

Consolidated financial statements (unaudited) 2015

Zurich Insurance Group
Results for the six months to June 30, 2015

Consolidated financial statements (unaudited)

Contents

Consolidated income statements	3
Consolidated statements of comprehensive income	4
Consolidated balance sheets	8
Consolidated statements of cash flows	10
Consolidated statements of changes in equity	12
1. Basis of presentation	14
2. Acquisitions and divestments	16
3. Group investments	17
4. Reserves for insurance contracts and reinsurers' share of reserves for insurance contracts	19
5. Policyholder dividends and participation in profits	21
6. Deferred policy acquisition costs and deferred origination costs	22
7. Attorney-in-fact contracts, goodwill and other intangible assets	23
8. Restructuring provisions	25
9. Income taxes	26
10. Senior and subordinated debt	27
11. Commitments and contingencies, legal proceedings and regulatory investigations	28
12. Fair value measurement	30
13. Segment information	34
Review report of the auditors	38

Consolidated income statements

in USD millions	Notes	2015	Restated 2014	2015	Restated 2014
		for the three months ended June 30	for the three months ended June 30	for the six months ended June 30	for the six months ended June 30
Revenues					
Gross written premiums		11,833	13,136	25,599	27,874
Policy fees		628	707	1,273	1,439
Gross written premiums and policy fees		12,461	13,843	26,872	29,314
Less premiums ceded to reinsurers ¹		(3,391)	(1,678)	(5,015)	(3,283)
Net written premiums and policy fees		9,070	12,165	21,857	26,030
Net change in reserves for unearned premiums		(118)	(269)	(1,844)	(1,989)
Net earned premiums and policy fees		8,952	11,896	20,013	24,042
Farmers management fees and other related revenues		693	699	1,380	1,391
Net investment result on Group investments	3	1,890	2,176	4,023	4,369
Net investment income on Group investments		1,478	1,681	2,809	3,217
Net capital gains/(losses) and impairments on Group investments		412	495	1,214	1,153
Net investment result on unit-linked investments		(3,444)	2,938	5,230	4,405
Net gain/(loss) on divestments of businesses		–	(13)	–	(13)
Other income		375	475	727	849
Total revenues		8,465	18,171	31,372	35,043
Benefits, losses and expenses					
Insurance benefits and losses, gross of reinsurance		8,073	8,925	16,757	18,155
Less ceded insurance benefits and losses ¹		(2,561)	(745)	(3,384)	(1,409)
Insurance benefits and losses, net of reinsurance		5,512	8,181	13,374	16,746
Policyholder dividends and participation in profits, net of reinsurance	5	(2,700)	3,419	6,198	5,318
Underwriting and policy acquisition costs, net of reinsurance		2,275	2,513	4,433	5,080
Administrative and other operating expense		2,053	2,393	3,935	4,268
Interest expense on debt		111	139	223	277
Interest credited to policyholders and other interest		121	158	236	285
Total benefits, losses and expenses		7,372	16,802	28,400	31,974
Net income before income taxes		1,093	1,370	2,973	3,069
Income tax (expense)/benefit	9	(191)	(466)	(800)	(824)
attributable to policyholders	9	102	(42)	(95)	21
attributable to shareholders	9	(293)	(425)	(705)	(846)
Net income after taxes		902	904	2,172	2,245
attributable to non-controlling interests		62	56	113	122
attributable to shareholders		840	848	2,059	2,123
in USD					
Basic earnings per share		5.64	5.73	13.84	14.36
Diluted earnings per share		5.60	5.71	13.73	14.31
in CHF					
Basic earnings per share		5.30	5.09	13.10	12.79
Diluted earnings per share		5.27	5.07	12.99	12.74

¹ The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was an increase of USD 1.6 billion in premiums ceded to reinsurers and an increase of USD 1.7 billion in ceded insurance benefits and losses in the Global Life business.

Consolidated financial statements (unaudited) *continued*

Consolidated statements of comprehensive income

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	
2014				
Comprehensive income for the period, as restated	2,123	1,748	100	
Details of movements during the period				
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		2,950	118	
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(721)	10	
Deferred income tax (before foreign currency translation effects)		(485)	(29)	
Foreign currency translation effects		3	1	
2015				
Comprehensive income for the period	2,059	(946)	(23)	
Details of movements during the period				
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		100	(83)	
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(1,281)	51	
Deferred income tax (before foreign currency translation effects)		254	(9)	
Foreign currency translation effects		(19)	18	

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	Total comprehensive income attributable to non-controlling interests	Total comprehensive income
	(880)	967	21	(176)	(155)	813	2,936	160	3,096
	(880)	2,188	28	(115)	(87)	2,101			
	–	(711)	–	–	–	(711)			
	–	(513)	(7)	(5)	(12)	(525)			
	–	4	–	(56)	(56)	(52)			
	(2,076)	(3,045)	–	(319)	(319)	(3,364)	(1,305)	(71)	(1,376)
	(2,076)	(2,058)	1	(359)	(358)	(2,416)			
	–	(1,229)	–	–	–	(1,229)			
	–	244	–	61	60	305			
	–	(1)	–	(21)	(21)	(22)			

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	
2014				
Comprehensive income for the period	848	972	19	
Details of movements during the period				
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		1,546	37	
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(361)	11	
Deferred income tax (before foreign currency translation effects)		(217)	(28)	
Foreign currency translation effects		4	(1)	
2015				
Comprehensive income for the period	840	(1,809)	(115)	
Details of movements during the period				
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(1,882)	(119)	
Reclassification to income statement (before tax and foreign currency translation effects and after allocation to policyholders)		(637)	(27)	
Deferred income tax (before foreign currency translation effects)		583	18	
Foreign currency translation effects		127	13	

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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	Total comprehensive income attributable to non-controlling interests	Total comprehensive income
	(896)	95	22	(135)	(113)	(18)	830	75	904
	(896)	686	28	(73)	(45)	641			
	–	(350)	–	–	–	(350)			
	–	(244)	(6)	(20)	(26)	(270)			
	–	3	–	(42)	(42)	(39)			
	(620)	(2,544)	1	(215)	(214)	(2,758)	(1,918)	68	(1,850)
	(620)	(2,621)	1	(46)	(45)	(2,666)			
	–	(664)	–	–	–	(664)			
	–	600	–	(15)	(16)	585			
	–	140	–	(153)	(153)	(13)			

Consolidated financial statements (unaudited) *continued*

Consolidated balance sheets

Assets	in USD millions, as of	Notes	Restated		
			06/30/15	12/31/14	01/01/14
Investments					
Total Group investments		3	196,644	204,860	207,280
Cash and cash equivalents			8,821	7,600	7,181
Equity securities			18,998	16,099	13,183
Debt securities			142,173	153,648	156,456
Investment property			9,316	8,784	8,745
Mortgage loans			7,672	7,826	9,798
Other loans			9,595	10,834	11,789
Investments in associates and joint ventures			69	70	129
Investments for unit-linked contracts			135,021	134,416	134,267
Total investments¹			331,666	339,276	341,547
Reinsurers' share of reserves for insurance contracts ¹		4	18,584	16,550	17,978
Deposits made under assumed reinsurance contracts			2,009	2,203	2,645
Deferred policy acquisition costs		6	18,052	17,750	18,724
Deferred origination costs		6	558	595	724
Accrued investment income ²			1,717	1,912	2,321
Receivables and other assets			17,755	16,946	18,499
Deferred tax assets			1,595	1,561	2,020
Assets held for sale ³			26	48	223
Property and equipment			1,266	1,273	1,494
Attorney-in-fact contracts		7	1,025	1,025	1,025
Goodwill		7	1,552	1,661	1,852
Other intangible assets		7	5,190	5,729	6,003
Total assets			400,995	406,529	415,053

¹ The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was a decrease of USD 1.7 billion in total investments and an increase of USD 1.7 billion in Reinsurers' share of reserves for insurance contracts in the Global Life business.

² Accrued investment income on unit-linked investments amounted to USD 154 million and USD 133 million as of June 30, 2015 and December 31, 2014, respectively.

³ June 30, 2015 included land and buildings formerly classified as investment property amounting to USD 26 million. December 31, 2014 included land and buildings formerly classified as investment property amounting to USD 48 million.

Liabilities
and equity

in USD millions, as of

	Notes	06/30/15	Restated 12/31/14	01/01/14
Liabilities				
Reserve for premium refunds		517	606	571
Liabilities for investment contracts		73,242	70,813	67,113
Deposits received under ceded reinsurance contracts		952	1,022	1,245
Deferred front-end fees		5,500	5,539	5,791
Reserves for insurance contracts	4	248,554	253,719	265,440
Obligations to repurchase securities		1,708	1,451	1,685
Accrued liabilities		2,763	3,065	3,023
Other liabilities		17,933	17,230	17,904
Deferred tax liabilities		4,785	5,020	5,110
Liabilities held for sale		–	–	49
Senior debt	10	5,370	5,379	6,044
Subordinated debt	10	5,789	5,857	6,342
Total liabilities		367,115	369,700	380,319
Equity				
Share capital		11	11	11
Additional paid-in capital		3,306	4,843	6,395
Net unrealized gains/(losses) on available-for-sale investments		3,122	4,068	1,730
Cash flow hedges		283	306	106
Cumulative foreign currency translation adjustment		(8,389)	(6,313)	(4,008)
Revaluation reserve		219	218	195
Retained earnings		33,331	31,602	28,075
Shareholders' equity		31,883	34,735	32,503
Non-controlling interests		1,997	2,095	2,231
Total equity		33,880	36,830	34,734
Total liabilities and equity		400,995	406,529	415,053

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

in USD millions, for the six months ended June 30		
	2015	Restated 2014
Cash flows from operating activities		
Net income attributable to shareholders	2,059	2,123
Adjustments for:		
Net (gain)/loss on divestments of businesses	–	13
(Income)/expense from equity method accounted investments	(6)	(8)
Depreciation, amortization and impairments of fixed and intangible assets	496	514
Other non-cash items	264	(200)
Underwriting activities:	6,354	6,626
Reserves for insurance contracts, gross	4,953	4,271
Reinsurers' share of reserves for insurance contracts ¹	(2,088)	295
Liabilities for investment contracts	3,923	2,610
Deferred policy acquisition costs	(633)	(405)
Deferred origination costs	21	32
Deposits made under assumed reinsurance contracts	249	(10)
Deposits received under ceded reinsurance contracts	(71)	(167)
Investments:	(4,022)	(3,898)
Net capital (gains)/losses on total investments and impairments	(5,463)	(4,610)
Net change in derivatives	(53)	(134)
Net change in money market investments	720	303
Sales and maturities		
Debt securities ¹	45,728	57,970
Equity securities	32,836	32,060
Other	4,643	3,387
Purchases		
Debt securities	(43,529)	(53,889)
Equity securities	(34,400)	(36,693)
Other	(4,504)	(2,292)
Net changes in sale and repurchase agreements	249	(83)
Movements in receivables and payables	(779)	242
Net changes in other operational assets and liabilities	(481)	(379)
Deferred income tax, net	59	(119)
Net cash provided by/(used in) operating activities	4,193	4,831

¹ The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was an increase of USD 1.7 billion in Reinsurers' share of reserves for insurance contracts and a transfer of USD 1.6 million of debt securities in the Global Life business.

in USD millions, for the six months ended June 30

	2015	Restated 2014
Cash flows from investing activities		
Disposals of tangible and intangible assets	15	34
Additions to tangible and intangible assets	(277)	(540)
(Acquisitions)/disposals of equity method accounted investments, net	–	94
Divestments of companies, net of cash divested	–	55
Dividends from equity method accounted investments	8	–
Net cash provided by/(used in) investing activities	(254)	(356)
Cash flows from financing activities		
Dividends paid	(2,729)	(2,862)
Issuance of share capital	43	73
Net movement in treasury shares	17	16
Other acquisitions and divestments related cash flows	–	(413)
Issuance of debt	301	224
Repayment of debt	(321)	(54)
Net cash provided by/(used in) financing activities	(2,689)	(3,017)
Foreign currency translation effects on cash and cash equivalents	(138)	27
Change in cash and cash equivalents	1,113	1,485
Cash and cash equivalents as of January 1	8,776	8,162
Cash and cash equivalents as of June 30	9,889	9,647
of which:		
– Group investments	8,821	8,227
– Unit-linked	1,068	1,420
Other supplementary cash flow disclosures		
Other interest income received	2,694	3,399
Dividend income received	1,069	1,052
Other interest expense paid	(467)	(523)
Income taxes paid	(787)	(653)

Cash and cash equivalents

in USD millions, as of June 30

	2015	2014
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	7,944	7,072
Cash equivalents	1,944	2,575
Total	9,889	9,647

As of June 30, 2015 and 2014, cash and cash equivalents held to meet local regulatory requirements were USD 835 million and USD 769 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

in USD millions

	Share capital	Additional paid-in capital	
Balance as of December 31, 2013	11	6,395	
Issuance of share capital ¹	–	146	
Dividends to shareholders ²	–	(1,815)	
Share-based payment transactions	–	(47)	
Treasury share transactions ⁴	–	1	
Change in ownership interests with no loss of control	–	–	
Total comprehensive income for the period, net of tax	–	–	
<i>Net income</i>	–	–	
<i>Net unrealized gains/(losses) on available-for-sale investments</i>	–	–	
<i>Cash flow hedges</i>	–	–	
<i>Cumulative foreign currency translation adjustment</i>	–	–	
<i>Revaluation reserve</i>	–	–	
<i>Net actuarial gains/(losses) on pension plans</i>	–	–	
Net changes in capitalization of non-controlling interests	–	–	
Balance as of June 30, 2014, as restated	11	4,680	
Balance as of December 31, 2014, as previously reported	11	4,843	
Total adjustments due to restatement	–	–	
Balance as of December 31, 2014, as restated	11	4,843	
Issuance of share capital ¹	–	203	
Dividends to shareholders ²	–	(1,683)	
Share-based payment transactions	–	(61)	
Treasury share transactions ⁴	–	3	
Total comprehensive income for the period, net of tax	–	–	
<i>Net income</i>	–	–	
<i>Net unrealized gains/(losses) on available-for-sale investments</i>	–	–	
<i>Cash flow hedges</i>	–	–	
<i>Cumulative foreign currency translation adjustment</i>	–	–	
<i>Revaluation reserve</i>	–	–	
<i>Net actuarial gains/(losses) on pension plans</i>	–	–	
Net changes in capitalization of non-controlling interests	–	–	
Balance as of June 30, 2015	11	3,306	

¹ The number of common shares issued as of June 30, 2015 was 150,397,053 (June 30, 2014: 149,425,570, December 31, 2014: 149,636,836, December 31, 2013: 148,903,222).

² As approved by the Annual General Meeting on April 2, 2014, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 1,022 million between the dividend at transaction day exchange rates amounting to USD 2,837 million and the dividend at historical exchange rates amounting to USD 1,815 million is reflected in the cumulative foreign currency translation adjustment.

³ As approved by the Annual General Meeting on April 1, 2015, the dividend of CHF 17 per share was paid out of the capital contribution reserve. The difference of USD 1,022 million between the dividend at transaction day exchange rates amounting to USD 2,705 million and the dividend at historical exchange rates amounting to USD 1,683 million is reflected in the cumulative foreign currency translation adjustment.

⁴ The number of treasury shares deducted from equity as of June 30, 2015 amounted to 1,249,799 (June 30, 2014: 1,302,434, December 31, 2014: 1,292,220, December 31, 2013: 1,320,652).

	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
	1,730	106	(4,008)	195	28,075	32,503	2,231	34,734
	–	–	–	–	–	146	–	146
	–	–	–	–	–	(1,815)	(25)	(1,840)
	–	–	–	–	–	(47)	–	(47)
	–	–	–	–	14	15	–	15
	–	–	–	–	(38)	(38)	–	(38)
	1,748	100	(880)	21	1,947	2,936	160	3,096
	–	–	–	–	2,123	2,123		
	1,748	–	–	–	–	1,748		
	–	100	–	–	–	100		
	–	–	(880)	–	–	(880)		
	–	–	–	21	–	21		
	–	–	–	–	(176)	(176)		
	–	–	–	–	–	–	(112)	(112)
	3,478	205	(4,888)	216	29,998	33,699	2,254	35,953
	4,068	306	(6,259)	218	31,548	34,735	2,095	36,830
	–	–	(54)	–	54	–	–	–
	4,068	306	(6,313)	218	31,602	34,735	2,095	36,830
	–	–	–	–	–	203	–	203
	–	–	–	–	–	(1,683)	(24)	(1,707)
	–	–	–	–	(25)	(86)	–	(86)
	–	–	–	–	14	17	–	17
	(946)	(23)	(2,076)	–	1,740	(1,305)	(71)	(1,376)
	–	–	–	–	2,059	2,059		
	(946)	–	–	–	–	(946)		
	–	(23)	–	–	–	(23)		
	–	–	(2,076)	–	–	(2,076)		
	–	–	–	–	–	–		
	–	–	–	–	(319)	(319)		
	–	–	–	–	–	–	(3)	(3)
	3,122	283	(8,389)	219	33,331	31,883	1,997	33,880

Consolidated financial statements (unaudited) *continued*

Zurich Insurance Group Ltd and its subsidiaries (collectively the Group) is a provider of insurance products and related services. The Group mainly operates in Europe, North America, 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, 2015 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 2014 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. Dividends, realized capital gains and losses as well as gains and losses on the transfer of net assets, are eliminated within the segment, whereas all other intercompany gains and losses are eliminated at Group level. 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, 2015 should be read in conjunction with the Group's Annual Report 2014.

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 U.S. dollars, 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 174 million and USD 56 million for the six months ended June 30, 2015 and 2014, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD 227 million and USD 45 million for the six months ended June 30, 2015 and 2014, respectively.

Table 1.1

Principal exchange rates

USD per foreign currency unit

	Consolidated balance sheets at end-of-period exchange rates		Consolidated income statements and cash flows at average exchange rates	
	06/30/15	12/31/14	06/30/15	06/30/14
Euro	1.1140	1.2101	1.1181	1.3710
Swiss franc	1.0676	1.0064	1.0564	1.1226
British pound	1.5726	1.5577	1.5240	1.6686
Brazilian real	0.3216	0.3763	0.3388	0.4357

Implementation of new accounting standards

No new accounting standards nor amendments to and interpretations of standards have been implemented for the financial year beginning January 1, 2015.

Table 1.2

Standard/ Interpretation	Table 1.2	
		Effective date
	New Standards	
IFRS 9	Financial Instruments ¹	January 1, 2018
IFRS 15	Revenue from Contracts with Customers	January 1, 2017

¹ Expected to result in a significant portion of financial assets currently classified as available-for-sale being classified as at fair value through profit or loss. Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in other comprehensive income (OCI), are expected to increase due to the introduction of the expected credit loss methodology. Upon implementation of the revised standard IFRS 4 'Insurance Contracts', more assets might be classified as at fair value through profit or loss under the fair value option.

The Group has not early-adopted the standards shown in table 1.2

Restatements and reclassifications

The Group changed its accounting policy relating to recognition of cumulative foreign currency translation adjustments, moving from an absolute to a proportionate ownership interest method. The impact on the consolidated income statement was a profit of USD 14 million within net investment result on Group investments and administrative and other operating expense for the six months ended June 30, 2014. The impact on the consolidated balance sheet was a reclassification of losses of USD 54 million from retained earnings to cumulative foreign currency translation adjustment as of December 31, 2014.

The Group transferred USD 406 million from future life policyholder benefits to policyholder contract deposits and other funds. The reclassification was prospectively recognized in 2015 as the reclassification has no impact on the Group's consolidated balance sheet or income statement. The reclassifications are set out in note 4.

Consolidated financial statements (unaudited) *continued*

2. Acquisitions and divestments

Transactions in 2015

There were no material transactions in the six months to June 30, 2015.

Transactions in 2014

Acquisitions

On October 31, 2014, the Group completed the acquisition of an effective 50.0 percent stake in Mediterráneo Seguros Diversos, S.A. (MSD), a general insurance company incorporated in Spain and thus extended the existing cooperation with Banco Sabadell S.A. (Banco Sabadell) entered into during 2008. The Group obtained control over MSD by virtue of the existing shareholders' agreement between the Group and Banco Sabadell.

The initial consideration on a 50.0 percent basis amounted to USD 50 million, including an immaterial purchase price adjustment. In addition to the initial consideration, an uncapped contingent liability based on the future profitability over the term of the distribution agreement was agreed, for which the fair value was estimated to amount to USD 4 million on a 50.0 percent basis. Based on the preliminary purchase accounting, the fair value of net tangible assets acquired amounted to USD 30 million, identifiable intangible assets relating to the distribution agreement amounted to USD 79 million, net of deferred tax and the non-controlling interest amounted to USD 54 million as reflected in the Consolidated financial statements as of the acquisition date.

On May 28, 2014, the Group increased its shareholding in Deutscher Herold AG to 100 percent. This increase was the result of the non-controlling shareholder exercising its put option right over 15.17 percent of the shares and the Group exercising its call option right over 5.0 percent. The total consideration amounted to USD 366 million, of which USD 275 million for 15.17 percent was previously recorded on the balance sheet as a put option liability.

Divestments

On October 30, 2014, the Group closed the sale of its General Insurance retail business in Russia to OLMA Group. The contractually agreed sales price amounted to RUB 1 billion (approximately USD 23 million), subject to a purchase price adjustment. The Group is still in the process of finalizing any purchase price adjustment. A pre-tax loss of USD 247 million has been recorded within net gain/(loss) on divestments of businesses.

3. Group investments

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.

Net investment result for Group investments	Table 3.1 in USD millions, for the six months ended June 30							
	Net investment income		Net capital gains/(losses) and impairments		Net investment result		of which impairments	
	2015	2014	2015	2014	2015	2014	2015	2014
Cash and cash equivalents	15	18	–	–	15	19	–	–
Equity securities	271	189	488	362	759	551	(58)	(9)
Debt securities	2,049	2,401	748	664	2,796	3,065	(2)	2
Investment property	246	252	3	(5)	249	248	–	–
Mortgage loans	127	173	(35)	(11)	92	162	(35)	(11)
Other loans	223	307	4	62	228	368	–	–
Investments in associates and joint ventures	6	8	–	38	6	45	–	(2)
Derivative financial instruments ¹	–	–	6	44	6	44	–	–
Investment result, gross, for Group investments	2,938	3,348	1,214	1,153	4,152	4,501	(95)	(20)
Investment expenses for Group investments ²	(129)	(132)	–	–	(129)	(132)	–	–
Investment result, net, for Group investments	2,809	3,217	1,214	1,153	4,023	4,369	(95)	(20)

¹ Net capital gains/(losses) on derivative financial instruments attributable to cash flow hedge ineffectiveness amounted to USD 2 million and USD (2) million for the six months ended June 30, 2015 and 2014, respectively.

² Rental operating expenses for investment property included in investment expenses for Group investments amounted to USD 37 million and USD 49 million for the six months ended June 30, 2015 and 2014, respectively.

Details of Group investments by category	Table 3.2 as of			
	06/30/15		12/31/14	
	USD millions	% of total	USD millions	% of total
Cash and cash equivalents	8,821	4.5	7,600	3.7
Equity securities:				
Fair value through profit or loss	3,700	1.9	3,619	1.8
Available-for-sale ¹	15,298	7.8	12,480	6.1
Total equity securities	18,998	9.7	16,099	7.9
Debt securities:				
Fair value through profit or loss	6,860	3.5	7,121	3.5
Available-for-sale ¹	131,680	67.0	142,557	69.6
Held-to-maturity	3,634	1.8	3,971	1.9
Total debt securities	142,173	72.3	153,648	75.0
Investment property	9,316	4.7	8,784	4.3
Mortgage loans	7,672	3.9	7,826	3.8
Other loans	9,595	4.9	10,834	5.3
Investments in associates and joint ventures	69	0.0	70	0.0
Total Group investments	196,644	100.0	204,860	100.0

¹ As of January 1, 2015, USD 1.5 billion of hybrid instruments were classified as available-for-sale equity securities. These were previously classified as available-for-sale debt securities.

Investments (including cash and cash equivalents) with a carrying value of USD 6,513 million and USD 6,214 million were held to meet local regulatory requirements as of June 30, 2015 and December 31, 2014, respectively.

Consolidated financial statements (unaudited) *continued*

Table 3.3

Net unrealized gains/(losses) on Group investments included in equity	in USD millions, as of	Total	
		06/30/15	12/31/14
	Equity securities: available-for-sale	1,597	1,575
	Debt securities: available-for-sale	8,657	12,510
	Other	362	371
	Gross unrealized gains/(losses) on Group investments	10,616	14,456
	Less amount of unrealized gains/(losses) on investments attributable to:		
	Life policyholder dividends and other policyholder liabilities	(5,301)	(7,628)
	Life deferred acquisition costs and present value of future profits	(724)	(995)
	Deferred income taxes	(1,154)	(1,421)
	Non-controlling interests	(32)	(38)
	Total¹	3,405	4,374

¹ Net unrealized gains/(losses) on Group investments include net gains arising on cash flow hedges of USD 283 million and USD 306 million as of June 30, 2015 and December 31, 2014, respectively.

Table 3.4

Securities lending, repurchase and reverse repurchase agreements	in USD millions, as of	Total	
		06/30/15	12/31/14
	Securities lending agreements		
	Securities lent under securities lending agreements ¹	6,469	7,668
	Collateral received for securities lending	6,999	8,266
	of which: Cash collateral	111	229
	of which: Non cash collateral ²	6,888	8,036
	Liabilities for cash collateral received for securities lending	111	229
	Repurchase agreements		
	Securities sold under repurchase agreements ³	1,709	1,455
	Obligations to repurchase securities	1,708	1,451
	Reverse repurchase agreements		
	Securities purchased under reverse repurchase agreements ⁴	113	294
	Receivables under reverse repurchase agreements	111	290

¹ The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 6,469 million and USD 7,668 million as of June 30, 2015 and December 31, 2014, respectively. The majority of these assets were debt securities.

² The Group had the right to sell or repledge, in the absence of default by its counterparties, securities received as collateral with a fair value of USD 6,639 million and USD 7,344 million as of June 30, 2015 and December 31, 2014, respectively.

³ The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 1,080 million and USD 1,307 million as of June 30, 2015 and December 31, 2014, respectively. The majority of these assets were debt securities.

⁴ The Group had the right to sell or repledge, in the absence of default by its counterparties, securities received as collateral with a fair value of nil as of both June 30, 2015 and December 31, 2014.

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

Table 4.1

Reserves for insurance contracts	in USD millions, as of	Gross		Ceded		Net	
		06/30/15	12/31/14	06/30/15	12/31/14	06/30/15	12/31/14
Reserves for losses and loss adjustment expenses		63,855	64,472	(9,607)	(9,770)	54,248	54,703
Reserves for unearned premiums		18,602	16,779	(2,957)	(2,446)	15,644	14,333
Future life policyholder benefits ¹		74,180	77,652	(4,148)	(2,441)	70,032	75,211
Policyholder contract deposits and other funds		22,234	23,415	(1,969)	(1,994)	20,265	21,421
Reserves for unit-linked contracts		69,684	71,400	–	–	69,684	71,400
Total reserves for insurance contracts²		248,554	253,719	(18,681)	(16,650)	229,873	237,069

¹ The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was an increase of USD 1.7 billion in Reinsurers' share of reserves for insurance contracts in the Global Life business.

² Total reserves for insurance contracts ceded are gross of allowances for uncollectible amounts of USD 97 million and USD 100 million as of June 30, 2015 and December 31, 2014, respectively.

Table 4.2

Development of reserves for losses and loss adjustment expenses	in USD millions	Gross		Ceded		Net	
		2015	2014	2015	2014	2015	2014
As of January 1		64,472	68,312	(9,770)	(10,993)	54,703	57,319
Losses and loss adjustment expenses incurred:							
Current year		11,739	12,722	(1,465)	(1,353)	10,274	11,369
Prior years		(240)	(322)	50	249	(190)	(73)
Total incurred		11,499	12,400	(1,415)	(1,104)	10,085	11,296
Losses and loss adjustment expenses paid:							
Current year		(2,992)	(3,686)	172	209	(2,820)	(3,477)
Prior years		(8,205)	(9,012)	1,265	1,464	(6,941)	(7,548)
Total paid		(11,197)	(12,698)	1,437	1,673	(9,760)	(11,025)
Acquisitions/(divestments) and transfers ¹		–	49	(44)	2	(44)	51
Foreign currency translation effects		(919)	251	184	(13)	(735)	238
As of June 30		63,855	68,314	(9,607)	(10,435)	54,248	57,879

¹ The 2015 net movement includes USD (44) million relating to a reinsurance agreement which transferred the benefits and risks of some of the Group's general insurance portfolio to a third party. The 2014 net movement includes USD 48 million reclassified from future life policyholders' benefits (see note 1).

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.

The decrease of USD 455 million during the six months of 2015 in net reserves for losses and loss adjustment expenses is mostly driven by a decrease of USD 735 million for foreign currency translation effects. Favorable reserve development arising from reserves established in prior years amounted to USD 190 million for the six months of 2015, mainly driven by a reduction in medium and large losses in the UK, a reduction in case reserves in motor third party liability in Switzerland and favorable claims experience in Italy. In addition, there is favorable prior year development mainly relating to large losses in surety in North America Commercial, offset by a deterioration in run-off businesses in North America.

Consolidated financial statements (unaudited) *continued*

The increase of USD 560 million during the first six months of 2014 in net reserves for losses and loss adjustment expenses is mostly driven by an increase in foreign currency translation effects of USD 238 million. Favorable reserve development arising from reserves established in prior years amounted to USD 73 million for the first six months of 2014, in part due to favorable releases in Switzerland and the UK partly offset by increases in Global Corporate.

Table 4.3

Development of future life policyholder benefits	in USD millions	Gross		Ceded		Net	
		2015	2014	2015	2014	2015	2014
As of January 1		77,652	84,476	(2,441)	(2,501)	75,211	81,975
Premiums ¹		5,752	5,735	(2,022)	(300)	3,730	5,435
Claims		(4,495)	(4,994)	272	246	(4,222)	(4,748)
Fee income and other expenses		(1,810)	(2,005)	82	74	(1,728)	(1,930)
Interest and bonuses credited to policyholders		988	1,623	(32)	(64)	955	1,559
Changes in assumptions ¹		301	76	–	(2)	300	74
Acquisitions/(divestments) and transfers ²		(878)	(100)	–	–	(878)	(100)
Increase/(decrease) recorded in other comprehensive income		(506)	480	–	–	(506)	480
Foreign currency translation effects		(2,823)	137	(8)	(25)	(2,831)	112
As of June 30		74,180	85,429	(4,148)	(2,572)	70,032	82,857

¹ The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was an increase of USD 1.6 billion in ceded premiums. In addition, in changes in assumptions, there was USD 220 million due to the recycling of balances previously recorded in other comprehensive income.

² The 2015 net movement relates to USD (472) million transferred to Banco Santander S.A., which was previously managed on a fiduciary and ring-fenced basis, and USD (406) million reclassified to policyholder contract deposits and other funds (see note 1). The 2014 net movement relates to USD (52) million reclassified to reserves for unit-linked contracts and USD (48) million reclassified to reserves for losses and loss adjustment expenses (see note 1 of the Consolidated financial statements 2014).

Table 4.4

Policyholder contract deposits and other funds gross	in USD millions, as of	06/30/15	12/31/14
	Universal life and other contracts	12,352	12,626
	Policyholder dividends	9,882	10,789
Total		22,234	23,415

Table 4.5

Development of policyholder contract deposits and other funds	in USD millions	Gross		Ceded		Net	
		2015	2014	2015	2014	2015	2014
As of January 1		23,415	20,162	(1,994)	(2,036)	21,421	18,126
Premiums		569	751	(27)	(25)	541	727
Claims		(617)	(705)	91	89	(525)	(616)
Fee income and other expenses		(248)	(161)	(2)	(2)	(250)	(163)
Interest and bonuses credited to policyholders		944	758	(38)	(38)	906	720
Acquisitions/(divestments) and transfers ¹		406	–	–	–	406	–
Increase/(decrease) recorded in other comprehensive income		(1,287)	2,190	–	–	(1,287)	2,190
Foreign currency translation effects		(948)	(32)	–	–	(948)	(32)
As of June 30		22,234	22,964	(1,969)	(2,012)	20,265	20,952

¹ The 2015 net movement relates to USD 406 million reclassified from future life policyholder benefits (see note 1).

5. Policyholder dividends and participation in profits

Policyholder dividends and participation in profits	Table 5		
	in USD millions, for the six months ended June 30	2015	2014
	Change in policyholder contract deposits and other funds	914	803
	Change in reserves for unit-linked products	2,693	2,457
	Change in liabilities for investment contracts – unit-linked	2,578	1,983
	Change in liabilities for investment contracts – other	102	127
	Change in unit-linked liabilities related to UK capital gains tax	(89)	(52)
	Total policyholder dividends and participation in profits	6,198	5,318

Consolidated financial statements (unaudited) *continued*

6. Deferred policy acquisition costs and deferred origination costs

Table 6.1

Development of deferred policy acquisition costs	in USD millions	General Insurance		Global Life		Farmers		Total	
		2015	2014	2015	2014	2015	2014	2015	2014
As of January 1		3,984	3,794	13,584	14,606	182	323	17,750	18,724
Acquisition costs deferred		1,933	1,788	961	1,053	234	407	3,128	3,248
Amortization		(1,593)	(1,516)	(670)	(917)	(233)	(409)	(2,495)	(2,842)
Impairments		–	–	–	(1)	–	–	–	(1)
Amortization (charged)/credited to other comprehensive income		–	–	205	(268)	–	–	205	(268)
Foreign currency translation effects		(81)	25	(455)	196	–	–	(536)	221
As of June 30		4,242	4,090	13,626	14,670	183	321	18,052	19,082

As of June 30, 2015, December 31, 2014 and June 30, 2014, deferred policy acquisition costs relating to non-controlling interests were USD 386 million, USD 422 million and USD 468 million, respectively.

Table 6.2

Development of deferred origination costs	in USD millions	2015	2014
As of January 1		595	724
Origination costs deferred		26	32
Amortization		(47)	(64)
Foreign currency translation effects		(16)	13
As of June 30		558	705

7. Attorney-in-fact contracts, goodwill and other intangible assets

Table 7.1

Intangible assets –
current period

in USD millions

	Attorney-in-fact relationships	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Gross carrying value as of January 1, 2015	1,025	1,778	2,701	4,480	4,588	186	14,760
Less: accumulated amortization/impairments	–	(117)	(2,145)	(903)	(3,046)	(133)	(6,344)
Net carrying value as of January 1, 2015	1,025	1,661	556	3,577	1,543	53	8,415
Additions and transfers	–	–	–	4	178	–	182
Amortization	–	–	(37)	(109)	(166)	(4)	(316)
Amortization charged to other comprehensive income	–	–	12	–	–	–	12
Impairments	–	(49)	–	(1)	(44)	(1)	(94)
Foreign currency translation effects	–	(61)	(26)	(332)	(12)	(1)	(433)
Net carrying value as of June 30, 2015	1,025	1,552	505	3,140	1,498	47	7,767
Plus: accumulated amortization/impairments	–	164	2,118	927	3,149	134	6,492
Gross carrying value as of June 30, 2015	1,025	1,715	2,623	4,067	4,648	181	14,259

As of June 30, 2015, intangible assets relating to non-controlling interests were USD 102 million for the present value of future profits (PVFP) of acquired insurance contracts, USD 1,364 million for distribution agreements and USD 14 million for software.

Following a review of a subsidiary in Global Life, the Group reassessed the recoverability of the goodwill and concluded that USD 49 million was fully impaired.

Following restructuring decisions, mainly in Global Life, certain IT assets will no longer be required, which resulted in an impairment of USD 34 million. In addition, software was identified, which was not utilized as originally expected, resulting in USD 10 million of impairments.

Table 7.2

Intangible assets
by segment –
current period

in USD millions, as of June 30, 2015

	Attorney-in-fact relationship	Goodwill	PVFP	Distribution agreements	Software	Other	Total
General Insurance	–	495	–	847	622	43	2,007
Global Life	–	238	505	2,292	387	4	3,426
Farmers	1,025	819	–	–	334	–	2,179
Other Operating Businesses	–	–	–	–	155	–	155
Net carrying value as of June 30, 2015	1,025	1,552	505	3,140	1,498	47	7,767

Consolidated financial statements (unaudited) *continued*

Table 7.3

Intangible assets –
prior period

in USD millions

	Attorney- in-fact relationships	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Gross carrying value as of January 1, 2014	1,025	2,190	2,918	4,364	4,720	226	15,443
Less: accumulated amortization/ impairments	–	(338)	(2,189)	(811)	(3,080)	(145)	(6,563)
Net carrying value as of January 1, 2014	1,025	1,852	729	3,553	1,640	81	8,880
Additions and transfers	–	–	–	206	174	–	380
Amortization	–	–	(14)	(94)	(195)	(5)	(308)
Amortization charged to other comprehensive income	–	–	(38)	–	–	–	(38)
Impairments	–	(59)	–	–	(58)	–	(117)
Foreign currency translation effects	–	12	3	19	11	1	47
Net carrying value as of June 30, 2014	1,025	1,805	680	3,683	1,572	77	8,844
Plus: accumulated amortization/ impairments	–	388	2,274	906	3,265	149	6,983
Gross carrying value as of June 30, 2014	1,025	2,193	2,954	4,589	4,837	227	15,827

As of June 30, 2014, intangible assets relating to non-controlling interests were USD 149 million for present value of future profits (PVFP) of acquired insurance contracts, USD 1,718 million for distribution agreements and USD 13 million for software.

The Group extended the long-term distribution agreements with Banco de Sabadell S.A. (Banco Sabadell) in Spain to sell life and pension products across Banco Sabadell's extended network, resulting in an addition to distribution agreements of USD 184 million, of which 50 percent was funded by Banco Sabadell. An additional USD 22 million related to new distribution agreements entered into by General Insurance operations in Brazil.

Following a review of a subsidiary in Global Life, the Group reassessed the recoverability of the goodwill and concluded that USD 59 million was impaired.

Following a review, software was identified, primarily in Global Life, which was not utilized as originally expected, resulting in USD 58 million of impairments.

Table 7.4

Intangible assets
by segment –
prior periodin USD millions, as of December 31,
2014

	Attorney- in-fact relationships	Goodwill	PVFP	Distribution agreements	Software	Other	Total
General Insurance	–	533	–	989	613	47	2,182
Global Life	–	309	556	2,588	406	6	3,865
Farmers	1,025	819	–	–	328	–	2,173
Other Operating Businesses	–	–	–	–	195	–	195
Net carrying value as of December 31, 2014	1,025	1,661	556	3,577	1,543	53	8,415

8. Restructuring provisions

Restructuring provisions	Table 8		
	in USD millions	2015	2014
	As of January 1	125	188
	Provisions made during the period	11	45
	Increase of provisions set up in prior years	5	17
	Provisions used during the period	(42)	(63)
	Provisions reversed during the period	(3)	(4)
	Foreign currency translation effects	(2)	2
	As of June 30	94	184

During the six months ended June 30, 2015, restructuring programs with estimated costs of USD 11 million for the current year impacted General Insurance, Global Life and Other Operating Businesses, mainly in Europe. USD 2 million related to net increases of provisions for restructuring which were initiated in prior years. In addition, the Group recorded USD 34 million of software impairments (see note 7), resulting from restructuring decisions.

During the six months ended June 30, 2014, restructuring programs with estimated costs of USD 45 million announced in that year impacted mainly Other Operating Businesses, Global Life in the UK as well as General Insurance in the UK. This included USD 37 million relating to the Group's strategic initiative for organizational alignment to reduce complexity and cost while enhancing agility. USD 13 million related to net increases of provisions for restructuring which were initiated in prior years.

Consolidated financial statements (unaudited) *continued*

9. Income taxes

Table 9.1

Income tax expense – current/deferred split		in USD millions, for the six months ended June 30		2015	2014
Current				741	928
Deferred				59	(104)
Total income tax expense/(benefit)				800	824

Table 9.2

Expected and actual income tax expense		in USD millions, for the six months ended June 30		Rate	2015	Rate	2014
Net income before income taxes					2,973		3,069
less: income tax (expense)/benefit attributable to policyholders					(95)		21
Net income before income taxes attributable to shareholders					2,877		3,090
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate				22.0%	633	22.0%	680
Increase/(reduction) in taxes resulting from:							
Tax rate differential in foreign jurisdictions					138		139
Tax exempt and lower taxed income					(38)		(22)
Non-deductible expenses					22		37
Tax losses previously unrecognized or no longer recognized					(2)		(2)
Prior year adjustments and other					(47)		14
Actual income tax expense attributable to shareholders				24.5%	705	27.4%	846
plus: income tax expense/(benefit) attributable to policyholders					95		(21)
Actual income tax expense				26.9%	800	26.9%	824

Table 9.2 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.

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.

10. Senior and subordinated debt

Table 10

Senior and
subordinated debt

in USD millions, as of		06/30/15	12/31/14
Senior debt			
Zurich Insurance Company Ltd	Floating rate CHF 200 million notes, due June 2016 ⁴	213	201
	2.25% CHF 500 million notes, due July 2017 ⁴	532	501
	2.375% CHF 525 million notes, due November 2018 ⁴	557	525
	1.50% CHF 400 million notes, due June 2019 ^{3,4,7}	446	414
	1.125% CHF 400 million notes, due September 2019 ^{3,4,7}	451	419
	0.625% CHF 250 million notes, due July 2020 ^{3,4,7}	276	256
	2.875% CHF 250 million notes, due July 2021 ⁴	264	249
	3.375% EUR 500 million notes, due June 2022 ^{3,4,6,7}	592	656
	1.875% CHF 100 million notes, due September 2023 ^{3,4,7}	118	110
	1.750% EUR 500 million notes, due September 2024 ^{4,6,7}	553	609
	1.500% CHF 150 million notes, due July 2026 ^{3,4,7}	173	161
Zurich Finance (USA), Inc.	Euro Commercial Paper Notes, due in less than 1 year	400	400
	6.50% EUR 600 million notes, due October 2015 ^{1,4,5}	668	726
Zurich Santander Insurance America S.L.	7.5% EUR 77 million loan, due December 2035	86	113
Other	Various debt instruments	40	40
Senior debt		5,370	5,379
Subordinated debt			
Zurich Insurance Company Ltd	4.25% CHF 700 million perpetual notes, first callable May 2016 ⁴	745	702
	8.25% USD 500 million perpetual capital notes, first callable January 2018 ^{4,6}	497	497
	4.625% CHF 500 million perpetual notes, first callable May 2018 ⁴	530	499
	7.5% EUR 425 million notes, due July 2039, first callable July 2019 ^{4,6}	471	512
	2.75% CHF 200 million perpetual capital notes, first callable September 2021 ^{3,4,7}	222	206
	4.25% EUR 1 billion notes, due October 2043, first callable October 2023 ^{4,6}	1,102	1,196
	4.25% USD 300 million notes, due October 2045, first callable October 2025 ^{4,6}	298	–
	6.625% GBP 450 million perpetual notes, first callable October 2022 ^{2,4}	701	694
Zurich Finance (UK) plc	4.5% EUR 269 million notes, due June 2025, first callable June 2015 ^{3,4,5}	–	330
Zurich Finance (USA), Inc.	Series II 6.45% USD 700 million Trust Preferred Securities (ECAPS), due December 2065, first callable June 2016	680	680
ZFS Finance (USA) Trust II	Series V 6.5% USD 1 billion Trust Preferred Securities, due May 2067, first callable May 2017	501	501
ZFS Finance (USA) Trust V	Various debt instruments	42	41
Other			
Subordinated debt		5,789	5,857
Total senior and subordinated debt		11,159	11,236

¹ The bond is part of a qualifying cash flow hedge (100 percent).

² 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.

³ These bonds are part of qualifying fair value hedges (100 percent).

⁴ Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).

⁵ 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.

⁶ These bonds are part of a qualifying net investment hedge (100 percent).

⁷ The Group applied the fair value hedge methodology to hedge the interest rate exposure.

None of the debt instruments listed in table 10 were in default as of June 30, 2015 or December 31, 2014.

Consolidated financial statements (unaudited) *continued*

11. Commitments and contingencies, legal proceedings and regulatory investigations

The Group has provided contractual commitments and financial guarantees to external parties, associates and joint ventures as well as partnerships. These arrangements include commitments under certain conditions to make liquidity advances to cover default principal and interest payments, make capital contributions or provide equity financing.

Table 11

Quantifiable commitments and contingencies	in USD millions, as of	06/30/15	12/31/14
	Remaining commitments under investment agreements	1,011	871
	Guarantees and letters of credit ¹	9,739	9,661
	Future operating lease commitments	1,485	1,222
	Undrawn loan commitments	5	3
	Other commitments and contingent liabilities	559	538

¹ Guarantee features embedded in life insurance products are not included.

Legal, compliance and regulatory developments

In recent years there has been an increase in the number of legislative initiatives that require information gathering and tax reporting regarding the Group's customers and their contracts, including the U.S. Foreign Account Tax Compliance Act (FATCA) and the expected introduction of other automatic tax information exchange regimes based on the Common Reporting Standard (CRS). The Group's compliance activities in this area, as well as actions by local tax and law enforcement officials (including inquiries and investigations into cross-border business activities), could result in higher compliance costs, remedial actions and other related expenses for its life insurance, saving and pension business. As with the industry more generally, it is also possible that implementation of automatic tax information exchange and other developments relating to cross-border life, saving and pension business could give rise to inquiries by legal, tax and/or regulatory authorities in the future.

Legal proceedings and regulatory investigations

The Group's business is subject to extensive supervision, and the Group is in regular contact with various regulatory authorities. The Group is continuously involved in legal proceedings, claims and regulatory investigations arising, for the most part, in the ordinary course of its business operations. Specifically, 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 competition, 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 (Phase 1). The Phase 1 trial commenced on November 1, 2010. Closing arguments were heard on February 22 and 23, 2012.

The court issued its Statement of Decision for Phase 1 on December 27, 2013. While the court found that the plaintiffs had established that Home transferred certain assets to one of the defendants in connection with the 1995 recapitalization transaction, it held that the plaintiffs' fraudulent transfer claims, which all related to transfers allegedly made as part of the 1995 recapitalization, were time-barred. The court further held that Home's liquidator had exclusive standing to bring fraudulent transfer claims involving Home's assets. The effect of these holdings should be the dismissal of the plaintiffs' fraudulent transfer claims. In addition, the court accepted the defendants' arguments that the findings made by the regulators in approving the recapitalization transaction are binding on the plaintiffs in the Fuller-Austin Case.

Following a hearing to consider the effect of the initial decision on the plaintiffs' remaining claims, on July 21, 2014, the court issued a Tentative Statement of Decision for Phase 1A. The court ruled that all of the plaintiffs' fraudulent transfer causes of action were barred, and asked the plaintiffs to confirm on the record their concession that their unfair competition claims were also barred (the final Statement of Decision for Phase 1A was filed on February 27, 2015). The court allowed the plaintiffs' remaining claims to proceed, but held that the plaintiffs are bound by the insurance regulators' determinations that the 1995 recapitalization was fair and in the best interests of Home's policyholders, including the plaintiffs. In early 2015, certain plaintiffs committed to voluntarily dismiss their claims with prejudice in exchange for an agreement that the defendants will not pursue them for litigation costs. Requests for dismissal with prejudice of their claims were filed with the Court. The Group maintains that the Fuller-Austin Case is without merit and intends to continue to defend itself vigorously against the claims of any plaintiff that remains in the case.

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*

12. Fair value measurement

This note excludes financial assets and financial liabilities relating to unit-linked contracts. Table 12.1 compares the fair value of financial assets and financial liabilities with their carrying value. Certain financial instruments are not included within this table as their carrying value is a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, obligations to repurchase securities, deposits made under assumed reinsurance contracts and deposits received under ceded reinsurance contracts and other financial assets and liabilities.

Fair value and carrying value of financial assets and financial liabilities	Table 12.1				
	in USD millions, as of	Total fair value		Total carrying value	
		06/30/15	12/31/14	06/30/15	12/31/14
Available-for-sale securities					
Equity securities		15,298	12,480	15,298	12,480
Debt securities		131,680	142,557	131,680	142,557
Total available-for-sale securities		146,978	155,037	146,978	155,037
Fair value through profit or loss securities					
Equity securities		3,700	3,619	3,700	3,619
Debt securities		6,860	7,121	6,860	7,121
Total fair value through profit or loss securities		10,560	10,740	10,560	10,740
Derivative assets		1,461	1,230	1,461	1,230
Held-to-maturity debt securities		4,408	4,747	3,634	3,971
Investments in associates and joint ventures		69	70	69	70
Mortgage loans		8,261	8,452	7,672	7,826
Other loans		11,253	12,943	9,595	10,834
Total financial assets		182,990	193,219	179,969	189,706
Derivative liabilities		(476)	(429)	(476)	(429)
Financial liabilities held at amortized cost					
Liabilities related to investment contracts		(990)	(977)	(853)	(843)
Liabilities related to investment contracts with DPF		(6,521)	(6,195)	(7,102)	(7,006)
Senior debt		(5,541)	(5,626)	(5,370)	(5,379)
Subordinated debt		(6,301)	(6,483)	(5,789)	(5,857)
Total financial liabilities held at amortized cost		(19,353)	(19,282)	(19,114)	(19,084)
Total financial liabilities		(19,829)	(19,710)	(19,590)	(19,513)

Recurring fair value measurements of assets and liabilities

Fair value hierarchy – non unit-linked – current period	Table 12.2a				
	in USD millions, as of June 30, 2015	Level 1	Level 2	Level 3	Total
Available-for-sale securities					
Equity securities		12,332	1,985	981	15,298
Debt securities		234	126,155	5,290	131,680
Total available-for-sale securities		12,566	128,141	6,271	146,978
Fair value through profit or loss securities					
Equity securities		1,116	106	2,479	3,700
Debt securities		–	6,680	180	6,860
Total fair value through profit or loss securities		1,116	6,785	2,659	10,560
Derivative assets		11	1,033	417	1,461
Total		13,693	135,958	9,348	158,999
Derivative liabilities		(2)	(328)	(146)	(476)
Total		(2)	(328)	(146)	(476)

For the six months ended June 30, 2015, no material transfers between level 1 and level 2 occurred.

Table 12.2b					
Fair value hierarchy – non unit-linked – prior period	in USD millions, as of December 31, 2014	Level 1	Level 2	Level 3	Total
	Available-for-sale securities				
	Equity securities	11,291	259	929	12,480
	Debt securities	362	139,431	2,764	142,557
	Total available-for-sale securities	11,653	139,691	3,693	155,037
	Fair value through profit or loss securities				
	Equity securities	978	223	2,417	3,619
	Debt securities	1	6,934	185	7,121
	Total fair value through profit or loss securities	979	7,157	2,603	10,740
	Derivative assets	2	853	375	1,230
	Total	12,634	147,701	6,671	167,006
	Derivative liabilities	(18)	(350)	(61)	(429)
	Total	(18)	(350)	(61)	(429)

For the year ended December 31, 2014, no material transfers between level 1 and 2 occurred.

Table 12.3a						
Development of assets and liabilities classified within level 3 – non unit-linked – current period	in USD millions	Available-for-sale securities		Fair value through profit or loss securities		
		Equity securities	Debt securities	Equity securities	Debt securities	Derivative assets
						Derivative liabilities
	As of January 1, 2015	929	2,764	2,417	185	375
	Realized gains/(losses) recognized in income ¹	60	4	42	–	(3)
	Unrealized gains/(losses) recognized in income ^{1,2}	(8)	(36)	6	(1)	(3)
	Unrealized gains/(losses) recognized in other comprehensive income	(43)	(32)	–	–	38
	Purchases	90	1,083	190	7	–
	Settlements/sales/redemptions	(114)	(347)	(197)	(11)	(3)
	Transfers into level 3	60	1,909	–	–	2
	Transfers out of level 3	–	(46)	–	–	(5)
	Foreign currency translation effects	6	(8)	21	1	16
	As of June 30, 2015	981	5,290	2,479	180	417

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.

For the six months ended June 30, 2015, the Group transferred USD 1,909 million of available-for-sale debt securities out of level 2 into level 3 as a result of a review of the classification of certain collateralized loan obligations and privately placed securities. The fair value of these securities is obtained from third party pricing providers, who use significant unobservable inputs and expert judgment in their valuation models.

Consolidated financial statements (unaudited) *continued*

Table 12.3b

in USD millions

Development of
assets and liabilities
classified within
level 3 –
non unit-linked
– prior period

	Available-for-sale securities		Fair value through profit or loss securities		Derivative assets	Derivative liabilities
	Equity securities	Debt securities	Equity securities	Debt securities		
As of January 1, 2014	1,000	2,775	2,175	219	95	(70)
Realized gains/(losses) recognized in income ¹	23	12	7	–	–	–
Unrealized gains/(losses) recognized in income ^{1,2}	(1)	(19)	85	8	(13)	(1)
Unrealized gains/(losses) recognized in other comprehensive income	31	33	–	–	–	–
Purchases	67	451	213	13	–	–
Settlements/sales/redemptions	(125)	(452)	(193)	(29)	–	–
Transfers into level 3	3	–	–	5	–	–
Transfers out of level 3	–	(87)	–	–	–	–
Foreign currency translation effects	3	23	9	5	1	(1)
As of June 30, 2014	1,000	2,735	2,297	221	82	(72)

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.

For the six months ended June 30, 2014, the Group transferred USD 87 million of available-for-sale debt securities out of level 3 into level 2. The transfers were mainly the result of lower price volatility and credit rating upgrades of certain asset-backed securities, resulting in an increase of market activity in the instruments.

Non-recurring fair value measurements of assets and 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.

The Group has valued USD 342 million and USD 477 million of mortgage loans at fair value on a non-recurring basis as of June 30, 2015 and December 31, 2014, respectively. These are classified within level 3 as the fair value measurement is based on internal pricing models, using significant unobservable inputs.

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

Within level 3, the Group classified asset-backed securities (ABS) amounting to USD 5,471 million and USD 2,956 million as of June 30, 2015 and 2014, respectively.

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 3,460 million and USD 3,297 million for Group investments as of June 30, 2015 and 2014, respectively. 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 tables 12.4a and 12.4b. While these tables illustrate the overall effect of changing the values of 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 tables 12.5a and 12.5b. 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.

Sensitivity analysis
of level 3 investments
to changes in
key assumptions –
current period

Table 12.4a

as of June 30, 2015

	Less favorable values (relative change)	Decrease in reported fair value (in USD millions)	More favorable values (relative change)	Increase in reported fair value (in USD millions)
Key assumptions				
Equity levels	-20%	(692)	+20%	692
Discount rates	+20%	(140)	-20%	141
Spread rates	+20%	(149)	-20%	150
Prepayment rates	-20%	2	+20%	(2)

Sensitivity analysis
of level 3 investments
to changes in
key assumptions –
prior period

Table 12.4b

as of June 30, 2014

	Less favorable values (relative change)	Decrease in reported fair value (in USD millions)	More favorable values (relative change)	Increase in reported fair value (in USD millions)
Key assumptions				
Equity levels	-20%	(659)	+20%	659
Discount rates	+20%	(71)	-20%	72
Spread rates	+20%	(60)	-20%	60
Prepayment rates	-20%	1	+20%	(2)

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

Table 12.5a

as of June 30, 2015

	Key assumptions				Increase/decrease in reported fair value (in USD millions)
	Equity Levels	Discount Rates	Spread rates	Prepayment rates	
Scenarios					
Equity levels +10%	+10.0%	-1.4%	-1.4%	-1.4%	325
Equity levels -10%	-10.0%	+1.3%	+1.3%	+1.3%	(334)
Discount rates +10%	+0.5%	+10.0%	+7.5%	-2.0%	(109)
Discount rates -10%	-0.4%	-10.0%	-7.5%	+2.0%	110
Spread rates +10%	+0.5%	+7.0%	+10.0%	+0.2%	(110)

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

Table 12.5b

as of June 30, 2014

	Key assumptions				Increase/decrease in reported fair value (in USD millions)
	Equity Levels	Discount Rates	Spread rates	Prepayment rates	
Scenarios					
Equity levels +10%	+10.0%	-1.5%	-1.5%	-1.5%	278
Equity levels -10%	-10.0%	+1.6%	+1.6%	+1.6%	(278)
Discount rates +10%	0.0%	+10.0%	+15.0%	-2.0%	(76)
Discount rates -10%	0.0%	-10.0%	-7.5%	+2.0%	67
Spread rates +10%	0.0%	+7.0%	+10.0%	+0.2%	(54)

Consolidated financial statements (unaudited) *continued*

13. Segment information

From January 1, 2015, the management of the UK asbestos business, which is in run-off, has been transferred from General Insurance to Non-Core Businesses. This change had no impact on the Group. Comparative figures have been restated to reflect this change.

Table 13.1

Business operating
profit by segment

in USD millions, for the six months ended June 30

	General Insurance		Global Life	
	2015	2014	2015	2014
Revenues				
Direct written premiums ¹	17,732	19,009	5,609	5,754
Assumed written premiums	937	986	145	112
Gross Written Premiums	18,669	19,995	5,754	5,865
Policy fees	–	–	1,133	1,273
Gross written premiums and policy fees	18,669	19,995	6,887	7,139
Less premiums ceded to reinsurers ²	(2,999)	(3,009)	(2,045)	(302)
Net written premiums and policy fees	15,670	16,986	4,842	6,837
Net change in reserves for unearned premiums	(1,743)	(1,996)	(97)	(1)
Net earned premiums and policy fees	13,928	14,990	4,745	6,835
Farmers management fees and other related revenues	–	–	–	–
Net investment result on Group investments	1,044	1,147	2,503	2,342
Net investment income on Group investments	988	1,088	1,690	1,981
Net capital gains/(losses) and impairments on Group investments	57	60	812	361
Net investment result on unit-linked investments	–	–	5,107	4,118
Other income	442	401	595	592
Total BOP revenues	15,414	16,538	12,949	13,888
<i>of which: inter-segment revenues</i>	<i>(301)</i>	<i>(178)</i>	<i>(191)</i>	<i>(199)</i>
Benefits, losses and expenses				
Insurance benefits and losses, net ^{1, 2}	9,315	9,857	3,191	5,069
Losses and loss adjustment expenses, net	9,314	9,855	–	–
Life insurance death and other benefits, net ¹	1	2	3,191	5,069
Policyholder dividends and participation in profits, net	2	1	6,024	4,944
Income tax expense/(benefit) attributable to policyholders	–	–	95	(21)
Underwriting and policy acquisition costs, net	2,871	2,962	1,215	1,502
Administrative and other operating expense (excl. depreciation/amortization)	1,712	1,844	1,212	1,316
Interest credited to policyholders and other interest	55	19	226	208
Restructuring provisions and other items not included in BOP	32	(81)	(33)	(118)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	13,988	14,602	11,931	12,900
Business operating profit (before interest, depreciation and amortization)	1,427	1,935	1,019	988
Depreciation and impairments of property and equipment	46	42	14	15
Amortization and impairments of intangible assets	114	103	200	218
Interest expense on debt	52	59	7	9
Business operating profit before non-controlling interests	1,215	1,731	797	745
Non-controlling interests	49	50	124	111
Business operating profit	1,166	1,681	673	634

¹ Global Life included approximately USD 1,018 million and USD 383 million of gross written premiums and future life policyholder benefits for certain universal life-type contracts in the Group's Spanish operations for the six months ended June 30, 2015 and 2014, respectively (see note 3 of the Consolidated financial statements 2014).

² The Group's life operations in the UK entered into a reinsurance agreement to transfer the risk associated with a significant annuities portfolio as of April 1, 2015. The initial impact of this transaction was an increase of USD 1.6 billion in premiums ceded to reinsurers and an increase of USD 1.7 billion in ceded insurance benefits and losses in the Global Life business. The gain resulting from this transaction of approximately USD 85 million will be recognized on a linear basis over the lifetime of the reinsurance contract, which is expected to end on June 30, 2016.

Farmers		Other Operating Businesses		Non-Core Businesses		Eliminations		Total		
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	
–	–	–	–	37	45	–	–	23,378	24,808	
1,126	1,960	24	21	46	50	(56)	(63)	2,221	3,066	
1,126	1,960	24	21	82	95	(56)	(63)	25,599	27,874	
–	–	–	–	140	166	–	–	1,273	1,439	
1,126	1,960	24	21	222	262	(56)	(63)	26,872	29,314	
–	–	(21)	(26)	(7)	(9)	56	63	(5,015)	(3,283)	
1,126	1,960	3	(5)	215	253	–	–	21,857	26,030	
(5)	9	–	–	–	–	–	–	(1,844)	(1,989)	
1,122	1,969	3	(5)	215	253	–	–	20,013	24,042	
1,380	1,391	–	–	–	–	–	–	1,380	1,391	
24	36	153	163	26	431	(216)	(283)	3,534	3,837	
24	36	153	163	169	232	(216)	(283)	2,809	3,217	
–	–	–	–	(143)	200	–	–	726	621	
–	–	–	–	123	287	–	–	5,230	4,405	
26	56	543	404	35	10	(914)	(615)	727	849	
2,552	3,452	699	562	399	982	(1,130)	(898)	30,884	34,523	
(8)	(18)	(611)	(476)	(19)	(27)	1,130	898			
759	1,363	(1)	(9)	110	465	–	–	13,374	16,746	
759	1,363	(1)	(1)	13	78	–	–	10,085	11,296	
–	–	–	(8)	97	387	–	–	3,289	5,450	
–	–	–	–	173	374	–	–	6,198	5,318	
–	–	–	–	–	–	–	–	95	(21)	
346	617	–	–	4	3	(4)	(5)	4,433	5,080	
670	649	539	490	53	56	(745)	(595)	3,442	3,759	
–	–	68	2	46	76	(158)	(19)	236	285	
–	3	(18)	(8)	–	–	–	–	(18)	(204)	
1,776	2,632	589	475	384	974	(908)	(619)	27,759	30,963	
776	820	110	87	15	8	(222)	(279)	3,124	3,560	
20	23	4	3	–	–	–	–	84	85	
37	41	59	62	–	–	–	–	410	425	
–	–	382	481	5	6	(222)	(279)	223	277	
719	756	(334)	(460)	10	2	–	–	2,407	2,774	
–	–	(4)	(8)	–	1	–	–	169	153	
719	756	(330)	(452)	10	2	–	–	2,238	2,621	

Consolidated financial statements (unaudited) *continued*

Table 13.2

in USD millions, for the six months ended June 30

Reconciliation of BOP to net income after income taxes

	General Insurance		Global Life	
	2015	2014	2015	2014
Business operating profit	1,166	1,681	673	634
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	272	266	99	257
Net gain/(loss) on divestments of businesses	–	–	–	–
Restructuring provisions	(5)	(9)	(2)	(29)
Net income/(expense) on intercompany loans ¹	(10)	(6)	(9)	(1)
Impairments of goodwill	–	–	(49)	(59)
Change in estimates of earn-out liabilities	11	(19)	(6)	(14)
Other adjustments ²	37	(46)	32	(15)
Add back:				
Business operating profit attributable to non-controlling interests	49	50	124	111
Net income before shareholders' taxes	1,519	1,916	863	884
Income tax expense/(benefit) attributable to policyholders	–	–	95	(21)
Net income before income taxes	1,519	1,916	958	863
Income tax (expense)/benefit				
attributable to policyholders				
attributable to shareholders				
Net income after taxes				
attributable to non-controlling interests				
attributable to shareholders				

¹ The impact on Group level relates to foreign currency translation differences.

² Total Group includes accounting and other restructuring charges of USD 63 million (of which USD 34 million relates to software impairments, see note 7) relating to initiatives announced at the 2015 Investor Day, and foreign currency gains of USD 113 million for the six months ended June 30, 2015. General Insurance includes real estate transfer tax of USD 41 million relating to the acquisition of non-controlling interests of Deutscher Herold AG for the six months ended June 30, 2014 (see note 2).

	Farmers		Other Operating Businesses		Non-Core Businesses		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	719	756	(330)	(452)	10	2	2,238	2,621
	14	9	99	–	5	–	488	532
	–	–	–	–	–	(13)	–	(13)
	1	1	(7)	(21)	–	–	(13)	(58)
	–	–	18	7	–	–	(1)	–
	–	–	–	–	–	–	(49)	(59)
	–	–	–	–	–	–	5	(33)
	(1)	2	(29)	5	–	–	39	(54)
	–	–	(4)	(8)	–	1	169	153
	733	768	(253)	(468)	15	(10)	2,877	3,090
	–	–	–	–	–	–	95	(21)
	733	768	(253)	(468)	15	(10)	2,973	3,069
							(800)	(824)
							(95)	21
							(705)	(846)
							2,172	2,245
							113	122
							2,059	2,123

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 37) of Zurich Insurance Group Ltd for the period ended June 30, 2015. 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 have not been prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers AG

Mark Humphreys
Audit expert

Stephen O'Hearn
Global relationship partner

Zurich, August 5, 2015

Disclaimer and Cautionary Statements

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.

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