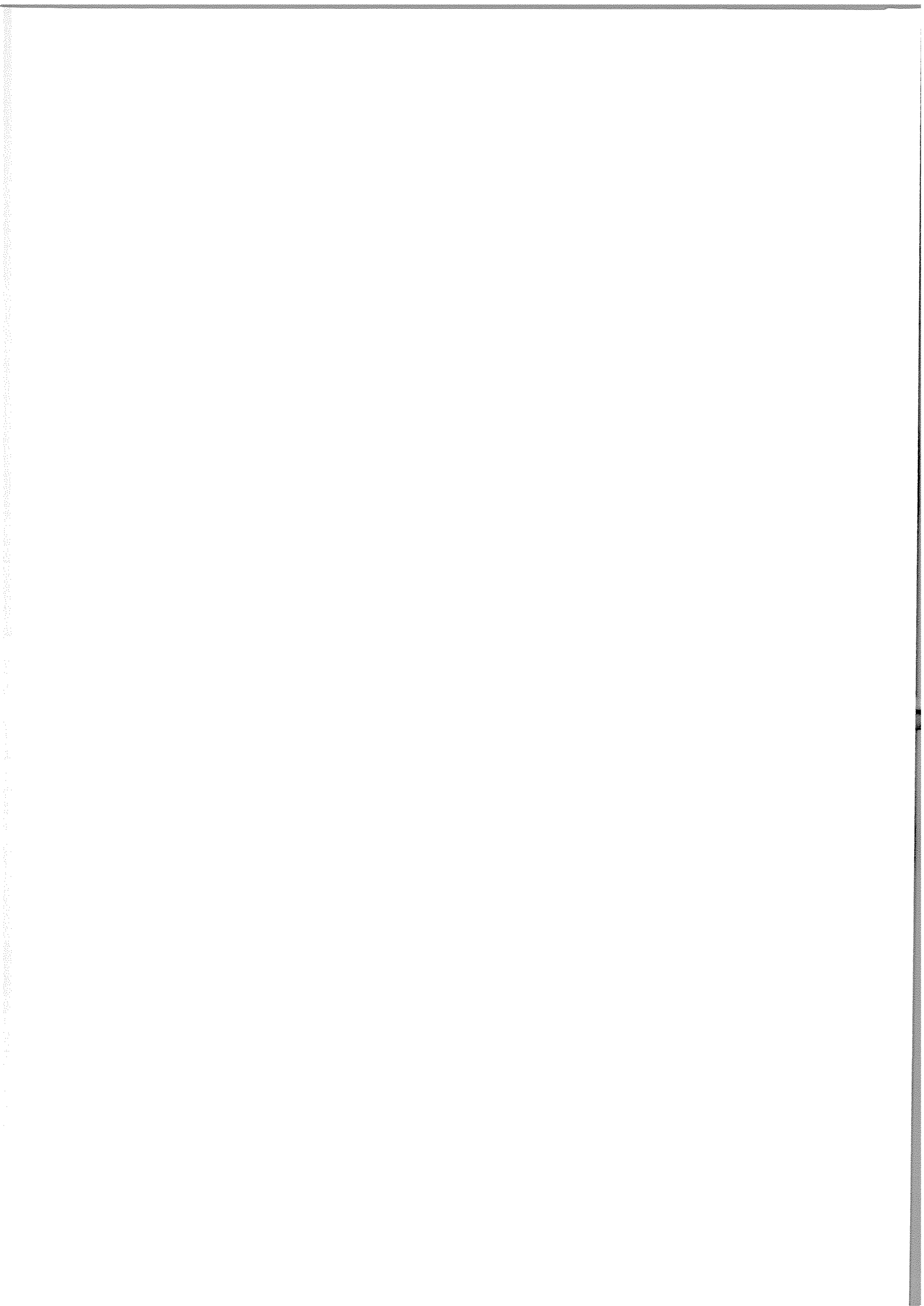


**Zurich Finance (Luxembourg) S.A.**  
**Société Anonyme**

**Audited annual accounts**  
**for the year ended December 31, 2010**

45, rue des Scillas  
L-2529 Howald  
R.C.S. Luxembourg: B 69 748



# Zurich Finance (Luxembourg) S.A.

December 31, 2010

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## Zurich Finance (Luxembourg) S.A.

### Management Report and Responsibility Statement as at December 31, 2010

#### 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 no new tranches of debt were issued. There was a contractual call of EUR 40 million on the loan and bond relating to EUR 210 million tranche issued by Zurich Vida S.A. which was lent on to Zurich Group Funding Luxembourg S.A..

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 loss after tax as there was not sufficient net interest margin to cover the tax charge of EUR 150 831.

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.

#### 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 2010. As part of its normal course of business the company will continue to be involved with internal group funding projects.

It is expected that the company will continue to issue debt under the Euro Medium Term Note ("EMTN") Programme, and continue a positive development.

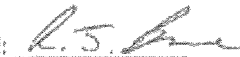
#### Responsibility Statement

We, the directors of the Company in the year 2010, confirm to the best of our knowledge, the financial statements 2010 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:

  
Xavier Gruffels

Signed:

  
Robert Burnie

Signed:

  
Nadir Garzetti



## Audit report

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

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### 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 31 December 2010, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *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, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

#### *Responsibility of the "Réviseur d'entreprises agréé"*

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 for Luxembourg by the "Commission de Surveillance du Secteur Financier". 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 judgment of the "Réviseur d'entreprises agréé", 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 "Réviseur d'entreprises agréé" 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, the annual accounts give a true and fair view of the financial position of Zurich Finance (Luxembourg) S.A. as of 31 December 2010, 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.  
Represented by

Luxembourg, 16 March 2011

A handwritten signature in black ink, appearing to read 'Claude Jacoby', with a long horizontal line extending to the right from the end of the signature.

Claude Jacoby

## Zurich Finance (Luxembourg) S.A.

### Balance sheet as at December 31, 2010 (expressed in EUR)

	Note(s)	2010 EUR	2009 EUR
<b>ASSETS</b>			
Fixed assets			
- Financial assets			
- loans to affiliated undertakings	2.2.3, 3, 4	1 446 740 532	1 486 740 532
Current assets			
Cash at bank, cash in postal cheque and cash in hand			
		1 167 780	398 935
Prepayments and Accrued Income	2.2.4, 4	8 763 111	7 213 444
<b>Total assets</b>		<b><u>1 456 671 423</u></b>	<b><u>1 494 352 911</u></b>
<b>LIABILITIES</b>			
Capital and reserve			
- Subscribed capital	6	124 000	124 000
- Legal reserve	7	488	488
- Loss brought forward		(58 688)	(67 825)
- Profit or (loss) for the financial year		<u>(127 773)</u>	<u>9 137</u>
		(61 973)	65 800
Provisions for liabilities and charges			
- provisions for taxation	2.2.7, 8	177 809	26 003
Creditors			
- amount owed to affiliated undertakings becoming due and payable after more than one year			
	2.2.6, 5	1 449 048 631	1 487 046 778
Accruals and deferred income	2.2.5, 5	7 506 956	7 214 330
<b>Total liabilities</b>		<b><u>1 456 671 423</u></b>	<b><u>1 494 352 911</u></b>

The accompanying notes are an integral part of the annual accounts.

## Zurich Finance (Luxembourg) S.A.

### Profit and loss account for the year ended December 31, 2010 (expressed in EUR)

	Note(s)	2010 EUR	2009 EUR
<b>CHARGES</b>			
Interest Payable and similar charges concerning affiliated undertakings	5	62 185 025	41 466 037
Other interest payable and charges	5	18 468 763	4 547 840
Other operating charges	9	135 008	191 681
Income tax	8	150 831	22 732
Other taxes not shown under the above items	8	375	275
Profit for the financial year		-	9 137
<b>Total Charges</b>		<b>80 940 002</b>	<b>46 237 702</b>
<b>INCOME</b>			
Other interest receivable and similar income			
- derived from affiliated undertakings	3, 4	80 809 430	46 237 226
- other interest receivable and similar income		2 799	476
Loss for the financial year		127 773	-
<b>Total Income</b>		<b>80 940 002</b>	<b>46 237 702</b>

The accompanying notes are an integral part of the annual accounts.



# **Zurich Finance (Luxembourg) S.A.**

## **Notes to the annual accounts**

### **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”) Programme together with affiliate companies, Zurich Finance (UK) plc, Zurich Finance USA, Zurich Insurance Company Ltd 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’s accounts are included in the accounts established by Zurich Financial Services Ltd., Zurich, Switzerland. The financial statements are available at its registered office: Mythenquai 2, 8002 Zurich, Switzerland.

### **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.

In accordance with article 4 of the law dated December 10, 2010, the Board of Directors of the company has resolved for the year ended December 31, 2010 not to implement the changes brought by this law to the content and the layout of the annual accounts, as well as to the related accounting principles and valuation policies.

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 contract, are translated into EUR at the swap rate.

# **Zurich Finance (Luxembourg) S.A.**

## **Notes to the annual accounts**

### **Note 2 - Summary of significant accounting policies (cont.)**

Other assets and liabilities, expressed in currencies other than EUR are translated in EUR at year-end exchange rate. Realised exchange gains and losses and unrealised 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 Accruals 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

### Note 3 - Loans to affiliated undertakings

Loans to affiliated undertakings as of December 31, 2010 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	402 730
Zurich Group Funding (Luxembourg) S.A.	December 18, 2008	December 20, 2021	6.522%	170 000 000	365 519
Zurich Bank	September 30, 2009	September 30, 2013	LIBOR + 107 bps	310 152 319	15 894
Zurich Bank	September 30, 2009	September 30, 2013	Euribor 3-month + 114 bps	206 768 213	12 366
Zurich Vida Compañía de Seguros y Reaseguros S.A.	December 4, 2009	December 4, 2014	4.1%	460 000 000	1 347 143
				<b>1 446 740 532</b>	<b>2 143 652</b>

#### 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, 2011. 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. On December 20, 2010 EUR 40 000 000 was repaid under the terms of the contract.

#### Loans to Zurich Bank

On September 30, 2009 the Company lent GBP 272 562 106 (EUR 310 152 319) 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 Reaséguros

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

#### 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 Ltd (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 Ltd (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 272 562 106 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 272 562 106 (3-month GBP LIBOR + 60.2833bps and 3-month EUR LIBOR).
- EUR 206 768 213 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).
- EUR 302 846 784 September 30, 2009 issuance of a loan with a quarterly annual coupon of 3-month EURIBOR maturing on September 30, 2013. Under the terms of the agreement, the Company entered into a fixed to floating currency swap, swapping EUR 302 846 784 (3-month EURIBOR and 3.25% USD).

## Zurich Finance (Luxembourg) S.A.

### Notes to the annual accounts

#### Note 5 - Creditors

In September 2009, the company issued USD 750 000 000 under the EMTN Programme to the external market. On December 4, 2009 it borrowed an additional EUR 460 000 000, on that date of issuance, Zurich Insurance PLC (hereafter "ZIP") agreed to purchase all of the proceeds of this issuance. On March 10 and 11, 2010 ZIP Inc distributed its holdings to the regional ZIP offices, as of December 31, 2010 the holding of each ZIP country are as follows:

<b>Country</b>	<b>Nominal</b>
Belgium	15 000 000
Netherlands	12 000 000
Sweden	16 000 000
France	36 000 000
Ireland	91 000 000
Italy	116 000 000
Portugal	74 000 000
Spain	50 700 000
Germany	49 300 000
ZIP HO	-
<b>Total</b>	<b><u>460 000 000</u></b>

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

The following is a summary of the bonds payable outstanding at December 31, 2010:

<b>Affiliates/counterparty</b>	<b>Issue date</b>	<b>Maturity date</b>	<b>Interest rate</b>	<b>Bonds payable EUR</b>	<b>Interest payable EUR</b>
Bansabadell Vida	December 17, 2008	December 19, 2011	3-month Euribor + 2,75%	300 000 000	471 875
Zurich Vida S.A.	December 18, 2008	December 20, 2021	6,26%	170 000 000	384 294
External Bond Holders	September 30, 2009	September 30, 2013	3,25%	519 048 631	4 601 194
Zurich Insurance PLC	December 4, 2009	December 4, 2014	3.66%	460 000 000	1 202 571
				<b>1 449 048 631</b>	<b>6 659 934</b>

None of the bonds payable listed above were in default as of December 31, 2010.

## Zurich Finance (Luxembourg) S.A.

### Notes to the annual accounts

#### Note 5 - Creditors (cont.)

In conjunction with the EMTN Programme, the debt incurred by the Company is uncollateralized, but guaranteed by Zurich Insurance Company Ltd (hereafter "ZIC") as evidenced by separate contractual agreements. The guarantee is unconditionally and irrevocably guaranteed on a senior or subordinated basis (depending of the terms of the EMTN bonds) 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 5 029 966 in 2010 (EUR 1 719 155 in 2009). At December 31, 2010, the guarantee fee accrued liability to ZIC is EUR 172 958.

#### Note 6 - Capital and reserves

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

	Subscribed Capital EUR	Legal Reserve EUR	Retained Earnings EUR	Results of the year EUR
As of December 31, 2009	124 000	488	(67 825)	9 137
Allocation of the results			9 137	(9 137)
Movements of the year				(127 773)
As of December 31, 2010	<u>124 000</u>	<u>488</u>	<u>(58 688)</u>	<u>(127 773)</u>

As of December 31, 2010 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 135 008 as at December 31, 2010 and are mainly composed of audit, tax, overhead costs and legal services.