

Zurich Finance (Luxembourg) S.A.
Société Anonyme

Audited annual accounts
for the year ended December 31, 2009

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Zurich Finance (Luxembourg) S.A.

Management Report and Responsibility Statement as at December 31, 2009

Management Review

The corporate object of the Zurich Finance (Luxembourg) S.A. (hereafter the "Company") is the holding of participations directly or indirectly, in any form whatsoever, in Luxembourg and foreign companies, the acquisition by purchase, subscription, or in any other manner as well as the transfer of sale, exchange or otherwise of stock, bonds, debentures, notes and other securities of any kind, and the ownership, administration, development and management of its portfolio, The Company may also hold interest in partnerships.

Business Review

During the course of the year the company issued two tranches of debt under the European Medium Term Note Programme. USD 750 Mio was issued on September 30, 2009, and was lent to Zurich Bank in EUR and GBP denominated loans. EUR 460 Mio was issued on December 4, 2009 which was then lent to Zurich Vida Compania de Aseguros y Reaseguros.

To minimize currency exposure the company entered into Cross Currency-interest rate swaps with Zurich Insurance Company (hereafter "ZIC"). ZIC also issued a guarantee in relation to these issuances of debt and is paid an annual fee by the Company.

The company generated a profit after net interest charges (including guarantee fees) and overheads.

The Company does not have any branch offices.

The Company has not repurchased any of its own shares during the year and does not hold any own shares at this time.

There were no research and development expenses incurred.

Subsequent events

There were no new issuances of debt, nor events, or decisions, of any importance that could have any influence on the continuation of the activities of the Company after year-end 2009.

It is expected that the company will continue to issue debt under the EMTN Programme, and continue a positive development.

Responsibility Statement

We, the directors of the Company in the year 2009, confirm to the best of our knowledge, the financial statements 2009 prepared in accordance with the applicable accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and that the management report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces.

Signed: 

Sabine Lallier

Signed: 

Robert Burne

Independent Auditor's report

To the Shareholders
Zurich Finance (Luxembourg) S.A.

Report on the annual accounts

We have audited the accompanying annual accounts of Zurich Finance (Luxembourg) S.A., which comprise the balance sheet as at December 31, 2009, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

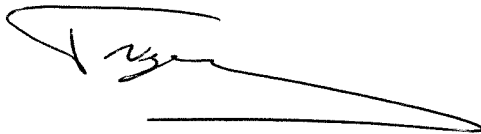
In our opinion, these annual accounts give a true and fair view of the financial position of Zurich Finance (Luxembourg) S.A. as of December 31, 2009, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

PricewaterhouseCoopers S.à r.l.
Réviseur d'entreprises
Represented by

Luxembourg, March 29, 2010



Paul Neyens

Zurich Finance (Luxembourg) S.A.

Balance sheet as at December 31, 2009 (expressed in EUR)

	Note(s)	2009 EUR	2008 EUR
ASSETS			
Fixed assets			
- Financial assets			
- Loans to affiliated undertakings	2.2.3,3, 4	1 486 740 532	509 820 000
Current assets			
- Cash at bank, cash in postal cheque and cash in hand		398 935	102 259
- Prepayments and Accrued Income	2.2.4, 4	<u>7 213 444</u>	<u>2 018 921</u>
Total assets		<u>1 494 352 911</u>	<u>511 941 180</u>
LIABILITIES			
Capital and reserve			
- Subscribed capital	6	124 000	124 000
- Legal reserve	7	488	488
- Loss brought forward		(67 825)	(31 247)
- Profit or (loss) for the financial year		<u>9 137</u>	<u>(36 578)</u>
		65 800	56 663
Provisions for liabilities and charges			
- Provisions for taxation	2.2.7, 8	26 003	1 067
Creditors			
- Amount owed to affiliated undertakings becoming due and payable after more than one year	2.2.6, 5	1 487 046 778	510 000 000
Accruals and deferred income	2.2.5, 5	<u>7 214 330</u>	<u>1 883 450</u>
Total liabilities		<u>1 494 352 911</u>	<u>511 941 180</u>

The accompanying notes are an integral part of the financial statements.

Zurich Finance (Luxembourg) S.A.

Profit and loss account for the year ended December 31, 2009 (expressed in EUR)

	Note(s)	2009 EUR	2008 EUR
CHARGES			
Interest Payable and similar charges concerning affiliated undertakings	5	41 466 037	2 011 058
Other interest payable and charges		4 547 840	152
Other operating charges	9	191 681	90 810
Income tax	8	22 732	607
Other taxes not shown under the above items	8	275	460
Profit for the financial year		<u>9 137</u>	<u>-</u>
Total Charges		<u>46 237 702</u>	<u>2 103 087</u>
INCOME			
Other interest receivable and similar income			
- Derived from affiliated undertakings	3, 4	46 237 226	2 056 421
- Other interest receivable and similar income		476	5 267
Other income		-	4 821
Loss for the financial year		<u>-</u>	<u>36 578</u>
Total Income		<u>46 237 702</u>	<u>2 103 087</u>

The accompanying notes are an integral part of the financial statements.

Zurich Finance (Luxembourg) S.A.

Notes to the annual accounts as of December 31, 2009

Note 1 - General information

Zurich Finance (Luxembourg) S.A., (or the “Company”), is a company incorporated under the laws of Luxembourg on May 19, 1999 under the legal form of a “Société Anonyme”. The registered office 45, rue des Scillas, L-2529 HOWALD and the Company is registered in the Trade and Company Register under the number B 69 748 in Luxembourg.

The corporate object of the Company is the holding of participations directly or indirectly, in any form whatsoever, in Luxembourg and foreign companies, the acquisition by purchase, subscription, or in any other manner as well as the transfer of sale, exchange or otherwise of stock, bonds, debentures, notes and other securities of any kind, and the ownership, administration, development and management of its portfolio, The Company may also hold interest in partnerships.

Zurich Finance (Luxembourg) S.A., is a participant in a Euro Medium Term Note (“EMTN”) Program together with affiliate companies, Zurich Finance (UK) plc, Zurich Finance USA, Zurich Insurance Company and Zurich Bank, which allows for potential issuance of senior and subordinated notes up to a maximum of USD 15 billion (increased from USD 10 billion on December 8, 2009). The Company utilized proceeds from the issuance of bonds under the EMTN to make loans to Centre Group Holdings and Zurich Group Funding. The bond issuances under the EMTN require annual interest payments on the anniversary date of the issuance and principal repayment upon maturity.

The Company’s accounts are included in the accounts established by Zurich Financial Services, Zurich, Switzerland. The financial statements are available at its registered office: Mythenquai 2, 8022 Zurich.

Note 2 - Summary of significant accounting policies

2.1 Basis of preparation

The Company maintains its books and records in euro (“EUR”) and the annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the law, determined and applied by the Board of Directors.

2.2 Significant accounting policies

The main accounting policies of the Company are the following:

2.2.1 Foreign Currency Translation

Transactions expressed in currencies other than EUR are translated into EUR at the exchange rate prevailing at the date of the transaction.

Non-current assets and liabilities expressed in currencies other than EUR are translated into EUR at the exchange rate prevailing at the date of the transaction.

Assets expressed in currencies other than EUR, and for which the currency fluctuation risk between its denomination currency and EUR is hedged via swap or forward currency contract, are translated into EUR at the swap or forward contract rate.

Zurich Finance (Luxembourg) S.A.

Notes to the annual accounts as of December 31, 2009

Other assets and liabilities, expressed in currencies other than EUR are translated in EUR at year-end exchange rate. Realized exchange gains and losses and unrealized exchange gains and losses are accounted for in the profit and loss account for the year.

2.2.2 Interest Income and expense

Interest income and expense are recorded on an accruals basis.

2.2.3 Loan to affiliated undertakings

Loans to affiliated undertakings are valued at nominal value including the expenses incidental thereto.

If the Directors expect an impairment in value to be permanent in nature, the loans to affiliated undertakings are valued at the lower value at the balance sheet date. These value adjustments may not be carried when the reasons for which they were made cease to apply.

2.2.4 Prepayment and accrued income

This asset item includes expenditure incurred during the financial year but relating to a subsequent financial year.

It also includes the expenses incurred in relation to the debt issuances, which are amortized over the period until the maturity of these debts.

2.2.5 Accrual and deferred income

This liability item includes income received during the financial year but relating to a subsequent financial year.

2.2.6 Creditors

Where the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt on a linear method.

2.2.7 Provisions for liabilities and charges

Provision for liabilities and charges are intended to cover losses on debts the nature of which is clearly defined and which, at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

Zurich Finance (Luxembourg) S.A.

Notes to the annual accounts as of December 31, 2009

Note 3 - Loans to affiliated undertakings

Loans to affiliated undertakings as of December 31, 2009 are made of:

Affiliates	Issue date	Maturity date	Interest rate	Loans to Affiliates EUR	Interest receivable EUR
Centre Group Holdings Limited	December 17, 2008	December 19, 2011	USD 3-month LIBOR + 298.2 bps	299 820 000	370 698
Zurich Group Funding Luxembourg S.A.	December 18, 2008	December 20, 2021	6.522%	210 000 000	522 471
Zurich Bank	September 30, 2009	September 30, 2013	LIBOR + 107 bps	310 152 319	14 301
Zurich Bank	September 30, 2009	September 30, 2013	Euribor 3-month + 114 bps	206 768 213	10 608
Zurich Vida Compañía de Seguros y Reaseguros S.A.	December 4, 2009	December 4, 2014	4.1%	<u>460 000 000</u>	<u>1 446 795</u>
				<u>1 486 740 532</u>	<u>2 364 873</u>

Loan to Centre Group Holdings Limited

On December 17, 2008 the Company lent USD 394 140 000 to Centre Group Holdings Limited. The final maturity date of this loan is December 19, 2021. However the loan can be recalled with 7 business days notice and the consent of both parties.

Loan to Zurich Group Funding (Luxembourg) S.A.

On December 18, 2008 the Company lent EUR 210 000 000 to Zurich Group Funding (Luxembourg) S.A.. The maturity date of this loan is December 20, 2021. However the loan can be recalled with 7 business days notice and the consent of both parties.

Loans to Zurich Bank

On September 30, 2009 the Company lent GBP 272 562 106 and EUR 206 768 213 to Zurich Bank.

These loans can be prepaid or asked for repayment of the outstanding amount of the loans in whole or in part at any time prior to the maturity date and with prior consent of each party.

Loan to Zurich Vida Compañía de Seguros y Reaseguros

On December 4, 2009 the Company lent EUR 460 000 000 to Zurich Vida. The loan can be prepaid or asked for repayment of the outstanding amount of the loan in whole or in part at any time prior to the maturity date and with prior consent of each party.

Zurich Finance (Luxembourg) S.A.

Notes to the annual accounts as of December 31, 2009

Note 4 - Derivative financial instruments

The financing operations of the Company by their nature are exposed to the interest rate risk and foreign currency risk arising from foreign currency loan receivable, the Company manages these risks through the use of derivative financial instruments. The Company's total exposures to such risks are economically hedged and managed at the Zurich Financial Services (hereafter "ZFS") level by other ZFS entities, with only a portion of such exposures managed directly by the Company. As a result of only reflecting the portion of such risks managed by the Company, the accompanying Company's financial statements result in certain interest rate and foreign currency fluctuations which would not occur if the Company managed all of the exposures to such risks at its level.

The Company entered into the following related party cross-currency interest rate swap with Zurich Insurance Company (hereafter "ZIC") in order to reduce its exposure to foreign currency and interest rate risk associated:

- USD 394 140 000 December 17, 2008 issuance of a loan with a quarterly annual coupon of 3-month USD LIBOR + 298.2bps maturing on December 19, 2011. Under the terms of the agreement, the Company entered into a floating-to-floating currency swap, swapping USD 394 140 000 (3-month USD libor + 272bps and 3-month EUR libor + 275bps). This SWAP is held at historical cost.
- GBP 272 562 105 September 30, 2009 issuance of a loan with a quarterly annual coupon of 3-month GBP LIBOR + 107bps maturing on September 30, 2013. Under the terms of the agreement, the Company entered into a fixed to floating currency swap, swapping GBP 272 562 105 (3-month GBP LIBOR + 60.2833bps and 3.25% USD).
- EUR 206 768 214 September 30, 2009 issuance of a loan with a quarterly annual coupon of 3-month EURIBOR + 114bps maturing on September 30, 2013. Under the terms of the agreement, the Company entered into a fixed to floating currency swap, swapping EUR 206 768 213 (3-month EURIBOR + 67.125bps and 3.25% USD).

Note 5 - Creditors

In September 2009, the company issued USD 750 000 000 as part of the European Medium Term Note Program, to the external market. On December 4, 2009 it borrowed an additional EUR 460 000 000, on that date of issuance, Zurich Insurance PLC agreed to purchase all of the proceeds of this issuance.

The debt incurred by the Company is uncollateralized, but guaranteed by ZIC as evidenced by separate contractual agreements.

Zurich Finance (Luxembourg) S.A.

Notes to the annual accounts as of December 31, 2009

The following is a summary of the bonds payable outstanding at December 31, 2009:

Affiliates	Issue date	Maturity date	Interest rate	Bonds payable EUR	Interest payable EUR
Bansabadell Vida	December 17, 2008	December 19, 2011	3- month Euribor + 2,75%	300 000 000	433 125
Zurich Vida S.A.	December 18, 2008	December 20, 2021	6,26%	210 000 000	474 717
External Bond Holders	September 30, 2009	September 30, 2013	3,25%	519 048 631	4 298 643
Zurich Insurance PLC	December 4, 2009	December 4, 2014	3,66%	<u>460 000 000</u>	<u>1 291 529</u>
				<u>1 489 048 631</u>	<u>6 498 014</u>

None of the bonds payable listed above were in default as of December 31, 2009.

In conjunction with the EMTN Program, the debt incurred by the Company is uncollateralized, but guaranteed by Zurich Insurance Company (hereafter "ZIC") as evidenced by separate contractual agreements. The guarantee is unconditionally and irrevocably guaranteed on a subordinated basis by ZIC and covers principal and interest due by the Company on its outstanding note offerings, up to the following maximum amounts:

Debt/Notes	Amount
EUR 300 000 000 Euro bond, maturing December 19, 2011	EUR 354 788 172
EUR 210 000 000 Euro bond, maturing December 20, 2021	EUR 249 515 172
USD 750 000 000 Euro bond, maturing September 20, 2013	USD 823 225 000
EUR 460 000 000 Euro bond, maturing December 4, 2014	EUR 510 574 860

As consideration for this guarantee, the Company incurred total guarantee expenses of EUR 1 719 155 in 2009 (EUR 34 542 in 2008). At December 31, 2009, the guarantee fee accrued liability to ZIC is EUR 176 581.

Zurich Finance (Luxembourg) S.A.

Notes to the annual accounts as of December 31, 2009

Note 6 - Capital and reserves

The movements during the financial year in respect of capital and reserves are as follows:

	Subscribed Capital	Legal Reserve	Retained Earnings	Results of the year
	EUR	EUR	EUR	EUR
As of December 31, 2008	124 000	488	(31 247)	(36 578)
Allocation of the results			(36 578)	36 578
Movements of the year				9 137
As of December 31, 2009	124 000	488	(67 825)	9 137

As of December 31, 2009 the subscribed capital is represented by 1 240 shares fully paid-up with par value of EUR 100.

Note 7 - Legal reserve

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed except on dissolution of the Company.

Note 8 - Taxes

The Company is fully taxable in Luxembourg on both its income and net worth.

Note 9 - Other operating charges

Other operating charges amount to EUR 191 681 as at December 31, 2009 and are mainly composed of audit, tax, overhead costs and legal services.