Consolidated financial statements (unaudited) 2013

Zurich Insurance Group
Half Year Report 2013

Consolidated financial statements (unaudited)

Contents

Consolidated income statements (unaudited)

in USD millions	Notes	2013 for the three months ended June 30	Restated 2012 for the three months ended June 30	2013 for the six months ended June 30	Restated 2012 for the six months ended June 30
Revenues					
Gross written premiums		12,783	12,376	27,654	26,821
Policy fees		643	790	1,277	1,422
Gross written premiums and policy fees		13,426	13,167	28,932	28,243
Less premiums ceded to reinsurers		(1,890)	(1,629)	(3,613)	(3,340)
Net written premiums and policy fees		11,536	11,537	25,319	24,903
Net change in reserves for unearned premiums		(148)	(331)	(2,223)	(2,119)
Net earned premiums and policy fees		11,388	11,206	23,095	22,784
Farmers management fees and other related revenues		706	710	1,408	1,420
Net investment result on Group investments	3	1,629	2,359	3,323	4,134
Net investment income on Group investments		1,614	1,746	3,187	3,476
Net capital gains/(losses) and impairments on Group investments		15	613	135	658
Net investment result on unit-linked investments	3	(784)	(1,700)	5,636	3,964
Net gain/(loss) on divestments of businesses		–	–	–	1
Other income		338	434	846	794
Total revenues		13,277	13,009	34,307	33,096
Benefits, losses and expenses					
Insurance benefits and losses, gross of reinsurance	6	8,735	8,744	17,386	17,556
Less ceded insurance benefits and losses	6	(962)	(566)	(1,617)	(1,368)
Insurance benefits and losses, net of reinsurance	6	7,772	8,179	15,769	16,188
Policyholder dividends and participation in profits, net of reinsurance	6	(323)	(1,235)	6,318	4,562
Underwriting and policy acquisition costs, net of reinsurance		2,410	2,420	4,792	4,801
Administrative and other operating expense		2,125	2,126	4,087	4,073
Interest expense on debt	11	146	143	290	293
Interest credited to policyholders and other interest		138	136	299	262
Total benefits, losses and expenses		12,269	11,768	31,555	30,179
Net income before income taxes		1,008	1,241	2,752	2,917
Income tax expense	10	(157)	(153)	(744)	(671)
attributable to policyholders	10	96	154	(147)	(22)
attributable to shareholders	10	(253)	(307)	(596)	(649)
Net income after taxes		**851**	**1,088**	**2,008**	**2,247**
attributable to non-controlling interests		62	1	157	20
attributable to shareholders		789	1,087	1,851	2,227
in USD					
Basic earnings per share	12	5.35	7.41	12.57	15.21
Diluted earnings per share	12	5.33	7.38	12.50	15.13
in CHF					
Basic earnings per share	12	5.01	6.94	11.77	14.12
Diluted earnings per share	12	4.99	6.91	11.70	14.05

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Consolidated financial statements (unaudited) *continued*

Consolidated statements of comprehensive income (unaudited)

in USD millions, for the six months ended June 30	Net income attributable to shareholders	Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges
2012			
Comprehensive income for the period, as restated	2,227	1,026	19
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		1,650	(26)
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(372)	39
Deferred income tax (before foreign currency translation effects)		(239)	10
Foreign currency translation effects		(13)	(3)
2013			
Comprehensive income for the period	1,851	(2,106)	(103)
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(1,926)	(149)
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(591)	23
Reclassification to retained earnings		–	–
Deferred income tax (before foreign currency translation effects)		512	29
Foreign currency translation effects		(101)	(7)

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Cumulative foreign currency translation adjustment	Total other comprehensive income recycled through profit or loss	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income not recycled through profit or loss	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Comprehensive income attributable to non-controlling interests	Total comprehensive income
(859)	186	–	118	118	304	2,531	(15)	2,516
(858)	766	–	150	150	916			
(1)	(335)	–	–	–	(335)			
–	(229)	–	(33)	(33)	(262)			
–	(16)	–	2	2	(14)			
(1,322)	(3,532)	6	(26)	(21)	(3,552)	(1,701)	42	(1,659)
(1,397)	(3,472)	14	(94)	(80)	(3,552)			
75	(493)	–	–	–	(493)			
–	–	(5)	–	(5)	(5)			
–	541	(3)	(38)	(41)	500			
–	(108)	–	105	105	(2)			

Consolidated financial statements (unaudited) *continued*

in USD millions, for the three months ended June 30	Net income attributable to shareholders	Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges
2012			
Comprehensive income for the period, as restated	1,087	(46)	21
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		204	(61)
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(183)	91
Deferred income tax (before foreign currency translation effects)		15	3
Foreign currency translation effects		(83)	(12)
2013			
Comprehensive income for the period	789	(1,765)	(69)
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(1,930)	(63)
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(288)	(27)
Deferred income tax (before foreign currency translation effects)		445	20
Foreign currency translation effects		8	1

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Cumulative foreign currency translation adjustment	Total other comprehensive income recycled through profit or loss	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income not recycled through profit or loss	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Comprehensive income attributable to non-controlling interests	Total comprehensive income
(382)	(408)	–	(114)	(114)	(522)	565	(141)	424
(381)	(238)	–	(238)	(238)	(476)			
(1)	(93)	–	–	–	(93)			
–	18	–	66	66	85			
–	(95)	–	57	57	(38)			
(905)	(2,740)	11	39	50	(2,690)	(1,900)	(31)	(1,931)
(982)	(2,976)	14	80	94	(2,882)			
77	(238)	–	–	–	(238)			
–	465	(3)	(32)	(36)	429			
–	10	–	(8)	(8)	1			

Consolidated financial statements (unaudited) *continued*

Consolidated balance sheets (unaudited)

Assets

in USD millions, as of	Notes	06/30/13	Restated 12/31/12	Restated 01/01/12
Investments				
Total Group investments	3	201,869	209,582	198,549
Cash and cash equivalents		8,432	9,098	8,835
Equity securities		10,942	12,341	13,037
Debt securities		152,302	155,594	144,139
Real estate held for investment		8,082	8,561	8,472
Mortgage loans		9,738	10,519	11,058
Other loans		12,275	13,385	12,928
Investments in associates and joint ventures		98	85	80
Investments for unit-linked contracts	3	121,673	123,913	111,911
Total investments	3	323,542	333,496	310,461
Reinsurers' share of reserves for insurance contracts	4	18,846	19,753	19,592
Deposits made under assumed reinsurance contracts		2,560	2,588	2,711
Deferred policy acquisition costs	7	18,401	18,346	17,420
Deferred origination costs	7	708	770	824
Accrued investment income		2,175	2,414	2,589
Receivables and other assets		19,064	18,425	17,831
Mortgage loans given as collateral		–	–	223
Deferred tax assets		2,246	1,853	2,076
Assets held for sale[1]		13	102	54
Property and equipment		1,442	1,530	1,580
Goodwill	8	2,046	2,107	2,060
Other intangible assets	8	7,052	7,448	8,062
Total assets		**398,096**	**408,831**	**385,481**

[1] June 30, 2013 included assets held for sale amounting to USD 13 million relating to land and buildings formerly classified as real estate held for investment. December 31, 2012 included land and buildings formerly classified as real estate held for investment and held for own use amounting to USD 91 million and USD 10 million, respectively. January 1, 2012 included assets relating to the sale of a company in Bolivia (see note 5 of the Consolidated financial statements 2012).

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Liabilities and equity

in USD millions, as of	Notes	06/30/13	Restated 12/31/12	Restated 01/01/12
Liabilities				
Reserve for premium refunds		570	706	611
Liabilities for investment contracts	5	58,219	57,437	50,309
Deposits received under ceded reinsurance contracts		1,291	1,558	1,560
Deferred front-end fees		5,891	6,073	5,720
Reserves for insurance contracts	4	257,869	265,233	253,207
Obligations to repurchase securities		1,388	1,539	1,794
Accrued liabilities		2,863	3,279	3,154
Other liabilities		18,645	18,368	18,265
Collateralized loans		–	–	223
Deferred tax liabilities		4,986	5,244	4,577
Liabilities held for sale[1]		–	–	55
Senior debt	11	6,503	6,660	6,541
Subordinated debt	11	6,632	5,861	5,476
Total liabilities		**364,857**	**371,957**	**351,493**
Equity				
Share capital		11	11	10
Additional paid-in capital		6,281	8,172	9,907
Net unrealized gains/(losses) on available-for-sale investments		2,417	4,523	2,800
Cash flow hedges		136	238	232
Cumulative foreign currency translation adjustment		(4,345)	(3,022)	(2,581)
Revaluation reserve		186	180	180
Retained earnings		26,237	24,403	20,951
Shareholders' equity		30,923	34,505	31,499
Non-controlling interests		2,316	2,369	2,490
Total equity		**33,238**	**36,874**	**33,989**
Total liabilities and equity		**398,096**	**408,831**	**385,481**

[1] Related to the sale of a company in Bolivia (see note 5 of the Consolidated financial statements 2012).

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Consolidated financial statements (unaudited) *continued*

Consolidated statements of cash flows (unaudited)

in USD millions, for the six months ended June 30	**2013**	Restated 2012
Cash flows from operating activities		
Net income attributable to shareholders	1,851	2,227
Adjustments for:		
Net (gain)/loss on divestments of businesses	–	(1)
(Income)/expense from equity method accounted investments	(5)	(3)
Depreciation, amortization and impairments of fixed and intangible assets	474	517
Other non-cash items	37	(359)
Underwriting activities:	4,843	5,379
Reserves for insurance contracts, gross	*1,415*	4,227
Reinsurers' share of reserves for insurance contracts	*515*	93
Liabilities for investment contracts	*3,680*	1,494
Deferred policy acquisition costs	*(582)*	(616)
Deferred origination costs	*24*	45
Deposits made under assumed reinsurance contracts	*23*	154
Deposits received under ceded reinsurance contracts	*(233)*	(18)
Investments:	(4,277)	(5,477)
Net capital (gains)/losses on total investments and impairments	*(4,867)*	(3,694)
Net change in trading securities and derivatives	*19*	(268)
Net change in money market investments	*938*	(198)
Sales and maturities		
Debt securities	*55,004*	53,128
Equity securities	*33,101*	31,247
Other	*14,011*	22,205
Purchases		
Debt securities	*(59,513)*	(54,438)
Equity securities	*(31,192)*	(31,066)
Other	*(11,777)*	(22,394)
Proceeds from sale and repurchase agreements	(50)	(257)
Movements in receivables and payables	(406)	99
Net changes in other operational assets and liabilities	(748)	(249)
Deferred income tax, net	(37)	63
Net cash provided by/(used in) operating activities	1,682	1,940

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

in USD millions, for the six months ended June 30	2013	Restated 2012
Cash flows from investing activities		
Sales of property and equipment	31	32
Purchases of property and equipment	(87)	(92)
Disposal of equity method accounted investments, net	–	1
Acquisitions of companies, net of cash acquired	–	(91)
Divestments of companies, net of cash balances	–	(9)
Net cash provided by/(used in) investing activities	(56)	(160)
Cash flows from financing activities		
Dividends paid	(2,747)	(2,717)
Issuance of share capital	39	78
Net movement in treasury shares	12	21
Issuance of debt	917	1,873
Repayments of debt outstanding	–	(1,298)
Net cash provided by/(used in) financing activities	(1,779)	(2,043)
Foreign currency translation effects on cash and cash equivalents	(331)	(65)
Change in cash and cash equivalents	(484)	(327)
Cash and cash equivalents as of January 1	10,208	9,705
Cash and cash equivalents as of June 30	**9,724**	**9,378**
of which:		
– cash and cash equivalents – Group investments	8,432	8,405
– cash and cash equivalents – unit linked	1,292	973
Other supplementary cash flow disclosures		
Other interest income received	3,380	3,767
Dividend income received	890	937
Other interest expense paid	(517)	(520)
Income taxes paid	(757)	(720)

Cash and cash equivalents

in USD millions, as of June 30	2013	Restated 2012
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	6,459	5,566
Cash equivalents	3,265	3,812
Total	**9,724**	**9,378**

As of June 30, 2013 and 2012, cash and cash equivalents held to meet local regulatory requirements were USD 1,443 million and USD 1,499 million, respectively.

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

Consolidated financial statements (unaudited) *continued*

Consolidated statements of changes in equity (unaudited)

in USD millions	Share capital	Additional paid-in capital
Balance as of December 31, 2011, as previously reported	10	9,907
Total adjustments due to restatement	–	–
Balance as of December 31, 2011, as restated	10	9,907
Issuance of share capital[1]	–	199
Dividends to shareholders[2]	–	(1,923)
Share-based payment transactions	–	(75)
Treasury share transactions[4]	–	1
Change in ownership interests with no loss of control	–	–
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of June 30, 2012, as restated	11	8,108
Balance as of December 31, 2012, as previously reported	11	8,172
Total adjustments due to restatement	–	–
Balance as of December 31, 2012, as restated	11	8,172
Issuance of share capital[1]	–	142
Dividends to shareholders[3]	–	(1,933)
Share-based payment transactions	–	(108)
Treasury share transactions[4]	–	7
Reclassification from revaluation reserves	–	–
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of June 30, 2013	**11**	**6,281**

[1] The number of common shares issued as of June 30, 2013 was 148,861,970 (June 30, 2012: 148,202,200, December 31, 2012: 148,300,123, December 31, 2011: 147,385,822).
[2] As approved by the Annual General Meeting on March 29, 2012, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 840 million between the dividend at transaction day exchange rates amounting to USD 2,763 million and the dividend at historical exchange rates amounting to USD 1,923 million is reflected in the cumulative foreign currency translation adjustment.
[3] As approved by the Annual General Meeting on April 4, 2013, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 718 million between the dividend at transaction day exchange rates amounting to USD 2,651 million and the dividend at historical exchange rates amounting to USD 1,933 million is reflected in the cumulative foreign currency translation adjustment.
[4] The number of treasury shares deducted from equity as of June 30, 2013 amounted to 1,326,726 (June 30, 2012: 1,361,465, December 31, 2012: 1,348,395, December 31, 2011: 1,373,392).

The notes to the Consolidated financial statements are an integral part of these Consolidated financial statements.

	Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges	Cumulative foreign currency translation adjustment	Revaluation reserve	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
	2,800	232	(2,581)	180	20,936	31,484	2,489	33,973
	–	–	–	–	15	15	1	16
	2,800	232	(2,581)	180	20,951	31,499	2,490	33,989
	–	–	–	–	–	199	–	199
	–	–	–	–	–	(1,923)	(30)	(1,953)
	–	–	–	–	–	(75)	–	(75)
	–	–	–	–	20	21	–	21
	–	–	–	–	(5)	(5)	–	(5)
	1,026	19	(859)	–	2,345	2,531	(15)	2,516
	–	–	–	–	*2,227*	*2,227*		
	1,026	–	–	–	–	*1,026*		
	–	*19*	–	–	–	*19*		
	–	–	*(859)*	–	–	*(859)*		
	–	–	–	–	–	–		
	–	–	–	–	*118*	*118*		
	–	–	–	–	–	–	(14)	(14)
	3,825	251	(3,440)	180	23,312	32,246	2,432	34,678
	4,523	238	(3,022)	180	24,391	34,494	2,368	36,862
	–	–	–	–	11	11	1	12
	4,523	238	(3,022)	180	24,403	34,505	2,369	36,874
	–	–	–	–	–	142	–	142
	–	–	–	–	–	(1,933)	(96)	(2,029)
	–	–	–	–	–	(108)	–	(108)
	–	–	–	–	5	12	–	12
	–	–	–	–	5	5	–	5
	(2,106)	(103)	(1,322)	6	1,825	(1,701)	42	(1,659)
	–	–	–	–	*1,851*	*1,851*		
	(2,106)	–	–	–	–	*(2,106)*		
	–	*(103)*	–	–	–	*(103)*		
	–	–	*(1,322)*	–	–	*(1,322)*		
	–	–	–	*6*	–	*6*		
	–	–	–	–	*(26)*	*(26)*		
	–	–	–	–	–	–	1	1
	2,417	**136**	**(4,345)**	**186**	**26,237**	**30,923**	**2,316**	**33,238**

Consolidated financial statements (unaudited) *continued*

Zurich Insurance Group Ltd and its subsidiaries (collectively the Group) is a provider of insurance-based products. The Group also distributes non-insurance products, such as mutual funds, mortgages and other financial services products, from selected third-party providers. The Group operates mainly in Europe, the USA, Latin America and Asia Pacific through subsidiaries, as well as branch and representative offices.

Zurich Insurance Group Ltd, a Swiss corporation, is the holding company of the Group and is listed on the SIX Swiss Exchange. Zurich Insurance Group Ltd was incorporated on April 26, 2000, in Zurich, Switzerland. It is recorded in the Commercial Register of the Canton of Zurich under its registered address at Mythenquai 2, 8002 Zurich.

1. Basis of presentation

General information

The unaudited Consolidated financial statements for the six months to June 30, 2013 of the Group have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used to prepare the unaudited Consolidated financial statements comply with International Financial Reporting Standards (IFRS), and are consistent with those set out in the notes to the Consolidated financial statements in the Annual Report 2012 of the Group.

The accounting policies applied by the reportable segments are the same as those applied by the Group. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices, with the exception of dividends, realized capital gains and losses as well as gains and losses on transfers of net assets, which are eliminated against equity. In the unaudited Consolidated financial statements inter-segment revenues and transfers are eliminated.

The unaudited Consolidated financial statements for the six months to June 30, 2013 should be read in conjunction with the Group's Annual Report 2012.

Certain amounts recorded in the unaudited Consolidated financial statements reflect estimates and assumptions made by management about insurance liability reserves, investment valuations, interest rates and other factors. Actual results may differ from the estimates and assumptions made. Interim results are not necessarily indicative of full year results.

All amounts in the unaudited Consolidated financial statements, unless otherwise stated, are shown in USD, rounded to the nearest million with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

Table 1.1 summarizes the principal exchange rates used for translation purposes. Net gains/(losses) on foreign currency transactions included in the consolidated income statements were USD (5) million and USD 8 million for the six months ended June 30, 2013 and 2012, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD (41) million and USD 150 million for the six months ended June 30, 2013 and 2012, respectively.

Table 1.1

Principal exchange rates

USD per foreign currency unit	Consolidated balance sheets		Consolidated income statements and cash flows	
	06/30/2013	12/31/2012	**06/30/2013**	06/30/2012
Euro	1.3005	1.3188	1.3132	1.2975
Swiss franc	1.0574	1.0928	1.0683	1.0770
British pound	1.5201	1.6272	1.5448	1.5769

Implementation of new accounting standards

Table 1.2 shows new accounting standards or amendments to and interpretations of standards relevant to the Group that have been implemented for the financial year beginning January 1, 2013, with no material impact on the Group's financial position or performance.

Table 1.2

Standard/ Interpretation

		Effective date
New Standards		
IFRS 10	Consolidated Financial Statements[1]	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013
Amended Standards		
IAS 1	Presentations of Components of Other Comprehensive Income (OCI)	July 1, 2012
IAS 19	Employee Benefits[1]	January 1, 2013
IAS 27	Separate Financial Statements	January 1, 2013
IAS 28	Investments in Associates and Joint Ventures	January 1, 2013
IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	January 1, 2013

[1] Impacts set out in tables 1.4 and 1.5

The Group has not early-adopted the standards shown in table 1.3.

Table 1.3

Standard/ Interpretation

		Effective date
New Standards		
IFRS 9	Financial Instruments	Pending
Amended Standards		
IAS 32	Offsetting Financial Assets and Financial Liabilities	January 1, 2014

Restatements and reclassifications

In 2011, the Group completed the acquisition of the life insurance, pension and general insurance operations of Banco Santander S.A. (Santander) in Brazil, Argentina, Chile, Mexico and Uruguay (see note 5 of the Consolidated financial statements 2011 and 2012). The Consolidated financial statements 2012 included restated amounts as of December 31, 2011 to reallocate the preliminary numbers to individual balance sheet line items and for the subsequent reassessment of the initial purchase accounting. Table 1.4 shows the impact of the reclassifications as well as updates to the initial purchase accounting on the consolidated income statement for the six months ended June 30, 2012. Consolidated income statements, consolidated statements of comprehensive income, consolidated statements of cash flows, consolidated statements of changes in equity and notes 3, 4, 5, 6, 7, 8, 10, 12 and 16 have been restated accordingly.

Tables 1.4 and 1.5 show the impacts of implementing IAS 19 "Employee Benefits" and IFRS 10 "Consolidated Financial Statements" on the consolidated income statement for the six months ended June 30, 2012 and consolidated balance sheet as of December 31, 2012. Consolidated income statements, consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows and notes 3, 5, 6, 10, 12, 14, 15 and 16 have been restated accordingly.

Consolidated financial statements (unaudited) *continued*

Restatement of the consolidated income statement

Table 1.4

in USD millions, for the six months ended June 30, 2012	As reported	Santander	IAS 19	IFRS 10	As restated
Revenues					
Gross written premiums	26,821	–	–	–	26,821
Policy fees	1,422	–	–	–	1,422
Gross written premiums and policy fees	28,243	–	–	–	28,243
Less premiums ceded to reinsurers	(3,340)	–	–	–	(3,340)
Net written premiums and policy fees	24,903	–	–	–	24,903
Net change in reserves for unearned premiums	(2,126)	6	–	–	(2,119)
Net earned premiums and policy fees	22,778	6	–	–	22,784
Farmers management fees and other related revenues	1,420	–	–	–	1,420
Net investment result on Group investments	4,096	2	–	36	4,134
Net investment income on Group investments	3,440	–	–	36	3,476
Net capital gains/(losses) and impairments on Group investments	656	2	–	–	658
Net investment result on unit-linked investments	3,992	–	–	(28)	3,964
Net gain/(loss) on divestments of businesses	1	–	–	–	1
Other income	794	–	–	–	794
Total revenues	33,081	8	–	8	33,096
Benefits, losses and expenses					
Insurance benefits and losses, gross of reinsurance	17,527	30	–	–	17,556
Less ceded insurance benefits and losses	(1,356)	(12)	–	–	(1,368)
Insurance benefits and losses, net of reinsurance	16,170	18	–	–	16,188
Policyholder dividends and participation in profits, net of reinsurance	4,591	–	–	(28)	4,562
Underwriting and policy acquisition costs, net of reinsurance	4,820	(19)	–	–	4,801
Administrative and other operating expense	4,071	5	(4)	1	4,073
Interest expense on debt	293	–	–	–	293
Interest credited to policyholders and other interest	227	–	–	35	262
Total benefits, losses and expenses	30,172	3	(4)	8	30,179
Net income before income taxes	2,909	5	4	–	2,917
Income tax expense	(677)	7	(1)	–	(671)
attributable to policyholders	(22)	–	–	–	(22)
attributable to shareholders	(655)	7	(1)	–	(649)
Net income after taxes	**2,232**	**12**	**3**	**–**	**2,247**
attributable to non-controlling interests	14	6	–	–	20
attributable to shareholders	2,218	6	3	–	2,227
in USD					
Basic earnings per share	15.15	0.05	0.01	0.00	15.21
Diluted earnings per share	15.07	0.05	0.01	0.00	15.13
in CHF					
Basic earnings per share	14.06	0.05	0.01	0.00	14.12
Diluted earnings per share	13.99	0.05	0.01	0.00	14.05

Restatement of the consolidated balance sheet

Table 1.5

in USD millions, as of December 31, 2012	As reported	IAS 19	IFRS 10	As restated
Investments				
Total Group investments	208,707	–	875	209,582
Cash and cash equivalents	9,098	–	–	9,098
Equity securities	12,341	–	–	12,341
Debt securities	155,594	–	–	155,594
Real estate held for investment	8,561	–	–	8,561
Mortgage loans	10,519	–	–	10,519
Other loans	12,423	–	962	13,385
Investments in associates and joint ventures	172	–	(87)	85
Investments for unit-linked contracts	125,226	–	(1,313)	123,913
Total investments	333,934	–	(438)	333,496
Reinsurers' share of reserves for insurance contracts	19,753	–	–	19,753
Deposits made under assumed reinsurance contracts	2,588	–	–	2,588
Deferred policy acquisition costs	18,346	–	–	18,346
Deferred origination costs	770	–	–	770
Accrued investment income	2,414	–	–	2,414
Receivables and other assets	18,423	–	3	18,425
Deferred tax assets	1,854	–	–	1,853
Assets held for sale	102	–	–	102
Property and equipment	1,530	–	–	1,530
Goodwill	2,107	–	–	2,107
Other intangible assets	7,448	–	–	7,448
Total assets	**409,267**	**–**	**(436)**	**408,831**
Liabilities				
Reserve for premium refunds	706	–	–	706
Liabilities for investment contracts	58,131	–	(693)	57,437
Deposits received under ceded reinsurance contracts	1,558	–	–	1,558
Deferred front-end fees	6,073	–	–	6,073
Reserves for insurance contracts	265,233	–	–	265,233
Obligations to repurchase securities	1,539	–	–	1,539
Accrued liabilities	3,272	–	7	3,279
Other liabilities	18,135	(18)	251	18,368
Deferred tax liabilities	5,238	6	–	5,244
Senior debt	6,660	–	–	6,660
Subordinated debt	5,861	–	–	5,861
Total liabilities	**372,405**	**(12)**	**(436)**	**371,957**
Equity				
Share capital	11	–	–	11
Additional paid-in capital	8,172	–	–	8,172
Net unrealized gains/(losses) on available-for-sale investments	4,523	–	–	4,523
Cash flow hedges	238	–	–	238
Cumulative translation adjustment	(3,022)	–	–	(3,022)
Revaluation reserve	180	–	–	180
Retained earnings	24,391	12	–	24,403
Shareholders' equity	34,494	11	–	34,505
Non-controlling interests	2,368	–	1	2,369
Total equity	**36,862**	**11**	**1**	**36,874**
Total liabilities and equity	**409,267**	**–**	**(435)**	**408,831**

Consolidated financial statements (unaudited) *continued*

2. Acquisitions and divestments

Transactions in 2013

There were no transactions in the six months ended June 30, 2013.

Transactions in 2012

Acquisitions

On May 25, 2012, the Group increased its shareholding in Zurich Insurance Company South Africa Limited, a partially owned subsidiary, to 84.05 percent by purchasing a 25.1 percent shareholding from Royal Bafokeng Finance (Pty) Limited (RBF) for a purchase price of approximately USD 75 million. With this purchase of 25.1 percent, the Group's controlling interest for the Consolidated financial statements is now in line with its legal ownership. On this date, the put option right granted to RBF in 2010 to sell back its entire shareholding to the Group also ceased to exist.

Divestments and loss of control

The Group lost control over one of its subsidiaries and consequently derecognized the assets and liabilities at their carrying value and recognized its retained investment in this entity as an equity security classified as available-for-sale as of September 30, 2012. A USD 38 million pre-tax loss was recorded within net gain/(loss) on divestments of businesses.

3. Investments

Total investments include Group investments and investments for unit-linked products. Group investments are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features. Investments for unit-linked products include investments where the policyholder bears the investment risk, and are held for liabilities related to unit-linked investment contracts and reserves for unit-linked insurance contracts. They are managed in accordance with the investment objectives of each unit-linked fund.

Table 3.1a

Net investment result for total investments

in USD millions, for the six months ended June 30	Net investment income		Net capital gains/(losses) on investments and impairments		Net investment result	
	2013	2012	**2013**	2012	**2013**	2012
Cash and cash equivalents	19	33	(20)	24	–	58
Equity securities	931	912	5,221	3,225	6,152	4,136
Debt securities	2,547	2,752	(111)	722	2,436	3,473
Real estate held for investment	370	413	11	(288)	381	126
Mortgage loans	193	221	(44)	(39)	149	181
Other loans	404	435	260	3	664	438
Investments in associates and joint ventures	5	3	1	1	6	4
Derivative financial instruments[1]	–	–	(451)	47	(451)	47
Investment result, gross	4,470	4,770	4,867	3,694	9,337	8,464
Investment expenses	(379)	(366)	–	–	(379)	(366)
Investment result, net	**4,091**	**4,404**	**4,867**	**3,694**	**8,958**	**8,098**

[1] Net capital losses on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 4 million and USD 36 million for the six months ended June 30, 2013 and 2012, respectively.

Rental operating expenses for real estate held for investment included in investment expenses for total investments amounted to USD 94 million for both the six months ended June 30, 2013 and 2012.

Table 3.1b

Net investment result for Group investments

in USD millions, for the six months ended June 30	Net investment income		Net capital gains/(losses) on investments and impairments		Net investment result	
	2013	2012	**2013**	2012	**2013**	2012
Cash and cash equivalents	17	23	–	–	16	23
Equity securities	162	174	390	164	553	338
Debt securities	2,410	2,611	15	511	2,425	3,121
Real estate held for investment	240	254	37	(80)	277	174
Mortgage loans	193	221	(44)	(39)	149	181
Other loans	282	309	165	3	447	311
Investments in associates and joint ventures	5	3	1	1	6	4
Derivative financial instruments[1]	–	–	(429)	98	(429)	98
Investment result, gross, for Group investments	3,310	3,594	135	658	3,445	4,252
Investment expenses for Group investments	(122)	(119)	–	–	(122)	(119)
Investment result, net, for Group investments	**3,187**	**3,476**	**135**	**658**	**3,323**	**4,134**

[1] Net capital losses on derivatives attributable to cash flow hedge ineffectiveness amounted to USD 4 million and USD 36 million for the six months ended June 30, 2013 and 2012, respectively.

Consolidated financial statements (unaudited) *continued*

Impairment charges on Group investments included in net capital gains/(losses) amounted to USD 88 million and USD 97 million, including impairment charges on mortgage loans and other loans of USD 45 million and USD 37 million, for the six months ended June 30, 2013 and 2012, respectively.

Table 3.1c

Net investment result for unit-linked contracts

in USD millions, for the six months ended June 30	Net investment income		Net capital gains/(losses) on investments		Net investment result	
	2013	2012	**2013**	2012	**2013**	2012
Cash and cash equivalents	3	10	(19)	24	(17)	34
Equity securities	769	738	4,831	3,061	5,600	3,798
Debt securities	136	141	(126)	211	11	352
Real estate held for investment	130	159	(26)	(208)	104	(49)
Other loans	122	127	95	–	216	127
Derivative financial instruments	–	–	(22)	(52)	(22)	(52)
Investment result, gross, for unit-linked contracts	1,160	1,175	4,732	3,036	5,892	4,212
Investment expenses for unit-linked contracts	(256)	(247)	–	–	(256)	(247)
Investment result, net, for unit-linked contracts	**904**	**928**	**4,732**	**3,036**	**5,636**	**3,964**

Table 3.2

Net capital gains, losses and impairments on equity and debt securities for total investments

in USD millions, for the six months ended June 30	Equity securities		Debt securities		Total	
	2013	2012	**2013**	2012	**2013**	2012
Securities at fair value through profit or loss:	5,019	3,171	(502)	352	4,517	3,523
Net capital gains/(losses) on Group investments	188	111	(377)	141	(188)	252
of which:						
Trading securities	*19*	–	*(1)*	3	*18*	2
Securities designated at fair value through profit or loss	*169*	111	*(375)*	139	*(207)*	250
Net capital gains/(losses) for unit-linked contracts	4,831	3,061	(126)	211	4,705	3,271
Available-for-sale securities:	202	53	391	369	594	423
Realized capital gains on Group investments	293	199	563	672	856	871
Realized capital losses on Group investments	(47)	(95)	(172)	(293)	(219)	(388)
Impairments on Group investments	(44)	(51)	1	(10)	(44)	(61)
Total net capital gains/(losses) and impairments	**5,221**	**3,225**	**(111)**	**722**	**5,110**	**3,946**

Details of total investments by category

Table 3.3a

as of	06/30/13 USD millions	06/30/13 % of total	12/31/12 USD millions	12/31/12 % of total
Cash and cash equivalents	9,724	3.0	10,208	3.1
Equity securities:				
Fair value through profit or loss	102,327	31.6	103,023	30.9
of which:				
Trading securities	*372*	*0.1*	*410*	*0.1*
Securities designated at fair value through profit or loss	*101,955*	*31.5*	*102,613*	*30.8*
Available-for-sale	7,599	2.3	8,796	2.6
Total equity securities	109,926	34.0	111,819	33.5
Debt securities:				
Fair value through profit or loss	19,627	6.1	20,630	6.2
of which:				
Trading securities	*44*	*0.0*	*48*	*0.0*
Securities designated at fair value through profit or loss	*19,583*	*6.1*	*20,583*	*6.2*
Available-for-sale	139,558	43.1	141,597	42.5
Held-to-maturity	4,666	1.4	5,012	1.5
Total debt securities	163,851	50.6	167,239	50.1
Real estate held for investment	11,201	3.5	11,962	3.6
Mortgage loans	9,738	3.0	10,519	3.2
Other loans	19,004	5.9	21,664	6.5
Investments in associates and joint ventures	98	0.0	85	0.0
Total investments	**323,542**	**100.0**	**333,496**	**100.0**

Details of Group investments by category

Table 3.3b

as of	06/30/13 USD millions	06/30/13 % of total	12/31/12 USD millions	12/31/12 % of total
Cash and cash equivalents	8,432	4.2	9,098	4.3
Equity securities:				
Fair value through profit or loss	3,343	1.7	3,545	1.7
of which:				
Trading securities	*372*	*0.2*	*410*	*0.2*
Securities designated at fair value through profit or loss	*2,971*	*1.5*	*3,135*	*1.5*
Available-for-sale	7,599	3.8	8,796	4.2
Total equity securities	10,942	5.4	12,341	5.9
Debt securities:				
Fair value through profit or loss	8,078	4.0	8,985	4.3
of which:				
Trading securities	*44*	*0.0*	*48*	*0.0*
Securities designated at fair value through profit or loss	*8,035*	*4.0*	*8,937*	*4.3*
Available-for-sale	139,558	69.1	141,597	67.6
Held-to-maturity	4,666	2.3	5,012	2.4
Total debt securities	152,302	75.4	155,594	74.2
Real estate held for investment	8,082	4.0	8,561	4.1
Mortgage loans	9,738	4.8	10,519	5.0
Other loans	12,275	6.1	13,385	6.4
Investments in associates and joint ventures	98	0.0	85	0.0
Total Group investments	**201,869**	**100.0**	**209,582**	**100.0**

Investments (including cash and cash equivalents) with a carrying value of USD 6,212 million and USD 6,340 million were held to meet local regulatory requirements as of June 30, 2013, and December 31, 2012, respectively.

Consolidated financial statements (unaudited) *continued*

Details of investments held for unit-linked contracts

Table 3.3c

as of	06/30/13		12/31/12	
	USD millions	**% of total**	USD millions	% of total
Cash and cash equivalents	1,292	1.1	1,110	0.9
Equity securities	98,984	81.4	99,478	80.3
Debt securities	11,549	9.5	11,646	9.4
Real estate	3,119	2.6	3,401	2.7
Other loans	6,729	5.5	8,279	6.7
Total investments for unit-linked contracts	**121,673**	**100.0**	**123,913**	**100.0**

Investments held for unit-linked contracts are classified as securities designated at fair value through profit or loss.

Accrued interest on unit-linked investments disclosed under accrued investment income amounted to USD 195 million and USD 210 million as of June 30, 2013 and December 31, 2012, respectively.

Net unrealized gains/(losses) on Group investments included in other comprehensive income

Table 3.4

in USD millions, as of	Total	
	06/30/13	12/31/12
Equity securities: available-for-sale	1,556	1,679
Debt securities: available-for-sale	4,676	8,679
Other	170	300
Less: amount of net unrealized gains/(losses) on investments attributable to:		
Life policyholder dividends and other policyholder liabilities	(2,671)	(3,918)
Life deferred acquisition costs and present value of future profits	(362)	(571)
Deferred income taxes	(810)	(1,385)
Non-controlling interests	(8)	(23)
Total[1]	**2,553**	**4,762**

[1] Net unrealized gains/(losses) included net gains arising on cash flow hedges of USD 136 million and USD 238 million as of June 30, 2013 and December 31, 2012, respectively.

Securities under security lending and repurchase agreements

As of June 30, 2013 and December 31, 2012, respectively, investments included USD 8,793 million and USD 7,751 million of loaned securities. These loaned securities were mainly debt securities. Liabilities for cash collateral received for securities lending comprised USD 341 million and USD 330 million as of June 30, 2013 and December 31, 2012, respectively. Non-cash collateral received for loaned securities comprised mainly equity and debt securities, and amounted to USD 9,209 million and USD 8,085 million as of June 30, 2013 and December 31, 2012, respectively. The Group can sell or repledge the collateral only in the event of default by a counterparty.

As of June 30, 2013 and December 31, 2012, respectively, debt securities with a carrying value of USD 1,399 million and USD 1,550 million have been sold to financial institutions under repurchase agreements. These securities continue to be recognized as investments in the Group's consolidated balance sheets. Obligations to repurchase these securities amounted to USD 1,388 million and USD 1,539 million as of June 30, 2013 and December 31, 2012, respectively.

The Group retains the rights to the risks and the benefits of loaned securities and securities under repurchase agreements. These risks and benefits include changes in market values and income earned.

As of June 30, 2013 and December 31, 2012, respectively, securities with a carrying value of USD 468 million and USD 990 million have been purchased from financial institutions under short-term reverse sale and repurchase agreements. Receivables under these agreements have been recognized in the Group's consolidated balance sheets and amounted to USD 462 million and USD 988 million as of June 30, 2013 and December 31, 2012, respectively.

Derivative financial instruments: offsetting of financial assets and liabilities

Tables 3.5 and 3.6 show the net asset and liability position of derivative financial instruments subject to enforceable master netting arrangements and collateral agreements. Master netting arrangements are used by the Group to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations. These arrangements commonly create a right of offset that becomes enforceable and affects the realization or settlement of individual financial assets and financial liabilities only following a specified event of default or other circumstances which would not be expected to arise in the normal course of business.

Table 3.5

Derivative financial instruments subject to enforceable master netting arrangements and collateral agreements – current period

in USD millions, as of June 30, 2013	Fair value	Related amounts not offset	Cash collateral (received)/ pledged	Non cash collateral (received)/ pledged	Net amount
Assets					
Group derivatives	1,341	(260)	(883)	(13)	185
Unit-linked derivatives	82	(2)	(78)	–	2
Total derivative assets	**1,423**	**(262)**	**(961)**	**(13)**	**187**
Liabilities					
Group derivatives	(673)	260	261	12	(139)
Unit-linked derivatives	(5)	2	–	–	(3)
Total derivative liabilities	**(677)**	**262**	**261**	**12**	**(142)**

Table 3.6

Derivative financial instruments subject to enforceable master netting arrangements and collateral agreements – prior period

in USD millions, as of December 31, 2012	Fair value	Related amounts not offset	Cash collateral (received)/ pledged	Non cash collateral (received)/ pledged	Net amount
Assets					
Group derivatives	1,750	(276)	(1,152)	(13)	309
Unit-linked derivatives	62	–	(47)	–	15
Total derivative assets	**1,813**	**(276)**	**(1,199)**	**(13)**	**324**
Liabilities					
Group derivatives	(537)	276	72	15	(174)
Unit-linked derivatives	(5)	–	–	–	(5)
Total derivative liabilities	**(542)**	**276**	**72**	**15**	**(179)**

Consolidated financial statements (unaudited) *continued*

4. Reserves for insurance contracts and reinsurers' share of reserves for insurance contracts

Reserves for insurance contracts

Table 4.1

in USD millions, as of	Gross		Ceded		Net	
	06/30/13	12/31/12	**06/30/13**	12/31/12	**06/30/13**	12/31/12
Reserves for losses and loss adjustment expenses	67,248	69,986	(11,613)	(12,601)	55,634	57,385
Reserves for unearned premiums	19,057	17,300	(2,895)	(2,666)	16,162	14,634
Future life policyholders' benefits	81,418	83,807	(2,420)	(2,507)	78,998	81,300
Policyholders' contract deposits and other funds	19,421	20,024	(2,062)	(2,106)	17,359	17,917
Reserves for unit-linked contracts	70,725	74,117	–	–	70,725	74,117
Total reserves for insurance contracts[1]	**257,869**	**265,233**	**(18,990)**	**(19,880)**	**238,879**	**245,353**

[1] The total reserves for insurance contracts ceded are gross of allowances for uncollectible amounts of USD 144 million and USD 127 million as of June 30, 2013 and December 31, 2012, respectively.

Development of reserves for losses and loss adjustment expenses

Table 4.2

in USD millions	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
As of January 1	69,986	67,762	(12,601)	(12,421)	57,385	55,341
Losses and loss adjustment expenses incurred:						
Current year	13,308	13,065	(1,586)	(1,375)	11,722	11,690
Prior years	(485)	(446)	167	72	(318)	(374)
Total incurred	12,822	12,619	(1,419)	(1,303)	11,404	11,316
Losses and loss adjustment expenses paid:						
Current year	(3,706)	(3,814)	231	226	(3,475)	(3,588)
Prior years	(10,331)	(9,099)	2,006	1,362	(8,325)	(7,737)
Total paid	(14,037)	(12,914)	2,238	1,588	(11,799)	(11,326)
Foreign currency translation effects	(1,524)	(251)	168	5	(1,355)	(245)
As of June 30	**67,248**	**67,217**	**(11,613)**	**(12,130)**	**55,634**	**55,087**

The Group establishes loss reserves, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates or judgments are reflected in the results of operations in the period in which estimates and judgments are changed.

Significant delays may occur in the notification and settlement of claims, and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The reserves for losses and loss adjustment expenses are determined on the basis of information currently available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

Table 4.2 shows the development of reserves for losses and loss adjustment expenses during the first six months of 2013 and 2012.

The decrease of USD 1,751 million during the first six months of 2013 in net reserves for losses and loss adjustment expenses is mostly driven by the foreign currency translation effects of USD 1,355 million. Favorable reserve development emerging from reserves established in prior years amounted to USD 318 million for the first six months of 2013, primarily due to favorable releases from large claims and motor liability.

For the first six months of 2012 net reserves for losses and loss adjustment expenses decreased by USD 254 million. Of this, USD 245 million related to a reserve reduction due to the effect of foreign currency movements. During the same period, favorable reserve development emerged from reserves established in prior years of USD 374 million, which mainly related to experience from Switzerland's motor business and many lines of business in the UK and North America.

Development of future life policyholders' benefits

Table 4.3

in USD millions	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
As of January 1	83,807	80,584	(2,507)	(2,583)	81,300	78,001
Premiums	4,463	4,160	(267)	(266)	4,196	3,894
Claims	(4,478)	(4,211)	211	207	(4,267)	(4,005)
Fee income and other expenses	(1,047)	(1,229)	64	153	(983)	(1,075)
Interest and bonuses credited to policyholders	987	1,557	7	(87)	994	1,470
Change in assumptions	(182)	(51)	11	166	(171)	115
(Decreases)/increases recorded in other comprehensive income	(165)	124	–	–	(165)	124
Foreign currency translation effects	(1,968)	(1,194)	63	5	(1,906)	(1,190)
As of June 30	**81,418**	**79,740**	**(2,420)**	**(2,405)**	**78,998**	**77,335**

Policyholders' contract deposits and other funds gross

Table 4.4

in USD millions, as of	**06/30/13**	12/31/12
Universal life and other contracts	12,395	12,219
Policyholder dividends	7,026	7,804
Total	**19,421**	**20,024**

Development of policyholders' contract deposits and other funds

Table 4.5

in USD millions	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
As of January 1	20,024	18,356	(2,106)	(2,181)	17,917	16,175
Premiums	698	605	(33)	(14)	665	591
Claims	(678)	(615)	122	98	(557)	(517)
Fee income and other expenses	(151)	(119)	(4)	(24)	(156)	(144)
Interest and bonuses credited to policyholders	804	110	(39)	(39)	765	72
(Decrease)/increase recorded in other comprehensive income	(1,006)	589	–	–	(1,006)	589
Foreign currency translation effects	(269)	(176)	–	1	(269)	(175)
As of June 30	**19,421**	**18,749**	**(2,062)**	**(2,158)**	**17,359**	**16,590**

Consolidated financial statements (unaudited) *continued*

Development of reserves for unit-linked contracts

Table 4.6

in USD millions	2013	2012
As of January 1	74,117	68,844
Premiums	3,044	5,571
Claims	(5,068)	(5,462)
Fee income and other expenses	(836)	(841)
Interest and bonuses credited/(charged) to policyholders	2,565	2,617
Acquisitions/(divestments) and transfers[1]	–	148
Foreign currency translation effects	(3,096)	(882)
As of June 30	**70,725**	**69,994**

[1] The 2012 movement relates to USD 260 million transferred from liabilities for investment contracts partly offset by USD (112) million transferred to liabilities for investment contracts (see note 1 of the Consolidated financial statements 2012).

5. Liabilities for investment contracts

Table 5.1

Liabilities for investment contracts

in USD millions, as of	06/30/13	12/31/12
Liabilities related to unit-linked investment contracts	51,243	50,229
Liabilities related to investment contracts (amortized cost)	1,098	1,305
Liabilities related to investment contracts with DPF	5,878	5,903
Total	**58,219**	**57,437**

Unit-linked investment contracts issued by the Group are recorded at a value reflecting the returns on investment funds which include selected equities, debt securities and derivatives. Policyholders bear the full risk of the returns on these investments.

The value of liabilities related to investment contracts at amortized cost is based on a discounted cash flow valuation technique. The initial valuation of the discount rate is determined by the current market assessment of the time value of money and risks specific to the liabilities.

Table 5.2

Development of liabilities for investment contracts

in USD millions	2013	2012
As of January 1	57,437	50,309
Premiums	3,942	3,266
Claims	(3,212)	(3,191)
Fee income and other expenses	(272)	(301)
Interest and bonuses credited/(charged) to policyholders	3,222	1,720
Acquisitions/(divestments) and transfers[1]	–	(148)
Increase/(decrease) recorded in other comprehensive income	13	(1)
Foreign currency translation effects	(2,911)	(94)
As of June 30	**58,219**	**51,560**

[1] The 2012 movement relates to USD (260) million transferred to reserves for unit-linked contracts partly offset by USD 112 million transferred from reserves for unit-linked contracts (see note 1 of the Consolidated financial statements 2012).

Consolidated financial statements (unaudited) *continued*

6. Gross and ceded insurance revenues and expenses

Insurance benefits and losses

Table 6.1

in USD millions, for the six months ended June 30	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
Losses and loss adjustment expenses	12,822	12,619	(1,419)	(1,303)	11,404	11,316
Life insurance death and other benefits	4,563	4,938	(198)	(65)	4,366	4,872
Total insurance benefits and losses	**17,386**	**17,556**	**(1,617)**	**(1,368)**	**15,769**	**16,188**

Policyholder dividends and participation in profits

Table 6.2

in USD millions, for the six months ended June 30	Gross		Ceded		Net	
	2013	2012	**2013**	2012	**2013**	2012
Change in policyholders' contract deposits and other funds	730	518	–	(19)	730	498
Change in reserves for unit-linked products	2,540	2,582	–	–	2,540	2,582
Change in liabilities for investment contracts – unit-linked	3,129	1,464	–	–	3,129	1,464
Change in liabilities for investment contracts – other	99	109	–	–	99	109
Change in unit-linked liabilities related to UK capital gains tax	(181)	(91)	–	–	(181)	(91)
Total policyholder dividends and participation in profits	**6,318**	**4,582**	**–**	**(19)**	**6,318**	**4,562**

7. Deferred policy acquisition costs and deferred origination costs

Development of deferred policy acquisition costs

Table 7.1

in USD millions	General Insurance		Global Life		Other segments[1]		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
As of January 1	3,543	3,482	14,466	13,584	337	353	18,346	17,420
Acquisition costs deferred	1,848	1,642	1,152	928	420	457	3,420	3,027
Amortization	(1,581)	(1,459)	(814)	(486)	(425)	(453)	(2,820)	(2,398)
Impairments	–	–	(19)	(11)	–	–	(19)	(11)
Amortization (charged)/ credited to other comprehensive income	–	–	183	(97)	–	–	183	(97)
Acquisitions/(divestments) and transfers[2]	–	–	–	(6)	–	–	–	(6)
Foreign currency translation effects	(109)	(35)	(600)	(122)	–	–	(708)	(157)
As of June 30	**3,701**	**3,630**	**14,368**	**13,791**	**332**	**358**	**18,401**	**17,779**

[1] Net of eliminations from inter-segment transactions.
[2] The 2012 movement related to a transfer to deferred origination costs (see note 1 of the Consolidated financial statements 2012).

As of June 30, 2013, December 31, 2012 and June 30, 2012, deferred policy acquisition costs relating to non-controlling interests were USD 596 million, USD 572 million and USD 536 million, respectively.

Development of deferred origination costs

Table 7.2

in USD millions	**2013**	2012
As of January 1	770	824
Origination costs deferred	34	40
Amortization	(58)	(85)
Acquisitions/(divestments) and transfers[1]	–	6
Foreign currency translation effects	(38)	1
As of June 30	**708**	**785**

[1] The 2012 movement related to a transfer from deferred acquisition costs (see note 1 of the Consolidated financial statements 2012).

Consolidated financial statements (unaudited) *continued*

8. Goodwill and other intangible assets

Intangible assets – current period

Table 8.1

in USD millions	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other	Total
Gross carrying value as of January 1, 2013	2,239	2,890	4,435	1,025	4,418	219	15,226
Less: accumulated amortization/impairments	(132)	(2,047)	(620)	–	(2,747)	(125)	(5,671)
Net carrying value as of January 1, 2013	2,107	844	3,815	1,025	1,670	94	9,555
Additions and transfers	–	–	13	–	155	–	168
Amortization	–	(68)	(95)	–	(188)	(5)	(355)
Amortization charged to other comprehensive income	–	18	–	–	–	–	18
Impairments	–	–	–	–	(21)	(1)	(22)
Foreign currency translation effects	(61)	(23)	(127)	–	(50)	(5)	(266)
Net carrying value as of June 30, 2013	**2,046**	**771**	**3,606**	**1,025**	**1,566**	**83**	**9,098**
Plus: accumulated amortization/impairments	125	2,014	758	–	2,847	127	5,871
Gross carrying value as of June 30, 2013	**2,170**	**2,786**	**4,365**	**1,025**	**4,413**	**209**	**14,968**

As of June 30, 2013, intangible assets relating to non-controlling interests were USD 176 million for present value of future profits (PVFP) of acquired insurance contracts, USD 1,690 million for distribution agreements and USD 10 million for software.

New distribution agreements in Global Life operations in the Middle East and in General Insurance operations in Brazil, to gain access to the mass consumer market, resulting in additions of USD 13 million.

A review of existing IT platforms in General Insurance in Latin America identified software, which was not utilized as originally expected, resulting in a USD 21 million impairment.

Intangible assets by segment – current period

Table 8.2

in USD millions, as of June 30, 2013	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other	Total
General Insurance	805	–	689	–	545	69	2,108
Global Life	422	771	2,917	–	382	13	4,505
Farmers	819	–	–	1,025	360	–	2,204
Other Operating Businesses	–	–	–	–	279	–	279
Net carrying value as of June 30, 2013	**2,046**	**771**	**3,606**	**1,025**	**1,566**	**83**	**9,098**

Table 8.3

Intangible assets – prior period

in USD millions	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other	Total
Gross carrying value as of January 1, 2012	2,186	2,824	4,562	1,025	4,210	190	14,997
Less: accumulated amortization/impairments	(126)	(1,640)	(430)	–	(2,593)	(86)	(4,876)
Net carrying value as of January 1, 2012	2,060	1,184	4,132	1,025	1,616	104	10,121
Additions and transfers	–	–	18	–	203	–	220
Divestments and transfers	–	–	–	–	(2)	–	(2)
Amortization	–	(100)	(96)	–	(205)	(7)	(408)
Amortization charged to other comprehensive income	–	(51)	–	–	–	–	(51)
Impairments	–	–	–	–	(7)	–	(7)
Foreign currency translation effects	(13)	(12)	(91)	–	(13)	–	(130)
Net carrying value as of June 30, 2012	**2,046**	**1,021**	**3,962**	**1,025**	**1,594**	**97**	**9,745**
Plus: accumulated amortization/impairments	125	1,789	515	–	2,762	91	5,282
Gross carrying value as of June 30, 2012	**2,171**	**2,810**	**4,477**	**1,025**	**4,356**	**188**	**15,027**

As of June 30, 2012, intangible assets relating to non-controlling interests were USD 235 million for present value of future profits (PVFP) of acquired insurance contracts, USD 1,866 million for distribution agreements and USD 6 million for software.

New distribution agreements in Global Life operations in the Middle East and in General Insurance operations in Brazil, to gain access to the mass consumer market, provided an additional USD 18 million.

Table 8.4

Intangible assets by segment – prior period

in USD millions, as of December 31, 2012	Goodwill	PVFP	Distribution agreements	Attorney-in-fact relationships	Software	Other	Total
General Insurance	852	–	713	–	586	76	2,227
Global Life	435	844	3,102	–	403	17	4,801
Farmers	819	–	–	1,025	382	–	2,226
Other Operating Businesses	–	–	–	–	300	–	300
Non-Core Businesses	–	–	–	–	1	–	1
Net carrying value as of December 31, 2012	**2,107**	**844**	**3,815**	**1,025**	**1,670**	**94**	**9,555**

Consolidated financial statements (unaudited) *continued*

9. Restructuring provisions

Restructuring provisions

Table 9

in USD millions	**2013**	2012
As of January 1	297	254
Provisions made during the period	33	21
Increase of provisions set up in prior years	2	18
Provisions used during the period	(80)	(74)
Provisions reversed during the period	(3)	(3)
Foreign currency translation effects	(5)	(2)
As of June 30	**244**	**214**

During the six months ended June 30, 2013, the restructuring programs primarily impacted the UK within Global Life with estimated costs of USD 33 million for restructuring announced in the current year. USD 2 million related to increases of provisions for restructuring which were initiated in prior years.

During the six months ended June 30, 2012, the main restructuring programs impacted several European countries within the General Insurance and Global Life operations with estimated costs of USD 21 million for restructuring announced in that year. USD 18 million related to increases of provisions for restructuring which have been initiated in prior years.

10. Income taxes

Income tax expense – current/deferred split

Table 10.1

in USD millions, for the six months ended June 30	2013	2012
Current	771	619
Deferred	(27)	52
Total income tax expense	**744**	**671**

Income tax expense – policyholder/ shareholder attribution

Table 10.2

in USD millions, for the six months ended June 30	2013	2012
Total income tax expense/(benefit) attributable to policyholders	147	22
Total income tax expense attributable to shareholders	596	649
Total income tax expense	**744**	**671**

The Group is required to record taxes on policyholder earnings for life insurance policyholders in certain jurisdictions. Accordingly, the income tax expense or benefit attributable to these life insurance policyholder earnings is included in income tax expense. In certain jurisdictions an accrual for future policy fees that will cover the tax charge is included in insurance benefits and losses.

Expected and actual income tax expense

Table 10.3

in USD millions, for the six months ended June 30	Rate	2013	Rate	2012
Net income before income taxes		2,752		2,917
less: income tax (expense)/benefit attributable to policyholders		(147)		(22)
Net income before income taxes attributable to shareholders		2,605		2,895
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	22.0%	573	22.0%	637
Increase/(reduction) in taxes resulting from:				
Tax rate differential in foreign jurisdictions		*61*		*126*
Tax exempt and lower taxed income		*(44)*		*(31)*
Non-deductible expenses		*47*		*34*
Tax losses previously unrecognized or no longer recognized		*(1)*		*7*
Prior year adjustments and other		*(39)*		*(124)*
Actual income tax expense attributable to shareholders	**22.9%**	**596**	**22.4%**	**649**
plus: income tax expense/(benefit) attributable to policyholders		147		22
Actual income tax expense	27.0%	744	23.0%	671

Table 10.3 sets out the factors that cause the actual income tax expense to differ from the expected expense computed by applying the Swiss statutory tax rate of 22.0 percent, which is the rate applicable in the jurisdiction where the ultimate parent company is resident.

Consolidated financial statements (unaudited) *continued*

11. Senior and subordinated debt

Senior and subordinated debt

Table 11.1

in USD millions, as of		06/30/13	12/31/12
Senior debt			
Zurich Insurance Company Ltd	3.75% CHF 500 million notes, due September 2013[5]	528	545
	2.25% CHF 500 million notes, due July 2017[5]	526	543
	2.875% CHF 250 million notes, due July 2021[5]	261	269
	2.375% CHF 525 million notes, due November 2018[5]	550	568
	1.50% CHF 400 million notes, due June 2019[4,5,6]	415	440
	3.375% EUR 500 million notes, due June 2022[4,5,6]	652	682
Zurich Finance (Luxembourg) S.A.	3.25% USD 750 million notes, due September 2013[4,5,6]	753	757
Zurich Finance (USA), Inc.	4.50% EUR 1 billion notes, due September 2014[1,5,6]	1,310	1,333
	6.50% EUR 600 million notes, due October 2015[2,5,6]	779	790
	Euro Commercial Paper Notes	400	400
Zurich Santander Insurance America S.L.	7.5% EUR 167 million loan, due December 2035	216	220
Other	Various debt instruments payable in more than 1 year	113	113
Senior debt		6,503	6,660
Subordinated debt			
Zurich Insurance Company Ltd	12.0% EUR 143 million perpetual capital notes[5]	186	188
	7.5% EUR 425 million notes, due July 2039[5]	549	557
	4.25% CHF 700 million perpetual notes[5]	733	756
	4.625% CHF 500 million perpetual notes[5]	522	539
	8.25% USD 500 million perpetual capital notes[5]	495	495
	4.25% EUR 788 million notes, due October 2043[5]	1,010	–
Zurich Finance (UK) plc	6.625% GBP 450 million perpetual notes[3,5]	676	723
Zurich Finance (USA), Inc.	5.75% EUR 500 million notes, due October 2023[5]	643	652
	4.5% EUR 418 million notes, due June 2025[4,5,6]	573	705
ZFS Finance (USA) Trust II	Series II 6.45% USD 700 million Trust Preferred Securities (ECAPS), due December 2065	676	676
ZFS Finance (USA) Trust V	Series V 6.5% USD 1 billion Trust Preferred Securities, due May 2067	498	498
Other	Various debt instruments payable in more than 1 year	72	73
Subordinated debt		6,632	5,861
Total senior and subordinated debt		**13,134**	**12,521**

1 The bond is part of a qualifying cash flow hedge (80 percent of the total) and fair value hedge (20 percent of the total).
2 The bond is part of a qualifying cash flow hedge (100 percent).
3 The holders of these notes benefit from the Replacement Capital Covenant which states that if Series V Fixed/Floating Trust Preferred Securities, issued by ZFS Finance (USA) Trust V, are called before 2047, the Group will issue a replacement debt instrument with terms and provisions that will be as or more equity-like than the replaced notes.
4 These bonds are part of qualifying fair value hedges (100 percent).
5 Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).
6 The Group applied the cash flow hedge methodology to hedge the foreign currency exposure and deferred the attributable basis spreads in shareholders' equity, whereas the fair value hedge methodology was used to hedge the interest rate exposure with changes in the fair value being recorded through the income statement.

None of the debt instruments listed in table 11.1 were in default as of June 30, 2013 or December 31, 2012.

To facilitate the issuance of debt, the Group has in place a Euro Medium Term Note Programme (EMTN Programme) allowing for the issuance of senior and subordinated notes up to a maximum of USD 18 billion. All issuances under this programme are either issued or guaranteed by Zurich Insurance Company Ltd. The Group has also issued debt instruments outside this programme.

i) Senior debt

Senior debt amounted to USD 6,503 million and USD 6,660 million as of June 30, 2013 and December 31, 2012, respectively.

The decrease was due to the translation effects of the U.S. dollar against the currencies in which the notes were issued.

ii) Subordinated debt

Subordinated debt securities are obligations of the Group which, in case of liquidation of the Group, rank junior to all present and future senior indebtedness and certain other obligations of the Group.

Subordinated debt amounted to USD 6,632 million and USD 5,861 million as of June 30, 2013 and December 31, 2012, respectively.

The increase is mainly the result of the 4.25% EUR 788 million notes issued in March 2013 by Zurich Insurance Company Ltd under the Group's EMTN Programme. Simultaneously with this new issuance, investors who held Zurich Finance (USA), Inc. 4.5% EUR 500 million subordinated notes due June 2025, were made an offer to switch part or all of their holdings for this new issue. The total nominal amount of the 2025 notes switched was EUR 82 million for which those investors received EUR 88 million of the new notes. The net increase in debt was partially offset by the translation effects of the U.S. dollar against the currencies in which the notes were issued.

Operational and financial debt

Table 11.2

Indebtedness

in USD millions, as of	Senior debt		Subordinated debt		Total	
	06/30/13	12/31/12	06/30/13	12/31/12	06/30/13	12/31/12
Operational debt	825 [1, 2]	829 [1, 2]	28 [2]	28 [2]	853	857
Financial debt	5,678	5,831	6,604	5,833	12,282	11,664
Total	**6,503**	**6,660**	**6,632**	**5,861**	**13,134**	**12,521**

[1] Operational senior debt included USD 750 million in senior debt issued under the EMTN Programme by Zurich Finance (Luxembourg) S.A. in September 2009, which was loaned directly to the Group's banking activities. During 2012 the entity to which the funds were loaned surrendered its banking license. The debt proceeds continue to finance the same loan portfolio as prior to the license being surrendered. This issue has been recognized as operational debt by Moody's but not by Standard & Poor's.

[2] In addition, operational senior and subordinated debt included an adjustment of USD 100 million for non-recourse debt.

Consolidated financial statements (unaudited) *continued*

Description and features of significant subordinated debt

Table 11.3

Description	Coupon conditions	Call/ redemption date	Redemption conditions
12.00% EUR 143 million perpetual capital notes	12.00% payable annually up to July 15, 2014 and then reset quarterly to 3-month EURIBOR plus 10.33%.	Quarterly on or after July 15, 2014	Redeemable in whole at par plus any accrued interest.
7.5% EUR 425 million notes, due July 2039	7.5% payable annually up to July 24, 2019 and then reset quarterly to 3-month EURIBOR plus 5.85%.	Quarterly on or after July 24, 2019	Redeemable in whole or in part at par plus any accrued interest.
4.25% CHF 700 million perpetual notes	4.25% payable annually up to May 26, 2016 and then reset quarterly to 3-month CHF-Libor plus 3.046%.	Quarterly on or after May 26, 2016	Redeemable in whole or in part at par plus any accrued interest.
4.625% CHF 500 million perpetual notes	4.625% payable annually up to May 16, 2018 and then reset to the prevailing 7 year CHF mid swap rate plus 2.691%.	Annually on or after May 16, 2018	Redeemable in whole or in part at par plus any accrued interest.
8.25% USD 500 million perpetual capital notes	8.25% per annum payable quarterly until January 18, 2018. Resets to the 6-Year USD mid swap rate plus 6.84% until January 18, 2024. Resets thereafter every 6 years to the 6-Year USD mid swap rate plus 7.84%.	Quarterly on or after January 18, 2018	Redeemable in whole or in part at par plus any accrued interest.
4.25% EUR 788 million notes, due October 2043	4.25% payable annually up to October 02, 2023 and then reset quarterly to 3-month EURIBOR plus 3.45%.	Quarterly on or after October 2, 2023	Redeemable in whole or in part at par plus any accrued interest.
6.625% GBP 450 million perpetual notes	6.625% payable annually up to October 2, 2022 and then reset every 5 years to the reset rate of interest plus 2.85%.[1]	Every five years on or after October 2, 2022	Redeemable in whole every five years at par plus any accrued interest.
5.75% EUR 500 million notes, due October 2023	5.75% payable annually up to October 2, 2013 and then reset quarterly to 3-month EURIBOR plus 2.67%.	Quarterly on or after October 2, 2013	Redeemable in whole at par plus any accrued interest.
4.5% EUR 418 million notes, due June 2025	4.5% payable annually up to June 15, 2015 and then reset quarterly to 3-month EURIBOR plus 2.20%.	Quarterly on or after June 15, 2015	Redeemable in whole at par plus any accrued interest.
Series II 6.45% USD 700 million Fixed/Adjustable Trust Preferred Securities (ECAPS), due December 2065	6.45% payable semi-annually until June 15, 2016 and then reset quarterly to the adjustable rate plus 2.00%.[2]	Quarterly on or after June 15, 2016	Redeemable in whole or in part at par plus any accrued interest.
Series V 6.5% USD 1 billion Fixed/Floating Trust Preferred Securities, due May 2067	6.5% payable semi-annually until May 9, 2017 and then reset quarterly to 3-month LIBOR plus 2.285%.	Quarterly on or after May 9, 2017	Redeemable in whole or in part at par plus any accrued interest.

[1] Reset rate of interest is equal to the gross redemption yield on the benchmark five-year gilt as determined by the Calculation Bank.
[2] Adjustable rate is equal to the greatest of (i) the 3-month LIBOR Rate; (ii) the 10-year Treasury CMT (Constant Maturity Treasury) Rate; and (iii) the 30-year Treasury CMT Rate, subject to a maximum under (ii) and (iii) of 13% for Series II.

Maturity schedule of outstanding debt

Table 11.4

in USD millions, as of	06/30/13		12/31/12	
	Carrying value	**Undiscounted cash flows**	Carrying value	Undiscounted cash flows
< 1 year	1,681	2,271	1,702	2,299
1 to 2 years	1,445	1,959	1,356	1,907
2 to 3 years	779	1,221	902	1,371
3 to 4 years	–	375	–	429
4 to 5 years	526	928	543	934
5 to 10 years	2,575	4,416	2,705	4,340
> 10 years	6,129	8,751	5,313	7,418
Total	**13,134**	**19,922**	**12,521**	**18,698**

Debt maturities reflect original contractual dates without taking early redemption options into account. For call/redemption dates, see table 11.3. The total notional amount of debt due in each period is not materially different from the total carrying value disclosed in table 11.4. Undiscounted cash flows included interest and principal cash flows on debt outstanding as of June 30, 2013 and December 31, 2012. All debt is assumed to mature within 20 years of the balance sheet date without refinancing. Floating interest rates are assumed to remain constant as of June 30, 2013 and December 31, 2012. The aggregated cash flows are translated into U.S. dollars at end-of-period rates.

Interest expense on debt

Table 11.5

in USD millions, for the six months ended June 30	**2013**	2012
Senior debt	103	117
Subordinated debt	186	176
Total	**290**	**293**

Interest expense on debt amounted to USD 290 million and USD 293 million for the six months ended June 30, 2013 and 2012, respectively.

The lower interest expense on senior debt was mainly due to the maturity of the 4.875% EUR 800 million notes in April 2012. This reduction was partially offset by the issuance of two new senior notes under the EMTN Programme in June 2012.

Credit facilities

The Group has access to a multicurrency revolving credit facility of USD 3.2 billion that terminates in 2018 at the latest. It is guaranteed by Zurich Insurance Company Ltd.

In addition, the Group has access to four other revolving credit facilities totaling USD 441 million, of which USD 336 million will expire in 2014 and USD 75 million in 2015. No borrowings were outstanding under any of these facilities as of June 30, 2013 or December 31, 2012.

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12. Earnings per share

Earnings per share

Table 12

for the six months ended June 30	Net income attributable to common shareholders (in USD millions)	Weighted average number of shares	Per share (USD)	Per share (CHF)[1]
2013				
Basic earnings per share	**1,851**	**147,240,918**	**12.57**	**11.77**
Effect of potentially dilutive shares related to share-based compensation plans		809,176	(0.07)	(0.06)
Diluted earnings per share	**1,851**	**148,050,094**	**12.50**	**11.70**
2012				
Basic earnings per share	**2,227**	**146,402,512**	**15.21**	**14.12**
Effect of potentially dilutive shares related to share-based compensation plans		759,002	(0.08)	(0.07)
Diluted earnings per share	**2,227**	**147,161,514**	**15.13**	**14.05**

[1] The translation from USD to CHF is shown for information purposes only and has been calculated at the Group's average exchange rates for the six months ended June 30, 2013 and 2012, respectively.

13. Legal proceedings and regulatory investigations

The Group and its subsidiaries are continuously involved in legal proceedings, claims and regulatory investigations arising, for the most part, in the ordinary course of their business operations. The Group's business is subject to extensive supervision, and companies in the Group are in regular contact with various regulatory authorities. In addition, certain companies within the Group are engaged in the following legal proceedings:

An action entitled Fuller-Austin Asbestos Settlement Trust, et al. v. Zurich American Insurance Company (ZAIC), et al., was filed in May 2004 in the Superior Court for San Francisco County, California. Three other similar actions were filed in 2004 and 2005 and have been coordinated with the Fuller-Austin action (collectively, the Fuller-Austin Case). In addition to ZAIC and four of its insurance company subsidiaries, Zurich Insurance Company Ltd and Orange Stone Reinsurance Dublin (Orange Stone) are named as defendants. The plaintiffs, who are historical policyholders of the Home Insurance Company (Home), plead claims for, inter alia, fraudulent transfer, tortious interference, unfair business practices, alter ego and agency liability relating to the recapitalization of Home, which occurred in 1995 following regulatory review and approval. The plaintiffs allege that pursuant to the recapitalization and subsequent transactions, various Zurich entities took assets of Home without giving adequate consideration in return, and contend that this forced Home into liquidation. The plaintiffs further allege that the defendants should be held responsible for Home's alleged obligations under their Home policies. The trial judge designated the plaintiffs' claims for constructive fraudulent transfer for adjudication before all other claims; he subsequently ordered an initial bench trial on certain threshold elements of those fraudulent transfer claims and on certain of defendants' affirmative defenses. The trial commenced on November 1, 2010. Closing arguments were heard on February 22 and 23, 2012, and a decision on these threshold elements and affirmative defenses is pending. The Group maintains that the Fuller-Austin Case is without merit and intends to continue to defend itself vigorously.

While the Group believes that it is not a party to, nor are any of its subsidiaries the subject of, any unresolved current legal proceedings, claims, litigation and investigations that will have a material adverse effect on the Group's consolidated financial condition, proceedings are inherently unpredictable, and it is possible that the outcome of any proceeding could have a material impact on results of operations in the particular reporting period in which it is resolved.

Consolidated financial statements (unaudited) *continued*

14. Fair value of financial assets and financial liabilities

The Group implemented IFRS 13 "Fair Value Measurement" effective January 1, 2013 (see note 1), which affects fair value hierarchy disclosures, including requirements for interim reporting. IFRS 13 provides guidance on the measurement of fair value and requires disclosures about fair value measurements to increase transparency. It does not require any new measurements of assets or liabilities at fair value.

In determining the fair values of debt and equity instruments, the Group makes extensive use of third party pricing providers and, only in rare cases, places reliance on prices that are derived from internal models. One of the objectives of the Group's control environment and the process of selection of pricing providers is to ensure that fair values of investments are sourced only from independent, reliable and reputable third party pricing providers that have proper processes and controls in place to guarantee that the price quality meets the Group's standards.

In addition, the Group's policy is to ensure that independently sourced prices are developed by making maximum use of current observable market inputs derived from orderly transactions and by employing widely accepted valuation techniques and models. When third party pricing providers are unable to obtain adequate observable information for a particular financial instrument, the fair value is determined either by requesting selective non-binding broker quotes or by using internal valuation models.

Investment accounting, operations and process functions, are independent from those responsible for buying and selling the assets, and are responsible for receiving, challenging and verifying values provided by third party pricing providers to ensure that fair values are reliable, as well as ensuring compliance with applicable accounting and valuation policies. The quality control procedures used depend on the nature and complexity of the invested assets. They include regular reviews of valuation techniques and inputs used by pricing providers (for example, default rates of collateral for asset backed securities), variance and stale price analysis, and comparisons with fair values of similar instruments and with alternative values obtained from asset managers and brokers.

Tables 14.1a and 14.1b compare the fair value of financial assets and financial liabilities with their carrying value.

Fair value (FV) and carrying value of financial assets and financial liabilities – Group investments and other non unit-linked

Table 14.1a

in USD millions, as of	Total fair value		Total carrying value	
	06/30/13	12/31/12	**06/30/13**	12/31/12
Cash and cash equivalents	8,432	9,098	8,432	9,098
Available-for-sale securities				
Debt securities	139,558	141,597	139,558	141,597
Equity securities	7,599	8,796	7,599	8,796
Total available-for-sale securities	147,157	150,392	147,157	150,392
Securities at FV through profit or loss				
Trading				
Debt securities	44	48	44	48
Equity securities	372	410	372	410
Designated at FV				
Debt securities	8,035	8,937	8,035	8,937
Equity securities	2,971	3,135	2,971	3,135
Total securities at FV through profit or loss	11,421	12,530	11,421	12,530
Derivative assets	1,341	1,750	1,341	1,750
Held-to-maturity debt securities	5,235	5,745	4,666	5,012
Investments in associates and joint ventures	98	85	98	85
Loans and receivables				
Mortgage loans	10,315	11,298	9,738	10,519
Other loans	13,997	15,857	12,275	13,385
Deposits made under assumed reinsurance contracts	2,553	2,583	2,560	2,588
Receivables	14,297	13,611	14,363	13,642
Total loans and receivables	41,161	43,349	38,936	40,134
Total financial assets	**214,845**	**222,949**	**212,052**	**219,002**
Derivative liabilities	(673)	(537)	(673)	(537)
Financial liabilities held at amortized cost:				
Liabilities related to investment contracts	(1,263)	(1,540)	(1,098)	(1,305)
Liabilities related to investment contracts with DPF	(5,616)	(5,663)	(5,878)	(5,903)
Senior debt	(6,794)	(7,180)	(6,503)	(6,660)
Subordinated debt	(7,071)	(6,379)	(6,632)	(5,861)
Deposits received under ceded reinsurance contracts	(1,207)	(1,482)	(1,291)	(1,558)
Other financial liabilities	(2,499)	(2,750)	(2,499)	(2,750)
Obligation to repurchase securities	(1,388)	(1,539)	(1,388)	(1,539)
Total financial liabilities	**(26,510)**	**(27,070)**	**(25,961)**	**(26,113)**

Fair value (FV) and carrying value of financial assets and financial liabilities – unit-linked

Table 14.1b

in USD millions, as of	Total fair value		Total carrying value	
	06/30/13	12/31/12	**06/30/13**	12/31/12
Cash and cash equivalents	1,292	1,110	1,292	1,110
Investments at FV through profit or loss				
Designated at FV				
Debt securities	11,549	11,646	11,549	11,646
Equity securities	98,984	99,478	98,984	99,478
Other loans	6,729	8,279	6,729	8,279
Total investments at FV through profit or loss	117,261	119,403	117,261	119,403
Derivative assets	82	62	82	62
Total financial assets	**118,636**	**120,574**	**118,636**	**120,574**
Financial liabilities at FV through profit or loss				
Designated at FV				
Liabilities related to unit-linked investment contracts	(51,243)	(50,229)	(51,243)	(50,229)
Derivative liabilities	(5)	(5)	(5)	(5)
Total financial liabilities	**(51,248)**	**(50,234)**	**(51,248)**	**(50,234)**

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All of the Group's financial assets and financial liabilities are initially recorded at fair value. Subsequently, available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss, and derivative financial instruments are carried at fair value as of the balance sheet date. All other financial instruments are carried at amortized cost, with their fair values disclosed in tables 14.1a and 14.1b. Their valuation techniques are described below.

Certain financial instruments are carried at nominal value which represents a reasonable estimate of fair value as these positions are readily convertible to known amounts of cash and subject to insignificant risk of changes in fair value. Such instruments include cash and cash equivalents, receivables, obligations to repurchase securities and other short-term financial assets and financial liabilities.

Fair values of held-to-maturity debt securities are obtained from third party pricing providers. The fair value received from these pricing providers may be based on quoted prices in an active market for identical assets, alternative pricing methods such as matrix pricing or an income approach employing discounted cash flow models.

Discounted cash flow models are used for mortgage and other loans as well as long-term receivables. The discount yields in these models use either current interest rates charged by the Group on these instruments or calculated rates that reflect the return a market participant would expect to receive on instruments with similar remaining maturities, cash flow patterns, currencies, credit risk, collateral and interest rates.

Fair values of debt instruments issued by the Group are estimated using discounted cash flow models based on the Group's current incremental borrowing rates for similar types of borrowings, with maturities consistent with those remaining for the debt instruments being valued.

Fair values of liabilities related to other investment contracts are determined using discounted cash flow models that incorporate a variety of factors, including credit risk, embedded derivatives (such as unit-linking features), volatility factors (including contract holder behavior), servicing costs and surrenders.

Recurring fair value measurements of financial assets and financial liabilities

Fair value hierarchy – Group investments and other non unit-linked

Table 14.2a

in USD millions, as of June 30, 2013	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Debt securities	831	136,100	2,628	139,558
Equity securities	6,282	366	951	7,599
Total available-for-sale securities	7,113	136,466	3,578	147,157
Securities at FV through profit or loss				
Trading				
Debt securities	–	43	–	44
Equity securities	–	40	332	372
Designated at FV				
Debt securities	80	7,740	214	8,035
Equity securities	1,205	252	1,514	2,971
Total securities at FV through profit or loss	1,286	8,075	2,060	11,421
Derivative assets	11	1,306	24	1,341
Total	**8,410**	**145,847**	**5,662**	**159,919**
Derivative liabilities	–	(672)	–	(673)
Total	**–**	**(672)**	**–**	**(673)**

Fair value hierarchy – unit-linked

Table 14.2b

in USD millions, as of June 30, 2013	Level 1	Level 2	Level 3	Total
Investments at FV through profit or loss				
Designated at FV				
Debt securities	1,616	9,852	81	11,549
Equity securities	68,526	30,405	53	98,984
Other loans	–	6,729	–	6,729
Total investments at FV through profit or loss	70,141	46,986	134	117,261
Derivative assets	–	82	–	82
Total	**70,141**	**47,068**	**134**	**117,344**
Financial liabilities at FV through profit or loss				
Designated at FV				
Liabilities related to unit-linked investment contracts	(315)	(50,928)	–	(51,243)
Derivatives liabilities	–	(4)	(1)	(5)
Total	**(315)**	**(50,932)**	**(1)**	**(51,248)**

The Group gives the highest priority to quoted and unadjusted prices in active markets to measure fair value. In the absence of quoted prices, fair values are calculated through valuation techniques, making the maximum use of relevant observable market data inputs. Whenever observable parameters are not available, the inputs used to derive the fair value are based on common market assumptions that market participants would use when pricing assets and liabilities. Depending on the observability of prices and inputs to valuation techniques, the Group classifies instruments measured at fair value within the following three levels (the fair value hierarchy):

Level 1 – includes assets and liabilities for which fair values are determined directly from unadjusted current quoted prices resulting from orderly transactions in active markets for identical assets/liabilities. Within level 1, the Group has classified common stocks, exchange traded derivative financial instruments, investments in unit trusts that are actively traded in an exchange market and highly liquid debt securities.

Level 2 – includes assets and liabilities for which fair values are determined using significant inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable market inputs. Within level 2, the Group has classified government and corporate bonds, investments in unit trusts, and investments in agency-backed and senior tranches of asset-backed securities where quotes are obtained from independent pricing providers. The fair value received from these pricing providers may be based on quoted prices in an active market for similar assets, alternative pricing methods such as matrix pricing or an income approach employing discounted cash flow models. If such quoted prices are not available, then fair values are estimated on the basis of information from external pricing providers or internal pricing models (for example, discounted cash flow models or other recognized valuation techniques). Upon adoption of IFRS 13, the Group elected to classify certain government and corporate debt within level 2, which were previously within level 1. While these debt securities may qualify for level 1 classification based on ordinary transactions in identical instruments, it has been assumed, as a practical expedient, that such instruments would predominantly be valued based on a mix of observable inputs.

Over the counter derivative financial instruments are valued using internal models. The fair values are determined using dealer price quotations, discounted cash flow models and option pricing models, which use various inputs including current market and contractual prices for underlying instruments, time to expiry, correlations, yield curves, prepayment rates and volatility of underlying instruments. Prices are typically sourced from independent pricing providers, banks and brokers. Such instruments are classified within level 2 as the inputs used in pricing models are generally market observable or derived from market observable data.

Fair values of liabilities related to unit-linked investment contracts are usually determined by reference to the fair value of the underlying assets backing these liabilities. The majority of such instruments are classified within level 2.

Level 3 – includes assets and liabilities for which fair values are determined using valuation techniques with at least one significant input not being based on observable market data. This approach is used only in circumstances when there is little, if any, market activity for a certain instrument, and the Group is required to develop internal valuation inputs based on the best information available about the assumptions that market participants would use when pricing the asset or liability. This would normally apply in the case of private equity funds, asset-backed securities for which very

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limited market activity is currently observed, long-dated derivative financial instruments as well as equity and debt securities from organizations in default.

The effect of changes in the internal valuation inputs to reasonably possible alternative values are disclosed in tables 14.4 and 14.5.

The Group holds certain asset classes that are not actively traded, in particular certain hedge funds and private equity investments. Fair values of such instruments are obtained from net asset value information and audited financial statements provided by the issuing hedge funds and private equity funds. Such instruments are classified within level 3. Performance of these investments and determination of their fair value are monitored closely by the Group's in-house investment professionals.

The fair value hierarchy is reviewed at the end of each reporting period to determine whether significant transfers between levels have occurred. Transfers between levels mainly arise as a result of changes in market activity and observability of the inputs to the valuation techniques used to determine the fair value of certain instruments.

For the six months ended June 30, 2013, no material transfers between level 1 and level 2 occurred.

Table 14.3a

Development of financial instruments classified within level 3 – Group investments and other non unit-linked

in USD millions	Available-for-sale securities		Securities at FV through profit or loss: Trading	Securities at FV through profit or loss: Designated at FV		
	Debt securities	Equity securities	Equity securities	Debt securities	Equity securities	Derivative assets
As of January 1, 2013	2,788	917	367	246	1,260	30
Realized gains/(losses) recognized in income[1]	23	16	(3)	(1)	–	–
Unrealized gains/(losses) recognized in income[1,2]	(2)	(1)	24	2	110	(5)
Unrealized gains/(losses) recognized in other comprehensive income	(34)	55	–	–	–	–
Purchases	496	68	15	–	729	–
Settlements/sales/redemptions	(641)	(92)	(60)	(21)	(581)	–
Transfers into level 3	59	–	–	–	–	–
Transfers out of level 3	(5)	–	–	–	–	–
Foreign currency translation effects	(57)	(13)	(10)	(12)	(5)	(1)
As of June 30, 2013	**2,628**	**951**	**332**	**214**	**1,514**	**24**

[1] Presented as net capital gains/(losses) and impairments on Group investments in the consolidated income statements.
[2] Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments. Unrealized gains/(losses) recognized in income for securities at fair value through profit or loss relate to net capital gains/(losses) and impairments.

For the six months ended June 30, 2013, the Group transferred USD 59 million of available-for-sale debt securities into level 3. The transfers were mainly the result of higher price volatility and credit rating downgrades of certain asset-backed securities, resulting in a reduction of market activity in the instruments.

Table 14.3b

Development of financial instruments classified within level 3 – unit-linked

in USD millions	Securities at FV through profit or loss	
	Debt securities	Equity securities
As of January 1, 2013	109	2,663
Realized gains/(losses) recognized in income[1]	1	6
Unrealized gains/(losses) recognized in income[1]	(7)	(4)
Purchases	–	61
Sales/redemptions	(16)	(30)
Transfers into Level 3	1	–
Transfers out of Level 3	–	(2,641)
Foreign currency translation effects	(7)	(1)
As of June 30, 2013	**81**	**53**

[1] Presented as net investment result on unit-linked investments in the consolidated income statements.

For the six months ended June 30, 2013, the Group transferred USD 2,641 million of equity securities at fair value through profit or loss out of level 3 into level 2. The transfers were the result of using observable inputs for the price valuation of the underlying assets of certain mutual funds.

Non-recurring fair value measurements of financial assets and financial liabilities

In particular circumstances, the Group may measure certain assets or liabilities at fair value on a non-recurring basis when an impairment charge is recognized.

For the six months ended June 30, 2013, the Group has valued USD 607 million of mortgage loans at fair value on a non-recurring basis. The fair value measurement is classified within level 3 as it is based on internal pricing models, using significant unobservable inputs.

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Sensitivity of fair values reported for level 3 instruments to changes to key assumptions

Within level 3, the Group classified asset-backed securities (ABSs) amounting to USD 2,842 million and USD 81 million for Group investments and investments for unit-linked contracts, respectively, as of June 30, 2013. These ABSs include non-agency backed securities for which limited observable market activity required the Group's external pricing providers to make internal valuation assumptions. To determine the fair value of these investments, pricing providers use valuation models that are based on an expected present value technique.

Within level 3, the Group also classified investments in private equity funds, certain hedge funds and other securities which are not quoted on an exchange amounting to USD 2,796 million and USD 53 million for Group investments and investments for unit-linked contracts, respectively, as of June 30, 2013. These investments are valued based on regular reports from the issuing funds, and their fair values are reviewed by a team of in-house investment professionals and may be adjusted based on their understanding of the circumstances of individual investments.

The key assumptions driving the valuation of these investments include equity levels, discount rates, credit spread rates and prepayment rates. The effect on reported fair values of using reasonably possible alternative values for each of these assumptions, while the other key assumptions remain unchanged, is disclosed in table 14.4. While this table illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. Inter-relationships between those unobservable inputs are disclosed in table 14.5. The correlation is based on the historical correlation matrix derived from the risk factors which are assigned to each of the level 3 exposures (equity and debt securities). The main market drivers are equity markets and rate indicators and the impact of such changes on the other factors. The spread scenario has been added to analyze the impact of an increase of borrowing cost for entities.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Group's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

Table 14.4

Sensitivity analysis of level 3 investments to changes in key assumptions

as of June 30, 2013	Less favorable values (relative change)	Decrease of reported fair value (in USD millions)	More favorable values (relative change)	Increase of reported fair value (in USD millions)
Key assumptions				
Equity levels	–20%	(569)	+20%	569
Discount rates	+20%	(69)	–20%	70
Spread rates	+20%	(61)	–20%	62
Prepayment rates	–20%	(2)	+20%	2

Table 14.5

Inter-relationship analysis of level 3 investments to changes in key assumptions

as of June 30, 2013	Key assumptions				
	Equity Levels	Discount Rates	Spread rates	Prepayment rates	Increase/decrease of reported fair value (in USD millions)
Scenarios					
Equity levels +10%	+10.0%	+1.4%	+1.3%	+1.3%	284
Equity levels -10%	–10.0%	–1.5%	–1.5%	–1.5%	(283)
Discount rates +10%	0.0%	+10.0%	+15.0%	–2.0%	(80)
Discount rates -10%	0.0%	–10.0%	–7.5%	+2.0%	67
Spread rates +10%	+0.1%	+7.0%	+10.0%	+0.2%	(56)

15. Related party transactions

In the normal course of business, the Group enters into various transactions with related companies, including various reinsurance and cost-sharing arrangements. These transactions are not considered material to the Group, either individually or in aggregate. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

Table 15 sets out related party transactions with equity method accounted investments, recognized in the consolidated income statements and consolidated balance sheets.

Related party transactions included in the Consolidated financial statements

Table 15

in USD millions		
for the six months ended June 30	**2013**	2012
Net earned premiums and policy fees	2	7
Net investment result on Group investments	5	3
Insurance benefits and losses, net of reinsurance	(4)	(8)
Administrative and other operating expense	(1)	(1)
as of	**06/30/13**	12/31/12
Other loans	16	18
Deposits made under assumed reinsurance contracts	3	4
Receivables and other assets	2	5
Reserves for insurance contracts	(13)	(11)
Other liabilities	(1)	(1)

Consolidated financial statements (unaudited) *continued*

16. Segment information

The Group pursues a customer-centric strategy and is managed on a matrix basis, reflecting both businesses and geography. The Group's operating segments have been identified on the basis of the businesses operated by the Group and how these are strategically managed to offer different products and services to specific customer groups. Segment information is presented accordingly. The Group's reportable segments are as follows:

General Insurance provides a variety of motor, home and commercial products and services for individuals, as well as small and large businesses.

Global Life pursues a strategy of providing market-leading unit-linked, protection and corporate propositions through global distribution and proposition pillars to develop leadership positions in its chosen segments.

Farmers provides, through Farmers Group, Inc. and its subsidiaries (FGI), non-claims related management services to the Farmers Exchanges. FGI receives fee income for the provision of services to the Farmers Exchanges, which are owned by their policyholders and managed by Farmers Group, Inc. a wholly owned subsidiary of the Group. This segment also includes all reinsurance assumed from the Farmers Exchanges by the Group. Farmers Exchanges are prominent writers of personal and small commercial lines of business in the U.S.

For the purpose of discussing financial performance the Group considers General Insurance, Global Life and Farmers to be its core business segments.

Other Operating Businesses predominantly consist of the Group´s Headquarters and Holding and Financing activities. Certain alternative investment positions not allocated to business operating segments are included within Holding and Financing.

Non-Core Businesses include insurance and reinsurance businesses that the Group does not consider core to its operations and that are therefore mostly managed to achieve a beneficial run-off. In addition, Non-Core Businesses includes the Group's management of property loans and banking activities. Non-core businesses are mainly situated in the U.S., Bermuda, the United Kingdom and Ireland.

The Group also manages two of the three core segments on a secondary level.

General Insurance is managed based on market-facing businesses, including:

- Global Corporate
- North America Commercial
- Europe
- Latin America
- Asia-Pacific
- Middle East and Africa

For external reporting purposes Latin America, Asia-Pacific and Middle East and Africa are aggregated into International Markets.

Global Life is managed on a regional-based structure within a global framework, including:

- North America
- Latin America
- Europe
- Asia-Pacific and Middle East

The segment information includes the Group's internal performance measure, business operating profit (BOP). This measure is the basis on which business units are managed. It indicates the underlying performance of the business units by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains on investments and impairments (except for the capital markets and property lending/banking operations included in Non-Core Businesses and investments in hedge funds, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses), non-operational foreign exchange movements, and significant items arising from special circumstances, including restructuring charges, charges for litigation outside the ordinary course of business and gains and losses on divestments of businesses.

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Business operating profit by business segment

Table 16.1

in USD millions, for the six months ended June 30	General Insurance		Global Life	
	2013	2012	**2013**	2012
Revenues				
Direct written premiums[1]	18,702	18,042	5,730	5,338
Assumed written premiums	1,068	1,112	52	45
Gross Written Premiums	19,770	19,153	5,782	5,383
Policy fees	–	–	1,150	1,296
Gross written premiums and policy fees	19,770	19,153	6,931	6,679
Less premiums ceded to reinsurers	(3,314)	(3,045)	(348)	(359)
Net written premiums and policy fees	16,456	16,108	6,583	6,320
Net change in reserves for unearned premiums	(1,993)	(1,890)	(250)	(216)
Net earned premiums and policy fees	14,464	14,218	6,334	6,105
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	1,182	1,346	2,240	2,206
Net investment income on Group investments	1,127	1,323	1,990	2,009
Net capital gains/(losses) and impairments on Group investments	55	23	249	197
Net investment result on unit-linked investments	–	–	5,805	3,587
Other income	437	493	549	502
Total BOP revenues	16,082	16,057	14,928	12,399
of which: inter-segment revenues	*(184)*	*(251)*	*(174)*	*(178)*
Benefits, losses and expenses				
Insurance benefits and losses, net[1]	9,914	9,602	4,493	4,623
Losses and loss adjustment expenses, net	9,915	9,605	–	22
Life insurance death and other benefits, net[1]	(1)	(4)	4,493	4,600
Policyholder dividends and participation in profits, net	2	2	6,496	4,120
Income tax expense/(benefit) attributable to policyholders	–	–	147	22
Underwriting and policy acquisition costs, net	2,790	2,770	1,359	1,341
Administrative and other operating expense (excl. depreciation/amortization)	1,744	1,809	1,210	1,156
Interest credited to policyholders and other interest	14	6	248	192
Restructuring provisions and other items not included in BOP	(15)	(10)	(41)	(31)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	14,448	14,178	13,912	11,424
Business operating profit (before interest, depreciation and amortization)	**1,634**	**1,879**	**1,016**	**975**
Depreciation and impairments of property and equipment	43	50	15	16
Amortization and impairments of intangible assets	102	94	196	243
Interest expense on debt	74	80	11	9
Business operating profit before non-controlling interests	1,415	1,657	794	708
Non-controlling interests	46	21	135	49
Business operating profit	**1,369**	**1,636**	**659**	**659**

[1] Global Life includes approximately USD 234 million and USD 342 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in the Group's Spanish operations for the six months ended June 30, 2013 and 2012, respectively (see note 3 of the Consolidated financial statements 2012).

Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
–	–	–	–	57	53	–	–	24,489	23,433
2,034	2,211	62	67	46	58	(95)	(103)	3,166	3,389
2,034	2,211	62	67	102	111	(95)	(103)	27,654	26,821
–	–	–	–	127	126	–	–	1,277	1,422
2,034	2,211	62	67	230	236	(95)	(103)	28,932	28,243
–	–	(25)	(27)	(22)	(12)	95	103	(3,613)	(3,340)
2,034	2,211	37	40	208	225	–	–	25,319	24,903
19	(15)	–	–	–	1	–	–	(2,223)	(2,119)
2,053	2,195	37	40	208	226	–	–	23,095	22,784
1,408	1,420	–	–	–	–	–	–	1,408	1,420
54	65	167	219	(291)	306	(304)	(359)	3,047	3,783
54	65	167	219	154	219	(304)	(359)	3,187	3,476
–	–	–	–	(445)	87	–	–	(140)	307
–	–	–	–	(169)	378	–	–	5,636	3,964
37	40	381	441	55	51	(613)	(732)	846	794
3,551	3,720	585	700	(197)	960	(917)	(1,092)	34,031	32,745
(32)	*(35)*	*(505)*	*(598)*	*(22)*	*(30)*	*917*	*1,092*	–	–
1,468	1,688	32	35	(138)	241	–	–	15,769	16,188
1,468	1,688	–	–	17	2	3	(2)	11,404	11,316
–	–	32	35	(155)	239	(3)	2	4,366	4,872
–	–	–	–	(180)	441	–	–	6,318	4,562
–	–	–	–	–	–	–	–	147	22
644	687	–	–	4	4	(5)	(2)	4,792	4,801
682	661	525	563	40	87	(581)	(720)	3,620	3,555
–	–	2	4	47	62	(11)	(2)	299	262
(6)	11	(70)	4	1	–	–	–	(131)	(26)
2,788	3,047	489	606	(226)	834	(597)	(724)	30,814	29,365
763	**674**	**95**	**94**	**28**	**126**	**(320)**	**(368)**	**3,217**	**3,380**
24	28	7	9	–	1	–	–	90	103
42	48	36	30	–	–	–	–	377	414
–	1	513	540	11	31	(320)	(368)	290	293
696	597	(461)	(485)	17	94	–	–	2,461	2,570
–	–	(8)	(13)	–	–	–	–	173	57
696	**597**	**(453)**	**(472)**	**17**	**93**	**–**	**–**	**2,288**	**2,512**

Consolidated financial statements (unaudited) *continued*

Reconciliation of BOP to net income after income taxes

Table 16.2

in USD millions, for the six months ended June 30	General Insurance		Global Life	
	2013	2012	**2013**	2012
Business operating profit	**1,369**	**1,636**	**659**	**659**
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	252	181	34	152
Net gain/(loss) on divestments of businesses	–	1	–	–
Restructuring provisions	(5)	(20)	(21)	(16)
Net income/(expense) on intercompany loans	(6)	(15)	(1)	(1)
Other adjustments	(5)	25	(19)	(13)
Add back:				
Business operating profit attributable to non-controlling interests	46	21	135	49
Net income before shareholders' taxes	1,652	1,828	787	829
Income tax expense/(benefit) attributable to policyholders	–	–	147	22
Net income before income taxes	**1,652**	**1,828**	**935**	**851**
Income tax expense				
attributable to policyholders				
attributable to shareholders				
Net income after taxes				
attributable to non-controlling interests				
attributable to shareholders				

[1] Includes USD 77 million release of non-operational foreign exchange relating to the closure of a branch office.

	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	696	**597**	**(453)**	**(472)**	**17**	**93**	**2,288**	**2,512**
	–	18	(14)	(17)	3	17	276	351
	–	–	–	–	–	–	–	1
	(6)	–	1	–	–	–	(32)	(36)
	–	–	7	16	–	–	–	–
	–	11	(78)[1]	(12)	1	–	(100)	10
	–	–	(8)	(13)	–	–	173	57
	690	626	(546)	(498)	21	111	2,605	2,895
	–	–	–	–	–	–	147	22
	690	**626**	**(546)**	**(498)**	**21**	**111**	**2,752**	**2,917**
							(744)	(671)
							(147)	(22)
							(596)	(649)
							2,008	**2,247**
							157	20
							1,851	2,227

Consolidated financial statements (unaudited) *continued*

Assets and liabilities by business segment

Table 16.3

in USD millions, as of	General Insurance		Global Life	
	06/30/13	12/31/12	**06/30/13**	12/31/12
Assets				
Total Group Investments	86,659	89,557	109,633	113,305
Cash and cash equivalents	10,337	10,795	3,523	3,096
Equity securities	5,339	5,716	3,890	4,467
Debt securities	63,577	65,556	77,836	79,626
Real estate held for investment	2,770	2,827	4,915	5,334
Mortgage loans	1,416	1,460	7,383	7,934
Other loans	3,213	3,197	12,003	12,779
Investments in associates and joint ventures	7	7	82	69
Investments for unit-linked contracts	–	–	109,953	112,036
Total investments	86,659	89,557	219,586	225,340
Reinsurers' share of reserves for insurance contracts	13,638	13,901	1,960	1,983
Deposits made under assumed reinsurance contracts	53	46	24	29
Deferred policy acquisition costs	3,701	3,543	14,368	14,466
Deferred origination costs	–	–	708	770
Goodwill	805	852	422	435
Other intangible assets	1,303	1,375	4,084	4,366
Other assets[1]	15,993	15,642	7,014	6,669
Total assets (after cons. of investments in subsidiaries)	**122,152**	**124,916**	**248,166**	**254,059**
Liabilities				
Liabilities for investment contracts	–	–	58,219	57,437
Reserves for insurance contracts, gross	82,179	82,693	152,934	158,533
Reserves for losses and loss adjustment expenses, gross	64,257	66,542	–	–
Reserves for unearned premiums, gross	17,798	16,023	–	–
Future life policyholders' benefits, gross	93	96	76,895	78,718
Policyholders' contract deposits and other funds, gross	31	32	17,033	17,572
Reserves for unit-linked contracts, gross	–	–	59,005	62,243
Senior debt	6,790	6,625	526	289
Subordinated debt	183	617	332	334
Other liabilities	13,771	13,967	17,287	17,447
Total liabilities	**102,923**	**103,901**	**229,298**	**234,040**
Equity				
Shareholders' equity				
Non-controlling interests				
Total equity				
Total liabilities and equity				
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets	125	331	60	150

[1] As of June 30, 2013 General Insurance included assets held for sale amounting to USD 13 million relating to land and buildings formerly classified as real estate held for investment. As of December 31, 2012 General Insurance, Global Life and Farmers included assets held for sale amounting to USD 36 million, USD 22 million and USD 33 million, respectively, relating to land and buildings formerly classified as real estate held for investment and General Insurance also included assets held for sale amounting to USD 10 million, relating to land and buildings formerly classified as real estate held for own use.

Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total	
06/30/13	12/31/12	**06/30/13**	12/31/12	**06/30/13**	12/31/12	**06/30/13**	12/31/12	**06/30/13**	12/31/12
3,728	3,881	18,906	18,503	11,349	13,120	(28,406)	(28,785)	201,869	209,582
303	377	8,672	8,562	2,052	2,518	(16,455)	(16,249)	8,432	9,098
97	96	1,378	1,686	238	376	–	–	10,942	12,341
1,217	1,274	5,878	4,707	5,567	6,250	(1,772)	(1,819)	152,302	155,594
96	101	46	43	254	256	–	–	8,082	8,561
–	–	–	–	939	1,125	–	–	9,738	10,519
2,016	2,033	2,924	3,498	2,298	2,595	(10,179)	(10,717)	12,275	13,385
–	–	9	9	1	1	–	–	98	85
–	–	–	–	11,720	11,877	–	–	121,673	123,913
3,728	3,881	18,906	18,503	23,069	24,998	(28,406)	(28,785)	323,542	333,496
–	–	–	–	3,374	4,042	(126)	(174)	18,846	19,753
2,317	2,319	–	–	166	194	–	–	2,560	2,588
332	337	–	–	–	–	–	–	18,401	18,346
–	–	–	–	–	–	–	–	708	770
819	819	–	–	–	–	–	–	2,046	2,107
1,385	1,407	279	300	–	1	–	–	7,052	7,448
1,033	1,071	1,696	1,717	1,217	1,347	(2,012)	(2,122)	24,941	24,324
9,614	**9,834**	**20,881**	**20,520**	**27,826**	**30,583**	**(30,544)**	**(31,081)**	**398,096**	**408,831**
–	–	–	–	–	–	–	–	58,219	57,437
2,803	2,841	41	36	20,039	21,303	(126)	(174)	257,869	265,233
1,560	1,580	27	27	1,483	1,969	(79)	(131)	67,248	69,986
1,243	1,262	4	4	20	20	(7)	(9)	19,057	17,300
–	–	10	6	4,459	5,020	(40)	(33)	81,418	83,807
–	–	–	–	2,357	2,420	–	–	19,421	20,024
–	–	–	–	11,720	11,874	–	–	70,725	74,117
68	214	23,729	24,398	2,496	2,554	(27,106)	(27,421)	6,503	6,660
–	–	6,560	5,788	23	23	(467)	(901)	6,632	5,861
1,279	1,318	2,413	1,925	3,730	4,695	(2,845)	(2,586)	35,635	36,766
4,149	**4,373**	**32,743**	**32,148**	**26,287**	**28,576**	**(30,544)**	**(31,081)**	**364,857**	**371,957**
								30,923	34,505
								2,316	2,369
								33,238	36,874
								398,096	**408,831**
47	120	21	150	2	–	–	–	256	751

Consolidated financial statements (unaudited) *continued*

Table 16.4

General Insurance – Customer segment overview

in USD millions, for the six months ended June 30	Global Corporate		North America Commercial	
	2013	2012	**2013**	2012
Gross written premiums and policy fees	5,192	4,720	5,318	5,069
Net earned premiums and policy fees	2,904	2,702	3,611	3,590
Insurance benefits and losses, net	2,077	1,905	2,530	2,379
Policyholder dividends and participation in profits, net	–	–	2	2
Total net technical expenses	536	540	997	1,041
Net underwriting result	291	258	82	169
Net investment income	251	303	328	445
Net capital gains/(losses) and impairments on investments	16	5	39	15
Net non-technical result (excl. items not included in BOP)	(79)	(68)	(84)	(112)
Business operating profit before non-controlling interests	479	498	365	517
Non-controlling interests	–	–	–	–
Business operating profit	479	499	365	517
Ratios, as % of net earned premiums and policy fees				
Loss ratio	71.5%	70.5%	70.1%	66.3%
Expense ratio	18.5%	20.0%	27.7%	29.0%
Combined ratio	90.0%	90.5%	97.7%	95.3%

Europe 2013	Europe 2012	International Markets 2013	International Markets 2012	GI Global Functions including Group Reinsurance 2013	GI Global Functions including Group Reinsurance 2012	Eliminations 2013	Eliminations 2012	Total 2013	Total 2012
6,659	6,924	2,888	2,653	205	174	(492)	(387)	19,770	19,153
5,719	5,918	2,227	2,003	3	4	–	–	14,464	14,218
3,945	4,076	1,372	1,244	(10)	(3)	–	–	9,914	9,602
–	–	–	–	–	–	–	–	2	2
1,506	1,556	862	745	3	3	4	(4)	3,908	3,882
267	285	(6)	14	9	4	(4)	4	640	733
370	409	139	135	39	32	(1)	(1)	1,127	1,323
1	–	–	3	–	–	–	–	55	23
(203)	(173)	7	(69)	(54)	3	5	(2)	(407)	(423)
436	520	140	83	(5)	38	–	–	1,415	1,657
7	1	39	21	–	–	–	–	46	21
429	520	101	62	(5)	38	–	–	1,369	1,636
69.0%	68.9%	61.6%	62.1%	nm	nm	n/a	n/a	68.5%	67.5%
26.3%	26.3%	38.7%	37.2%	nm	nm	n/a	n/a	27.0%	27.3%
95.3%	95.2%	100.3%	99.3%	nm	nm	n/a	n/a	95.6%	94.8%

Consolidated financial statements (unaudited) *continued*

Table 16.5

General Insurance – Revenues by region

in USD millions, for the six months ended June 30	Gross written premiums and policy fees from external customers		of which Global Corporate	
	2013	2012	**2013**	2012
North America				
United States	6,687	6,190		
Canada	489	483		
Bermuda	5	4		
North America	7,180	6,678	1,956	1,688
Europe				
United Kingdom	1,996	1,976		
Germany	1,923	2,018		
Switzerland	2,228	2,229		
Italy	933	942		
Spain	789	834		
Rest of Europe	1,508	1,504		
Europe	9,377	9,504	2,652	2,519
Latin America				
Argentina	208	181		
Brazil	572	425		
Chile	135	181		
Mexico	365	248		
Venezuela	87	91		
Rest of Latin America	19	16		
Latin America	1,387	1,141	–	–
Asia-Pacific				
Australia	649	621		
Hong Kong	114	104		
Japan	364	402		
Taiwan	67	67		
Rest of Asia-Pacific	226	204		
Asia-Pacific	1,421	1,398	299	310
Middle East	108	119	81	77
Africa				
South Africa	223	237		
Morocco	73	72		
Africa	296	310	26	11
Total	**19,769**	**19,150**	**5,013**	**4,604**

Table 16.6

General Insurance – Non-current assets by region

in USD millions, as of	Property/equipment and intangible assets	
	06/30/13	12/31/12
North America		
United States	211	223
Canada	4	4
Bermuda	23	24
North America	238	252
Europe		
United Kingdom	207	213
Germany	210	210
Switzerland	565	593
Italy	28	34
Spain	333	346
Rest of Europe	562	605
Europe	1,905	2,001
Latin America		
Argentina	11	11
Brazil	215	234
Chile	31	34
Mexico	257	263
Venezuela	12	16
Rest of Latin America	–	5
Latin America	526	561
Asia-Pacific		
Australia	63	74
Hong Kong	12	13
Japan	23	27
Taiwan	8	9
Rest of Asia-Pacific	4	4
Asia-Pacific	110	128
Middle East	52	43
Africa		
South Africa	11	15
Morocco	31	32
Africa	42	46
Total	**2,872**	**3,032**

Consolidated financial statements (unaudited) *continued*

Global Life – Overview

Table 16.7

in USD millions, for the six months ended June 30

	North America		Latin America	
	2013	2012	**2013**	2012
Revenues				
Life insurance deposits	139	137	869	1,356
Gross written premiums[1]	275	260	1,653	1,225
Policy fees	154	146	29	36
Gross written premiums and policy fees	429	406	1,682	1,261
Net earned premiums and policy fees	322	300	1,442	1,041
Net investment income on Group investments	146	159	169	112
Net capital gains/(losses) and impairments on Group investments	–	–	(95)	30
Net investment result on Group investments	146	159	74	143
Net investment income on unit-linked investments	(17)	(17)	7	5
Net capital gains/(losses) and impairments on unit-linked investments	34	28	167	545
Net investment result on unit-linked investments	17	12	174	550
Other income	44	47	122	40
Total BOP revenues	529	518	1,813	1,774
Benefits, losses and expenses				
Insurance benefits and losses, net[1]	195	164	599	462
Policyholder dividends and participation in profits, net	27	23	187	553
Income tax expense/(benefit) attributable to policyholders	–	–	–	–
Underwriting and policy acquisition costs, net	60	61	496	416
Administrative and other operating expense (excl. depreciation/amortization)	75	72	175	168
Interest credited to policyholders and other interest	74	71	43	10
Restructuring provisions and other items not included in BOP	–	–	–	(24)
Total BOP benefits, losses and expenses	432	391	1,500	1,586
Business operating profit (before interest, depreciation and amortization)	**97**	**126**	**314**	**188**
Depreciation and impairments of property and equipment	–	–	2	1
Amortization and impairments of intangible assets	11	11	65	97
Interest expense on debt	2	2	–	(6)
Business operating profit before non-controlling interests	84	113	247	96
Non-controlling interests	–	–	125	40
Business operating profit	**84**	**113**	**122**	**56**

[1] Europe includes approximately USD 234 million and USD 342 million of gross written premiums and future life policyholders' benefits for certain universal life-type contracts in the Group's Spanish operations for the six months ended June 30, 2013 and 2012, respectively (see note 3 of the Consolidated financial statements 2012).

Europe		Asia-Pacific and Middle East		Other		Eliminations		Total	
2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
3,803	5,375	822	902	465	270	–	–	6,098	8,039
3,366	3,499	423	351	104	75	(39)	(27)	5,782	5,383
906	1,024	57	87	4	3	–	–	1,150	1,296
4,272	4,523	480	439	108	78	(39)	(27)	6,931	6,679
4,063	4,315	413	377	93	72	–	–	6,334	6,105
1,596	1,652	74	81	6	5	–	(1)	1,990	2,009
333	143	11	24	–	–	–	–	249	197
1,929	1,795	85	105	6	5	–	(1)	2,240	2,206
969	991	38	38	16	21	–	–	1,012	1,039
4,196	1,863	416	87	(20)	24	–	–	4,793	2,548
5,165	2,854	454	125	(5)	46	–	–	5,805	3,587
153	165	100	92	131	160	(2)	(3)	549	502
11,310	9,129	1,052	700	225	282	(2)	(4)	14,928	12,399
3,503	3,824	132	128	63	44	–	–	4,493	4,623
5,747	3,284	536	209	(2)	51	–	–	6,496	4,120
146	14	1	8	–	–	–	–	147	22
686	684	55	113	62	67	–	–	1,359	1,341
603	656	239	150	119	113	(2)	(4)	1,210	1,156
119	98	11	13	–	–	–	–	248	192
(32)	(16)	–	9	(9)	–	–	–	(41)	(31)
10,773	8,544	974	632	235	275	(2)	(4)	13,912	11,424
537	**585**	**78**	**68**	**(9)**	**8**	**–**	**–**	**1,016**	**975**
10	11	3	3	–	–	–	–	15	16
116	129	4	2	–	4	–	–	196	243
7	12	–	–	1	1	–	–	11	9
404	433	71	63	(11)	3	–	–	794	708
11	10	(1)	(1)	–	–	–	–	135	49
392	**423**	**72**	**64**	**(11)**	**3**	**–**	**–**	**659**	**659**

Consolidated financial statements (unaudited) *continued*

Table 16.8

Global Life – Revenues by region

in USD millions, for the six months ended June 30	Gross written premiums and policy fees from external customers		Life insurance deposits	
	2013	2012	**2013**	**2012**
North America				
United States	429	406	139	137
North America	429	406	139	137
Latin America				
Chile	555	296	5	5
Argentina	58	56	25	20
Mexico	163	120	240	81
Venezuela	30	30	–	–
Brazil	874	757	600	1,250
Uruguay	3	1	–	–
Latin America	1,682	1,261	869	1,356
Europe				
United Kingdom	860	871	1,109	2,918
Germany	1,334	1,405	944	1,032
Switzerland	995	1,130	60	63
Ireland[1]	371	256	1,316	1,024
Spain	404	508	34	121
Italy	194	230	278	178
Portugal	14	17	37	15
Austria	74	79	26	24
Europe	4,246	4,496	3,803	5,375
Asia-Pacific and Middle East				
Hong Kong	47	43	61	64
Taiwan	–	–	2	–
Indonesia	4	–	–	–
Australia	162	157	40	37
Japan	41	50	9	12
Malaysia	112	120	–	–
Zurich International Life[2]	114	68	710	788
Asia-Pacific and Middle East	480	439	822	902
Other				
Luxembourg[1]	4	3	465	270
International Group Risk Solutions[3]	59	43	–	–
Other	63	46	465	270
Total	**6,900**	**6,647**	**6,098**	**8,039**

[1] Includes business written under freedom of services and freedom of establishment in Europe.
[2] Mainly includes business written through licenses into Asia-Pacific and Middle East.
[3] Includes business written through licenses into all regions.

Table 16.9

Global Life – Non-current assets by region

in USD millions, as of	Property/equipment and intangible assets	
	06/30/13	12/31/12
North America		
United States	176	165
North America	176	165
Latin America		
Chile	432	472
Argentina	87	96
Mexico	242	256
Brazil	868	965
Latin America	1,630	1,789
Europe		
United Kingdom	387	426
Germany	697	743
Switzerland	75	81
Ireland[1]	4	2
Spain	1,687	1,759
Italy	108	122
Austria	31	32
Europe	2,988	3,164
Asia-Pacific and Middle East		
Hong Kong	7	8
Indonesia	3	3
Japan	5	3
Singapore	2	1
Malaysia	119	124
Zurich International Life	17	20
Asia-Pacific and Middle East	152	158
Other		
Luxembourg[1]	3	4
Other	3	4
Total	**4,949**	**5,280**

[1] Includes assets relating to business written under freedom of services and freedom of establishment in Europe.

Consolidated financial statements (unaudited) *continued*

Farmers – Overview

Table 16.10

in USD millions, for the six months ended June 30	Total	
	2013	2012
Farmers Management Services		
Management fees and other related revenues	1,408	1,420
Management and other related expenses	738	736
Gross management result	670	684
Other net income (excl. items not included in BOP)	18	23
Business operating profit before non-controlling interest	687	707
Business operating profit	687	707
Farmers Re		
Gross written premiums and policy fees	2,034	2,211
Net earned premiums and policy fees	2,053	2,195
Insurance benefits and losses, net	(1,468)	(1,688)
Total net technical expenses	(644)	(687)
Net underwriting result	(58)	(179)
Net non-technical result (excl. items not relevant for BOP)	33	31
Net investment income	34	38
Business operating profit before non-controlling interests	9	(110)
Business operating profit	9	(110)
Farmers business operating profit	**696**	**597**

Ratios, as % of net earned premiums and policy fees		
Farmers Re Combined ratio	102.8%	108.2%

Supplementary information		
Property, equipment and intangible assets[1]	2,376	2,403

[1] As of June 30, 2013 and December 31, 2012, respectively.

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Consolidated financial statements (unaudited) *continued*

Other Operating Businesses – Overview

Table 16.11

in USD millions, for the six months ended June 30	Holding and Financing	
	2013	2012
Gross written premiums and policy fees	58	63
Net earned premiums and policy fees	33	36
Net investment income	148	199
Other income	32	34
Total BOP revenues	213	269
Insurance benefits and losses, incl. PH dividends, net	33	35
Administrative and other operating expense (excl. depreciation/amortization)	148	70
Other expenses and items not included in BOP	(69)	8
Depreciation, amortization and impairments of property, equipment and intangible assets	–	5
Interest expense on debt	516	542
Business operating profit before non-controlling interests	(415)	(391)
Non-controlling interests	(8)	(13)
Business operating profit	**(407)**	**(378)**

	Headquarters		Eliminations		Total	
	2013	2012	**2013**	2012	**2013**	2012
	4	4	–	–	62	67
	4	4	–	–	37	40
	22	23	(3)	(3)	167	219
	452	479	(103)	(72)	381	441
	477	505	(106)	(75)	585	700
	(1)	–	–	–	32	35
	479	565	(102)	(72)	525	563
	1	–	–	–	(68)	8
	43	34	–	–	43	39
	1	1	(3)	(3)	513	540
	(46)	(94)	–	–	(461)	(485)
	–	–	–	–	(8)	(13)
	(46)	**(94)**	**–**	**–**	**(453)**	**(472)**

Consolidated financial statements (unaudited) *continued*

Non-Core Businesses – Overview

Table 16.12

in USD millions, for the six months ended June 30	Total	
	2013	2012
Gross written premiums and policy fees	230	236
Net earned premiums and policy fees	208	226
Insurance benefits and losses, net	(138)	241
Policyholder dividends and participation in profits, net	(180)	441
Total net technical expenses	31	38
Net underwriting result	495	(494)
Net investment income	46	108
Net capital gains/(losses) and impairments on investments	(506)	575
Net non-technical result (excl. items not included in BOP)	(18)	(96)
Business operating profit before non-controlling interests	**17**	**94**
Non-controlling interests	–	–
Business operating profit	**17**	**93**

17. Events after the balance sheet date

On July 16, 2013, Zurich Insurance Company Ltd, a wholly owned subsidiary of the Group, completed the sale of part of its holding in New China Life Insurance Company Ltd (NCI) representing 3.1% of the total issued share capital of NCI. The gross sale proceeds to be realized by the Group were HKD 2,194 million (approximately USD 283 million). Zurich Insurance Company Ltd continues to hold approximately 9.4% of the total issued share capital of NCI.

On July 26, 2013, the Group issued an increase of EUR 212 million to the EUR 788 million 4.25% dated subordinated notes due 2043 (the Notes) bringing the total issue size to EUR 1.0 billion. The Notes are expected to be treated as capital from a regulatory and rating agency perspective to the extent permissible. Simultaneously with this new issuance, a nominal amount of EUR 149 million of the Zurich Finance (USA), Inc. 4.5% EUR 500 million subordinated notes due June 2025 were repurchased and canceled after holders of these notes were made an offer to tender part or all of their holdings for cash.

Review report of the auditors

Review report of the auditors

To the Board of Directors of Zurich Insurance Group Ltd

Introduction
We have reviewed the accompanying unaudited Consolidated financial statements (consolidated income statement (unaudited), consolidated statement of comprehensive income (unaudited), consolidated balance sheet (unaudited), consolidated statement of cash flows (unaudited), consolidated statement of changes in equity (unaudited) and related notes on pages 3 to 69) of Zurich Insurance Group Ltd for the period ended June 30, 2013. The Board of Directors is responsible for the preparation and presentation of these unaudited Consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these unaudited Consolidated financial statements based on our review.

Scope of Review
We conducted our review in accordance with Swiss Auditing Standard 910 and International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swiss Auditing Standards and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the unaudited Consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers AG

Richard Burger
Audit expert

Stephen O'Hearn
Global relationship partner

Zurich, August 14, 2013

Disclaimer & Cautionary Statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives of Zurich Insurance Group Ltd or the Zurich Insurance Group (the Group). Forward-looking statements include statements regarding the Group's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding the Group's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Insurance Group Ltd or the Group to differ materially from those expressed or implied in the forward-looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of a global economic downturn; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; and (viii) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. Zurich Insurance Group Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

All references to "Farmers Exchanges" mean Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange and their subsidiaries and affiliates. The three Exchanges are California domiciled interinsurance exchanges owned by their policyholders with governance oversight by their Boards of Governors. Farmers Group, Inc. and its subsidiaries are appointed as the attorneys-in-fact for the Farmers Exchanges and in that capacity provide certain non-claims administrative and management services to the Farmers Exchanges. Neither Farmers Group, Inc., nor its parent companies, Zurich Insurance Company Ltd and Zurich Insurance Group Ltd, have any ownership interest in the Farmers Exchanges. Financial information about the Farmers Exchanges is proprietary to the Farmers Exchanges, but is provided to support an understanding of the performance of Farmers Group, Inc. and Farmers Reinsurance Company.

It should be noted that past performance is not a guide to future performance. Please also note that interim results are not necessarily indicative of full year results.

Persons requiring advice should consult an independent advisor.

This communication does not constitute an offer or an invitation for the sale or purchase of securities in any jurisdiction.

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