



Zurich enters into long-term bank distribution agreement with Banco Santander in Latin America

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Zurich HelpPoint

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Transaction summary



Scope and structure	<ul style="list-style-type: none">● Memorandum of Understanding (MOU) to create “Zurich Santander Insurance America” that is owned 51% by Zurich and 49% by Santander● “Zurich Santander Insurance America” to acquire Banco Santander’s Insurance Business in Brazil, Mexico, Chile, Argentina and Uruguay, which are to enter into 25-year exclusive¹ bank distribution agreement with Banco Santander affiliates in each country● Management control by Zurich, Banco Santander to retain 49% stake
Strategic rationale	<ul style="list-style-type: none">● Provides Zurich access to 36m customers, c.5,600 bank branches and over 25,000 ATMs● Zurich to become the 4th largest insurer in one of the most attractive insurance regions: 3rd largest in Life, and 6th largest in Non-life as of 2009● Offers a rare combination of high growth potential and strong cash flow generation● Leverages Zurich’s strong track record in bank distribution and further diversifies Zurich’s business mix
Business overview	<ul style="list-style-type: none">● GWP 2010: USD 1.9bn: 68% life protection, 30% non-life, 2% savings● Brazil pension savings contributions 2010: USD 2.9bn● GWP CAGR 2004-2009 for in-scope countries: 45%²● Net profit after tax 2010: USD 328m; RoE 2010: 17%
Key financial terms	<ul style="list-style-type: none">● Up-front payment of USD 1.67bn for 51% of the insurance business● Earn-out payment based on specific profit performance targets spread over 25 years● Protection mechanism for under-achievement of specific profit performance targets
Financing and financial impact	<ul style="list-style-type: none">● Majority of up-front payment to be from existing cash resources, with the balance financed through issuance of hybrid debt● P/E 2010 multiple: 10x (upfront payment); 11-12x (upfront payment + disc. earn-out)● Immediately EPS accretive and cash flow positive, minimal solvency impact

¹ Subject to local regulatory requirements

² Calculated in USD, on local stat basis. Excluding Brazil pension contributions. Growth for Brazil adjusted to reflect acquisition of Real Seguros Vida e Previdência

Strategic rationale



The alliance with Banco Santander:

- Provides a **platform for growth** with a **leading bank** in one of the emerging regions with the **highest growth potential** globally and **low penetration**
- Achieves **immediate scale** as Zurich becomes the **#4 insurer overall in Latin America** in terms of GWP¹
- Leverages Zurich's **proven track record in bank distribution** in terms of new products, distribution management and strong risk-based return culture
- Meets Zurich's financial hurdles and offers a **rare combination of high growth potential and strong cash flow generation**
- **Further enhances and diversifies** Zurich's business mix by increasing:
 - Zurich Group's LatAm GWP by c. 92%²
 - Global Life's LatAm contribution to NBV to c. 20%²
 - Global Life Emerging Market NBV contribution up to c. 35%²
 - Global Life LatAm focus to Brazil, the largest South American economy

¹ Source: Fundación MAPFRE, for 2009; includes VGBL pension product, excludes health. Includes Puerto Rico as part of Latin America.

² On a pro forma 100% basis. GWP as reported for 2010 and excluding pension contributions. NBV 2010 actual for Zurich and estimated for Banco Santander's Insurance Business

Strategic rationale



Zurich forms alliance with leading bank gaining access to 36 million clients and c. 5,600 bank branches and over 25,000 ATMs

Santander banking position

Ranking ¹	Country	2010 assets (USD m) ²	Branches 2010 ³	Bank clients (m)	2010 loans (USD m) ⁴	Loans CAGR (USD) 04–10 ⁴
3	Brazil	233,260	3,696	23	99,626	31.5%
3	Mexico	54,462	1,100	9	18,425	5.7%
1	Chile	47,184	504	2	33,456	13.7%
1	Argentina	8,838	282	2	5,038	17.2%
1	Uruguay	4,462	44	0.2	2,809	15.2%
3	Region	348,206	5,626	36	159,354	20.9%

Source: Local regulators, company filings, Santander

¹ Ranking by assets as of 3Q10 according to local regulators, excludes government-owned banks

² Assets as per local regulation except Argentina shown Spanish GAAP

³ 2010 branches as per Santander 4Q10 earnings releases; Uruguay 2010 branches as of September

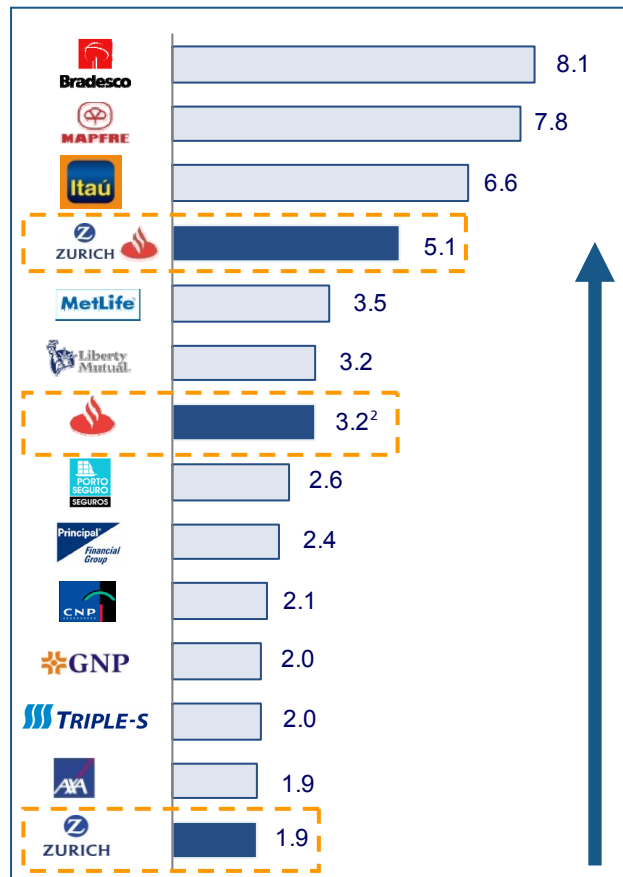
⁴ Gross loans as per local regulation except 2010 Argentina shown Spanish GAAP

Strategic rationale

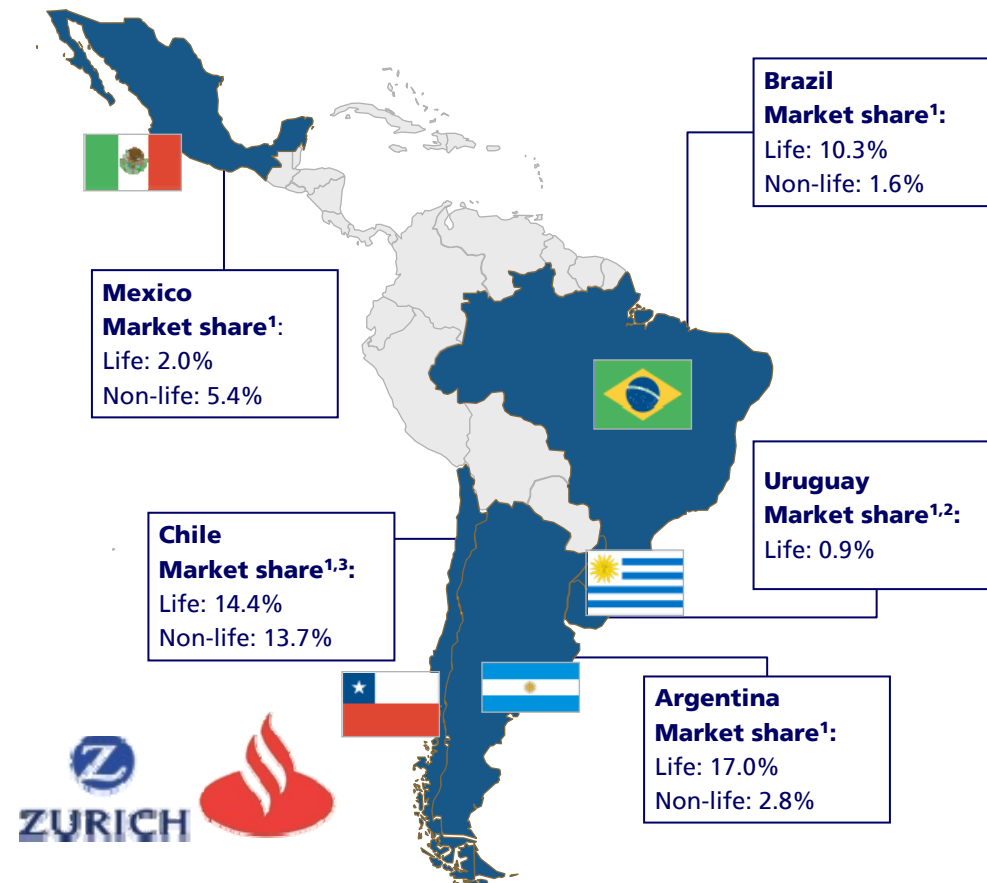


This alliance places Zurich as the 4th largest overall insurer in Latin America, one of the emerging regions with the highest growth potential globally and low insurance penetration

Total ranking by GWP¹ (USD bn) – 2009



Combined pro forma insurance market position by country



¹ Source: Fundación MAPFRE; includes only VGBL pension product, excludes health; MAPFRE adjusted for inclusion of Banco do Brasil ex-Brasilprev, including Brasilveiculos. Principal adjusted for inclusion of Brasilprev (Banco do Brasil). Includes Puerto Rico as part of Latam
² USD 3.5bn including all Brazil pension inflows, not just VGBL product

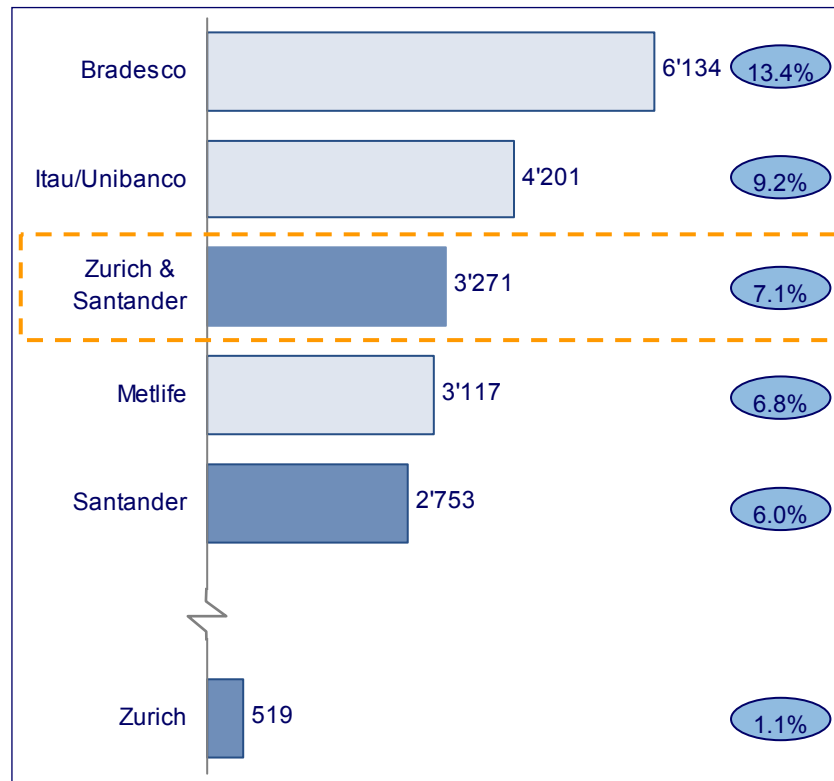
Source: Local regulators, except for Brazil (Ratings de Seguros)
¹ Market share as of Last Twelve Months (LTM) 3Q10, except for Brazil (LTM 2Q10)
² Excludes pension operations
³ Including annuities

Strategic rationale

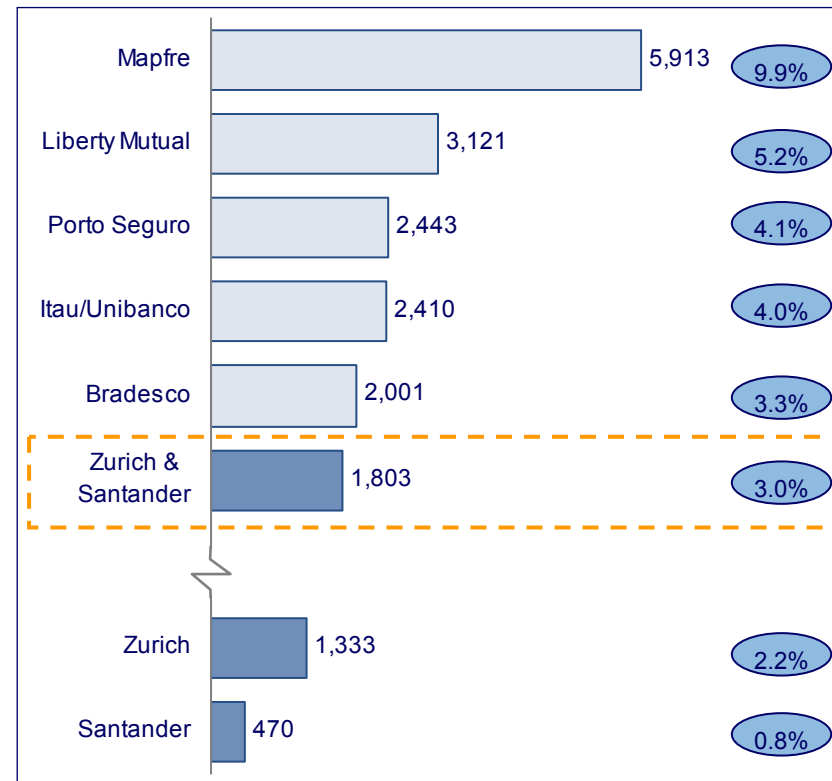


Combined Zurich and Santander will become the 3rd largest life and the 6th largest non-life insurer

Market share LatAm Life (GWP 2009 in USD)¹



Market share LatAm Non-life (GWP 2009 in USD)²



- Bank distribution is the critical channel for life insurance distribution in Brazil and Mexico
- Although a life-weighted transaction, combination with Banco Santander also to improve Zurich's position in the GI segment, increasing its market share in the region to 3.0%

Source: Fundación MAPFRE. Zurich numbers exclude Global Corporate business.

¹ Methodology includes only VGBL pension product, excludes health in Brazil; Banco do Brasil allocated to its strategic partners as per recent transactions

² Banco do Brasil allocated to its strategic partners as per recent transactions, including Brasilveiculos

Business overview



Santander Latam Insurance Business offers a rare combination of high growth potential, strong profitability and cash-flow generation

	Brazil	Mexico	Chile	Argentina	Uruguay
GWP breakdown 2010	<p>Total GWP: USD 1.1bn Pension contributions: USD 2.9bn</p>	<p>Total GWP: USD 276m</p>	<p>Total GWP: USD 456m</p>	<p>Total GWP: USD 67m</p>	<p>Total GWP: USD 0.9m</p>
GWP CAGR (USD) '04-09	61% ¹	36%	38%	27%	6%
Bank clients (m)	23	9	2	2	0.2
Bank branches	3,696	1,100	504	282	44
Combined ratio 2010²	89.0%	88.5%	83.8%	87.3%	n/m
Net profit 2010	USD 203m	USD 42m	USD 74m	USD 8m	USD 0.5m

Life protection
 Non-life
 Savings

Source: Local insurance regulators, Santander

¹ Excludes Brazil Pension contributions, historically adjusted to reflect acquisition of Real Seguros Vida e Previdência. On local stat basis.

² Combined ratio includes both life and non-life. Combined ratio excludes Savings & Pensions in all countries. Calculated on NEP basis.

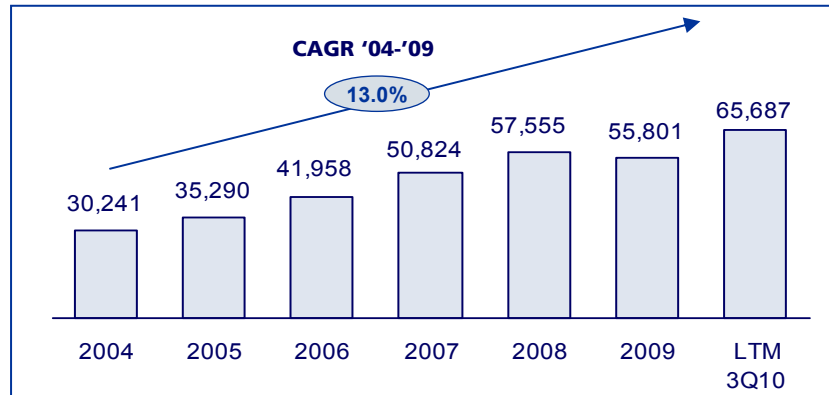


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Business overview

Latin America insurance and bank distribution markets have low insurance penetration, have grown significantly and are poised for continued growth

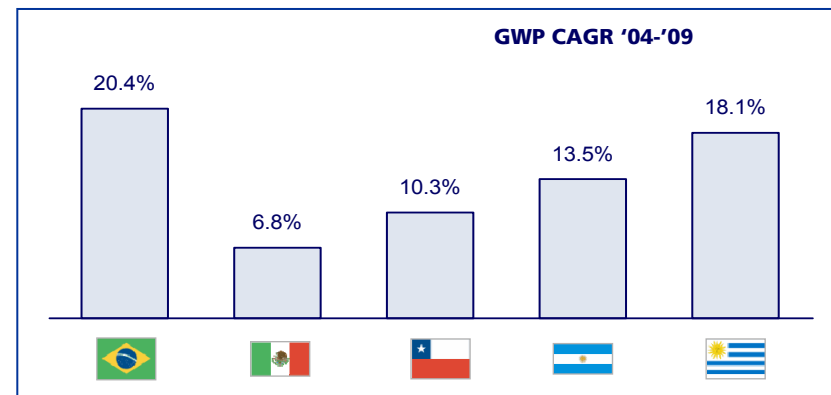
Consistent growth in region (GWP in USDm)¹



Source: Local regulators

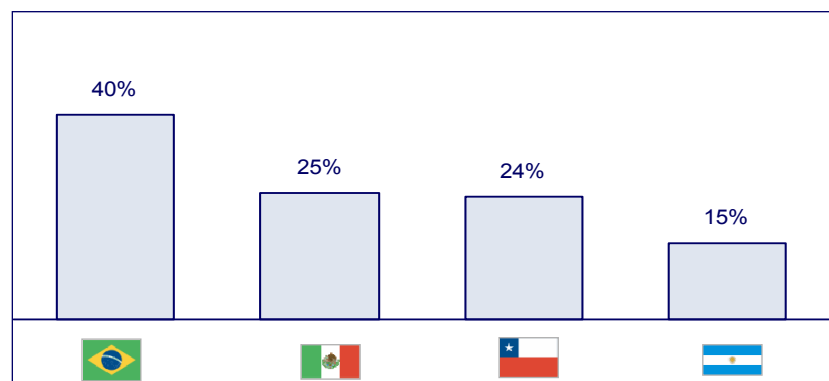
¹ Total GWP for Argentina, Brazil, Chile, Mexico and Uruguay. CAGR calculated in USD terms. VGBL not included

Sustainable growth across countries



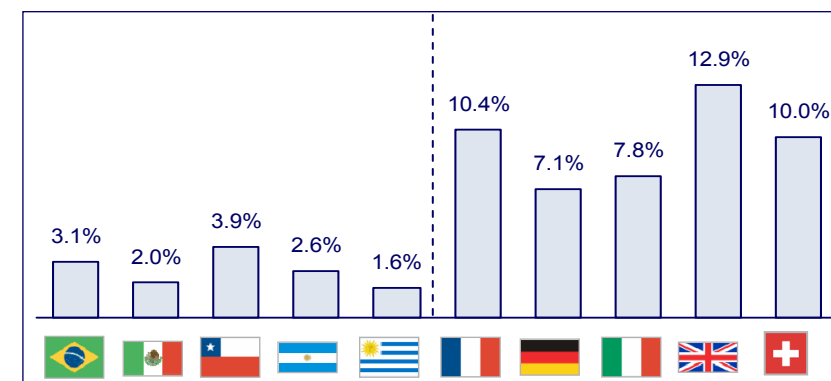
Source: Local regulators; Note: CAGR calculated in nominal USD terms

Strong bancassurance share across countries – 2009



Source: Local insurance regulators; Note: Pension excluded for Brazil Life. Bancassurance companies considered: **Argentina** – Santander, BBVA, Galicia, Mapfre, Provincia; **Brazil** – Santander, Bradesco, Itau Unibanco, Banco do Brasil, Safra, Caixa; **Chile** – Santander, Banco de Chile, Penta, BBVA, BCI, CorpVida; **Mexico** – Santander, Banamex, Banorte, BBVA Bancomer, HSBC

Low insurance penetration – GWP / GDP



Source: Swiss Re as of 2009

Financial impact and financing



	2010	Valuation multiples for 51%	
		Upfront payment of USD 1.67bn	Upfront payment + discounted earn-out ²
Shareholders' equity	USD 1,921m ¹	1.7x	1.9-2.1x
Tangible Shareholders' equity	USD 1,461m ¹	2.2x	2.5-2.8x
Net income after tax	USD 328m ¹	10x	11-12x
Financing		Primarily from existing cash resources and balance in hybrid debt issuance	
EPS accretion (for ZFS)		immediately	
Solvency impact		expected to be minimal	

¹ Local stat, on a 100% basis

² Discounted earn-out ranges between approx. USD 220-420m depending on assumptions for discount rate and future f/x rates.



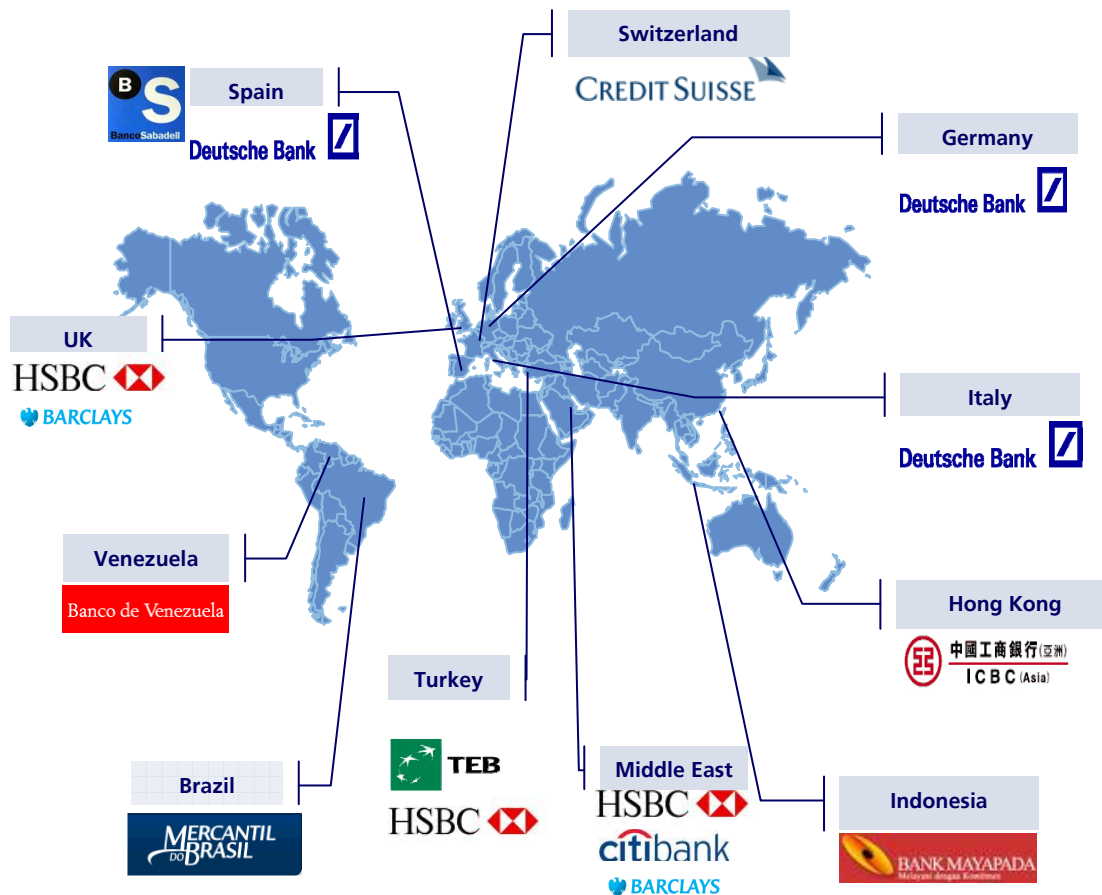
Appendix



Zurich has a successful track-record in bank distribution



Key partnerships



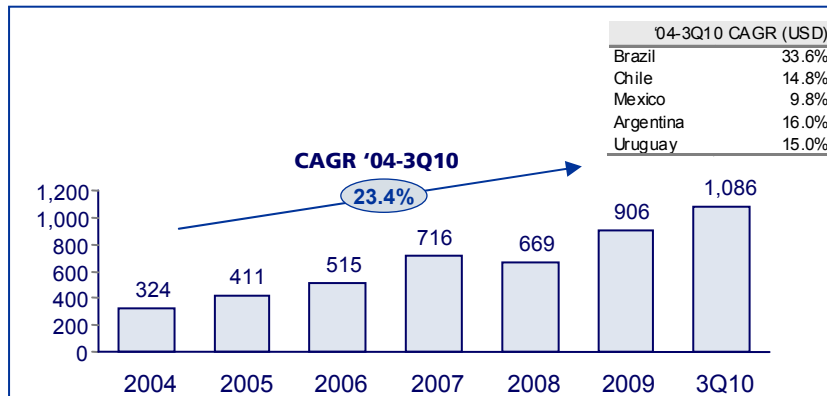
Success factors

- Strong track record in driving profitable growth for both partners (e.g. Deutsche Bank and Banco Sabadell)
- Successful post-deal capability
- Proven integrated and efficient business model
- Dedicated central team with experience and expertise

Bank distribution growth prospects supported by banking sector's under-penetration



Strong loan evolution (USD bn)¹

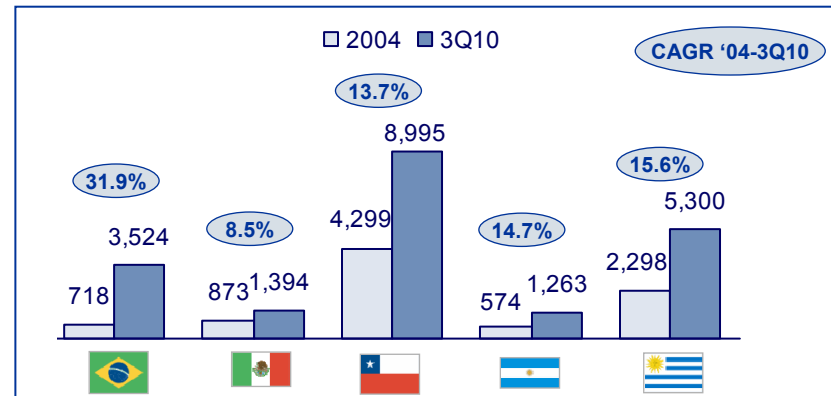


Source: Local regulators

¹ Total banking system loans for Brazil, Chile, Mexico, Argentina and Uruguay

Note: CAGR calculated in USD terms

Increasing bancarization (credit per capita, USD)

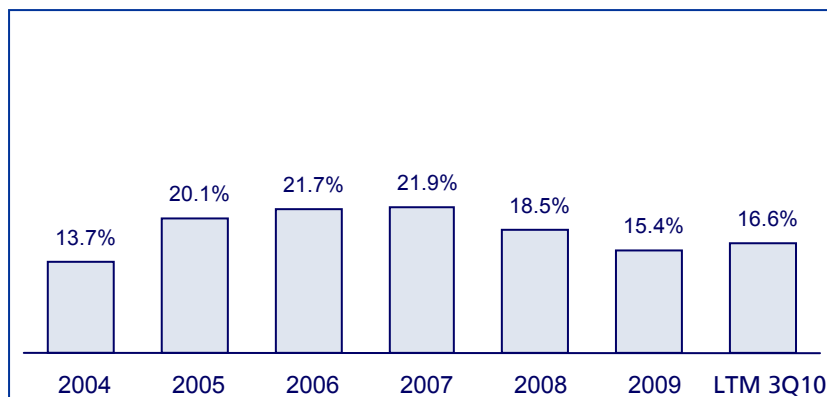


Source: Local regulators – as of 3Q2010

¹ Total banking system loans for Argentina, Brazil, Chile, Mexico and Uruguay

Note: CAGR calculated in USD terms

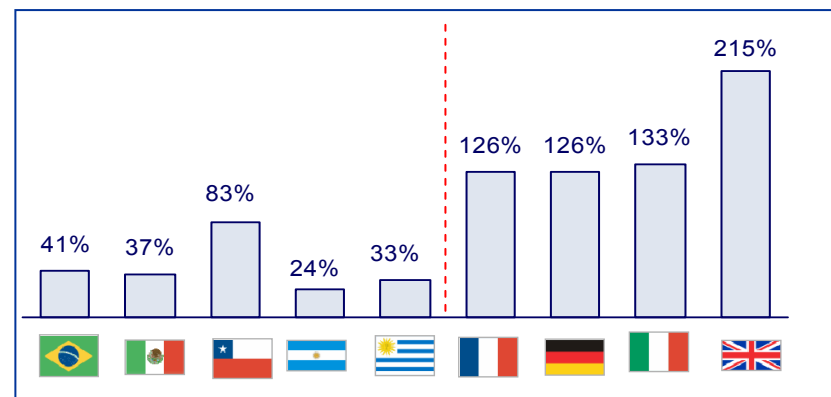
Attractive margin – ROAE¹



Source: Local regulators

¹ Combined Return on Assets Employed (ROAE) for Brazil, Chile, Mexico, Argentina and Uruguay

Low banking penetration – loans / GDP



Source: 2010 World Bank report relating to 2008; for Brazil, Bacen as of 2008