

## Zurich delivers strong second quarter results driven by excellent underwriting performance

- Q2 BOP of USD 1.3 billion, up 25% compared with prior year, and H1 BOP of USD 2.1 billion, down 7% compared with prior year
- Q2 NIAT<sup>1</sup> of USD 1.3 billion, up 88% compared with prior year, and H1 NIAT<sup>1</sup> of USD 2.0 billion, up 20% compared with prior year
- Q2 combined ratio improved 1.6 percentage points to 95.3%
- Improved Q2 top-line growth in both mature and emerging markets
- Continuing strong cash flow generation from the businesses
- Strong capital base and solvency position mainly unchanged

### Select financial highlights – second quarter (Q2) and first six months (H1) of 2011

(For a more comprehensive set of financial highlights covering the first six months ended June 30, see page 7)

in USD millions, for the three and six months ended June 30, unless otherwise stated	Q2 2011	Q2 2010	Change in USD	H1 2011	H1 2010	Change in USD
Business operating profit	1,283	1,027	25%	2,132	2,286	(7%)
Net income after tax attributable to shareholders	1,328	707	88%	1,965	1,642	20%
Total Group business volumes <sup>2</sup>	17,129	15,990	7%	34,999	34,941	0%
Net investment return on Group investments (not annualized and calculated on average Group investments)	1.2%	1.1%	0.2 pts	2.1%	2.1%	-
Total return on Group investments (not annualized and calculated on average Group investments)	1.4%	1.5%	(0.0 pts)	1.7%	3.6%	(1.8 pts)
Shareholders' equity <sup>3</sup>	31,153	31,984	(3%)	31,153	31,984	(3%)
Diluted earnings per share (in CHF)	8.15	5.21	56%	12.07	12.14	(1%)
Book value per share <sup>3</sup> (in CHF)	179.50	202.69	(11%)	179.50	202.69	(11%)
Return on common shareholders' equity (ROE) <sup>4</sup>	17.4%	10.1%	7.3 pts	12.5%	11.5%	1.0 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE) <sup>4</sup>	13.1%	11.6%	1.5 pts	10.5%	12.4%	(1.8 pts)

Zurich, August 11, 2011 – Zurich Financial Services Group (Zurich) today reported a business operating profit (BOP) of USD 2.1 billion and net income after tax<sup>1</sup> (NIAT) of USD 2.0 billion for the six months ended June 30, 2011.

“We have delivered another solid performance, which clearly underlines the success of our strategy,” said Chief Executive Officer Martin Senn.

“We continue to focus on our pricing and portfolio discipline. This is visible in both General Insurance and Global Life and reflected in our solid margin in Farmers.”

“I am particularly pleased with the second quarter results, as our second quarter business operating profit reveals excellent underwriting performance from General Insurance where we continue to see further improvements in the underlying loss ratio”, Mr. Senn said.

Net income attributable to shareholders for the second three months of 2011 was enhanced by realized gains of USD 441 million (before tax) on the previously reported sale of shares in New China Life Insurance Co., Ltd.

The Group also made significant progress in implementing its strategic initiatives, positioning itself for future profitable growth in both emerging and mature markets.

“Our emerging market strategy is progressing well. Earlier in July, we signed definitive agreements with Santander to establish the previously announced long-term alliance in Latin America. In addition, the announced acquisition of Malaysian composite insurer Malaysian Assurance Alliance Berhad (MAAB) will further enhance our presence in the Asia-Pacific region”, Mr. Senn said.

Zurich also announced today the signing of a definitive agreement with Deutsche Bank to extend the existing exclusive distribution agreements for life and general insurance products in Germany until December 31, 2022.

The businesses continue to deliver strong cash flows, while Zurich’s strong capital base and solvency position are mainly unchanged.

**Segment performance (in the first six months ended June 30)<sup>5</sup>**
***General Insurance:***

in USD millions, for the six months ended June 30, unless otherwise stated	2011	2010	Change in USD	Change in LC
General Insurance gross written premiums and policy fees	18,876	17,940	5%	0%
General Insurance business operating profit	1,106	1,377	(20%)	(23%)
General Insurance combined ratio (in %)	99.3%	98.0%	(1.4 pts)	

Business operating profit from General Insurance was USD 1.1 billion, down 20% from the same period in 2010. The decrease was mainly due to the extraordinary frequency and severity of loss events during the first three months of the year. During this period, the earthquakes in Japan and New Zealand and weather events in Australia resulted in aggregate losses totaling more than USD 500 million. In the second quarter, significant weather events in the U.S., including multiple tornadoes and hail storms, lead to aggregate losses of USD 200 million while aftershocks from the New Zealand earthquake also contributed USD 80 million to the year-on-year increase in the combined ratio for the first six months. This movement contrasts with an improved combined ratio in the second quarter of 95.3%, which reflected the ongoing focus on disciplined underwriting and profit margins. The expense ratio developed favorably, declining 0.5 percentage points in the first six months of the year to 26.5% mainly due to expense management actions. Volumes continued to reflect the competitive market environment and the focus on profitable business through risk selection and segmentation strategies. The Global Corporate business, Latin America and Asia-Pacific were the primary drivers of selective growth. Rate increases were achieved in both the U.S. and Europe despite slow economic growth and market uncertainty. Commercial lines in North America achieved average rate increases of 3% compared with 1% average rate decreases in the same period of 2010. In Europe, overall rate increases for personal and commercial lines of 4% were achieved in the first six months of 2011. These rate increases demonstrate a continuing strong focus on protecting profit margins through targeted underwriting actions.

*Global Life:*

in USD millions, for the six months ended June 30, unless otherwise stated	2011	2010	Change in USD	Change in LC
Global Life gross written premiums, policy fees and insurance deposits	13,267	13,111	1%	(5%)
Global Life business operating profit	728	720	1%	(6%)
Global Life new business annual premium equivalent (APE)	1,899	1,716	11%	4%
Global Life new business margin, after tax (as % of APE)	26.9%	23.6%	3.3 pts	
Global Life new business value, after tax	511	405	26%	17%

New business value<sup>6</sup> after tax reached USD 511 million, up 17% in local currency terms. The reported figure reflects the impact of a methodology refinement for the calculation of new business value for the corporate protection business, which is more reflective of the underlying economics. Excluding this refinement, new business value after tax was broadly flat in local currency, with new business margin after tax down at 22.5%. Overall new business volumes (in terms of annual premium equivalent or APE) increased in the first six months by 11% or 4% in local currency reflecting the continued diversification of the Segment's geographic presence into the higher-growth markets of Latin America, Asia-Pacific and the Middle East. Total new business value being generated in these regions is approaching the target of 30%. In Europe, growth was supported by the continuing momentum of the Corporate Life & Pensions pillar, particularly in the UK and Switzerland, and contributions from the Private Banking Client Solutions pillar. This was offset by challenging market conditions in Ireland and Spain, the deconsolidation of Caixa Sabadell while mitigated by the continued focus on profitability of new business, with a shift from higher-volume but lower-margin savings business towards higher-margin protection business. While these pressures contributed to lowering net policyholder inflows<sup>7</sup> during the first six months, inflows remained positive at USD 1.2 billion. Business operating profit was USD 728 million, a reduction of 6% in local currency, reflecting both the difficult market conditions in Ireland and Spain as well as a comparatively high level of favorable one-off items recorded in the same period of 2010. Allowing for these factors, underlying business operating profit remained stable in local currency with increases in fee levels and risk margins funding transformational investments.

*Farmers:*

in USD millions, for the six months ended June 30, unless otherwise stated	2011	2010	Change in USD	Change in LC
Farmers Management Services management fees and other related revenues	1,375	1,399	(2%)	(2%)
Farmers Re gross written premiums and policy fees	1,481	2,491	(41%)	(41%)
Farmers business operating profit	729	845	(14%)	
Farmers Management Services gross management result	651	681	(4%)	
Farmers Management Services managed gross earned premium margin	7.2%	7.4%	(0.2 pts)	

Management fees and other related revenues from Farmers Management Services (FMS) decreased by 2% to USD 1.4 billion reflecting an underlying decrease of 2% in gross earned premiums at the Farmers Exchanges (Exchanges), which are managed but not owned by Farmers Group, Inc., a wholly-owned subsidiary of Zurich. The lower volumes in the Exchanges in the first six months continued to reflect the planned run-off of the 21<sup>st</sup> Century agency auto book of business. Excluding this effect, gross written premium in the Exchanges increased by 2% in the second quarter, resulting in cumulative growth of 1% for the first six months of 2011, due to continued premium growth from 21<sup>st</sup> Century's direct channel and the Exchanges' small business solutions and specialty businesses. The gross management result of FMS decreased by 4%, partially due to one-off costs for IT investments to improve operational efficiency, while business operating profit declined to USD 674 million and gross earned premium margin was lower at 7.2%. Gross written premiums at Farmers Re decreased compared with the same period of 2010 reflecting the reduction to 12% from 35% of the participation level of the quota share reinsurance treaty. Farmers Re's business operating profit decreased to USD 55 million as a result of the change in the participation level and a significant increase in weather-related losses in the second quarter of 2011. Overall, the Farmers segment reported a reduced business operating profit of USD 729 million.

*Other Operating Businesses:* Other Operating Businesses, predominantly consisting of the Group's Headquarter expenses and external financing activities, reported a business operating loss of USD 397 million, an increase of USD 36 million which was primarily a result of positive one-off items included in 2010 while also impacted by the strength of the Swiss franc.

**Non-Core Businesses:** Non-Core Businesses, including the Group's run-off insurance businesses and banking activities, reported a business operating loss of USD 34 million compared with USD 295 million in the same period of 2010. The improvement resulted mainly from the lower impact of banking loan loss provisions compared with those in the same period of 2010.

**Group investments:**

in USD millions, for the six months ended June 30, unless otherwise stated	2011	2010	Change in USD	Change in LC
Average Group investments	200,636	190,092	6%	
Net investment result Group investments	4,216	3,979	6%	
Net investment return on Group investments (not annualized and calculated on average Group investments)	2.1%	2.1%	–	
Total return on Group investments (not annualized and calculated on average Group investments)	1.7%	3.6%	(1.8 pts)	

The net investment result on Group investments, which includes investment income, realized gains and losses and impairments, contributed USD 4.2 billion to the Group's result for the first six months of 2011, a return of 2.1% on invested assets (not annualized). Net capital gains on investments and impairments amounted to USD 561 million and included negative asset revaluations, impairments, and active gain realizations in equities, of which USD 441 million were due to the previously reported sale of shares in Zurich's stake in New China Life Insurance Co., Ltd. reducing the Group's participation to 15% from 20%. Net unrealized gains reported in shareholders' equity for the six months decreased by USD 706 million. Total return on Group investments, which includes investment income, realized gains and losses, impairments as well as changes in unrealized gains and losses reported in shareholders' equity, was 1.7% (not annualized). The Group continues its disciplined approach and closely monitors its investment in Eurozone peripheral government debt to ensure risk is well-balanced and diversified.

<sup>1</sup> Attributable to shareholders.

<sup>2</sup> Total Group business volumes comprises gross written premiums, policy fees, insurance deposits and management fees generated within General Insurance, Global Life and Farmers.

<sup>3</sup> Prior year comparative as of December 31, 2010.

<sup>4</sup> See the Financial Supplement and the Operating and Financial Review on the Investor Relations' page of our website [www.zurich.com](http://www.zurich.com) for further information on shareholders' and common shareholders' equity.

<sup>5</sup> All further comparisons refer to the first six months of 2010 unless stated otherwise.

<sup>6</sup> Calculated on the Market Consistent Embedded Value basis.

<sup>7</sup> Net policyholder flows are defined as the sum of gross written premiums and policy fees and deposits, less policyholder benefits.

## Financial Highlights (unaudited)

The following table presents the summarized consolidated results of the Group for the six months ended June 30, 2011 and 2010 and the financial position as of June 30, 2011 and December 31, 2010, respectively. Interim results are not necessarily indicative of full year results. All amounts are shown in USD millions and rounded to the nearest million unless otherwise stated with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amount rather than the rounded amount. This document should be read in conjunction with the Annual Report 2010 for the Zurich Financial Services Group available on [www.zurich.com](http://www.zurich.com) and with its unaudited Consolidated financial statements as of June 30, 2011.

In addition to the figures stated according to the International Financial Reporting Standards (IFRS), Zurich Financial Services Group uses business operating profit (BOP) measures and other performance indicators to enhance the understanding of its results. These additional measures should be viewed as complementary to, and not a substitute for, the figures determined according to the IFRS. For a reconciliation of BOP to net income after income taxes see note 14 of the unaudited Consolidated financial statements.

in USD millions, for the six months ended June 30, unless otherwise stated	2011	2010	Change <sup>1</sup>
Business operating profit	2,132	2,286	(7%)
Net income attributable to shareholders	1,965	1,642	20%
General Insurance gross written premiums and policy fees	18,876	17,940	5%
Global Life gross written premiums, policy fees and insurance deposits	13,267	13,111	1%
Farmers Management Services management fees and other related revenues	1,375	1,399	(2%)
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Global Life new business value, after tax <sup>2</sup>	511	405	26%
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Total return on Group investments <sup>4</sup>	1.7%	3.6%	(1.8 pts)
Shareholders' equity <sup>5</sup>	31,153	31,984	(3%)
Swiss Solvency Test capitalization ratio	-	223% <sup>6</sup>	n/a
Diluted earnings per share (in CHF)	12.07	12.14	(1%)
Book value per share (in CHF) <sup>5</sup>	179.50	202.69	(11%)
Return on common shareholders' equity (ROE)	12.5%	11.5%	1.0 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)	10.5%	12.4%	(1.8 pts)

<sup>1</sup> Parentheses around numbers represent an adverse variance.

<sup>2</sup> Changes to the basis of calculation of embedded value, including new business, are set out in the Embedded value report and in the Global Life section of the Operating and financial review.

<sup>3</sup> Excluding average cash received as collateral for securities lending of USD 396 million in the six months ended June 30, 2010.

<sup>4</sup> Not annualized and calculated on average Group investments.

<sup>5</sup> As of June 30, 2011 and December 31, 2010, respectively.

<sup>6</sup> As filed with the regulator for the year ended December 31, 2010, based on the results for the Group on a consolidated basis, subject to the Group's regulator's review and the regulator's approval of the Group's internal model

### Note to editors

A pre-recorded video presentation to accompany the analysts and investors slide presentation will be available from 6:45 a.m. CEDT on our website [www.zurich.com](http://www.zurich.com).

In addition, there will be a conference Q&A session for analysts and investors with the CEO, Martin Senn, and the CFO, Dieter Wemmer, starting at 1:00 p.m. CEDT. Media may listen in. Please dial-in to register approximately 3 to 5 minutes prior to the start of the Q&A session.

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Supplemental financial information is available on our website [www.zurich.com](http://www.zurich.com). Please click on the «[Half year results reporting, August 11, 2011](#)» link on the bottom left corner of our homepage.

**For broadcast-standard and streaming-quality video and/or high resolution pictures** supporting this news release, please visit [www.zurich.com/multimedia](http://www.zurich.com/multimedia). In case you have any questions, please email [journalisthelp@thenewsmarket.com](mailto:journalisthelp@thenewsmarket.com).

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**Zurich Financial Services Group (Zurich)** is a leading multi-line insurance provider with a global network of subsidiaries and offices in Europe, North America, Latin America, Asia-Pacific and the Middle East as well as other markets. It offers a wide range of general insurance and life insurance products and services for individuals, small businesses, mid-sized and large companies as well as multinational corporations. Zurich employs about 60,000 people serving customers in more than 170 countries. Founded in 1872, the Group is headquartered in Zurich, Switzerland. Zurich Financial Services Ltd (ZURN) is listed on the SIX Swiss Exchange and has a level I American Depositary Receipt program (ZFSVY), which is traded over-the-counter on OTCQX. Further information about Zurich is available at [www.zurich.com](http://www.zurich.com).

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