 2013. This gross dividend represented a 70 percent payout of 2012 earnings to shareholders, and will be recognized through shareholders' equity during the second quarter of 2013.

Consolidated financial statements (unaudited) *continued*

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

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