

Zurich Finance (Luxembourg) S.A.
Société Anonyme

Audited annual accounts
for the year ended December 31, 2012

26, Boulevard Royal
L-2449 Luxembourg
R.C.S. Luxembourg: B 69 748

Zurich Finance (Luxembourg) S.A.

List of Contents December 31, 2012

	Page(s)
Management Report and Responsibility and Corporate Governance Statement as at December 31, 2012	1-3
Audit Report	4-5
Balance Sheet as at December 31, 2012	6-9
Profit and Loss account for the year ended December 31, 2012	10-11
Notes to the annual accounts	12-19

Zurich Finance (Luxembourg) S.A.

Management Report and Responsibility and Corporate Governance Statement as at December 31, 2012

Management Review

The corporate object of Zurich Finance (Luxembourg) S.A. (hereafter the "Company", or "ZF Lux") 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.

ZF Lux is a participant in the Zurich Group USD 3 billion Euro Commercial Paper ("ECP") program which was launched in September 2011. As of year-end 2012 no ECP had been issued for ZF Lux.

To minimize currency exposure the Company enters into cross currency-interest rate swaps with Zurich Insurance Company (hereafter "ZIC"). ZIC also issues guarantees in relation to issuances of debt and is paid an annual fee by the Company.

The Company generated a profit after tax of EUR 1 276 598. As the restructuring of the Zurich Group Funding (Luxembourg) loan described in Note 3, where the rate was reduced from 6.522% to 5.74%, did not occur until 16 November 2012, it did not materially impact profit.

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 of its own shares at this time. No activity in terms of research or development was performed. The company operates within one segment. The company has not issued any preference shares. No dividend was declared during the year.

During the year the Company received a capital injection of EUR 1 000 000 from ZIC.

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 Group Euro Medium Term Note ("EMTN") program, and continue a positive development.

Zurich Finance (Luxembourg) S.A.

Management Report and Responsibility and Corporate Governance Statement as at December 31, 2012

Corporate Governance Statement

• *Internal control and risk management procedures*

In relation to the financial reporting process, internal control and risk management procedures are maintained. The key characteristics are:

Financial Reporting Process:

- Third party confirmations are checked in relation to all external balances;
- Proper books and records are maintained in accordance with group guidelines;
- All financial products (i.e. loans, bonds) are governed by contractual agreements and calculation of payments/receipts and interest accruals are driven by the group treasury system, based on these contracts;
- Preparation of accounts completed under SLA by ZITS which is the group centre of excellence for treasury related products.

The Company is managed in accordance with the Zurich Risk Policy ("ZRP"). It articulates the Group's approach to risk and its control, and sets standards for effective risk management throughout the Group. The ZRP:

- Describes the Group's risk management framework, including responsibilities and authorities;
- Identifies Zurich's principal risks and their organizational owners;
- Defines the Group's limits and other requirements for specific risks;
- Sets escalation processes for exceptions to limits and other requirements;
- Identifies reporting procedures for risks.

• *Other Information*

Rules for appointment or replacement of board members or management team or for modification of deed of incorporation:

Art. 10 of the by laws states: "Board members are elected by the shareholders of the Company at the general meeting. A director may be removed with or without cause and/or replaced, at any time, by resolution(s) adopted by the general meeting of shareholders of the Company. In the event of a vacancy in the office of a director because of death, retirement or otherwise, the remaining directors may elect, by a majority vote, a director to fill such vacancy until the next general meeting of shareholders of the Company."

There are no restrictions on voting rights or shareholders who hold special rights. The board members do not have the rights to issue or buy back shares.

Ownership structure

The following are the list of owners as of 31 December, 2012:

Parent Company	Number of Shares	Value	% Ownership
Zurich Versicherungs-Gesellschaft AG	20 507	2 050 700	99.9951%
Zürich Lebensversicherungs-Gesellschaft AG	1	100	0.0049%
	20 508	2 050 800	100%

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 2012.

Zurich Finance (Luxembourg) S.A.

Management Report and Responsibility and Corporate Governance Statement as at December 31, 2012

Responsibility Statement

We, the directors of the Company in the year 2012, confirm to the best of our knowledge, the 2012 annual accounts prepared in accordance with the applicable accounting standards give a true and fair view of the state of affairs, financial performance and cash flows of the Company.

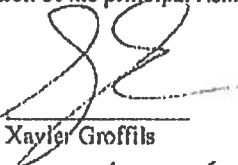
This true and fair view requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework for the Preparation and Presentation of Financial Statements.

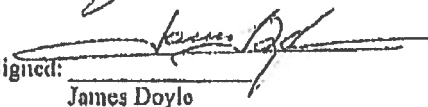
In preparing the annual accounts, Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the annual accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.


Management is also responsible for keeping proper books of account, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the annual accounts are prepared in accordance with accounting standards. It is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We, the undersigned officers and Directors of the Company in the year 2012, confirm to the best of our knowledge, the annual accounts for the year ended 31 December 2012, 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 Groffils

Signed: 
James Doyle

Signed: 
Ann Marie Callanan

Signed: 
Olga Kosters



Audit report

To the Shareholders of
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 31 December 2012, 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 2012, 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, including the Corporate Governance Statement, which is the responsibility of the Board of Directors, is consistent with the annual accounts and includes the information required by the law with respect to the Corporate Governance Statement.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 28 March 2013

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Claude Jacoby

Annual Accounts Helpdesk :

Tel. : (+352) 26 428-1
Email : helpdesk@rcsl.lu

RCSL Nr. : B69748

Matricule : 1999 2210 454

eCDF entry date :

BALANCE SHEET

Financial year from 01 01/01/2012 **to** 02 31/12/2012 (in 03 EUR)

ZURICH FINANCE (LUXEMBOURG) S.A.

26, boulevard Royal
L-2449 Luxembourg

ASSETS

	Financial year	Previous financial year
A. Subscribed capital unpaid		
I. Subscribed capital not called	101 _____	102 _____
II. Subscribed capital called but not paid	103 _____	104 _____
	105 _____	106 _____
B. Formation expenses	107 _____	108 _____
C. Fixed assets	109 <u>634.912.913,00</u>	110 <u>1.151.833.445,00</u>
I. Intangible assets	111 _____	112 _____
1. Costs of research and development	113 _____	114 _____
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	115 _____	116 _____
a) acquired for valuable consideration and need not be shown under C.I.3	117 _____	118 _____
b) created by the undertaking itself	119 _____	120 _____
3. Goodwill, to the extent that it was acquired for valuable consideration	121 _____	122 _____
4. Payments on account and intangible fixed assets under development	123 _____	124 _____
II. Tangible assets	125 _____	126 _____
1. Land and buildings	127 _____	128 _____
2. Plant and machinery	129 _____	130 _____
3. Other fixtures and fittings, tools and equipment	131 _____	132 _____
4. Payments on account and tangible assets in course of construction	133 _____	134 _____
III. Financial assets	135 <u>634.912.913,00</u>	136 <u>1.151.833.445,00</u>
1. Shares in affiliated undertakings	137 _____	138 _____
2. Loans to affiliated undertakings	139 <u>634.912.913,00</u>	140 <u>1.151.833.445,00</u>
3. Shares in undertakings with which the company is linked by virtue of participating interests	141 _____	142 _____
4. Loans to undertakings with which the company is linked by virtue of participating interests	143 _____	144 _____
5. Investments held as fixed assets	145 _____	146 _____
6. Loans and claims held as fixed assets	147 _____	148 _____
7. Own shares or own corporate units	149 _____	150 _____

RCSL Nr.: B69748

Matricule: 1999 2210 454

	Financial year	Previous financial year
D. Current assets	151 <u>529.053.973,00</u>	152 <u>9.023.904,00</u>
I. Stocks	153 _____	154 _____
1. Raw materials and consumables	155 _____	156 _____
2. Work and contracts in progress	157 _____	158 _____
3. Finished goods and goods for resale	159 _____	160 _____
4. Payments on account	161 _____	162 _____
II. Debtors	163 <u>524.662.839,00</u>	164 <u>7.539.238,00</u>
1. Trade debtors	165 _____	166 _____
a) becoming due and payable after less than one year	167 _____	168 _____
b) becoming due and payable after more than one year	169 _____	170 _____
2. Amounts owed by affiliated undertakings	171 <u>524.503.164,00</u>	172 <u>7.517.609,00</u>
a) becoming due and payable after less than one year	173 <u>524.503.164,00</u>	174 <u>7.517.609,00</u>
b) becoming due and payable after more than one year	175 _____	176 _____
3. Amounts owed by undertakings with which the company is linked by virtue of participating interests	177 _____	178 _____
a) becoming due and payable after less than one year	179 _____	180 _____
b) becoming due and payable after more than one year	181 _____	182 _____
4. Other debtors	183 <u>159.675,00</u>	184 <u>21.629,00</u>
a) becoming due and payable after less than one year	185 <u>159.675,00</u>	186 <u>21.629,00</u>
b) becoming due and payable after more than one year	187 _____	188 _____
III. Investments	189 _____	190 _____
1. Shares in affiliated undertakings and in undertakings with which the company is linked by virtue of participating interests	191 _____	192 _____
2. Own shares or own corporate units	193 _____	194 _____
3. Other investments	195 _____	196 _____
IV. Cash at bank and in hand	197 <u>4.391.134,00</u>	198 <u>1.484.666,00</u>
E. Prepayments	199 <u>405.779,00</u>	200 <u>937.803,00</u>
TOTAL (ASSETS)	201 <u>1.164.372.665,00</u>	202 <u>1.161.795.152,00</u>

RCSL Nr. : B69748

Matricule : 1999 2210 454

LIABILITIES

	Financial year	Previous financial year
A. Capital and reserves	301 <u>3.339.820,00</u>	302 <u>1.063.222,00</u>
I. Subscribed capital	303 <u>2.050.800,00</u>	304 <u>124.000,00</u>
II. Share premium and similar premiums	305 _____	306 _____
III. Revaluation reserves	307 _____	308 _____
IV. Reserves	309 <u>6.200,00</u>	310 <u>488,00</u>
1. Legal reserve	311 <u>6.200,00</u>	312 <u>488,00</u>
2. Reserve for own shares	313 _____	314 _____
3. Reserves provided for by the articles of association	315 _____	316 _____
4. Other reserves	317 _____	318 _____
V. Profit or loss brought forward	319 <u>6.222,00</u>	320 <u>-186.461,00</u>
VI. Result for the financial year	321 <u>1.276.598,00</u>	322 <u>1.125.195,00</u>
VII. Interim dividends	323 _____	324 _____
VIII. Investment subsidies	325 _____	326 _____
IX. Immunised appreciation	327 _____	328 _____
B. Subordinated creditors	329 _____	330 _____
C. Provisions	331 <u>924.150,00</u>	332 <u>644.353,00</u>
1. Provisions for pensions and similar obligations	333 _____	334 _____
2. Provisions for taxation	335 <u>924.150,00</u>	336 <u>644.353,00</u>
3. Other provisions	337 _____	338 _____
D. Non subordinated debts	339 <u>1.160.108.695,00</u>	340 <u>1.160.087.577,00</u>
1. Debenture loans	341 <u>523.720.827,00</u>	342 <u>523.799.543,00</u>
a) Convertible loans	343 _____	344 _____
i) becoming due and payable after less than one year	345 _____	346 _____
ii) becoming due and payable after more than one year	347 _____	348 _____
b) Non convertible loans	349 <u>523.720.827,00</u>	350 <u>523.799.543,00</u>
i) becoming due and payable after less than one year	351 <u>523.720.827,00</u>	352 <u>4.750.912,00</u>
ii) becoming due and payable after more than one year	353 _____	354 <u>519.048.631,00</u>
2. Amounts owed to credit institutions	355 _____	356 _____
a) becoming due and payable after less than one year	357 _____	358 _____
b) becoming due and payable after more than one year	359 _____	360 _____
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	361 _____	362 _____
a) becoming due and payable after less than one year	363 _____	364 _____
b) becoming due and payable after more than one year	365 _____	366 _____
4. Trade creditors	367 _____	368 _____
a) becoming due and payable after less than one year	369 _____	370 _____
b) becoming due and payable after more than one year	371 _____	372 _____

RCSL Nr. : B69748

Matricule : 1999 2210 454

	Financial year	Previous financial year
5. Bills of exchange payable	373 _____	374 _____
a) becoming due and payable after less than one year	375 _____	376 _____
b) becoming due and payable after more than one year	377 _____	378 _____
6. Amounts owed to affiliated undertakings	379 <u>636.353.837,00</u>	380 <u>636.281.417,00</u>
a) becoming due and payable after less than one year	381 <u>6.353.837,00</u>	382 <u>6.281.417,00</u>
b) becoming due and payable after more than one year	383 <u>630.000.000,00</u>	384 <u>630.000.000,00</u>
7. Amounts owed to undertakings with which the company is linked by virtue of participating interests	385 _____	386 _____
a) becoming due and payable after less than one year	387 _____	388 _____
b) becoming due and payable after more than one year	389 _____	390 _____
8. Tax and social security	391 <u>16.188,00</u>	392 <u>1.103,00</u>
a) Tax	393 <u>16.188,00</u>	394 <u>1.103,00</u>
b) Social security	395 _____	396 _____
9. Other creditors	397 <u>17.843,00</u>	398 <u>5.514,00</u>
a) becoming due and payable after less than one year	399 <u>17.843,00</u>	400 <u>5.514,00</u>
b) becoming due and payable after more than one year	401 _____	402 _____
E. Deferred income	403 _____	404 _____
TOTAL (LIABILITIES)	405 <u>1.164.372.665,00</u>	406 <u>1.161.795.152,00</u>

Annual Accounts Helpdesk :

Tel. : (+352) 26 428-1
 Email : helpdesk@rcsl.lu

RCSL Nr. : B69748

Matricule : 1999 2210 454

eCDF entry date :

PROFIT AND LOSS ACCOUNT

Financial year from ⁰¹ 01/01/2012 to ⁰² 31/12/2012 (in ⁰³ EUR)

ZURICH FINANCE (LUXEMBOURG) S.A.

26, boulevard Royal
 L-2449 Luxembourg

A. CHARGES

	Financial year	Previous financial year
1. Raw materials and consumables	601 _____	602 _____
2. Other external charges	603 <u>188.774,00</u>	604 <u>121.305,00</u>
3. Staff costs	605 _____	606 _____
a) Wages and salaries	607 _____	608 _____
b) Social security costs	609 _____	610 _____
c) Social security costs relating to pensions	611 _____	612 _____
d) Other social security costs	613 _____	614 _____
4. Value adjustments	615 _____	616 _____
a) on formation expenses and on tangible and intangible fixed assets	617 _____	618 _____
b) on elements of current assets	619 _____	620 _____
5. Other operating charges	621 _____	622 _____
6. Value adjustments and fair value adjustments on financial fixed assets	623 _____	624 _____
7. Value adjustments and fair value adjustments on financial current assets. Loss on disposal of transferable securities	625 _____	626 _____
8. Interest payable and similar charges	627 <u>71.678.850,00</u>	628 <u>87.709.987,00</u>
a) concerning affiliated undertakings	629 <u>52.196.388,00</u>	630 <u>69.046.241,00</u>
b) other interest payable and similar charges	631 <u>19.482.462,00</u>	632 <u>18.663.746,00</u>
9. Extraordinary charges	633 _____	634 _____
10. Tax on profit or loss	635 <u>487.740,00</u>	636 <u>467.222,00</u>
11. Other taxes not included in the previous caption	637 _____	638 <u>-678,00</u>
12. Profit for the financial year	639 <u>1.276.598,00</u>	640 <u>1.125.195,00</u>
TOTAL CHARGES	641 <u>73.631.962,00</u>	642 <u>89.423.031,00</u>

RCSL Nr. : B69748

Matricule : 1999 2210 454

B. INCOME

	Financial year	Previous financial year
1. Net turnover	701 _____	702 _____
2. Change in inventories of finished goods and of work and contracts in progress	703 _____	704 _____
3. Fixed assets under development	705 _____	706 _____
4. Reversal of value adjustments	707 _____	708 _____
a) on formation expenses and on tangible and intangible fixed assets	709 _____	710 _____
b) on elements of current assets	711 _____	712 _____
5. Other operating income	713 _____	714 _____
6. Income from financial fixed assets	715 <u>73.622.453,00</u>	716 <u>89.357.780,00</u>
a) derived from affiliated undertakings	717 <u>73.622.453,00</u>	718 <u>89.357.780,00</u>
b) other income from participating interests	719 _____	720 _____
7. Income from financial current assets	721 _____	722 _____
a) derived from affiliated undertakings	723 _____	724 _____
b) other income	725 _____	726 _____
8. Other interests and other financial income	727 <u>9.509,00</u>	728 <u>65.251,00</u>
a) derived from affiliated undertakings	729 _____	730 _____
b) other interest receivable and similar income	731 <u>9.509,00</u>	732 <u>65.251,00</u>
9. Extraordinary income	733 _____	734 _____
10. Loss for the financial year	735 <u>0,00</u>	736 <u>0,00</u>
TOTAL INCOME	737 <u>73.631.962,00</u>	738 <u>89.423.031,00</u>

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 is 26, Boulevard Royal, L-2449, Luxembourg 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 18 billion (increased from USD 15 billion on 2010).

The Company’s accounts are included in the accounts established by Zurich Insurance Group Ltd., Zurich, Switzerland, which forms the largest body of undertakings of which the Company forms a part as direct/indirect subsidiary undertaking. 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. Accounting policies and valuation rules are, besides the ones laid down by the law, determined and applied by the Board of Directors.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In addition, in order to ensure comparability across financial years, certain comparative figures in respect of the financial year ended December 31, 2011 have been reclassified on captions “Debtors - Amounts owed by affiliated undertakings, “Other creditors“, “Amount owed to affiliated undertakings - Becoming due and payable after more than one year“, and “Other operating charges”.

Zurich Finance (Luxembourg) S.A.

Notes to the annual accounts

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

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 contracts, are translated into EUR at the swap contracts rate.

Other assets and liabilities, expressed in currencies other than EUR are translated in EUR at year-end exchange rate. Realised 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 Loans to affiliated undertakings and amounts owed by affiliated undertakings

2.2.3.1 *Loans 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.

2.2.3.2 *Amounts owed by affiliated undertakings*

These items are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments may not be carried when the reasons for which they were made cease to apply.

2.2.4 Prepayments

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.

Zurich Finance (Luxembourg) S.A.

Notes to the annual accounts

2.2.5 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

Provisions 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.

Note 3 - Loans to affiliated undertakings and amounts owed by affiliated undertakings

Loans to affiliated undertakings as of December 31, 2012 are made of:

Affiliates	Issue date	Maturity date	Interest rate	Nominal receivable EUR	Interest receivable EUR
Zurich Group Funding Luxembourg S.A.	November 16, 2012	December 20, 2021	5.74%	170 000 000	352 372
Dunbar Assets Ireland Ltd (*)	September 30, 2009	September 30, 2013	LIBOR + 107 bps	310 152 319	14 605
Dunbar Assets Ireland Ltd (*)	September 30, 2009	September 30, 2013	Euribor 3-month + 114 bps	206 768 213	7 610
Zurich Vida Compañía de Seguros y Reaseguros S.A.	December 4, 2009	December 4, 2014	4.1%	215 000 000	676 219
Zurich Financial Services (UKISA) Limited	May 23, 2011	June 30, 2020	6.219%	85 256 154	435 608
Zurich Holdings (UK) Limited	May 23, 2011	June 30, 2020	6.219%	33 319 027	170 241
Allied Zurich Holdings Limited	May 23, 2011	December 4, 2014	3.156%	131 337 732	340 546
TOTAL				1 151 833 445	1 997 201

(*): these loans are recorded under the caption "Amounts owed by affiliated undertakings - becoming due and payable after less than one year".

Zurich Finance (Luxembourg) S.A.

Notes to the annual accounts

Note 3 - Loans to affiliated undertakings and amounts owed by affiliated undertakings (cont.)

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 was December 20, 2021 and was bearing interest of 6.522%. The loan could 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.

On November 16, 2012, Zurich Group Funding Luxembourg S.A. prepaid the remaining loan amount together with accrued but unpaid interest to terminate the loan agreement. On the same day, the Company agreed to lend to Zurich Group Funding Luxembourg S.A. an amount of EUR 170 000 000 under the terms of a subordinated facility agreement, bearing interest of 5.74% per annum and unchanged maturity date December 20, 2021.

Loans to Dunbar Assets Ireland Ltd

On September 30, 2009 the Company lent GBP 272 562 106 (EUR 310 152 319) and EUR 206 768 213 to Zurich Bank. Zurich Bank renounced its banking licence and was renamed Dunbar Assets Ireland Ltd on December 14, 2012.

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. On May 23, 2011 EUR 245 000 000 of this loan was repaid.

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.

Loan to Zurich Financial Services (UKISA) Limited

On May 23, 2011 the Company lent GBP 74 000 000 (EUR 85 256 154) to Zurich Financial Services (UKISA) Limited. The maturity date of this loan is June 30, 2020. The loan can be recalled with 7 business days notice and the consent of both parties.

Loan to Zurich Holdings (UK) Limited

On May 23, 2011, the Company lent GBP 28 920 000 (EUR 33 319 027) to Zurich Holdings (UK) Limited. The maturity date of this loan is June 30, 2020. The loan can be recalled with 7 business days notice and the consent of both parties.

Loan to Allied Zurich Holdings Limited

On May 23, 2011, the Company lent GBP 113 997 544 (EUR 131 337 732) to Allied Zurich Holdings Limited. The maturity date of this loan is December 4, 2014. The loan can be recalled with 7 business days notice and the consent of both parties.

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 Insurance Group Ltd (hereafter "ZIG") level by other ZIG 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 annual accounts 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 derivatives are held at their initial transfer amount, with differences between final transfer amount written off to the profit and loss at the end of the life of the derivative, based on the initial foreign exchange rate.

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:

- 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). This swap is held at historical cost. Interest expense charge for the year was EUR 5 037 989 (2011 EUR 4 526 865) on the GBP leg while interest income on USD leg was EUR 11 323 032 (2011 EUR 10 960 608). As of December 31, 2012 there was accrued interest receivable of EUR 2 803 318 on USD leg and Accrued Interest Payable of EUR 10 300 on GBP leg.
- 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). This swap is held at historical cost. Interest expense charge for the year was EUR 2 993 099 (2011 EUR 4 194 076) on the EUR leg while interest income on USD leg was EUR 7 548 688 (2011 EUR 7 307 072). As of December 31, 2012 there was accrued interest receivable of EUR 1 868 878 on USD leg and Accrued Interest Payable of EUR 4 918 on EUR leg.
- 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). This swap is held at historical cost. The net cashflows are neutral.
- GBP 113 997 544 May 23, 2011 issuance of a loan with an annual coupon of 3.156% maturing on December 4, 2014. Under the terms of the agreement, the Company entered into a fixed to floating currency swap, swapping GBP 113 997 544 (GBP 3.156% + EUR 3.405%). This swap is held at historical cost. Interest expense charge for the year was EUR 7 936 441 (2011 EUR 2 632 651) on the GBP leg while interest income on EUR leg was EUR 4 409 938 (2011 EUR 2 708 075). As of December 31, 2012 there was accrued interest receivable of EUR 335 404 on EUR leg and accrued interest payable of EUR 340 546 on GBP leg.

Zurich Finance (Luxembourg) S.A.

Notes to the annual accounts

Note 4 - Derivative financial instruments (cont.)

- GBP 102 920 000 May 23, 2011 issuance of two loans (GBP 74 000 000 and GBP 28 920 000) with a annual coupon of 6.219% maturing on June 30, 2020. 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). Interest expense charge for the year was EUR 4 461 059 (2011 EUR 4 683 615) on the GBP leg while interest income on EUR leg was EUR 7 597 416 (2011 EUR 4 665 456). As of December 31, 2012 there was accrued interest receivable of EUR 577 832 on EUR leg and accrued interest payable of EUR 605 848 on GBP leg.

Note 5 - Non subordinated debts

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 distributed its holdings to the regional ZIP offices, as of December 31, 2012 the holding of each ZIP country are as follows:

Country	2012 Nominal EUR	2011 Nominal EUR
Belgium	15 000 000	15 000 000
Netherlands	12 000 000	12 000 000
Sweden	16 000 000	16 000 000
France	36 000 000	36 000 000
Ireland	91 000 000	91 000 000
Italy	166 700 000	166 700 000
Portugal	74 000 000	74 000 000
Germany	49 300 000	49 300 000
Total	460 000 000	460 000 000

The following is a summary of the bonds payable outstanding at December 31, 2012:

Affiliates/counterparty	Issue date	Maturity date	Interest rate	Nominal payable EUR	Interest payable EUR
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	4 672 196
Zurich Insurance PLC	December 4, 2009	December 4, 2014	3.66%	460 000 000	1 291 529
Zurich Insurance Corp	December 5, 2012	December 5, 2013	0.6762%	3 500 000	1 775
TOTAL				1 152 548 631	6 349 794

None of the bonds payable listed above were in default as of December 31, 2012.

Zurich Finance (Luxembourg) S.A.

Notes to the annual accounts

Note 5 - Non subordinated debts (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 170 000 000 Euro bond, maturing December 20, 2021	EUR 202 003 172
USD 750 000 000 Euro bond, maturing September 30, 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 4 400 596 in 2012 (EUR 4 889 193 in 2011). At December 31, 2012, the guarantee fee accrued liability to ZIC is EUR 149 033.

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, 2011	124 000	488	(186 461)	1 125 195
Allocation of the results	-	5 712	1 119 483	(1 125 195)
Increase of capital	1 000 000			
Capitalisation of reserves	926 800		(926 800)	-
Movements of the year	-	-	-	1 276 598
As of December 31, 2012	2 050 800	6 200	6 222	1 276 598

On December 18, 2012, the Extraordinary General Meeting decided to increase the subscribed capital by an amount of EUR 1 000 000 by way of issuance 10 000 shares, and by a further amount of EUR 926 800 through the incorporation of retained earnings and the issuance of 9 268 shares.

As of December 31, 2012 the subscribed capital is represented by 20 508 shares fully paid-up with par value of EUR 100.

Zurich Finance (Luxembourg) S.A.

Notes to the annual accounts

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 external charges

Other operating charges amount to EUR 188 774 as at December 31, 2012 and are mainly composed of audit, tax, overhead costs, and legal services.