

Dated 18 January 2012

CLOVERIE PUBLIC LIMITED COMPANY
(incorporated with limited liability in Ireland)

SERIES PROSPECTUS

Series No.: 2012-001

USD 500,000,000 Perpetual Deferrable Notes
secured over
USD 500,000,000 in principal amount of
USD 500,000,000 8.25 per cent. Reset Undated Capital Notes of Zurich
Insurance Company Ltd
issued pursuant to its
Secured Note Issuance Programme
arranged by
CITIGROUP GLOBAL MARKETS LIMITED

*The attention of investors is drawn to the section headed "Risk Factors"
starting on page 6 of this Series Prospectus*

Managers

CITIGROUP

BARCLAYS CAPITAL

BNP PARIBAS

HSBC

THE ROYAL BANK OF SCOTLAND

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Introduction

This Series Prospectus in respect of the USD 500,000,000 Perpetual Deferrable Notes (the “**Notes**”) constitutes Listing Particulars for the purposes of the Global Exchange Market and incorporates by reference, and should be read in conjunction with, the Base Prospectus dated 18 July 2011 (the “**Base Prospectus**”) relating to the Secured Note Issuance Programme (the “**Programme**”) of Cloverie Public Limited Company (the “**Issuer**”).

Application has been made to the Irish Stock Exchange for the approval of this document as Listing Particulars. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market which is the exchange regulated market of the Irish Stock Exchange. There can be no assurance that any such application will be successful or that any such listing will be granted or maintained. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.

It is expected that the Notes will be rated A3 by Moody’s Investors Service Limited (“**Moody’s**”) and A by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc (“**S&P**”). The credit ratings included or referred to in this Series Prospectus have been issued by Moody’s and S&P. Moody’s is established in the European Union and registered under the Regulation (EC) No 1060/2009 (the “**CRA Regulation**”) on credit rating agencies. S&P is not established in the European Union but is certified under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

Terms defined in the Base Prospectus (unless otherwise defined in this Series Prospectus) have the same meaning in this Series Prospectus. This Series Prospectus is to be read in conjunction with all documents that are deemed to be incorporated herein by reference.

The Appendices to this Series Prospectus form part of, and should be read together with, this Series Prospectus.

The delivery of this Series Prospectus at any time does not imply that any information contained herein is correct at any time subsequent to the date hereof.

Subject as provided below in respect of the information in the Appendices, the Issuer accepts responsibility for the information contained in this Series Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Series Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information in Appendix A comprises information reproduced from the Final Terms dated 17 January 2012 (the “**Collateral Final Terms**”) of the Collateral Notes (as defined in “Terms and Conditions – The Security Arrangements”). The information in Appendix B comprises information reproduced from the Collateral Base Prospectus (as defined below). The information in Appendix C comprises information reproduced from the Collateral Prospectus Supplements (as defined below). The Issuer confirms that such information has been accurately reproduced from the Collateral Final Terms published by the Collateral Issuer (as defined in “Terms and Conditions – The Security Arrangements”), the Collateral Base Prospectus (as defined below) and the Collateral Prospectus Supplements (as defined below), respectively. The Collateral Final Terms are to be read together with the base prospectus dated 20 May 2011 relating to the USD18,000,000,000 Euro Medium Term Note Programme of Zurich Insurance Company Ltd, which constitutes a base prospectus for the purposes of Directive 2003/71/EC (the “**Collateral Base Prospectus**”), which is set out at Appendix B to this Series Prospectus and is supplemented by the prospectus supplements dated 5 December 2011, 9 December 2011 and 9 January 2012 (the “**Collateral Prospectus Supplements**”) to the Collateral Base Prospectus which are set out at Appendix C to this Series Prospectus. So far as the Issuer is aware and is able to ascertain from information published by the Collateral Issuer, no facts have been omitted from the Collateral Final Terms, read together with the Collateral Base Prospectus and the Collateral Prospectus Supplements,

which would render the reproduced or incorporated information inaccurate or misleading. No person is authorised to give any information or to make any representation not contained in this Series Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers. To the fullest extent permitted by law, the Issuer and the Managers accept no responsibility whatsoever for any information not included in this Series Prospectus. The Issuer and the Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of any such information. Neither the delivery of this Series Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication (a) that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Series Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Series Prospectus has been most recently amended or supplemented or (b) that any other publicly available information relating to the Issuer, the Notes, the Collateral Notes or the Collateral Issuer is correct.

To the fullest extent permitted by law, the Managers accept no responsibility whatsoever for the contents of this Series Prospectus or for any other statement, made or purported to be made by any Manager or on its behalf in connection with the Issuer, the Collateral Notes, the Collateral Issuer or the issue and offering of the Notes. Each Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Series Prospectus or any such statement.

Furthermore, in relation to the issue of the Notes and save as required by all applicable laws, no representation, warranty or undertaking, express or implied, is or will be made and no responsibility or liability to any Noteholder is or will be accepted by the Collateral Issuer as to the accuracy or completeness of the information contained in this Series Prospectus or any other information provided by the Issuer in connection with the issue and offering of the Notes.

No person has been authorised to give any information or to make any representation other than those contained in this Series Prospectus in connection with the issue and sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Managers.

The net proceeds of this issue (net of expenses) will be USD 500,000,000 and will be applied by the Issuer to purchase the Collateral Notes on the Issue Date (as defined herein) and to make payment of certain fees, commission and expenses.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Issuer has not registered and will not register under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"). Subject to certain exceptions, the Notes may not be offered or sold within the United States or to U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")).

This Series Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Series Prospectus in any jurisdiction where such action is required.

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or any other exchange or regulated trading facility in Switzerland. Neither this Series Prospectus nor any other offering or marketing material relating to the Notes constitutes (i) a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, (ii) a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, (iii) a prospectus as such

term is defined in the Swiss Collective Investment Scheme Act or (iv) a prospectus or a supplementary prospectus pursuant to the EC Directive 2003/71/EC of the European Parliament and of the Council dated November 4, 2003, as amended (the “**EC Prospectus Directive**”), and neither this Series Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Series Prospectus nor any other offering and marketing material relating to the offering, the Issuer or the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA (“**FINMA**”), and investors in the Notes will not benefit from protection or supervision by such authority.

In this Series Prospectus, unless otherwise specified or the context otherwise requires, references to “**U.S.\$**”, “**USD**”, and “**U.S. dollars**” are to United States dollars, references to “**EUR**”, “**euro**” and “**€**” are to the currency introduced on 1 January 1999 pursuant to the Treaty establishing the European Community as amended by the Treaty on European Union, and references to “**pounds**”, “**sterling**”, “**GBP**” and “**£**” are to the lawful currency of the United Kingdom.

The language of this Series Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Incorporation by Reference

The provisions of the Base Prospectus shall be deemed to be incorporated into and form part of this Series Prospectus in their entirety, save that any statement contained in the Base Prospectus shall be deemed to be modified or superseded for the purpose of this Series Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Series Prospectus.

This Series Prospectus must be read in conjunction with the Base Prospectus and the other documents deemed to be incorporated by reference herein and full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the provisions set out within this document, the Base Prospectus and the other documents deemed to be incorporated by reference herein.

The Base Prospectus is available for viewing at, and copies may be obtained free of charge from, the office of the Issuing and Paying Agent and the office of the Issuer.

The audited financial statements of the Issuer for the financial years ended 31 December 2008, 31 December 2009 and 31 December 2010 together with the auditor's reports thereon have been filed with the Irish Stock Exchange and are deemed to be incorporated by reference into this Series Prospectus.

Risk Factors

THE CONSIDERATIONS SET OUT BELOW ARE NOT, AND ARE NOT INTENDED TO BE, A COMPREHENSIVE LIST OF ALL CONSIDERATIONS RELEVANT TO A DECISION TO PURCHASE OR HOLD ANY NOTES.

General

The purchase of Notes may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Before making an investment decision, prospective purchasers of Notes should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information set forth in the Base Prospectus incorporated by reference herein and the Collateral Base Prospectus, the Collateral Prospectus Supplements and the Collateral Final Terms appended hereto and, in particular, the considerations set forth below and in this Series Prospectus.

The Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive and the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for reasons other than those described below.

This Series Prospectus identifies in general terms certain information that a prospective investor should consider prior to making an investment in the Notes. However, a prospective investor should, without any reliance on the Managers or their affiliates, conduct its own thorough analysis (including its own accounting, legal and tax analysis) prior to deciding whether to invest in the Notes as any evaluation of the suitability for an investor of an investment in the Notes depends upon a prospective investor's particular financial and other circumstances, as well as on specific terms of the Notes and, if it does not have experience in financial, business and investment matters sufficient to permit it to make such a determination, it should consult with its financial adviser prior to deciding to make an investment on the suitability of the Notes.

This Series Prospectus is not, and does not purport to be, investment advice, and the Managers make no recommendation as to the suitability of the Notes. The provision of this Series Prospectus to prospective investors is not based on any prospective investor's individual circumstances and should not be relied upon as an assessment of suitability for any prospective investor of the Notes. Even if the Managers possess limited information as to the objectives of any prospective investor in relation to any transaction, series of transactions or trading strategy, this will not be deemed sufficient for any assessment of suitability for such person of the Notes. Any trading or investment decisions a prospective investor takes are in reliance on its own analysis and judgement and/or that of its advisers and not in reliance on the Managers or their affiliates.

In particular, each prospective investor in the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes (i) is fully consistent with its (or, if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or, if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

Each prospective investor in the Notes should have sufficient financial resources and liquidity to bear all the risks of an investment in the Notes.

Investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should therefore consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) if relevant, the Notes can be used as underlying security for various types of borrowing and (iii) other restrictions apply to its purchase or, if relevant, pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Factors that may affect the Issuer's ability to fulfil its obligations under the Notes

The Issuer is a special purpose vehicle

The Issuer's sole business is the raising of money by issuing notes or other obligations for the purposes of purchasing assets and entering into related derivatives and other contracts. The Issuer has covenanted not to have any subsidiaries or employees, consolidate or merge with any other person or issue any shares (other than such shares as were in issue on the date of its incorporation). As such, the Issuer has, and will have, no assets other than its issued and paid-up share capital, such fees (as agreed) payable to it in connection with the issue of the Notes or entry into of other obligations from time to time, the Mortgaged Property and any other assets on which the Notes are secured and the Managers' Security (as defined in "Terms and Conditions – The Security Arrangements"). There is no day-to-day management of the business of the Issuer.

Regulation of the Issuer by any regulatory authority

The Issuer is not required to be licensed, registered or authorised under any current securities, commodities or banking laws of its jurisdiction of incorporation and will operate without supervision by any authority in any jurisdiction. There is no assurance, however, that regulatory authorities in one or more jurisdictions would not take a contrary view regarding the applicability of any such laws to the Issuer. The taking of a contrary view by such regulatory authority could have an adverse impact on the Issuer or the holders of the Notes.

Any investment in the Notes does not have the status of a bank deposit and is not within the scope of any deposit protection scheme.

Preferred creditors under Irish law

The Issuer is an Irish company. Under Irish law, upon an insolvency of an Irish company, when applying the proceeds of assets subject to fixed security which may have been realised in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority over the claims of creditors holding the relevant fixed security. These preferred claims include the remuneration, costs and expenses properly incurred by any examiner of the company (which may include any borrowings made by an examiner to fund the company's requirements for the duration of his appointment) which have been approved by the Irish courts (see "Examinership" below).

In relation to the disposal of assets of any Irish tax resident company which are subject to security, a person entitled to the benefit of the security may be liable for tax in relation to any capital gains made by the company on a disposal of those assets on exercise of the security.

Examinership

Examinership is a court procedure available under the Irish Companies (Amendment) Act 1990, as amended, to facilitate the survival of Irish companies in financial difficulties.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an

examiner. The examiner, once appointed, has the power to set aside contracts and arrangements entered into by the company after his appointment and, in certain circumstances, can avoid a negative pledge given by the company prior to his appointment. Furthermore, he may sell assets the subject of a fixed charge. However, if such power is exercised he must account to the holders of the fixed charge for the amount realised and discharge the amount due to them out of the proceeds of sale.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the Irish High Court when at least one class of creditors has voted in favour of the proposals and the Irish High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement.

In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. In the case of the Issuer, if the Trustee represented the majority in number and value of claims within the secured creditor class (which would be likely given the restrictions agreed to by the Issuer in the Conditions), the Trustee would be in a position to reject any proposal not in favour of the Noteholders. The Trustee would also be entitled to argue at the Irish High Court hearing at which the proposed scheme of arrangement is considered that the proposals are unfair and inequitable in relation to the Noteholders, especially if such proposals included a writing down of the value of amounts due by the Issuer to the Noteholders. The primary risks to the holders of Notes if an examiner were to be appointed to the Issuer are as follows:

- (i) the potential for a scheme of arrangement to be approved involving the writing down of the debt owed by the Issuer to the Noteholders as secured by the Trust Deed;
- (ii) the potential for the examiner to seek to set aside any negative pledge in the Notes prohibiting the creation of security or the incurring of borrowings by the Issuer to enable the examiner to borrow to fund the Issuer during the protection period; and
- (iii) in the event that a scheme of arrangement is not approved and the Issuer subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the Issuer and approved by the Irish High Court) will take priority over the monies and liabilities which from time to time are or may become due, owing or payable by the Issuer to the Noteholders.

Risks relating to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Limited recourse obligations

The Notes are direct, secured, limited recourse obligations of the Issuer payable solely out of the assets charged by the Issuer in favour of the Trustee on behalf of the Noteholders and other secured parties. The Issuer will have no other assets or sources of revenue available for payment of any of its obligations under the Notes. No assurance can be made that the proceeds available for and allocated to the repayment of the Notes at any particular time will be sufficient to cover all amounts that would otherwise be due and payable in respect of the Notes. If the proceeds of the realisation of the charged assets received by the Trustee for the benefit of the Noteholders prove insufficient to make payments on the Notes, no other assets will be available for payment of the shortfall, and, following distribution of the proceeds of such realisation, the Issuer will have no further obligation to pay any amounts in respect of such shortfall and accordingly no debt will be owed by the Issuer in respect of any such shortfall.

Further, neither the Trustee, nor the Noteholders, nor any other secured party will be entitled at any time to petition or take any other step for the insolvency, examinership, winding-up or liquidation of the Issuer.

No person other than the Issuer will be obliged to make payments on the Notes.

Taxation and no gross up

Each Noteholder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessments or charges that may be applicable to any payment to it in respect of the Notes. In the event that any withholding tax or deduction for tax is imposed on payments of interest on the Notes, the Noteholders will not be entitled to receive grossed-up amounts to compensate for such withholding tax and no Event of Default shall occur as a result of any such withholding or deduction.

Modification, waivers and substitution

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Trustee may, in certain circumstances, without the consent of Noteholders, (i) agree to any modification of, or the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) agree to the substitution of another company as principal debtor under the Notes in place of the Issuer.

Earlier redemption for tax and other reasons

The Issuer may, for specified tax reasons as detailed in Condition 7.3 (*Redemption for taxation and other reasons*), upon giving notice to Noteholders, redeem all Notes earlier than they would otherwise redeem as described below.

Condition 7.3 provides for redemption of the Notes in cases where the Issuer is required by Irish law to make any withholding or deduction on payments to be made by the Issuer under the Notes or if the Issuer is unable to receive any payment in respect of the Collateral Notes without withholding or deduction being required by Swiss law.

Although the terms of the Collateral Notes provide that, in the event of any withholding or deduction on account of Swiss tax being required by Swiss law, the Collateral Issuer shall, subject to certain exceptions, pay additional amounts so that the net amount received by the holders of the Collateral Notes shall equal the amount which would have been received by such holder in the absence of such withholding or deduction, such an obligation may contravene Swiss legislation and be null and void. Although the terms of the Collateral Notes provide in such circumstance for the rate of interest on the Collateral Notes to be adjusted to take into account such withholding or deduction, such adjustment may also contravene Swiss legislation. In that event the amount received by the Issuer, as the holder of the Collateral Notes, and the corresponding amounts payable by the Issuer to the holders of the Notes would be reduced by any such withholding or deduction.

If the Collateral Issuer (i) becomes obliged to pay additional amounts in respect of the Collateral Notes following the imposition of any withholding or deduction in respect of payments of principal and interest under the Collateral Notes as a result of a change in, or amendment to the laws and regulations of Switzerland or (ii) would not be able to obtain tax deduction for the purposes of Swiss corporation tax for payments of interest on the Collateral Notes or (iii) suffers certain adverse accounting, capital or rating effects or treatment in respect of the Collateral Notes, the Collateral Issuer may, subject to prior written consent of the Swiss Financial Market Supervisory Authority (“**FINMA**”) or any domestic or foreign successor to FINMA or otherwise that has primary supervisory authority over the Collateral Issuer and/or the Zurich Financial Services Group (if such consent is required under applicable capital or solvency regulations to be obtained), redeem all of the Collateral Notes, which will result in the redemption of all of

the Notes (notwithstanding any substitution arrangements in Condition 7.3 and described below) in accordance with Condition 7.2 (*Mandatory Redemption*).

Condition 7.3 provides that if the Issuer is required by Irish law to make any withholding or deduction or payments to be made by it in respect of the Notes or if the Issuer is unable to receive any payment due in respect of the Collateral Notes in full on the due date therefor without deduction for or on account of any withholding tax or duties or charges of whatsoever nature then the Issuer shall so inform the Trustee, and shall use its best endeavours to arrange the substitution of a company incorporated in another jurisdiction approved beforehand in writing by the Trustee (provided that such substitution does not have an adverse effect on any rating awarded to any Series of Notes then outstanding at the time of such substitution) as the principal obligor of the Notes or to change (provided that no such change has an adverse effect on any rating awarded to any Series of Notes then outstanding at the time of such change) its residence for taxation purposes to another jurisdiction approved beforehand in writing by the Trustee. If it is unable to arrange such substitution or change before the next payment is due in respect of the Notes then the Issuer is obliged to give a notice that it will redeem the Notes unless the Trustee shall certify to the Issuer that it considers in its absolute discretion that it is in the best interests of the Noteholders that such notice be delayed or not given or an Extraordinary Resolution of the Noteholders shall otherwise direct. If the Notes become subject to redemption on such circumstances it is likely that the security for the Notes would become enforceable and the Collateral Notes realised which may result in the amount payable to Noteholders being less than their principal amount.

Managers' Security

The proceeds of the Managers' Security (as defined in "Terms and Conditions – The Security Arrangements") will, in the event that the Managers' Security becomes enforceable, be held by Citicorp Trustee Company Limited in its capacity as Managers' Trustee (the "**Managers' Trustee**") on behalf of itself and the Managers and applied in respect of any Manager's Claims (as defined in "Terms and Conditions – The Security Arrangements"). Noteholders have no direct or indirect interest in the Managers' Security and will not be entitled to the proceeds of enforcement of the Managers' Security.

Change of law

The Conditions are governed by English law in effect as at the Issue Date. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the Issue Date.

Provision of information

Neither the Issuer, the Trustee, the Managers' Trustee, any Manager nor any affiliate of such persons makes any representation as to the credit quality of the Collateral Issuer. Any of such persons may have acquired, or during the term of the Notes may acquire, non-public information with respect to the Collateral Issuer. None of such persons is under any obligation to make such information directly available to Noteholders. None of such persons is under any obligation to make available any information relating to, or keep under review on the Noteholders' behalf, the business, financial condition, prospects, creditworthiness or state of affairs of the Collateral Issuer or conduct any investigation or due diligence into the Collateral Notes (either with respect to the Collateral Issuer, or the terms and conditions of the Collateral Notes).

Credit Ratings

The Notes and the Collateral Notes are rated securities. Credit ratings of debt securities represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, credit ratings may not fully reflect the true risks of an investment. Rating agencies may fail to make timely changes in credit ratings in response to subsequent

events, so that an issuer's current financial condition may be better or worse than a rating indicates. Rating agencies may change their rating methodology, which could adversely affect the rating of the Notes.

Risks relating to the Collateral Notes

Potential investors should make their own investigations in respect of the Collateral Issuer and the Collateral Notes, including having regard to the disclosure, risks (including specific risk factors therein) and investment considerations set out in the Collateral Base Prospectus, the Collateral Prospectus Supplements and the Collateral Final Terms.

No investigations

No investigations, searches or other enquiries have been made by or on behalf of the Issuer, the Managers, the Trustee or the Managers' Trustee in respect of the Collateral Notes and no representations or warranties, express or implied, have been given by the Issuer, the Managers, the Trustee, the Managers' Trustee or any other person on their behalf in respect of the Collateral Notes.

Collateral Notes

The Collateral Notes are subordinated obligations of the Collateral Issuer and rank after claims of senior and certain subordinated obligations of the Collateral Issuer and other actual or contingent obligations (including claims of holders of insurance policies issued by the Collateral Issuer) all as set out in Condition 2 (*Status of the Capital Notes*) in the Collateral Notes Conditions (as defined in "Terms and Conditions – Interest Rate") and the Collateral Final Terms. The Collateral Notes may be accelerated in very limited circumstances and the enforcement rights available to the trustee appointed in respect of the Collateral Notes are similarly very limited. The trustee of the Collateral Notes may give notice to the Collateral Issuer declaring the Collateral Notes immediately due and repayable only if a resolution is passed or an order of a court of competent jurisdiction is made that the Collateral Issuer be wound up or dissolved. If the Collateral Notes become due or repayable and are not paid when so due and repayable, the trustee of the Collateral Notes may participate in, but not itself institute proceedings for, the winding up of the Collateral Issuer but may take no other action to enforce the obligations of the Collateral Issuer for payment. The trustee of the Collateral Notes may institute proceedings against the Collateral Issuer to enforce an obligation, condition or provision binding on the Collateral Issuer other than any obligation for payment of principal or interest provided that the Collateral Issuer shall not, by virtue of such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

Noteholders may be exposed to the market price of the Collateral Notes. The Issuer, the Trustee (in connection with the realisation or enforcement of the security for the Notes) or the Disposal Agent may in certain circumstances have to effect the sale of the Collateral Notes to fund the Issuer's payment obligations. The market price of the Collateral Notes will generally fluctuate with, among other things, the liquidity and volatility of the financial markets, general economic conditions, domestic and international political events, developments or trends in a particular industry and the financial condition of the Collateral Issuer. Additionally, the Collateral Notes are Restricted Notes (as defined in the Collateral Notes Conditions) and therefore, the transfer of the Collateral Notes is subject to certain restrictions, including but not limited to the restrictions set out in Condition 10(j) (*Restrictions on Transfer of Certain Capital Notes*) and Condition 10(k) (*Grants of Security*) of the Collateral Notes Conditions (the "**Collateral Notes Transfer Restrictions**"). The Collateral Notes are not listed or admitted to trading on any exchange and have not been accepted for clearance through any clearing system. As a result, there will be no established trading market in the Collateral Notes and the Collateral Notes will be illiquid. The illiquidity of the Collateral Notes may have a severely adverse effect on the market value of the Collateral Notes.

In certain circumstances (as more specifically set out in the Agency Agreement), if the Issuer is required to sell the Collateral Notes in order to make a payment on the Notes, Citibank, N.A., London Branch is required, provided that it can do so in accordance with the Collateral Notes Transfer Restrictions, to purchase the Collateral Notes if the Disposal Agent is unable to obtain any other firm bid quotes from purchasers qualified to purchase the Collateral Notes within a specified period. However, investors should note that the purchase price to be paid in connection with any such purchase will be based on the fair market value of the Collateral Notes as determined by Citibank, N.A., London Branch acting in a reasonable commercial manner.

Change of law

The Collateral Notes Conditions are governed by English law in effect as at the date of issue of the relevant Collateral Notes provided that the provisions relating to subordination of the Collateral Notes are governed by, and shall be construed in accordance with, the laws of Switzerland. No assurance can be given as to the impact of any possible judicial decision or change to English law or Swiss law and/or English or Swiss administrative practice after the date of issue of the Collateral Notes.

Payments on the Notes linked to payments on the Collateral Notes

Investors should note that the performance of the Notes is linked to the performance of the Collateral Notes. The Collateral Issuer is obliged to defer interest payments in respect of the Collateral Notes upon the occurrence of certain solvency events as set out in Condition 3(a) (*Solvency Event*) of the Collateral Notes Conditions. In addition, pursuant to Condition 3(c) (*Optional Deferral or Cancellation*) of the Collateral Notes Conditions the Collateral Issuer may elect to defer interest payments in respect of the Collateral Notes. Any event that causes the Collateral Issuer not to make all or part of any scheduled payments on the Collateral Notes, to recalculate the interest in accordance with Condition 4(e) (*Recalculation of Interest*) of the Collateral Notes Conditions or to delay any such payments (including the Collateral Issuer's election to defer interest payments in accordance with Condition 3(c) (*Optional Deferral or Cancellation*) of the Collateral Notes Conditions), will result in corresponding reductions and delays in respect of principal and interest payable in respect of the Notes. The Notes may also redeem earlier than anticipated due to tax events, changes in the accounting, capital or regulatory treatment of the Collateral Notes and other events affecting the Collateral Notes and/or the Collateral Issuer, all as more particularly set out in the Collateral Final Terms and the Collateral Base Prospectus, as supplemented by the Collateral Prospectus Supplement. Certain of these events may cause significant losses to Noteholders and may result in the Notes paying no interest and/or redeeming at zero.

Investors should note that if the Collateral Notes become redeemable for tax reasons pursuant to Condition 6(b) (*Redemption for Tax Reasons*) of the Collateral Notes Conditions or for other reasons pursuant to Condition 6(c) (*Redemption for Other Reasons*) of the Collateral Notes Conditions, the Collateral Issuer may substitute or vary the terms of such Collateral Notes in lieu of redemption, without any requirement for the consent or approval of the holders of the Collateral Notes, in order for such Collateral Notes to become Qualifying Securities (as defined in the Collateral Notes Conditions). Although such securities are required to have terms that are not less favourable to an investor, in such circumstances, the Issuer and the Noteholders would be subject to the terms of the Collateral Notes, howsoever substituted or varied.

The Trustee may, following such variation or substitution, agree, without the consent of the Noteholders, to any amendment to the terms and conditions of the Notes which are consequential thereto or which are necessary or desirable in connection with such variation or substitution.

Investors should also note that if the Collateral Notes are redeemed in breach of Condition 6(b) (*Redemption for Tax Reasons*), Condition 6(c) (*Redemption for Other Reasons*) or Condition 6(d) (*Redemption at the Option of the Issuer*) of the Collateral Notes Conditions, the amounts so paid to any holder of the Collateral Notes must be repaid to the Collateral Issuer by such holder irrespective of any

agreement to the contrary, subject to certain exceptions set out in the Collateral Notes Conditions. Any such event that results in repayment being made will lead to corresponding reductions and/or repayments in respect of any redemption amounts paid or payable in respect of the Notes.

The Noteholders will have no right to physical delivery of the Collateral Notes under the terms of the Notes. Any enforcement of security over the Collateral Notes is subject to the transfer restrictions set forth in the Collateral Notes Conditions. These transfer restrictions severely limit the potential transferees of the Collateral Notes.

No withholding and early redemption

The Collateral Notes Conditions provide that, subject to certain exemptions, the Collateral Issuer shall make all payments of principal and interest on the Collateral Notes, free of any withholding or deduction for or on account of any other taxes, duties or assessments or governmental charges in Switzerland unless such withholding or deduction is required by law. The Issuer and the Managers have received a legal opinion from Swiss counsel of the Collateral Issuer that the Collateral Issuer is not at the date of issue of the Collateral Notes required by law to make such deduction or withholding. The Collateral Issuer has obtained a tax ruling from the relevant Swiss authorities that, no Swiss tax withholding or deduction will be required to be made by it in respect of payments due to be made by it to the Issuer under the Collateral Notes. However, there can be no assurance as to the future impact of any possible administrative or judicial decision or change to any relevant Swiss law and/or administrative practice after the date of issue of the relevant Collateral Notes.

Although the Collateral Notes provide for the payments of additional amounts to be paid by the Collateral Issuer if the Collateral Issuer becomes obliged by Swiss law to make any withholding or deduction in respect of payments of principal and interest under the Collateral Notes, the obligation to pay such additional amounts may not be enforceable under Swiss law. Although the terms of the Collateral Notes provide in such circumstance for the rate of interest on the Collateral Notes to be adjusted to take into account such withholding or deduction such adjustment may also contravene Swiss legislation. In that event, the Notes may become subject to redemption in such circumstances and may result in amounts payable to Noteholders being less than their principal amount. See "Risks relating to the Notes generally - Earlier redemption for tax reasons".

If the Collateral Issuer becomes obliged to pay additional amounts in respect of the Collateral Notes pursuant to the imposition of any withholding or deduction in respect of payments of principal and interest under the Collateral Notes as a result of a change in, or amendment to the laws and regulations of Switzerland, the Collateral Issuer may, provided that FINMA or any domestic or foreign successor to FINMA or otherwise that has primary supervisory authority over the Collateral Issuer and/or the Zurich Financial Services Group (i) has given (and has not subsequently withdrawn) its consent to the redemption if such consent is required or (ii) has not objected to such redemption, redeem all of the Collateral Notes which will result in the redemption of all of the Notes (notwithstanding the substitution arrangements in Condition 7.3) in accordance with Condition 7.2 (*Mandatory Redemption*).

The Collateral Issuer may on the First Call Date and on each Collateral Interest Payment Date (as defined below) thereafter redeem all of the Collateral Notes.

Purchase, Exchange or Retirement of Notes: Tender Offers and Exchange Offers

The terms of the Notes provide that in certain circumstances (as set out in the Special Conditions of Condition 7.4 (*Purchases*)), the Issuer may participate in a Tender Offer or an Exchange Offer (each as defined in the Special Conditions) of the Collateral Issuer with respect to the Collateral Notes. If, in such circumstances, the Collateral Issuer defaults in the performance of its payment or delivery obligations under the terms of any such Tender Offer or Exchange Offer, then the Issuer will not be able to satisfy its corresponding payment or delivery obligations to Noteholders in respect of any corresponding Cloverie

Tender Offer or Cloverie Exchange Offer (each as defined in the Special Conditions). Any failure by the Issuer to make a payment or delivery due in connection with any Cloverie Tender Offer or Cloverie Exchange Offer shall constitute a default in payment in respect of the Notes for purposes of Condition 11.1, leading to the security for the Notes becoming enforceable.

Accordingly, Noteholders must recognise that they will be exposed to the risk of default by the Collateral Issuer in respect of any Tender Offer or Exchange Offer, regardless of whether or not they participate in any corresponding Cloverie Tender Offer or Cloverie Exchange Offer. Any Cloverie Tender Offer or Cloverie Exchange Offer is subject to any terms or conditions required by the Trustee and, for so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange, all applicable rules and regulations of the Irish Stock Exchange, and to notification to Moody's and Standard & Poor's and confirmation from Standard & Poor's that the then current rating of the Notes by Standard & Poor's will not be adversely affected after the conclusion of any such Cloverie Tender Offer or Cloverie Exchange Offer.

Exercise of rights under Collateral Notes

Condition 13.1 provides that, other than in circumstances involving a Tender Offer or an Exchange Offer, which are subject to the Special Conditions of Condition 7.4 (*Purchases*), the Issuer may exercise any rights in its capacity as holder of the Collateral Notes pursuant to the consent of the Trustee or the authority of an Extraordinary Resolution of the Noteholders and, if such direction is given, the Issuer will act only in accordance with such direction (as more specifically set out in the Trust Deed). In particular, the Issuer will not attend or vote at any meeting of holders of the Collateral Notes, or give any consent or notification or make any declaration in relation to the Collateral Notes, unless it shall have been so requested by the Trustee or by any Extraordinary Resolution of the Noteholders.

In addition, the Issuer shall, if so directed in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding, or if so directed by an Extraordinary Resolution of the Noteholders (in each case, a "**Noteholder Direction**") (subject in each case to its being indemnified to its satisfaction), exercise any rights in its capacity as holder of the Collateral Notes (including to direct the trustee in respect of the Collateral Notes to enforce the terms of the Collateral Notes as contemplated thereby) or its right under the Purchase Agreement to acquire the Collateral Notes in accordance with such direction (as more specifically set out in the Trust Deed).

At any time after the security for the Notes has become enforceable, Citigroup Global Markets Deutschland AG in its capacity as Enforcement Agent (the "**Enforcement Agent**") shall, if the Issuer is directed to do so by any Noteholder Direction (subject in each case to the Enforcement Agent being indemnified and/or secured to its satisfaction), exercise on behalf of the Issuer as the Issuer's agent any rights of the Issuer in the Issuer's capacity as holder of the Collateral Notes (including to direct the trustee in respect of the Collateral Notes to enforce the terms of the Collateral Notes as contemplated thereby) or the Issuer's right under the Purchase Agreement to acquire the Collateral Notes and the Enforcement Agent will act only in accordance with any Noteholder Direction (as more specifically set out in the Trust Deed).

Without prejudice to the foregoing, in no circumstances shall the Trustee be permitted when acting in its capacity as trustee for the Noteholders and the other secured parties, nor shall the Noteholders and the other secured parties (when acting in their respective capacities) be permitted, to take any action against the Collateral Issuer or enforce any claim that the Issuer may have against the Collateral Issuer under the Collateral Notes or the Purchase Agreement or otherwise whether before, upon, or after any security created by or pursuant to the Trust Deed becoming enforceable.

Enforcement of the rights that the Issuer has under the Collateral Notes through the Issuer or the Enforcement Agent on behalf of the Issuer, as the Issuer's agent, whether prior to or after the security

created in respect of the Notes has become enforceable, may be subject to delay pending receipt of relevant Noteholder Directions.

Risks relating to the other parties

Reliance on creditworthiness of other parties

The ability of the Issuer to meet its obligations under the Notes will depend on the receipt by it of payments by the Collateral Issuer. Consequently, the Issuer is exposed to the risk that the Collateral Issuer will not perform its obligations pursuant to the terms of the Collateral Notes.

The ability of the Issuer to meet its obligations under the Notes may also depend on the receipt by it of payments by Citibank N.A., London Branch as Custodian in respect of its accounts with the Custodian. Consequently, the Issuer is also exposed to the risk that the Custodian will not perform its obligations pursuant to the terms of the Custody Agreement or the Agency Agreement.

Investors in the Notes are also exposed to, and rely upon performance of certain obligations by, other parties including, but not limited to, Citibank N.A., London Branch acting as Issuing and Paying Agent, Citigroup Global Markets Limited as Disposal Agent and Citigroup Global Markets Deutschland AG as Enforcement Agent. Default by any such entities of their obligations or the inability of any of the above entities to continue in their roles will disrupt the cash flows flowing from the Collateral Issuer and may result in the inability of the Issuer to make payments in respect of the Notes. Replacing one or more of such entities may take significant amounts of time since the holders of the Notes may need to give instructions to the Trustee and/or the Issuer to effect such replacements. In addition the Trustee and the Issuer may, in such circumstances, require indemnities or reimbursement of expenses before they are able to act.

No regard to individual Noteholders

In connection with the exercise of its functions, the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

In connection with the exercise of its functions, the Managers' Trustee shall have regard solely to the interests of the Manager's Secured Parties and shall not assume any duty or responsibility to, or have regard to the interests of, any Noteholder or other Secured Party.

Business relationships and capacity of Citigroup Global Markets Limited ("Citi")

The Managers, the Custodian, the Disposal Agent, the Enforcement Agent, the Calculation Agent and any of their affiliates may have existing or future business relationships with the Collateral Issuer (including, but not limited to, lending, depository, risk management, advisory and banking relationships), and will pursue actions and take steps that they deem or it deems necessary or appropriate to protect their or its interests arising therefrom without regard to the consequences for a Noteholder. In addition, the Managers, the Custodian, the Disposal Agent, the Calculation Agent and any of their affiliates may make a market or hold positions in respect of any of the Collateral Notes. From time to time, the Managers, the Custodian, the Disposal Agent, the Enforcement Agent, the Calculation Agent and any of their affiliates may own significant amounts of Notes.

Citi and its affiliates may act in a number of capacities in respect of the Notes including, without limitation, Manager, Disposal Agent, Enforcement Agent and Calculation Agent. Citi and its affiliates acting in such capacities in connection with the Notes shall have only the duties and responsibilities expressly agreed to by such entities in the relevant capacity and

shall not, by virtue of acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to hold a standard of care other than as expressly provided with respect to each such capacity. Citi and its affiliates, including the Trustee and the Managers' Trustee, in their various capacities in connection with the Notes may enter into business dealings, from which they may derive revenues and profits in addition to any fees, without any duty to account therefor.

Legality of purchase

None of the Issuer, the Trustee, the Managers' Trustee, the Managers or any affiliate of such persons has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes (whether for its own account or for the account of any third party), whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser (or any such third party) with any law, regulation or regulatory policy applicable to it.

Risks related to the market generally

Set out below is a brief description of certain market risks.

The secondary market generally

Although application has been made to have the Notes admitted to the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange, the Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in USD. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than USD. These include the risk that exchange rates may significantly change (including changes due to devaluation of USD or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the USD would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Terms and Conditions

The terms and conditions of the Notes shall consist of the terms and conditions (the “**Base Conditions**”) set out in the Base Prospectus dated 18 July 2011 (the “**Base Prospectus**”), as amended or supplemented below (including in the Schedule hereto) (the “**Conditions**”). References in the Base Prospectus and in the Conditions to “Final Terms” shall be deemed to refer to the terms set out below (including the Schedule hereto).

1	Issuer:	Cloverie Public Limited Company
2	Relevant Dealer/Lead Manager (including, if Syndicated Issue, Managers):	Pursuant to a Syndication Agreement dated 17 January 2012 (the “ Syndication Agreement ” between Citigroup Global Markets Limited (“ Citi ”, and in such capacity a “ Manager ”), Barclays Bank PLC (“ Barclays ” and in such capacity a “ Manager ”), BNP Paribas (“ BNP ” and in such capacity a “ Manager ”), HSBC Bank plc (“ HSBC ” and in such capacity a “ Manager ”), The Royal Bank of Scotland plc (“ RBS ” and together with Citi, Barclays, BNP and HSBC, the “ Managers ”) and the Issuer which is supplemental to the Dealer Agreement dated 18 July 2011 between, <i>inter alios</i> , the Issuer and Citi, the Managers have agreed, subject to the satisfaction of certain conditions, to subscribe for the Notes at the Issue Price.
3	Series No:	2012-001
4	Tranche No:	1
5	ISIN:	XS0733071632
6	Common Code:	073307163
7	CUSIP:	Not Applicable
8	PORTAL Code:	Not Applicable
9	Currency (or Currencies in the case of Dual Currency Notes):	USD
10	Principal Amount:	
	(i) Series:	USD 500,000,000
	(ii) Tranche:	USD 500,000,000
11	(i) Issue Date:	18 January 2012
	(ii) Date Board approval for issuance of Notes obtained:	20 October 2011
12	Issue Price:	100 per cent.
13	(i) Form:	Bearer
	(ii) CGN / NGN:	CGN
14	Denomination(s):	USD 100,000 and integral multiples of USD 1,000 above such amount up to and including USD 199,000. No

Notes in definitive form will be issued with a denomination above USD 199,000 (reference to a Note's *pro rata* share of any amount means a proportion of such amount equal to the proportion which the Denomination of such Note bears to the aggregate Denominations of all Notes then outstanding).

15 Status: Secured and limited recourse obligations of the Issuer, secured as provided below.

Provisions relating to Interest Payable

16 Interest Commencement Date (if different from Issue Date): See Schedule.

17 Interest Basis: The Notes are Variable Coupon Amount Notes. See Schedule.

18 Interest Rate: The interest payable in respect of the Notes is linked to interest payments in respect of the Collateral Notes (as defined in paragraph 73(a) below). Any event that causes the Collateral Issuer (as defined in paragraph 73(a) below) not to make all or part of any scheduled interest payments in respect of the Collateral Notes, or to delay any such scheduled interest payments, will result in corresponding reductions or delays to the interest payable in respect of the Notes.

If the Collateral Notes are not subject to any such reductions or delays and subject as provided in Condition 6.1, each Note will pay interest on the Interest Payment Date (as defined in the Schedule) that is, or is the Relevant Business Day immediately following, each Scheduled Collateral Interest Payment Date, at the applicable Collateral Rate of Interest.

“Collateral Base Prospectus” means the base prospectus dated 20 May 2011 relating to the USD18,000,000,000 Euro Medium Term Note Programme of the Collateral Issuer, which is set out at Appendix B to the Series Prospectus in respect of the Notes (the **“Series Prospectus”**), as supplemented by the Collateral Prospectus Supplements.

“Collateral Final Terms” means the Final Terms of the Collateral Notes, which are reproduced in Appendix A to the Series Prospectus.

“Collateral Issue Date” means the “Issue Date” of the Collateral Notes (as defined in the Collateral Notes Conditions).

“Collateral Notes Conditions” means the detailed terms and conditions of the Collateral Notes, set out in the “Terms and Conditions of the Capital Notes” in the

Collateral Base Prospectus, as amended and supplemented by the Collateral Final Terms.

“Collateral Prospectus Supplements” means the prospectus supplements of the Collateral Issuer dated 5 December 2011, 9 December 2011 and 9 January 2012 that supplement the Collateral Base Prospectus, which is set out at Appendix C to the Series Prospectus.

“Collateral Rate of Interest” means, subject to adjustment pursuant to Condition 4(e) (*Recalculation of Interest*) of the Collateral Notes Conditions, the applicable “Rate of Interest” (as defined in the Collateral Notes Conditions), being:

- (i) in respect of the period from and including the Collateral Issue Date, to but excluding the Scheduled Collateral Interest Payment Date falling on 18 January 2018 (the **“Collateral First Reset Date”**), 8.25 per cent. per annum fixed rate; and
- (ii) in respect of each six-year period thereafter (each a **“Relevant Six-Year Period”**), the first of which commences on and includes the Collateral First Reset Date and ends on but excludes the sixth anniversary of that date, the 6-Year Mid Swap Rate plus Margin,

where:

“6-Year Mid Swap Rate” means the mid-market arithmetic mean, expressed as a percentage and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of the 6-Year U.S. Dollar Swap Rates, as determined by the Calculation Agent at 11.00a.m. (New York time) on the Collateral Interest Determination Date;

“6-Year U.S. Dollar Swap Rates” means the bid and offered swap rates for U.S. dollar swap transactions with a maturity of 6 years displayed on Bloomberg page “ICAU1” (or such other page as may replace that page on Bloomberg, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purposes of displaying comparable rates) at 11.00 a.m. (New York time) on the Collateral Interest Determination Date. If swap rates do not appear on that page, the 6-Year Mid Swap Rate shall instead be determined by the Calculation Agent on the basis of (i) quotations provided by the principal office of each of the four major banks in the U.S. dollar swap market of the rates at which swaps in U.S. dollar are offered by it at

approximately 11.00 a.m. (New York time) on the Collateral Interest Determination Date to participants in the U.S. dollar swap market for a six year period and (ii) the arithmetic mean expressed as a percentage and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of such quotations;

“Calculation Agent” means Citibank N.A., London branch;

“Collateral Interest Determination Date” means, in respect of a Relevant Six-Year Period, the 2nd Business Day (as defined in the Collateral Notes Conditions) prior to the Collateral First Reset Date and each 2nd Business Day prior to the first day of the Relevant Six-Year Period thereafter; and

“Margin” means 6.84 per cent. for the first Relevant Six-Year Period and 7.84 per cent. for each Relevant Six-Year Period thereafter from (and including) 18 January 2024.

“Scheduled Collateral Interest Payment Date” means 18 January, 18 April, 18 July and 18 October in each year from and including 18 April 2012.

19	Interest Payment Date(s):	See Schedule
20	Relevant Time (Floating Rate Notes):	Not Applicable
21	Determination Date(s) (if applicable):	Not Applicable
22	Interest Determination Date (Floating Rate Notes):	Not Applicable
23	Primary Source for Floating Rate (Floating Rate Notes):	Not Applicable
24	Reference Banks (Floating Rate Notes):	Not Applicable
25	Relevant Financial Centre (Floating Rate Notes):	Not Applicable
26	Benchmark (Floating Rate Notes):	Not Applicable
27	Broken Amount (Fixed Rate Notes):	Not Applicable
28	Representative Amount (Floating Rate Notes):	Not Applicable
29	Relevant Currency (Floating	Not Applicable

	Rate Notes):	
30	Effective Date (Floating Rate Notes):	Not Applicable
31	Specified Duration (Floating Rate Notes):	Not Applicable
32	Margin (Floating Rate Notes):	Not Applicable
33	Rate Multiplier (if applicable):	Not Applicable
34	Maximum/Minimum Interest Rate (if applicable):	Not Applicable
35	Maximum/Minimum Instalment Amount (if applicable):	Not Applicable
36	Maximum/Minimum Redemption Amount (if applicable):	Not Applicable
37	Interest Amount:	See Schedule
38	Day Count Fraction:	Not Applicable
39	Interest Period Date(s) (if applicable):	Not Applicable
Provisions relating to redemption		
40	Redemption Amount (including early redemption):	See Schedule
41	Maturity Date:	Not Applicable
42	Redemption for taxation reasons permitted on days other than Interest Payment Dates:	Yes
43	Index/Formula or other provisions applicable to Variable Coupon Amount Notes and/or Variable Redemption Amount Notes (if applicable):	The Notes are Variable Coupon Amount Notes. See Schedule.
44	Calculation Agent:	Citibank, N.A., London Branch
45	Dual Currency Notes:	Not Applicable
46	Partly-Paid Notes:	Not Applicable
47	Amortisation Yield (Zero Coupon Notes):	Not Applicable
48	Terms of redemption at the option of the Issuer or other Issuer's option:	Not Applicable
49	Terms of redemption at the option of the Noteholders or	Not Applicable

	other Noteholders' Option (if applicable):	
50	Issuer's Option Period:	Not Applicable
51	Noteholders' Option Period:	Not Applicable
52	Instalment Date(s) (if applicable):	Not Applicable
53	Instalment Amount(s) (if applicable):	Not Applicable
54	Unmatured Coupons to become void upon early redemption:	Not Applicable
55	Talons to be attached to Notes and, if applicable, the number of Interest Payment Dates between the maturity of each Talon (Bearer Notes):	Not Applicable
56	Business Day Jurisdictions for Condition 8.8 (jurisdictions required to be open for payment):	London
57	Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 13.1 (if applicable):	Not Applicable
58	Details of any other additions or variations to the Conditions (if applicable):	<p>Notwithstanding anything to the contrary in the Conditions of the Notes, the Issuer is not obliged to make any payment whatsoever in respect of the Notes if, at the time any such payment would otherwise fall to be made, the Issuer reasonably believes that any amounts received by it in respect of the Collateral Notes have been paid in breach of the Collateral Notes Conditions. In such circumstance the Issuer may delay such payment until such time as the Issuer is satisfied that no claims for repayments of amounts received by it in respect of the Collateral Notes will be made.</p> <p>If any amount is paid to a Noteholder in respect of the Notes when no such amount was due (whether as a result of miscalculation or otherwise or where such payment was funded by amounts received by the Issuer pursuant to the terms of the Collateral Notes where such amounts were paid in breach of the Collateral Notes Conditions), such payment made by the Issuer shall be reimbursed by the relevant Noteholder(s) to the Issuer and, if no such reimbursement is made, the Issuer may reduce any subsequent payments owed by it to the</p>

relevant Noteholder(s) by all or part of such un-reimbursed amounts in satisfaction (or partial satisfaction) thereof and may take such action as it deems fit to recover any outstanding un-reimbursed amounts. In respect of any repayment of any such amount, the amount repaid shall be deposited with the Custodian on behalf of the Issuer but shall not form part of the Mortgaged Property for the Notes. Any such reduction or reimbursement shall, to the extent relevant, be applied by the Issuer in meeting the claims of the Custodian or the Issuing and Paying Agent for repayment of any amount funded or reimbursed by the Custodian or Issuing and Paying Agent, as the case may be (or, where such reduction or reimbursement for less than the full amount of any such claims, in meeting such claims *pro rata*). Only after satisfaction of all such claims shall the amount remaining (if any) be deemed, for purposes of these Conditions, to have been derived from the Mortgaged Property for the Notes.

See Schedule

59 The Agents appointed in respect of the Notes are:

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

as the Issuing and Paying Agent, the Calculation Agent and the Custodian

Citigroup Global Markets Deutschland AG
Reuterweg 16
60323 Frankfurt
Germany

as the Enforcement Agent

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

as the Disposal Agent

Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

as the Irish Listing Agent

60	Purchase, Exchange or Retirement of Notes by the Issuer:	The Issuer may only purchase, exchange or retire Notes in accordance with the Special Conditions (as defined in the Schedule).
61	Settlement method:	Delivery versus payment

Provisions applicable to Global Notes/Certificates and Definitive Notes/Individual Certificates

62	How Notes will be represented on issue:	Temporary Global Note
63	Applicable TEFRA exemption:	D Rules
64	Whether Temporary/Permanent Global Note is exchangeable for Definitive Notes/Individual Certificates at the request of the holder:	Yes, in limited circumstances for Definitive Notes
65	New Global Note:	No
66	Intended to be held in a manner which would allow Eurosystem eligibility:	No

Provisions relating only to the sale and listing of the Notes

67	The following circulation and distribution restrictions apply:	<p><u>Brazil</u></p> <p>The Notes have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. Neither the Issuer of the Notes nor the issuance of the Notes have been or will be registered with the Brazilian Securities Commission (<i>Comissão de Valores Mobiliários</i>). Therefore, each of the Managers has represented and agreed that it has not offered or sold, and will not offer or sell, the Notes in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets.</p> <p><u>Hong Kong</u></p> <p>Each Manager has represented and agreed that it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.</p>
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Singapore

This Series Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore and accordingly, statutory liability under the Securities and Futures Act (Chapter 289 of the Singapore Statutes) (“SFA”) in relation to its contents would not apply. This Series Prospectus may not be, directly or indirectly, circulated or distributed in Singapore, nor may the Notes be, directly or indirectly, offered or made the subject of an invitation to subscribe or purchase, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to an offer under Section 275(1A), and in each case in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are acquired under an offer or invitation made in reliance on an exemption under Sections 274 or 275 of the SFA, restrictions apply to the subsequent sale of the Notes for a period of six months from the date of acquisition, unless the subsequent sale is to an institutional investor or to a relevant person pursuant to Section 275(2) of the SFA or to a person pursuant to an offer under Section 275(1A) of the SFA.

In addition, where the Notes are acquired under an offer or invitation made in reliance on an exemption under Section 275 of the SFA, by:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation, or the beneficiaries' rights and interest (howsoever described) in that trust (as the case may be) shall not be transferred within six months after that corporation or that trust (as the case may be) has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor, or to a relevant person defined in Section 275(2) of the SFA, or to any person

arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law; or

(iv) in accordance with Section 276(7) of the SFA.

Switzerland

Each Manager represents, warrants and agrees that it has not publicly offered or sold, and will not publicly offer or sell, the Notes in Switzerland.

The Issuer has not applied for a listing of the Notes on the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and consequently, the information presented in the Base Prospectus or the Series Prospectus does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange.

Neither this Series Prospectus nor any other offering and marketing material relating to the offering, nor the Issuer nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

68	(i) Listing and admission to trading:	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its Global Exchange Market.
	(ii) Estimate of total expenses related to admission to trading:	EUR 3,032.40
69	Dealer's Commission:	Not Applicable
70	Method of Issue:	Syndicated Issue
71	The following Dealers are subscribing to the Notes:	Citigroup Global Markets Limited, Barclays Bank PLC, BNP Paribas, HSBC Bank plc and The Royal Bank of Scotland plc
72	Rating:	The Notes will be rated A3 by Moody's Investors Service Limited (" Moody's ") and A by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (" S&P ").

Moody's is established in the European Union and registered under the Regulation (EC) No 1060/2009 (the "**CRA Regulation**") on credit rating agencies. S&P is not established in the European Union but is certified under the CRA Regulation. A rating is not a recommendation to

buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

The Security Arrangements

73 Mortgaged Property:

(a) Collateral:

USD 500,000,000 in principal amount of USD 500,000,000 8.25 per cent. Reset Undated Capital Notes (the “**Collateral Notes**”) of Zurich Insurance Company Ltd (the “**Collateral Issuer**”), which will be registered in the name of the Issuer and any certificate(s) issued in respect thereof will be held by the Custodian acting through its London branch pursuant to the Custody Agreement and the Agency Agreement subject to the security interests in favour of the Trustee created by the Trust Deed.

“**Agency Agreement**” means the agency agreement dated 25 February 1997 as amended and restated on 18 July 2011 (and as further amended and/or supplemented from time to time) and as amended and supplemented for purposes of the Notes by a supplemental agency agreement dated 18 January 2012 (and as further amended and/or supplemented from time to time) between, *inter alios*, the Issuer, the Issuing and Paying Agent, the Disposal Agent, the Custodian and the Trustee (the “**Supplemental Agency Agreement**”).

(b) Security:

(i) Order of priorities:

Other Priority, as follows:

In respect of the application of the proceeds of realisation or enforcement of the security for the Series, but not the application of the proceeds of realisation or enforcement of the Managers’ Security, the proceeds shall be held on trust and applied:

(i) *first*, in payment or satisfaction of the fees, costs, charges, expenses and liabilities properly incurred by the Trustee or any receiver in relation to that Series in preparing and executing the trusts under the Principal Trust Deed and the relevant

Supplemental Trust Deed (including any taxes required to be paid, the costs of realising any such security and the Trustee's remuneration);

- (ii) *secondly*, in payment or satisfaction of the fees, costs, charges, expenses and liabilities properly incurred by the Enforcement Agent in acting as enforcement agent of the Issuer in respect of the Security under the terms of the Principal Trust Deed and the relevant Supplemental Trust Deed (including any taxes required to be paid, the costs of realising or enforcing any such security and the Enforcement Agent's remuneration);
- (iii) *thirdly*, in relation to such Series, in meeting the claims (if any) of the Custodian, the Issuing and Paying Agent, or any Paying Agent for reimbursement in respect of any payment of interest, principal or other redemption amounts made to the holders of Notes of such Series, as the case may be, and in payment or satisfaction of the fees, costs, charges, expenses and liabilities (if any) properly incurred by the Disposal Agent in acting as disposal agent of the Issuer in respect of the disposal of the Collateral Notes;
- (iv) *fourthly*, rateably in meeting the claims (if any) of the holders of Notes of such Series; and
- (v) *fifthly*, in payment of the balance (if any) to the Issuer.

In respect of the application of the proceeds of realisation or enforcement of the Managers' Security, the proceeds shall be held on trust and applied:

- (i) *first*, in payment or satisfaction of the fees, costs, charges, expenses and liabilities properly incurred by the Managers' Trustee in preparing and executing the trusts under the Principal Trust Deed and the relevant Supplemental Trust Deed (including any taxes required to be paid, the costs of realising any such security and the Trustee's remuneration);
- (ii) *secondly*, in payment or satisfaction of the fees, costs, charges, expenses and liabilities properly incurred by the Enforcement Agent in acting as enforcement agent of the Issuer in respect of the Managers' Security under the terms of the Principal Trust Deed and the relevant Supplemental Trust Deed (including any taxes required to be paid, the costs of realising or enforcing any such security and

the Enforcement Agent's remuneration);

- (iii) *thirdly*, in meeting any Manager's Claim (as defined below); and
- (iv) *fourthly*, in payment of the balance (if any) to the Issuer.

- (ii) Details of any other security or modifications to any security

Managers' Security

Pursuant to the Trust Deed in relation to the Notes, the Issuer:

- (i) will assign by way of security in favour of Citicorp Trustee Company Limited, in its capacity as Managers' Trustee (the "**Managers' Trustee**"), to hold for itself and as trustee for the Managers and the Enforcement Agent, the Issuer's rights, title and interest under the purchase agreement dated 17 January 2012 (and as amended and/or supplemented from time to time) between the Issuer and the Collateral Issuer relating to the purchase of the Collateral Notes by the Issuer (the "**Purchase Agreement**"), but excluding the Issuer's right under the Purchase Agreement to acquire the Collateral Notes;
- (ii) will charge in favour of the Managers' Trustee, to hold for itself and as trustee for each Manager and the Enforcement Agent, by way of first fixed charge the proceeds of, income from and sums arising from the enforcement of any claim under the Purchase Agreement, except for the claim of the Issuer in relation to its right to acquire the Collateral Notes; and
- (iii) will assign by way of security in favour of the Managers' Trustee, to hold for itself and as trustee for each Manager, the Issuer's rights, title and interest under the Trust Deed insofar as the same relates to the appointment of the Enforcement Agent as the Issuer's agent in connection with the rights and assets of the Issuer referred to in paragraphs (i) and (ii) above,

(together, the "**Managers' Security**"). The Managers' Security is granted as continuing security in respect of any claim a Manager may have (a "**Manager's Claim**") against the Issuer under the Syndication Agreement arising from any representation, warranty, covenant or agreement given therein by the Issuer regarding the Collateral Notes, the Collateral Issuer, the Collateral Base Prospectus and the Collateral Final Terms prepared by the Collateral Issuer in respect of the

Collateral Notes.

No Noteholder shall have any interest in the Managers' Security and the Managers' Security shall not form part of the Mortgaged Property. If the Managers' Security becomes enforceable, the security for the Notes shall not consequently become enforceable and the Notes shall not be affected thereby and shall accordingly remain outstanding.

Each Manager, in respect of the Managers' Security, is subject to limited recourse provisions equivalent to those set out in Condition 4.8 and Condition 12 in respect of the Mortgaged Property, in accordance with the provisions of the Syndication Agreement and the Trust Deed in relation to the Notes.

Each Manager (when acting in such capacity) is not permitted to take any action against the Collateral Issuer or to enforce any claim that the Issuer may have against the Collateral Issuer under the Collateral Notes or the Purchase Agreement or otherwise whether before, upon, or after the Managers' Security becoming enforceable. The Managers must rely on similar (but not identical) rights to those of the Noteholders, including a right of consultation and agreement with the Issuer (or the Enforcement Agent acting as agent of the Issuer) in relation to any such action or the enforcement of any such claim and/or a right to remove the Managers' Trustee, in each case in accordance with the provisions of the Trust Deed in relation to the Notes.

The assignment by way of security in favour of the Trustee of the Issuer's right under the Purchase Agreement to acquire the Collateral Notes, and the first fixed charge in favour of the Trustee of all proceeds from, income from and sums arising from enforcement of any claim under the Purchase Agreement but only if such claim relates to the Issuer's right to acquire the Collateral Notes, shall form part of the Mortgaged Property.

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| (c) Option Agreement (if applicable): | Not Applicable |
| (d) Swap Agreement (if applicable): | Not Applicable |
| (e) Details of Credit Support Document (if applicable): | Not Applicable |
| (f) Credit Support Provider: | Not Applicable |
| (g) Details of Securities Lending Agreement (if applicable): | Not Applicable |

74	Priority of interests in Mortgaged Property:	As set out in paragraph 73(b)(i) above.
75	Mandatory Redemption:	See Schedule.
76	Name of Stabilising Manager:	Citigroup Global Markets Limited

**Schedule –
Additional Amendments to the Base Conditions**

1 Condition 4.4 (*Disposal Agent*)

Citigroup Global Markets Limited in its capacity as Disposal Agent will act as disposal agent in relation to the disposal of the Collateral Notes (including in connection with any enforcement of the Security (as defined in the Trust Deed) constituted by the Trust Deed), and may itself make an offer to purchase the Collateral Notes (subject to the restrictions set forth in Condition 4.6), as specified in the Supplemental Trust Deed.

In connection with any such disposal by the Disposal Agent, the Issuer or its agent shall give notice to the Noteholders in accordance with Condition 16 that the Disposal Agent is to begin the process of disposing of the Collateral Notes in accordance with the terms of the Agency Agreement.

2 Condition 4.6 (*Realisation of security*)

Condition 4.6 (*Realisation of security*) shall be amended by:

(i) adding the words “and/or secured” following the words “without first being indemnified” at the end of the first sentence thereof;

(ii) deleting sub-clause 4.6.3 thereof and replacing it with the following:

“4.6.3 if sums are due to the Enforcement Agent and/or the Custodian and/or the Issuing and Paying Agent and/or any Paying Agent (the claims in respect of which are Secured Liabilities (as defined in Condition 4.8)) and the Trustee is so directed in writing by the Enforcement Agent and/or the Custodian and/or the Issuing and Paying Agent and/or any Paying Agent (unless this would in the Trustee’s opinion be contrary to the interests of the holders of Notes, subject to Clause 6.19 of the Principal Trust Deed (if applicable)),”; and

(iii) adding the following additional text at the end thereof:

“The Security constituted by the Trust Deed shall, in addition to in the circumstances set out in Condition 11 (*Events of Default*), forthwith become enforceable, as provided in the Trust Deed, if there is any default in the payment of any Redemption Amount on the date such Redemption Amount is due.

Any realisation and/or enforcement of the Security over the Collateral Notes or exercise of any right in respect of the Collateral Notes shall be subject to the restrictions set forth in the Collateral Notes Conditions, including, but not limited to, Condition 10(j) (*Restrictions on Transfer of Certain Capital Notes*) and Condition 10(k) (*Grants of Security*).

3 Condition 4.7 (*Application of Proceeds*)

Condition 4.7 (*Application of Proceeds*) shall be deleted and replaced with the following:

4.7 Application of Proceeds

The Trust Deed requires that the net proceeds of the Security shall be applied according to the priority of payments specified for purposes of Condition 4.2 (*Application of security*). In particular, but without limitation, none of the Noteholders shall be entitled to petition or take any other step for the insolvency, examinership, winding-up or liquidation of the Issuer to recover any shortfall.

4 Condition 4.9 (*Substitution of Mortgaged Property*)

Condition 4.9 (*Substitution of Mortgaged Property*) shall not apply in respect of the Collateral Notes, but shall apply in respect of the remainder of the Mortgaged Property.

5 Condition 4.10 (*Replacement of Collateral*)

Condition 4.10 (*Replacement of Collateral*) shall not apply to the Notes.

6 Condition 4.11 (*Issuer's rights as holder of Collateral*)

Condition 4.11 (*Issuer's rights as holder of Collateral*) shall be deleted and replaced with the following:

4.11 Issuer's rights as holder of Collateral Notes

The Issuer may exercise any rights in its capacity as holder of the Collateral Notes only with the consent of the Trustee or as directed by an Extraordinary Resolution of the Noteholders or, where applicable, in accordance with Condition 7.4 or Condition 13.1 and, if such consent or direction is given, the Issuer will act only in accordance with such consent or direction. In particular, the Issuer will not attend or vote at any meeting of holders of the Collateral Notes, or give any consent or notification or make any declaration in relation to the Collateral Notes, unless the Trustee gives its consent or by direction of an Extraordinary Resolution of the Noteholders or, where applicable, in accordance with Condition 7.4 or Condition 13.1.

7 Condition 6.1 (*Interest Rate and Accrual*)

Condition 6.1 (*Interest Rate and Accrual*) shall be deleted and replaced with the following:

6.1 Interest Rate and Accrual

The Notes are Variable Coupon Amount Notes.

Each Note bears interest from (and including) the Interest Commencement Date on the basis of the relevant Interest Amount calculated in respect of each relevant Interest Payment Date. For each Interest Payment Date on which a Note is outstanding, the relevant Interest Amount shall be due and payable in respect of the Denomination of the relevant Note on such Interest Payment Date.

Interest will cease to accrue on each Note on the due date for redemption unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after judgment) on any overdue principal from the due date for redemption to the Relevant Date at the rate determined daily by the Calculation Agent to be the rate for overnight deposits in the applicable currency. Such interest shall be added annually to the overdue sum and shall itself bear interest accordingly.

As used herein:

"Business Day Convention" means Modified Following Business Day Convention.

"Collateral Interest Amount" means any interest amount payable in respect of the Collateral Notes, including but not limited to scheduled Interest Payments and payments of Deferred Interest (each as defined in the Collateral Notes Conditions), to the extent that the relevant interest amount is actually received by the Issuer and subject to any adjustment pursuant to Condition 4(e) (*Recalculation of Interest*) of the Collateral Notes Conditions due to tax deduction or withholding and any other or further adjustments to such amounts as set out in the Collateral Final Terms.

"Collateral Interest Payment Date" means any date on which a Collateral Interest Amount is payable.

“Interest Amount” means, in respect of the Denomination of the relevant Note and an Interest Payment Date, its *pro rata* share of an amount equal to any Collateral Interest Amount received by the Issuer in respect of the Interest Calculation Date relating to such Collateral Interest Amount.

“Interest Calculation Date” means in respect of a Collateral Interest Amount, the Collateral Interest Payment Date relating thereto or, if later, the later of (i) the date on which the Issuer receives payment of the Collateral Interest Amount relating to such Collateral Interest Payment Date and (ii) the date on which the Calculation Agent is notified by or on behalf of the Issuer of the Collateral Interest Amount relating to such Collateral Interest Payment Date and has received any information required in order to enable the Calculation Agent to determine the related Interest Amount.

“Interest Commencement Date” means the Collateral Issue Date.

“Interest Payment Date” means the relevant Interest Calculation Date or, where the Calculation Agent determines that payment of any related Interest Amount on such date is not possible or practicable, the Relevant Business Day immediately following such Interest Calculation Date.

8 Condition 6.6 (*Calculations*)

Condition 6.6 (*Calculations*) shall be deleted and replaced with the following:

6.6 Calculations

In respect of each Interest Payment Date, the Calculation Agent shall, subject to the paragraph below, calculate the Interest Amount due and payable on such Interest Payment Date in respect of each Note outstanding on such Interest Payment Date.

In order to enable the Calculation Agent to perform its functions under these Conditions, the Issuer shall provide to the Calculation Agent (or procure the provision of) any information required in order to enable the Calculation Agent to determine any Interest Amount, Redemption Amount or other amount payable hereunder. The Calculation Agent shall not be liable for any failure to comply with its obligations under these Conditions as a result of any failure of the Issuer to provide any such information.

9 Condition 7.2 (*Mandatory Redemption*)

Condition 7.2 (*Mandatory Redemption*) shall be deleted and replaced with the following:

7.2 Mandatory Redemption

If at any time the Collateral Notes become redeemable or repayable in accordance with their terms, the Issuer shall redeem each Note on the related Mandatory Redemption Date at its Mandatory Redemption Amount.

“Collateral Redemption Amount” means any amount equal to the amount payable (i) on redemption or repayment of the Collateral Notes (but excluding any amount included in any Collateral Interest Amount or any amount payable in connection with any Tender Offer or Exchange Offer), once the Collateral Notes have become redeemable or repayable in accordance with the provisions of Condition 6 (*Redemption and Purchase*) or (ii) following the occurrence of a Dissolution Event (as defined in and in accordance with the provisions of Condition 9 (*Dissolution Event*) of the Collateral Notes Conditions), to the extent that the relevant amount is actually received by the Issuer.

“Collateral Redemption Date” means any date on which the Collateral Notes are redeemable or repayable, including but not limited to any such date arising as a result of a redemption for tax reasons under Condition 6(b) (*Redemption for Tax Reasons*) of the Collateral Notes Conditions or a redemption following the Collateral Issuer exercising its option to redeem the Collateral Notes under

Condition 6(c) (*Redemption for Other Reasons*) of the Collateral Notes Conditions or a redemption following the Collateral Issuer exercising its option to redeem the Collateral Notes under Condition 6(d) (*Redemption at the Option of the Issuer*) of the Collateral Notes Conditions, in each case provided that FINMA or any domestic or foreign successor to FINMA or otherwise that has primary supervisory authority over the Collateral Issuer and/or the Zurich Financial Services Group (i) has given (and has not subsequently withdrawn) its consent to the redemption if such consent is required or (ii) has not objected to such redemption.

“Mandatory Redemption Amount” means, in respect of the Denomination of the relevant Note, its *pro rata* share of an amount equal to the Collateral Redemption Amount.

“Mandatory Redemption Date” means the relevant Redemption Calculation Date or, where the Calculation Agent determines that payment of any related Mandatory Redemption Amount on such date is not possible or practicable, the Relevant Business Day immediately following such Redemption Calculation Date.

“Redemption Calculation Date” means the Collateral Redemption Date or, if later, the later of (i) the date on which the Issuer receives payment of the Collateral Redemption Amount relating to such Collateral Redemption Date and (ii) the date on which the Calculation Agent is notified by or on behalf of the Issuer of the Collateral Redemption Amount relating to such Collateral Redemption Date and has received any information required in order to enable the Calculation Agent to determine the related Mandatory Redemption Amount.

10 Condition 7.3 (*Redemption for taxation and other reasons*)

10.1 Condition 7.3 (*Redemption for taxation and other reasons*) shall be interpreted as follows.

If a tax deduction or withholding (collectively, a **“Tax Deduction”**) is required by law to be made by the Collateral Issuer in respect of any payment of principal or interest in respect of the Collateral Notes for any taxes, duties, assessments or governmental charges of whatever nature imposed by or on behalf of Switzerland, Condition 7.3.2 of the Notes shall not apply to such Tax Deduction if there is an actual payment by the Collateral Issuer of a corresponding payment of additional amounts pursuant to Condition 7 (*Taxation*) or an adjustment to the rate of interest in respect of the Collateral Notes pursuant to Condition 3(e) (*Recalculation of Interest*) of the Collateral Notes Conditions such that the amount received by the Issuer in respect of the Collateral Notes equals the amount that would have been received by it had no such deduction or withholding been required.

10.2 In Condition 7.3.2 (iii) the words “is required to comply with any reporting requirement of any such authority” shall be deleted and replaced with the following:

“is, as a result of a change in, or amendment to, the laws, regulations of the jurisdiction of the Collateral Issuer or in the official interpretation or application of such laws or regulations, required to comply with any reporting requirement of any such authority”.

11 Condition 7.4 (*Purchases*)

Condition 7.4 (*Purchases*) shall be deleted and replaced with the following:

7.4 Purchases

The Issuer may only purchase, exchange or retire Notes in accordance with the special conditions below (the **“Special Conditions”**):

- (i) The Issuer may at any time make an offer to purchase the Notes for cash consideration or to receive the Notes for cancellation (a **“Cloverie Tender Offer”**) or to exchange the Notes for

non-cash assets (a "**Cloverie Exchange Offer**") (in each case, whether by private treaty or tender offer). Any Cloverie Tender Offer or Cloverie Exchange Offer may only be made on a limited recourse basis and upon terms that will ensure that after any such purchase, cancellation or exchange of Notes, the aggregate principal amount of Notes outstanding will be the same as the aggregate principal amount of Collateral Notes outstanding. The Issuer shall not make a Cloverie Tender Offer or a Cloverie Exchange Offer (A) other than in the case of the Issuer receiving Notes for cancellation, without first having entered into an agency agreement with an agent to act as tender agent or, as the case may be, exchange agent for the Issuer in connection with the Cloverie Tender Offer or the Cloverie Exchange Offer and (B) without first being satisfied that its costs and expenses in connection with the same will be met, and subject to Moody's and/or Standard & Poor's, as the case may be (or any other applicable rating agency), being notified of the same and, in the case of Standard & Poor's only, confirming that the then current rating of the Notes by Standard & Poor's will not be adversely affected after the conclusion of any such Cloverie Tender Offer or Cloverie Exchange Offer. Furthermore, any Cloverie Tender Offer or Cloverie Exchange Offer shall be subject to any terms and conditions required by the Trustee and shall, for as long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange, be in accordance with all applicable rules and regulations of the Irish Stock Exchange. The Issuer shall forthwith notify Moody's and/or Standard & Poor's, as the case may be (or any other applicable rating agency), if any Notes are purchased or exchanged pursuant to this Condition 7.4.

- (ii) If at any time the Collateral Issuer makes an offer to the Issuer, or to the Custodian on behalf of the Issuer, to purchase the Collateral Notes for cash consideration or to receive the Notes for cancellation (a "**Tender Offer**") or for non-cash assets (an "**Exchange Offer**"), then the Issuer shall not accept such Tender Offer or Exchange Offer (notwithstanding anything to the contrary in Condition 13.1 (*Meetings of Noteholders*)), and the Trustee shall not be permitted to release the Security created over the Collateral Notes pursuant to the Trust Deed, other than in accordance with paragraphs (iii) and (iv) below.
- (iii) Subject to the requirements of paragraph (i) above, the Issuer shall make a Cloverie Tender Offer or, as the case may be, a Cloverie Exchange Offer, upon the occurrence of a Tender Offer or, as the case may be, an Exchange Offer unless (other than in the case of the Issuer receiving Notes for cancellation) in the reasonable opinion of the Issuer, the Issuer would be materially disadvantaged by the same.
- (iv) For purposes of any Cloverie Tender Offer or Cloverie Exchange Offer, whether or not relating to any Tender Offer or Exchange Offer, the Trustee shall not release the Security created over the Collateral Notes pursuant to the Trust Deed except that it may release the Collateral Notes to the extent that after such release and taking into account any purchase, exchange or cancellation of Notes pursuant to any Cloverie Tender Offer or Cloverie Exchange Offer, the aggregate principal amount of the Collateral Notes outstanding will be the same as the aggregate principal amount of Notes outstanding. To the extent that such Cloverie Tender Offer or Cloverie Exchange Offer relates to any Tender Offer or, as the case may be, Exchange Offer, following the release of such Security the Issuer shall accept (or procure the acceptance of) such Tender Offer or Exchange Offer in respect of the Collateral Notes so released.

Any failure by the Issuer to make a payment or delivery due in connection with any Cloverie Tender Offer or Cloverie Exchange Offer shall constitute a default in payment in respect of the Notes for purposes of Condition 11.1.

12 Condition 7.10 (*Cancellation*)

The provisions of Condition 7.10 (*Cancellation*) shall apply to the exchange or retirement of Notes as well as to the purchase of Notes in accordance with Condition 7.4 (*Purchases*).

13 Condition 8.5 (*Appointment of Agents*)

Condition 8.5 (*Appointment of Agents*) shall be deleted and replaced with the following:

8.5 Appointment of Agents

The Issuing and Paying Agent, the Calculation Agent, the Custodian, the Disposal Agent and the Enforcement Agent initially appointed by the Issuer and their respective specified offices are:

<u>Issuing and Paying Agent, Custodian and Calculation Agent</u>	<u>Enforcement Agent</u>	<u>Disposal Agent</u>
Citibank, N.A., London Branch Citigroup Centre Canada Square Canary Wharf London E14 5LB United Kingdom	Citigroup Global Markets Deutschland AG Reuterweg 16 60323 Frankfurt Germany	Citigroup Global Markets Limited Citigroup Centre Canada Square Canary Wharf London E14 5LB United Kingdom

The Issuing and Paying Agent, the Calculation Agent, the Custodian, the Disposal Agent and the Enforcement Agent act solely for the Issuer (or, as the case may be, and other than in the case of the Disposal Agent or the Enforcement Agent, the Trustee) and do not assume any obligation or relationship of agency or trust for or with any holder.

The Issuing and Paying Agent and the Custodian are subject to the minimum rating requirements set forth in the Agency Agreement and the Custody Agreement, respectively.

The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any Paying Agent, the Custodian, the Disposal Agent or the Enforcement Agent and to appoint additional or other Paying Agents, provided that the Issuer will at all times maintain (i) an Issuing and Paying Agent, (ii) a Paying Agent having its specified office in a major European city, (iii) a Calculation Agent where the Conditions so require, (iv) a Disposal Agent where the Conditions so require, (v) an Enforcement Agent where the Conditions so require (except where the Trust Deed permits the Enforcement Agent to resign without a replacement having been appointed), (vi) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 and (vii) a Custodian. In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Notes denominated in U.S. dollars in the circumstances described in Condition 8.3. For so long as the Notes are listed on a stock exchange, the Issuer will maintain such agents as may be required by the rules of such stock exchange.

14 Condition 12 (*Enforcement*)

Condition 12 (*Enforcement*) shall be deleted and replaced with the following:

12 Enforcement

At any time after the Notes become due and repayable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the

terms of the Trust Deed and the Notes (other than insofar as they relate to the Security constituted by the Trust Deed), but it need not take any such proceedings or any step or action unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by Noteholders holding at least one-fifth in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction.

Only the Trustee, or the Enforcement Agent acting as agent of the Issuer in accordance with Clause 6.3 of the Supplemental Trust Deed, may pursue the remedies available under the Trust Deed to enforce the rights of the Secured Parties or the other parties thereto. If the Trustee, having become bound to do so, but only to the extent that the Trustee is permitted to take such action pursuant to Clause 6.1 of the Supplemental Trust Deed, fails or neglects to do so, then the Noteholders may exercise their rights under Clause 16.2 (*Retirement and Removal*) of the Principal Trust Deed to remove the Trustee, but shall in no circumstances be entitled to proceed directly against the Issuer.

If the Enforcement Agent, having become bound to proceed in accordance with the terms of the Trust Deed, fails or neglects to do so, then the Noteholders may exercise their rights under Clause 6.5 (*Provisions relating to the Enforcement Agent*) of the Supplemental Trust Deed to remove the Enforcement Agent, but shall in no circumstances be entitled to proceed directly against the Issuer.

For each Series, the Trustee and the other Secured Parties shall have recourse only to the Mortgaged Property in respect of such Series (and, in the case of the Manager's Secured Parties, to the Manager's Charged Assets (each as defined in the Supplemental Trust Deed)) and, the Trustee and/or the Enforcement Agent having realised the same and the Trustee having distributed the Net Proceeds in accordance with Condition 4 (and, where applicable, the Managers' Trustee and/or the Enforcement Agent having realised the Manager's Charged Assets and the Managers' Trustee having distributed the net proceeds thereof in accordance with the Trust Deed), the Trustee and the other Secured Parties or the Managers' Trustee and the other Manager's Secured Parties or anyone acting on behalf of any of them shall not be entitled to take any further steps against the Issuer to recover any further sum and no debt shall be owed by the Issuer to any such person in respect of any such further sum. In particular, none of the Trustee, Managers' Trustee, any other Secured Party or Manager's Secured Party or any other party to the Trust Deed shall be entitled to petition or take any other step for the insolvency, examinership, winding-up or liquidation of the Issuer, and none of them shall have any claim in respect of any sum arising in respect of the Mortgaged Property for any other Series or any other assets secured for the benefit of any other obligation of the Issuer, provided that any such Secured Party or Manager's Secured Party or other party may prove or lodge a claim in the insolvency, examinership, winding-up or liquidation of the Issuer initiated by another party and provided further that any such Secured Party or Manager's Secured Party or other party may take proceedings to obtain a declaration or similar judgment or order as to the obligations and liabilities of the Issuer.

15 Condition 13.1 (*Meetings of Noteholders*)

Condition 13.1 (*Meetings of Noteholders*) shall be amended by adding the following two paragraphs at the end thereof:

"In addition, the Issuer shall, if so directed in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding, or if so directed by an Extraordinary Resolution of the Noteholders (in each case, a "**Noteholder Direction**") (subject in each case to its being indemnified to its satisfaction), exercise any rights in its capacity as holder of the Collateral Notes (including to direct the trustee in respect of the Collateral Notes to enforce the terms of the Collateral Notes as contemplated thereby) or its right under the Purchase Agreement to acquire the Collateral Notes in accordance with such direction (as more specifically set out in the Trust Deed).

At any time after the security for the Notes has become enforceable, the Enforcement Agent shall, if the Issuer is directed to do so by any Noteholder Direction (subject in each case to the Enforcement Agent being indemnified and/or secured to its satisfaction), exercise on behalf of the Issuer as the Issuer's agent any rights of the Issuer in the Issuer's capacity as holder of the Collateral Notes (including to direct the trustee in respect of the Collateral Notes to enforce the terms of the Collateral Notes as contemplated thereby) or the Issuer's right under the Purchase Agreement to acquire the Collateral Notes and the Enforcement Agent will act only in accordance with any Noteholder Direction (as more specifically set out in the Trust Deed).

Without prejudice to the foregoing, in no circumstances shall the Trustee be permitted when acting in its capacity as trustee for the Noteholders and the other Secured Parties, nor shall the Noteholders and the other Secured Parties (when acting in their respective capacities) be permitted, to take any action against the Collateral Issuer or enforce any claim that the Issuer may have against the Collateral Issuer under the Collateral Notes or the Purchase Agreement or otherwise whether before, upon, or after any security created by or pursuant to the Trust Deed becoming enforceable."

16 Condition 17 (*Indemnification and Obligations of the Trustee*)

The fourth paragraph of Condition 17 (*Indemnification and Obligations of the Trustee*) shall be deleted and replaced with the following:

"The Trust Deed provides that in acting as Trustee under the Trust Deed the Trustee shall not assume any duty or responsibility to any other Secured Party (other than to pay any such Secured Party any moneys received and repayable to it held on trust for it and to act in accordance with the provisions of Conditions 4 and 13.1 and Clauses 6.6, 6.19, 16.1, 16.2 and 20.1 of the Principal Trust Deed) and shall have regard solely to the interests of the Noteholders of any Series, or as the case may be, all Series and shall not (subject to the provisions of Conditions 4 and 13.1 and Clauses 6.6, 6.19, 16.1, 16.2 and 20.1 of the Principal Trust Deed, to the extent applicable, which require the Trustee to act on the direction of the Custodian, the Issuing and Paying Agent, the Registrar, any Paying Agent, any Transfer Agent or the Enforcement Agent in certain circumstances or divide the Mortgaged Property) be obliged to act on any directions of any other person if this would in the Trustee's opinion be contrary to the interests of the Noteholders."

Collateral Notes Summary

On the Issue Date the Issuer will acquire USD 500,000,000 in principal amount of USD 500,000,000 8.25 per cent. Reset Undated Capital Notes (the “**Collateral Notes**”) of Zurich Insurance Company Ltd (the “**Collateral Issuer**”), which will be registered in the name of the Issuer and any certificate(s) issued in respect thereof will be held by the Custodian acting through its London office pursuant to the Custody Agreement and the Agency Agreement subject to the security interests in favour of the Trustee created by the Trust Deed.

The following summary of the Collateral Notes is qualified by reference to the Collateral Notes Conditions.

Title:	USD 500,000,000 8.25 per cent. Reset Undated Capital Notes
Collateral Issuer:	Zurich Insurance Company Ltd
Registered Address of the Collateral Issuer:	Mythenquai 2, CH-8002 Zurich, Switzerland (telephone: +41 44 625 25 25).
Country of Incorporation	Switzerland; registered number CH-020.3.929.583-0.
Nature of Business:	<p>The purpose of Zurich Insurance Company Ltd is to conduct all kinds of insurance and reinsurance operations, except for direct life insurance business.</p> <p>Zurich Insurance Company Ltd has a dual function, firstly as an insurer, operating through subsidiaries, branch offices and representations in Switzerland and other countries, and secondly as a holding company. Zurich Insurance Company Ltd and its subsidiaries (collectively the “Zurich Insurance Group”) are an insurance-based financial services provider with a global network of subsidiaries, branch offices and representations operating mainly in North America and Europe as well as Asia Pacific, Latin America and other markets. Key markets of the Zurich Insurance Group are the United States and Europe, in particular the United Kingdom, Germany, Switzerland, Ireland, Italy and Spain. Its core businesses are general and life insurance. The Zurich Insurance Group provides insurance and risk management solutions and services for individuals, small and medium-sized businesses and major global companies. The Zurich Insurance Group also distributes non-insurance products such as mutual funds, mortgages and other financial services products from selected third-party providers.</p>
Principal Amount:	USD 500,000,000
Denomination(s):	USD 100,000 and integral multiples of USD 1,000 above such amount
Issue Date:	18 January 2012

Final Maturity Date:

Not Applicable

Interest Rate:

- (i) in respect of the period from and including the Issue Date, to but excluding the Interest Payment Date falling on 18 January 2018 (the “**First Reset Date**”), 8.25 per cent. per annum fixed rate; and
- (ii) in respect of each six-year period thereafter (each a “**Relevant Six-Year Period**”), the first of which commences on and includes the First Reset Date and ends on but excludes the sixth anniversary of that date, the 6-Year Mid Swap Rate plus Margin,

where:

“**6-Year Mid Swap Rate**” means the mid-market arithmetic mean, expressed as a percentage and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of the 6-Year U.S. Dollar Swap Rates, as determined by the Calculation Agent at 11.00a.m. (New York time) on the Interest Determination Date;

“**6-Year U.S. Dollar Swap Rates**” means the bid and offered swap rates for U.S. dollar swap transactions with a maturity of 6 years displayed on Bloomberg page “ICAU1” (or such other page as may replace that page on Bloomberg, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purposes of displaying comparable rates) at 11.00 a.m. (New York time) on the Interest Determination Date. If swap rates do not appear on that page, the 6-Year Mid Swap Rate shall instead be determined by the Calculation Agent on the basis of (i) quotations provided by the principal office of each of the four major banks in the U.S. dollar swap market of the rates at which swaps in U.S. dollar are offered by it at approximately 11.00 a.m. (New York time) on the Interest Determination Date to participants in the U.S. dollar swap market for a six year period and (ii) the arithmetic mean expressed as a percentage and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of such quotations;

“**Calculation Agent**” means Citibank N.A., London branch;

“**Interest Determination Date**” means, in respect of a Relevant Six-Year Period, the 2nd Business Day prior to the First Reset Date and each 2nd Business Day prior to the first day of the Relevant Six-Year

Period thereafter; and

“**Margin**” means 6.84 per cent. for the first Relevant Six-Year Period and 7.84 per cent. for each Relevant Six-Year Period thereafter from (and including) 18 January 2024.

Interest Payment Dates:	18 January, 18 April, 18 July and 18 October in each year from and including 18 April 2012, subject to the provisions relating to the deferral of interest payments as set out in the Collateral Notes Conditions.
Form:	Individual Registered Notes
Ranking:	Subordinated and Unsecured Notes
Taxation:	As described in the Collateral Notes Conditions
Listing:	None
Governing law:	English law or, in respect of the subordination provisions, the laws of Switzerland.
ISIN:	None
Rating:	The Collateral Notes will be rated by Moody's and S&P.

The Collateral Issuer is owned by Zurich Financial Services Ltd, the ultimate parent company of the Zurich Financial Services Group. Zurich Financial Services Ltd is a public limited liability company (*Aktiengesellschaft*) under Swiss Law. It is incorporated in Zurich, Switzerland, its registered office is at Mythenquai 2, CH-8002 Zurich, Switzerland and it has equity securities admitted to trading on the “Swiss Blue Chip Segment” of the SIX Swiss Exchange (SIX: ZURN). The Collateral Issuer has debt securities admitted to trading on the SIX Swiss Exchange.

Purchase of the Collateral Notes

The Issuer and the Collateral Issuer have entered into the Purchase Agreement pursuant to which the Issuer has agreed to subscribe the Collateral Notes from the Collateral Issuer. Under the Purchase Agreement, the Collateral Issuer has given certain representations and warranties to the Issuer and agreed to indemnify the Issuer against certain liabilities.

The Collateral Issuer has acknowledged the assignments by way of security of the Issuer’s rights under the Purchase Agreement to the Trustee. For a description of these assignments see “The Security Arrangements – Details of any other Security” under “Terms and Conditions of the Notes”, and “Security Arrangements in respect of the Notes” below.

Security Arrangements in respect of the Notes

Subject as set out below, the obligations of the Issuer under the Notes are secured, *inter alia*, by a first fixed charge over the Collateral Notes. The Collateral Notes will be registered in the name of the Issuer and any certificate(s) issued in respect thereof will be held by the Custodian acting through its London office pursuant to the Custody Agreement and the Agency Agreement subject to the security interests in favour of the Trustee created by the Trust Deed.

Subject as set out below, the obligations of the Issuer under the Notes are secured pursuant to the Trust Deed by, *inter alia*, (i) a first fixed charge in favour of the Trustee over the Collateral Notes, which are

registered in the name of the Issuer and all assets and property belonging to the Issuer and deriving from the Collateral Notes; (ii) an assignment by way of security in favour of the Trustee of the Issuer's rights, title and interest attaching to or relating to the Collateral Notes and all sums derived therefrom, including, without limitation, any right to delivery thereof or to an equivalent number or nominal value thereof which arises in connection with any such assets being held in a clearing system or through a financial intermediary; (iii) an assignment by way of security in favour of the Trustee of the Issuer's right under the Purchase Agreement to acquire the Collateral Notes; (iv) a first fixed charge in favour of the Trustee over all proceeds of, income from and sums arising from enforcement of any claim under the Purchase Agreement but only if such claim relates to the Issuer's right to acquire the Collateral Notes; (v) an assignment by way of security in favour of the Trustee of the Issuer's rights, title and interest against the Custodian and the Disposal Agent, to the extent that they relate to the Collateral Notes; (vi) an assignment by way of security in favour of the Trustee of the Issuer's rights, title and interest under the Trust Deed insofar as the same relates to the appointment of the Enforcement Agent as the Issuer's agent in connection with the rights and assets of the Issuer referred to in paragraphs (i) to (v) above; (vii) an assignment by way of security in favour of the Trustee of the Issuer's rights, title and interest under the Agency Agreement, to the extent that they relate to the Notes; (viii) an assignment by way of security in favour of the Trustee of the Issuer's rights, title and interest under the Custody Agreement, to the extent that they relate to the Notes; (ix) an assignment by way of security in favour of the Trustee of the Issuer's rights, title and interest to all sums held in the Cash Account (as defined in the Custody Agreement); and (x) a first fixed charge in favour of the Trustee over (a) all sums held by the Custodian and/or the Issuing and Paying Agent and/or any Paying Agent to meet payments due in respect of the obligations and duties of the Issuer under the Trust Deed, the Notes, the Agency Agreement and/or the Custody Agreement and (b) all sums held by the Custodian in the Cash Account and all other sums held by the Custodian or any sums held by the Issuing and Paying Agent and/or any Paying Agent to meet payments due in respect of the obligations and duties of the Issuer under the Trust Deed, the Notes, the Agency Agreement and/or the Custody Agreement (the Collateral Notes, together with the rights and assets of the Issuer referred to in this paragraph, being the "**Mortgaged Property**").

A charge, although expressed in words which would suffice to create a fixed charge, may be treated as a floating charge, particularly if it appears that it was intended that the chargor should have licence to dispose of the assets charged in the course of its business without the consent of the chargee.

Following any realisation or enforcement of the security over the Mortgaged Property, there can be no assurance that the proceeds of such realisation or enforcement will be sufficient to repay the principal amount due under the Notes and any other amount due in respect of the Notes.

Performance of Index/Formula/Other Variable, Explanation of Effect on Value of Investment and Associated Risks and Other Information concerning the Collateral Notes

Investors should note that the performance of the Notes is linked to the performance of the Collateral Notes. Any event that causes the Collateral Issuer not to make all or part of any scheduled payments on the Collateral Notes, to recalculate the interest in accordance with Condition 4(e) (*Recalculation of Interest*) of the Collateral Notes Conditions or to delay any such payments (including the Collateral Issuer's election to defer interest payments in accordance with Condition 3(c) (*Optional Deferral or Cancellation*) of the Collateral Notes Conditions), will result in corresponding reductions and delays in respect of principal and interest payable in respect of the Notes. The Notes may also redeem earlier than anticipated due to tax imposition and other events affecting the Collateral Notes. Any of these events may cause significant losses to Noteholders and may result in the Notes paying no interest and/or redeeming at zero.

The Noteholders will have no right to physical delivery of the Collateral Notes under the terms of the Notes. Any enforcement of security over the Collateral Notes is subject to the transfer

restrictions set forth in the Collateral Notes Conditions. These transfer restrictions severely limit the potential transferees of the Collateral Notes.

A summary of the provisions of the Collateral Notes is set forth above, and the detailed terms and conditions governing the Collateral Notes are set forth in Appendix A and Appendix B to this Series Prospectus.

The Noteholders may obtain details of the past and future performance and volatility of the Collateral Notes from the Issuing and Paying Agent.

Dissolution Event under the Collateral Notes

The Collateral Notes have limited events of default and the rights of the trustee appointed in respect of the Collateral Notes to accelerate the Collateral Notes are correspondingly limited.

If a resolution is passed or an order of a court of competent jurisdiction is made that the Collateral Issuer be wound up or dissolved other than in circumstances involving a consolidation, amalgamation, merger or reconstruction, the trustee appointed in respect of the Collateral Notes may, and if so requested in writing by the Issuer as holder of all of the Collateral will, give notice that the Collateral Notes are immediately due and payable.

Any amount (if any) paid as a result of the Collateral Notes becoming repayable will be paid *pro rata* to the Noteholders after the Issuer receives such amounts in accordance with the terms of the Notes. If the Collateral Notes become due and payable but the Collateral Issuer does not make payment in respect of them, the only remedy open to the trustee of the Collateral Notes is to participate in, but not itself institute, proceedings for the winding up of the Collateral Issuer. No further action may be taken to enforce the obligation of the Collateral Issuer to pay principal and/or interest.

The way in which Noteholders may direct the Issuer to enforce the terms of the Collateral Notes is set out in this Series Prospectus under "Risk Factors - Exercise of rights under Collateral Notes".

Disposal of the Collateral Notes

The following is a summary of the provisions pursuant to which the Disposal Agent will effect a sale of the Collateral Notes if required to do so pursuant to the Conditions.

If the Issuer becomes obliged under the Conditions to sell the Collateral Notes in order for it to make a payment under the Conditions, or if the Security (including in respect of the Collateral Notes) constituted by the Trust Deed becomes enforceable (such Collateral Notes in either case being the "**Affected Collateral**"), the Disposal Agent, as the Issuer's agent, shall on the Disposal Commencement Date seek from five Qualifying Banks firm bid quotes for the purchase of the Affected Collateral for settlement no later than the Affected Collateral Settlement Date (each a "**Bid Quotation**"). If at least two Bid Quotations are not available by 2.00 p.m. London time on the Disposal Commencement Date, then the Disposal Agent shall continue to seek Bid Quotations from five such Qualifying Banks on each Disposal Business Day thereafter until at least two such Bid Quotations are received by the Disposal Agent by 2.00 p.m. London time on the same Disposal Business Day. Upon receipt of at least two Bid Quotations by 2.00 p.m. London time on a Disposal Business Day, the Disposal Agent shall select the highest Bid Quotation received and shall sell the Affected Collateral on behalf of the Issuer at the selected Bid Quotation. If the Disposal Agent is unable to obtain at least two Bid Quotations by 2.00 p.m. London time on a Disposal Business Day prior to the Disposal Cut-Off Date then the Disposal Agent shall either, if a single Bid Quotation is available by 2.00 p.m. London time on the Disposal Cut-Off Date, select such single Bid Quotation and shall sell the Affected Collateral on behalf of the Issuer at the selected Bid Quotation or, if no such single Bid Quotation is available prior to the Disposal Cut-Off Date, seek on the Disposal Cut-Off Date from two or more Qualifying Banks firm bid quotes for the purchase of such

principal amount of the Affected Collateral as the Disposal Agent in its sole discretion shall determine but which in the aggregate is equal to the principal amount of the Affected Collateral and if any such bid quotes are available by 2.00 pm. on the Disposal Cut-Off Date, sell the Affected Collateral on behalf of the Issuer to each provider of such bid quotes such principal amount of Affected Collateral the subject of the relevant bid. If by 2.00 pm. on the Disposal Cut-Off Date, a principal amount of the Affected Collateral has not been the subject of any bid quotation whatsoever, then the Disposal Agent shall (provided that Citi is a Qualifying Bank) purchase such principal amount of the Affected Collateral on the Affected Collateral Settlement Date at such value determined by Citi acting in a reasonable commercial manner, to be the fair market value thereof. For the avoidance of doubt, Citi may deem the fair market value of the Affected Collateral to be zero.

The Disposal Agent and Citi shall be subject to the transfer restrictions applicable to the Collateral Notes in relation to any disposal of the Collateral Notes, including but not limited to the restrictions set out in Condition 10(j) (*Restrictions on Transfer of Certain Notes*) and Condition 10(k) (*Grants of Security*) of the Collateral Notes Conditions. The Disposal Agent shall not, and shall not be required to, dispose of the Collateral Notes where such disposal would violate any such transfer restrictions, and Citi shall not, and shall not be required to, purchase the Collateral Notes where such purchase would violate any such transfer restrictions.”.

For the purpose of the above:

“**Affected Collateral Settlement Date**” means the date occurring one Business Day prior to the Settlement Date.

“**Business Day**” means a day (other than a Saturday or a Sunday) on which commercial banks are generally open for business in New York and London.

“**Disposal Business Day**” means each Business Day from, and including, the Disposal Commencement Date to, and including, the Disposal Cut-Off Date.

“**Disposal Commencement Date**” means:

- (i) other than in connection with any enforcement of Security, the date occurring five Business Days (or such shorter period as may be required by the Conditions) prior to the Settlement Date, unless on such date the amount of the payment required to be made on the Settlement Date has not been determined, in which case the “Disposal Commencement Date” shall be the date on which the amount of such payment is determined or if such date is not a Business Day, the next following Business Day; or
- (ii) in connection with any enforcement of Security, the date falling 30 calendar days following the date on which Noteholders are notified in accordance with the terms and conditions of the Notes that the Disposal Agent is to begin the process of disposing of the Collateral Notes in accordance with the terms of the Agency Agreement or, if such 30th calendar day is not a Business Day, the immediately following Business Day.

“**Disposal Cut-Off Date**” means the date occurring two Business Days prior to the Settlement Date.

“**Qualifying Bank**” means a person or entity which effectively conducts banking activities with its own infrastructure and staff as its principal business purpose and which has a banking licence in full force and effect issued in accordance with the banking laws in force in its jurisdiction of incorporation, or if acting through a branch, issued in accordance with the banking laws in the jurisdiction of such branch.

“**Settlement Date**” means:

- (i) other than in connection with any enforcement of Security, the date on which the Issuer is required to make a payment under the terms and conditions of the Notes; and

(ii) in connection with any enforcement of Security, the date occurring 30 calendar days following the Disposal Commencement Date or, if such 30th calendar day is not a Business Day, the immediately following Business Day.

General Information

1. The Issuer is a public limited company, incorporated in and organized under the laws of Ireland, with its registered office at 1 North Wall Quay, International Financial Services Centre, Dublin 1, and registered as Cloverie Public Limited Company under no. 374618. The Issuer has a share capital in the total amount of EUR 40,000, divided into 40,000 ordinary shares with a par value of EUR 1 each. The Issuer does not have any preference shares or profit sharing certificates outstanding and the Issuer does not dispose of authorized or conditional share capital. The Issuer did not pay any dividends during the last five years.
2. The total nominal value of the debt securities issued by the Issuer and outstanding as at 30 November 2011 is €2,537,138,520.06. The total nominal value of the collateral securities purchased and held by the Issuer as at 30 November 2011 is €1,107,024,152.57.
3. From the date of this Series Prospectus and for so long as the Notes remain outstanding, the following documents will be available for inspection in physical format during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the office of the Issuing and Paying Agent and at the office of the Issuer. Copies of the documents referred to below may be obtained free of charge from the specified office of the Issuing and Paying Agent:
 - (a) this Series Prospectus;
 - (b) the Supplemental Trust Deed and the Supplemental Agency Agreement in relation to the Notes;
 - (c) the Collateral Base Prospectus, the Collateral Prospectus Supplements and the Collateral Final Terms; and
 - (d) audited financial statements of the Issuer for the financial year ended 31 December 2008, 31 December 2009, 31 December 2010 and any subsequent financial years for which audited financial statements of the Issuer are available.
4. The issue of the Notes was authorised by resolutions of the Board of Directors of the Issuer passed on 20 October 2011.
5. The Issuer does not intend to provide any post issuance transactional information on either the Notes (as described in the Conditions above) or the Collateral Notes.
6. Save as described herein, there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2009 (such date being the date of the Issuer's last audited financial statements) which is material or significant.
7. The Issuer has not been involved in any litigation, arbitration or governmental proceedings (including such proceedings which are pending or threatened or of which the Issuer is aware during the 12 months preceding the date of the Series Prospectus) which may have or have had in the recent past, significant effects on the financial position or profitability of the Issuer.
8. So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.
9. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and it is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its Global Exchange Market.
10. No web addresses mentioned herein form part of this Series Prospectus for the purposes of application for listing of the Notes and approval of this Series Prospectus.

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**Appendix A –
Final Terms of the Collateral Notes**

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Final Terms of the USD500,000,000 8.25 per cent. Undated Reset Capital Notes

Final Terms dated 17 January 2012

Zurich Insurance Company Ltd
Issue of USD500,000,000 8.25 per cent. Undated Reset Capital Notes
under the USD18,000,000,000
Euro Medium Term Note Programme
Part A Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of Capital Notes set forth in the Base Prospectus dated 20 May 2011 and the supplements to the Base Prospectus dated 5 December 2011, 9 December 2011 and 9 January 2012 which together constitute a base prospectus for the purposes of the Prospectus Directive (*Directive 2003/71/EC*) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Capital Notes described herein and must be read in conjunction with such Base Prospectus as so supplemented. Full information on the Issuer and the offer of the Capital Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus as so supplemented. The Base Prospectus and the supplements to the Base Prospectus are available for viewing at www.bourse.lu and during normal business hours at Zurich Insurance Company Ltd, Mythenquai 2, CH-8002 Zurich, Switzerland.

- | | |
|---|---|
| 1. Issuer: | Zurich Insurance Company Ltd |
| 2. (i) Series Number: | 25 |
| (ii) Tranche Number: | 1 |
| (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible). | Not Applicable |
| 3. Specified Currency or Currencies: | US dollars (“USD”) |
| 4. Aggregate Nominal Amount of Notes: | USD 500,000,000 |
| (i) Series: | USD 500,000,000 |
| (ii) Tranche: | USD 500,000,000 |
| 5. Issue Price: | 100 per cent. of the Aggregate Nominal Amount |
| 6. Specified Denominations: | USD 100,000 and integral multiples of USD 1,000 in excess thereof |
| Calculation Amount: | USD 1,000 |
| 7. (i) Issue Date: | 18 January 2012 |
| (ii) Interest Commencement Date: | Issue Date |
| 8. Type of Note | Undated Capital Notes |

For this issue of Undated Capital Notes, the definition of “**Senior Creditors**” in Condition 2 means (i) Senior Creditors and holders of Subordinated Notes (each as defined in Schedule 1 Part A to the Trust Deed) and (ii) creditors of the Issuer in respect of a Subordinated ZIC Guarantee (as defined in the Trust Deed) or in respect of other actual or contingent obligations (including claims of holders of insurance policies issued by the Issuer), whether outstanding at the Issue Date or subsequently incurred, other than any obligation as to which, in the instrument creating or evidencing the obligation or pursuant to which the obligation is outstanding, it is expressly provided that such obligation is *pari passu* with, or junior to, the Capital Notes and/or any Parity Obligations.

In the event of a voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar

proceedings of or against the Issuer, there shall be payable in such voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings on each Capital Note, subject to the subordination provisions set out in Condition 2, an amount equal to the principal amount of such Capital Note together with any unpaid (a) Optionally Deferred Interest, (b) Solvency Deferred Interest (except Relevant Excess Solvency Deferred Interest (as defined below)), and (c) interest which has accrued up to, but excluding, the date of repayment.

As used herein:

“Relevant Excess Solvency Deferred Interest” means the amount by which any Relevant Solvency Deferred Interest (as defined below) which has not been settled through the application of the APM Settlement exceeds 25 per cent. of the Aggregate Nominal Amount of the Notes (then outstanding); and

“Relevant Solvency Deferred Interest” means Solvency Deferred Interest arising only by reason of limb (iii) to the definition of Solvency Event.

9. Maturity Date (for dated Notes only):

Not Applicable

10. (i) Interest Basis:

Fixed for six years and thereafter reset as provided below (further particulars specified below in paragraph 18(i))

(ii) Solvency Event:

Applicable

Cumulative

(iii) Trigger Event:

Not Applicable

(iv) Optional Non-Payment:

Applicable

For this issue of Undated Capital Notes, the definition of **"Optional Interest Payment Date"** in Condition 3(c) means any Interest Payment Date in respect of which during the six month period ending thereon, but subject as provided in the next paragraph (i) no dividend has been declared or paid on any class of share capital of ZFS; and (ii) (provided at the relevant time the existence of this requirement (ii) does not cause a Regulatory Event) no interest, distribution or other payment (including payments for the purpose of a redemption or repurchase) has been made on any securities issued (or guaranteed) by (a) the Issuer and the claims in respect of such securities or, as applicable, guarantee rank junior to, or *pari passu* with, the claims of Noteholders or (b) ZFS (unless, in each case aforesaid, such payment was compulsory under the terms of such securities or required due to the compulsory repayment of such securities).

Condition 3(d) does not apply to this issue of Undated Capital Notes, however, for the purposes of determining if an Optional Interest Payment Date as described in the previous paragraph has occurred, any Interest Payment Date which would otherwise not be an Optional Interest Payment Date by reason only of one or more of the events listed in Condition 3(d)(i)-(vi) shall be treated as an Optional Interest Payment Date.

Cumulative

(v) Optional Non-Payment limited to 5 years upon loss of regulatory capital credit:

Yes

(vi) Relevant Entity:

ZIC and/or ZFS

(vii) Cash Settlement:

Applicable, except as described under “APM Settlement” below

(viii) APM Settlement:	Applicable in respect of Relevant Solvency Deferred Interest only. The specified period for the purposes of application of the APM Settlement ends one year following the date upon which deferral of such Relevant Solvency Deferred Interest commenced
(ix) Commercially Reasonable Efforts:	Applicable in respect of Relevant Solvency Deferred Interest only. The obligation to use commercially reasonable efforts to operate the APM to settle any such Relevant Solvency Deferred Interest shall expire one year following the date upon which deferral of such Relevant Solvency Deferred Interest commenced.
(x) Intention Statement:	Not Applicable
(xi) Period for purposes of limb (vi) of definition of APM Deferred Settlement Date:	30 days. Applicable in respect of Relevant Solvency Deferred Interest only
(xii) Cash Deferred Settlement Date applicable limbs:	Limb (iv) applies to Cash Deferred Settlement. Limb (vi) does not apply to Cash Deferred Settlement
(xiii) Condition 3(e)(vi) to apply:	Yes. Applicable in respect of Relevant Solvency Deferred Interest only The Issuer will not redeem or purchase any of its Qualifying APM Securities during the period commencing on the Interest Payment Date when the Relevant Solvency Deferred Interest arises until the date falling at least six months after the date on which all such Relevant Solvency Deferred Interest has been settled.
11. Redemption/Payment Basis:	Redemption at par
12. Change of Interest or Redemption/Payment Basis:	See paragraph 18 below
13. Call Option:	Issuer Call (further particulars specified below)
14. Date Board approval for issuance of Notes obtained:	9 February 2011
15. Method of distribution:	Non-syndicated
16. Condition 7(b)(vii) to apply:	Yes
17. Initial Permitted Non-Qualifying Lender:	Cloverie Plc

Provisions Relating to Interest (if any) Payable

18. Fixed Rate Note Provisions	Applicable
(i) Rate(s) of Interest:	8.25 per cent. per annum payable quarterly in arrear until (but excluding) the Interest Payment Date falling on 18 January 2018 (the “ First Reset Date ”). From (and including) the First Reset Date, and reset on each sixth anniversary thereafter (each a “ Relevant Six-Year Period ”), the aggregate of the 6-Year Mid Swap Rate and the Margin payable quarterly in arrear, where: “ 6-Year Mid Swap Rate ” means the mid-market arithmetic mean, expressed as a percentage and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of the 6-Year U.S. Dollar Swap Rates, as determined by the Calculation Agent at or around 11.00a.m.

(New York time) on the Interest Determination Date;
“6-Year U.S. Dollar Swap Rates” means the bid and offered swap rates for U.S. dollar swap transactions with a maturity of 6 years displayed on Bloomberg page “ICAU1” (or such other page as may replace that page on Bloomberg, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purposes of displaying comparable rates) at or around 11.00 a.m. (New York time) on the Interest Determination Date. If swap rates do not appear on that page, the 6-Year Mid Swap Rate shall instead be determined by the Calculation Agent on the basis of (i) quotations provided by the principal office of each of the four major banks in the U.S. dollar swap market of the rates at which swaps in U.S. dollar are offered by it at approximately 11.00 a.m. (New York time) on the Interest Determination Date to participants in the U.S. dollar swap market for a six year period and (ii) the arithmetic mean expressed as a percentage and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of such quotations;

“Calculation Agent” means Citibank N.A., London branch;

“Interest Determination Date” means, in respect of a Relevant Six-Year Period, the 2nd Business Day prior to the First Reset Date and each 2nd Business Day prior to the first day of each Relevant Six-Year Period thereafter; and

“Margin” means 6.84 per cent. for the first Relevant Six-Year Period and 7.84 per cent. for each Relevant Six-Year Period thereafter from (and including) 18 January 2024.

(ii) Interest Payment Date(s):	18 January, 18 April, 18 July and 18 October in each year, commencing on 18 April 2012
(iii) Fixed Coupon Amount:	USD 20.63 per Calculation Amount, until the First Call Date
(iv) Broken Amount(s):	Not Applicable
(v) Day Count Fraction:	30/360
(vi) Determination Dates:	Not Applicable
(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	Not Applicable
19. Floating Rate Note Provisions	Not Applicable
20. Index-Linked Interest Note/other variable-linked interest Note Provisions	Not Applicable
21. Dual Currency Note Provisions	Not Applicable

Provisions Relating to Redemption

22. Call Option	Applicable
(i) Optional Redemption Date(s):	18 January 2018 (the “First Call Date”) and any Interest Payment Date thereafter
(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	USD 1,000 per Calculation Amount
(iii) If redeemable in part:	Not Applicable
(a) Minimum Redemption Amount:	Not Applicable
(b) Maximum Redemption Amount:	Not Applicable

(iv) Notice period:	Not less than 15 days nor more than 30 days
23. (i) Accounting Event	Yes at the Regular Redemption Price
(ii) Initial Accounting Treatment Methodology:	liabilities
24. Other Event Redemption Price:	Not Applicable
25. Capital Event:	Yes at the Regular Redemption Price
26. Regulatory Event:	Yes at the Regular Redemption Price
27. (i) Replacement Capital Covenant:	No
(ii) Intent-Based Replacement Language:	No
28. Final Redemption Amount of each Note	USD 1,000 per Calculation Amount
29. Early Redemption Amount:	USD 1,000 per Calculation Amount
Special Redemption Price:	USD 1,000 per Calculation Amount
Regular Redemption Price:	USD 1,000 per Calculation Amount
30. Instalment Amount:	Not Applicable
31. Maturity Date of Dated Capital Notes extended upon a Solvency Event in accordance with Condition 6(c):	Not Applicable

General Provisions Applicable to the Notes

32. Form of Notes:	Individual Registered Notes
33. Payment Business Centre(s) or other special provisions relating to Payment Days for the purpose of Condition 5(c):	Not applicable
34. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
35. Principal Paying Agent:	Citibank N.A.
36. Relevant Jurisdictions:	Not Applicable
37. Restricted Capital Note (Condition 10(j) shall apply):	Yes
(i) Restricted Capital Note Minimum Denomination Amount:	USD 100,000
(ii) Restricted Capital Note Transfer Amount:	USD 100,000
(iii) Number of Qualifying Banks:	5
38. Other final terms:	Not Applicable

Responsibility

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of the Issuer:

By:
Duly authorised

Signed on behalf of the Issuer:

By:
Duly authorised

PART B — OTHER INFORMATION

1. Listing and Admission to Trading

- (i) Listing: None
- (ii) Admission to trading: Not Applicable

2. Ratings

- Ratings: The Notes to be issued are expected to be rated:
- S & P: A
 - Moody's: A3

3. Interests of Natural and Legal Persons Involved in the Issue Not Applicable

8. Operational Information

- (i) ISIN Code: Not Applicable
- (ii) Common Code: Not Applicable
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): Not Applicable - the Undated Capital Notes are not being held in a clearing system
- (iv) Delivery: Delivery free of payment
- (v) Names and addresses of initial Paying Agent(s): Citibank, N.A.
Citigroup Centre
Canada Square
Canary Wharf
E14 5LB
- (vi) Names and addresses of additional Paying Agent(s) (if any): Not Applicable

Appendix B – Collateral Base Prospectus

BASE PROSPECTUS

20 May 2011

Zurich Finance (Luxembourg) S.A.

(incorporated with limited liability in the Grand Duchy of Luxembourg)

Zurich Finance (USA), Inc.

(incorporated with limited liability in the State of Delaware, USA.)

Zurich Finance (UK) plc

(incorporated with limited liability in England and Wales)



Zurich Bank

(incorporated with unlimited liability in Ireland)

Zurich Insurance Company Ltd

(incorporated with limited liability in Switzerland)

irrevocably guaranteed, in the case of Notes issued by Zurich Finance (Luxembourg) S.A.,

Zurich Finance (USA), Inc., Zurich Finance (UK) plc and Zurich Bank by

Zurich Insurance Company Ltd

USD 18,000,000,000

Euro Medium Term Note Programme

Under this USD18,000,000,000 Euro Medium Term Note Programme (the “**Programme**”), Zurich Finance (Luxembourg) S.A. (“**ZF (Luxembourg)**”), Zurich Finance (USA), Inc. (“**ZF (USA)**”), Zurich Finance (UK) plc (“**ZF (UK)**”), Zurich Bank (“**Zurich Bank**”) and Zurich Insurance Company Ltd (“**ZIC**”, and together with ZF (Luxembourg), ZF (USA), ZF (UK) and Zurich Bank, the “**Issuers**” and each, an “**Issuer**”) may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (each as defined below). Issues of Notes under the Programme by ZF (Luxembourg), ZF (USA), ZF (UK) and Zurich Bank will be guaranteed as provided herein as to payments of principal, interest and additional amounts by ZIC (the “**Guarantee**” and the “**Guarantor**” respectively).

The Notes may be issued on a continuous basis to one or more of the Dealers below and any additional Dealer appointed under the Programme from time to time, which appointments may be for a specific issue or on an ongoing basis (each a “**Dealer**” and together the “**Dealers**”). References in this Base Prospectus to the “**relevant Dealer**” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes. References in this Base Prospectus to the “**relevant Issuer**” shall, in the case of any issue of Notes, be to the Issuer which has agreed to issue such Notes.

This document constitutes five base prospectuses (the “**Base Prospectus**”) for the purpose of Article 5.4 of Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) and the applicable Final Terms (as defined on page 2) shall constitute Final Terms for the purpose of the Prospectus Directive.

This Base Prospectus has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the “**CSSF**”), which is the Luxembourg competent authority for the purpose of the Prospectus Directive as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue of notes (“**Notes**”) issued under the Euro Medium Term Note Programme (the “**Programme**”) described in this Base Prospectus during the period of twelve months after the date of publication hereof. Application has been made for Notes issued under the Programme to be admitted to trading on the regulated market and listed on the Official List of the Luxembourg Stock Exchange. The regulated market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive (2004/39/EC).

With respect to a particular Series (as defined on page 2) of Notes issued in registered form (“**Registered Notes**”), the Registered Notes of each Tranche (as defined on page 2) of such Series will be sold outside the United States in reliance on Regulation S under the United States Securities Act of 1933, as amended (the “**US Securities Act**”). Such Notes will be represented by a global note in registered form, without interest coupons (a “**Reg. S Global Note**”), which will be registered in the name of Citivic Nominees Limited as nominee for, and will be deposited with Citibank, N.A. as common depositary for, and in respect of interests

held through, Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”). If a Reg. S Global Note is held under the New Safekeeping Structure (the “**NSS**”), the Reg. S Global Note will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear and Clearstream, Luxembourg. Prior to expiry of the period that ends 40 days after completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue (the “**distribution compliance period**”), beneficial interests in the Reg. S Global Note may not be offered or sold to, or for the account or benefit of, a US person (as defined in Regulation S under the US Securities Act), and may not be held otherwise than through Euroclear and Clearstream, Luxembourg. Registered Notes in individual form will be issued in exchange for interests in the Regulation S Global Note upon compliance with the procedures for exchange as described in “Form of the Notes and the Capital Notes” below in the limited circumstances described in the applicable Final Terms. Registered Notes in individual registered form from the date of issue may also be sold outside the United States in reliance on Regulation S under the US Securities Act.

Each Tranche of Notes issued in bearer form (“**Bearer Notes**”) (other than a Tranche of Listed Swiss Franc Notes, as to which see “Form of the Notes and the Capital Notes”) will initially be represented by a temporary bearer global Note (a “**Temporary Global Note**”) or, if so specified in the applicable Final Terms, a permanent Global Note (a “**Permanent Global Note**”, together with the Temporary Global Note, the “**Bearer Global Notes**”) which if the Bearer Global Notes are not intended to be issued in new global note (“**New Global Note**”, or “**NGN**”) form, will be deposited on or around the relevant issue date with a common depository (the “**Common Depository**”) for Euroclear and Clearstream Luxembourg, and if the Bearer Global Notes are intended to be issued in NGN form, will be deposited on or around the relevant issue date with a Common Safekeeper for Euroclear and Clearstream, Luxembourg. Beneficial interests in a Temporary Global Note will be exchangeable for either beneficial interests in a Permanent Global Note or Definitive Bearer Notes upon certification as to non-US beneficial ownership as required by US Treasury Regulations and thereafter any Permanent Global Note may be exchanged for Definitive Bearer Notes in the circumstances described in the applicable Final Terms, in each case in accordance with the procedures described in “Form of the Notes and the Capital Notes” below.

Arranger

Citi

Dealers

Barclays Capital

BofA Merrill Lynch

Commerzbank

Credit Suisse

Goldman Sachs International

J.P. Morgan

The Royal Bank of Scotland

BNP PARIBAS

Citi

Crédit Agricole CIB

Deutsche Bank

HSBC

Morgan Stanley

UBS Investment Bank

Each of the Issuers accepts responsibility for the information contained in this Base Prospectus, and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Information contained in this Base Prospectus under the heading “*Zurich Insurance Company Ltd*” has been supplied by ZIC, which accepts responsibility for the accuracy of such information. ZF (Luxembourg), ZF (USA), ZF (UK) and Zurich Bank do not accept responsibility for the accuracy of such information, nor have they independently verified any such information.

Information contained in this Base Prospectus under the heading “*Zurich Finance (Luxembourg) SA*” has been supplied by ZF (Luxembourg), which, together with ZIC, accepts responsibility for the accuracy of such information. ZF (USA), ZF (UK) and Zurich Bank do not accept responsibility for the accuracy of such information, nor have they independently verified any such information.

Information contained in this Base Prospectus under the heading “*Zurich Finance (USA), Inc*” has been supplied by ZF (USA), which, together with ZIC, accepts responsibility for the accuracy of such information. ZF (UK), Zurich Bank and ZF (Luxembourg) do not accept responsibility for the accuracy of such information, nor have they independently verified any such information.

Information contained in this Base Prospectus under the heading “*Zurich Finance (UK) Plc*” has been supplied by ZF (UK), which, together with ZIC, accepts responsibility for the accuracy of such information. Zurich Bank, ZF (Luxembourg) and ZF (USA) do not accept responsibility for the accuracy of such information, nor have they independently verified any such information.

Information contained in this Base Prospectus under the heading “*Zurich Bank*” has been supplied by Zurich Bank, which, together with ZIC, accepts responsibility for the accuracy of such information. ZF (Luxembourg), ZF (USA) and ZF (UK) do not accept responsibility for the accuracy of such information, nor have they independently verified any such information.

This Base Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “Documents Incorporated by Reference” below). This Base Prospectus shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Base Prospectus.

Notes will be issued in series (each a “**Series**”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “**Tranche**”) on different issue dates.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set forth in the final terms (the “**applicable Final Terms**”) which, with respect to Notes to be listed on a stock exchange, will be delivered to the stock exchange on or before the date of issue of the Notes of such Tranche. Notes that will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system may also be issued pursuant to the Programme by any of the Issuers.

No representation, warranty or undertaking, express or implied, is made and to the fullest extent permitted by law the Dealers and the Trustee disclaim all responsibility or liability which they might otherwise have as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by any Issuer in connection with the Programme or the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of each Issuer under the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any Issuer, the Trustee or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an invitation or offer by any Issuer, the Trustee or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer). Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer by or on behalf of any Issuer, the Trustee or any of the Dealers to any person to subscribe for or to purchase any Notes.

The delivery of this Base Prospectus does not at any time imply that the information contained herein concerning the Issuers is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers during the life of the Programme. Investors should review, inter alia, the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements (if any) of the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes may include bearer Notes that are subject to US tax law requirements. Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the US Securities Act) except in accordance with Regulation S under the US Securities Act or pursuant to an exemption from the registration requirements of the US Securities Act (see "Subscription and Sale" below) and hedging transactions involving the Notes may not be conducted unless in compliance with the US Securities Act.

The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Trustee and the Dealers do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Trustee or the Dealers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor

any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made in compliance with applicable law. Persons into whose possession this Base Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area, Ireland, the United Kingdom and Japan (see "Subscription and Sale" below).

Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "CRA Regulation") will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

All references in this document to a "**Member State**" are references to a Member State of the European Economic Area, "**US dollars**", "**US\$**", "**\$**", "**USD**" and "**US cent**" refer to the currency of the United States of America, those to "**euro**", "**€**" and "**EUR**" are to the single currency adopted by those states participating in the European Monetary Union from time to time, those to "**Sterling**", "**GBP**" and "**£**" refer to the currency of the United Kingdom, those to "**Swiss Francs**", "**SFr**" and "**CHF**" refer to the currency of Switzerland. References in this document to "**Listed Swiss Franc Notes**" are to Notes denominated or payable in Swiss Francs and listed on the SIX Swiss Exchange.

To ensure compliance with US Treasury Department Circular 230, noteholders are hereby notified that: (A) any discussion of US Federal Tax issues in this Base Prospectus is not intended or written to be relied upon, and cannot be relied upon, by Noteholders for the purpose of avoiding penalties that may be imposed on noteholders under the US Internal Revenue Code, (B) such discussion is included herein by the issuers in connection with the promotion or marketing (within the meaning of Circular 230) by the Issuers and the Dealers of the transactions or matters addressed herein and (C) Noteholders should seek tax advice based on their particular circumstances from an independent tax advisor.

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IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) IN THE RELEVANT FINAL TERMS (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) MAY OVERALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES OF THE SERIES OF WHICH SUCH TRANCHE FORMS PART AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Documents Incorporated by Reference

The following documents, which have been filed with the CSSF and published and are available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu), all in accordance with the Prospectus Directive, are incorporated in, and form part of, this Base Prospectus:

- (a) the audited consolidated financial statements (including the auditors' report thereon and notes thereto) of ZIC and its subsidiaries (collectively the "**Zurich Insurance Group**" or "**ZIG**") in respect of the years ended 2010 and 2009 (the consolidated income statements being set out on pages 47 to 49 and 53 to 55, respectively, of its 2010 and 2009 annual reports; the consolidated balance sheets being set out on pages 50 to 51 and 56 to 57, respectively, of its 2010 and 2009 annual reports; the consolidated statements of cash flows being set out on pages 52 to 53 and 58 to 59, respectively, of its 2010 and 2009 annual reports; the consolidated statements of changes in equity being set out on pages 54 to 55 and 60 to 61, respectively, of its 2010 and 2009 annual reports; the notes to the financial statements being set out on pages 56 to 154 and 62 to 166, respectively, of its 2010 and 2009 annual reports; and the auditors' report being set out on page 155 and pages 168 to 169, respectively, of its 2010 and 2009 annual reports).
- (b) the audited financial statements (including the auditors' report thereon and notes thereto) of ZIC, as included in the annual report of Zurich Insurance Group above, in respect of the years ended 2010 and 2009 (the income statements being set out on page 163 and 177, respectively, of its 2010 and 2009 annual reports; the balance sheets being set out on pages 164 to 165 and 178 to 179, respectively, of its 2010 and 2009 annual reports; the notes to the financial statements being set out on pages 166 to 175 and 180 to 188, respectively, of its 2010 and 2009 annual reports; and the auditors' report being set out on pages 176 to 177 and 190 to 191, respectively, of its 2010 and 2009 annual reports).
- (c) the audited financial statements (including the auditors' report thereon and notes thereto) of ZF (USA) in respect of the years ended 2010 and 2009 (the auditors' report being set out on page 4 of each of its 2010 and 2009 annual reports; the balance sheets being set out on page 5 of each of its 2010 and 2009 annual reports; the statements of operations being set out on page 6 of each of its 2010 and 2009 annual reports; the statements of changes in equity being set out on page 7 of each of its 2010 and 2009 annual reports; the statements of cash flow being set out on page 8 of each of its 2010 and 2009 annual reports; and the notes to the financial statements being set out on pages 9 to 22 of each of its 2010 and 2009 annual reports).
- (d) the audited financial statements (including the auditors' report thereon and notes thereto) of ZF (UK) in respect of the years ended 2010 and 2009 (the auditors' report being set out on page 3 of each of its 2010 and 2009 annual reports; the profit and loss accounts being set out on page 4 of each of its 2010 and 2009 annual reports; the balance sheets being set out on page 5 of each of its 2010 and 2009 annual reports; and the notes to the financial statements being set out on pages 6 to 13 of each of its 2010 and 2009 annual reports).
- (e) the audited financial statements (including the auditors' report thereon and notes thereto) of ZF (Luxembourg) in respect of the years ended 2010 and 2009 (the auditors' report being set out on pages and 2 to 3 of each of its 2010 and 2009 annual reports; the balance sheets being set out on page 4 of each of its 2010 and 2009 annual reports; the profit and loss accounts being set out on

page 5 of each of its 2010 and 2009 annual reports; and the notes to the financial statements being set out on pages 6 to 11 of each of its 2010 and 2009 annual reports).

- (f) the audited consolidated financial statements (including the auditors' report thereon and the notes thereto) of Zurich Bank in respect of the years ended 2010 and 2009 (the auditors' report being set out on pages 8 to 9 and 9 to 10, respectively, of its 2010 and 2009 annual reports; the consolidated income statements being set out on pages 10 and 11, respectively, of its 2010 and 2009 annual reports; the consolidated balance sheets being set out on pages 11 and 12, respectively, of its 2010 and 2009 annual reports; the consolidated statements of changes in equity being set out on pages 13 and 14, respectively, of its 2010 and 2009 annual reports; the consolidated cash flow statements being set out on pages 15 and 16, respectively, of its 2010 and 2009 annual reports: and the notes to the consolidated financial statements being set out on pages 17 to 80 and 18 to 92, respectively, of its 2010 and 2009 annual reports).

None of the Issuers is subject to the reporting requirements of the United States Securities Exchange Act of 1934, as amended (the "**US Exchange Act**").

Each Issuer will provide, without charge, to each person to whom a copy of this Base Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents incorporated herein by reference. Requests for such documents should be directed to the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) at their respective offices set out at the end of this Base Prospectus. In addition, such documents will be available free of charge from the principal office of the listing agent being Dexia Banque Internationale à Luxembourg société anonyme (formerly Banque Internationale à Luxembourg S.A.) (the "**Luxembourg Listing Agent**") for Notes listed on the Official List and traded on the regulated market of the Luxembourg Stock Exchange.

Information

Source

Documents incorporated by reference of Zurich Insurance Group

Consolidated Income Statement for the year ended 31 December 2010	2010 Annual Report pages 47-49
Consolidated Income Statement for the year ended 31 December 2009	2009 Annual Report pages 53-55
Consolidated Balance Sheet as at 31 December 2010	2010 Annual Report pages 50-51
Consolidated Balance Sheet as at 31 December 2009	2009 Annual Report pages 56-57
Consolidated Statement of cash flows for the year ended 31 December 2010	2010 Annual Report pages 52-53
Consolidated Statement of cash flows for the year ended 31 December 2009	2009 Annual Report pages 58-59
Consolidated Statement of changes in equity for the year ended 31 December 2010	2010 Annual Report pages 54-55
Consolidated Statement of changes in equity for the year ended 31 December 2009	2009 Annual Report pages 60-61
Notes to the financial statements for the year ended 31 December 2010	2010 Annual Report pages 56-154
Notes to the financial statements for the year ended 31 December 2009	2009 Annual Report pages 62-166
Auditor's report for the year ended 31 December 2010	2010 Annual Report page 155

Auditor's report for the year ended 31 December 2009	2009 Annual Report pages 168-169
Documents incorporated by reference of Zurich Insurance Company Ltd	
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Documents incorporated by reference of Zurich Finance (USA)	
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Balance Sheet as at 31 December 2010	2010 Annual Report page 5
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Statement of Operations for the year ended 31 December 2010	2010 Annual Report page 6
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Statement of changes in equity for the year ended 31 December 2010	2010 Annual Report page 7
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Documents incorporated by reference of Zurich Finance (UK)	
Auditor's report for the year ended 31 December 2010	2010 Annual Report page 3
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Profit and Loss Accounts for the year ended 31 December 2010	2010 Annual Report page 4
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Balance Sheet as at 31 December 2010

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Balance Sheet as at 31 December 2009

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Notes to the financial statements for the year ended 31 December 2010	2010 Annual Report pages 6-11
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Documents incorporated by reference of Zurich Bank

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Auditor's report for the year ended 31 December 2009	2009 Annual Report pages 9-10
Consolidated Income Statement for the year ended 31 December 2010	2010 Annual Report page 10
Consolidated Income Statement for the year ended 31 December 2009	2009 Annual Report page 11
Consolidated Balance Sheet as at 31 December 2010	2010 Annual Report page 11
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Consolidated Statement of changes in equity for the year ended 31 December 2010	2010 Annual Report page 13
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(*) As included in the respective annual reports of Zurich Insurance Group above.

Any information not listed in the cross reference list above but included in the documents incorporated by reference, is given for information purposes only and does not form a part of this Base Prospectus.

Each Issuer and ZIC (where ZIC is not the relevant Issuer) will, in connection with the listing on the Official List and trading of the Notes on the regulated market of the Luxembourg Stock Exchange so long as any Note remains outstanding and listed and traded on such exchange, in the event of any material

adverse change in the financial condition of such Issuer or ZIC (where ZIC is not the relevant Issuer) which is not reflected in this Base Prospectus, prepare a supplement to this Base Prospectus (to be approved by the CSSF) in respect of the Notes issued by that Issuer or ZIC (where ZIC is not the relevant Issuer) to be listed on the Official List and traded on the regulated market of the Luxembourg Stock Exchange.

This Base Prospectus applies to issues of Notes made on and after 20 May 2011. If the terms of the Programme are modified in a manner which would make this Base Prospectus, as supplemented, inaccurate or misleading, a new Base Prospectus will be prepared in replacement for this Base Prospectus.

General Description of the Programme

The following general description does not purport to be complete and is taken from, and is, together with the information on pages 31 to 106 qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms and must be read together with the documentation referred to under the heading “Documents Incorporated by Reference” which is available for inspection.

*Words and expressions defined under “**Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes**” or “**Terms and Conditions of the Capital Notes**” below or elsewhere in this Base Prospectus have the same meanings in this general description. References herein to the “**relevant Conditions**” means the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes or, as the case may be, the Terms and Conditions of the Capital Notes.*

Dealers:

- Barclays Bank PLC
- BNP PARIBAS
- Citigroup Global Markets Limited
- Commerzbank Aktiengesellschaft
- Crédit Agricole Corporate and Investment Bank
- Credit Suisse Securities (Europe) Limited
- Deutsche Bank AG, London Branch
- Goldman Sachs International
- HSBC Bank plc
- J.P. Morgan Securities Ltd.
- Merrill Lynch International
- Morgan Stanley & Co. International plc
- The Royal Bank of Scotland plc
- UBS Limited

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “**Subscription and Sale**”).

Agent: Citibank, N.A.

Luxembourg Listing Agent: Dexia Banque Internationale à Luxembourg société anonyme

Size: Up to USD18,000,000,000 (or its equivalent in other currencies) outstanding at any time. The Issuers may increase the amount of

the Programme in accordance with the terms of the Dealer Agreement.

Distribution: Notes may be distributed by way of private placement or public offering and in each case on a syndicated or non-syndicated basis.

Currencies: Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the relevant Issuer, the relevant Dealer and the Trustee, including, without limitation, Australian Dollars, Canadian Dollars, Czech Koruna, Danish Kroner, Euro, Hong Kong Dollars, Japanese Yen, New Zealand Dollars, Norwegian Krone, Sterling, South African Rand, Swedish Krona, Swiss Francs and United States Dollars (as indicated in the applicable Final Terms, the “**Specified Currency**”).

Maturities: Such maturities as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency. The Issuers may issue Undated Subordinated Notes (subject as aforesaid) without a specified maturity. ZIC may issue Capital Notes without a specified maturity.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the relevant Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (“**FSMA**”) by the relevant Issuer.

Issue Price: Notes may be issued on a fully paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes: Notes will be issued in bearer form or registered form as described in “Form of the Notes and the Capital Notes” below. Each Bearer Global Note (other than a Listed Swiss Franc Note) which is not intended to be issued in NGN form and each Registered Global Note which is not intended to be held under the NSS, each as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with the Common Depository for Euroclear or Clearstream, Luxembourg and each Bearer Global

Note (other than a Listed Swiss Franc Note) which is intended to be issued in NGN form and each Registered Global Note which is intended to be held under the NSS, each as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with the Common Safekeeper for Euroclear and Clearstream, Luxembourg. Subordinated Notes and Capital Notes will not be issued in NGN form. Listed Swiss Franc Notes will be represented by a Permanent Global SIS Note exchangeable for definitive Notes in the circumstances set out therein and holders of such Notes will not have the right to effect or demand the conversion of the Permanent Global SIS Notes representing such Listed Swiss Franc Notes into, or delivery of, Notes in definitive or uncertificated form. Each Listed Swiss Franc Note which is not intended to be issued in new global note form (a “**Classic Global Note**” or “**CGN**”), as specified in the relevant Final Terms, will be delivered through SIX SIS AG (“**SIS**”) or such other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange Ltd. (“**SIX Swiss Exchange**”) on or prior to the original issue date of such Tranche, and each Listed Swiss Franc Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for SIS or such other intermediary. ZF (USA) may only issue Notes in bearer form if such Notes are offered and sold in accordance with Regulation S under the US Securities Act and in compliance with the TEFRA requirements under the US Internal Revenue Code and the Treasury Regulations thereunder.

Fixed Rate Notes:

Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer (as indicated in the applicable Final Terms) and on redemption.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

- (i) on the same basis as the floating rates under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association Inc.); or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer, as indicated in the applicable Final Terms.

The Margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes and specified in the applicable Final Terms.

Indexed Notes:	Payments of principal in respect of Indexed Redemption Amount or of interest in respect of Indexed Interest Notes will be calculated by reference to such index and/or formula as the relevant Issuer and the relevant Dealer may agree (as indicated in the applicable Final Terms).
Other provisions in relation to Floating Rate Notes and Indexed Interest Notes:	<p>Floating Rate Notes and Indexed Interest Notes may also have a maximum interest rate, a minimum interest rate or both (as indicated in the applicable Final Terms).</p> <p>Interest on Floating Rate Notes and Indexed Interest Notes in respect of each Interest Period, as selected prior to issue by the relevant Issuer and the relevant Dealer, will be payable on the Interest Payment Dates specified in, or determined pursuant to, the applicable Final Terms and will be calculated on the relevant Day Count Fraction unless otherwise indicated in the applicable Final Terms.</p>
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in the currencies, and based on the rates of exchange, as the relevant Issuer and the relevant Dealer may agree (as indicated in the applicable Final Terms).
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Special provisions in relation to interest payable under Subordinated Notes:	Interest shall be payable on Subordinated Notes on such date or dates as may be agreed with the relevant Dealer (as indicated in the applicable Final Terms), subject to the provisions relating to the optional or mandatory deferral of interest payments set out under Condition 4 of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes.
Special provisions in relation to interest payable under Capital Notes:	<p>Interest shall be payable on the Capital Notes on such date or dates as may be agreed with the relevant Dealer (as indicated in the relevant Final Terms), subject to the provisions relating to the optional or mandatory deferral or, as applicable, cancellation of interest payments set out in Condition 3 of the Terms and Conditions of the Capital Notes.</p> <p>ZIC shall (if the applicable Final Terms specifies the Capital Note as being Cumulative with respect to such payment) defer or (if the applicable Final Terms specifies the Capital Note as being Non-Cumulative with respect to such payment) cancel any Interest Payment (or relevant part thereof as described herein) on the Capital Notes if a Solvency Event is specified in the applicable Final Terms as applicable and has occurred and is continuing.</p> <p>ZIC shall also cancel any Interest Payment (or relevant part thereof as described herein) on the Capital Notes if a Trigger Event is specified in the applicable Final Terms as applicable and</p>

has occurred and is continuing.

In addition, ZIC may elect (if the applicable Final Terms provides for such election and specifies the Capital Note as being Cumulative with respect to such payment) to defer or (if the applicable Final Terms provides for such election and specifies the Capital Note as being Non-Cumulative with respect to such payment) to cancel such Interest Payment on the Capital Notes by giving notice of such election to the Trustee, the Agent and the Noteholders in accordance with the Terms and Conditions of the Capital Notes.

If an Interest Payment has not been paid in full by reason of any of the above then, in the case of Capital Notes specified as Cumulative with respect to such interest payment, for so long as such payment remains unpaid and, in the case of Capital Notes specified as Non-Cumulative with respect to such interest payment, until the next payment of an Interest Payment in full, (if the applicable Final Terms so provide), ZIC, Zurich Financial Services Ltd (“ZFS”) and their subsidiaries will be subject to the restrictions on making certain payments described in Condition 3(d) of the Terms and Conditions of the Capital Notes.

**Settlement of Deferred Interest —
Capital Notes:**

The Issuer may, if the applicable Final Terms specify that Cash Settlement is applicable, elect to pay in cash in whole or in part any Deferred Interest pursuant to Condition 3(e). The Issuer and ZFS may elect, and shall in specified circumstances be required, to settle Deferred Interest utilising the APM in accordance with Condition 3(e) of the Terms and Conditions of the Capital Notes.

**Redemption of the Senior Notes
and Subordinated Notes:**

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior (in the case of Senior Notes and Dated Subordinated Notes) to their stated maturity (other than in specified instalments, if applicable, for taxation reasons or following an Event of Default) or that such Notes and Undated Subordinated Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving the notice required by the applicable Final Terms to the Noteholders or the relevant Issuer as the case may be, on a date or dates specified, at a price or prices and on such terms as are indicated in the applicable Final Terms and, where applicable pursuant to Condition 6 in the case of Subordinated Notes, having obtained the prior written approval of FINMA or any successor Authority for such payment. Furthermore, Subordinated Notes may be redeemed (i) for taxation reasons or (ii) if so specified in the applicable Final Terms, if an Accounting Event, a Capital Event or a Regulatory Event, has occurred. Upon the occurrence of any of the events described in (i) or, if so specified in the applicable Final Terms, (ii) above, the relevant Issuer may at any time either substitute all (but not some only) of the Subordinated Notes for, or vary the terms of the Subordinated Notes so that remain or, as appropriate, become, Qualifying Securities.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of the amounts and on the dates indicated in the applicable Final Terms.

Redemption of the Capital Notes:

The Capital Notes are either Dated Capital Notes or Undated Capital Notes. Undated Capital Notes are perpetual securities in respect of which there is no fixed maturity date and they are

redeemable or repayable only in accordance with the provisions of Conditions 6 and 9 of the Terms and Conditions of the Capital Notes. In all cases, ZIC may only redeem, substitute or vary the Capital Notes if FINMA has given and has not subsequently withdrawn its consent to the redemption, substitution or variation as appropriate, to the extent that such consent is required. The Dated Capital Notes may be redeemed upon maturity provided that, if so specified in the applicable Final Terms, if a Solvency Event has occurred and is continuing on the Maturity Date or would occur as a result of the relevant redemption, the Dated Capital Notes shall not be redeemed, unless the prior written approval of FINMA or any Successor Authority for such payment has been given. Furthermore, the Capital Notes may be redeemed (i) for taxation reasons or (ii), if so specified in the applicable Final Terms, on the occurrence of any of an Accounting Event, a Capital Event or a Regulatory Event pursuant to Condition 6.

Upon the occurrence of any of the events described in (i) or, if so specified in the applicable Final Terms, (ii) above, ZIC may at any time either substitute all (but not some only) of the Capital Notes for, or vary the terms of the Capital Notes so that they remain or, as appropriate, become, Qualifying Securities.

The Capital Notes may also be redeemed by the Issuer on any Optional Redemption Date in whole but not, unless so specified in the applicable Final Terms, in part, at the Optional Redemption Amounts specified in the applicable Final Terms, in accordance with Condition 6(d) of the Terms and Conditions of the Capital Notes.

Maintenance of Capital — Capital Notes:

The applicable Final Terms will specify whether ZIC or, as the case may be, ZFS intends to enter into a replacement capital covenant for the benefit of one or more designated series of ZIC's debt securities. It is anticipated that the terms of any such replacement capital covenant will provide that ZIC will not redeem or repurchase any of the relevant Capital Notes and will not permit any subsidiary to purchase any of the relevant Capital Notes, unless and to the extent the aggregate redemption, repurchase or purchase price is equal to or less than the net proceeds (or in certain circumstances a specified percentage of such net proceeds) received by ZIC, ZFS or their respective subsidiaries during the twelve months prior to such redemption, repurchase or purchase date, from new issuances of Qualifying Securities and that the covenant will terminate on the redemption of the Capital Notes if not terminated earlier in accordance with its terms. Any such replacement capital covenant will continue to be effective following any substitution or variation of the Capital Notes in accordance with their terms.

Denomination of Notes:

Notes issued under the Programme which may be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a Member State may not (a) have a minimum denomination of less than EUR 100,000 (or its equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by ZF (Luxembourg), ZF (USA), ZF (UK), Zurich Bank, ZIC or by any entity to whose group ZF (Luxembourg), ZF (USA), ZF (UK), Zurich Bank or ZIC belong.

Subject thereto, Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer as indicated in the applicable Final Terms save that the

minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

If so specified in the Final Terms, so long as the Notes are represented by a Temporary Global Note or Permanent Global Note, the Notes may be tradeable only in minimum specified denominations of EUR 100,000 (or equivalent in another currency) and integral multiples of EUR 1,000 (or equivalent in another currency) in excess thereof.

Notes issued under the Programme may have a minimum specified denomination of less than EUR 100,000 if it is the intention that the Notes will not be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a Member State.

Taxation:

See Condition 7 of the relevant Conditions and “Relevant Jurisdiction” definition in Condition 6(c) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes and Condition 6(b) of the Terms and Conditions of the Capital Notes.

All payments on Notes issued by each of ZF (Luxembourg), ZF (USA), ZF (UK) and Zurich Bank will be made without deduction for or on account of withholding tax imposed by Luxembourg and Switzerland (in the case of Notes issued by ZF (Luxembourg)), the United States and Switzerland (in the case of Notes issued by ZF (USA)), the United Kingdom and Switzerland (in the case of Notes issued by ZF (UK)) and Ireland and Switzerland (in the case of Notes issued by Zurich Bank) unless such withholding is required by law. If such withholding is required, the relevant Issuer will generally be required to pay such additional amounts as will result in the receipt by the Noteholders of such amounts as they would have received had no such withholding been required, subject to a number of exceptions as set out in Condition 7 of the relevant Conditions.

All payments on Notes issued by ZIC will be made subject to withholding tax imposed by Switzerland to the extent required by law. No additional amounts will be paid by ZIC in respect of any such withholding as set out in Condition 7 of the relevant Conditions, save in the case of Capital Notes on which additional amounts will, subject to certain exceptions, be payable as discussed in Condition 7 of the Terms and Conditions of the Capital Notes.

Negative Pledge:

The terms of the Senior Notes issued by ZF (Luxembourg), ZF (USA) and ZF (UK) will contain a negative pledge provision as

further described in Condition 3(c) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes.

Cross Default:

In relation to any Senior Notes, the terms of such Senior Notes will contain a cross default provision as further described in Condition 9(a)(iii) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes.

Status of the Notes:

Notes issued under the Programme may either be senior notes ("**Senior Notes**"), dated subordinated notes ("**Dated Subordinated Notes**") or undated subordinated notes ("**Undated Subordinated Notes**", together with Dated Subordinated Notes, "**Subordinated Notes**") or, in the case of Notes issued by ZIC only, Capital Notes (the "**Capital Notes**"). The status of any such Subordinated Notes or Capital Notes will be described in Condition 2 of the relevant Conditions and the applicable Final Terms.

Senior Notes:

The Senior Notes will constitute direct, unconditional, unsubordinated and, subject to the provision of Condition 3(c) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes, unsecured obligations of the relevant Issuer and (subject as aforesaid) will rank *pari passu*, without any preference among themselves save for statutory preferred exceptions, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

Subordinated Notes:

The Subordinated Notes will rank as set out in the applicable provisions of Condition 2 of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes, as specified in the applicable Final Terms.

Capital Notes

The Capital Notes will rank as set out in the applicable provisions of Condition 2 of the Terms and Conditions of the Capital Notes, as specified in the applicable Final Terms.

The Capital Notes will constitute direct, subordinated and unsecured obligations of ZIC and will rank *pari passu*, without any preference among themselves. The claims of the holders of Capital Notes will rank on a voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings of or against ZIC after the claims of any Senior Creditors (as defined in Condition 2) of ZIC, *pari passu* with the claims of the holders of any subordinated obligations of ZIC which whether now or in the future rank or are expressed to rank *pari passu* with the claims of the holders of the Capital Notes and prior to the claims of the holders of all classes of issued shares in the share capital of ZIC.

Save as otherwise specified in the applicable Final Terms, in the

event of a voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings of or against the Issuer, there shall be payable on each Capital Note, subject to the subordination provisions set out above, an amount equal to the principal amount of each Capital Note with, unless otherwise specified in the applicable Final Terms, unpaid and outstanding Deferred Interest and interest which has accrued up to, but excluding, the date of repayment.

Holders of Capital Notes will have limited remedies, as described under Condition 9 of the Terms and Conditions of the Capital Notes.

Guarantees by ZIC:

Each Tranche of Senior Notes issued by ZF (Luxembourg), ZF (USA), ZF (UK) or Zurich Bank will be unconditionally and irrevocably guaranteed by ZIC (each such guarantee, a “**Senior ZIC Guarantee**”). Each Senior ZIC Guarantee will be governed by Swiss law, will be issued by ZIC on the issue date of the relevant Tranche of Notes and will be limited to its stated maximum amount. The obligations of ZIC under each Senior ZIC Guarantee will be direct, unconditional, unsubordinated and unsecured obligations of ZIC and (subject as aforesaid) will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of ZIC, present and future, save for statutorily preferred exceptions, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights. Payment under the relevant Senior ZIC Guarantee shall be made by ZIC within 7 days of receipt by it of notice from the Trustee that such payment has become due and remains unpaid.

Notes issued by Zurich Bank under this Programme will not receive the benefit of the guaranty and surety bond offered by certain of Zurich Bank’s parent companies to counterparties under certain other financial products and obligations of Zurich Bank, and therefore such Notes will only be covered by the Senior ZIC Guarantee or the Subordinated ZIC Guarantee (as applicable).

Each Tranche of Subordinated Notes issued by ZF (Luxembourg), ZF (USA), ZF (UK) or Zurich Bank will be unconditionally and irrevocably guaranteed on a subordinated basis by ZIC by way of an unsecured and subordinated guarantee (each such guarantee, a “**Subordinated ZIC Guarantee**”). The obligations of ZIC under each Subordinated ZIC Guarantee will constitute direct, unconditional, subordinated and unsecured obligations of ZIC ranking (i) after the claims of Senior Creditors, (ii) *pari passu* with Subordinated Notes and any other subordinated obligations of ZIC which whether now or in the future rank or are expressed to rank *pari passu* with the claims of the holders of such Subordinated Notes or the beneficiaries of the Subordinated ZIC Guarantee and (iii) prior to the claims of holders of any Capital Notes and of all

claims of issued shares in the share capital of the Guarantor, it being understood that ZIC's obligations in respect of certain guarantees (as more fully described under the section "Form of Subordinated Guarantee") shall rank senior to the Subordinated ZIC Guarantee.

Prescription:

The Notes, Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8 of the relevant Conditions) therefor.

Listing and Admission to Trading:

Applications have been made for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange (which is a regulated market pursuant to Directive 2004/39/EC) and listed on the Official List of the Luxembourg Stock Exchange for a period of twelve months from the date hereof. The Notes may also be admitted to listing, trading and/or quotation by any other listing authorities, stock exchanges and/or quotation systems (including the SIX Swiss Exchange) as may be agreed between the relevant Issuer and the relevant Dealer in relation to each Series.

The applicable Final Terms will state whether or not and, if so, on which stock exchange(s) the Notes are to be listed.

Governing Law:

The Notes (other than the provisions of Condition 2 of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes in relation to Subordinated Notes which will be governed by, and construed in accordance with, the law of the jurisdiction of incorporation of the relevant Issuer of the Subordinated Notes and Condition 2 of the Terms and Conditions of the Capital Notes which will be governed by, and construed in accordance with, the laws of Switzerland) will be governed by, and construed in accordance with, English law. Holders of Listed Swiss Franc Notes should note that, among other things, under the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes, collective representation of investors is possible, albeit without any guarantee that investors' anonymity can be assured.

Each Senior ZIC Guarantee and each Subordinated ZIC Guarantee will be governed by Swiss law.

Selling Restrictions:

There are selling restrictions in relation to the United States, the European Economic Area, Ireland, the United Kingdom and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "**Subscription and Sale**" below.

Risk Factors

Prospective investors should carefully consider all of the information set forth in this Base Prospectus, the applicable Final Terms and any documents incorporated by reference before deciding to invest in any Notes or Capital Notes. Prospective investors should have particular regard to, among other matters, the considerations set out in this Risk Factors section of the Base Prospectus. The following is not intended as, and should not be construed as, an exhaustive list of relevant risk factors. There may be other risks that a prospective investor should consider that are relevant to its own particular circumstances or generally.

Each of the Issuers and ZIC believe that the following factors may affect their ability to fulfil its obligations under Notes or Capital Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and none of the Issuers nor ZIC are in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Notes or Capital Notes issued under the Programme are also described below. None of the Issuers or ZIC represent that the statements below regarding the risks of holding any Notes or Capital Notes are exhaustive.

Factors that may affect the Issuers' ability to comply with their obligations under or in connection with Notes or Capital Notes issued under the Programme or of ZIC to comply with its obligations under its Guarantee

Reliance of investors on the creditworthiness of the relevant Issuer and ZIC (as applicable)

The Notes, the Capital Notes and the Guarantee (as applicable) will constitute unsecured, senior or subordinated obligations of the relevant Issuer and ZIC (as applicable), respectively, and will rank equally among themselves and equally with all other unsecured, senior or subordinated obligations of the relevant Issuer and ZIC (as applicable), respectively. The Capital Notes will constitute unsecured, subordinated obligations of ZIC and rank equally with any subordinated obligations of ZIC which whether now or in the future rank or are expressed to rank *pari passu* with the claims of the holders of the Capital Notes. It should be noted that mandatory provisions of law may operate such that certain other obligations of the relevant Issuer or ZIC must be satisfied in preference to their obligations under the Notes, the Capital Notes and the Guarantee (as applicable). In particular, ZIC is subject to certain insurance and financial services laws, regulations and policies which include provisions whereby certain assets are tied to obligations towards the policyholders and cannot be used for settlement of obligations to other creditors. This could affect its position under the Notes, the Capital Notes or the Guarantee (as applicable) either in its capacity as Guarantor or as Issuer (as applicable).

Noteholders are dependent solely on the ability of the relevant Issuer and ZIC to comply with its obligations under the Notes, the Capital Notes and the Guarantee (as applicable), and do not have the benefit of collateral or other forms of credit support.

Any actual or perceived deterioration in the financial condition, results of operations or cashflow of the relevant Issuer or ZIC could have a negative effect on the ability of the relevant Issuer or ZIC, as the case may be, to comply with its obligations under the Notes, the Capital Notes and the Guarantee (as applicable). In addition, investment in the Notes or the Capital Notes involves the risk that subsequent changes in actual or perceived creditworthiness of the relevant Issuer and ZIC (as applicable) may adversely affect the market value of the Notes or the Capital Notes.

Ratings

The financial strength and issuer credit ratings assigned to ZIC and other ZFS Group entities may be changed, suspended or withdrawn at any time by rating agencies. A change to the financial strength or issuer credit ratings assigned to ZIC or other ZFS Group entities may have an adverse effect on their competitive and financial position. Rating agencies look at a range of rating factors. For example large losses due to natural catastrophes could weaken the financial position of ZIC or other ZFS Group entities and trigger a downgrade of their respective ratings. The ZFS Group has issued debt through various entities. Ultimately the credit ratings of these debt issues are linked to the financial strength ratings of ZIC. Changes in credit ratings may affect both the ability to obtain new financing and the cost of financing.

The businesses, earnings and financial condition of ZIC and its operating subsidiaries are subject to the global economic and financial market environment and thus vulnerable to any slowdown or potential disruptions.

The performance of ZIC and its operating subsidiaries has been and will continue to be influenced by the economic conditions of the countries in which it operates. While global growth continues to prosper, geopolitical risks are elevated and many economies, particularly in the peripheral Eurozone as well as the UK, are fragile. In addition, although the global financial system is recovering from the difficulties which first manifested themselves in August 2007 and culminated with the bankruptcy filing by Lehman Brothers in September 2008, a new dislocation of the financial system or the economy cannot be ruled out. Such conditions could lead to unprecedented levels of illiquidity, resulting in the development of significant problems for a number of the world's largest countries, corporate and financial institutions many of which are customers and counterparties of ZIC and its operating subsidiaries in the ordinary course of business.

The performance of ZIC and its operating subsidiaries may be affected by economic conditions impacting sovereign states including euro-zone member states. For example, the financial problems currently experienced by certain euro-zone member states may lead to the issue of significant volumes of debt, which may in turn reduce demand for debt issued by financial institutions and corporate borrowers. This could adversely affect the Group's access to the debt capital markets and may increase its funding costs, having a negative impact on its earnings and financial condition.

Volatility and disruption of capital and credit markets (including that arising by reason of the financial difficulties experienced by sovereign states described above) could affect the availability and cost of credit for financial institutions, including ZIC and its operating subsidiaries, and could continue to impact the credit quality of customers and counterparties. Such conditions, alone or in combination with regulatory changes or actions of other market participants, may cause ZIC and its operating subsidiaries to experience reductions in business activity, increased funding costs and funding pressures, decreased asset values, write-downs and impairment charges and lower profitability or to incur losses.

In addition, ZIC and its operating subsidiaries will continue to be exposed to the risk of loss if major counterparty financial institutions fail or are otherwise unable to meet their obligations. Their performance may also be affected by future recovery rates on assets and the historical assumptions underlying asset recovery rates, which may no longer be accurate given the unprecedented market disruption and general economic instability. The precise nature of all the risks and uncertainties faced by ZIC and its operating subsidiaries as a result of current economic conditions cannot be predicted and many of these risks are outside their control.

The actual or perceived failure or worsening credit risk of ZIC's and its subsidiaries' counterparties has adversely affected and could continue to adversely affect ZIC and its subsidiaries.

ZIC's and its subsidiaries' ability to engage in routine financial transactions has been and will continue to be adversely affected by the actual or perceived failure or worsening credit of its counterparties, including other financial institutions and corporate borrowers. ZIC and its subsidiaries have exposure to many different industries and counterparties and routinely execute transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and

hedge funds, other insurance companies and other institutional clients. As a result, defaults by, or even the perceived creditworthiness of or concerns about financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by ZIC and its subsidiaries or by other institutions. Many of these transactions expose ZIC and its subsidiaries to credit risk in the event of default of ZIC's and its subsidiaries' counterparty or client. In addition, ZIC's and its subsidiaries' credit risk is exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure that is due to ZIC and its subsidiaries, which is most likely to occur during periods of illiquidity and depressed asset valuations. Any such losses could have a material adverse effect on ZIC's and its subsidiaries' results of operations and financial condition.

ZIC's and its subsidiaries' earnings and financial condition have been, and their future earnings and financial condition are likely to continue to be, affected by depressed asset valuations resulting from poor market conditions.

Financial markets are subject to significant stress conditions, where steep falls in perceived or actual asset values have been accompanied by a severe reduction in market liquidity, as exemplified by events affecting asset backed collateralised debt obligations ("CDOs"), the US sub-prime residential mortgage market and the leveraged loan market. In dislocated markets, hedging and other risk management strategies have proven not to be as effective as they are in normal market conditions due in part to the decreasing credit quality of hedge counterparties, including monoline and other insurance companies and credit derivative product companies. Moreover, market volatility and illiquidity makes it difficult to value certain of ZIC's and its subsidiaries' exposures. Valuations in future periods, reflecting, among other things, then-prevailing market conditions and changes in the credit ratings of certain of ZIC's and its subsidiaries' assets, may result in significant changes in the fair values of ZIC's and its subsidiaries' exposures, even in respect of exposures for which the Group has previously recorded write-downs. In addition, the value ultimately realised by ZIC and its subsidiaries may be materially different from the current or estimated fair value. Any of these factors could require ZIC and its subsidiaries to recognise further significant write-downs or realise increased impairment charges, any of which may adversely affect their capital position, their financial condition and their results of operations.

Factors such as consumer spending, business investment, government spending, the volatility and strength of the capital markets, and inflation all affect the business and economic environment and, ultimately, the amount and profitability of ZIC's and its subsidiaries' business.

In an economic downturn characterised by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for ZIC's and its subsidiaries' financial and insurance products could be adversely affected. In addition, ZIC and its subsidiaries may experience an elevated incidence of claims and lapses or surrenders of policies. Our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Adverse changes in the economy could affect earnings negatively and could have a material adverse effect on its business, results of operations and financial condition. The current crisis has also raised the possibility of future legislative and regulatory actions in addition to the enactment of the Emergency Economic Stabilization Act of 2008 (the "EESA") that could further impact ZIC and its subsidiaries' business. ZIC and its subsidiaries cannot predict whether or when such actions may occur, or what impact, if any, such actions could have on ZIC and its subsidiaries' business, results of operations and financial condition.

Currently, the US federal government does not directly regulate the business of insurance. However, federal legislation and administrative policies in several other areas can significantly and adversely affect insurance companies. These areas include financial services regulation, securities regulation, pension regulation, privacy, tort reform legislation and taxation. Although various forms of direct federal regulation of insurance have been proposed in the past, there is at present no proposal before Congress to regulate the business of insurance at the federal level, and it is highly unlikely that any "optional federal charter" legislation will be introduced in the coming year. Nevertheless, the experience of the

financial markets and certain financial institutions in recent years increases the possibility that the US federal government may seek to heighten its oversight of insurers, including possibly through a federal system of insurance regulation and/or through the expansion of the oversight responsibilities and mandates of existing or newly created regulatory bodies. ZIC and its subsidiaries cannot predict whether such proposals will be adopted, or what impact, if any, such proposals or, if enacted, such laws, could have on our business, financial condition or results of operations.

The value or effectiveness of any credit protection that ZIC and its subsidiaries have purchased from insurers and other market counterparties (including credit derivative product companies) depends on the value of the underlying assets and the financial condition of the insurers and such counterparties.

ZIC and its subsidiaries have credit exposure arising from over-the-counter derivative contracts, mainly credit default swaps (“CDSs”), which are carried at fair value. The fair value of these CDSs, as well as ZIC’s and its subsidiaries’ exposure to the risk of default by the underlying counterparties, depends on the valuation and the perceived credit risk of the instrument against which protection has been bought.

Risk of insufficiency of loss reserves

ZIC and its operating subsidiaries maintain loss reserves for their insurance and run-off reinsurance businesses to cover estimated liability for losses and loss adjustment expenses for reported and unreported losses incurred as of the end of each accounting period. Such loss reserves may prove to be inadequate to cover actual losses and benefits experience. Additional losses, including losses arising from changes in the interpretation of legal liability, or the assessment of damages caused by judicial decisions or changes in law, the type of magnitude of which cannot be foreseen, may emerge in the future.

Loss reserves are established such that the provision for losses and benefits represents an amount that is believed to be greater than the mathematically expected amount that will be required to ultimately settle all claims incurred as of the fiscal year-end and interim statements. As such the provision makes allowance for identified sensitivities underlying the reserve estimates. These estimates are based on actuarial and statistical projections, at a given time, of facts and circumstances known at that time and estimates of trends in loss severity and other variable factors, including new concepts of liability or other changes in legal precedents and general economic conditions. Changes in these trends or other variable factors could result in claims in excess of loss reserves.

For some types of losses, most significantly long tail exposures under workers’ compensation and general liability contracts, as well as losses related to asbestos and environmental pollution, it has been necessary, and may over time be necessary, to increase estimated ultimate loss and, therefore, the related loss reserves. Consequently, actual losses, benefits and related expenses paid may differ from estimates reflected in the loss reserves in the financial statements of ZIC or its operating subsidiaries.

Any insufficiencies in or need to increase loss reserves maintained by ZIC or its operating subsidiaries for future claims on insurance obligations underwritten by ZIC or its operating subsidiaries could have a material adverse effect on the financial condition, results of operations and cash flows of ZIC or its operating subsidiaries (as applicable).

Life insurance:

Biometric Risks

Assumptions about mortality and morbidity used in pricing products are based on information provided from company and industry statistics and market information. These assumptions relate to our best estimate of the experience in each year. However a global pandemic, such as avian flu or swine flu, may produce an increase in mortality or morbidity in excess of our assumptions. This will lead to the number of claims being paid being greater than planned. These types of events are considered when assessing and reviewing a variety of financial covers, such as reinsurance.

Life expectancies continue to increase in the world's developed areas. If mortality estimates, including rates of future mortality improvement, prove to understate such rates of improvement, liabilities to policyholders in connection with pensions and annuity products will increase at a rate faster than expected. This may lead to significant unexpected losses.

Surrenders

Surrenders of insurance products at levels that differ from our best estimate expectations may impact the degree to which we may recover acquisition expenses incurred. Increased surrenders, depending on the nature of the product will typically result in the loss of future profits and for certain long term contracts may require assets to be sold to meet policyholder obligations when market prices for such assets are unfavourable resulting in losses.

Options and guarantees

Some life products contain options and guarantees for policyholders, such as guaranteed interest rates and surrender guarantees. These vary by product and country in which they have been written. Adverse financial market movements may result in increases in the value of these guarantees. The long term characteristic of the liabilities, especially for annuity and pension products, represent a potential risk for our life business. Asset liability management follows this risk closely, and financial hedges are introduced when deemed necessary. Similarly, a significant increase in yield curves might encourage financially aware policyholders to lapse their contracts on guaranteed terms, resulting in significant losses and decreased revenues.

Guaranteed annuities

Certain of ZIC's operating subsidiaries sell variable insurance products for which policyholders bear in full the credit and market risks associated with the underlying invested funds selected by them. However, certain of these variable products contain guarantees for which liabilities have been recorded that reflect additional benefits and minimum guarantees. These arise primarily in the subsidiary Zurich American Life Insurance Company (formerly known as Kemper Investors Life Insurance Company) from the Destinations variable annuity business. Our exposure to this risk has been largely mitigated by the implementation of a dynamic hedging strategy in Q1 2010.

Inability of reinsurers to meet their obligations and unavailability of reinsurance

ZIC and its operating subsidiaries transfer exposure to certain risks to others through reinsurance arrangements. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. Although periodic reviews of the financial statements and reputations of the relevant reinsurers are conducted, such reinsurers may become financially unable or unwilling to honour their commitments by the time they are called upon to pay amounts due, which may not occur for many years. In addition, reinsurance may prove inadequate to protect against losses or may become unavailable in the future at commercially reasonable rates.

In December 2001, the ZFS Group divested its third party reinsurance business operated under the "Zurich Re" brand name by offering shares of the newly established Converium Holding AG to the public (the "IPO"). As part of the formation of Converium Holding AG and the IPO, members of the Group entered into various contracts with Converium Holding AG and its subsidiaries ("Converium"), including Quota Share Retrocession Agreements under which the Group retroceded certain third party assumed

reinsurance business to Converium. These Quota Share Retrocession Agreements, together with subsequent amendments, provide for the reinsurance premium to Converium to be retained by the Group on a funds withheld basis. Since the IPO, the Group has continued to buy reinsurance coverage from Converium. In 2007, Scor SA, a reinsurer based in France, launched an unsolicited tender offer for the shares of Converium and on 8 August 2007, Scor announced it successfully settled the offer for Converium. On 30 August 2007, Converium held an extraordinary general meeting and formally became a part of Scor SA.

Competition risks

ZIC and its operating subsidiaries participate in a highly competitive market. Developments in this market and increased competition may adversely affect the financial position of ZIC and its operating subsidiaries. Continued consolidation of the insurance industry could lead to market-wide price reductions resulting in pressure on margins. Such competitive pressure may lead to adjustments to policy terms, withdrawal from or reduction of capacity in certain business lines or reduction of prices resulting in decreased margins.

Foreign currency exchange risks

Due to the international nature of their businesses, ZIC and its subsidiaries are exposed to various currency exchange risks which can affect liquidity, profit and loss, shareholders' equity, capital position and the overall economic enterprise value. ZIC's consolidated financial statements are reported in US Dollars, but its assets, liabilities, income and expenses are denominated in many currencies with significant amounts notably in Euro, Swiss Franc, British Pound, and US Dollars. Therefore, fluctuations in exchange rates between currencies, could impact the consolidated financial condition, results of operations and cash flow from year to year of ZIC.

Regulatory investigation, litigation and settlement risks

ZFS was also a defendant in putative class-action securities lawsuits relating to its divestiture of its interest in Converium (now Scor Holding (Switzerland) AG). On 25 July 2008, ZFS and the class-action plaintiffs entered into an amended stipulation of settlement that called for a payment of USD 28 million to settle the case in two parts on behalf of all persons and entities who purchased Converium securities between 7 January 2002 and 2 September 2004: one settlement in the US court, covering all US persons and entities, and all other persons who purchased Converium securities on US markets, and another settlement in the Amsterdam Court of Appeal, in the Netherlands, covering all non-US persons and entities who purchased Converium securities on non-US markets. The US and Dutch settlements are both subject to court approval and are independent of each other. The US court approved the US settlement on 12 December 2008, but a notice of appeal was filed. The appeal, however, was dismissed by stipulation of the parties on 25 June 2009 and the US settlement is now final. ZFS's and Converium's proposed non-US settlements were submitted to the Amsterdam Court of Appeal on 9 July 2010. The Dutch settlement papers were filed with the Dutch court on 9 July 2010. On 12 November 2010, the Amsterdam Court of Appeal provisionally ruled that it has jurisdiction to consider the petition for approval of the settlement. The Amsterdam Court of Appeal directed the parties to notify the class about the proposed settlement and will hold a hearing on 3 and 4 October 2011 to consider whether to declare the proposed settlement binding on the class.

In addition, ZIC and its subsidiaries are, and may in the future be, involved in civil litigation, the outcome of which cannot be predicted.

The initiation of litigation proceedings and their outcome may adversely affect the financial position of ZIC and its subsidiaries.

For further details see "Zurich Insurance Company Ltd — Legal Proceedings and Regulatory Investigations" below.

Regulatory or legal changes

Insurance laws, regulations and policies currently governing ZIC and its operating subsidiaries may change at any time in ways which may adversely affect their business. Furthermore, the timing or form of any future regulatory initiatives cannot be predicted. ZIC and its subsidiaries are subject to applicable government regulation in each of the jurisdictions in which business is conducted. The insurance industry is also affected by political, judicial and other legal developments which have at times in the past resulted in new areas or expanded scope of liability.

In Switzerland, risk based capital requirements were regulated in accordance with the Swiss Solvency Test (the “**SST**”) in 2006. Swiss Insurers are required to build up sufficient risk bearing capital in order to cover their target capital under the SST as of 1 January 2011. In the European Union, risk based capital requirements are also being introduced pursuant to the Solvency II Directive (“**Solvency II**”) that is expected to become effective as of 1 January 2013. The implementation measures that will complement the Solvency II directive are being drafted. These implementation measures are subject to a consultation process which is not expected to be finalised until, at the earliest, late 2011, consequently there remains significant uncertainty regarding the final outcome of this process. The process of testing the equivalence of Swiss supervision law to Solvency II has been initiated and is under way. In the US, new reserving standards are being developed by the US National Association of Insurance Commissioners (“**NAIC**”) that would replace current statutory reserving practices for life insurance products and variable annuities with a principles-based approach to valuation of capital and reserves. In March 2010, the US enacted comprehensive health care reforms including various health insurance and related provisions that will be phased in over the next eight years. US administrative agencies have not yet developed detailed regulations for the implementation of these provisions, as a consequence of which the potential impact on the US health and related insurance markets remains unclear. In addition, there is increasing legislative and regulatory activity in light of the recent financial crisis which may adversely impact bank and non-bank financial companies’ business activities and investment activities. These actions include, but are not limited to, the enactment of the “Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010” (the “**Dodd-Frank Act**”), which imposes a new regulatory framework over the U.S. financial services industry and the consumer credit markets in general, and requires the Securities and Exchange Commission and other federal agencies to propose regulations that provide more stringent guidelines and oversight of bank and non-bank financial companies. The Dodd-Frank Act establishes the Financial Services Oversight Council (“**FSOC**”) which is authorised to designate certain non-bank financial companies (including insurance companies) as “systemically significant”, and thus is subject to oversight by the Board of Governors of the Federal Reserve. The Dodd-Frank Act also establishes a Federal Insurance Office (“**FIO**”) and contains provisions that preempt certain state insurance laws. In addition, FSOC and FIO are authorised to study and monitor the insurance industry and its regulation in the United States and report their findings to Congress. These efforts may result in calls for a more active federal role in insurance regulation.

Recent financial and economic uncertainties have provoked a number of proposals for reform and additional regulation of financial institutions and markets from regulators, governments, groups of governments (such as the G20) and others. These proposals address the issue of systemic risk and the perceived gaps in the regulatory framework which might have contributed to the financial crisis, *inter alia* possible changes in accounting standards (including fair value accounting), management remuneration structures, internal control systems, capital and liquidity requirements and branch structures. They seek greater co-operation and information exchange between regulatory supervisors internationally and improved supervision of multinational groups. These proposals have primarily been focused on the banking sector and many are under development and have not yet become specific or precise.

Accordingly, the financial consequences for the insurance sector and particularly for ZIC and its subsidiaries of the implementation of all or some of such proposals cannot yet be determined.

The above proposals, if adopted, could require additional regulatory capital of ZIC and its subsidiaries, require changes to the way in which ZIC and its subsidiaries carry on their business, lead to additional expense or otherwise adversely affect ZIC's financial position and that of its operating subsidiaries.

Natural and man-made catastrophe risks

General insurance companies frequently experience losses from catastrophes. Catastrophes may have a material adverse effect on the financial condition, results of operations and cash flows of ZIC and its operating subsidiaries.

Natural catastrophes include, but are not limited to hurricanes, floods, windstorms, tidal waves, earthquakes, tornadoes, fires, severe hail and severe winter weather, and are inherently unpredictable in terms of both their occurrence and severity. Catastrophes can also be man-made, such as terrorist attacks, explosions, fires and oil spills. The incidence and severity of these catastrophes in any given period are inherently unpredictable.

Deferred tax assets and liabilities

Deferred tax assets and liabilities of ZIC and its subsidiaries are recorded in the tax paying entities throughout the world, which may include several legal entities within each tax jurisdiction. The recoverability of the deferred tax asset of each taxpayer is based on its ability to utilize the deferred tax asset over a reasonable period of time. ZIC or the relevant subsidiary may not be able to fully recover its deferred tax assets in each jurisdiction.

Tax authorities may dispute submitted tax returns of the ZFS Group, which could adversely affect it.

Tax authorities throughout the world who examine submitted tax returns may dispute the basis of computation and propose adjustments which may lead to additional tax charges, interest and/or penalties.

Tax liabilities of ZFS Group may be adversely affected by proposed and recently adopted US tax legislation.

In 2008, the Staff of the US Senate Committee on Finance released a discussion draft ("**Discussion Draft**") which proposes to disallow deductions for certain reinsurance premiums paid by US property and casualty insurance companies to non-US affiliates of those companies. The Discussion Draft proposal is similar to a measure that was introduced in the US House of Representatives in 2008 and 2009 by Representative Neal. A similar proposal was also contained in President Obama's Fiscal Year 2012 Revenue Proposals, with some modifications. If enacted in any of its present forms, the measure could adversely affect ZFS Group and certain of its affiliates by increasing materially their US tax liability. In addition, if the measure were enacted it may be necessary for ZFS Group and certain of its affiliates to take steps to alter the manner in which they conduct their business. Whether the measure will be enacted in any of its present forms or in another form cannot be predicted. Moreover, until the terms of any final measure are known, the impact on ZFS Group and certain of its affiliates of the measure and any business restructuring in response to such a measure cannot be evaluated.

Tax legislation enacted in 2010 imposes a 30 per cent US withholding tax on certain payments to a “foreign financial institution” made after 31 December 2012 unless such institution enters into a disclosure agreement with the US Department of Treasury regarding its US account holders and certain other requirements are met. There is currently some uncertainty as to what extent a non-US insurance company will be considered to be a “foreign financial institution” under the 2010 legislation. The legislation may result in significant US reporting requirements for the ZFS Group and additional US withholding taxes on payments to members of the ZFS Group. To the extent these new reporting rules apply, the ZFS Group intends to reasonably comply with such rules to reduce or eliminate any US withholding tax under such rules.

Adequacy of resources to meet pension obligations

There is a risk that provisions for future obligations to employees under pension plans and other defined post-employment benefits may not be adequate. In assessing the Group’s liability for defined benefit pension plans and other post-employment plans, critical judgments include estimates of mortality rates, rates of employment turnover, disability, early retirement, discount rates, expected long-term rates of return on plan assets, future salary increases, future pension increases and increases in long-term healthcare costs. These assumptions may differ from actual results due to changing economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in variability of pension income or expense recorded in future years.

Farmers Group, Inc.’s management fees for its services may drop significantly

Farmers Group Inc. provides non-claims related insurance management services for the Farmers Exchanges. Management fees earned by it are based upon the volume of gross premiums earned by the Farmers Exchanges, whose ability to continue writing insurance is dependent upon, *inter alia*, statutory surplus levels and price competition. Any deterioration in the volume of gross premiums earned by the Farmers Exchanges may therefore affect the level of management fees received by Farmers Group, Inc. for its management services.

Risks related to the structure of a particular issue of Notes and Capital Notes

A wide range of Notes and Capital Notes may be issued under the Programme. A number of these Notes and Capital Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes and Capital Notes may not be a suitable investment for all investors

Each potential investor in any Notes and Capital Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes and Capital Notes, the merits and risks of investing in the relevant Notes and Capital Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and Capital Notes and the impact such investment will have on its overall investment portfolio;

- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes and Capital Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Notes and Capital Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Partly Paid Notes

The Issuers may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Notes or Capital Notes issued at a substantial discount

The market values of securities issued at a substantial discount to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The Issuers' obligations under Subordinated Notes are subordinated

The obligations of the relevant Issuer under Subordinated Notes will rank junior in priority of payment to the claims of Senior Creditors (as defined in Condition 2 of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes). Furthermore, the relevant Issuer shall, if so specified in the Final Terms, have the option to defer payments of interest on Subordinated Notes when such interest has accrued in respect of an Interest Period which ends on an Optional Interest Payment Date (as such term is defined in Condition 4(f) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes) and shall, if so specified in the Final Terms, also be required to defer payment of interest on Subordinated Notes if a "Solvency Event" (as such term is defined in Condition 4 of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes) has occurred and is continuing. Certain Arrears of Interest may only be payable on Subordinated Notes following the prior written approval of Swiss Financial Market Supervisory Authority (FINMA) ("**FINMA**") or any Successor Authority as more fully set out in Condition 4 (f) (iii) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes.

Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the relevant Issuer become insolvent.

The relevant Issuer's obligations in respect of Dated Subordinated Notes and Dated Capital Notes to repay the Final Redemption Amount on the Maturity Date may be extended indefinitely

If the Maturity Date of a Dated Subordinated Note or Dated Capital Note occurs when a "Solvency Event" (as defined in Condition 4 of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes and in Condition 3 of the Terms and Conditions of the Capital

Notes) has occurred and is continuing, then such Maturity Date will, if so specified in the applicable Final Terms, be extended until such event no longer exists, unless prior approval by FINMA or any Successor Authority is given for repayment.

Notes or Capital Notes Redeemable at the relevant Issuer's Option

Notes or Capital Notes which are redeemable at the option of the relevant Issuer (because of the inclusion of a call option in the Final Terms, for tax related reasons or as a result of the occurrence of an Accounting Event (in relation to Subordinated Notes and Capital Notes), a Capital Event (in relation to Subordinated Notes and Capital Notes) or a Regulatory Event (in relation to Subordinated Notes and Capital Notes) provided in the Final Terms or for other specified reasons) may be redeemed at times when prevailing interest rates may be lower than the rate borne by such Notes or Capital Notes. As a result, the holders of such Notes or Capital Notes may not be able to reinvest the redemption proceeds in a comparable security at an interest rate as high as that of the relevant Notes or Capital Notes. In addition, the relevant Issuer's ability to redeem such Notes or Capital Notes at its option is likely to affect the market value of such Notes or Capital Notes. In particular, as the redemption date approaches, the market value of such Notes generally will not rise substantially above the redemption price because of the optional redemption feature. Subordinated Notes and Capital Notes contain provisions which allow the Issuer to substitute or vary the terms of such security for Qualifying Securities upon the occurrence of a Capital Event, an Accounting Event, a Regulatory Event or for tax related reasons as applicable.

Fixed/Floating Rate Notes or Capital Notes

Notes or Capital Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate as set out in the Final Terms. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes or Capital Notes. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes or Capital Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes or Capital Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes or Capital Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes or Capital Notes.

Index Linked Notes or Capital Notes

Notes or Capital Notes may be issued which have principal, premium and/or interest determined by reference to an index or formula, to changes to the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**) and these have significant risks that are not associated with a conventional fixed rate or floating rate debt security. Such risks include fluctuation of the particular indices or formulas and the possibility that an investor will receive a lower amount of principal, premium or interest and at different times than expected. Potential investors should be aware that:

- (i) the market price of such Notes or Capital Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;

- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes or Index Linked Capital Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk associated with an investment in any Index Linked Notes or Index Linked Capital Notes and the suitability of such Notes in light of its particular circumstances.

In recent years, values of indices and formulas have been volatile and investors should be aware that volatility may occur in the future.

Additional risks related specifically to Capital Notes

ZIC's obligations under the Capital Notes are deeply subordinated

The rights and claims of the holders of the Capital Notes will be subordinated to the claims of all Senior Creditors (as defined in Condition 2 of the Terms and Conditions of the Capital Notes), in that the claims of the holders of Capital Notes rank on a voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings of or against ZIC after the claims of any Senior Creditors of ZIC, *pari passu* with the claims of the holders of any subordinated obligations of ZIC which rank or are expressed to rank *pari passu* with the claims of the Noteholders and prior to the claims of the holders of all classes of issued shares in the share capital of ZIC.

Furthermore, the claims of holders of Capital Notes and relative Receipts and Coupons rank, save as otherwise specified in the applicable Final Terms, on a voluntary or involuntary insolvency, winding up, liquidation, dissolution or other similar proceedings of or against the Issuer, junior to the claims of holders of any ZIC Subordinated Guarantee.

In the event of a voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings of or against ZIC, there shall be payable on each Capital Note, subject to the subordination provisions set out above, an amount equal to the principal amount of each Capital Note with, unless otherwise specified in the applicable Final Terms, unpaid Deferred Interest (as defined in the Terms and Conditions of the Capital Notes) and interest which has accrued up to, but excluding, the date of repayment. Although the Capital Notes may pay a higher rate of interest than comparable Notes which are unsubordinated or which are subordinated but not as deeply subordinated as the Capital Notes, there is a significant risk that an investor in Capital Notes will lose all or some of its investment should ZIC become insolvent.

Deferral or Cancellation of Interest

- (A) If a Solvency Event has occurred and is continuing as at the relevant Determination Date (as defined in the Terms and Conditions of the Capital Notes), then, in relation to any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date, ZIC shall (if the applicable Final Terms specifies a Solvency Event as being applicable and the Capital Note as being Cumulative in relation to a Solvency Event) defer or, (if the applicable Final Terms specifies a Solvency Event as being applicable and the Capital Note as being Non-Cumulative in relation to a Solvency Event) cancel, any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date and shall defer or, as applicable, cancel the relevant Solvency Shortfall (as defined in the Terms and Conditions of the Capital Notes) if, were ZIC to make payment of the relevant Interest Payment, a Solvency Event would, as at the date of such payment, occur, in any such case except that ZIC will not be required to defer or, as applicable, cancel such Interest Payment or Solvency Shortfall, as the case may be, if FINMA or any Successor Authority applicable at the time has consented to such payment.
- (B) If a Trigger Event has occurred and is continuing as at the relevant Determination Date, then, in relation to any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date, ZIC shall cancel the amount by which such Interest Payment exceeds the New Capital Amount per Capital Note outstanding at such time.

If the applicable Final Terms so provide, ZIC may also elect to (if the applicable Final Terms specifies the Capital Note as being Cumulative with respect to such payment) defer or (if the applicable Final Terms specifies the Capital Note as being Non-Cumulative with respect to such payment) cancel, in whole or in part, any Interest Payment which is otherwise scheduled to be paid on an Optional Interest Payment Date by giving notice of such election to the Trustee, the Agent and the holders of the Capital Notes in accordance with Condition 13 of the Terms and Conditions of the Capital Notes.

In the case where a payment is specified as aforesaid as being Cumulative and the applicable Final Terms specify that Cash Settlement is applicable, the Issuer may elect at any time to pay in cash in whole or in part any Deferred Interest. However, any outstanding Deferred Interest will become immediately due and payable in cash in full (or in the case where limb (iv) of the definition of APM Deferred Settlement Date (as defined in the Terms and Conditions of the Capital Notes) is specified as applying as part of the definition of Cash Deferred Settlement Date, on a proportionate basis) upon the Cash Deferred Settlement Date (as defined in the Terms and Conditions of the Capital Notes).

Notwithstanding the foregoing, Deferred Interest shall only be due and payable if at the relevant time the prior written approval of FINMA or any Successor Authority to such payment has been given (if such approval is required under Applicable Regulations at the relevant time).

In the case where a payment is specified as aforesaid as being Cumulative and the applicable Final Terms specify that APM Settlement is applicable, the Issuer and ZFS may elect at any time to use their commercially reasonable efforts to satisfy in whole or in part any Deferred Interest utilising the APM (as defined in Condition 3(e) of the Capital Notes) and the Issuer and ZFS shall use their commercially reasonable efforts to apply the APM to satisfy all (or, in the case where limb (iv) of the definition of APM Deferred Settlement Date applies, on a proportionate basis) of the outstanding Deferred Interest upon the APM Deferred Settlement Date.

Notwithstanding the foregoing, the Issuer and ZFS will only be obliged to use their commercially reasonable efforts to satisfy any Deferred Interest as aforesaid if at the relevant time the prior written approval of FINMA or any Successor Authority to such payment has been given.

Once ZIC and ZFS have become obliged to use their respective commercially reasonable efforts to operate the APM to settle any Deferred Interest, ZIC and ZFS must continue to use their respective commercially reasonable efforts to raise sufficient proceeds from the operation of the APM for certain specified time periods following the relevant APM Deferred Settlement Date to the extent permitted under prevailing applicable regulatory criteria governing the Capital Notes. If, and to the extent that ZIC and/or ZFS have not issued Qualifying APM Securities within such time period outlined above, ZIC's obligation with respect to such Deferred Interest will be cancelled. In any case, Deferred Interest that has not been settled within the period of time specified in the Final Terms of any deferral will be cancelled.

Use of the APM to satisfy Deferred Interest may be subject to restrictions

Upon the Issuer and ZFS becoming obliged to use their commercially reasonable efforts to settle Deferred Interest using the APM pursuant to Condition 3(e), the Issuer and ZFS will use their commercially reasonable efforts to satisfy such Deferred Interest by way of Ordinary Share Settlement (as determined in the Terms and Conditions of the Capital Notes).

Subject as provided in Condition 3(e) of the Terms and Conditions of the Capital Notes, ZIC may only utilise the Ordinary Share Settlement to the extent that the number of Payment Shares (as defined in the Terms and Conditions of the Capital Notes) used for the purpose of the APM in any 12-month period does not exceed 2 per cent of ZFS' outstanding share capital.

Perpetual Securities

ZIC is under no obligation to redeem the Undated Capital Notes at any time and the holders of Undated Capital Notes have no right to call for their redemption. Redemption of Dated Capital Notes on their Maturity Date is subject to no Solvency Event occurring on the Maturity Date, as more fully explained in Condition 6(a). ZIC or, as the case may be, ZFS may from time to time in connection with the issue of a Series of Capital Notes, enter into a replacement capital covenant for the benefit of holders of certain of its outstanding debt. A replacement capital covenant would permit ZIC to redeem such Series of Capital Notes only to the extent it has raised sufficient net proceeds from the issuance of qualifying securities. See Condition 6(f) of the Terms and Conditions of the Capital Notes for a summary of the terms of such a replacement capital covenant.

Redemption, Exchange Risk and Substitution

The Capital Notes may, subject as provided in Condition 6 of the Capital Notes, be redeemed by ZIC at their Optional Redemption Amount together with any interest accrued to (but excluding) the relevant Optional Redemption Date and, if the Capital Notes are expressed to be Cumulative with respect to such payment (but not otherwise) any Deferred Interest which will be satisfied by operation of Condition 3(e) of the Terms and Conditions of the Capital Notes. In addition, the Capital Notes may be redeemed (i) for tax reasons or, if so specified in the applicable Final Terms, (ii) upon the occurrence of any of an Accounting Event, a Capital Event or a Regulatory Event prior to the first Optional Redemption Date in whole but not in part at any time. Upon the occurrence of the events in either of (i) or, if so specified in the applicable Final Terms, (ii) above, the Capital Notes may be substituted for, or their terms varied so that they remain, Qualifying Securities.

No limitation on issuing senior or *pari passu* securities

There is no restriction on the amount of securities which ZIC or any other member of the Zurich Financial Services Group may issue and which may rank senior to, or *pari passu* with, the respective Capital Notes. The issue of any such securities may reduce the amount recoverable by holders of Capital Notes on a winding-up of the Issuer and/or may increase the likelihood of a deferral of payments under the Capital Notes.

Risks related to the market generally

An active trading market may not develop for the Notes or Capital Notes

The Notes or Capital Notes are a new issue of securities for which there is no trading market and one may never develop. If such a market were to develop, the Notes or Capital Notes could trade at prices which may be higher or lower than the initial offering price. Notes or Capital Notes issued with specific investment objectives or strategies will have a more limited trading market and may experience more price volatility. Prospective investors should be aware that, at the time they wish to sell their Notes or Capital Notes, there may be few or no investors willing to buy the Notes or Capital Notes.

Exchange rates and exchange controls

Notes or Capital Notes and or coupon payments can be denominated in, or the payment of which is to be or may be made in or related to the value of, a currency or composite currency and significant risks are entailed if such currency is other than the currency in which the prospective investor's financial activities are denominated. Such risks include the possibility of significant changes in the currency exchange rates and the risk of imposition or modification of foreign exchange controls by the relevant government. Depreciation of the currency in which a Note or Capital Note is denominated would result in a decrease in the effective yield of such Note or Capital Note and, in certain circumstances, could result in a loss to the investor.

Governments have imposed from time to time, and may in the future impose, exchange controls which could affect exchange rates as well as the availability of a specified foreign currency at the time of payment of principal of, and premium, if any, or interest, if any, on a Note or Capital Note.

Interest rate risks

Investment in Fixed Rate Notes or Fixed Rate Capital Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes or Capital Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes or Capital Notes. The ratings may not reflect the potential impact of all risks related to structure, market and other factors which may affect the value of the Notes or Capital Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Tax consequences of holding the Notes or Capital Notes

Potential investors should consider the tax consequences of investing in the Notes or Capital Notes and consult their tax advisers about their own tax situation.

Risks related to the Notes or Capital Notes generally

Set out below is a brief description of certain risks relating to the Notes or Capital Notes generally:

Modification

The conditions of the Notes and the Capital Notes contain provisions for calling meetings of holders of Notes and Capital Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of Notes and Capital Notes including holders of Notes and Capital Notes who did not attend and vote at the relevant meeting and holders of Notes and Capital Notes who voted in a manner contrary to the majority.

EU Savings Directive

Under EC Council Directive 2003/48/EC (the "EU Savings Directive") on the taxation of savings income, each Member State is required, to provide to the tax authorities of another Member State details

of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg are instead required (unless during such period they elect otherwise) to operate a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also a number of non-EU countries, including Switzerland, and certain dependent or associated territories of certain Member States, have adopted similar measures to the EU Savings Directive (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

If a payment were to be made or collected through a Member State, or a non-EU country or territory, which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment then, in accordance with Condition 7 of the relevant Conditions, neither the relevant Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note or Capital Note as a result of the imposition of such withholding tax. The relevant Issuer and the Guarantor undertake at Condition 11 of the relevant Conditions that they will ensure that they maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced to conform to, such Directive.

The European Commission has proposed certain amendments to the EU Savings Directive which may, if implemented, amend or broaden the scope of the requirement discussed above.

Proposed Amendment of the Swiss Withholding Tax Act

On 22 December 2010, the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35 per cent on any payment of interest in respect of a Note or a Capital Note to an individual resident in Switzerland or to a person resident in a country which has no double tax treaty with Switzerland. If this legislation or similar legislation were enacted and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the Issuer nor the Guarantor nor any paying agent nor any other person would, pursuant to the Conditions, be obliged to pay additional amounts with respect to any Note or a Capital Note as a result of the deduction or imposition of such withholding tax.

Applicable Law

The conditions of the Notes and the Capital Notes are governed by English law in effect as of the date of this Base Prospectus, save that the provisions relating to subordination in Notes which are Subordinated Notes will be governed by the law of the jurisdiction of incorporation of the Issuer of such Subordinated Notes and the provisions relating to subordination in the Capital Notes will be governed by the laws of Switzerland. The Guarantees by ZIC are governed by Swiss law and accordingly any dispute arising out of the Guarantees between the Guarantor and the Trustee, or the Guarantor and a Holder who is entitled to proceed against the Guarantor, shall fall exclusively within the courts of the City of Zurich and, where the law permits, of the Commercial Court of the Canton of Zurich.

No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice or Swiss law or administrative practice, respectively, after the date of this Base Prospectus.

Denomination (secondary trading)

Although Notes or Capital Notes which are admitted to trading on a regulated market in the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive are required to have a minimum denomination of EUR 100,000 (or where the specified currency is not euro, its equivalent in the specified currency), or an integral multiple of EUR 1,000 (or where the specified currency is not euro, its equivalent in the specified currency) in excess thereof, it is possible that the Notes or Capital Notes may be traded in the clearing systems in amounts in excess of EUR 100,000 (or its equivalent) or an integral multiple of EUR 1,000 (or its equivalent) in excess thereof that are not integral multiples of EUR 100,000 (or its equivalent) or an integral multiple of EUR 1,000 (or its equivalent) in excess thereof. In such a case, should definitive Notes or Capital Notes be required to be printed, a holder who does not have an integral multiple of EUR 100,000 (or its equivalent) or an integral multiple of EUR 1,000 (or its equivalent) in excess thereof in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes or Capital Notes unless and until such time as his holding becomes an integral multiple of EUR 100,000 (or its equivalent) or an integral multiple of EUR 1,000 (or its equivalent) in excess thereof.

Form of the Notes and the Capital Notes

The Notes of each Tranche will be either in bearer form or registered form.

With respect to a particular Series of Registered Notes, the Registered Notes of each Tranche of such Series offered and sold in reliance on Regulation S under the US Securities Act (“**Reg. S**”), which will be sold to non-US persons outside the United States, will initially be represented by a Reg. S Global Note which will be registered in the name of Citivic Nominees Limited as nominee for, and will be deposited with Citibank, N.A. as common depository for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg for the accounts of their respective participants. Prior to expiry of the distribution compliance period applicable to each Tranche of Notes, interests in a Reg. S Global Note may not be offered or sold to or for the account or benefit of, a US person save as otherwise provided in Condition 10 of the relevant Conditions and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Reg. S Global Note will bear a legend regarding such restrictions on transfer.

Registered Notes will not be exchangeable for Bearer Notes.

Interests in the Reg. S Global Note will be exchangeable for Individual Registered Notes in the following limited circumstances: (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces its intention permanently to cease business or does in fact do so and no alternative clearance system acceptable to the Trustee is available, or (ii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of Noteholders under the Notes represented by such Reg. S Global Note, and the Trustee has been advised by counsel that in connection with such proceedings it is necessary or appropriate for the Trustee to obtain possession of Individual Registered Notes representing the Reg. S Global Note.

Individual Registered Notes may also be sold outside the United States in reliance on Regulation S under the US Securities Act.

Payments of the principal of, and interest (if any) on, the Reg. S Global Notes will be made to the nominee of Euroclear and/or Clearstream, Luxembourg as the registered holders of the Reg. S Global Notes. None of the relevant Issuer, the Trustee, the Agent, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Reg. S Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal on the Reg. S Notes (as defined in the Trust Deed) will be made to the persons shown on the Register at the close of business on the business day immediately prior to the relevant payment date. Payments of interest on the Reg. S Notes will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

Each Tranche of Bearer Notes (other than a Tranche of Listed Swiss Franc Notes) will be initially represented by either (i) a Temporary Global Note or (ii) a Permanent Global Note, in each case without receipts, interest coupons or talons, which, if it is not intended to be issued in new global note (“**NGN**”) form, and each Registered Global Note which is not intended to be held under the NSS, each as

specified in the relevant Final Terms, will be delivered to a common depository for Euroclear and Clearstream, Luxembourg and each Global Note which is intended to be issued in NGN form, and each Registered Global Note which is intended to be held under the NSS, each as specified in the relevant Final Terms, will be delivered on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the “**ECB**”) announced that Notes in NGN form are in compliance with the “Standards for use of EU securities settlement systems in ESCB credit operations” of the central banking system for the euro (the “**Eurosystem**”), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used and certain other criteria are fulfilled. From 1 October 2010, Registered Global Notes which are cleared through an international central securities depository and intended to constitute eligible collateral for Eurosystem monetary policy operations will need to be issued under a new safekeeping structure (“**NSS**”). Such Registered Global Notes will be registered in the name of a nominee of the international central securities depository acting as common safekeeper and asset servicing functions in respect of such Registered Global Notes will be performed by an agent of the international central securities depositories acting as common service provider.

Whilst any Note is represented by a Temporary Global Note and subject to TEFRA D selling restrictions, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interest in such Note are not US persons or persons who have purchased for resale to any US person, as required by US Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent. Listed Swiss Franc Notes will be represented by a Permanent Global SIS Note exchangeable for Definitive Bearer Notes in the circumstances set out therein and holders of such Notes will not have the right to effect or demand the conversion of the Permanent Global SIS Note representing such Swiss Franc Notes into, or delivery of, Notes in definitive or uncertificated form. Listed Swiss Franc Notes will be delivered through SIS or such other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange on or prior to the original issue date of such Notes. Any reference in this section “**Form of the Notes and the Capital Notes**” to (i) Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system (including SIS or such other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange on or prior to the original issue date of such Notes) approved by the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee and the Agent, and (ii) “**Notes**” shall be deemed to include the Permanent Global SIS Note issuable in respect of Listed Swiss Franc Notes. A Permanent Global SIS Note representing Swiss Franc Notes will be exchangeable for definitive Notes in whole but not in part only if the Swiss paying agent should, after consultation with the Issuer, deem the printing of definitive Notes to be necessary or useful, or if the presentation of definitive Notes is required by Swiss or other applicable laws and regulations in connection with the enforcement of rights of holders of Swiss Franc Notes, or if the Swiss paying agent at any time at its discretion determines to have definitive Notes issued; holders of Swiss Franc Notes will not have the right to effect or demand the conversion of the Permanent Global SIS Note representing such Swiss Franc Notes into, or delivery of, Notes in definitive or uncertificated form. If definitive Notes are delivered, the relevant Permanent Global

SIS Note will be immediately cancelled by the Swiss paying agent and the definitive Notes shall be delivered to the relevant holders against cancellation of the relevant Swiss Franc Notes in such holders' securities accounts.

On and after the date (the "**Exchange Date**") which is 40 days after the date on which any Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a Permanent Global Note without receipts, interest coupons or talons or for Definitive Bearer Notes (notwithstanding the Final Terms may specify that no Definitive Bearer Notes will be issued over a certain denomination) with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Definitive Bearer Notes, to such prior notice as is specified in the applicable Final Terms) in each case (if the Notes are subject to TEFRA D selling restrictions) against certification of beneficial ownership as described in the second sentence of the immediately preceding paragraph unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless upon due certification exchange of the Temporary Global Note is improperly withheld or refused.

Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes" and under "Terms and Conditions of the Capital Notes" below) the Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned (where applicable) a common code and ISIN by Euroclear and Clearstream, Luxembourg or CUSIP number which are different from the common code and ISIN or CUSIP number assigned to Notes of any other Tranche of the same Series until at least 40 days (as notified by the Agent to the relevant Dealer or, in the case of a syndicated issue, the lead manager) after the completion of the distribution of the Notes of such Tranche.

Payments of principal and interest (if any) on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Note (if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification. The applicable Final Terms will specify that either (i) a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive bearer Notes with, where applicable, receipts, interest coupons and talons attached upon not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of such Permanent Global Note) to the Agent as described therein or (ii) a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive bearer Notes with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of certain specified events as described therein. The events described are that (i) an Event of Default (as defined in Condition 9 of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes) or a Dissolution Event (as defined in Condition 9 of the Terms and Conditions of the Capital Notes) occurs in respect of any Note or (ii) Euroclear or Clearstream, Luxembourg are closed for business for a continuous period of 14 days (weekends and public holidays excepted) or announce an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the Trustee is available. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 13 of the relevant Conditions if any such event occurs. In the event of the occurrence of any such event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange.

For so long as any of the Notes is represented by a Bearer Global Note deposited with, or a Reg. S Global Note registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as entitled to a particular nominal amount of Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg or its nominee as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on the Notes, for which purpose such common depository or its nominee shall be deemed to be the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Bearer Global Note or Reg. S Global Note and the Trust Deed (and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly).

Notes which are represented by a Global Note will be transferable only in accordance with the applicable procedures Euroclear and Clearstream, Luxembourg, in each case, to the extent applicable.

The following legend will appear on all Global Notes, Reg. S Global Notes, Definitive Notes, receipts and interest coupons in respect of obligations with an original maturity in excess of 365 days:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes, receipts or interest coupons.

Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes

*The following are the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes which will be endorsed on each Global Note and each Definitive Bearer Note or Individual Registered Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted by the relevant stock exchange (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if so permitted and agreed, such Definitive Bearer Note or Individual Registered Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and each Definitive Bearer Note or Individual Registered Note. Reference should be made to “**Form of the Notes and the Capital Notes**” above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation in the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Zurich Finance (Luxembourg) S.A. (“**ZF (Luxembourg)**”), Zurich Finance (USA), Inc. (“**ZF (USA)**”), Zurich Finance (UK) plc (“**ZF (UK)**”), Zurich Bank (“**Zurich Bank**”) or Zurich Insurance Company Ltd (“**ZIC**”) and, together with ZF (Luxembourg), ZF (USA), ZF (UK) and Zurich Bank, the “**Issuers**” and each an “**Issuer**”) and references in these Terms and Conditions to the “**relevant Issuer**” shall be to the issuer of the Notes named in the applicable Final Terms (as defined below), constituted by an amended and restated trust deed (as further modified and/or supplemented and/or restated from time to time, the “**Trust Deed**”) dated 20 May 2011 made between the Issuers, Zurich Financial Services Ltd (“**ZFS**”) and Citicorp Trustee Company Limited (the “**Trustee**”, which expression shall include any successor as trustee).

References herein to the “**Notes**” shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a Global Note (which expression shall include any Temporary Global Note or Permanent Global Note or Permanent Global SIS Note or Reg. S Global Note, all as defined below), units of the lowest Specified Denomination in the Specified Currency; and
- (ii) in relation to any Notes in definitive bearer form (“**Definitive Bearer Notes**”) issued in exchange for an interest or interests in a Global Note in bearer form (“**Bearer Global Note**”), units of the lowest Specified Denomination in the Specified Currency; and
- (iii) in relation to Individual Registered Notes either issued as such or issued in exchange for a Reg. S Global Note, units of the lowest Specified Denomination in the Specified Currency.

The Final Terms for this Note (or the relevant provisions thereof) are attached to or endorsed on this Note and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, modify these Terms and Conditions for the purposes of this Note. References to the “**applicable Final Terms**” are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) are the subject of an amended and restated agency agreement (the “**Agency Agreement**” which expression shall, where the context permits, include any supplements or amendments thereto and any agency agreement relating to Listed Swiss Franc Notes as referred to in Condition 5(e)) dated 20 May 2011 and made between the Issuers, Citibank, N.A. as issuing and principal paying agent and agent bank (the “**Agent**”, which expression shall include any successor agent specified in the applicable Final Terms), the other paying agents named therein (together with the Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents), Dexia Banque Internationale à Luxembourg société anonyme (the “**Luxembourg Listing Agent**”), the registrars named therein (each, a “**Registrar**”, which expression shall include any additional or successor registrar), the transfer agents named therein (the “**Transfer Agents**”, which expression shall include any additional or successor transfer agents) and the Trustee.

Interest bearing Definitive Bearer Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (“**Coupons**”) and, if indicated in the applicable Final Terms, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in instalments have receipts (“**Receipts**”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes do not have Receipts or Coupons attached on issue.

The Trustee acts for the benefit of the holders for the time being of the Notes (the “**Noteholders**”) in accordance with the provisions of the Trust Deed.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed, the Agency Agreement, any applicable Senior ZIC Guarantee (as defined below), any applicable Subordinated ZIC Guarantee (as defined below) and the applicable Final Terms are available for inspection during normal business hours at the principal London office for the time being of the Trustee (being at the date of the Trust Deed at Citicorp Trustee Company Limited, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB) and are available at the specified office of each of the Agent, the other Paying Agents, the Registrar and the Transfer Agents save that, if this Note is an unlisted Note of any Series, the applicable Final Terms will only be available for inspection at the principal London office of the Agent by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Trustee as to its holding of Notes and as to identity. The Noteholders, the holders of the Receipts (the “**Receiptholders**”) and the holders of the Coupons (the “**Couponholders**”) are deemed to have notice of, and are bound by, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement, the Senior ZIC Guarantee, the Subordinated ZIC Guarantee and the applicable Final Terms which are applicable to them.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of any inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. Form, Denomination and Title

The Notes are either in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") as specified in the applicable Final Terms and, in the case of Definitive Bearer Notes or Individual Registered Notes, serially numbered, in the Specified Currency and the Specified Denomination(s) specified in the applicable Final Terms. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Indexed Interest Note, an Indexed Redemption Amount Note, an Instalment Note, a Dual Currency Note, a Partly Paid Note, each as defined in the applicable Final Terms, or a combination of any of the foregoing, depending upon the Interest/Payment Basis shown in the applicable Final Terms.

This Note is a Listed Swiss Franc Note if it is denominated or payable in Swiss francs and listed on the SIX Swiss Exchange and the applicable Final Terms so state.

Each Listed Swiss Franc Note will be represented exclusively by a Permanent Global SIS Note in bearer form which will be deposited with SIX SIS AG, Olten, Switzerland ("**SIS**"), or such other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange (with respect to any such Permanent Global SIS Note, SIS or such other intermediary, the "**Intermediary**") on or prior to the original issue date of such Note. As a matter of Swiss law, once the Permanent Global SIS Note has been deposited with the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Listed Swiss Franc Notes represented thereby will constitute intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) (the "**Intermediated Securities**"). The Permanent Global SIS Note will be exchangeable for definitive Notes in whole but not in part only if the Swiss paying agent should, after consultation with the relevant Issuer, deem the printing of definitive Notes to be necessary or useful, or if the presentation of definitive Notes is required by Swiss or other applicable laws and regulations in connection with the enforcement of rights of Noteholders, or if the Swiss paying agent at any time at its discretion determines to have definitive Notes issued; holders of Listed Swiss Franc Notes will not have the right to effect or demand the exchange of the Permanent Global SIS Note representing such Listed Swiss Franc Notes into, or delivery of, Notes in definitive or un-certificated form. If definitive Notes are delivered, the relevant Permanent Global SIS Note will be immediately cancelled by the Swiss paying agent and the definitive Notes shall be delivered to the relevant holders against cancellation of the relevant Listed Swiss Franc Notes in such holders' securities accounts. As a matter of Swiss law, a holder of an interest in the Permanent Global SIS Note retains a quotal co-ownership interest (*Miteigentumsanteil*) in the Permanent Global SIS Note to the extent of the Notes represented by such Permanent Global SIS Note in which such holder has an interest; provided, however, that, for so long as the Permanent Global SIS Note remains deposited with the Intermediary (i.e., for so long as the Notes represented thereby constitute Intermediated Securities), the co-ownership interest is suspended and the Notes represented thereby may only be transferred by the entry of the transferred Notes in a securities account of the transferee. For so long as Notes constitute Intermediated Securities, as a matter of Swiss law, (i) the records of the Intermediary will determine the number of Notes held through each participant of the Intermediary and (ii) the holders of such Notes will be the persons holding such Notes in a securities account (*Effektenkonto*) that is in their name or, in the case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding such Notes for their own account in a securities account (*Effektenkonto*) that is in their name.

Each Tranche of Bearer Notes may be initially represented by a temporary Global Note without Receipts, Coupons or Talons (a “**Temporary Global Note**”) or, if so specified in the applicable Final Terms, a permanent Global Note (a “**Permanent Global Note**”), which, if the Bearer Global Notes are not intended to be issued in new global note (“**NGN**”) form will be delivered to the common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme*, Luxembourg (“**Clearstream, Luxembourg**”) and, if the Bearer Global Notes are intended to be issued in NGN form, will be delivered to the Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or after the end of the Distribution Compliance Period (as defined above), the Temporary Global Note will be exchangeable upon a request as described therein either for interests in a Permanent Global Note without Receipts, Coupons or Talons or for Definitive Bearer Notes (as indicated in the applicable Final Terms and subject, in the case of Definitive Bearer Notes to such notice period as is specified in the applicable Final Terms), in each case against certification to the effect that the beneficial owner of interests in such Temporary Global Note is not a US person or a person who has purchased for resale to any US person, as required by US Treasury regulations. Each Tranche of Bearer Notes may also be initially represented by a Permanent Global SIS Note (as defined in the Trust Deed). Unless otherwise specified in the applicable Final Terms, a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, Receipts, Coupons and Talons attached (i) if an Event of Default (as defined in Condition 9) occurs in respect of any Note, (ii) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (weekends and public holidays excepted) or announces an intention to cease business permanently or in fact does so and no alternative clearing system satisfactory to the Trustee is available or (iii), if so specified in the applicable Final Terms, at the option of the Noteholder, provided that, in the case of an issue of Notes with minimum denomination of EUR 100,000 and smaller integral multiples thereof only exchange events (i) or (ii) above will apply.

With respect to a particular Series of Registered Notes, the Registered Notes of each Tranche sold outside the United States in reliance on Regulation S under the US Securities Act of 1933, as amended, will, unless otherwise specified in the applicable Final Terms, be represented by a permanent global Note in registered form, without Receipts, Coupons or Talons, (the “**Reg. S Global Note**”) which will be registered in the name of Citivic Nominees Limited as nominee for, and will be deposited with Citibank, N.A. as common depository for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg. Notes in individual registered form (“**Individual Registered Notes**”) issued in exchange for Reg. S Global Notes or otherwise sold or transferred in reliance on Regulation S under the US Securities Act, together with the Reg. S Global Notes, are referred to herein as “**Reg. S Notes**”. Prior to expiry of the period that ends 40 days after completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or by the Lead Manager, in the case of a syndicated issue interests in a Reg. S Global Note may be held only through Euroclear or Clearstream, Luxembourg.

Individual Registered Notes from the date of issue may, if specified in the applicable Final Terms, be issued in reliance on Regulation S under the US Securities Act.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon the registration of transfers in accordance with the Agency Agreement and the Trust Deed. The relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee, the Agent, any Paying Agent, the Registrar, and any Transfer Agent may (subject to applicable

laws or as otherwise ordered by a court of competent jurisdiction or an official authority) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof for all purposes (whether or not it is overdue and notwithstanding any notice of ownership, trust or any interest in it, any writing on it or on the related Individual Registered Note or notice of any previous loss or theft of it) and no person will be liable for so treating the holder.

No person shall have any right to enforce any term or condition of this Note or the Trust Deed under the United Kingdom Contracts (Rights of Third Parties) Act 1999.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg.

ZF (USA) may only issue Notes in bearer form if such Notes are offered and sold in accordance with Regulation S under the US Securities Act and the Tax Equity and Fiscal Responsibility Act 1982 requirements under the US Internal Revenue Code and the Treasury Regulations thereunder.

References in these Terms and Conditions to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system (including SIS) approved by the relevant Issuer, the Trustee and the Agent and specified in the applicable Final Terms.

2. Status of the Notes

(a) Senior Notes

This Condition 2(a) is only applicable to senior Notes ("**Senior Notes**") issued by the relevant Issuer which are described in the applicable Final Terms as being issued on an unsubordinated basis.

The Senior Notes and the relative Receipts and Coupons constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3(c)) unsecured obligations of the relevant Issuer and (subject as aforesaid) rank and will rank *pari passu*, without any preference among themselves save for statutorily preferred exceptions, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

(b) Subordinated Notes

This Condition 2(b) is only applicable to dated subordinated notes ("**Dated Subordinated Notes**") and undated subordinated notes ("**Undated Subordinated Notes**") issued by the relevant Issuer. Dated Subordinated Notes and Undated Subordinated Notes are together referred to as "**Subordinated Notes**". The provisions of this Condition 2(b) are subject to such further provisions in respect of Subordinated Notes as may be specified in the applicable Final Terms and Condition 2(c) below.

(c) Ranking on a winding-up

The Subordinated Notes and the relative Receipts and Coupons will, save as otherwise specified in the applicable Final Terms, constitute direct, subordinated and unsecured obligations of the relevant Issuer and will rank *pari passu*, without any preference, among themselves. The Subordinated Notes and relative Receipts and Coupons will, save as otherwise specified in the applicable Final Terms, rank on a winding-up of the relevant Issuer:

- (i) after the claims of any Senior Creditors (as defined below) of the relevant Issuer;

- (ii) *pari passu* with the claims (a) of the holders of other Undated Subordinated Notes and Dated Subordinated Notes of the relevant Issuer; (b) of other creditors of the relevant Issuer whose claims rank or are expressed to rank *pari passu* with the claims of the Noteholders of any Undated Subordinated Notes or Dated Subordinated Notes of that Issuer; and (c) (in the case where ZIC is the relevant Issuer) under the Subordinated ZIC Guarantee (as defined below); and
- (iii) prior to claims of the holders of any Capital Notes (as defined in the Trust Deed) (in the case where ZIC is the relevant Issuer), and of any other subordinated obligations of the relevant Issuer which rank or are expressed to rank junior to the claims of (a) the Noteholders of any Undated Subordinated Notes or Dated Subordinated Notes of that Issuer or, as appropriate, (b) under the Subordinated ZIC Guarantee.

Save as otherwise specified in the applicable Final Terms, in the event of a winding-up, liquidation, dissolution or other similar proceedings of the relevant Issuer, there shall be payable in such winding-up, liquidation or dissolution on each Subordinated Note, subject to and after the claims of all Senior Creditors and prior to any payment to the holders of debt that ranks or is expressly designated as ranking junior to the Subordinated Notes, or holders of issued shares at such time in the relevant Issuer, an amount equal to the principal amount of such Subordinated Notes together with interest which has accrued up to, but excluding, the date of repayment (including any Arrears of Interest (as defined below)).

As used herein, save as otherwise specified in the applicable Final Terms, “**Senior Creditors**” of an entity means:

- (i) all unsubordinated creditors of that entity;
- (ii) all creditors of that entity whose claims are subordinated by operation of law or pursuant to their terms, to the claims of other unsubordinated creditors of that entity but not further or otherwise; and
- (iii) in the case of a relevant Issuer, all other subordinated creditors of that entity except those whose claims rank or are expressed to rank *pari passu* with or junior to the claims (a) of the Noteholders of the Undated Subordinated Notes or Dated Subordinated Notes of such relevant Issuer or, as appropriate, (b) under the Subordinated ZIC Guarantee.

Subject to applicable law, neither the Trustee nor any Noteholder of the Subordinated Notes may, save as otherwise specified in the applicable Final Terms, exercise or claim any right of set-off in respect of any amount owed to it by the relevant Issuer arising under or in connection with the Subordinated Notes and each such Noteholder of such Subordinated Note shall, by virtue of being the Noteholder of any of the Subordinated Notes, be deemed to have waived all such rights of set-off.

For the avoidance of doubt, the obligations of ZIC in relation to either Subordinated Notes issued by it or under a Subordinated ZIC Guarantee (see Condition 3(b) below) will, unless the applicable Final Terms provide otherwise, rank on a winding-up, liquidation, dissolution or other similar proceedings:

- (a) *pari passu with the obligations of ZIC in respect of its €425m 7.5% Subordinated Notes due 2039 and in respect of its guarantee of the Group’s €500m 5.75% Subordinated Notes due 2023, the €500m 4.5% Subordinated Notes due 2025, the £450m 6.625% Undated Subordinated Notes, the CHF700m 4.25% Undated Subordinated Notes, the CHF500m 4.625% Undated Subordinated Notes and any future Subordinated Notes issued by ZIC ; and*
- (b) *senior to the obligations of ZIC in respect of its subordinated support agreements entered into in connection with the enhanced capital advantaged preferred securities (ECAPS) issued by ZFS Finance (USA) Trust II and the Trust Preferred Securities issued by ZFS Finance (USA) Trust IV and ZFS Finance (USA) Trust V and its obligations under the €143m 12% Capital Notes and any future Capital Notes.*

3. Senior ZIC Guarantee, Subordinated ZIC Guarantee and Negative Pledge

(a) Senior ZIC Guarantee

Where the relevant Issuer is ZF (Luxembourg), ZF (USA), ZF (UK) or Zurich Bank, the payment of principal and interest in respect of Senior Notes (together with any additional amounts payable under Condition 7 and all other moneys payable under the Trust Deed) up to a specified maximum amount has been unconditionally and irrevocably guaranteed by ZIC pursuant to a guarantee agreement dated the issue date of the relevant Tranche of Notes (the “**Senior ZIC Guarantee**”). Each Senior ZIC Guarantee provides that the Guarantor will within seven days of receipt by it of notice from the Trustee confirming that a payment referred to in the preceding sentence has become due and remains unpaid make such payment, provided that such notice from the Trustee shall, however, not be submitted to the Guarantor before seven days have passed since the due date on which such amount due under the relevant Tranche of Notes or the Trust Deed should have been paid. The Senior ZIC Guarantee, which is governed by Swiss law, is limited to a maximum amount stated in the relevant Senior ZIC Guarantee. The obligations of ZIC under the Senior ZIC Guarantee in respect of unsubordinated Notes constitute direct, unconditional, unsubordinated and unsecured obligations of ZIC and (subject as aforesaid) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of ZIC, present and future, save for statutorily preferred exceptions, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ rights. No Noteholder, Couponholder or Receiptholder will be entitled to proceed directly against ZIC unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

(b) Subordinated ZIC Guarantee

Where the relevant Issuer of Subordinated Notes is ZF (Luxembourg), ZF (USA), ZF (UK) or Zurich Bank, the payment of principal and interest in respect of the Subordinated Notes (together with any additional amounts payable under Condition 7 and all other moneys payable under the Trust Deed) up to a specified maximum amount has been unconditionally and irrevocably guaranteed on a subordinated basis by ZIC pursuant to a guarantee agreement dated the issue date of the relevant Tranche of the Subordinated Notes (the “**Subordinated ZIC Guarantee**”). Each Subordinated ZIC Guarantee provides that the Guarantor will, within seven days of receipt by it of notice from the Trustee confirming that a payment referred to in the preceding sentence has become due and remains unpaid, make such payment, provided that such notice from the Trustee shall, however, not be submitted to the Guarantor before seven days have passed since the due date on which such amount due under the relevant Tranche of the Subordinated Notes or the Trust Deed should have been paid. The Subordinated ZIC Guarantee, which is governed by Swiss law, is limited to the maximum amount stated in the relevant Subordinated ZIC Guarantee. The obligations of ZIC under the Subordinated ZIC Guarantee in respect of the Subordinated Notes issued by the relevant Issuer constitute direct, subordinated and unsecured obligations of the Guarantor. Claims in respect of the Subordinated ZIC Guarantee will, in the event of a winding-up, liquidation, dissolution or other similar proceedings of the Guarantor (like “**Nachlassstundung**”), rank *pari passu* with the claims of holders of Subordinated Notes issued by ZIC as described in Condition 2(c).

For the avoidance of doubt, the Guarantor’s obligations under the guarantee agreements between Zurich Holding Company of America, Zurich Insurance Company Ltd and Bank of New York, as the guarantee trustee, dated 30 May 1997 shall rank senior to the Subordinated ZIC Guarantee. Each Subordinated ZIC Guarantee provides that Noteholders may not exercise any rights of set-off in respect of any amount owed to them by the Issuer or the Guarantor in respect of the Subordinated Notes.

(c) Negative Pledge

This Condition 3(c) is only applicable to Senior Notes.

So long as any of the Notes of the relevant Series remains outstanding (as defined in the Trust Deed), the relevant Issuer (except where ZIC or Zurich Bank is the relevant Issuer) will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its undertaking, property, assets or revenues present or future to secure any

Relevant Debt, or to secure any guarantee of or indemnity in respect of any Relevant Debt, unless, at the same time or prior thereto, such Issuer's obligations under the Notes, the Receipts, the Coupons and the Trust Deed (i) are secured equally and rateably therewith to the satisfaction of the Trustee, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders of the relevant Series or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders of the relevant Series.

For the purposes of this Condition, "**Relevant Debt**" means any present or future indebtedness of the relevant Issuer or any other person in the form of, or represented by, bonds, notes, debentures, loan stock or other securities of such Issuer or such other person which are, or are capable of being, quoted, listed or ordinarily traded on any stock exchange, over-the-counter or other securities market.

4. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and (if applicable) on the Maturity Date or other date fixed for redemption if that does not fall on an Interest Payment Date.

Except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each calculation amount as specified in the applicable Final Terms ("**Calculation Amount**") multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

For the purposes of these Conditions "**Fixed Day Count Fraction**" means:

- (i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:
 - (a) where the relevant period (from and including the first day to but excluding the last day) is equal to or shorter than the Regular Period during which it falls, the actual number of days in the relevant period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and
 - (b) where the relevant period (from and including the first day to but excluding the last day) is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such relevant period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

- (B) the actual number of days in such relevant period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) number of Regular Periods normally ending in any year;
- (ii) if “**30/360**” is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and

“**Regular Period**” means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“**sub-unit**” with respect to any currency other than euro, means the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

If the applicable Final Terms specify that a Mid Swap Rate is applicable to interest payable on Interest Payment Dates falling in a specified period (the “**Reset Period**”), the Notes will bear interest during such Reset Period at a rate determined on the Reset Determination Date as being the aggregate of the Reset Margin and the Specified Mid Swap Rate. The Specified Mid Swap Rate shall be the mid-market swap rate for the Specified Swap Duration, expressed as a percentage, which appears on the Mid Swap Rate Screen Page (or such other page as may replace that page, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates) at 11.00 a.m. (local time) on the Reset Determination Date. If swap rates do not appear on the Mid Swap Rate Screen Page, the Specified Mid Swap Rate shall be determined by the Agent on the basis of (i) quotations provided by the principal office of each of four major banks in the relevant swap market of the rates at which swaps in the applicable currency are offered by it at approximately 11.00 a.m. (local time) on the Reset Determination Date to participants in the relevant swap market for the period equal to the Specified Swap Duration; and (ii) the arithmetic mean rounded, if necessary, to the nearest 0.00001 (0.000005 being rounded upwards) of such quotations.

For the purposes of the above paragraph “**Reset Determination Date**” means, in respect of the relevant Reset Period, the 5th Business Day prior to the relevant Reset Date.

(b) Interest on Floating Rate Notes and Indexed Interest Notes

(i) Interest Payment Dates

Each Floating Rate Note and Indexed Interest Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no express Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to but excluding the next Interest Payment Date).

If the business day convention is specified in the applicable Final Terms and if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, “**Business Day**” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to interest payable in Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business

Centre) or (2) in relation to interest payable in euro, a day on which the TARGET system is operating.

For the purposes of these Conditions “**TARGET system**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Indexed Interest Notes will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**) or the European inter-bank offered rate (**EURIBOR**) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

When this sub-paragraph (A) applies, in respect of each relevant Interest Period the Agent will be deemed to have discharged its obligations under Condition 4(b)(iv) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (A).

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations, expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time or in the case of EURIBOR, Brussels time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than the London inter-bank offered rate or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(iii) Minimum and/or Maximum Interest Rate

If the applicable Final Terms specify a Minimum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Interest Rate, the Rate of Interest for such Interest Period shall be such Minimum Interest Rate.

If the applicable Final Terms specify a Maximum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Interest Rate, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Agent, in the case of Floating Rate Notes, or the Calculation Agent specified in the applicable Final Terms, in the case of Indexed Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Indexed Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes or Indexed Interest Notes in respect of each Calculation Amount for the relevant Interest Period.

Each Interest Amount shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest of any Interest Period:

- (A) if “Actual/Actual” or “Actual/Actual/ISDA” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(C) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(D) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(1)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

(E) if “**30E/360**” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(1)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₂ will be 30.

(F) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(1)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₂ will be 30.

(v) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the relevant Issuer and any stock exchange on which the relevant Floating Rate Notes or Indexed Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange, listing authority and/or quotation system by which the relevant Floating Rate Notes or Indexed Interest Notes are for the time being admitted to listing, trading and/or quotation and to the Noteholders in accordance with Condition 13. In these Conditions “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) Determination or Calculation by Trustee

If for any reason the Agent or, as the case may be, the Calculation Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraphs (ii) and (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any minimum or maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the

circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent, as applicable.

(vii) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or the Trustee or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee, the Agent, the Calculation Agent (if applicable), the other Paying Agents, the Registrar and any Transfer Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent, the Trustee or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Dual Currency Notes

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

(f) Special provisions in relation to Subordinated Notes

This Condition 4(f) is only applicable to Subordinated Notes:

(i) Optional deferral of interest

If so specified in the applicable Final Terms, there may be paid, on each Optional Interest Payment Date, interest accrued in respect of the Interest Period which ends on such Optional Interest Payment Date but the relevant Issuer shall have the option to defer payment of interest on the Notes which would otherwise be payable on such date. If so specified in the applicable Final Terms, notwithstanding the other provisions of this Condition 4(f)(i) but without prejudice to the provisions of Condition 4(f)(ii), if as at any Optional Interest Payment Date FINMA or any Successor Authority no longer accords any regulatory capital credit to the Notes under the Applicable Regulations (as defined below), the relevant Issuer will only be allowed to exercise its option under this Condition 4(f)(i) to defer payment of interest on the

Notes on such Optional Interest Payment Date for a period of up to five years (a “**Fixed Term Deferred Interest Payment**”). The deferral of any interest payment on any Optional Interest Payment Date in accordance with this Condition 4(f)(i) will not constitute an Event of Default by the relevant Issuer and will not give Noteholders or the Trustee any right to accelerate the Notes or make a demand under the relevant Subordinated ZIC Guarantee. The relevant Issuer, failing whom, the Guarantor, shall notify the Trustee and the Noteholders, immediately as soon as it becomes aware that an Interest Payment Date will be an Optional Interest Payment Date in respect of which payment is deferred of the amount of such payment otherwise due on that date and the grounds upon which such deferral has been made. The relevant Issuer may defer paying interest on each Optional Interest Payment Date until the Notes become due and payable as described in Condition 4(f)(iii).

For the purpose of this Condition 4(f), “**Optional Interest Payment Date**” means any Interest Payment Date in respect of which during the six month period ending thereon (i) no dividend has been declared or paid on any class of share capital of ZFS; (ii) and (provided at the relevant time the existence of this requirement (ii) does not cause a Regulatory Event) no interest payments have been made on any junior or *pari passu* ranking securities of the relevant Issuer or Guarantor (unless such payment was compulsory on such securities or required due to the repayment of such securities).

(ii) *Solvency Deferral of Interest*

If Solvency Deferral is specified in the applicable Final Terms as being applicable and a Solvency Event has occurred and is continuing as at the relevant Deferral Determination Date, then, in relation to any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date, the relevant Issuer shall defer such Interest Payment, and shall defer the relevant Solvency Shortfall if, were the relevant Issuer to make payment of the relevant Interest Payment, a Solvency Event would as at the date of such payment occur except that the relevant Issuer will not be required to defer such Interest Payment or Solvency Shortfall, as the case may be, if FINMA or any Successor Authority applicable at the time has given its consent to such payment. The deferral of any Interest Payment or part thereof in accordance with this Condition 4(f)(ii) will not constitute an Event of Default and will not give Noteholders or the Trustee any right to accelerate the Notes or make a demand under the relevant Subordinated ZIC Guarantee. The relevant Issuer, failing whom the Guarantor, shall give notice of such deferral to the Trustee (together with the certificate of the occurrence of a Solvency Event referred to below), and to the Noteholders in accordance with Condition 13 not less than seven days prior to the relevant Interest Payment Date. A certificate as to the occurrence of a Solvency Event signed by two Directors of the relevant Issuer or ZFS, shall, in the absence of manifest error, be treated and accepted by the relevant Issuer, the Noteholders, the Trustee, the Receiptholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof. The Trustee shall be entitled to rely upon such certification absolutely without liability to any person.

As used herein:

“**Applicable Regulations**” means, with respect to the Relevant Entity at any time, the regulatory capital requirements applicable to such entity and/or its group at such time including, but not limited to, such insurance regulatory law (for group solvency or single solvency and/or financial conglomerate purposes, as applicable) and/or applicable generally recognised administrative practice, if any, of FINMA or any Successor Authority.

“**Assets**” means, where ZIC is specified in the relevant Final Terms as being the Relevant Entity, ZIC’s consolidated total assets and, where ZFS is specified in the relevant Final Terms as being the Relevant

Entity, ZFS's consolidated total assets, each as shown in its latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by the Relevant Entity, or if the Relevant Entity is being liquidated, its liquidator.

"Deferral Determination Date" means, in respect of an Interest Payment Date, the 20th business day in Zurich preceding such Interest Payment Date.

"FINMA" means the Swiss Financial Market Supervisory Authority (FINMA) in Switzerland which the former Federal Office of Private Insurance (FOPI) was merged into as of 1 January 2009.

"Interest Payment" means, with respect to an Interest Payment Date, the interest scheduled to be paid on such Interest Payment Date.

"Liabilities" means, where ZIC is specified in the applicable Final Terms as being the Relevant Entity, ZIC's consolidated total liabilities and, where ZFS is specified in the applicable Final Terms as being the Relevant Entity, ZFS's consolidated total liabilities, each as shown in its latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by the Relevant Entity, or if the Relevant Entity is being liquidated, its liquidator.

"Relevant Entity" means ZIC and/or ZFS, as specified in the applicable Final Terms.

A **"Solvency Event"** shall be deemed to have occurred as at any date if as at such date:

- (i) the Relevant Entity does not at such date have appropriate funds to cover the required minimum solvency margin or meet any other required level of own funds regulatory capital (or another applicable term in case of a change in Applicable Regulations) in accordance with Applicable Regulations and a deferral or, as applicable, cancellation of interest is required under the Applicable Regulations; or
- (ii) the Relevant Entity is unable to pay its debts owed to its Senior Creditors (as defined in Condition 2(c)) as they fall due; or
- (iii) the Relevant Entity's Assets do not exceed its Liabilities (each as defined above) (other than liabilities to persons who are not Senior Creditors); or
- (iv) FINMA or a Successor Authority has given (and not withdrawn) notice to the Relevant Entity that it has determined, in view of the financial and/or capital position of the Relevant Entity, that in accordance with Applicable Regulations at such time, the relevant Issuer must take specified action in relation to payments on the Notes; or
- (v) the Relevant Entity's auditors cannot give a confirmation pursuant to Article 725(a) of the Swiss Code of Obligations or any equivalent provision under applicable laws.

"Solvency Shortfall" means the portion of interest that would cause a Solvency Event to occur or be continuing.

"Successor Authority" means any domestic or foreign successor to FINMA or otherwise that has primary supervisory authority over ZIC and/or the Zurich Financial Services Group.

(iii) *Arrears of Interest*

Any interest in respect of the Notes not paid on an Interest Payment Date (including any Solvency Shortfall), together with any other interest in respect thereof not paid on any earlier Interest Payment Date, in each case by virtue of this Condition 4(f), shall, so long as the same remains unpaid, constitute “**Arrears of Interest**”. Arrears of Interest and any other amount, payment of which is deferred in accordance with this Condition 4(f), shall not themselves bear interest. Any Arrears of Interest and any other amount, payment of which is deferred in accordance with this Condition 4(f) may, if so specified in the applicable Final Terms and subject to obtaining the prior written approval of FINMA or any Successor Authority (if such approval is required under Applicable Regulations at the relevant time), be satisfied at the option of the relevant Issuer in whole or in part, at any time upon the expiry of not less than 15 nor more than 30 days’ notice to such effect given by the relevant Issuer or the Guarantor to the Trustee and to the Noteholders in accordance with Condition 13 and in any event such Arrears of Interest and any other amount payment of which is deferred in accordance with this Condition 4(f) will, save as otherwise specified in the applicable Final Terms and as provided below, automatically become immediately due and payable upon the earliest of the following dates:

- (A) the date upon which a dividend is next declared or paid on any class of share capital of ZFS; or
- (B) the date of redemption, substitution or variation of any Notes pursuant to Condition 6(a), Condition 6(c), Condition 6(d), Condition 6(e) or Condition 6(f); or
- (C) the commencement of the winding-up or dissolution of the relevant Issuer or, as the case may be, the Guarantor (except for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or a reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation); or
- (D) the date upon which the relevant Issuer or, as the case may be, the Guarantor pays interest on any other junior or *pari passu* securities of the relevant Issuer or the Guarantor (unless such payment was compulsory on such securities or required due to the repayment of such securities); or
- (E) in the case of a Fixed Term Deferred Interest Payment only, the fifth anniversary of the Optional Interest Payment Date on which such payment was deferred.

Notwithstanding the foregoing, Arrears of Interest arising pursuant to Condition 4(f)(ii) will only be due and payable by reason of items (A) and (D) above following the prior written approval of FINMA or any Successor Authority (if such approval is required under Applicable Regulations at the relevant time).

5. Payments

(a) Method of Payment

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars, shall be Auckland); and

(ii) payments in euro will be made by credit or transfer to an euro account specified by the payee.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7. References to “Specified Currency” will include any successor currency under applicable law.

(b) Presentation of Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 5(a) above only against presentation and surrender (or, in the case of part payment only, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment only, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

In respect of Definitive Bearer Notes payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5(a) above against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Receipt in the manner provided in the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5(a) above only against presentation and surrender of the relevant Definitive Bearer Note in the manner provided in the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the relevant Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Indexed Interest Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note becoming due and repayable, all unmatured Talons (if any) appertaining hereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Indexed Interest Note or Long Maturity Note (as defined below) in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. Where

any such Definitive Bearer Note is presented for redemption without all unmatured Receipts, Coupons or Talons relating to it, redemption shall be made only against the provision of such indemnity as the relevant Issuer may require. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Definitive Bearer Note shall cease to be a Long Maturity Note on the Fixed Interest Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not a Fixed Interest Date or an Interest Payment Date, interest (if any) accrued in respect of such Definitive Bearer Note from (and including) the preceding Fixed Interest Date or Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Bearer Note.

Payments of principal and interest (if any) in respect of Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender, as the case may be, of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of such Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

The holder of a Bearer Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Bearer Global Note and the relevant Issuer or, as the case may be, ZIC will be discharged by payment to, or to the order of, the holder of such Bearer Global Note in respect of each amount so paid.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of this Bearer Global Note is payable in US dollars, such US dollar payments of principal and/or interest in respect of this Bearer Global Note will be made at the specified office of a Paying Agent in the United States if:

- (i) the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in US dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in US dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the relevant Issuer and ZIC (where ZIC is not the relevant Issuer), adverse tax consequences to the relevant Issuer or ZIC (where ZIC is not the relevant Issuer).

Payments of principal in respect of Registered Notes (whether in individual or global form) will be made in the manner provided in Condition 5(a), above against presentation and surrender (or, in the case of part payment of any sum due only, endorsement) of such Registered Global Note or Individual

Registered Notes at the specified office of the Registrar or at the specified office of any Paying Agent. Payments of interest due on a Registered Note and payments of instalments (if any) of principal on a Registered Note, other than the final instalment, will be made to the person in whose name such Note is registered (i) where in global form, at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Days means Monday to Friday inclusive except 25 December and 1 January, and (ii) where in individual form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day (being for the purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) (the “**Record Date**”). In the case of payments by cheque, cheques will be mailed to the holder (or the first named of joint holders) at such holder’s registered address on the due date. If payment is required by credit or transfer as referred to in Condition 5(a) above, application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

(c) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment of the amount due until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, and unless otherwise specified in the applicable Final Terms, “**Payment Day**” means any day which is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, in any Payment Business Centre specified in the applicable Final Terms and, in the case of Notes in individual form only, in the relevant place of presentation; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Business Centre) or (2) in relation to Notes denominated or payable in euro, a day on which the TARGET system is operating.

(d) Interpretation of Principal and Interest

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or pursuant to any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount (as specified in the applicable Final Terms) of the Notes;
- (iii) the Early Redemption Amount (as specified in the applicable Final Terms) of the Notes;
- (iv) the Optional Redemption Amount(s) (as specified in the applicable Final Terms) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts (as specified in the applicable Final Terms);

- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as specified in the applicable Final Terms); and
- (vii) any premium and any other amounts which may be payable by the relevant Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

(e) Payments on Listed Swiss Franc Notes

The receipt by the Principal Paying Agent named in the applicable Final Terms (the “**Principal Paying Agent**”) from the relevant Issuer of each payment in full of principal and/or interest then due in respect of any Listed Swiss Franc Notes at the time and in the manner specified in the agency agreement appointing the Principal Paying Agent to act as such in relation to the Listed Swiss Franc Notes shall (except to the extent that such payment is avoided or set aside for any reason) satisfy the obligation of the relevant Issuer under such Notes to make such payment on such date and shall (except as aforesaid) release it from all further obligations in respect of such payment.

(f) Definitions

In this Condition 5, the following expressions have the following meanings:

“**Established Rate**” means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into Euro established by the Council of the European Union pursuant to Article 109I(4) of the Treaty establishing the European Community;

“**Euro**” means the single currency adopted by those states participating in European Monetary Union from time to time.

6. Redemption and Purchase

(a) At Maturity

This Condition 6(a) is applicable to Notes other than Undated Subordinated Notes.

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the relevant Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date provided that, in the case of Dated Subordinated Notes if so specified in the applicable Final Terms, if a Solvency Event has occurred and is continuing on the Maturity Date or would occur as a result of the relevant redemption, the Dated Subordinated Notes shall not be redeemed unless the prior written approval of FINMA or any Successor Authority for such payment has been given. If a Solvency Event has occurred and is continuing on the Maturity Date and no prior written approval as aforesaid has been given, each Dated Subordinated Note will be redeemed by the relevant Issuer promptly following either the obtaining of such written approval or no Solvency Event continuing (including, following the relevant redemption) and the giving of not more than 30 nor less than 15 days’ notice to such effect by the relevant Issuer to the Trustee and to Noteholders in accordance with Condition 13. References herein to “**Maturity Date**” shall be construed accordingly to refer to such later date of redemption and, for the avoidance of doubt, interest shall continue to accrue (without compounding) as provided in Condition 4 on any such Dated Subordinated Note until such later date of redemption.

A certificate as to the occurrence and/or continuation of a Solvency Event and as to whether or not written approval of FINMA or any Successor Authority as aforesaid has been given signed by two Directors of the relevant Issuer or ZFS, shall, in the absence of manifest error be treated and accepted by the relevant Issuer, to Noteholders, the Trustee, the Receiptholders, the Couponholders and all other

interested parties as correct and sufficient evidence thereof. The Trustee shall be entitled to rely upon such certification absolutely without liability to any person.

(b) Redemption of Undated Subordinated Notes

This Condition 6(b) is only applicable to Undated Subordinated Notes.

Each Note has no final maturity date and is only redeemable or repayable in accordance with the following provisions of this Condition 6 and Condition 9(b).

(c) Redemption for Tax Reasons

The Notes of any Series may be redeemed at the option of the relevant Issuer, subject to Condition 6(n), in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Indexed Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Indexed Interest Note) at their principal amount, together, if applicable, with interest accrued to the date fixed for redemption and any Arrears of Interest, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) on the occasion of the next payment due under the Notes, (A) the relevant Issuer is or will become obliged to pay additional amounts as provided or referred to in Condition 7 or (B) ZIC (where ZIC is not the relevant Issuer) would be unable for reasons outside its control to procure payment by the relevant Issuer and in making payment itself would be required to pay such additional amounts, in each of cases (A) and (B) as a result of (1) any current law (in the case of an issue of Undated Subordinated Notes) or (2) (in the case of an issue of Senior Notes, Dated Subordinated Notes or Undated Subordinated Notes) change in, or amendment to, the laws or regulations of the Relevant Jurisdictions (as defined below) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes of the relevant Series; and
- (ii) such obligation cannot be avoided by the relevant Issuer or, as the case may be, ZIC (where ZIC is not the relevant Issuer) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer or, as the case may be, ZIC (where ZIC is not the relevant Issuer) would be obliged to pay such additional amounts were a payment in respect of the Notes then due; or
- (iii) save as otherwise specified in the applicable Final Terms, on the next Interest Payment Date the payment of interest in respect of any Undated Subordinated Notes would (whether or not as a result of a change in or amendment of law or regulation as aforesaid) (i) in the case of Notes issued by ZF (UK), be treated as a "distribution" within the meaning of the UK Corporation Tax Act 2010 (as amended, re-enacted or replaced) or (ii) not be deductible as an expense for tax purposes of the relevant Issuer, in each case for reasons outside the control of and which cannot be avoided by, the relevant Issuer taking reasonable measures available to it.

Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer shall deliver to the Trustee a certificate signed by two Directors of the relevant Issuer or, as the case may be, two Directors of ZIC (where ZIC is not the relevant Issuer) stating that the relevant Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to

the right of the relevant Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the relevant Issuer or, as the case may be, ZIC (where the relevant Issuer is not ZIC), has or will become obliged to pay such additional amounts as a result of such circumstances, change or amendment and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

In these Conditions, “**Relevant Jurisdiction**” means, unless otherwise specified in the applicable Final Terms (i) Luxembourg and Switzerland, in the case of Notes issued by ZF (Luxembourg), (ii) each of the United States and Switzerland, in the case of Notes issued by ZF (USA), (iii) Switzerland, in the case of Notes issued by ZIC, (iv) United Kingdom and Switzerland, in the case of Notes issued by ZF (UK); and (v) Ireland and Switzerland, in the case of Notes issued by Zurich Bank.

Notes redeemed pursuant to this Condition 6(c) will be redeemed at their Early Redemption Amount referred to in Condition 6(f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(d) Redemption for Other Reasons

This Condition 6(d) is only applicable to Subordinated Notes.

The Notes may, subject to Condition 6(n), be redeemed at the option of the relevant Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Indexed Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Indexed Interest Note) (provided that if at any time the inclusion of a redemption option due to an Accounting Event and/or a Capital Event (each as defined below) would cause a Regulatory Event the relevant date for redemption may only fall on or after the fifth anniversary of the Issue Date) at the Regular Redemption Price or the Special Redemption Price, as specified in the applicable Final Terms, together, if applicable, with interest accrued to the date fixed for redemption and any Arrears of Interest on giving not less than 30 nor more than 60 days’ notice to the Trustee and, in accordance with Condition 13, the Noteholders (which shall be irrevocable), if the relevant Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) if so specified in the applicable Final Terms, an Accounting Event has occurred and is continuing;
- (ii) if so specified in the applicable Final Terms, a Capital Event has occurred and is continuing; or
- (iii) if so specified in the applicable Final Terms, a Regulatory Event has occurred and is continuing.

As used herein:

“**Accounting Event**” means that an opinion of a recognised accounting firm has been delivered to the Issuer, stating that obligations of the Issuer in respect of the Notes must not or must no longer be recorded under the Initial Accounting Treatment Methodology specified in the applicable Final Terms (either “**liabilities**” or “**equity**”), (being the presentation of the Notes under IFRS as at the Issue Date) on the balance sheet of ZFS published in its annual consolidated financial statements pursuant to IFRS and this cannot be avoided by the Issuer or, as the case may be, ZFS taking such reasonable measures as the Issuer or ZFS (acting in good faith) deems appropriate. The Issuer will deliver the applicable opinion to the Trustee.

“**Capital Event**” means a change by a nationally recognised statistical rating organisation to its equity credit criteria, or the interpretation or application thereof, for securities such as the Notes, as such criteria are in effect on the Issue Date (the “**current criteria**”), which change has been confirmed in writing to the relevant Issuer or ZIC by such organisation and which results in a lower equity credit being given to the Notes as of the date of such change by such nationally recognised statistical rating organisation as compared with the equity credit pursuant to its current criteria.

“Future Regulations” means the solvency margin, regulatory capital or capital adequacy regulations (if any) which may be introduced in Switzerland (or if ZFS becomes domiciled for regulatory purposes in a jurisdiction other than Switzerland, such other jurisdiction) and which are applicable to the relevant Issuer and/or ZFS, which would set out the requirements to be satisfied by financial instruments in order that they be eligible to be included in Tier Two (or equivalent) own funds regulatory capital.

“Regulatory Event” means the occurrence of any of the following events which occurrence cannot be avoided by the relevant Issuer or the Guarantor or ZFS taking such reasonable measures as they (acting in good faith) deem appropriate:

- (A) prior to the implementation of the Future Regulations, FINMA or any Successor Authority states that the Notes are no longer eligible to qualify as at least lower additional capital (in the case of Dated Subordinated Notes) or upper additional capital (in the case of Undated Subordinated Notes) pursuant to Art. 49 in connection with Art. 39 of the SPICO (as defined below), and no longer fulfil the requirements for such category, or equivalent thereof, for group or solo solvency purposes; or
- (B) with effect from the implementation of the Future Regulations, the Notes do not qualify, or initially qualify but cease to so qualify, as at least Tier Two own funds (or equivalent) under such Future Regulations (or an official application or interpretation of those regulations including a decision of a court or tribunal)

save, in each case above, where such non-qualification thereof applicable to the Notes is only as a result of any applicable limitation on the amount of such capital.

“SPICO” means the Ordinance on the Supervision of Private Insurance Companies (*Verordnung über die Beaufsichtigung von privaten Versicherungsunternehmen — AVO*) of 9 November 2005, as amended.

“Special Event” means any of an Accounting Event, a Capital Event or a Regulatory Event or any combination of the foregoing.

Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer shall deliver to the Trustee a certificate signed by two Directors of the relevant Issuer stating that the circumstances described in the definitions of Accounting Event, Capital Event or Regulatory Event (as appropriate) have occurred and that, in the case of a Regulatory Event, such Regulatory Event cannot be avoided by the Issuer, Guarantor or, as the case may be, ZFS taking such measures as are provided for in the definition of Regulatory Event to avoid such Regulatory Event and the Trustee shall be entitled to accept such certificate as sufficient evidence that the circumstances described in the relevant Special Event apply, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and the Couponholders. In the case of a Capital Event, prior to the publication of any notice of redemption, the relevant Issuer shall also deliver a copy of the relevant written confirmation of the rating organisation referred to in the definition of Capital Event.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event, has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event has occurred.

(e) Redemption at the Option of the Relevant Issuer

If the relevant Issuer is specified in the applicable Final Terms as having an option to redeem, such Issuer may, subject to Condition 6(n) and having given:

- (i) not less than 15 nor more than 30 days’ notice to the Noteholders in accordance with Condition 13; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee and the Agent;

(which notices shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than the Maximum Higher Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (“**Redeemed Notes**”) will be selected individually by lot in a manner approved by the Trustee, in the case of Redeemed Notes represented by Definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “Selection Date”). In the case of Redeemed Notes represented by Definitive Bearer Notes or Individual Registered Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by Definitive Bearer Notes or Individual Registered Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of Definitive Bearer Notes or Individual Registered Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this Condition 6(e) and notice to that effect shall be given by the relevant Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

(f) Substitution or Variation

This Condition 6(f) is only applicable to Subordinated Notes.

If any of the events described in Condition 6(c) or 6(d) has occurred and is continuing, then the relevant Issuer may, subject to Condition 6(n), (without any requirement for the consent or approval of the Noteholders) and subject to having satisfied the Trustee immediately prior to the giving of such notice referred to herein that the provisions of this Condition 6(f) have been complied with and having given not less than seven days’ written notice to the Trustee and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), at any time either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Securities and the Trustee shall (subject as provided below and to the following provision of this Condition 6(f) being complied with and subject further to the receipt by the Trustee of a certification by the Directors of the relevant Issuer referred to below) agree to such substitution or variation. In connection therewith, all Arrears of Interest (if any) will be paid.

Upon the expiry of such notice, the relevant Issuer shall either vary the terms of, or substitute, the Notes in accordance with this Condition 6(f), as the case may be. The Trustee shall not be obliged to participate in any substitution or variation of the Notes for any proposed alternative Qualifying Securities if the terms of the proposed alternative Qualifying Securities would impose, in the Trustee’s opinion, more onerous obligations on it.

As used herein, “**Qualifying Securities**” means securities:

- (a) having terms that are not less favourable to an investor than the terms of the Notes (as reasonably determined by the relevant Issuer, and provided that a certification to such effect of two Directors of

the relevant Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities); and

- (b) issued by the relevant Issuer or issued by another member of the Zurich Financial Services Group with a guarantee by the relevant Issuer and, as appropriate, Guarantor, such that investors have the same material rights and claims as provided by the Notes (as reasonably determined by the relevant Issuer, and provided that a certification to such effect of two Directors shall have been delivered to the Trustee prior to the issue of the relevant securities); and
- (c) ranking at least equal to the Notes and featuring the same principal amount, interest rate (including applicable margins and step-up), Interest Payment Dates and Optional Redemption Dates as the Notes; and
- (d) listed on an internationally recognised stock exchange, if the Notes were listed prior to such substitution or variation.

In addition, any substitution or variation is subject to (A) all interest amounts accrued and due, including Arrears of Interest, being satisfied in full on or prior to the date thereof; (B) compliance with Condition 6(n); (C) the substitution or variation not itself giving rise to a change in any published rating of the Notes in effect at such time as confirmed in writing by the rating organisations who have given such published rating of the Notes previously; (D) the substitution or variation not triggering the right on the part of the relevant Issuer to redeem the Notes pursuant to Condition 6(c) or 6(d); and (E) certification by two Directors of the relevant Issuer that the securities in question are “**Qualifying Securities**” in accordance with the definition set out above and that the conditions set out herein have been complied with, which such certificate shall be delivered to the Trustee prior to the substitution or variation of the relevant securities and upon which certificate the Trustee shall be entitled to rely absolutely without liability to any person.

In connection with any substitution or variation as described above, the relevant Issuer will comply with the rules of any stock exchange or other relevant authority on which the Notes are then listed or admitted to trading.

(g) Redemption at the Option of the Noteholders

This Condition 6(g) is only applicable to Senior Notes.

If the Noteholders are specified in the applicable Final Terms as having an option to redeem, upon the holder of any Note giving to the relevant Issuer in accordance with Condition 13 not less than 15 nor more than 30 days’ notice the relevant Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If a Note is in individual or definitive form, to exercise the right to require redemption of such Note the holder of the Note must deliver such Note in individual or definitive form at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a “**Put Notice**”) and in which the

holder must (subject to the terms of Condition 5) specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

The Paying Agent with which a Note in individual or definitive form is so deposited shall deliver a duly completed receipt for such Note (a **“Put Option Receipt”**) to the depositing Noteholder. No Definitive Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 6(g), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date, any such Note in individual or definitive form becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date, payment of the redemption moneys is improperly withheld or refused, the Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Notice and shall hold such Note in individual or definitive form at its specified office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note in individual or definitive form is held by a Paying Agent in accordance with this Condition 6(g), the depositor of such Note in individual or definitive form and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

If a Note is in global form, the Noteholder shall comply with the procedures of the relevant Clearing System so as to enable such Clearing System to procure the giving of a Put Notice as provided by this Condition 6(g).

(h) Early Redemption Amounts

For the purpose of Condition 6(c) above and Condition 9, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the **“Amortised Face Amount”**) equal to the sum of:
 - (a) the Reference Price specified in the applicable Final Terms; and
 - (b) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of a 360 day year consisting of 12 months of 30 days each or such other calculation basis as may be specified in the applicable Final Terms.

(i) Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6(h) above.

(j) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(k) Purchases

The relevant Issuer, ZIC (where ZIC is not the relevant Issuer) or any of ZIC's Subsidiaries (as such term is defined in the Trust Deed) may subject to Condition 6(n), in the case of Restricted Notes subject to Condition 10(l), at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, resold or, at the option of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer), surrendered to any Paying Agent or the Registrar for cancellation.

(l) Cancellation

All Notes which are redeemed or purchased and surrendered for cancellation will forthwith be cancelled (together, in the case of Definitive Bearer Notes, with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 6(i) above (together in the case of Definitive Bearer Notes with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(m) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6(a), (c), (d), (e) or (g) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6(h)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13.

(n) Condition to redemption, substitution or variation of Subordinated Notes

Any redemption, substitution, variation of the terms or purchase of Subordinated Notes in accordance with Condition 6(c), (d), (e), (f) or (k) is subject to the relevant Issuer obtaining the prior written consent of FINMA or any Successor Authority thereto provided that such consent is required at that time under applicable capital or solvency regulations to be obtained.

7. Taxation

(a) Notes issued by ZF (Luxembourg) or ZF (UK)

In the case of Notes issued by ZF (Luxembourg) or ZF (UK), all payments under the Trust Deed, the Notes, the Receipts and the Coupons will be made without withholding or deduction for or on account of any taxes or duties of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, ZF (Luxembourg) or ZF (UK), as the case may be, will

pay such additional amounts (“**Additional Amounts**”) as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon presented for payment:

- (i) in Luxembourg, in the case of Notes issued by ZF (Luxembourg);
- (ii) by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Kingdom (in the case of ZF (UK)) or Luxembourg (in the case of ZF (Luxembourg)) or Switzerland (in the case of payments made by ZIC) other than the mere holding of such Note, Receipt or Coupon;
- (iii) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day;
- (iv) where such withholding or deduction is imposed on a payment to an individual or a residual entity and (y) is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or, introduced in order to conform to, such Directive or (z) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements;
- (v) where such withholding or deduction is imposed on a payment and is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down (y) in the European Council Directive 2003/48/EC or (z) in the draft legislation proposed by the Swiss Federal Council on 22 December 2010, in particular the principle to have a person other than the Issuer or Guarantor withhold or deduct the tax, including, without limitation, any paying agent or
- (vi) by or on behalf of a Noteholder, Receiptholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a member state of the EU.

As used herein, the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

(b) Notes issued by ZF (USA)

In the case of Notes issued by ZF (USA), all payments under the Trust Deed, the Notes, the Receipts and the Coupons will be made without withholding or deduction for or on account of any present or

future taxes or duties of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, ZF (USA) will pay such additional amounts (“**Additional Amounts**”) as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; provided that the obligations of ZF (USA) to pay Additional Amounts shall not apply as a result of a withholding or deduction on account of any one or more of the following:

- (i) any tax, assessment or other governmental charge which would not have been imposed but for (A) the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder, if such holder is an estate, a trust, a partnership, a corporation or another entity) and the United States or any political subdivision or territory or possession thereof, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident or treated as a resident thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein or otherwise having or having had some connection with the United States or such political subdivision, territory or possession other than the mere holding or ownership of a Note, Receipt or Coupon or (B) such holder’s present or former status as a domestic or foreign personal holding company or a controlled foreign corporation with respect to the United States or a corporation which accumulates earnings to avoid United States federal income tax;
- (ii) any tax, assessment or other governmental charge which would not have been so imposed but for presentation by the holder of a Note, Receipt or Coupon for payment on a date more than 15 days after the Relevant Date;
- (iii) any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, assessment or other governmental charge;
- (iv) any tax, assessment or other governmental charge which would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the United States or any political subdivision thereof of (A) the holder or beneficial owner of such Note, Receipt or Coupon, or (B) for taxes, assessments or other governmental charges imposed with respect to payments made after December 31, 2012, the holder or beneficial owner of (x) a financial account maintained by the holder or beneficial owner of such Note, Receipt, or Coupon or (y) a financial interest in the holder or beneficial owner of such Note, Receipt or Coupon, if such compliance is required by a statute or treaty or by regulation or administrative practice of the United States Treasury Department as a precondition to relief or exemption from all or part of such tax, assessment or other governmental charge;
- (v) any tax, assessment or other governmental charge which is (A) payable otherwise than by withholding from payments of or in respect of principal of or interest on such Note, Receipt or Coupon or (B) required to be withheld by a Paying Agent from any such payment, if such payment can be made without such withholding by any other Paying Agent outside the United States;

- (vi) any tax, assessment or other governmental charge imposed on interest received by a person holding, actually or constructively, 10 per cent or more of the total combined voting power of all classes of stock of ZF (USA) or certain of their respective affiliates entitled to vote;
- (vii) where such withholding or deduction is imposed on a payment to an individual or a residual entity and (y) is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or, introduced in order to conform to, such Directive or (z) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements;
- (viii) where such withholding or deduction is imposed on a payment and is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down (y) in the European Council Directive 2003/48/EC or (z) in the draft legislation proposed by the Swiss Federal Council on 22 December 2010, in particular the principle to have a person other than the Issuer or Guarantor withhold or deduct the tax, including, without limitation, any paying agent;
- (ix) where such Note, Receipt or Coupon is presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a member state of the EU; or
- (x) any combination of items (i) through (ix) above;

nor will Additional Amounts be paid with respect to principal or interest on such Note, Receipt or Coupon to any United States Alien which is a fiduciary or partnership or beneficial owner of such Note, Receipt or Coupon to the extent such payment would be required by the laws of the United States (or any political subdivision or taxing authority thereof or therein) to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of such Note, Receipt or Coupon.

The term “**United States Alien**” means any person who, for United States federal income tax purposes, is a foreign corporation, a non-resident alien individual, a fiduciary of a foreign estate or foreign trust, or a foreign partnership or other entity one or more of the members of which is, for United States federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

(c) Notes issued by Zurich Bank

All payments of principal and interest in respect of the Notes, Receipts and Coupons issued by Zurich Bank will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any political subdivision thereof or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In the event that Zurich Bank or

any person acting on its behalf is required by law to make any such withholding or deduction, Zurich Bank will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) presented for payment in Ireland; or
- (ii) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with Ireland other than the mere holding of such Note, Receipt or Coupon; or
- (iii) presented for payment more than 30 days after the Relevant Date (as defined in Condition 7 (a) above) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day; or
- (iv) presented for payment by or on behalf of a Noteholder, Receiptholder or Couponholder who is or was able to avoid such withholding or deduction by presenting any form or certificate or by making a declaration of non-residence or other claim for exemption; or
- (v) where such withholding or deduction is imposed on a payment to an individual or a residual entity and (y) is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive or (z) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements;
- (vi) where such withholding or deduction is imposed on a payment and is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down (y) in the European Council Directive 2003/48/EC or (z) in the draft legislation proposed by the Swiss Federal Council on 22 December 2010, in particular the principle to have a person other than the Issuer or Guarantor withhold or deduct the tax, including, without limitation, any paying agent;
- (vii) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (viii) presented for payment where such Note (or such Note to which a Receipt or Coupon relates) is not listed on a stock exchange recognised by the Revenue Commissioners of Ireland and either:
 - (a) if such Note does not mature within two years of the date of its issue:
 - (A) it is issued in a denomination of less than €500,000 or its equivalent; or

- (B) it is not cleared through a clearing system recognised by the Revenue Commissioners of Ireland; or
 - (C) it has been knowingly offered or sold to an Irish resident, or to a person whose usual place of abode is Ireland; or
- (b) if such Note matures within two years of the date of its issue:
- (A) it is issued in a denomination of less than €500,000 if the relevant Note is denominated in euro, less than USD500,000 if the relevant Note is denominated in US dollars or, if the relevant Note is denominated in a currency other than euro or US dollars, less than the equivalent of €500,000 in that other currency as at the date the Programme is first publicised; or
 - (B) it is not cleared through a clearing system recognised by the Revenue Commissioners of Ireland.

(d) Notes issued by ZIC

In the case of Notes issued by ZIC, all payments of principal and interest in respect of the Notes, Receipts and Coupons issued by ZIC will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any political subdivision thereof or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In the event that ZIC or any person acting on its behalf is required by law to make any such withholding or deduction, ZIC will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) if Notes other than Restricted Notes are issued;
- (ii) presented for payment by or on behalf of a Noteholder, Couponholder or Receiptholder which is liable to such taxes, duties, assessments or governmental charges in respect of that Note, Receipt or Coupon by reason of it having some connection with the Relevant Jurisdiction other than the mere holding of that Note, Receipt or Coupon;
- (iii) presented for payment more than 30 days after the Relevant Date (as defined in Condition 7(a) above), except to the extent that the relevant holder would have been entitled to payment of an additional amount or recalculated interest if it had presented its Note, Receipt or Coupon for payment on the 30th day after the Relevant Date, on the assumption if such is not the case, that such last day is a Business Day;
- (iv) where such withholding or deduction is imposed on a payment to an individual or a residual entity and (y) is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order

to conform to, such Directive or (z) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements;

- (v) where such withholding or deduction is imposed on a payment and is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down (y) in the European Council Directive 2003/48/EC or (z) in the draft legislation proposed by the Swiss Federal Council on 22 December 2010, in particular the principle to have a person other than the Issuer or Guarantor withhold or deduct the tax, including, without limitation, any paying agent;
- (vi) presented for payment by or on behalf of a holder who/would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to a Paying Agent in another Member State of the European Union;
- (vii) (if so specified in the applicable Final Terms) if the payment could have been made to the relevant Noteholder, Couponholder or Receiptholder without such withholding or deduction if it were a Qualifying Lender (as defined below), but on that date that Noteholder, Couponholder or Receiptholder is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Noteholder, Couponholder or Receiptholder under these Conditions in (or in the interpretation, administration, or application of) any law or double taxation treaty, or any published practice or concession of any relevant taxing authority; or
- (viii) if the payment could have been made without such withholding or deduction if the Noteholders had complied with Conditions 10(j) and 10(k) (if Condition 10(j) is expressed in the applicable Final Terms to apply).

As used in the Conditions:

“Guidelines” means, together, the guideline “Interbank Loans” of 22 September 1986 (S-02.123) (*Merkblatt “Verrechnungssteuer auf Zinsen von Bankguthaben, deren Gläubiger Banken sind (Interbankguthaben)” vom 22. September 1986*); the guideline “Syndicated Loans” of January 2000 (S-02.128) (*Merkblatt “Steuerliche Behandlung von Konsortialdarlehen, Schuldscheindarlehen, Wechseln und Unterbeteiligungen” vom Januar 2000*); the guideline “Bonds” of April 1999 (S 02.122.1) (*Merkblatt “Obligationen” vom April 1999*); the guideline “Client Credit Balances” of April 1999 (S-02.122.2) (*Merkblatt Kundenguthaben vom April 1999*); and the circular letter No. 15 (1-015-DVS-2007) of 7 February 2007 in relation to bonds and derivative financial instruments as subject matter of Swiss federal income tax, Swiss federal withholding tax and Swiss federal stamp taxes (*Kreisschreiben Nr. 15 “Obligationen und derivative Finanzinstrumente als Gegenstand der direkten Bundessteuer, der Verrechnungssteuer und der Stempelabgaben” vom 7. Februar 2007*), each as issued, and as amended from time to time, by the Swiss federal tax authorities.

“Non-Bank Rules” means the Ten Non-Bank Rule and the Twenty Non-Bank Rule (each as defined below).

“Permitted Non-Qualifying Lender” means in respect of a Series of Restricted Notes a person or entity which is not a Qualifying Bank on the date it becomes a Noteholder and:

- (i) is initially a Permitted Non-Qualifying Lender (if any) specified in the applicable Final Terms (for so long as that Permitted Non-Qualifying Lender continues to be a Noteholder in accordance with the Conditions), or
- (ii) is a successor of an initial Permitted Non-Qualifying Lender, or any subsequent successor thereof, by way of Transfer (as defined in Condition 10(j)) of all but not some only of the Restricted Notes held by such initial Permitted Non-Qualifying Lender, or such subsequent successor thereof (for so long as that successor continues to be a Noteholder in accordance with the Conditions), which:
 - (a) has prior to its becoming a Noteholder, satisfied all obligations to be fulfilled by a proposed Permitted Non-Qualifying Lender in accordance with Condition 10(j), provided that:
 - (A) within ten (10) Business Days of notification to it by the existing Permitted Non-Qualifying Lender of the identity of such proposed Permitted Non-Qualifying Lender, the Issuer may, as a condition precedent to such proposed Permitted Non-Qualifying Lender becoming a Noteholder:
 - (i) request from that proposed Permitted Non-Qualifying Lender a confirmation that it has disclosed to the Issuer all facts relevant to the determination as to whether it would be a Permitted Non-Qualifying Lender and would constitute one (1) person only for purposes of the Non-Bank Rules; and
 - (ii) irrespective of whether a request is made in accordance with paragraph (a)(A)(i) above, request from that proposed Permitted Non-Qualifying Lender a tax ruling of the Swiss Federal Tax Administration (at the cost of the existing Permitted Non-Qualifying Lender or the proposed Permitted Non-Qualifying Lender), confirming to the Issuer's satisfaction that such proposed Permitted Non-Qualifying Lender does constitute one (1) person only for purposes of the Non-Bank Rules; and
 - (B) the Issuer, acting reasonably, shall confirm within ten (10) Business Days of notification of all facts (if a request in accordance with paragraph (a)(A)(i) above has been made) or receipt of a tax ruling (if a request in accordance with paragraph (a)(A)(ii) above has been made) whether or not such disclosure, or such tax ruling, as the case may be, is satisfactory and, in the absence of such confirmation, the Issuer shall be deemed to have confirmed such disclosure, or such tax ruling, as the case may be, is so satisfactory on the tenth (10th) Business Day after receipt hereof or thereof; and
 - (b) has, simultaneously with becoming a Noteholder, succeeded the existing Permitted Non-Qualifying Lender as "Permitted Non-Qualifying Lender" under all, but not some only, Restricted Notes of the respective Series, and under any and all other existing or future Series of Restricted Notes, as the case may be, or similar instruments, between the issuer and the existing Permitted Non-Qualifying Lender (or any successor thereof).

"Permitted Non-Qualifying Lenders" means in respect of a Series of Restricted Notes the number of Permitted Non-Qualifying Lenders specified in the applicable Final Terms.

"Qualifying Bank" means a person or entity which effectively conducts banking activities with its own infrastructure and staff as its principal business purpose and which has a banking licence in full force

and effect issued in accordance with the banking laws in force in its jurisdiction of incorporation, or if acting through a branch, issued in accordance with the banking laws in the jurisdiction of such branch.

“Qualifying Lender” means a Noteholder which is a Qualifying Bank or a Permitted Non-Qualifying Lender.

“Restricted Notes” means Notes issued by ZIC in accordance with Conditions 10(j) and 10(k).

“Ten Non-Bank Rule” means the rule that the aggregate number of Noteholders under a Series of Restricted Notes which are not Qualifying Banks must not at any time exceed ten, in each case in accordance with the meaning of the Guidelines.

“Twenty Non-Bank Rule” means the rule that the aggregate number of the Issuer’s lenders (including Noteholders), other than Qualifying Banks, under all outstanding debts relevant for classification as debenture (*Kassenobligation*), such as intra-Group loans, facilities and/or private placements (including under Restricted Notes and Notes not classified as a taxable bond (*Anleihensobligation*)) must not at any time exceed twenty, in each case in accordance with the meaning of the Guidelines.

Under existing law, ZIC is obliged to withhold the Swiss federal withholding tax on any payment of interest in respect of a Note at the current rate of 35 per cent. On 22 December 2010 the Swiss Federal Council issued draft legislation, which, if enacted, would remove such obligation entirely. Instead, the obligation would be imposed on any paying agent in Switzerland (as defined in the proposed new law) but only if the payment of interest in respect of a Note were made to an individual resident in Switzerland or to a person resident in a country which has no double tax treaty with Switzerland. In all other cases no withholding obligation would arise under the proposed new law.

8. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

The Luxembourg Act dated 3 September 1996 on the involuntary dispossession of bearer securities, as amended, requires that any amount that is payable under the Bearer Notes (if any) before opposition (if applicable) in relation to the Bearer Notes has been filed but not yet been paid to the holder of the Bearer Notes is paid to the *Caisse de Consignation* in Luxembourg until the opposition has been withdrawn or has elapsed.

9. Events of Default

(a) Senior Notes

This Condition 9(a) is only applicable to Senior Notes.

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution

(as defined in the Trust Deed) of the Noteholders shall (subject, in the case of the happening of any of the events set out in Conditions 9(a)(ii), (iii), (v), (vi), (vii) and (ix) (to the extent that it applies to Conditions 9(a)(v), (vi) and (vii)) below, to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases to the Trustee having been indemnified and/or secured to its satisfaction), give notice (the “**default notice**”) in writing to the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) that the Notes are immediately due and repayable if any of the following events (“**Events of Default**”) shall have occurred and be continuing:

- (i) there is a failure by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) to pay principal or interest on any of the Notes when due and such failure continues for a period of fourteen days; or
- (ii) a default is made by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) in the performance or observance of any other covenant, condition or provision contained in the Trust Deed or in the Notes and on its part to be performed or observed (other than the covenant to pay principal and interest in respect of any of the Notes) and (except where the Trustee certifies in writing that, in its opinion, such default is not capable of remedy, when no such notice as mentioned below shall be required) such default continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the relevant Issuer or ZIC, as the case may be, of notice requiring such default to be remedied; or
- (iii) if any other indebtedness of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) for borrowed moneys is declared due and payable prior to the due date for payment thereof by reason of default on the part of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer), or if any such indebtedness is not repaid on the due date for payment thereof (or by the expiry of any applicable grace period), or any guarantee or indemnity in respect of indebtedness for borrowed moneys given by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) is not honoured when due and called upon or at the expiry of any applicable grace period, save in any such case where the relevant payment liability is being contested in good faith and by appropriate means, provided that no such event as aforesaid shall constitute an Event of Default unless the amount declared due and payable or not paid, either alone or when aggregated with other such amounts then declared due and payable or not paid by such Issuer or ZIC (where ZIC is not the relevant Issuer), shall amount to at least USD300,000,000 or its equivalent in other currencies; or
- (iv) a resolution is passed or an order of a court of competent jurisdiction is made that the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) be wound up or dissolved or the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) stops payment or ceases business, or disposes (other than in the ordinary course of its business) of the whole or substantially the whole of its assets, otherwise than in any such case for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation; or
- (v) an encumbrancer or a person with similar functions appointed for execution (in Switzerland, a *Sachwalter* or *Konkursverwalter*) takes possession or a receiver is appointed of the whole or substantially the whole of the assets or undertaking of the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) or a distress, execution or seizure before judgment is levied or enforced upon or sued out against any substantial part of the property, assets or revenues of the relevant Issuer or

ZIC (where ZIC is not the relevant Issuer) unless discharged, stayed or removed within 60 days thereof (or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned) or being contested in good faith and by appropriate means; or

- (vi) the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) is insolvent or bankrupt or unable to pay its debts as and when they fall due or the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) shall initiate or consent or become subject to proceedings relating to itself under any applicable bankruptcy, liquidation, insolvency, composition, *Nachlassvertrag*, *faillite*, administration, examinership, or insolvency law or make a general assignment for the benefit of, or enter into any composition with, its creditors or notifies the court of its financial situation in accordance with Article 725(2) of the Swiss Code of Obligations or enters into a moratorium (*Stundung*); or
- (vii) proceedings shall have been initiated against the relevant Issuer or ZIC (where ZIC is not the relevant Issuer), under any applicable bankruptcy, composition, administration or insolvency law in respect of a sum claimed in aggregate of at least USD200,000,000 or its equivalent in other currencies unless such proceedings are discharged or stayed within a period of 60 days (or such longer period as the Trustee may consider appropriate in relation to the jurisdiction concerned) or are being contested in good faith and by appropriate means; or
- (viii) if the relevant Issuer is ZF (Luxembourg), ZF (USA), ZF (UK) or Zurich Bank, if the Senior ZIC Guarantee ceases to be, or is claimed by ZIC not to be, in full force and effect; or
- (ix) where ZIC is not the relevant Issuer, the relevant Issuer (excluding ZF (UK) and Zurich Bank) ceases to be a subsidiary wholly-owned and controlled, directly or indirectly, by ZIC, unless such cessation is as a result of a Permitted Reorganisation or is previously approved either in writing by the Trustee or by an Extraordinary Resolution of Noteholders; or
- (x) any event occurs which under applicable laws has an analogous effect to any of the events referred to in paragraphs (iv) to (vii) above.

(b) Subordinated Notes

This Condition 9(b) is only applicable to Dated Subordinated Notes and Undated Subordinated Notes and is subject to such other provisions as may be specified in the applicable Final Terms.

(i) Events of Default for Dated Subordinated Notes and Undated Subordinated Notes

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall (but, in each case, subject to the Trustee having been indemnified and/or secured to its satisfaction), give notice to the relevant Issuer and the Guarantor that the Notes are immediately due and repayable if any of the following events shall have occurred and be continuing:

- (a) subject to the provisions of Condition 4(f), there is a failure by the relevant Issuer to pay principal or interest on any of the Notes when due and such failure continues for a period of fourteen days; or
- (b) a resolution is passed or an order of a court of competent jurisdiction is made that the relevant Issuer or the Guarantor be wound up or dissolved otherwise than for the purpose of or

pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation.

(ii) Proceedings for Winding-up

If the Notes become due and repayable (whether pursuant to Condition 9(b)(i), Condition 6(c) or 6(d) or 6(e) or otherwise) and are not paid when so due and repayable, the Trustee may at its discretion participate in, but not itself institute, proceedings for the winding-up of the relevant Issuer and may take no further action to enforce the obligations of the relevant Issuer for payment of any principal or interest (including Arrears of Interest, if any) in respect of the Notes.

If the Guarantor fails to pay to the Trustee (pursuant to the relevant Subordinated ZIC Guarantee and the Trust Deed) an amount claimed under the relevant Subordinated ZIC Guarantee, the Trustee may at its discretion participate in, but not itself institute, proceedings for the winding-up of the Guarantor and may take no further action to enforce the obligations of the Guarantor under the relevant Subordinated ZIC Guarantee.

No payment in respect of the Notes may be made by the relevant Issuer pursuant to Condition 9(b)(i), nor will the Trustee accept the same, otherwise than during or after a winding-up of the relevant Issuer.

(iii) Enforcement

Without prejudice to Condition 9(b)(i) or (ii) above (including, for the avoidance of doubt, the Trustee's right to make a demand under the relevant Subordinated ZIC Guarantee), however, in the case of Restricted Notes, subject to Conditions 10(j) and 10(k), the Trustee may at its discretion and without further notice institute such proceedings against the relevant Issuer or, as the case may be, the Guarantor as it may think fit to enforce any obligation, condition or provision binding on the relevant Issuer or, as the case may be, the Guarantor under the Trust Deed, the Notes or the Coupons (other than any obligation for the payment of any principal or interest in respect of the Notes or the Coupons) provided that the relevant Issuer and the Guarantor shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(iv) Rights of Noteholders

No Noteholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or, as the case may be, the Guarantor or to prove in the winding-up of the relevant Issuer or, as the case may be, the Guarantor unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholders or Couponholder shall have only such rights against the relevant Issuer or, as the case may be, the Guarantor as those which the Trustee is entitled to exercise. Any such proceedings brought by any Noteholder or Couponholder shall be brought in the name of the Trustee, subject to such Noteholder or Couponholder indemnifying the Trustee to its satisfaction.

(v) Extent of Noteholders' remedy

No remedy against the relevant Issuer or the Guarantor other than as referred to in this Condition 9(b), shall be available to the Trustee or the Noteholders or Couponholders, whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the relevant Issuer of any of its other obligations under or in respect of the Notes or under the Trust Deed.

In this Condition:

"Permitted Reorganisation" means an amalgamation, merger, consolidation, reorganisation or other similar arrangement entered into by the relevant Issuer or ZIC (where ZIC is not the relevant Issuer) under which:

- (a) the whole or a substantial part of the business, undertaking and assets of the relevant Issuer or, as the case may be, ZIC are transferred to and all the liabilities and obligations of the Issuer or, as the case may be, ZIC are assumed by the new or surviving entity either:
 - (i) automatically by operation of applicable law; or
 - (ii) the new or surviving entity assumes all the obligations of the Issuer or, as the case may be, ZIC, under the terms of the Trust Deed, and the Notes and (as the case may be) the Senior ZIC Guarantee or the Subordinated ZIC Guarantee, as fully as if (and to the same extent in terms of ranking in a winding-up) it had been named in the Trust Deed and the Notes and (as the case may be) the Senior ZIC Guarantee or the Subordinated ZIC Guarantee, in place of the Issuer or, as the case may be, ZIC; and, in either case,
- (b) the new or surviving entity will immediately after such amalgamation, merger, consolidation, reorganisation or other similar arrangement be subject to the same regulation and supervision by the same regulatory authority (if any) as the relevant Issuer or (as the case may be) ZIC was subject immediately prior thereto.

10. Exchange of Notes, transfer of Registered Global Notes, interests in Reg. S Notes, Individual Registered Notes and Replacement of Notes, Receipts, Coupons and Talons

(a) Exchange of Bearer Notes for Registered Notes

If so specified in the applicable Final Terms, a Bearer Note in definitive form may be exchanged for Registered Notes of like aggregate nominal amount (in individual registered form) by submission of a duly completed request for exchange substantially in the form provided in the Agency Agreement (an “**Exchange Request**”), copies of which are available from the specified office of the Registrar or any Transfer Agent, together with the Definitive Bearer Note and all unmatured Coupons, Talons and Receipts appertaining thereto, to a Transfer Agent at its specified office. Within five business days (being for this purpose, a day on which commercial banks and foreign exchange markets are open for business in the jurisdiction of the relevant Transfer Agent) of the request, in relation to Individual Registered Notes for which the Definitive Bearer Note is to be exchanged, the relevant Transfer Agent will authenticate (and in the case of an NGN, effectuate) and deliver, or procure the authentication (and in the case of an NGN, effectuation) and delivery of, at its specified office to the holder or (at the risk of the holder) send by mail to such address as may be specified by the holder in the Exchange Request, the Individual Registered Note(s) of a like aggregate nominal amount to the Definitive Bearer Note(s) exchanged and will enter the exchange of the Definitive Bearer Note(s) in the Register maintained by the Registrar as of the Exchange Date.

Exchange Requests may not be presented on or after the Record Date (as defined in Condition 5(b)) in respect of any Interest Payment Date up to and including such Interest Payment Date. Interest on Individual Registered Notes issued on exchange will accrue as from the immediately preceding Interest Payment Date, as the case may be. No exchanges of Bearer Notes for Registered Notes or interests in Registered Global Notes will be permitted for so long as the Bearer Notes are represented by a Temporary Bearer Global Note.

(b) Exchange of interests in Registered Global Notes for Individual Registered Notes

Interests in the Reg. S Global Note will be exchangeable for Individual Registered Notes in the following limited circumstances: (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces its intention permanently to cease business or does in fact do so and no alternative clearance system

acceptable to the Trustee is available or (ii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of Noteholders under the Notes represented by such Registered Global Note, and the Trustee has been advised by counsel that in connection with such proceedings it is necessary or appropriate for the Trustee to obtain possession of Individual Registered Notes representing the Registered Global Note. Upon the occurrence of any of the events described in the preceding sentence, the relevant Issuer will cause the appropriate Individual Registered Notes to be delivered, provided that notwithstanding the above, no Individual Registered Notes will be issued until expiry of the applicable Distribution Compliance Period.

(c) Transfers of Registered Global Notes

Transfers of a Registered Global Note shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of Euroclear or Clearstream, Luxembourg or to a successor of any of them or such successor's nominee.

(d) Transfers of interests in Reg. S Notes

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of an interest in, a Reg. S Note to a transferee in the United States will only be made pursuant to the US Securities Act or an exemption therefrom, subject to receipt by the relevant Issuer of such satisfactory evidence as such Issuer may reasonably require, which may include an opinion of US counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States, and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

After expiry of the applicable Distribution Compliance Period such certification requirements will no longer apply to such transfers.

(e) Exchanges and transfers of Registered Notes generally

Registered Notes may not be exchanged for Bearer Notes.

Transfers of interests in Reg. S Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in a Reg. S Global Note will be transferable and exchangeable for Individual Registered Notes or for an interest in another Reg. S Global Note only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg (the "**Applicable Procedures**").

Upon the terms and subject to the conditions set forth in the Agency Agreement, an Individual Registered Note may be transferred in whole or in part (in the authorised Denominations set out in the applicable Final Terms) by the holder or holders surrendering the Individual Registered Note for registration of the transfer of the Individual Registered Note (or the relevant part of the Individual Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and upon the Registrar or, as the case may be, the relevant Transfer Agent, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the relevant Issuer and the Registrar, or as the case may be, the relevant Transfer Agent may with the prior approval of the Trustee prescribe, including any restrictions imposed by the relevant Issuer on transfers of Registered Notes in individual

form originally sold to a US person. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Individual Registered Note of a like aggregate nominal amount to the Registered Note (or the relevant part of the Individual Registered Note) transferred. In the case of the transfer of part only of an Individual Registered Note, a new Individual Registered Note in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Exchanges or transfers by a holder of an Individual Registered Note for an interest in, or to a person who takes delivery of such Individual Registered Note through, a Reg. S Global Note will be made no later than 60 days after the receipt by the Registrar or as the case may be, relevant Transfer Agent of the Individual Registered Note to be so exchanged or transferred and, if applicable, upon receipt by the Registrar of a written certification from the transferor.

(f) Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 6(e), the relevant Issuer shall not be required:

- (i) to register the transfer of Registered Notes (or parts of Registered Notes) during the period beginning on the sixty-fifth day before the date of the partial redemption and ending on the date on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive); or
- (ii) to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(g) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered during the period of 30 days ending on the due date for any payment of principal or interest on that Note.

(h) Costs of exchange or registration

The transfer of a Note will be effected without charge by or on behalf of the relevant Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require from the Noteholder in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, in the case of a Bearer Note, Receipt or Coupon, or the Registrar, in the case of an Individual Registered Note, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 13, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to

evidence and indemnity as the relevant Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

(j) Restrictions on Transfer of Certain Notes

(i) In the case of Notes issued by ZIC, if the applicable Final Terms designate the Notes as Restricted Notes, (but not otherwise) the provisions of this Condition 10(j) shall apply and the Restricted Notes will be issued as Registered Notes and may only be assigned, or transferred, including upon an enforcement of a security, (a “**Transfer**” and “**Transferred**” shall be construed accordingly):

(a) in whole or in part, if the Transfer is to a Qualifying Bank, provided that in the case of a Transfer of the Restricted Notes in part, the Restricted Notes may not be transferred to more than the number of Qualifying Banks specified in the applicable Final Terms, or

(b) in whole, but not in part (except for parts of Restricted Notes held by Qualifying Banks at the time), if the Transfer is to a Permitted Non-Qualifying Lender,

provided that no Transfer under this Condition 10(j) may result in more Permitted Non-Qualifying Lenders being Noteholders than as specified in the applicable Final Terms.

The Restricted Notes will bear a legend setting forth the applicable transfer restrictions provided for in this Condition 10(j).

(ii) A Noteholder may at any time require that the Issuer replaces such Noteholder’s certificate(s) representing the Restricted Notes with certificates in minimum denominations equal to the Restricted Note Minimum Denomination Amount specified in the applicable Final Terms.

(iii) Restricted Notes may only be Transferred in amounts equal to the Restricted Note Transfer Amount specified in the applicable Final Terms.

(iv) Any Transfer of a Restricted Note shall be recorded by the Registrar in the Register on production of:

(a) the relevant certificate representing the Restricted Note and certification delivered to the Registrar by the transferee to the effect that it is a Qualifying Bank or Permitted Non-Qualifying Lender; and

(b) such other evidence as the Issuer may require.

(v) Subject to this Condition 10(j), no Noteholder shall at any time enter into any arrangement with another person under which such Noteholder transfers all or part of its interest in the Restricted Notes to that other person, unless under such arrangement throughout the life of such arrangement:

(a) the relationship between the Noteholder and that other person is that of debtor and creditor (including in the bankruptcy or similar event of that Noteholder or the Issuer),

(b) the other person will have no proprietary interest in the benefit of the Restricted Notes or in any monies received by the Noteholder under or in relation to the Restricted Notes held by that Noteholder; and

- (c) the other person will under no circumstances (other than by way of permitted Transfer under this Condition 10(j)) be subrogated to, or substituted in respect of, the Noteholder's claims under its Restricted Notes and otherwise have any contractual relationship with, or rights against, the Issuer under or in relation to, the Restricted Notes.

For the avoidance of doubt, the granting of security in accordance with Condition 10(k) shall not constitute a transfer of an exposure under the Restricted Notes for the purposes of this Condition 10(j).

- (vi) As of the Issue Date and for so long as the Restricted Notes are outstanding, the Issuer will ensure that it is in compliance with the Non-Bank Rules, provided that the Issuer will not be in breach if either of the Non-Bank Rules are exceeded solely by the failure by one or more Noteholders to comply with the limitations set forth in this Condition 10(j) or in Condition 10(k).

(k) Grants of Security

If the applicable Final Terms provide that the Notes are Restricted Notes, then the following provisions of this Condition 10(k) shall apply but not otherwise. Any Noteholder may, without the consent of the Issuer, at any time charge or create a security interest in all or any portion of its rights under any Restricted Notes to secure obligations of such Noteholder; provided that:

- (i) no such charge or creation of a security interest shall:
 - (a) substitute any such chargee or holder of the benefit of such security interest for such Noteholder as Noteholder except in accordance with the provisions of Condition 10(j); or
 - (b) require any payments to be made by the Issuer other than as required by the Restricted Notes. A copy of any notice of charge or creation of security interest as envisaged in this paragraph shall be delivered to the Agent and the Agent shall not be obliged to take any action in regard to such notice; and
- (ii) such charge or security interest shall in each case provide that upon any assignment or transfer of the interest in the Restricted Notes or enforcement of such charge or security interest, any resulting assignment or transfer shall be in accordance with Condition 10(j); and
- (iii) the Noteholder promptly notifies the Registrar of any such charge or security interest and the secured party's identity and status by delivering to the Registrar a notification to such effect.

11. Agent, Paying Agents, Transfer Agents and Registrar

The names of the initial Agent, the other initial Paying Agents, the initial Registrar and the initial Transfer Agents and their initial specified offices are set out below.

The relevant Issuer and ZIC (where ZIC is not the relevant Issuer) are, with the prior written approval of the Trustee (such approval not to be unreasonably withheld), entitled to vary or terminate the appointment of any Paying Agent or Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrars, Transfer Agents and/or approve any change in the specified office through which any Paying Agent, Registrar or Transfer Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;
- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe;
- (iii) there will at all times be an Agent and a Registrar;

- (iv) there will at all times be a Transfer Agent having a specified office in a place approved by the Trustee; and
- (v) the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) undertake that they will ensure that they maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced to conform to, such Directive; and
- (vi) the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) undertake that they will ensure that they maintain a Paying Agent in a jurisdiction within Europe other than Switzerland that will not be required to withhold or deduct tax pursuant to laws enacted in Switzerland providing for the taxation of payments according to principles similar to those laid down (y) in European Council Directive 2003/48/EC or (z) in the draft legislation proposed by the Swiss Federal Council on 22 December 2010, in particular the principle to have a person other than the Issuer or Guarantor withhold or deduct the tax, including, without limitation, any paying agent.

In addition, the relevant Issuer and ZIC (where ZIC is not the relevant Issuer) shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the penultimate paragraph of Condition 5(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 or more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

Notwithstanding the foregoing, the relevant Issuer will in respect of any Listed Swiss Franc Notes at all times maintain a Principal Paying Agent having a specified office in Switzerland and will at no time maintain a Paying Agent having a specified office outside Switzerland, unless permitted by applicable law.

12. Exchange of Talons

On and after the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date (as the case may be) on which the final Coupon of the relative Coupon sheet matures.

13. Notices

All notices regarding the Bearer Notes shall be published (i) in a leading English language daily newspaper of general circulation in London, (ii) if and for so long as such Bearer Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require on the website of the Luxembourg Stock Exchange (www.bourse.lu) in Luxembourg, (iii) (in the case of Listed Swiss Franc Notes) in a leading newspaper of general circulation in Switzerland which is expected to be the *Feuille Officielle Suisse du Commerce* and in a daily newspaper in each of Zurich and Geneva. It is expected that such publication will be made (in the case of (i) above) in the Financial Times in London or any other daily newspaper in London approved by the Trustee or, if this is not possible, in another English language daily newspaper approved by the Trustee with general circulation in Europe and (in the case of (ii) above) the website of the Luxembourg Stock Exchange (www.bourse.lu). The relevant Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange, listing authority and/or quotation system by which the Notes are for the time

being admitted to listing, trading and/or quotation. To the extent required by Luxembourg law, notices shall also be published in the *Memorial C, Recueil des Sociétés et Associations* (“**Memorial C**”). If and to the extent required by the Luxembourg law of 11 January 2008 relating to transparency obligations of issuers of securities implementing Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, notices will also be published in accordance with the provisions of such law and implementing provisions. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date on which publication in all the required newspapers has been made. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve. Receiptholders and Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the relative Noteholders in accordance with this Condition.

All notices to holders of Registered Notes will be valid if sent by first-class mail or (if posted to an overseas address) by air-mail to their registered addresses appearing on the Register. Any such notice shall be deemed to have been given on the fourth day after the day on which it is mailed. If and for so long as the relevant Registered Notes are listed on the Luxembourg Stock Exchange, and the rules of that exchange so require, all notices regarding Registered Notes shall be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Until such time as any definitive Notes are issued, there may, so long as the global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes and in addition, for so long as any Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, a notice will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent and/or the Registrar via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and/or the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. Meetings of Noteholders, Modification and Waiver, Entitlement of Trustee, Substitution, Change and Indemnification of Trustee

(a) Single Noteholder

In relation to any Restricted Notes so long as there is only one Noteholder thereof, who shall certify to the Trustee that it is the sole Noteholder of the Notes and is not holding such Notes as a depositary for, or nominee of, Euroclear, Clearstream, Luxembourg on or prior to any such amendment, waiver or variation being made (i) no amendment, waiver or variation of the Notes or the Trust Deed may be made without the prior written consent of such Noteholder and parties to the Trust Deed and (ii) the meeting, quorum and voting provisions of Conditions 14(b) shall not apply.

(b) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of such Notes, the relative Receipts, the relative Coupons or any relevant provisions of the Trust Deed. Such a meeting may be convened by the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), the Trustee or at the request of Noteholders holding not less than 10 per cent in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Trust Deed, the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on the relevant Receiptholders and the relevant Couponholders. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 100 per cent in nominal amount of Notes outstanding shall be as valid and effective as a duly passed Extraordinary Resolution. The provisions for convening meetings of Noteholders contained in the Trust Deed shall not apply to Listed Swiss Franc Notes.

The provisions of Articles 1157-1186 of the Swiss Code of Obligations will apply to all meetings of holders of Notes issued by ZIC.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification (subject to certain exceptions as provided in the Trust Deed) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or may (in relation to the Events of Default set out in Condition 9(a)(ii), (iii), (v), (vi), (vii) and (x) (to the extent it applies to Conditions 9(a)(v), (vi) and (vii)) determine that any condition, event or act which, but for such determination, would constitute an Event of Default or Potential Event of Default (as defined in the Trust Deed), shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, Receiptholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise

connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except, in the case of the relevant Issuer, ZIC (where ZIC is not the relevant Issuer), to the extent provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

The Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Noteholders, the Receiptholders or the Couponholders, to the substitution at any time or times of any other company in the place of the relevant Issuer as the principal debtor under the Trust Deed and the Notes, Receipts and Coupons issued by the relevant Issuer. Notwithstanding the above, by subscribing to or purchasing the Notes, the Noteholders expressly consent to the substitution of the relevant Issuer and expressly consent to the release of the Issuer from any and all obligations in respect of the Notes and are deemed to have expressly accepted such substitution. Such agreement shall be subject to the relevant provisions of the Trust Deed, including, except in the case of a substituted issuer domiciled in Luxembourg where appropriate, an irrevocable and unconditional guarantee by ZIC in terms substantially similar to those referred to in Condition 3(a) in respect of any Notes issued by the substituted issuer.

The Trust Deed contains general provisions for the retirement and removal of the Trustee and the appointment by the relevant Issuer of a substitute issuer which has previously been approved by the Trustee.

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

The provisions of articles 86 to 94-8 of the Luxembourg Act dated 10 August 1915 on commercial companies, as amended, are excluded.

15. Enforcement

- (a) Subject to the provisions of Condition 9(b) in the case of Subordinated Notes, the Trustee may at any time, at its discretion and without notice, however, in the case of Restricted Notes, subject to Conditions 10(j) and 10(k), take such proceedings against the relevant Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of not less than 25 per cent in principal amount of the Notes then outstanding, and (ii) it shall have been indemnified and/or secured to its satisfaction.
- (b) No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the relevant Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and such failure shall be continuing, in which case the Noteholder, Receiptholder or Couponholder shall have only such rights against the relevant Issuer or, as the case may be, the Guarantor as those which the Trustee is entitled to exercise. Any such proceedings brought by any

Noteholder, Receiptholder or Couponholder shall be brought in the name of the Trustee, subject to such Noteholder, Receiptholder or Couponholder indemnifying the Trustee to its satisfaction.

16. Further Issues

The relevant Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. Governing Law and Submission to Jurisdiction

- (a) The Trust Deed (other than the provisions relating therein to the Senior ZIC Guarantee and the Subordinated ZIC Guarantee which shall be governed by, and construed in accordance with the laws of Switzerland), the Notes, (other than the provisions relating to Subordinated Notes of Condition 2 which shall be governed by, and construed in accordance with, the laws of the jurisdiction of incorporation of the relevant Issuer of the Subordinated Notes), the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) The relevant Issuer has agreed in the Trust Deed, for the exclusive benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Notes, the Receipts and the Coupons may be brought in such courts.
- (c) The relevant Issuer has irrevocably waived in the Trust Deed any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum.
- (d) Nothing contained in this Condition shall limit any right to take Proceedings against the relevant Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (e) The relevant Issuer (other than ZF (UK)) has appointed Zurich Insurance Company Ltd, UK branch at its registered office for the time being as its agent for service of process in respect of any Proceedings in England and has undertaken in the Trust Deed that, in the event of Zurich Insurance Company Ltd, UK branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings in England.
- (f) Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.
- (g) In respect of Listed Swiss Franc Notes only, the relevant Issuer and the Trustee have agreed in the Trust Deed for the benefit of the Noteholders, the Receipts and the Couponholders to the additional jurisdiction of the courts of the City of Zurich and, where the law permits, the Commercial Court of

the Canton of Zurich, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

- (h) Each of the Senior ZIC Guarantee and the Subordinated ZIC Guarantee are governed by, and shall be construed in accordance with, the laws of Switzerland. Any legal action or proceedings in respect of each Senior ZIC Guarantee or each Subordinated ZIC Guarantee shall be brought exclusively in the courts of the City of Zurich and, where the law permits, the Commercial Court of the Canton of Zurich, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Note or the Trust Deed under the United Kingdom Contracts (Rights of Third Parties) Act 1999.

Terms and Conditions of the Capital Notes

*The following, save for the paragraphs in italics, are the Terms and Conditions of the Capital Notes which will be endorsed on each Global Note and each Definitive Bearer Note or Individual Registered Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by ZIC and the relevant Dealer at the time of issue but, if not so permitted by the relevant stock exchange (if any) and agreed by ZIC and the relevant Dealer at the time of issue but, if so permitted and agreed, such Definitive Bearer Note or Individual Registered Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Capital Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, modify the following Terms and Conditions for the purpose of such Capital Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and each Definitive Bearer Note or Individual Registered Note. Reference should be made to “**Form of the Notes and the Capital Notes**” above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation in the relevant Capital Notes.*

This Capital Note is one of a Series (as defined below) of Capital Notes issued by Zurich Insurance Company Ltd (“**ZIC**” or the “**Issuer**”), constituted by an amended and restated trust deed (as further modified and/or supplemented and/or restated from time to time, the “**Trust Deed**”) dated 20 May 2011 made between, *inter alios*, the Issuer, Zurich Financial Services Ltd (“**ZFS**”) and Citicorp Trustee Company Limited (the “**Trustee**”, which expression shall include any successor as trustee). ZFS is a party to the Trust Deed for the purposes of giving certain undertakings expressed to be given by it in these Terms and Conditions.

References herein to the “**Capital Notes**” shall be references to the Capital Notes of this Series and shall mean:

- (i) in relation to any Capital Notes represented by a Global Note (which expression shall include any Temporary Global Note or Permanent Global Note or Permanent Global SIS Note or Reg. S Global Note, all as defined in the Trust Deed), units of the lowest Specified Denomination in the Specified Currency; and
- (ii) in relation to any Capital Notes in definitive bearer form (“**Definitive Bearer Notes**”) issued in exchange for an interest or interests in a Global Note in bearer form (“**Bearer Global Note**”), units of the lowest Specified Denomination in the Specified Currency; and
- (iii) in relation to Individual Registered Notes either issued as such or issued in exchange for a Reg. S Global Note, units of the lowest Specified Denomination in the Specified Currency.

The Final Terms for this Capital Note (or the relevant provisions thereof) are attached to or endorsed on this Capital Note and supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, modify these Terms and Conditions for the purposes of this Capital Note. References to the “**applicable Final Terms**” are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Capital Note.

The Capital Notes, the Receipts (as defined below) and the Coupons (as defined below) are the subject of an amended and restated agency agreement (the “**Agency Agreement**” which expression shall,

where the context permits, include any supplements or amendments thereto and any agency agreement relating to Listed Swiss Franc Capital Notes as referred to in Condition 5(e) dated 20 May 2011 and made between, *inter alios*, the Issuer, Citibank, N.A. as issuing and principal paying agent and agent bank (the “**Agent**”, which expression shall include any successor agent specified in the applicable Final Terms), the other paying agents named therein (together with the Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents), Dexia Banque Internationale à Luxembourg société anonyme as listing agent (the “**Luxembourg Listing Agent**”), the registrars named therein (each, a “**Registrar**”, which expression shall include any additional or successor registrar), the transfer agents named therein (the “**Transfer Agents**”, which expression shall include any additional or successor transfer agents) and the Trustee.

Definitive Bearer Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons (“**Coupons**”) and, if indicated in the applicable Final Terms, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons. Definitive Bearer Notes repayable in instalments have receipts (“**Receipts**”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes do not have Receipts or Coupons attached on issue.

The Trustee acts for the benefit of the holders for the time being of the Capital Notes (the “**Noteholders**”) in accordance with the provisions of the Trust Deed.

As used herein, “**Tranche**” means Capital Notes which are identical in all respects (including as to listing) and “**Series**” means a Tranche of Capital Notes together with any further Tranche or Tranches of Capital Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed, the Agency Agreement and the applicable Final Terms are available for inspection during normal business hours at the principal London office for the time being of the Trustee (being at the date of the Trust Deed at Citicorp Trustee Company Limited, 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom) and are available at the specified office of each of the Agent, the other Paying Agents, the Registrar and the Transfer Agents save that, if this Capital Note is an unlisted Capital Note of any Series, the applicable Final Terms will only be available for inspection at the principal London office of the Agent by a Noteholder holding one or more unlisted Capital Notes of that Series and such Noteholder must produce evidence satisfactory to the Agent as to its holding of Capital Notes and as to identity. The Noteholders, the holders of the Receipts (the “**Receiptholders**”) and the holders of the Coupons (the “**Couponholders**”) are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of the Trust Deed and the applicable Final Terms, and are deemed to have notice of, and be bound by, the provisions of the Agency Agreement which are applicable to them.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of any inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. Form, Denomination and Title

The Capital Notes are either in bearer form (“**Bearer Notes**”) or in registered form (“**Registered Notes**”) as specified in the applicable Final Terms and, in the case of Definitive Bearer Notes or Individual Registered Notes, serially numbered, in the Specified Currency and the Specified Denomination(s) specified in the applicable Final Terms. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination.

This Capital Note is a Fixed Rate Capital Note, a Floating Rate Capital Note, an Indexed Interest Capital Note, an Indexed Redemption Amount Capital Note, an Instalment Capital Note, a Dual Currency Capital Note each as defined in the applicable Final Terms, or a combination of any of the foregoing, depending upon the Interest/Payment Basis shown in the applicable Final Terms.

This Capital Note is a Listed Swiss Franc Capital Note if it is denominated or payable in Swiss francs and listed on the SIX Swiss Exchange and the applicable Final Terms so states.

Each Listed Swiss Franc Capital Note will be represented exclusively by a Permanent Global SIS Note which will be deposited with SIX SIS AG, Olten, Switzerland (“**SIS**”), or such other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange (with respect to any such Permanent Global SIS Note, SIS or such other intermediary, the “**Intermediary**”) on or prior to the original issue date of such Capital Note. As a matter of Swiss law, once the Permanent Global SIS Note has been deposited with the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Listed Swiss Franc Capital Notes represented thereby will constitute intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) (the “**Intermediated Securities**”). The Permanent Global SIS Note will be exchangeable for definitive Capital Notes in whole but not in part only if the Swiss paying agent should, after consultation with the Issuer, deem the printing of definitive Capital Notes to be necessary or useful, or if the presentation of definitive Capital Notes is required by Swiss or other applicable laws and regulations in connection with the enforcement of rights of Noteholders, or if the Swiss paying agent at any time at its discretion determines to have definitive Capital Notes issued; holders of Listed Swiss Franc Capital Notes will not have the right to effect or demand the exchange of the Permanent Global SIS Note representing such Listed Swiss Franc Capital Notes into, or delivery of, Notes in definitive or uncertificated form. If definitive Capital Notes are delivered, the relevant Permanent Global SIS Note will be immediately cancelled by the Swiss paying agent and the definitive Notes shall be delivered to the relevant holders against cancellation of the relevant Listed Swiss Franc Capital Notes in such holders' securities accounts. As a matter of Swiss law, a holder of an interest in the Permanent Global SIS Note retains a quotal co-ownership interest (*Miteigentumsanteil*) in the Permanent Global SIS Note to the extent of the Capital Notes represented by such Permanent Global SIS Note in which such holder has an interest; provided, however, that, for so long as the Permanent Global SIS Note remains deposited with the Intermediary (i.e., for so long as the Capital Notes represented thereby constitute Intermediated Securities), the co-ownership interest is suspended and the Capital Notes represented thereby may only be transferred by the entry of the transferred Capital Notes in a securities account of the transferee. For so long as Capital Notes constitute Intermediated Securities, as a matter of Swiss law, (i) the records of the Intermediary will determine the number of Capital Notes held through each participant of the Intermediary and (ii) the holders of such Capital Notes will be the persons holding such Capital Notes in a securities account (*Effektenkonto*) that is in their name or, in the case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding such Notes for their own account in a securities account (*Effektenkonto*) that is in their name.

Each Tranche of Bearer Notes may be initially represented by a temporary Global Note without Receipts, Coupons or Talons (a “**Temporary Global Note**”) or, if so specified in the applicable Final Terms, a permanent Global Note (a “**Permanent Global Note**”), which will be delivered to the common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme*, Luxembourg (“**Clearstream, Luxembourg**”). On or after the end of the period that ends 40 days after completion of the distribution of each Tranche of Capital Notes, as certified by the relevant Dealer, in the case of a non syndicated issue, or the Lead Manager, in the case of a syndicated issue (the “**Distribution Compliance Period**”), the Temporary Global Note will be exchangeable upon a request as described therein either for interests in a Permanent Global Note without Receipts, Coupons or Talons or for Definitive Bearer Notes (as indicated in the applicable Final Terms and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification to the effect that the beneficial owner of interests in such Temporary Global Note is not a US person or a person who has purchased for resale to any US person, as required by US Treasury regulations. Each Tranche of Bearer Notes may also be initially represented by a Permanent Global SIS Note (as defined in the Trust Deed). Unless otherwise specified in the applicable Final Terms, a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, Receipts, Coupons and Talons attached (i) if a Dissolution Event (as defined in Condition 9) occurs in respect of any Capital Note, (ii) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (weekends and public holidays excepted) or announces an intention to cease business permanently or in fact does so and no

alternative clearing system satisfactory to the Trustee is available or (iii), if so specified in the applicable Final Terms, at the option of the Noteholder, provided that, in the case of an issue of Capital Notes with a minimum denomination of EUR 100,000 and smaller integral multiples thereof only exchange events (i) or (ii) above will apply.

With respect to a particular Series of Registered Notes, the Registered Notes of each Tranche sold outside the United States in reliance on Regulation S under the US Securities Act of 1933, as amended (the “**US Securities Act**”), will, unless otherwise specified in the applicable Final Terms, be represented by a permanent global Note in registered form, without Receipts, Coupons or Talons, (the “**Reg. S Global Note**”) which will be registered in the name of Citivic Nominees Limited as nominee for, and will be deposited with Citibank, N.A. as common depositary for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg. Capital Notes in individual registered form (“**Individual Registered Notes**”) issued in exchange for Reg. S Global Notes or otherwise sold or transferred in reliance on Regulation S under the US Securities Act, together with the Reg. S Global Notes, are referred to herein as “**Reg. S Notes**”. Prior to expiry of the period that ends 40 days after completion of the distribution of each Tranche of Capital Notes, as certified by the relevant Dealer, in the case of a non-syndicated issue, or by the Lead Manager, in the case of a syndicated issue, interests in a Reg. S Global Note may be held only through Euroclear or Clearstream, Luxembourg.

Individual Registered Notes from the date of issue may, if specified in the applicable Final Terms, be issued in reliance on Regulation S under the US Securities Act.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon the registration of transfers in accordance with the Agency Agreement and the Trust Deed. The Issuer, the Trustee, the Agent, any Paying Agent, the Registrar, and any Transfer Agent may (subject to applicable laws or as otherwise ordered by a court of competent jurisdiction or an official authority) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof for all purposes (whether or not it is overdue and notwithstanding any notice of ownership, trust or any interest in it, any writing on it or on the related Individual Registered Note or notice of any previous loss or theft of it) and no person will be liable for so treating the holder.

No person shall have any right to enforce any term or condition of this Capital Note or the Trust Deed under the United Kingdom Contracts (Rights of Third Parties) Act 1999.

Capital Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg.

References in these Terms and Conditions to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system (including SIS) approved by the Issuer, the Trustee and the Agent and specified in the applicable Final Terms.

2. Status of the Capital Notes

The Capital Notes and the relative Receipts and Coupons constitute, save as otherwise specified in the applicable Final Terms, direct, subordinated and unsecured obligations of the Issuer and rank *pari passu*, without any preference, among themselves. The claims of the holders of Capital Notes and relative Receipts and Coupons rank, save as otherwise specified in the applicable Final Terms, on a voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings of or against the Issuer:

- (i) after the claims of any Senior Creditors (as defined below);
- (ii) *pari passu* with any subordinated obligations of the Issuer which whether now or in the future rank or are expressed to rank *pari passu* with the claims of the Noteholders (“**Parity Obligations**”, and “**Parity Obligation**” shall be construed accordingly); and
- (iii) prior to the claims of the holders of all classes of issued shares in the share capital of the Issuer.

For the avoidance of doubt, the Issuer's obligations under the subordinated support agreements entered into in connection with the enhanced capital advantaged preferred securities (ECAPS) issued by ZFS Finance (USA) Trust II and the Trust Preferred Securities issued by ZFS Finance (USA) Trust IV and ZFS Finance (USA) Trust V and the Issuer's obligations under the €143m 12% Capital Notes each constitute Parity Obligations.

Save as otherwise specified in the applicable Final Terms, in the event of a voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings of or against the Issuer, there shall be payable in such voluntary or involuntary insolvency, winding-up, liquidation, dissolution or other similar proceedings on each Capital Note, subject to the subordination provisions set out in this Condition 2, an amount equal to the principal amount of such Capital Note together with, unless otherwise specified in the applicable Final Terms, unpaid Deferred Interest (as defined in Condition 3(c)) (if applicable) and interest which has accrued up to, but excluding, the date of repayment.

As used herein, save as otherwise specified in the applicable Final Terms, “**Senior Creditors**” means (i) holders of Senior Obligations and Subordinated Obligations (each as defined in the Trust Deed) and (ii) creditors of the Issuer in respect of a ZIC Subordinated Guarantee (as defined in the Trust Deed) or in respect of other actual or contingent obligations (including claims of holders of insurance policies issued by the Issuer), whether outstanding at the Issue Date or subsequently incurred, other than any obligation as to which, in the instrument creating or evidencing the obligation or pursuant to which the obligation is outstanding, it is expressly provided that such obligation is *pari passu* with, or junior to, the Capital Notes and/or any Parity Obligations.

Subject to applicable law, neither the Trustee nor any Noteholder may, save as otherwise specified in the applicable Final Terms, exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Capital Notes against any claim that the Issuer may have against the Noteholder and each such Noteholder shall, by virtue of being the Noteholder of any of the Capital Notes, be deemed to have waived all such rights of set-off.

No security (save as otherwise specified in the applicable Final Terms) of whatever kind is, or will at any time be, provided by the Issuer or any other person securing the rights of the Noteholders under the Capital Notes. No agreement may defeat the subordination pursuant to the provisions set out in this Condition 2 or shorten any applicable notice period in respect of the Capital Notes as provided in these Conditions. If the Capital Notes are redeemed in breach of Condition 6(a) (if applicable), (b), (c) or (d), the amounts so paid to any Noteholder must be repaid to the Issuer by such Noteholder irrespective of any agreement to the contrary, unless (x) the Issuer has been dissolved or (y) such amounts have been replaced by regulatory capital qualifying for the same regulatory (sub-) category or equivalent thereof or (z) if FINMA or any Successor Authority (each as defined below) applicable at the time has given its prior written consent (if necessary) to the redemption.

The subordination provisions of this Condition 2 which are governed by, and shall be construed in accordance with, the laws of Switzerland, are irrevocable.

As used herein:

“**FINMA**” means the Swiss Financial Market Supervisory Authority in Switzerland (FINMA) which the former Federal Office of Private Insurance (FOPI) was merged into as of 1 January 2009.

“**Successor Authority**” means any domestic or foreign successor to FINMA or otherwise that has primary supervisory authority over the Issuer and/or the Zurich Financial Services Group.

3. Deferral or Cancellation of Interest

(a) Solvency Event

Condition 3(a) shall only apply in respect of a Capital Note where the applicable Final Terms specify that Solvency Event is applicable.

If Solvency Event is specified in the applicable Final Terms as being applicable and a Solvency Event has occurred and is continuing as at the relevant Determination Date, then, in relation to any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date the Issuer shall (if the applicable Final Terms specify the Capital Note as being Cumulative in relation to a Solvency Event) defer, or (if the applicable Final Terms specify the Capital Note as being Non-Cumulative in relation to a Solvency Event) cancel such Interest Payment, and shall defer or, as applicable, cancel the relevant Solvency Shortfall if, were the Issuer to make payment of the relevant Interest Payment, a Solvency Event would as at the date of such payment occur, in any such case except that the Issuer will not be required to defer or, as applicable, cancel such Interest Payment or Solvency Shortfall, as the case may be, if FINMA or any Successor Authority applicable at the time has given its consent to such payment.

Noteholders shall have no entitlement to, or claim for, any Interest Payment or Solvency Shortfall cancelled pursuant to this Condition 3(a) and, for the avoidance of doubt, such amount shall not constitute Deferred Interest (as defined below) hereunder and such cancellation shall not constitute a Dissolution Event by the Issuer or any other breach or default under the Capital Notes or for any other purpose.

Any Interest Payment or Solvency Shortfall deferred pursuant to this Condition 3(a) is referred to herein as “**Solvency Deferred Interest**”.

The Issuer shall give notice of any such deferral or cancellation to the Trustee (together with the certificate of the occurrence of a Solvency Event and as to the quantum of any Solvency Shortfall referred to below), the Agent and to the Noteholders in accordance with Condition 13 not less than seven days prior to the relevant Interest Payment Date.

A certificate as to the occurrence of a Solvency Event, as to the quantum of any Solvency Shortfall, signed by two Directors of the Issuer or ZFS, shall, in the absence of manifest error be treated and accepted by the Issuer, the Noteholders, the Trustee, the Receiptholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof. The Trustee shall be entitled to rely upon such certification absolutely without liability to any person.

As used herein:

“**Applicable Regulations**” means, with respect to the Relevant Entity at any time, the regulatory capital requirements applicable to such entity and/or its group at such time including, but not limited to, Swiss insurance regulatory law (for group solvency or single solvency and/or financial conglomerate purposes, as applicable) and/or applicable generally recognised administrative practice, if any, of FINMA or any Successor Authority.

“**Assets**” means, where ZIC is specified in the relevant Final Terms as being the Relevant Entity, the Issuer’s consolidated total assets and, where ZFS is specified in the relevant Final Terms as being the Relevant Entity, ZFS’s consolidated total assets, each as shown in its latest annual audited balance

sheet, but adjusted for all subsequent events, as reasonably determined by the Relevant Entity, or if the Relevant Entity is being liquidated, its liquidator.

“**Determination Date**” means, in respect of an Interest Payment Date, the 20th business day in Zurich preceding such date.

“**Interest Payment**” means, with respect to an Interest Payment Date, the interest scheduled to be paid on such Interest Payment Date.

“**Liabilities**” means, where ZIC is specified in the applicable Final Terms as being the Relevant Entity, ZIC’s consolidated total liabilities and, where ZFS is specified in the applicable Final Terms as being the Relevant Entity, ZFS’s consolidated total liabilities, each as shown in its latest annual audited balance sheet, but adjusted for all subsequent events, as reasonably determined by the Relevant Entity, or if the Relevant Entity is being liquidated, its liquidator.

“**Relevant Entity**” means ZIC and/or ZFS, as specified in the applicable Final Terms.

A “**Restricted Payments Provision**” in any obligation is a provision in such obligation or any related transaction agreements providing for complete or partial prohibitions as to payment of distributions (or similar payments) on other securities that rank *pari passu* with, or junior to, such obligations for so long as distributions (or similar payments) on such obligations remain unpaid.

A “**Solvency Event**” shall be deemed to have occurred as at any date if as at such date:

- (i) the Relevant Entity does not at such date have appropriate funds to cover the required minimum solvency margin or meet any other required level of own funds regulatory capital (or a comparable term in case of a change in Applicable Regulations) in accordance with Applicable Regulations and a deferral or, as applicable, cancellation of interest is required under the Applicable Regulations; or
- (ii) the Relevant Entity is unable to pay its debts owed to its Senior Creditors (as defined in Condition 2(a) or 2(b), as the case may be, if ZIC is specified as Relevant Entity in the applicable Final Terms, and as defined below if ZFS is specified as Relevant Entity in the applicable Final Terms) as they fall due; or
- (iii) the Relevant Entity’s Assets do not exceed its Liabilities (each as defined above) (other than liabilities to persons who are not Senior Creditors); or
- (iv) FINMA or a Successor Authority has given (and not withdrawn) notice to the Relevant Entity that it has determined, in view of the financial and/or capital position of the Relevant Entity, that in accordance with Applicable Regulations at such time, the Issuer must take specified action in relation to payments on the Capital Notes; or
- (v) the Relevant Entity’s auditors cannot give a confirmation pursuant to Article 725(a) of the Swiss Code of Obligations or any equivalent provision under applicable laws.

If ZFS is specified as the Relevant Entity in the Final Terms, “**Senior Creditors**” means (i) all unsubordinated creditors of ZFS; and (ii) all creditors of ZFS whose claims are subordinated by operation of law or pursuant to their terms, to the claims of other unsubordinated creditors of that entity but not further or otherwise.

“**Solvency Shortfall**” means the portion of interest that would cause a Solvency Event to occur or be continuing.

If Solvency Event is specified in the applicable Final Terms as being not applicable, then solely in respect of Interest Payments and without prejudice to Condition 2, such Capital Notes rank senior to any existing or future obligations of the Issuer (“**other obligations**”) that would otherwise have ranked *pari passu* with the Capital Notes, if and to the extent payment of such Interest Payments would otherwise be prohibited by any Restricted Payments Provision in such other obligations as a result of solvency event provisions with respect to such other obligations.

If payment of an Interest Payment is deferred or, as applicable, cancelled pursuant to Condition 3(a), the Issuer shall not have any obligation to pay such Interest Payment on the relevant Interest Payment Date and the failure to pay such Interest Payment shall not constitute a Dissolution Event by the Issuer or any other breach or default under the Capital Notes or for any other purpose.

(b) Mandatory Cancellation

Condition 3(b) shall only apply in respect of a Capital Note where the applicable Final Terms specify that Trigger Event is applicable.

If Trigger Event is specified in the applicable Final Terms as being applicable and a Trigger Event has occurred and is continuing as at the relevant Determination Date, then, in relation to any Interest Payment which is otherwise scheduled to be paid on an Interest Payment Date, the Issuer shall cancel the amount (the “**Trigger Event Shortfall**”) by which such Interest Payment exceeds the New Capital Amount per Capital Note outstanding at such time. The Issuer shall give notice of such cancellation and of the relevant Trigger Event Shortfall to the Trustee (together with the certificate referred to below), the Agent and to the Noteholders in accordance with Condition 13 not less than seven days prior to the relevant Interest Payment Date.

Noteholders shall have no entitlement to, or claim for, any Trigger Event Shortfall cancelled pursuant to this Condition 3(b) and, for the avoidance of doubt, such cancellation shall not constitute a Dissolution Event by the Issuer or any other breach or default under the Capital Notes or for any other purpose.

As used herein:

A “**Trigger Event**” shall be deemed to have occurred at any Determination Date if each of the following has occurred:

- (i) ZFS’s Trailing Four Quarters Consolidated Net Income Amount is not a positive amount for the four fiscal quarter periods ending on the last day of ZFS’s fiscal quarter that is two fiscal quarters prior to the most recently completed fiscal quarter before that Determination Date; and
- (ii) ZFS’s Adjusted Consolidated Shareholders’ Equity Amount as at the end of ZFS’s fiscal quarter that is two fiscal quarters prior to the most recently completed fiscal quarter before that Determination Date has declined by 10 per cent or more as compared to ZFS’s Adjusted Consolidated Shareholders’ Equity Amount at the end of the tenth fiscal quarter preceding ZFS’s most recently completed fiscal quarter before that Determination Date; and

- (iii) ZFS's Adjusted Capital Amount as at the end of ZFS's most recently completed fiscal quarter before that Determination Date has declined by 10 per cent or more as compared to ZFS's Adjusted Consolidated Shareholders' Equity Amount at the end of the tenth fiscal quarter preceding ZFS's most recently completed fiscal quarter before that Determination Date.

A certificate as to the occurrence or continuation of a Trigger Event and as to the quantum of the relevant Trigger Event Shortfall, signed by two Directors of the Issuer or ZFS and which sets out the Issuer's or ZFS's determinations of the Trailing Four Quarters Consolidated Net Income Amount, the Adjusted Consolidated Shareholders' Equity Amount and the Adjusted Capital Amount as at the dates aforesaid and that as a result, a Trigger Event shall have occurred shall, in the absence of manifest error, be treated and accepted by the Issuer, ZFS, the Trustee, the Noteholders, the Receiptholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof and the Trustee shall be entitled to rely on such certification absolutely without liability to any person.

"Adjusted Capital Amount" means the Adjusted Consolidated Shareholders' Equity Amount plus Qualifying Mandatory Convertibles.

"Adjusted Consolidated Shareholders' Equity Amount" means, as at any quarter end and subject to the adjustments referred to below, ZFS's total consolidated shareholders' equity excluding preferred securities, net unrealised gains (or losses) on investments and cumulative translation adjustments, as reflected on ZFS's consolidated IFRS balance sheets as at such quarter end.

"IFRS" means, at any date and for any period, International Financial Reporting Standards as applied to, and reflected in, ZFS's consolidated financial statements as at the relevant dates and for the relevant periods.

"New Capital Amount" means, at any date, the net proceeds received by the Issuer or ZFS from new issuances (whether in one or more public offerings or private placements) and/or sales of ordinary shares, during the period commencing on the 180th day prior to such date and designated by the Issuer or ZFS at or before the time of issuance as available to pay Interest Payments on the Capital Notes.

"Qualifying Mandatory Convertible" means, securities of ZFS or a subsidiary thereof (other than ordinary shares of ZFS) with (i) no prepayment obligation in respect of such securities on the part of the issuer thereof, whether at the election of the holders or otherwise, and (ii) a requirement that such securities convert into ordinary shares of ZFS within three years from the date of their issuance at a conversion ratio within a range established at the time of issuance of such securities.

"Trailing Four Quarters Consolidated Net Income Amount" means, for any fiscal quarter and subject to the adjustments referred to below, the sum of ZFS's consolidated net income for the four fiscal quarters ending as at the last day of such fiscal quarter.

If the conditions for a Trigger Event are satisfied for any Determination Date, the cancellation of interest will continue until that Trigger Event has been deemed cured in the manner described below on a subsequent Determination Date. In addition, if additional Trigger Events are triggered on one or more subsequent Determination Dates before the initial Trigger Event is deemed cured (as described below), the cancellation of interest on the Capital Notes will continue until each such subsequent Trigger Event has been deemed cured (as described below). After one or more Trigger Events have occurred or are continuing, the Issuer may only begin to pay interest on the Capital Notes on any Interest Payment Date

if on the relevant Determination Date (i) no new Trigger Event has occurred and (ii) all of the previous Trigger Events have been deemed cured (as described below).

A Trigger Event that was triggered on a prior Determination Date (the “**Previous Determination Date**”) will be deemed to be cured as at a later Determination Date if ZFS’s Adjusted Capital Amount as at its most recently completed fiscal quarter before that later Determination Date has increased, or has declined by less than 10 per cent, as compared to ZFS’s Adjusted Consolidated Shareholders’ Equity Amount as at the end of the originally specified benchmark fiscal quarter for that Previous Determination Date. All financial terms used in this Condition 3(b) will be determined in accordance with IFRS. If because of a change in IFRS that results in a change in accounting principles or a restatement, ZFS’s Adjusted Consolidated Shareholders’ Equity Amount as at a fiscal quarter end is higher or lower than it would have been absent such change, then for the purpose of the calculation described in the preceding sentence, ZFS’s Adjusted Consolidated Shareholders’ Equity Amount will be calculated on a pro forma basis as if such change had not occurred. Upon satisfaction of the conditions described in this paragraph, the Issuer will provide a certificate, signed by two Directors of the Issuer, certifying that such conditions have been met and the Trigger Event has been deemed to be cured and the Trustee shall be entitled to rely on such certification absolutely without liability to any person.

If Trigger Event is specified in the applicable Final Terms as being not applicable, then solely in respect of Interest Payments and without prejudice to Condition 2, such Capital Notes rank senior to any existing or future obligations of the Issuer (“**other obligations**”) that would otherwise have ranked *pari passu* with the Capital Notes, if and to the extent payment of such Interest Payments would otherwise be prohibited by any Restricted Payments Provision in such other obligations as a result of a Trigger Event Occurrence (as defined below) with respect to such other obligations.

A “**Trigger Event Occurrence**” with respect to any obligation is the mandatory deferral or cancellation of the payment of any distributions (or similar payments) on that obligation as a result of any event or condition specified in the provisions of such obligation or any related transaction agreements, including the suspension or the cancellation of the payment of any distributions (or similar payments) from any source other than a specific source of funds, but excluding any such mandatory deferral or cancellation purely as a result of solvency event provisions analogous to those in Condition 3(a).

(c) Optional Deferral or Cancellation

Condition 3(c) shall only apply in respect of a Capital Note where the applicable Final Terms specify that Optional Non-Payment is applicable.

In addition to the obligation of the Issuer to defer or, as applicable, cancel interest in certain circumstances set out in, and in accordance with, Conditions 3(a) and 3(b), the Issuer may elect (if the applicable Final Terms specify the Capital Note as being Cumulative in relation to Optional Non-Payment) to defer, or (if the applicable Final Terms specify the Capital Note as being Non-Cumulative in relation to Optional Non-Payment) to cancel in whole or in part any Interest Payment which is otherwise scheduled to be paid on an Optional Interest Payment Date (as defined below) by giving written notice of such election to the Trustee, the Agent and to the Noteholders in accordance with Condition 13 not less than seven days prior to the relevant Interest Payment Date. If so specified in the applicable Final Terms, notwithstanding the other provisions of this Condition 3(c) but without prejudice to the provisions of Conditions 3(a) and 3(b), if as at any Optional Interest Payment Date FINMA or any Successor Authority no longer accords any regulatory capital credit to the Capital Notes under Applicable Regulations (as defined below) the Issuer will only be allowed to exercise its option under this Condition 3(c) to defer payments of interest on the Capital Notes on such Optional Interest Payment Date for up to five years (a “**Fixed Term Deferred Interest Payment**”), and the Issuer will only be allowed to exercise its option under this Condition 3(c) to cancel payments of interest on the Capital Notes on such Optional Interest Payment Date and each Optional Interest Payment Date falling in the period of five years following such first Optional Interest Payment Date, but not thereafter. Any Fixed Term Deferred Interest Payment shall fall due on the relevant APM Deferred Settlement Date, or, as applicable, Cash Deferred Settlement Date or, if earlier, the fifth anniversary of the Optional Interest Payment Date on which such payment was deferred.

Noteholders shall have no entitlement to, or claim for, any Interest Payment or, as appropriate, any part thereof cancelled pursuant to this Condition 3(c) and, for the avoidance of doubt, such sum shall not

constitute Deferred Interest hereunder and such cancellation shall not constitute a Dissolution Event by the Issuer or any other breach or default under the Capital Notes or for any other purpose.

Any Interest Payment, or, as appropriate, any part thereof, deferred pursuant to this Condition 3(c), is referred to herein as “**Optionally Deferred Interest**” and, together with Solvency Deferred Interest, as “**Deferred Interest**”.

If payment of an Interest Payment, or as appropriate, any part thereof, is deferred pursuant to Condition 3(c), the Issuer shall not have any obligation to pay such Interest Payment, or as appropriate, part thereof on the relevant Optional Interest Payment Date and the failure to pay such Interest Payment, or as appropriate, part thereof shall not constitute a Dissolution Event by the Issuer or any other breach or default under the Capital Notes or for any other purpose.

As used above, “**Optional Interest Payment Date**” means any Interest Payment Date in respect of which during the six month period ending thereon (i) no dividend has been declared or paid on any class of share capital of ZFS; and (ii) (provided at the relevant time the existence of this requirement (ii) does not cause a Regulatory Event) no interest payments have been made on any securities issued (or guaranteed by) the Issuer the claims in respect of which rank junior to or *pari passu* with, the claims of Noteholders (unless such payment was compulsory under the terms of such securities or required due to the repayment of such securities).

(d) Payment Restrictions following Deferral or Cancellation

In the case of a Capital Note where the applicable Final Terms specify that this Condition 3(d) applies but not otherwise, the Issuer and ZFS agree that if an Interest Payment has not been paid in full for an Interest Period by reason of Conditions 3(a), (b) or (c), then, subject as provided below, in the case of a Capital Note where the applicable Final Terms provide that it is Cumulative with respect to events specified under Conditions 3(a), or (c), for so long as any such Deferred Interest remains outstanding and, in the case of a Capital Note where the applicable Final Terms provide that it is Non-Cumulative with respect to events specified under Conditions 3(a) or (c), and in the case of a Capital Note where the relevant Interest Payment has been cancelled by reason of Condition 3(b), until the next payment of an Interest Payment in full, and in each case subject as provided below, (v) ZFS will not, nor will it permit any of its subsidiaries to, make any discretionary payment of principal, interest or premium, if any, on or repay, purchase or redeem any ZFS Subordinated Debt (as defined below); (w) ZFS will not, nor will it permit any of its subsidiaries to, make any discretionary guarantee payments with respect to any of its guarantees of the securities of any of its subsidiaries if such guarantee ranks *pari passu* with, or junior to, any ZFS Subordinated Debt; (x) ZFS will not, and will not permit any of its subsidiaries to, redeem, purchase or acquire, or make a liquidation payment with respect to, any of ZFS’s ordinary shares and any of its other capital stock that may then exist; (y) the Issuer will not, nor will it permit any of its subsidiaries to redeem any of its securities that rank *pari passu* with, or junior to, the Capital Notes; and (z) the Issuer will not, nor will it permit any of its subsidiaries to, make any discretionary guarantee payments with respect to any of its guarantees of the securities of any of its subsidiaries if such guarantee ranks *pari passu* with, or junior to, the Capital Notes.

As used herein “**ZFS Subordinated Debt**” means obligations of ZFS which rank or are expressed to rank junior to any senior, unsubordinated obligations of ZFS.

The restrictions set out above in this Condition 3(d) shall not apply to:

- (i) repurchases, redemptions or other acquisitions of ZFS's ordinary shares in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or shareholder stock purchase plan or in connection with the issuance of ZFS's ordinary shares (or securities convertible into or exercisable for ZFS's ordinary shares) as consideration in an acquisition transaction entered into prior to the applicable deferral period;
- (ii) as a result of any exchange or conversion of any class or series of ZFS's ordinary shares (or any capital stock of any of its subsidiaries) for any class or series of common stock or of any class or series of its indebtedness (or for the indebtedness of any of its subsidiaries);
- (iii) the purchase of fractional interests in ZFS's ordinary shares, pursuant to the conversion or exchange provisions of such ZFS ordinary shares, or the security being converted or exchanged;
- (iv) any declaration of a dividend in connection with any shareholders' rights plan, or the issuance of rights, stock or other property under any shareholders' rights plan, or the redemption or repurchase of rights pursuant thereto;
- (v) any dividend or distribution in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks *pari passu* with or junior to such stock; or
- (vi) payments of interest on any Parity Obligations and the Capital Notes rateably and in proportion to the respective amount of (aa) accrued and unpaid interest on such Parity Obligations, on the one hand, and (bb) if applicable, Deferred Interest on the Capital Notes, on the other hand.

Further, the restrictions in (y) and (z) above shall not apply in the cases of (i) a Trigger Event in relation to Capital Notes where the securities otherwise ranking *pari passu* with the Capital Notes do not themselves contain a similar mandatory deferral or cancellation feature, (ii) where Intention Statement is applicable and the securities otherwise ranking *pari passu* with the Capital Notes themselves contain a Commercially Reasonable Efforts provision, (iii) a Solvency Event in relation to Capital Notes where the securities otherwise ranking *pari passu* with the Capital Notes do not themselves contain a substantially similar solvency event, (iv) interest becoming mandatorily due on such securities due to a provision analogous to provisions in Condition 3(e) below or otherwise where the terms of such securities do not permit the deferral of interest, or (v) at maturity of such securities. In the event of any of (i) to (iv) of this paragraph being applicable, the Issuer and ZFS will each provide a certificate signed by two Directors to the Trustee, the Agent and the Noteholders certifying which of (i) to (iv) above applies and that, as a result, the restrictions in (y) and (z) shall not apply which the Trustee shall rely on absolutely without liability to any person.

For the avoidance of doubt, Deferred Interest does not itself bear interest.

(e) Settlement of Deferred Interest

If the applicable Final Terms specify that Cash Settlement is applicable, the Issuer may (subject as provided below) elect at any time upon the expiry of not less than seven days' written notice to such effect given by the Issuer to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders, to pay in cash in whole or in part any Deferred Interest. However, any outstanding Deferred Interest will (subject as provided below) become immediately due and payable in cash in full (or in the case where limb (iv) of the definition of APM Deferred Settlement Date is specified as applying as part of the definition of Cash Deferred Settlement Date, on a proportionate basis) upon the Cash Deferred Settlement Date (as defined below).

Notwithstanding the foregoing, Deferred Interest shall only be due and payable if at the relevant time the prior written approval of FINMA or any Successor Authority to such payment has been given (if such approval is required under Applicable Regulations at the relevant time). If on the Cash Deferred Settlement Date no prior written approval as aforesaid has been given (if such approval is required under Applicable Regulations at the relevant time), the relevant Deferred Interest will be due and payable promptly following the obtaining of such written approval (if such approval is required under Applicable Regulations at the relevant time) and the giving of not more than 30 nor less than 15 days' notice to such effect by the Issuer to the Trustee and to Noteholders in accordance with Condition 13. References herein to "**Cash Deferred Settlement Date**" shall be construed accordingly to refer to such later date for payment.

If the applicable Final Terms specify that APM Settlement is applicable, the Issuer and ZFS may (subject as provided below in relation to Deferred Interest) elect at any time upon the expiry of not less than seven days' written notice to such effect given by the Issuer to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders, to use their commercially reasonable efforts to satisfy in whole or in part any Deferred Interest utilising the APM (as defined below) (subject to the limitations and conditions applicable to the APM) and, unless Deferred Interest has already been satisfied pursuant to the APM or cancelled in accordance with the applicable Final Terms, the Issuer and ZFS shall (subject as provided below in relation to Deferred Interest) use their commercially reasonable efforts to apply the APM (subject to the limitations and conditions applicable to the APM) to satisfy all (or, in the case where limb (iv) of the definition of APM Deferred Settlement Date applies, on a proportionate basis) of the outstanding Deferred Interest upon the APM Deferred Settlement Date (as defined below).

Notwithstanding the foregoing, the Issuer and ZFS will only be obliged to use their commercially reasonable efforts to satisfy any Deferred Interest as aforesaid if at the relevant time the prior written approval of FINMA or any Successor Authority to such payment has been given. If on the APM Deferred Settlement Date no prior written approval as aforesaid has been given, the Issuer and ZFS shall be obliged to use their commercially reasonable efforts to satisfy any Deferred Interest promptly following the obtaining of such written approval and the giving of not more than 30 nor less than 15 days' notice to such effect by the Issuer to the Trustee and to Noteholders in accordance with Condition 13. References herein to "**APM Deferred Settlement Date**" shall be construed accordingly to refer to such later date for payment.

A certificate as to whether or not written approval of FINMA or any Successor Authority as aforesaid has been given signed by two Directors of the Issuer or ZFS, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Noteholders, the Trustee, the Receiptholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof. The Trustee shall be entitled to rely upon such certification absolutely without liability to any person.

As used herein:

"**APM Deferred Settlement Date**" means, subject as provided above and in Condition 3(c) in relation to Fixed Term Deferred Interest Payments, the first to occur of the following dates:

- (i) the date on which the Capital Notes are called for redemption pursuant to Condition 6 or substituted or varied pursuant to Condition 6(e);
- (ii) the date upon which a dividend is next declared or paid on any class of share capital of ZFS;
- (iii) (A) as soon as practicable after cash proceeds representing the full amount of Deferred Interest have been realised from the APM which will be implemented following the declaration or payment by ZFS of any dividends or other payments (including any nominal value reduction under Swiss law) on any of its ordinary shares or on any of its other capital stock that may then exist, except in the circumstances described in subparagraphs (i) to (v) of the fourth paragraph of Condition 3(d) or (B) in the event that the Ordinary Share Issuance Threshold, as applicable, has been met or a Market Disruption Event has occurred, in each case prior to the realisation of the full amount of Deferred Interest from such APM, in an amount equal to the actual cash proceeds realised at the time such threshold has been met or such Market Disruption Event has occurred, as applicable;

- (iv) the Interest Payment Date next following a full or partial payment of current or deferred interest on any Parity Obligation (except for any such current or deferred interest payment of which is compulsory in accordance with the terms of the relevant Parity Obligation (including as a result of the maturity of such obligation)), in which case the relevant proportion shall be equal to the result from the division of the amount of the full or partial payment actually paid on the Parity Obligation by the outstanding amount (current or deferred) of the payment to which such full or partial payment relates that is payable on the Parity Obligation when such payment is made in full (for the avoidance of doubt, the terms of other obligations issued by the Issuer may be such as not to make them qualify as Parity Obligations specifically for these purposes);
- (v) the date on which the Issuer is dissolved pursuant to Article 736 of the Swiss Code of Obligations (other than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer); or
- (vi) if none of the events referred to in (i), (ii), (iii), (iv) or (v) above have already occurred and the applicable Final Terms so provide, upon expiration of the time period specified in the applicable Final Terms following the date upon which deferral of the relevant Deferred Interest or Solvency Deferred Interest commenced.

“Cash Deferred Settlement Date” means, subject as provided above and in Condition 3(c) in relation to Fixed Term Deferred Interest Payments, the first to occur of the dates specified in paragraphs (i), (ii), (v) and, if so specified in the applicable Final Terms, (iv) and/or (vi) of the definition of “APM Deferred Settlement Date” above. If limb (vi) of the definition of APM Deferred Settlement Date is specified in the applicable Final Terms as being applicable in the context of the definition of either APM Deferred Settlement Date or Cash Deferred Settlement Date and the Issuer and ZFS become obliged to pay or, as appropriate, use their commercially reasonable efforts to satisfy Deferred Interest by way of the APM, as a result of limb (vi) of the definition of APM Deferred Settlement Date, then solely in respect of such Interest Payment and without prejudice to Condition 2, the Capital Notes rank senior to any existing or future obligations of the Issuer (“**other obligations**”) that would otherwise have ranked pari passu with the Capital Notes, if and to the extent payment of such Deferred Interest would otherwise be prohibited by any Restricted Payments Provision in such other obligations as a result of interest being outstanding with respect to such other obligations.

In relation to Optionally Deferred Interest or Solvency Deferred Interest, if limb (vi) above is not specified in the applicable Final Terms as being applicable and if none of the events in limb (i) to (v) of such definition take place prior to the date specified in the applicable Final Terms for this purpose following the Interest Payment Date on which such Optionally Deferred Interest or Solvency Deferred Interest was originally deferred, the Issuer and ZFS intend to raise sufficient proceeds from the operation of the APM to satisfy any Optionally Deferred Interest or Solvency Deferred Interest.

Alternative Payment Mechanism

The Issuer may elect at its discretion to satisfy on the relevant Interest Payment Date any Interest Payment that would otherwise have been due on such Interest Payment Date without application of Conditions 3(a), 3(b) and 3(c) with funds raised prior to the Interest Payment Date by way of an APM (as defined in Condition 3(e)).

If APM Settlement (as aforesaid) is applicable, the Issuer and ZFS shall satisfy their obligations in respect of Deferred Interest which falls due by way of the alternative payment mechanism (the “**APM**”), on the relevant APM Deferred Settlement Date, by the operation of Ordinary Share Settlement.

“Ordinary Share Settlement” means using cash proceeds from the sale, during the period of six months immediately prior to the relevant APM Deferred Settlement Date (the **“Relevant Period”**), of existing or newly issued ordinary shares of ZFS (the **“Payment Shares”**) which proceeds are made available by ZFS to the Issuer to make the relevant payment.

If APM Settlement (as aforesaid) is applicable, the Issuer shall (except in the case of a voluntary or involuntary insolvency, winding up, liquidation, dissolution or other similar proceedings of or against the Issuer) satisfy its obligations in respect of Deferred Interest only by operation of the APM in accordance with this Condition 3(e).

In the event of the Issuer and ZFS satisfying their obligations in respect of Deferred Interest by operation of the APM the Issuer shall certify, by delivering to the Trustee a certificate signed by two Directors of the Issuer, that in making use of such APM, the Issuer or ZFS was in compliance with its obligations under this Condition 3(e) which the Trustee shall rely on absolutely without liability to any person.

As used herein, **“Qualifying APM Securities”** means ordinary shares of ZFS (including, to the extent available, treasury stock purchased at least six months prior to the date of sale of such treasury stock).

Restrictions relating to the APM

Upon the Issuer and ZFS becoming obliged to use their commercially reasonable efforts to settle Deferred Interest using the APM pursuant to this Condition 3(e), the Issuer and ZFS will use their commercially reasonable efforts to satisfy such Deferred Interest by way of Ordinary Share Settlement. The Issuer and ZFS may only utilise the Ordinary Share Settlement to the extent that the number of Payment Shares used for the purposes of the APM in any 12-month period does not exceed 2 per cent (**“Ordinary Share Issuance Threshold”**) of ZFS’s outstanding share capital.

In the event of the Issuer and ZFS satisfying their obligations in respect of Deferred Interest by utilisation of Ordinary Share Settlement, the Issuer shall certify, by delivering to the Trustee a certificate signed by two Directors of the Issuer, that the Ordinary Share Issuance Threshold has not been exceeded which the Trustee shall rely on absolutely without liability to any person.

Periods of Application of the APM

Once the Issuer and ZFS have become obliged hereunder to use their respective commercially reasonable efforts to operate the APM to settle any Optionally Deferred Interest or Solvency Deferred Interest, the Issuer and ZFS shall continue to use their respective commercially reasonable efforts to raise sufficient proceeds from the operation of the APM for up to the period specified in the applicable Final Terms for this purpose following the relevant Deferred Settlement Date to the extent permitted under prevailing applicable regulatory criteria governing the Capital Notes. If there exists, in the Issuer’s reasonable opinion, a Market Disruption Event (as defined below), then the specified period described above shall be extended by a period equal to the time during which the Market Disruption Event exists plus 60 Zurich business days.

If the applicable Final Terms provide that Intention Statement is applicable, then the applicable Final Terms shall specify the period for which the Issuer and ZFS intend to continue voluntarily to operate the APM if for any reason this has not occurred within the original period of 30 days from the Interest Payment Date in relation to which a Trigger Event is occurring.

If and to the extent that the Issuer and/or ZFS have not issued Qualifying APM Securities to settle any Deferred Interest in full within such specified time period, or, if such time periods do not otherwise apply, upon expiration of the period specified in the applicable Final Terms for this purpose after the date on which such Deferred Interest was originally deferred, the Issuer's obligation with respect to such unsettled Deferred Interest will be cancelled.

As used herein "**Market Disruption Event**" means the occurrence or existence of any of the following events or sets of circumstances: (i) the trading in the shares of ZFS generally on any internationally recognised exchange on which such securities are traded has been suspended or the settlement of such trading generally shall have been materially disrupted; (ii) a general moratorium shall have been declared on commercial banking activities or securities settlement systems in Switzerland, the US, the U.K. or the region comprised of member states of the European Union that adopted the euro in accordance with the Treaty establishing the European Community of 25 March 1957, as amended, as a result of which trading in shares of ZFS has been materially disrupted; (iii) there shall have occurred a change, event or circumstance that could be expected to result in a prospective change in Swiss taxation materially and adversely affecting the Issuer or ZFS, the ordinary shares of ZFS or the imposition of exchange controls by Switzerland; or (iv) there shall have occurred an outbreak or escalation of hostilities, any terrorist attacks or calamity or crisis, or any change or development involving or likely to involve a prospective change in national or international financial, political or economic conditions in any country, as a result of which trading in shares of ZFS has been materially disrupted. The Trustee shall be entitled to rely absolutely without liability to any person on a certificate given to it by two Directors of the Issuer as to the occurrence in the Issuer's reasonable opinion of a Market Disruption Event.

4. Interest

(a) Interest on Fixed Rate Capital Notes

Each Fixed Rate Capital Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and (if applicable) on the Maturity Date or other date fixed for redemption if that does not fall on an Interest Payment Date.

Except as provided in the applicable Final Terms and subject to Condition 3, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each calculation amount as specified in the applicable Final Terms ("**Calculation Amount**") multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

For the purposes of these Conditions "**Fixed Day Count Fraction**" means:

- (i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

- (a) where the relevant period (from and including the first day to but excluding the last day) is equal to or shorter than the Regular Period during which it falls, the actual number of days in the relevant period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year; and
- (b) where the relevant period (from and including the first day to but excluding the last day) is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such relevant period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such relevant period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (ii) if “**30/360**” is specified in the applicable Final Terms, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and

“**Regular Period**” means:

- (i) in the case of Capital Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Capital Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Capital Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“**sub-unit**” with respect to any currency other than euro, means the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

If the applicable Final Terms specify that a Mid Swap Rate is applicable to interest payable on Interest Payment Dates falling in a specified period (the “**Reset Period**”), the Capital Notes will bear interest during such Reset Period at a rate determined on the Reset Determination Date as being the aggregate of the Reset Margin and the Specified Mid Swap Rate. The Specified Mid Swap Rate shall be the mid market swap rate for the Specified Swap Duration, expressed as a percentage, which appears on the Mid Swap Rate Screen Page (or such other page as may replace that page, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates) at 11.00 a.m. (local time) on the Reset Determination Date. If swap rates do not appear on that page, the Specified Mid Swap Rate shall be determined by the Agent on the basis of (i) quotations provided by the principal office of each of four major banks in the relevant swap market of the rates at which swaps in the applicable currency are offered by it at approximately 11.00 a.m. (local time) on the Reset Determination Date to participants in the relevant swap market for

the period equal to the Specified Swap Duration; and (ii) the arithmetic mean rounded, if necessary, to the nearest 0.00001 (0.000005 being rounded upwards) of such quotations.

For the purposes of the above paragraph "**Reset Determination Date**" means, in respect of the relevant Reset Period, the 5th Business Day prior to the relevant Reset Date.

(b) Interest on Floating Rate Capital Notes and Indexed Interest Capital Notes

(i) Interest Payment Dates

Each Floating Rate Capital Note and Indexed Interest Capital Note bears interest on its nominal amount from (and including) the Interest Commencement Date and such interest will be payable, subject to Condition 3, in arrear on either:

- (a) the Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (b) if no express Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable, subject to Condition 3, in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to but excluding the next Interest Payment Date).

If the business day convention is specified in the applicable Final Terms and if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(b) above, the Floating Rate Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, "**Business Day**" means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments in London and any Additional Business Centre specified in the applicable Final Terms; and
- (b) either (1) in relation to interest payable in Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of

the country of the relevant Specified Currency (if other than London and any Additional Business Centre) or (2) in relation to interest payable in euro, a day on which the TARGET system is operating.

For the purposes of these Conditions “**TARGET system**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer, known as TARGET 2, System which was launched on 19 November 2007 or any successor thereto.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Capital Notes and Indexed Interest Capital Notes will be determined in the manner specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Capital Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (LIBOR) or the European inter-bank offered rate (EURIBOR) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

When this sub-paragraph (A) applies, in respect of each relevant Interest Period the Agent will be deemed to have discharged its obligations under Condition 4(b)(iv) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (A).

(B) Screen Rate Determination for Floating Rate Capital Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or

- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time or in the case of EURIBOR, Brussels time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Capital Notes is specified in the applicable Final Terms as being other than the London inter-bank offered rate or EURIBOR, the Rate of Interest in respect of such Capital Notes will be determined as provided in the applicable Final Terms.

(iii) Minimum and/or Maximum Interest Rate

If the applicable Final Terms specify a Minimum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Interest Rate, the Rate of Interest for such Interest Period shall be such Minimum Interest Rate.

If the applicable Final Terms specify a Maximum Interest Rate for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Interest Rate, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

(iv) Determination of Rate of Interest and Calculation of Interest Amounts

The Agent, in the case of Floating Rate Capital Notes, or the Calculation Agent specified in the applicable Final Terms, in the case of Indexed Interest Capital Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Indexed Interest Capital Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Capital Notes or Indexed Interest Capital Notes in respect of each Calculation Amount for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the

resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest of any Interest Period:

- (A) if “Actual/Actual” or “Actual/Actual/ISDA” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (D) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(1)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (E) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(1)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30; and

(F) if “**30E/360 (ISDA)**” is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_{(2)} - Y_{(1)})] + [30 \times (M_{(2)} - M_{(1)})] + (D_{(2)} - D_{(1)})}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₂ will be 30.

(v) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Capital Notes or Indexed Interest Capital Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined below) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange, listing authority and/or quotation system by which the relevant Floating Rate Capital Notes or Indexed Interest Capital Notes are for the time being admitted to listing, trading and/or quotation and to the Noteholders in accordance with Condition 13. In these Conditions “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) Determination or Calculation by Trustee

If for any reason the Agent or, as the case may be, the Calculation Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with paragraphs (ii) and (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any minimum or maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent, as applicable.

(vii) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or the Trustee or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Agent, the Calculation Agent (if applicable), the other Paying Agents, the Registrar and any Transfer Agents and all Noteholders, Receipholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receipholders or the Couponholders shall attach to the Agent, the Trustee or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) Dual Currency Capital Notes

In the case of Dual Currency Capital Notes, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(d) Accrual of Interest

Each Capital Note (or, in the case of the redemption of part only of a Capital Note, that part only of such Capital Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

(e) Recalculation of Interest

If a tax deduction or withholding (collectively, a “**Tax Deduction**”) is required by law to be made by the Issuer in respect of any interest payable in respect of the Capital Notes and should Condition 7(a) be unlawful for any reason, the applicable Rate of Interest in relation to Interest Amounts payable for the period ending on that Interest Payment Date will, subject to the exceptions in Condition 7(b), be the Rate of Interest which would have otherwise been payable for the period ending on that Interest Payment Date divided by 1 minus the rate (expressed as a fraction of 1) at which the relevant Tax Deduction is required to be made and the Issuer will (i) be obligated to pay the relevant Interest Amount on that Interest Payment Date at the adjusted rate in accordance with this Condition 4(e) and (ii) make the Tax Deduction on the recalculated interest amount. Without prejudice to the foregoing, all references to a Rate of Interest in the Conditions shall be construed accordingly and all provisions in Condition 7 (other than Condition 7(a)) shall apply to the Tax Deduction on the recalculated interest payment (such recalculation is referred to herein as a “**Recalculation of Interest**”).

5. Payments

(a) Method of Payment

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars, shall be Auckland); and
- (ii) payments in euro will be made by credit or transfer to an euro account specified by the payee.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7. References to “**Specified Currency**” will include any successor currency under applicable law.

(b) Presentation of Capital Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 5(a) above only against presentation and surrender (or, in the case of part payment only, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment only, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

In respect of Definitive Bearer Notes, payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5(a) above against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Receipt at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)). Payment of the final instalment will be made in the manner provided in Condition 5(a) above only against presentation and surrender of the relevant Definitive Bearer Note in the manner provided in the preceding sentence. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Capital Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. Where any such Definitive Bearer Note is presented for redemption without all unmatured Receipts, Coupons or Talons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

If the due date for redemption of any Definitive Bearer Note is not a Fixed Interest Date or an Interest Payment Date, interest (if any) accrued in respect of such Definitive Bearer Note from (and including) the preceding Fixed Interest Date or Interest Payment Date or, as the case may be, the Interest Commencement Date shall, subject to Condition 3, be payable only against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Definitive Bearer Note.

Payments of principal and interest (if any) in respect of Capital Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes and otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender, as the case may be, of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of such Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by such Paying Agent and such record shall be prima facie evidence that the payment in question has been made.

The holder of a Bearer Global Note shall be the only person entitled to receive payments in respect of Capital Notes represented by such Bearer Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Bearer Global Note in respect of each amount so paid.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of this Bearer Global Note is payable in US dollars, such US dollar payments of principal and/or interest in respect of this Bearer Global Note will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in US dollars at such specified offices outside the United States of the full amount of principal and interest on the Capital Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in US dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

Payments of principal in respect of Registered Notes (whether in individual or global form) will be made in the manner provided in Condition 5(a) above against presentation and surrender (or, in the case of part payment of any sum due only, endorsement) of such Registered Global Note or Individual Registered Notes at the specified office of the Registrar or at the specified office of any Paying Agent. Payments of interest due on a Registered Note and payments of instalments (if any) of principal on a Registered Note, other than the final instalment, will be made to the person in whose name such Capital Note is registered (i) where in global form, at the close of business on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Days means Monday to Friday inclusive except 25 December and 1 January, and (ii) where in individual form, at the close of business on the 15th day (whether or not such 15th day is a business day (being for the purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) (the **"Record Date"**)). In the case of payments by cheque, cheques will be mailed to the holder (or the first named of joint holders) at such holder's registered address on the due date. If payment is required by credit or transfer as referred to in Condition 5(a) above, application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

(c) Payment Day

If the date for payment of any amount in respect of any Capital Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment of the amount due until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, and unless otherwise specified in the applicable Final Terms, **"Payment Day"** means any day which is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, in any Payment Business Centre specified in the applicable Final Terms and, in the case of Notes in individual form only, in the relevant place of presentation; and

- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Business Centre) or (2) in relation to Capital Notes denominated or payable in euro, a day on which the TARGET system is operating.

(d) Interpretation of Principal and Interest

Any reference in these Terms and Conditions to principal in respect of the Capital Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or pursuant to any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Early Redemption Amount (as specified in the applicable Final Terms) of the Capital Notes;
- (iii) the Optional Redemption Amount(s) (as specified in the applicable Final Terms) (if any) of the Capital Notes;
- (iv) in relation to Capital Notes redeemable in instalments, the Instalment Amounts (as specified in the applicable Final Terms); and
- (v) any premium and any other amounts which may be payable by the Issuer under or in respect of the Capital Notes.

Any reference in these Terms and Conditions to interest in respect of the Capital Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

(e) Payments on Listed Swiss Franc Capital Notes

The receipt by the Principal Paying Agent named in the applicable Final Terms (the “**Principal Paying Agent**”) from the Issuer of each payment in full of principal and/or interest then due in respect of any Listed Swiss Franc Capital Notes at the time and in the manner specified in the agency agreement appointing the Principal Paying Agent to act as such in relation to the Listed Swiss Franc Capital Notes shall (except to the extent that such payment is avoided or set aside for any reason) satisfy the obligation of the Issuer under such Capital Notes to make such payment on such date and shall (except as aforesaid) release it from all further obligations in respect of such payment.

(g) Definition

In this Condition, “**euro**” means the single currency adopted by those states participating in European Monetary Union from time to time.

6. Redemption and Purchase

(a) At Maturity

Each Capital Note which is specified in the applicable Final Terms as being a Dated Capital Note (“**Dated Capital Notes**”), unless previously redeemed or purchased and cancelled as specified below, will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms together, if applicable, with interest accrued to the date fixed for redemption and, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, any applicable Deferred Interest on the Maturity Date provided that, in the case of Dated Capital Notes if so specified in the applicable Final Terms, if a Solvency Event has occurred and is continuing on the Maturity Date or would occur as a result of the relevant redemption, the Dated Capital Notes shall not be redeemed, unless the prior written approval of FINMA or any Successor Authority for such payment has been given. In such circumstances, if a Solvency Event has occurred and is continuing on the Maturity Date and no prior written approval as aforesaid has been given, each such Dated Capital Note will be redeemed by the Issuer promptly following either the obtaining of such written approval or no Solvency Event continuing (including following the relevant redemption) and the giving of not more than 30 nor less than 15 days’ notice to such effect by the Issuer to Noteholders in accordance with Condition 13. References herein to “**Maturity Date**” shall be construed accordingly to refer to such later date of redemption and for the avoidance of doubt, interest shall continue to accrue (without compounding) as provided in Condition 4 on any such Dated Capital Note until such later date of redemption.

A certificate as to the occurrence of a Solvency Event and as to whether or not written approval of FINMA or any Successor Authority as aforesaid has been given signed by two Directors of the Issuer or ZFS, shall, in the absence of manifest error be treated and accepted by the Issuer, the Noteholders, the Trustee, the Receiptholders, the Couponholders and all other interested parties as correct and sufficient evidence thereof. The Trustee shall be entitled to rely upon such certification absolutely without liability to any persons.

Each Capital Note which is specified in the applicable Final Terms as an Undated Capital Note (“**Undated Capital Notes**”) is perpetual and has no fixed maturity date and is only redeemable or repayable in accordance with the following provisions of this Condition 6 or Condition 9.

(b) Redemption for Tax Reasons

The Capital Notes may, subject to Condition 6(j), be redeemed at the option of the Issuer prior to the first Optional Redemption Date in whole, but not in part, at any time (if this Capital Note is neither a Floating Rate Capital Note nor an Indexed Interest Capital Note) or on any Interest Payment Date (if this Capital Note is either a Floating Rate Capital Note or an Indexed Interest Capital Note) at the relevant Regular Redemption Price or, as appropriate, Special Redemption Price referred to below, together, if applicable, with interest accrued to the date fixed for redemption and, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, any applicable Deferred Interest, on giving not less than 30 nor more than 60 days’ notice to the Trustee and the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) on the occasion of the next payment due under the Capital Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of (a) any law or regulation in existence on the Issue Date (in which case the Special Redemption Price specified

in the applicable Final Terms shall apply) or (b) change in, or amendment to, the laws or regulations of the Relevant Jurisdiction(s) (as defined below) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Capital Notes (a “**Tax Law Change**”) (in which case the Regular Redemption Price specified in the applicable Final Terms shall apply); and in the case of both (a) and (b) such obligation cannot be avoided by the Issuer taking such reasonable measures available to it as it (acting in good faith) deems appropriate, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Capital Notes then due;

- (ii) on the occasion of the next payment of interest due under the Capital Notes, the Issuer would not be able to obtain a tax deduction for the purposes of Swiss corporation tax for that payment as a result of (a) any law or regulation in existence on the Issue Date (in which case the Special Redemption Price specified in the applicable Final Terms shall apply) or (b) a Tax Law Change (in which case the Regular Redemption Price specified in the applicable Final Terms shall apply) and in the case of both (a) and (b) such cannot be avoided by the Issuer taking such reasonable measures available to it as it (acting in good faith) deems appropriate; or
- (iii) on the occurrence of a Recalculation of Interest which (a) arises as a result of a Tax Law Change, in which case the Regular Redemption Price specified in the applicable Final Terms shall apply or (b) arises otherwise than as a result of a Tax Law Change, in which case the Special Redemption Price specified in the applicable Final Terms shall apply; and in the case of both (a) and (b) such Recalculation of Interest cannot be avoided by the Issuer taking such reasonable measures available to it as it (acting in good faith) deems appropriate, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Capital Notes then due.

The Trustee is under no obligation to ascertain whether any of the events described in this Condition or any event which could lead to the occurrence of, or could constitute any such event, has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such event has occurred.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to such effect and the Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

In these Conditions, “**Relevant Jurisdiction(s)**” means, unless otherwise specified in the applicable Final Terms, Switzerland.

(c) Redemption for Other Reasons

The Capital Notes may, subject to Condition 6(j), be redeemed at the option of the Issuer prior to the first Optional Redemption Date in whole, but not in part, at any time (if this Capital Note is neither a Floating Rate Capital Note nor an Indexed Interest Capital Note) or on any Interest Payment Date (if this Capital Note is either a Floating Rate Capital Note or an Indexed Interest Capital Note) (provided that if at any time the inclusion of a redemption option due to an Accounting Event or a Capital Event (each as

defined below) causes a Regulatory Event, the relevant date for redemption may only fall on or after the fifth anniversary of the Issue Date) at the Regular Redemption Price or the Special Redemption Price, as specified in the applicable Final Terms, together, if applicable, with interest accrued to the date fixed for redemption and, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, any applicable Deferred Interest on giving not less than 30 nor more than 60 days' notice to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders (which shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (i) if so specified in the applicable Final Terms, an Accounting Event has occurred and is continuing; or
- (ii) if so specified in the applicable Final Terms, a Capital Event has occurred and is continuing; or
- (iii) if so specified in the applicable Final Terms, a Regulatory Event has occurred and is continuing.

As used herein:

“Accounting Event” means that an opinion of a recognised accounting firm has been delivered to the Issuer, stating that obligations of the Issuer in respect of the Capital Notes must not or must no longer be recorded under the Initial Accounting Treatment Methodology specified in the applicable Final Terms (either **“liabilities”** or **“equity”**), (being the presentation of the Capital Notes under IFRS as at the Issue Date) on the balance sheet of ZFS published in its annual consolidated financial statements pursuant to IFRS and this cannot be avoided by the Issuer or, as the case may be, ZFS taking such reasonable measures as the Issuer or ZFS (acting in good faith) deems appropriate. The Issuer will deliver the applicable opinion to the Trustee.

“Capital Event” means a change by a nationally recognised statistical rating organisation to its equity credit criteria, or the interpretation or application thereof, for securities such as the Capital Notes, as such criteria are in effect on the Issue Date (the **“current criteria”**), which change has been confirmed in writing to the Issuer by such organisation and results in a lower equity credit being given to the Capital Notes as of the date of such change by such nationally recognised statistical rating organisation pursuant to its current criteria and the Issuer shall deliver such written notification of such nationally recognised statistical rating organisation to the Trustee.

“Future Regulations” means the solvency margin, regulatory capital or capital regulations (if any) which may be introduced in Switzerland (or if ZIC becomes domiciled for regulatory purposes in a jurisdiction other than Switzerland, such other jurisdiction) and which are applicable to ZIC, which would set out the requirements to be fulfilled by financial instruments in order to be eligible to be included in Tier Two (or equivalent) own funds regulatory capital.

“Regulatory Event” means, in respect of Undated Capital Notes, the occurrence of any of the following events which occurrence cannot be avoided by the Issuer taking such reasonable measures as the Issuer (acting in good faith) deems appropriate:

- (A) prior to the implementation of the Future Regulations, FINMA or any Successor Authority states that the Capital Notes are no longer eligible to qualify as at least upper additional capital (*“oberes ergänzendes Kapital”*) pursuant to Art. 49 in connection with Art. 39 of the SPICO (as defined below), and no longer fulfil the requirements for such category, or equivalent thereof, for group or solo solvency purposes; or
- (B) with effect from the implementation of the Future Regulations, the Capital Notes do not qualify, or initially qualify but cease to so qualify, as at least Tier Two own funds (or equivalent) under such Future Regulations (or an official application or interpretation of those regulations including a decision of a court or tribunal); or
- (C) FINMA or any Successor Authority issues guidance after the Issue Date in relation to Tier 1 Capital (*“Kernkapital”*) qualifying instruments for group or solo solvency purposes (by way of law, ordinance, regulation or interpretation thereof), and FINMA or any Successor Authority affords the Capital Notes recognition as Tier 1 Capital (*“Kernkapital”*) for group or solo solvency purposes, and at a subsequent time FINMA or any Successor Authority states that the Capital Notes no longer fulfil the requirements of Tier 1 Capital (*“Kernkapital”*),

save, in each case above, where such non-qualification thereof applicable to the Capital Notes is only as a result of any applicable limitation on the amount of such capital.

“**Regulatory Event**” means, in respect of Dated Capital Notes, the occurrence of any of the following events which occurrence cannot be avoided by the Issuer taking such reasonable measures as the Issuer (acting in good faith) deems appropriate:

- (A) prior to the implementation of the Future Regulations, FINMA or any Successor Authority states that the Capital Notes are no longer eligible to qualify as at least lower additional capital pursuant to Art. 49 in connection with Art. 39 of the SPICO (as defined below), and no longer fulfil the requirements for such category, or equivalent thereof, for group or solo solvency purposes; or
- (B) with effect from the implementation of the Future Regulations, the Capital Notes do not qualify, or initially qualify but cease to so qualify, as at least Tier Two own funds (or equivalent) under such Future Regulations (or an official application or interpretation of those regulations including a decision of a court or tribunal); or
- (C) FINMA or any Successor Authority issues guidance after the Issue Date in relation to Tier 1 Capital (“*Kernkapital*”) qualifying instruments for group or solo solvency purposes (by way of law, ordinance, regulation or interpretation thereof), and FINMA or any Successor Authority affords the Capital Notes recognition as Tier 1 Capital (“*Kernkapital*”) for group or solo solvency purposes, and at a subsequent time FINMA or any Successor Authority states that the Capital Notes no longer fulfil the requirements of Tier 1 Capital (“*Kernkapital*”),

save, in each case above, where such non-qualification thereof applicable to the Capital Notes is only as a result of any applicable limitation on the amount of such capital.

“**SPICO**” means the Ordinance on the Supervision of Private Insurance Companies (*Verordnung über die Beaufsichtigung von privaten Versicherungsunternehmen — AVO*) of 9 November 2005, as amended.

“**Special Event**” means any of an Accounting Event, a Capital Event or a Regulatory Event or any combination of the foregoing;

“**Tier 1 Capital**” means core capital (“*Kernkapital*”) pursuant to Art. 48 SPICO.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the circumstances described in the definitions of Accounting Event, Capital Event or Regulatory Event (as appropriate) have occurred and that, where such Special Event requires reasonable measures as the Issuer or, as the case may be, ZFS may deem appropriate to be taken, the relevant Special Event cannot be avoided by the Issuer or, as the case may be, ZFS taking such measures and the Trustee shall be entitled to accept such certificate as sufficient evidence that the circumstances described in the relevant Special Event apply, in which event it shall be conclusive and binding on the Noteholders, Receiptholders and the Couponholders.

The Trustee is under no obligation to ascertain whether any Special Event or any event which could lead to the occurrence of, or could constitute, any such Special Event, has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event has occurred.

(d) Redemption at the Option of the Issuer

Subject to Condition 6(j), the Issuer may, having given:

- (i) not less than 15 nor more than 30 days’ notice to the Noteholders in accordance with Condition 13; and

- (ii) not less than 15 days before the giving of the notice referred to in (i), written notice to the Trustee and the Agent,

(which notices shall be irrevocable), redeem all but not, unless so specified in the applicable Final Terms, some only of the Capital Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date and, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, any applicable Deferred Interest.

(e) Substitution or Variation

If any of the events described in Condition 6(b) or 6(c) has occurred and is continuing, then the Issuer may, subject to Condition 6(j), (without any requirement for the consent or approval of the Noteholders) and subject to having satisfied the Trustee immediately prior to the giving of such notice referred to herein that the provisions of this Condition 6(e) have been complied with and having given not less than seven days' written notice to the Trustee, the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), at any time either substitute all (but not some only) of the Capital Notes for, or vary the terms of the Capital Notes so that they remain or, as appropriate, become, Qualifying Securities and the Trustee shall (subject as provided below and to the following provision of this Condition 6(e) being complied with and subject further to the receipt by the Trustee of a certification by the Directors of the Issuer referred to below) agree to such substitution or variation. In connection therewith, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, all applicable Deferred Interest (if any) will be satisfied by operation of the APM or otherwise, as applicable.

Upon the expiry of such notice, the Issuer shall either vary the terms of, or substitute, the Capital Notes in accordance with this Condition 6(e), as the case may be. The Trustee shall not be obliged to participate in any substitution or variation of the Capital Notes for any proposed alternative Qualifying Securities if the terms of the proposed alternative Qualifying Securities would impose, in the Trustee's opinion, more onerous obligations on it.

As used herein, "**Qualifying Securities**" means securities:

- (a) having terms that are not less favourable to an investor than the terms of the Capital Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of two Directors of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities); and
- (b) issued by the Issuer or issued by another member of the Zurich Financial Services Group with a guarantee by the Issuer, such that investors have the same material rights and claims as provided by the Capital Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of two Directors shall have been delivered to the Trustee prior to the issue of the relevant securities); and
- (c) ranking at least equal to the Capital Notes and featuring the same principal amount, interest rate (including applicable margins and step-up), Interest Payment Dates and Optional Redemption Dates as the Capital Notes; and
- (d) listed on an internationally recognised stock exchange, if the Capital Notes were listed prior to such substitution or variation.

In addition, any substitution or modification is subject to (A) all interest amounts accrued and due, including Deferred Interest, being satisfied in full on or prior to the date hereof; (B) compliance with Condition 6(j); (C) the substitution or variation not itself giving rise to a change in any published rating of

the Capital Notes in effect at such time as confirmed in writing by the rating organisations who have given such published rating of the Capital Notes previously; (D) the substitution or variation not triggering the right on the part of the Issuer to redeem the Capital Notes pursuant to Condition 6(b) or 6(c); and (E) certification by two Directors of the Issuer that the securities in question are “**Qualifying Securities**” in accordance with the definition set out above and that the conditions set out herein have been complied with, which such certificate shall be delivered to the Trustee prior to the substitution or variation of the relevant securities and upon which certificate the Trustee shall be entitled to rely absolutely without liability to any person.

In connection with any substitution or variation as indicated above, the Issuer will comply with the rules of any stock exchange or other relevant authority on which the Capital Notes are then listed or admitted to trading.

(f) Maintenance of Capital

The applicable Final Terms will specify whether the Issuer or, as the case may be, ZFS intends to enter into a replacement capital covenant for the benefit of one or more designated series of the Issuer’s debt securities. It is anticipated that the terms of any such replacement capital covenant will provide that the Issuer will not redeem or repurchase any of the relevant Capital Notes and will not permit any subsidiary to purchase any of the relevant Capital Notes, unless and to the extent that the aggregate redemption, repurchase or purchase price is equal to or less than the net proceeds (or in certain circumstances a specified percentage of such net proceeds) received by the Issuer, ZFS or their respective subsidiaries during the twelve months prior to such redemption, repurchase or purchase date from new issuances of qualifying securities and that the covenant will terminate on the redemption of the Capital Notes if not terminated earlier in accordance with its terms. Any such replacement capital covenant will continue to be effective following any substitution or variation of the Capital Notes in accordance with their terms.

In the event of a replacement capital covenant being specified in the applicable Final Terms, the Issuer will provide a certificate to the Trustee signed by two Directors of the Issuer prior to any redemption, repurchase or purchase referred to above that the conditions specified in such replacement capital covenant in relation to any such redemption, repurchase or purchase have been satisfied which the Trustee shall rely on absolutely without liability to any person.

If so specified in the applicable Final Terms, the following statement shall apply. The Capital Notes will form part of the Issuer’s capital resources and, as such, it is the Issuer’s intention to redeem the Capital Notes only to the extent that the Issuer, ZFS or any of their respective subsidiaries have, in the period of twelve months preceding such redemption, raised funds in an amount at least equal to the aggregate principal amount of the Capital Notes by the external issuance and sale of any ordinary shares or any securities that have equal or greater equity characteristics relative to the Capital Notes.

(g) Instalments

Instalment Capital Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the relevant redemption amount will be determined as provided in the applicable Final Terms.

(h) Purchases

The Issuer or any of its Subsidiaries (as such term is defined in the Trust Deed) may, subject to Condition 6(j) and, in the case of Restricted Capital Notes subject to Condition 10(j), at any time purchase Capital Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Capital Notes may be held, resold or, at the option of the Issuer, surrendered to any Paying Agent or the Registrar for cancellation.

(i) Cancellation

All Capital Notes which are redeemed or purchased and surrendered for cancellation will forthwith be cancelled (together, in the case of Definitive Bearer Notes, with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Capital Notes so cancelled and the Capital Notes purchased and cancelled pursuant to Condition 6(h) above (together in the case of Definitive Bearer Notes with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(j) Conditions to Redemption, Substitution, Variation and Purchase

The Issuer may only redeem a Capital Note, or substitute or vary it in accordance with Condition 6(e) (and the persons referred to in Condition 6(h) may only purchase a Capital Note) if FINMA or any Successor Authority has given (and has not subsequently withdrawn) its consent to the redemption (or substitution or variation or purchase as appropriate) to the extent such consent is required or otherwise has not objected to such redemption (or substitution or variation or purchase).

7. Taxation

(a) Additional Amounts

All payments of principal, premium and interest in respect of the Capital Notes will be made free and clear of, and without any Tax Deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed by the Swiss Confederation or any subdivision thereof (“**Taxes**”), unless the Issuer is compelled by law to make such Tax Deduction. In the event of such Tax Deduction, the Issuer will pay such additional amounts (the “**Additional Amounts**”) as will result (after such Tax Deduction) in receipt by the Noteholders of such sums as the Noteholders would have received if no Tax Deduction had been required.

(b) Exceptions

However, no such Additional Amounts or increased interest to the extent recalculated pursuant to Condition 4(e) shall be payable with respect to such Taxes in respect of any Noteholder:

- (i) if Capital Notes other than Restricted Capital Notes are issued;
- (ii) if the Capital Note is presented for payment by or on behalf of a Noteholder which is liable to such taxes, duties, assessments or governmental charges in respect of that Capital Note by reason of it having some connection with the Relevant Jurisdiction other than the mere holding of that Capital Note;

- (iii) if the Capital Note is presented for payment more than 30 days after the Relevant Date (as defined below), except to the extent that the relevant holder would have been entitled to payment of such Additional Amounts or recalculated interest if it had presented its Capital Note for payment on the 30th day after the Relevant Date, on the assumption if such is not the case, that such last day is a Business Day;
- (iv) where such Tax Deduction is imposed on a payment to an individual or a residual entity and (y) is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive or (z) is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements;
- (v) where such withholding or deduction is imposed on a payment and is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down (y) in the European Council Directive 2003/48/EC or (z) in the draft legislation proposed by the Swiss Federal Council on 22 December 2010, in particular the principle to have a person other than the Issuer or Guarantor withhold or deduct the tax, including, without limitation, any paying agent;
- (vi) if the Capital Note is presented for payment by or on behalf of a Noteholder which would have been able to avoid such Tax Deduction by presenting the Capital Note to a Paying Agent in another Member State of the European Union;
- (vii) (if so specified in the applicable Final Terms) if the payment could have been made to the relevant Noteholder without a Tax Deduction if it were a Qualifying Lender (as defined below), but on that date that Noteholder is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Noteholder under these Conditions in (or in the interpretation, administration, or application of) any law or double taxation treaty, or any published practice or concession of any relevant taxing authority; or
- (viii) if the payment could have been made without a Tax Deduction if the Noteholders had complied with Conditions 10(j) and 10(k) (if Condition 10(j) is expressed in the applicable Final Terms to apply).

(c) Evidence

Within 30 days of making either a Tax Deduction or a payment required in connection with a Tax Deduction, the Issuer shall deliver to the relevant Noteholder evidence satisfactory to that Noteholder (acting reasonably) that the Tax Deduction has been made or (as applicable) the appropriate payment has been paid to the relevant taxing authority.

(d) Refund

If the Issuer is required to make a Tax Deduction and the relevant Noteholder (acting in good faith) determines that (i) a Tax refund for such Tax Deduction is available to it and it has retained that Tax refund, that Noteholder shall pay within 10 Business Days after such Tax refund an amount to the Issuer which that Noteholder determines (in its sole discretion) will leave it (after that payment) in

the same after-tax position as it would have been if the payment of the Additional Amount had not been required to be made by the Issuer.

(e) Definitions

As used in the Conditions:

“Guidelines” means, together, the guideline “Interbank Loans” of 22 September 1986 (S-02.123) (*Merkblatt “Verrechnungssteuer auf Zinsen von Bankguthaben, deren Gläubiger Banken sind (Interbankguthaben)” vom 22. September 1986*); the guideline “Syndicated Loans” of January 2000 (S-02.128) (*Merkblatt “Steuerliche Behandlung von Konsortialdarlehen, Schuldscheindarlehen, Wechseln und Unterbeteiligungen” vom Januar 2000*); the guideline “Bonds” of April 1999 (S 02.122.1) (*Merkblatt “Obligationen” vom April 1999*); the guideline “Client Credit Balances” of April 1999 (S-02.122.2) (*Merkblatt Kundenguthaben vom April 1999*); and the circular letter No. 15 (1-015-DVS-2007) of 7 February 2007 in relation to bonds and derivative financial instruments as subject matter of Swiss federal income tax, Swiss federal withholding tax and Swiss federal stamp taxes (*Kreisschreiben Nr. 15 “Obligationen und derivative Finanzinstrumente als Gegenstand der direkten Bundessteuer, der Verrechnungssteuer und der Stempelabgaben” vom 7. Februar 2007*), each as issued, and as amended from time to time, by the Swiss federal tax authorities.

“Non-Bank Rules” means the Ten Non-Bank Rule and the Twenty Non-Bank Rule (each as defined below).

“Permitted Non-Qualifying Lender” means in respect of a Series of Restricted Capital Notes a person or entity which is not a Qualifying Bank on the date it becomes a Noteholder and:

- (i) is initially a Permitted Non-Qualifying Lender (if any) specified in the applicable Final Terms (for so long as that Permitted Non-Qualifying Lender continues to be a Noteholder in accordance with the Conditions), or
- (ii) is a successor of an initial Permitted Non-Qualifying Lender, or any subsequent successor thereof, by way of Transfer (as defined in Condition 10(j)) of all but not some only of the Capital Notes held by such initial Permitted Non-Qualifying Lender, or such subsequent successor thereof (for so long as that successor continues to be a Noteholder in accordance with the Conditions), which:
 - (A) has prior to its becoming a Noteholder, satisfied all obligations to be fulfilled by a proposed Permitted Non-Qualifying Lender in accordance with Condition 10(j), provided that:
 - (a) within ten (10) Business Days of notification to it by the existing Permitted Non-Qualifying Lender of the identity of such proposed Permitted Non-Qualifying Lender, the Issuer may, as a condition precedent to such proposed Permitted Non-Qualifying Lender becoming a Noteholder:
 - (i) request from that proposed Permitted Non-Qualifying Lender a confirmation that it has disclosed to the Issuer all facts relevant to the determination as to whether it would be a Permitted Non-Qualifying Lender and would constitute one (1) person only for purposes of the Non-Bank Rules; and
 - (ii) irrespective of whether a request is made in accordance with paragraph (A)(a)(i) above, request from that proposed Permitted Non-Qualifying Lender a tax ruling of the Swiss Federal Tax Administration (at the cost of the existing Permitted Non-Qualifying Lender or the proposed

Permitted Non-Qualifying Lender), confirming to the Issuer's satisfaction that such proposed Permitted Non-Qualifying Lender does constitute one (1) person only for purposes of the Non-Bank Rules; and

- (b) the Issuer, acting reasonably, shall confirm within ten (10) Business Days of notification of all facts (if a request in accordance with paragraph (A)(a)(i) above has been made) or receipt of a tax ruling (if a request in accordance with paragraph (A)(a)(ii) above has been made) whether or not such disclosure, or such tax ruling, as the case may be, is satisfactory and, in the absence of such confirmation, the Issuer shall be deemed to have confirmed such disclosure, or such tax ruling, as the case may be, is so satisfactory on the tenth (10th) Business Day after receipt hereof or thereof; and
- (B) has, simultaneously with becoming a Noteholder, succeeded the existing Permitted Non-Qualifying Lender as "Permitted Non-Qualifying Lender" under all, but not some only, Restricted Capital Notes of the respective Series and under any and all other existing or future Series of Restricted Capital Notes, or similar instruments, between the Issuer and the existing Permitted Non-Qualifying Lender (or any successor thereof).

"Permitted Non-Qualifying Lenders" means in respect of a Series of Restricted Capital Notes the number of Permitted Non-Qualifying Lenders specified in the applicable Final Terms.

"Qualifying Bank" means a person or entity which effectively conducts banking activities with its own infrastructure and staff as its principal business purpose and which has a banking licence in full force and effect issued in accordance with the banking laws in force in its jurisdiction of incorporation, or if acting through a branch, issued in accordance with the banking laws in the jurisdiction of such branch.

"Qualifying Lender" means a Noteholder which is a Qualifying Bank or a Permitted Non-Qualifying Lender.

"Relevant Date" means whichever is the later of the date on which the payment in question first becomes due and, if the full amount payable has not been received by the Agent on or prior to that due date, the date on which notice of receipt of the full amount has been given to the Noteholders in accordance with Condition 13.

"Restricted Capital Notes" means Capital Notes issued in accordance with Conditions 10(j) and 10(k).

"Tax Deduction" has the meaning set out in Condition 4(e).

"Ten Non-Bank Rule" means the rule that the aggregate number of Noteholders under a Series of Restricted Capital Notes which are not Qualifying Banks must not at any time exceed ten, in each case in accordance with the meaning of the Guidelines.

"Twenty Non-Bank Rule" means the rule that the aggregate number of the Issuer's lenders (including Noteholders), other than Qualifying Banks, under all outstanding debts relevant for classification as debenture (*Kassenobligation*), such as intra-Group loans, facilities and/or private placements (including under Restricted Capital Notes and Capital Notes not classified as a taxable bond (*Anleihensobligation*)) must not at any time exceed twenty, in each case in accordance with the meaning of the Guidelines.

Under existing law, ZIC is obliged to withhold the Swiss federal withholding tax on any payment of interest in respect of a Capital Note at the current rate of 35 per cent. On 22 December 2010 the Swiss

Federal Council issued draft legislation, which, if enacted, would remove such obligation entirely. Instead, the obligation would be imposed on any paying agent in Switzerland (as defined in the proposed new law) but only if the payment of interest in respect of a Capital Note were made to an individual resident in Switzerland or to a person resident in a country which has no double tax treaty with Switzerland. In all other cases no withholding obligation would arise under the proposed new law.

8. Prescription

The Capital Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

The Luxembourg Act dated 3 September 1996 on the involuntary dispossession of bearer securities, as amended, requires that any amount that is payable under the Bearer Notes (if any) before opposition (if applicable) in relation to the Bearer Notes has been filed but not yet been paid to the holder of the Bearer Notes is paid to the *Caisse de Consignation* in Luxembourg until the opposition has been withdrawn or has elapsed.

9. Dissolution Event

(a) Dissolution Event

The Trustee at its discretion may, and if so requested in writing by the holders of not less than 25 per cent in nominal amount of the Capital Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders shall (but, in each case, subject to the Trustee having been indemnified and/or secured to its satisfaction), give notice to the Issuer that the Capital Notes are immediately due and repayable at an amount equal to the principal amount of such Capital Note together with, unless otherwise specified in the applicable Final Terms, accrued interest and, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, any applicable Deferred Interest if the following event (“**Dissolution Event**”) shall have occurred: a resolution is passed or an order of a court of competent jurisdiction is made that the Issuer be wound up or dissolved otherwise than for the purpose of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by the Trustee or by an Extraordinary Resolution of Noteholders or as a result of a Permitted Reorganisation (a “**Dissolution Event**”).

(b) Proceedings for Winding-up

If the Capital Notes become due and repayable (whether pursuant to Condition 9(a), Condition 6 or otherwise) and are not paid when so due and repayable, the Trustee may at its discretion participate in, but not itself institute, proceedings for the winding-up of the Issuer and may take no further action to enforce the obligations of the Issuer for payment of any principal or interest (including, in the case of Capital Notes which are specified in the applicable Final Terms as being Cumulative, applicable Deferred Interest, if any) in respect of the Capital Notes.

No payment in respect of the Capital Notes may be made by the Issuer pursuant to Condition 9(a), nor will the Trustee accept the same, otherwise than during or after a winding-up of the Issuer.

(c) Enforcement

Without prejudice to Condition 9(a) or 9(b) above and, in the case of Restricted Capital Notes, subject to Conditions 10(j) and 10(k), the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed, the Capital Notes or the Coupons (other than any obligation for the payment of any principal or interest in respect of the Capital Notes or the Coupons) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(d) Rights of Noteholders

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or to prove in the winding-up of the Issuer unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholders, Receiptholders or Couponholders shall have only such rights against the Issuer as those which the Trustee is entitled to exercise.

(e) Extent of Noteholders' Remedy

No remedy against the Issuer other than as referred to in this Condition 9, shall be available to the Trustee or the Noteholders, Receiptholders or Couponholders, whether for the recovery of amounts owing in respect of the Capital Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Capital Notes or under the Trust Deed.

In this Condition: **"Permitted Reorganisation"** means an amalgamation, merger, consolidation, reorganisation or other similar arrangement entered into by the Issuer under which:

- (a) the whole or a substantial part of the business, undertaking and assets of the Issuer are transferred to, and all the liabilities and obligations of the Issuer are assumed by, the new or surviving entity either:
 - (A) automatically by operation of applicable law; or
 - (B) by means of the new or surviving entity assuming all of the obligations of the Issuer under the terms of the Trust Deed and the Notes and as fully as if (and to the same extent in terms of ranking in a winding-up) it had been named in the Trust Deed and the Notes in place of the Issuer, and,
- (b) the new or surviving entity will immediately after such amalgamation, merger, consolidation, reorganisation or other similar arrangement be subject to the same regulation and supervision by the same regulatory authority (if any) as the Issuer was subject to immediately prior thereto.

10. Exchange of Capital Notes, transfer of Registered Global Notes, interests in Reg. S Notes, Individual Registered Notes and Replacement of Notes, Receipts, Coupons and Talons

(a) Exchange of Bearer Notes for Registered Notes

If so specified in the applicable Final Terms, a Bearer Note in definitive form may be exchanged for Registered Notes of like aggregate nominal amount (in individual registered form) by submission of a duly completed request for exchange substantially in the form provided in the Agency Agreement (an “**Exchange Request**”), copies of which are available from the specified office of the Registrar or any Transfer Agent, together with the Definitive Bearer Note and all unmatured Coupons, Talons and Receipts appertaining thereto, to a Transfer Agent at its specified office. Within five business days (being for this purpose, a day on which commercial banks and foreign exchange markets are open for business in the jurisdiction of the relevant Transfer Agent) of the request, in relation to Individual Registered Notes for which the Definitive Bearer Note is to be exchanged, the relevant Transfer Agent will authenticate and deliver, or procure the authentication and delivery of, at its specified office to the holder or (at the risk of the holder) send by mail to such address as may be specified by the holder in the Exchange Request, the Individual Registered Note(s) of a like aggregate nominal amount to the Definitive Bearer Note(s) exchanged and will enter the exchange of the Definitive Bearer Note(s) in the Register maintained by the Registrar as of the date which is 40 days after the date on which any Temporary Global Note is issued (the “**Exchange Date**”).

Exchange Requests may not be presented on or after the Record Date (as defined in Condition 5(b)) in respect of any Interest Payment Date up to and including such Interest Payment Date. Interest on Individual Registered Notes issued on exchange will accrue as from the immediately preceding Interest Payment Date, as the case may be. No exchanges of Bearer Notes for Registered Notes or interests in Registered Global Notes will be permitted for so long as the Bearer Notes are represented by a Temporary Global Note.

(b) Exchange of interests in Registered Global Notes for Individual Registered Notes

Interests in the Reg. S Global Note will be exchangeable for Individual Registered Notes in the following limited circumstances: (i) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces its intention permanently to cease business or does in fact do so and no alternative clearance system acceptable to the Trustee is available or (ii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of Noteholders under the Capital Notes represented by such Registered Global Note, and the Trustee has been advised by counsel that in connection with such proceedings it is necessary or appropriate for the Trustee to obtain possession of Individual Registered Notes representing the Registered Global Note. Upon the occurrence of any of the events described in the preceding sentence, the Issuer will cause the appropriate Individual Registered Notes to be delivered, provided that notwithstanding the above, no Individual Registered Notes will be issued until expiry of the applicable Distribution Compliance Period.

(c) Transfers of Registered Global Notes

Transfers of a Registered Global Note shall be limited to transfers of such Registered Global Note, in whole but not in part, to a nominee of Euroclear or Clearstream, Luxembourg or to a successor of any of them or such successor’s nominee.

(d) Transfers of interests in Reg. S Notes

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of an interest in, a Reg. S Note to a transferee in the United States will only be made pursuant to the US Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of US counsel, that such transfer is in compliance with any applicable securities laws of any state of the United States, and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

After expiry of the applicable Distribution Compliance Period such certification requirements will no longer apply to such transfers.

(e) Exchanges and transfers of Registered Notes generally

Registered Notes may not be exchanged for Bearer Notes.

Transfers of interests in Reg. S Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in a Reg. S Global Note will be transferable and exchangeable for Individual Registered Notes or for an interest in another Reg. S Global Note only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg (the “**Applicable Procedures**”).

Upon the terms and subject to the conditions set forth in the Agency Agreement, an Individual Registered Note may be transferred in whole or in part (in the authorised Denominations set out in the applicable Final Terms) by the holder or holders surrendering the Individual Registered Note for registration of the transfer of the Individual Registered Note (or the relevant part of the Individual Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and upon the Registrar or, as the case may be, the relevant Transfer Agent, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer and the Registrar, or as the case may be, the relevant Transfer Agent may with the prior approval of the Trustee prescribe, including any restrictions imposed by the Issuer on transfers of Registered Notes in individual form originally sold to a US person. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Individual Registered Note of a like aggregate nominal amount to the Registered Note (or the relevant part of the Individual Registered Note) transferred. In the case of the transfer of part only of an Individual Registered Note, a new Individual Registered Note in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Exchanges or transfers by a holder of an Individual Registered Note for an interest in, or to a person who takes delivery of such Individual Registered Note through, a Reg. S Global Note will be made no later than 60 days after the receipt by the Registrar or, as the case may be, the relevant Transfer Agent

of the Individual Registered Note to be so exchanged or transferred and, if applicable, upon receipt by the Registrar of a written certification from the transferor.

(f) Registration of transfer upon partial redemption

In the event of a partial redemption of Capital Notes under Condition 6(d), the Issuer shall not be required:

- (i) to register the transfer of Registered Notes (or parts of Registered Notes) during the period beginning on the sixty-fifth day before the date of the partial redemption and ending on the date on which notice is given specifying the serial numbers of Capital Notes called (in whole or in part) for redemption (both inclusive); or
- (ii) to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(g) Closed periods

No Noteholder may require the transfer of a Registered Note to be registered during the period of 30 days ending on the due date for any payment of principal or interest on that Capital Note.

(h) Costs of exchange or registration

The transfer of a Capital Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require from the Noteholder in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(i) Replacement of Capital Notes, Receipts, Coupons and Talons

Should any Capital Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, in the case of a Bearer Note, Receipt or Coupon, or the Registrar, in the case of an Individual Registered Note, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 13, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Capital Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

(j) Restrictions on Transfer of Certain Capital Notes

- (i) If the applicable Final Terms designate the Capital Notes as Restricted Capital Notes, (but not otherwise) the provisions of this Condition 10(j) shall apply and the Restricted Capital Notes will be issued as Registered Notes and may only be assigned or transferred, including upon an enforcement of a security, (a “**Transfer**” and “**Transferred**” shall be construed accordingly):
 - (a) in whole or in part, if the Transfer is to a Qualifying Bank, provided that in the case of a Transfer of the Restricted Capital Notes in part, the Restricted Capital Notes may not be transferred to more than the number of Qualifying Banks specified in the applicable Final Terms, or

- (b) in whole, but not in part (except for parts of Restricted Capital Notes held by Qualifying Banks at the time), if the Transfer is to a Permitted Non-Qualifying Lender,

provided that no Transfer under this Condition 10(j) may result in more Permitted Non-Qualifying Lenders being Noteholders than as specified in the applicable Final Terms.

The Restricted Capital Notes will bear a legend setting forth the applicable transfer restrictions provided for in this Condition 10(j).

- (ii) A Noteholder may at any time require that the Issuer replaces such Noteholder's certificate(s) representing the Restricted Capital Notes with certificates in minimum denominations equal to the Restricted Capital Note Minimum Denomination Amount specified in the applicable Final Terms.
- (iii) Restricted Capital Notes may only be Transferred in amounts equal to the Restricted Capital Note Transfer Amount specified in the applicable Final Terms.
- (iv) Any Transfer of a Restricted Capital Note shall be recorded by the Registrar in the Register on production of:
 - (a) the relevant certificate representing the Restricted Capital Note and certification delivered to the Registrar by the transferee to the effect that it is a Qualifying Bank or Permitted Non-Qualifying Lender; and
 - (b) such other evidence as the Issuer may require.
- (v) Subject to this Condition 10(j), no Noteholder shall at any time enter into any arrangement with another person under which such Noteholder transfers all or part of its interest in the Restricted Capital Notes to that other person, unless under such arrangement throughout the life of such arrangement:
 - (a) the relationship between the Noteholder and that other person is that of debtor and creditor (including in the bankruptcy or similar event of that Noteholder or the Issuer),
 - (b) the other person will have no proprietary interest in the benefit of the Restricted Capital Notes or in any monies received by the Noteholder under or in relation to the Restricted Capital Notes held by that Noteholder, and
 - (c) the other person will under no circumstances (other than by way of permitted Transfer under this Condition 10(j)) be subrogated to, or substituted in respect of, the Noteholder's claims under its Capital Notes, and otherwise have any contractual relationship with, or rights against, the Issuer under or in relation to the Restricted Capital Notes.

For the avoidance of doubt, the granting of security in accordance with Condition 10(k) shall not constitute a transfer of an exposure under the Restricted Capital Notes for the purposes of this Condition 10(j).

- (vi) As of the Issue Date and for so long as the Restricted Capital Notes are outstanding, the Issuer will ensure that it is in compliance with the Non-Bank Rules, provided that the Issuer will not be in breach if either of the Non-Bank Rules are exceeded solely by the failure by one or more Noteholders to comply with the limitations set forth in this Condition 10(j) or in Condition 10(k).

(k) Grants of Security

If the applicable Final Terms provide that the Capital Notes are Restricted Capital Notes then the following provisions of this Condition 10(k) shall apply but not otherwise. Any Noteholder may, without the consent of the Issuer, at any time charge or create a security interest in all or any portion of its rights under any Restricted Capital Notes to secure obligations of such Noteholder; provided that:

- (i) no such charge or creation of a security interest shall:
 - (a) substitute any such chargee or holder of the benefit of such security interest for such Noteholder as Noteholder except in accordance with the provisions of Condition 10(j); or
 - (b) require any payments to be made by the Issuer other than as required by the Restricted Capital Notes. A copy of any notice of charge or creation of security interest as envisaged in this paragraph shall be delivered to the Agent and the Agent shall not be obliged to take any action in regard to such notice; and
- (ii) such charge or security interest shall in each case provide that upon any assignment or transfer of the interest in the Restricted Capital Notes or enforcement of such charge or security interest, any resulting assignment or transfer shall be in accordance with Condition 10(j); and
- (iii) the Noteholder promptly notifies the Registrar of any such charge or security interest and the secured party's identity and status by delivering to the Registrar a notification to such effect.

11. Agent, Paying Agents, Transfer Agents and Registrar

The names of the initial Agent, the other initial Paying Agents, the initial Registrar and the initial Transfer Agents and their initial specified offices are set out below.

The Issuer is, with the prior written approval of the Trustee (such approval not to be unreasonably withheld), entitled to vary or terminate the appointment of any Paying Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrars or Transfer Agents and/or approve any change in the specified office through which any Paying Agent, Registrar or Transfer Agent acts, provided that:

- (i) so long as the Capital Notes are listed on any stock exchange, there will at all times be a Paying Agent and a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;
- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe;
- (iii) there will at all times be an Agent and a Registrar;
- (iv) there will at all times be a Transfer Agent having a specified office in a place approved by the Trustee;
- (v) the Issuer undertakes that it will ensure that it maintains a Paying Agent and a Registrar in an EU member state (if any) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN

Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced to conform to, such Directive; and

- (vi) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a jurisdiction within Europe other than Switzerland that will not be required to withhold or deduct tax pursuant to laws enacted in Switzerland providing for the taxation of payments according to principles similar to those laid down (y) in European Council Directive 2003/48/EC or (z) in the draft legislation proposed by the Swiss Federal Council on 22 December 2010, in particular the principle to have a person other than the Issuer or Guarantor withhold or deduct the tax, including, without limitation, any paying agent.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the penultimate paragraph of Condition 5(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

Notwithstanding the foregoing, the Issuer will in respect of any Listed Swiss Franc Capital Notes at all times maintain a Principal Paying Agent having a specified office in Switzerland and will at no time maintain a Paying Agent having a specified office outside Switzerland, unless permitted by applicable law.

12. Exchange of Talons

On and after the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date (as the case may be) on which the final Coupon of the relative Coupon sheet matures.

13. Notices

All notices regarding the Bearer Notes shall be published (i) in a leading English language daily newspaper of general circulation in London, (ii) if and for so long as such Bearer Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange, on the website of the Luxembourg Stock Exchange (www.bourse.lu), (iii) (in the case of Listed Swiss Franc Capital Notes) in a leading newspaper of general circulation in Switzerland which is expected to be the *Feuille Officielle Suisse du Commerce* and in a daily newspaper in each of Zurich and Geneva. It is expected that such publication will be made (in the case of (i) above) in the *Financial Times* in London or any other daily newspaper in London approved by the Trustee or, if this is not possible, in another English language daily newspaper approved by the Trustee with general circulation in Europe and on the website of the Luxembourg Stock Exchange (www.bourse.lu). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange, listing authority and/or quotation system by which the Capital Notes are for the time being admitted to listing, trading and/or quotation. To the extent required by Luxembourg law, notices shall also be published in the *Mémorial C, Recueil des Sociétés et Associations* (“**Mémorial C**”) If and to the extent required by the Luxembourg

law of 11 January 2008 relating to transparency obligations of issuers of securities implementing Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, notices will also be published in accordance with the provisions of such law and implementing provisions. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date on which publication in all the required newspapers has been made. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve. Receiptholders and Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the relative Noteholders in accordance with this Condition.

All notices to holders of Registered Notes will be valid if sent by first-class mail or (if posted to an overseas address) by air-mail to their registered addresses appearing on the Register. Any such notice shall be deemed to have been given on the fourth day after the day on which it is mailed. If and for so long as the relevant Registered Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange, all notices regarding Registered Notes shall be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Until such time as any definitive Notes are issued, there may, so long as the global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Capital Notes and in addition, for so long as any Capital Notes are listed on the Luxembourg Stock Exchange, a notice will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any such notice shall be deemed to have been given to the holders of the Capital Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Capital Notes shall be in writing and given by lodging the same, together with the relative Capital Note or Capital Notes, with the Agent. Whilst any of the Capital Notes are represented by a Global Note, such notice may be given by any holder of a Capital Note to the Agent and/or the Registrar via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and/or the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. Meetings of Noteholders, Modification and Waiver, Entitlement of Trustee, Substitution, Change and Indemnification of Trustee

(a) Single Noteholder

In relation to any Restricted Capital Notes so long as there is only one Noteholder thereof, who shall certify to the Trustee that it is the sole Noteholder of the Capital Notes and is not holding such Notes as a depositary for, or nominee of, Euroclear, Clearstream, Luxembourg on or prior to any such amendment, waiver or variation being made (i) no amendment, waiver or variation of the Capital Notes or the Trust Deed may be made without the prior written consent of such Noteholder and parties to the Trust Deed and (ii) the meeting, quorum and voting provisions of Condition 14(b) shall not apply.

(b) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of such Capital Notes, the relative Receipts, the relative Coupons or any relevant provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Trustee or at the request of Noteholders holding not less than 10 per cent in nominal amount of the Capital Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent in nominal amount of the Capital Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Capital Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Trust Deed, the Capital Notes, Receipts or Coupons (including modifying the dates for redemption of the Capital Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Capital Notes, varying the method of calculating the rate of interest on the Capital Notes or altering the currency of payment of the Capital Notes, Receipts or Coupons, varying, amending or granting a waiver in relation to Condition 2, 3, 4, 5 or 6, modifying the provisions concerning the quorum required at any meeting of the Noteholders or the majority required to pass an Extraordinary Resolution or modifying the percentage required to pass any resolution), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Capital Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third, in nominal amount of the Capital Notes for the time being outstanding. An Extraordinary Resolution duly passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on the relevant Receiptholders and the relevant Couponholders. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 100 per cent in nominal amount of Capital Notes outstanding shall be as valid and effective as a duly passed Extraordinary Resolution. The provisions for convening meetings of Noteholders contained in the Trust Deed shall not apply to Listed Swiss Franc Capital Notes.

The provisions of Articles 1157-1186 of the Swiss Code of Obligations will apply to all meetings of holders of Capital Notes.

(c) Modification and Waiver

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification (subject to certain exceptions as provided in the Trust Deed) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Terms and Conditions of the Capital Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, Receiptholders and Couponholders and, unless the Trustee agrees otherwise, any such modification, waiver, authorisation or determination shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

(d) Powers and Discretions

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except, in the case of the Issuer, to the extent provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

The Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Noteholders, the Receiptholders or the Couponholders, to the substitution at any time or times of the Issuer as the principal debtor under the Trust Deed and the Capital Notes, Receipts and Coupons. The Issuer may at any time with the agreement of the Trustee as aforesaid, without the consent or approval of the Noteholders, substitute for itself as principal debtor under the Capital Notes a successor in business to the Issuer or such substitute, being a duly licensed and regulated entity that carries on the business of an insurance company within the Zurich Financial Services Group (a “**Successor Issuer**”).

The Issuer may only transfer its obligations under the Capital Notes if (i) the rating assigned by both Moody's Investors Service, Inc. (“**Moody's**”) and Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. (“**S&P**”) or its successor to the transferee's senior unsecured debt is equal to or higher than the senior unsecured debt rating of the Issuer immediately after such transfer (it being understood that if such senior unsecured debt is rated by only one of Moody's or S&P or their respective successors immediately prior to such transfer, then only the then existing rating must be equal to or higher than the corresponding ratings immediately after such transfer) and the transferee is an affiliate of ZFS and is engaged in the same line of business that the Group is engaged on the date of such transfer or (ii) the transfer is approved by the holders of the Capital Notes in the manner set out in Condition 14(a) above, provided that the foregoing shall not preclude the Issuer from transferring its obligations under the Capital Notes where such transfer is pursuant to the transfer of substantially all of the Issuer's assets and obligations to another entity pursuant to any merger, consolidation or corporate reorganisation or by operation of law in which case neither the rating condition nor the approval of the holders of the Capital Notes will be required.

Notwithstanding the above, by subscribing to or purchasing the Capital Notes, the Noteholders expressly consent to the substitution of the Issuer on the conditions referred to above and expressly consent to the release of the Issuer from any and all obligations in respect of the Capital Notes and are deemed to have expressly accepted such substitution. Such agreement shall be subject to the relevant provisions of the Trust Deed.

The Trust Deed contains general provisions for the retirement and removal of the Trustee and the appointment by the Issuer of a substitute issuer which has previously been approved by the Trustee.

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

15. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Capital Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Capital Notes.

16. Governing Law and Submission to Jurisdiction

- (a) The Trust Deed (other than the provisions relating therein to subordination which shall be governed by, and construed in accordance with, the laws of Switzerland), the Capital Notes (other than the provisions of Condition 2 which shall be governed by, and construed in accordance with, the laws of Switzerland), the Receipts and the Coupons and any non- contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) The Issuer has agreed in the Trust Deed, for the exclusive benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Capital Notes, the Receipts and/or the Coupons and that accordingly any suit, action or proceedings (together referred to as "Proceedings") arising out of or in connection with the Capital Notes, the Receipts and the Coupons may be brought in such courts.
- (c) The Issuer has irrevocably waived in the Trust Deed any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum.
- (d) Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (e) The Issuer has appointed Zurich Insurance Company Ltd, UK branch at its registered office for the time being as its agent for service of process in respect of any Proceedings in England and has undertaken in the Trust Deed that, in the event of Zurich Insurance Company Ltd, UK branch ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings in England.
- (f) Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.
- (g) In respect of Listed Swiss Franc Capital Notes only, the Issuer and the Trustee have agreed in the Trust Deed for the benefit of the Noteholders, the Receiptholders and the Couponholders to the additional jurisdiction of the courts of the City of Zurich and, where the law permits, the Commercial Court of the Canton of Zurich, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Capital Note or the Trust Deed under the United Kingdom Contracts (Rights of Third Parties) Act 1999.

Use of Proceeds

The net proceeds from each issue of Notes by ZF (Luxembourg) and ZF (USA) will be used outside Switzerland either to refinance existing debt of the Zurich Insurance Group or, alternatively, for general corporate purposes unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

The net proceeds from each issue of Notes and Capital Notes by ZIC will be used in Switzerland to refinance existing debt of ZIC or, alternatively, for general corporate purposes.

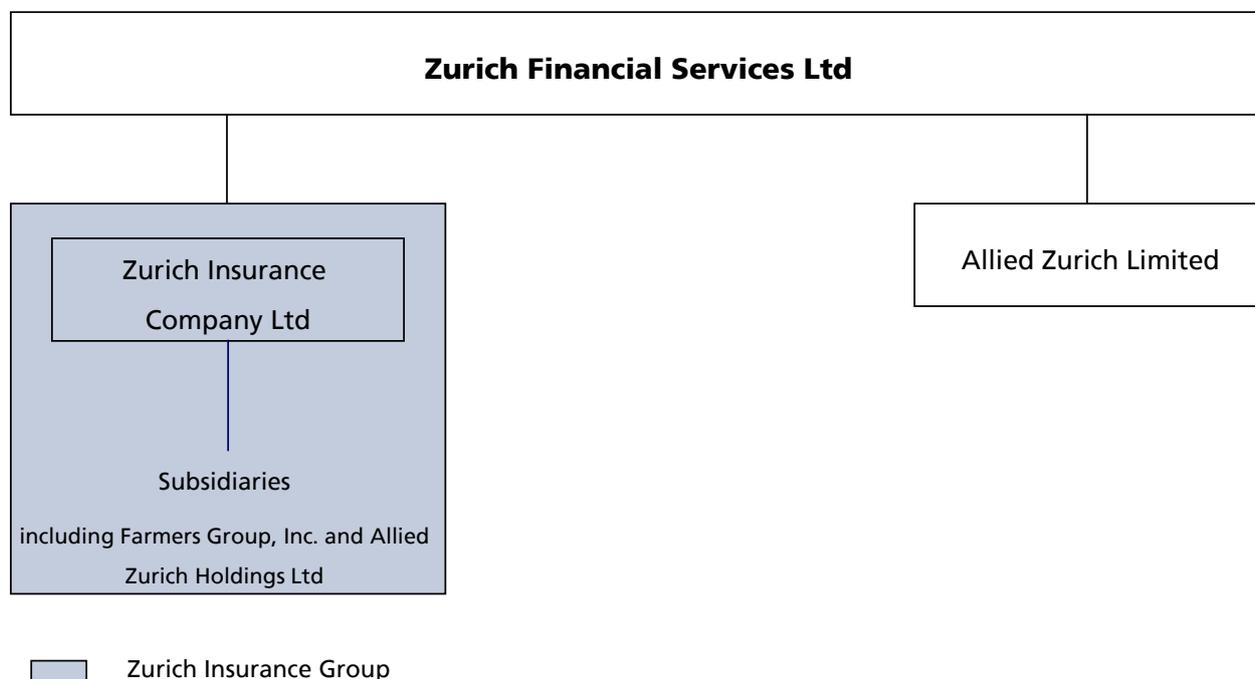
The net proceeds from each issue of Notes by ZF (UK) will be used outside Switzerland either to refinance existing debt of the ZFS Group or, alternatively, for general corporate purposes unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland. Reference to the “**ZFS Group**” shall mean ZFS, together with all of its subsidiaries.

The net proceeds from each issue of Notes by Zurich Bank will be used outside Switzerland either to refinance existing debt of Zurich Bank or, alternatively, for general corporate purposes unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

Zurich Insurance Company Ltd

GENERAL INFORMATION

Overview of the Zurich Financial Services Group structure



Zurich Insurance Company Ltd

ZIC is a public limited liability company (*Aktiengesellschaft*) founded for an unlimited duration and operating under the Swiss Code of Obligations and Swiss insurance law and regulation and incorporated in the commercial register of the Canton of Zurich, Switzerland on 16 July 1884. Its registered office is at Mythenquai 2, CH-8002 Zurich, Switzerland (telephone: +41 44 625 25 25) and its registered number is CH-020.3.929.583-0. The articles of incorporation of ZIC date from 6 April 2009. The purpose of ZIC is to conduct all kinds of insurance and reinsurance businesses, except for direct life insurance business. The fiscal year of ZIC begins on 1 January and terminates on 31 December of each year.

ZIC and its subsidiaries (collectively the “**Zurich Insurance Group**” or “**ZIG**”) are an insurance-based financial services provider with a global network which also distributes non-insurance products from selected third-party providers. The Zurich Insurance Group operates mainly in Europe, the USA, Latin America and Asia Pacific through subsidiaries, branch offices and representations. ZIC as such has a dual function, firstly as an insurer, operating through branch offices in Switzerland and other countries, and secondly as a holding company.

ZIC is owned by ZFS, the ultimate parent company of the ZFS Group. ZFS is a public limited liability company (*Aktiengesellschaft*) under Swiss Law and is incorporated in Zurich, Switzerland. Its registered office is at Mythenquai 2, CH-8002 Zurich, Switzerland. ZFS has a listing on the SIX Swiss Exchange.

Share Information

The share capital of ZIC amounts to CHF 825,000,000, divided into 82,500,000 issued and fully paid-up registered shares with a par value of CHF 10 each. The transfer of shares is subject to the board of directors' consent. The board of directors may further delegate such consent.

ZIC did not pay any dividends in the years 2010, 2009 and 2006. In 2008 it paid a dividend of CHF 1.9 billion and in 2007 it paid a dividend of CHF 1.3 billion.

Notices

Notices are given by ZIC by publication in the Swiss Official Commercial Gazette (*Schweizerisches Handelsamtsblatt*). Notices to shareholders are given by ZIC by ordinary mail to the addresses registered in the share register unless otherwise provided by law or the articles of incorporation of ZIC.

Business and Strategy

The Zurich Insurance Group aspires to become a leading global insurance group in its chosen general insurance and life insurance markets. ZIG has reviewed its strategy in 2010 and will continue building global capabilities by implementing an agile organizational and operating model as well as accelerating The Zurich Way umbrella program for achieving top-tier performance. As an insurance-based financial services provider, ZIG distributes non-insurance products, such as mutual funds, mortgages and other financial services products, from selected third-party providers. The Zurich Insurance Group operates mainly in Europe, the USA, Latin America and Asia Pacific through subsidiaries, branch offices and representations.

The Segments

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

- General Insurance serves the property-casualty insurance needs of a wide range of customers, from individuals to small and medium-size businesses, commercial enterprises and major multinational corporations.
- Global Life pursues a strategy with market-leading propositions in unit-linked and protection products 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 managed but not owned by Farmers Group, Inc. a wholly owned subsidiary of the ZFS Group. This segment also includes all reinsurance assumed from the Farmers Exchanges by the Zurich Insurance Group. Farmers Exchanges are prominent writers of personal lines and small commercial lines business in the U.S.

For the purpose of discussing financial performance ZIG considers General Insurance, Global Life and Farmers' to be the core operating segments.

The Zurich Insurance Group's new management structure effective 1 July 2010, reconfirmed the three core operating segments.

- Other Operating Businesses predominantly consist of the Zurich Insurance Group's Headquarter and Holding & Financing activities. In addition, certain alternative investment positions not allocated to core operating segments are carried in this segment.
- Non-Core Businesses include insurance businesses that the Zurich Insurance Group does not consider core to its operations and that are therefore mostly managed to achieve a beneficial run-off.

ZIG Key Segmental Information

Audited consolidated figures of ZIG

in USD millions, <u>as reported for the year ended 31 December 2010</u>	<u>Gross written premiums and policy fees</u>	<u>Total BOP revenues</u>	<u>Net income/(loss) before income taxes</u>
General Insurance	33,066	31,459	2,674
Global Life	12,292	26,460	1,845
Farmers	4,194	8,600	1,074
Other Operating Businesses	137	1,372	(744)
Non-Core Businesses	531	1,703	218
Total Zurich Insurance Group(*)	49,965	67,577	5,067

* The Total Zurich Insurance Group information is presented after elimination of the inter-segment transactions, and as such does not reflect the sum of segment figures.

As of 1 January 2011, ZIG implemented changes in the way it manages two of the three core segments (as mentioned above) on a secondary level.

The General Insurance segment is managed based on market-facing businesses, which include:

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

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

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

ZIG Key Financial Information

<u>in USD millions</u>	<u>As at or for the year ended 31 December 2010 (audited)</u>	<u>As at or for the year ended 31 December 2009 (unaudited)</u>	<u>Reclassifications (unaudited)*</u>	<u>As at or for the year ended 31 December 2009-as previously reported (audited)</u>
Gross written premiums and policy fees	49,965	53,817	-	53,817
Net written premiums and policy fees	44,282	47,973	-	47,973
Net investment result on ZIG investments	8,289	5,792	(153)	5,945
Net income before income taxes	5,067	5,333	1005	4,328
Net income after taxes attributable to shareholders	3,567	3,733	748	2,985
Total investments	304,794	294,510	(600)	295,110
Reserves for insurance contracts	242,646	242,094	682	241,412
Total shareholders' equity	31,941	26,969	(374)	27,343

* For details please refer to "Change in accounting policies and change in presentation 2010" below.

Change in accounting policies and change in presentation 2010

The Zurich Insurance Group decided to dynamically hedge the risks associated with its closed U.S. life book included in its Non-Core Businesses segment, starting in March 2010. In order to offset the accounting volatility from the fair valuation of the hedge, the Zurich Insurance Group concluded that it should measure the underlying insurance liabilities in this book of business at current value and as a consequence has changed its accounting policy for this closed U.S. life book by exercising the option in IFRS 4 to remeasure designated insurance liabilities using current financial and nonfinancial assumptions. All financial assets, which were previously designated as available-for-sale, related to these insurance liabilities have therefore also been redesignated at fair value through profit or loss. As a consequence of this change in accounting policy, prior year figures have been restated to ensure comparability. Business operating profit (BOP) has not been restated, as the business was not managed on a fair value basis, prior to the implementation of the dynamic hedge and therefore to restate BOP, would not be a fair reflection of a sustainable operating profit nor provide comparability with the previous period.

Premium taxes erroneously reported under Administrative and other operating expense amounting to USD 149 million as of 31 December 2009, are now presented under Underwriting and policy acquisition costs in order to ensure consistency with the treatment of other related items.

Subsequent Events

On 21 February 2011, the Zurich Insurance Group signed a memorandum of understanding with Banco Santander, S.A. ("**Santander**"), a banking group based in Spain, to acquire a 51 per cent participation in its life insurance, pension and general insurance operations in Brazil, Mexico, Chile, Argentina and Uruguay. As part of the transaction, the Zurich Insurance Group will enter into a 25-year strategic distribution arrangement with Santander in Latin America. This transaction is a milestone in the implementation of the Zurich Insurance Group's emerging-market strategy in both Global Life and General Insurance, significantly expanding its presence in Latin America. The initial consideration amounts to USD 1.67 billion and is subject to purchase price and other adjustments. In addition, an earn-out component based on future performance under the distribution agreement and a protection mechanism against possible underachievement has been agreed. The transaction is expected to close by the first quarter of 2012 and is subject to applicable antitrust and insurance regulatory approvals, as well as other customary closing conditions.

On 28 February 2011, Zurich Insurance Group announced that it has agreed to sell 25 per cent of its investment in New China Life Insurance Co. to two undisclosed buyers reducing its total stake in the company to 15 per cent.

On 16 March 2011, ZIC issued CHF 500 million of undated subordinated debt (hybrid capital), first callable in 2018 to investors in the Swiss retail and institutional markets. The hybrid capital has been issued under the Programme. The coupon has been set at 4.625 per cent.

ZIC has fully repaid to ZFS the CHF 1.7 billion subordinated loan and CHF 1.3 billion of the outstanding CHF 6.1 billion subordinated loan on 7 April 2011. The CHF 6.1 billion loan is classified as an equity instrument under Zurich Insurance Group's consolidated financial statements as it meets the relevant classification criteria under IAS 32.

On 5 May 2011, ZFS Group announced the publication of its unaudited consolidated first three-month results in 2011. The result included aggregated losses of USD 477 million for the three major natural disasters in Asia-Pacific, namely the Brisbane floods, which hit Australia in January 2011, the Christchurch earthquake in New Zealand in late February 2011 and the earthquake and resultant tsunami in Japan in March 2011. Cyclone Yasi in Queensland and the storm in Victoria added another USD 40 million of losses, resulting in total recorded losses for the five natural disasters in Asia Pacific of USD 517 million including reinstatement premiums. Due to the nature of the losses and the limited access to the damaged areas in Japan and in New Zealand, the full loss assessment, and therefore the ultimate cost, will take time to complete.

On 5 May 2011, ZIG announced the signing of a Memorandum of Understanding with Deutsche Bank to extend an existing exclusive distribution agreement for life and general insurance products in Germany for a further 10 years until 31 December 2022. Zurich and Deutsche Bank intend to complete definitive agreements during 2011.

The Zurich Insurance Group is currently reviewing the impact of the Tornado events in the USA which occurred during April 2011.

Amendments to and implementation of new accounting standards

The following new accounting standards or amendments to and interpretations of standards relevant to ZIG have been implemented for the financial year beginning 1 January 2010 with no material impact on ZIG's financial position or performance:

- IFRS 3 "Business Combinations" revised
- Amendments to IAS 27 "Consolidated and Separate Financial Statements"

- Amendments to IAS 39 “Financial Instruments: Recognition and Measurements - Eligible Hedged Items”
- Amendments to IFRS 2 “Share-based Payment - Group Cash-settled Share-based Payment Transactions”

Several minor amendments as part of the IASB’s annual improvement project including amendments regarding IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, IAS 38 “Intangible Assets”, IFRIC 9 “Reassessment of Embedded Derivatives” and IFRIC 10 “Interim Financial Reporting and Impairment”

- IFRIC 17 “Distributions of Non-cash Assets to Owners”
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”

ZIG has not exercised its right to early adopt the following standards:

- Amendments to IAS 32 “Financial Instruments: Presentation – Classification of Rights Issues” effective for reporting periods beginning on or after 1 February 2010
- Amendments to IAS 24 “Related Party Disclosures” effective for reporting periods beginning on or after 1 January 2011
- IFRS 9 “Financial Instruments” effective for reporting periods beginning on or after 1 January 2013

The following amendments are not yet effective:

- Amendments to IFRS 7 “Financial Instruments: Disclosures” will be effective for annual periods beginning on or after 1 July 2011.
- Amendments to IFRS resulting from the IASB’s annual improvement project. These amendments will be effective for annual periods beginning on or after 1 January 2011.
- Amendments to IAS 12 “Income Taxes” will be effective for reporting periods beginning on or after 1 January 2012.

Appropriation of Available Earnings

On 31 March 2011, the annual general meeting of ZIC approved the carrying forward of all available earnings as of 31 December 2010 amounting to CHF 7,834,583,115.

Board of Directors of ZIC (as at the date of this Base Prospectus)

<u>Name</u>	<u>Nationality</u>	<u>Function</u>	<u>Principal Occupation</u>
Manfred Gentz	German	Non-executive Chairman	In 1970 Mr. Gentz joined Daimler-Benz AG where he held various positions. In 1983, he was appointed member of the board of management of Daimler-Benz AG, responsible at first for human resources. From 1990 to 1995 he was chief executive officer of Daimler-Benz Interservices (debis) in Berlin and subsequently became chief financial officer of Daimler-Benz AG in 1995. In 1998, he was appointed to the board of management of DaimlerChrysler AG, where he was in charge of Finance and Controlling until 2004. From 1987 to 1995 he served on the board of supervisors of Agrippina Versicherung AG and from 1996 to 2005 he was a member of the

Josef Ackermann Swiss Non-executive Vice-Chairman

board of supervisors of Zürich Beteiligungs-Aktiengesellschaft (Deutschland). From 1985 to 2005 Mr. Gentz was on the board of supervisors of Hannoversche Lebensversicherung AG (from 1990 as its vice chairman). From 2005 until 2006, he was chairman of the supervisory board of Eurohypo AG. He served as a member of the board of supervisors of adidas AG from 2004 until 2009 and of DWS Investment GmbH from 1995 until 2009. In addition, Mr. Gentz was appointed a member of the board of supervisors of the German Stock Exchange (Deutsche Börse AG) in 2003 and as its chairman in 2008. He also serves as member of the executive board of ICC (International Chamber of Commerce), Paris, and serves as chairman of its German National Committee. In addition, he is active in a number of scientific and cultural institutions.

In 1977 Mr. Ackermann joined Schweizerische Kreditanstalt (SKA). In 1990, he was appointed to the executive board of SKA, becoming its president in 1993. In 1996, Mr. Ackermann joined the management board of Deutsche Bank AG, where he was responsible for the investment banking division. In 2002, he became spokesman of the management board and chairman of the group executive committee. In 2006, he was appointed chairman of the management board. Mr. Ackermann is a member of the supervisory board of Siemens AG (second deputy chairman), Germany, a non-executive member of the board of directors of Royal Dutch Shell plc, The Netherlands, and vice-chairman of the board of directors of Belenos Clean Power Holding Ltd, Biel. He also plays an active role in, among other things, the Initiative Finanzstandort Deutschland (member of the Initiators' Group), the Institute of International Finance (chairman of the board of directors), the World Economic Forum (co-chairman of the foundation board), the St. Gallen Foundation for International Studies (chairman), the Foundation Lindau Nobelprize winners Meetings at Lake Constance (Honorary Senate member) and the Metropolitan Opera New York (advisory director). In 2007, Mr. Ackermann accepted an appointment as Visiting Professor in Finance at the London School of Economics. In 2008, he was appointed Honorary Professor at the Johann Wolfgang Goethe University Frankfurt. Furthermore, he is an Honorary Fellow of the London Business School and holds an Honorary Doctorate from the Democritus University of Thrace in Greece.

Susan Bies	American Non-executive director	<p>Mrs. Bies began her career in 1970 as regional and banking structure economist with the Federal Reserve Bank of St. Louis, Missouri, and two years later became assistant professor of economics at Wayne State University, Detroit, Michigan. In 1977, she moved to Rhodes College, Memphis, Tennessee in a similar role, and in 1979 joined First Tennessee National Corporation in Memphis, where she remained until 2001. During the early years, her areas of responsibility included tactical planning and corporate development. In 1984 she became chief financial officer and chairman of the asset/liability committee. In 1995, she became executive vice president of risk management, and auditor and chairman of the executive risk management committee, as well as continuing her duties with the asset/liability committee. From 2001 until 2007, she was a member of the Board of Governors of the Federal Reserve System. Between 1996 and 2001, Mrs. Bies was a member of the Emerging Issues Task Force of the Financial Accounting Standards Board. From 2007 to 2008 she was a member of the Securities and Exchange Commission's advisory committee on improving financial reporting, and chairman of its substantive complexity sub-committee. In June 2009, Mrs. Bies became a member of the board of directors of The Bank of America Corporation.</p>
Victor L.L. Chu	British Non-executive director	<p>Since 1982 Mr. Chu has practiced in the field of corporate, commercial and securities laws, with special emphasis on China and regional investment transactions. From 1995 to 2000, he was deputy secretary-general of the International Bar Association. Since 1988 he has served as chairman of First Eastern Investment Group, a leading direct investment firm focusing on China. He is also chairman of First Eastern Investment Bank Limited and FE Securities Limited. Over the past 20 years he has served at various times as director and council member of the Hong Kong Stock Exchange, a member of the Hong Kong Takeovers and Mergers Panel, a member of the Hong Kong Securities and Futures Commission's advisory committee and a part-time member of the Hong Kong Government's Central Policy Unit. He is currently a foundation board member of the World Economic Forum and co-chairs the Forum's International Business Council. He is also chairman of the International Chamber of Commerce's Commission on Financial Services and Insurance and vice chairman of Asia House in London. Mr. Chu is a trustee of the London-based International Business Leaders Forum and the WWF in Hong Kong. He also serves as a member of the Mayor of London's International Business Advisory Council. Mr. Chu's other civic associations include service on the advisory bodies of the International Crisis Group, Chatham House, the Beijing Music Festival Foundation and the</p>

Thomas Escher	Swiss	Non-executive director	<p>Atlantic Council of the USA.</p> <p>Mr. Escher joined IBM in 1974. In subsequent years, his career led him through various managerial line functions with responsibilities for markets and client relationships overseas, in different European countries and in Switzerland. In 1996, Mr. Escher joined Swiss Bank Corporation and was – as a member of the executive board – CEO for the major market region in Switzerland and for the information technology organization. Since the merger of Swiss Bank Corporation and Union Bank of Switzerland to form UBS AG in 1998, he headed the IT business area of the wealth management and business banking division through mid-2005 as a member of the group managing board. In 2005, Mr. Escher assumed the function of vice chairman in the Business Group Global Wealth Management & Swiss Banking of UBS AG. In addition, Mr. Escher is a member of the board of the Greater Zurich Area Foundation. This organization engages in the active marketing of the City of Zurich and its relevant environment as domicile to foreign business.</p>
Fred Kindle	Swiss	Non-executive director	<p>Mr. Kindle worked as a marketing project manager with Hilti AG in Liechtenstein from 1984 until 1986, and then enrolled at Northwestern University, Evanston, Illinois, in the United States, where he earned an MBA. From 1988 until 1992 he was a consultant with McKinsey & Company in New York and Zurich. He then joined Sulzer Chemtech AG in Switzerland as the head of the Mass Transfer Department and in 1996 became the head of the Product Division. In 1999 he was appointed CEO of Sulzer Industries, one of the two operating groups of Sulzer AG. Two years later he became CEO of Sulzer AG, where he also served as board member. After joining ABB Ltd. in 2004, Mr. Kindle was appointed CEO of ABB Group in 2005, a position he held until 2008. He then became a partner of CD & R LLP, a private equity firm based in New York and London. In his function as a partner of that firm Mr. Kindle serves as a chairman of Exova Ltd., Scotland, BCA Group, United Kingdom, and as a director of Rexel SA, France. He is also on the board of VZ Holding Ltd, Zurich and Stadler Rail AG, Bussnang.</p>
Armin Meyer	Swiss	Non-executive director	<p>Mr. Meyer joined BBC Brown Boveri Ltd. in 1976 as a development engineer. In 1980, he became head of research and development for industrial motors, and in 1984, he took over as head of the international business unit for electrical power generators. In 1988, he became president of ABB Drives Ltd. and in 1992, president of ABB Power Generation Ltd. From 1995 until 2000, he was executive vice president of ABB Ltd. and a member of that group's executive committee. In 1997, he became a member of the board of directors of Ciba Specialty Chemicals at the time of its spin-off from Novartis. He became chairman of the board of Ciba Specialty Chemicals in autumn 2000 and served in that role until</p>

Don Nicolaisen	American	Non-executive director	<p>2009. From 2001 to 2007, in addition, he acted as chief executive officer. In 2010, Mr. Meyer became a member of the board of directors of Amcor Limited in Melbourne, Australia. Mr. Meyer is a member of the executive committee and the foundation board of the international Institute for Management Development, IMD, in Lausanne, Switzerland. From 2001 to 2008, he was a member of the European Chemical Industry Council (Cefic) in Brussels, Belgium.</p> <p>Mr. Nicolaisen joined Price Waterhouse (which subsequently became PricewaterhouseCoopers) where he was admitted to partnership in 1978. He served in various capacities, including as auditor and as chairman of PricewaterhouseCoopers' financial services practice. He led that company's national office for accounting and Securities and Exchange Commission services from 1988 to 1994 and served on both the U.S. and global boards from 1994 to 2001. From 2003 to 2005, he was chief accountant of the U.S. Securities and Exchange Commission and was principal adviser to the Commission on accounting and auditing matters. He is a member of the board of directors of Verizon Communications Inc., Morgan Stanley and MGIC Investment Corporation. In addition, he is on the board of advisors for the University of Southern California Leventhal School of Accounting.</p>
Vernon Sankey	British	Non-executive director	<p>Mr. Sankey joined Reckitt and Colman in the UK in 1971, subsequently working in France, Denmark, the UK and the U.S. He was appointed to the board of directors in 1989 and was chief executive officer of that company from 1991 to 1999. From 2000 to 2007 he was chairman of Photo-Me International plc. From 2001 to 2007 he was a director of Cofra AG, Switzerland, and from 2004 to 2007 of Taylor Woodrow plc. Between 2005 and 2008 he served as a director of Vividas Group plc. As of 1 January 2006, he has been a member of the supervisory board of Atos Origin SA, Paris, and since October, 2006 of Firmenich SA, Geneva, where he became chairman in 2008. He was chairman of Thomson Travel Group plc until 2000, of Gala Group Holdings plc until 2003 and of The Really Effective Development Company Ltd until 2006. He also was a director of Pearson plc until 2006 and is a former board member of the UK's Food Standards Agency. In addition to his board roles, he is also an advisor to a number of other companies.</p>
Tom de Swaan	Dutch	Non-executive director	<p>Mr. de Swaan joined De Nederlandsche Bank N.V. in 1972, and from 1986 until 1998 was a member of the governing board. In January 1999, he became a member of the managing board and chief financial officer of ABN AMRO Bank. He retired from ABN AMRO in 2006, but continued as an advisor to the managing board until 2007. Mr. de Swaan is a non-executive member of the board of GlaxoSmithKline Plc and chairman of its audit committee. He is a member of the supervisory</p>

board of Royal DSM, a Netherlands-based chemical group. Since 2007, he is also the vice chairman of the supervisory board of Royal Ahold, a global retail chain, and since 2008, he is chairman of the supervisory board of Van Lanschot NV, the holding company of F. van Lanschot Bankiers, an independent Dutch bank. Since 2010, he is a member of the public interest committee of KPMG ELLP. From 1987 to 1988, he was chairman of the Amsterdam Financial Center, and from 1995 to 1997 chairman of the banking supervisory sub-committee of the European Monetary Institute. He was also a member of the Basel Committee on Banking Supervision from 1991 to 1996, its chairman from 1997 to 1998, and a non-executive director on the board of the UK's Financial Services Authority from 2001 until 2006. Mr. de Swaan is also a director of a number of non-profit organizations. Among others he is treasurer of the board of the Royal Concertgebouw Orchestra, the Netherlands Cancer Institute and the International Franz Liszt Piano Competition. Moreover, he chairs the advisory board of the Rotterdam School of Management.

Rolf U. Watter	Swiss	Non-executive director	Since 1994 Mr. Watter has been a partner in the law firm Bär & Karrer in Zurich and was a member of its executive board from 2000 and an executive director upon the incorporation of Bär & Karrer AG in 2007 until 2009. He is a non-executive director of Nobel Biocare Holding AG (since 2007), of Syngenta AG (since 2000), UBS Alternative Portfolio AG (since 2000) and A.W. Faber-Castell (Holding) AG (since 1997). He formerly was a non-executive chairman of Cablecom Holding AG (2004-2008) and non-executive director of Centerpulse AG (2002-2003), of Forbo Holding AG (1999-2005) and of Feldschlösschen Getränke AG (2001-2004). He is a part-time professor at the Law School of the University of Zurich. In addition, he is a member of the SIX Regulatory Board and of its Disclosure Commission of Experts. He also serves as chairman of two charity institutions.
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The business address of each member of the Board of Directors is Mythenquai 2, CH-8002 Zurich, Switzerland. All directors are non-executive, independent of management, and have never held an executive position in the ZFS Group. All directors also serve on the Board of Directors of ZFS. As at the date of this Base Prospectus, there are no potential conflicts of interests between the duties of any member of the Board of Directors of ZIC owed to ZIC and their private interests and/or other duties. If a potential conflict arises in the future, it would be subject to the applicable provisions of Swiss company law and the organisational rules of ZIC relating to proceedings at meetings of the Board of Directors.

Management Board of ZIC (as at the date of this Base Prospectus)

<u>Name</u>	<u>Nationality</u>	<u>Function</u>
Martin Senn	Swiss	Chief Executive Officer
Mike Foley	U.S American	CEO North America Commercial

Mario Greco	Italian	CEO General Insurance
Kevin Hogan	U.S American	CEO Global Life
Paul N. Hopkins	U.S American	Chairman of the Board of Farmers Group, Inc. and Regional Chairman of the Americas
Axel P. Lehmann	Swiss	Chief Risk Officer
Cecilia Reyes	Swiss/Philippine	Chief Investment Officer
Geoffrey (Geoff) Riddell	British	Regional Chairman of Asia-Pacific & Middle East
Kristof Terryn	Belgian	Group Head of Operations
Dieter Wemmer	German	Chief Financial Officer and Regional Chairman of Europe
Inga Beale	British	Global Chief Underwriting Officer
Yannick Hausmann	Swiss	Group General Counsel
Patrick Manley	Irish	CEO Europe General Insurance Europe and CEO Zurich Insurance plc (ZIP)
Christian Orator	Swiss/Austrian	Chief Administrative Officer
Markus Nordlin	Finish/U.S. American	Chief Information Technology Officer
Robert (Bob) F. Woudstra	U.S. American	CEO Farmers Group, Inc.

Paul N. Hopkins has elected to retire as a member of the Management Board of ZIC, Regional Chairman of the Americas, and Chairman of the Board of Farmers Group, Inc., effective 30 June 2011. Mike Foley will take on the additional role of Regional Chairman of the Americas and Axel P. Lehmann will take on the additional role of Chairman of the Board of Farmers Group, Inc. Robert F. Woudstra will be retiring at the end of 2011.

The business address of each member of the Management Board of ZIC is Mythenquai 2, CH-8002 Zurich, Switzerland. As at the date of this Base Prospectus, there are no potential conflicts of interests between the duties of any member of the Management Board of ZIC owed to ZIC and their private interests and/or other duties. If a potential conflict arises in the future, it would be subject to the applicable provisions of Swiss company law and the organisational rules of ZIC relating to proceedings at meetings of the Management Board of ZIC.

Regulation

ZIC conducts its operations in Switzerland under operating licences for all lines of general insurance business (except railway rolling stock insurance). The operations of ZIC are subject to continued supervision by the Swiss Financial Market Supervisory Authority (FINMA) (“**FINMA**”) based on the Swiss Insurance Supervision Law (“**ISL**”) that came into force on 1 January 2006. Swiss insurance companies must always maintain net assets or funds free of any encumbrances in the amount of the “solvency margin” (Solvency I). Swiss regulation relating to the solvency margin is similar to the European Union (“**EU**”) solvency margin regime (Solvency I). The law introduced risk-based capital requirements (target capital) under the Swiss Solvency Test (“**SST**”), similar to the ongoing Solvency II implementation in the EU. Swiss insurers also have to maintain tied assets that secure all known and estimated liabilities of the insurance company vis-à-vis the insureds arising out of insurance contracts. The law requires Swiss supervised insurance companies and groups to maintain a risk management system appropriate to its business activities and to establish effective internal control systems. It also requires every Swiss insurance company to designate an appointed actuary who has to provide certain reports to management. The law further introduces rules regarding the supervision of insurance groups and insurance conglomerates. These include the requirement to calculate a group solvency margin as well as a group risk based capital based on an internal model. The reporting of intra-group transactions is

also required. ZFS has been subjected to conglomerate supervision in a decree of FINMA's predecessor authority, the Federal Office of Private Insurance (FOPI), of 25 September 2006, which has replaced the decree of 2001.

The different insurance and financial services subsidiaries of the ZFS Group are supervised by their relevant local regulators and may be subject to regulatory restrictions on the amount of dividends, cash loans and advances which can be remitted to ZIC or ZFS respectively.

LEGAL PROCEEDINGS AND REGULATORY INVESTIGATIONS

Legal Proceedings

The operating subsidiaries of the Zurich Insurance Group are continuously involved in legal proceedings, claims and litigation arising in the ordinary course of their insurance operations, and which are in general the subject of policy claims. These liabilities are taken into account in setting reserves. In addition, certain companies within the Zurich Insurance Group are engaged in the following legal or arbitration proceedings which may have a significant effect on the financial position of the Group.

Zurich Insurance Group intends to defend these legal proceedings, claims and litigations vigorously.

(a) Fogel Litigation

ZFS is a defendant in a putative class action pending in California state court captioned Benjamin Fogel v. Farmers Group, Inc ("**Fogel Case**"). The case, originally filed in August 2003, is brought on behalf of a putative class of all policyholders of the Farmers Exchanges from 1999 to the present. The plaintiff alleges that Farmers Group, Inc. and certain of its affiliates ("**Farmers**"), which acted as the attorneys-in-fact for policyholders of the Farmers Exchanges, collected excessive and unreasonable management fees. The complaint seeks, amongst other things, disgorgement, as well as damages and injunctive relief. In February 2005, the trial court granted Farmers' motion for summary judgment, and plaintiff appealed. In 2008, a California appellate court reversed the trial court's ruling and reinstated the litigation. On 9 September 2009, plaintiff filed a motion seeking to certify a nationwide class of all policyholders of the Farmers Exchanges since 1 August 1999. On 7 October 2010, ZFS announced that it and Farmers had agreed in principle to a proposed nationwide settlement of the Fogel Case. Under the terms of the settlement, a sum of USD 455 million will be made available to approximately 12.5 million policyholders who may qualify for a distribution under the settlement, with any residual amount going to the Farmers Exchanges. ZFS and Farmers will also pay attorneys' fees to class action counsel of up to USD 90 million, as well as the costs of administering the settlement. On 12 December 2010, the parties executed the settlement agreement and they filed a motion on 12 January 2011 seeking preliminary approval of the settlement. On 3 February 2011, the court granted a motion to intervene by a class member who objects to parts of the settlement. The hearing on the motion for preliminary approval was held on 2 March 2011 and the motion for preliminary approval was granted. All terms of the settlement are subject to the court's final approval. The court scheduled the final approval hearing for 7 September 2011.

(b) Pension Fund Litigation

In Switzerland, ten suits have been brought since 2000 in various Swiss courts by the Swiss Guaranty Fund for Occupational Retirement Schemes ("**Guaranty Fund**") and the Vera Pension and Vera Investment Funds against Zurich Life Insurance Company Ltd ("**Zurich Life**") and Geneva Life Insurance Company Ltd ("**Geneva Life**"), wholly owned indirect subsidiaries of Zurich Insurance Company Ltd. Zurich Life and Geneva Life provided insurance to certain pension funds and granted

loans on policy reserves. The proceeds were invested, together with additional bank loans, in various real estate projects by the investment funds. Successful throughout the 1970s and 1980s, the funds were facing increasing financial difficulties during the downturn of the real estate activity in the early 1990s, until they collapsed in 1996. Both Geneva Life and Zurich Life set off the loans against the policy reserves. The Guaranty Fund and the liquidators of the pension and investment funds alleged, inter alia, that the loans were illegal and the corporate defendants were de facto members of the management of the funds. They also alleged that the life insurance companies and other parties involved were jointly responsible for consolidated damages. Whereas one suit regarding an accounting issue remains pending, the remaining suits have either been withdrawn or dismissed. The Commercial Court in Zurich has now given its decision in this last pending procedure ordering Zurich Life to pay the amount of CHF 777,992 plus interest to the Vera Pension Fund. Zurich Life will appeal this decision before the Swiss Federal Supreme Court.

(c) Converium Related Litigation

ZFS was a defendant in *In re Converium Holding AG Securities Litigation*, a consolidated class action brought on behalf of the holders of securities issued by Converium. Until 2001, ZFS's third-party assumed reinsurance business had operated under the "Zurich Re" brand name. In 2001, that business was reorganized under Converium. In December 2001, ZFS sold all of its shares of Converium stock through an initial public offering ("IPO"), which resulted in realised gross cash proceeds of USD 2.0 billion. Converium's American Depository Shares were listed on the New York Stock Exchange; its shares traded on the SIX Swiss Exchange.

During 2004 Converium announced additions to its reserves for prior underwriting years totaling USD 562 million and also announced that Converium Reinsurance (North America) Inc. would cease writing new insurance business. Converium also announced on 4 November 2005 that it would restate unspecified financial accounts. Converium published the details of the restatement on 28 February 2006, restating its financial statements for the years 1998 through 2004.

Following the 2004 announcements of reserve increases, various putative class-action lawsuits were filed in the federal court against Converium, ZFS and others starting in October 2004. Those cases, together with a separate putative class action that was originally filed in a state court, were consolidated into one putative class action captioned *In re Converium Holding AG Securities Litigation*, No. 04 Civ. 7897 (DLC), in the United States District Court for the Southern District of New York, with the putative class consisting of all persons and entities that had purchased Converium securities between 11 December 2001 (the date of the IPO) and 2 September 2004.

On 24 August 2007, the plaintiffs and ZFS signed an initial settlement agreement that would resolve the plaintiffs' and the putative class members' claims against ZFS. The agreement provided for a release of all claims against (i) ZFS and its subsidiaries and affiliates, (ii) the corporate releasees' present and former officers, directors, and employees (except former officers and employees Dirk Lohmann, Martin Kauer, and Richard Smith) to the extent they were acting on behalf of ZFS at any time, and to the extent they were acting on behalf of Converium before 10 January 2002, (iii) Converium's present and former officers, directors, and employees (except Messrs. Lohmann, Kauer, and Smith) to the extent they were acting on behalf of ZFS at any time, and to the extent they were acting on behalf of Converium before 10 January 2002; (iv) Messrs. Lohmann, Kauer, and Smith to the extent they were acting on behalf of ZFS at any time, and to the extent they were acting on behalf of Converium before 10 December 2001 (excluding any claims based on the IPO registration statement and prospectus), and (v) the IPO underwriters.

On 6 March 2008, the court certified a litigation class against the nonsettling Converium defendants, but excluded from the class (i) all persons who had purchased Converium securities between 11 December 2001 and 6 January 2002, and (ii) all non-US persons and entities who had purchased Converium securities on non-US markets during the class period.

In light of the court's ruling, ZFS entered into an amended stipulation of settlement with plaintiffs in July 2008 to resolve the claims of all purchasers of Converium securities between 7 January 2002 and 2 September 2004 for a payment of USD 28 million. The amended settlement consists of two parts, both of which are subject to court approval: one settlement in the US court for USD 9.6 million (for US persons and entities who purchased Converium securities on any market between 7 January 2002 and 2 September 2004, and any non-US persons and entities who purchased Converium securities on US markets between 7 January 2002 and 2 September 2004), and another in the Amsterdam Court of Appeal, in the Netherlands, for USD 18.4 million (for non-US persons and entities who purchased Converium securities outside the US between 7 January 2002 and 2 September 2004). Converium entered into a similar two-part settlement for USD 115 million.

The US court granted final approval of ZFS's and Converium's US settlements on 12 December 2008, and the US settlements became final on 25 June 2009. The Dutch settlement papers were filed with the Dutch court on 9 July 2010. On 12 November 2010, the Amsterdam Court of Appeal provisionally ruled that it has jurisdiction to consider the petition for approval of the settlement. The Amsterdam Court of Appeal directed the parties to notify the class about the proposed settlement and will hold a hearing on 3 and 4 October 2011 to consider whether to declare the proposed settlement binding on the class.

(d) Fuller Austin Litigation

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 "**Fuller-Austin Case**"). In addition to Zurich American Insurance Company and three of its insurance company subsidiaries, Zurich Insurance Company Ltd ("**ZIC**") and Orange Stone Reinsurance Dublin ("**Orange Stone**") are named as defendants. Plaintiffs, who are historical policyholders of the Home Insurance Company ("**Home**"), plead claims for fraudulent transfer, alter ego liability and unfair business practices relating to the recapitalization of Home, which occurred in 1995 following regulatory review and approval. 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. Plaintiffs further allege that the defendants should be held responsible for Home's alleged obligations under their Home policies. The trial judge designated 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 1 November 2010, with 12 days of trial in 2010. The trial resumed on 14 April 2011 and trial testimony is scheduled to conclude in early June 2011.

A similar action entitled A.P.I., Inc. ("**API**") Asbestos Settlement Trust, et al. v. Zurich American Insurance Company, et al., was filed in March 2009 in the District Court for the Second Judicial District, County of Ramsey, Minnesota (the "**API Case**"). ZAIC and two of its insurance company subsidiaries were named as defendants ("**Original Defendants**"). The Original Defendants removed the case to the U.S. District Court for the District of Minnesota, where it is now pending. The plaintiffs subsequently amended their

complaint to add ZIC, Orange Stone and two additional ZAIC subsidiaries as defendants (“**Newly-Added Defendants**”). As in the Fuller-Austin Case, plaintiffs allege that API is an insured under policies issued by Home, primarily in the 1970s. The complaint seeks to hold defendants liable for Home’s policy obligations under various theories of vicarious liability tied to the recapitalization of Home, and it also alleges that defendants are liable for damages under theories of fraudulent transfer and tortious interference with contract. Prior to the filing of the amended complaint, the Original Defendants moved to dismiss the case. After the amended complaint was filed, all defendants, including the Newly-Added Defendants, moved again to dismiss the amended complaint. On 31 March 2010, the court ruled on the original dismissal motion, and dismissed plaintiffs’ claims against the Original Defendants under theories of fraudulent transfer (for plaintiffs’ lack of standing to bring such a claim) and tortious interference with contractual relations, as well as a consumer fraud claim. On 30 September 2010, the court ruled on the motion to dismiss the amended complaint, and dismissed plaintiffs’ fraudulent transfer, tortious interference with contract and consumer fraud claims against all defendants. The motion - consistent with the court’s 31 March 2010 ruling – was denied as to the remaining claims, as the court found that plaintiffs’ vicarious liability theories could not be disposed of on a motion to dismiss. Pretrial discovery has concluded. Summary judgement motions are scheduled to be filed on 1 July 2011, with additional briefing and possibly argument to follow. If the API Case is not decided on summary judgement, a trial will follow.

Regulatory Authorities and Related Litigation

The Zurich Insurance Group’s business is subject to extensive supervision, and companies in the Zurich Insurance Group are in regular contact with various regulatory authorities.

Zurich Finance (Luxembourg) S.A.

Zurich Finance (Luxembourg) S.A. (“**ZF (Luxembourg)**”) was incorporated on 19 May 1999, and operates under the Companies Act of the Grand Duchy of Luxembourg dated 10 August 1915 concerning commercial companies, as amended, as a public limited liability company (*société anonyme*). It is registered with the Luxembourg trade and companies register under number B.69.748. The registered office of ZF (Luxembourg) is at 45, rue des Scillas, L-2529 Howald, Luxembourg and its telephone number is +352 266 42 61. ZF (Luxembourg) has no subsidiaries.

ZF (Luxembourg) is a subsidiary of ZIC. The subscribed and fully paid up capital of ZF (Luxembourg) is EUR 124,000 divided into 1,240 ordinary shares in registered form, each with a par value of EUR 100. ZF (Luxembourg) is a group financing company and it is not engaged in and does not propose to engage in any activity other than issuing the Notes and entering into other financing transactions.

In general, ZF (Luxembourg) may take any controlling and supervisory measures and carry out any operation or transaction which it considers necessary or useful in the accomplishment and development of its corporate purposes.

The corporate objects of ZF (Luxembourg) are primarily to raise finance for members of the Zurich Insurance Group.

The members of the Board of Directors of ZF (Luxembourg) are:

<u>Name</u>	<u>Function</u>	<u>Business Address</u>
Manfred Ebling	Director	Mythenquai 2, 8002 Zurich, Switzerland
Xavier Goffils	Director	45, rue des Scillas, L-2529 Howald, Luxembourg
Robert Burne	Director	IFSC, La Touche, Dublin 1, Ireland

As of the date of this Base Prospectus, no member of the Board of Directors of ZF (Luxembourg) has any conflicts of interests between his duties to ZF (Luxembourg) and his private interests and other duties. If a potential conflict arises in the future, it would be subject to the provisions in the articles of incorporation relating to proceedings at meetings of the Board of Directors.

The fiscal year of ZF (Luxembourg) begins on 1 January and terminates on 31 December of each year.

Zurich Finance (USA), Inc.

Zurich Finance (USA), Inc. ("**ZF (USA)**") was incorporated in the State of Delaware by the filing of its certificate of incorporation with the Delaware Secretary of State on 9 April 1998 and operates under 8 Del. C. S101 et seq of the Delaware General Corporation Law as a corporation. The registered office of ZF (USA) is 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. ZF (USA) has an office at 1400 American Lane, Schaumburg, Illinois 60196 and its telephone number is +1 847 605 6000. ZF (USA) has a Federal employment tax identification ("**FEIN**") number of 36-4228642.

The authorised capital stock of ZF (USA) consists of 1,000 shares of Common Stock par value of USD 0.01 per share, of which 100 shares are issued and outstanding and all of which are owned by Zurich Holding Company of America Inc., a subsidiary of ZIC.

The primary objective of ZF (USA) is to raise capital to finance the operation of members of the Zurich Insurance Group.

The members of the Board of Directors of ZF (USA) are:

<u>Name</u>	<u>Function</u>	<u>Business Address</u>
Michael T. Foley	Director	1400 American Lane, Schaumburg, Illinois 60196, USA.
Vibhu R. Sharma	Director	1400 American Lane, Schaumburg, Illinois 60196, USA.
Pierre Wauthier	Director	Mythenquai 2, 8002 Zurich, Switzerland
Barry S. Paul	Director	1400 American Lane, Schaumburg, Illinois 60196, USA
Richard J. Hauser	Director	1400 American Lane, Schaumburg, Illinois 60196, USA

As at the date of this Base Prospectus there are no potential conflicts of interest between the duties owed by any member of the Board of Directors of ZF (USA) to ZF (USA) and his or her private interests and/or other duties.

The fiscal year of ZF (USA) begins on 1 January and terminates on 31 December of each year.

Zurich Finance (UK) plc

Zurich Finance (UK) plc (“**ZF (UK)**”) is a subsidiary of ZFS (UKISA) Limited which in turn is a subsidiary of ZIC. It operates and was incorporated and registered in England and Wales on 18 June 2002 under the Companies Act 1985 as a public limited company with company number 4463547. The registered office of ZF (UK) is UK Life Centre, Station Road, Swindon, Wiltshire SN1 1EL and its telephone number is +44 1793 502493. ZF (UK) has no subsidiaries. ZF (UK) is a group financing company and does not propose to engage in any activity other than issuing the Notes and entering into other financing transactions.

ZF (UK)’s authorised share capital is GBP 50,000,000, divided into 50,000,000 ordinary shares of GBP 1.00 each. The issued and fully paid up capital of ZF (UK) is GBP 50,000 divided into 50,000 shares of GBP 1.00 each.

The primary purpose of ZF (UK) is to raise capital to finance the operations of members of the ZFS Group.

The members of the Board of Directors of ZF (UK) are:

<u>Name</u>	<u>Function</u>	<u>Business Address</u>
Pierre Wauthier	Executive Director and Chairman	Mythenquai 2, 8002 Zurich, Switzerland
Vince Rennie	Executive Director	UK Life Centre, Station Road, Swindon, Wiltshire SN1 1EL, UK
Neil Evans	Executive Director	UK Life Centre, Station Road, Swindon, Wiltshire SN1 1EL, UK

As at the date of this Base Prospectus, there are no potential conflicts of interests between the duties owed by any member of the Board of Directors of ZF (UK) to ZF (UK) and his private interests or other duties. If a potential conflict arises in the future, it would be subject to the provisions of the articles of association relating to proceedings at meetings of the Board of Directors.

The fiscal year of ZF (UK) begins on 1 January and terminates on 31 December of each year.

Zurich Bank

General

Zurich Bank (registered number 223695) was incorporated on 24 October 1994 and registered as an Irish public unlimited company on 18 August 1999 under the Companies Acts 1963 to 1999 of Ireland. Its registered office and place of business is La Touche House, International Financial Services Centre, Dublin 1, Ireland (telephone +353 1 417 9200). Zurich Bank is an indirect subsidiary of ZFS.

Zurich Bank has an authorised share capital of EUR38,092 and GBP 150,000,000.

Business and Strategy

Zurich Bank is an authorised Irish credit institution, having received its banking licence from the Central Bank of Ireland in September 2001. Zurich Bank is the parent company of Dunbar Bank plc, Zurich Bank International Limited and Zurich Trust Limited, which are its active subsidiaries. Dunbar Bank plc is registered in England, and authorised and regulated by the Financial Services Authority. Zurich Bank International Limited is registered in the Isle of Man and licensed by the Financial Supervision Commission to conduct banking business. Zurich Trust Limited is based in Jersey and is involved in the provision of trustee and management services.

As of the date of this Base Prospectus, Zurich Bank's business encompasses a range of banking activities, the most significant of which is the management of its property loan assets. In 2009 Zurich Bank decided to cease new loan origination activity in the property sector. In June 2010 Dunbar Bank plc decided that it would no longer engage in new loan origination activity and shortly thereafter ceased taking new retail deposit account customers. In February 2011, Dunbar Bank plc agreed to transfer its structured deposit business to Close Brothers Limited. Subject to various conditions, including the approval of the High Court of England and Wales, it is hoped that the transaction will complete during Summer 2011.

Notes issued by Zurich Bank under this Programme will not receive the benefit of either:

- (i) the Surety Bond, dated 23 September 1997 (the "**1997 Surety Bond**") whereby Zurich Insurance Company Ltd has agreed to cause Zurich Bank to maintain a specified net worth at all times and to provide Zurich Bank with funds required to make any payment or delivery required under the terms of any Financial Products Instrument (as such term is defined in the 1997 Surety Bond) or
- (ii) the Guaranty dated 21 June 2001 (the "**2001 Guaranty**") whereby ZFS has agreed to provide Zurich Bank with funds required to make any payment or delivery required under the terms of any Guaranteed Obligation (as such term is defined in the 2001 Guaranty) upon the request of a Zurich Capital Markets party (as that term is defined in the 2001 Guaranty), subject to certain limitations contained in the 2001 Guaranty,

and therefore, Notes issued by Zurich Bank under this Programme will only be covered by the Senior ZIC Guarantee or the Subordinated ZIC Guarantee (as applicable), as described in the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes.

Board of Directors of Zurich Bank

The members of the Board of Directors of Zurich Bank are:

<u>Name</u>	<u>Function</u>	<u>Business Address</u>
Pierre Wauthier	Non-Executive Chairman	Mythenquai 2, 8002 Zurich, Switzerland
Colm Holmes	Executive Director and Chief Executive Officer	La Touche House, International Financial Services Centre Dublin 1, Ireland
Greg Dempsey (until 2 June 2011 only)	Executive Director	La Touche House, International Financial Services Centre Dublin 1, Ireland

Aisling Scully	Executive Director	La Touche House, International Financial Services Centre, Dublin 1, Ireland
Seamus Palmer	Executive Director	La Touche House, International Financial Services Centre, Dublin 1, Ireland
Nicholas Bullman	Non-Executive Director	Dayr House, Prospect Road, Bath BA2 6AY, England
John Cunningham	Non-Executive Director	31 Park Drive, Ranelagh, Dublin 6, Ireland
Mike Pitcher	Non-Executive Director	58D, Tower 8, The Belchers, 89 Pok Fuham Road, Hong Kong

As of the date of this Base Prospectus there are no potential conflicts of interest between the duties owed by any member of the Board of Directors of Zurich Bank to Zurich Bank and his or her private interests and/or other duties. In the event that a potential conflict of interest arises in the future, a director of Zurich Bank would be subject to a fiduciary obligation to avoid such a conflict under Irish law. In addition, the articles of association of Zurich Bank and the Irish Companies Acts 1963 – 2010 require a director of Zurich Bank to disclose to the Board of Directors the nature of any interest he or she may have in a contract or proposed contract with Zurich Bank.

The fiscal year of Zurich Bank begins on 1 January and terminates on 31 December of each year.

Regulation

Zurich Bank is regulated by the Central Bank of Ireland and holds a banking licence pursuant to Section 9 of the Central Bank Act 1971 of Ireland (as amended).

Form of Senior Guarantee

This guarantee agreement is made on the date of issue of the relevant tranche as specified in the Schedule hereto between:

- (1) ZURICH INSURANCE COMPANY LTD of Mythenquai 2, CH8002 Zurich, Switzerland, a company incorporated with limited liability under the laws of Switzerland (the “**Guarantor**”); and
- (2) CITICORP TRUSTEE COMPANY LIMITED, of 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, acting as trustee for the Noteholders, the Receiptholders and the Couponholders (each as defined below) (the “**Trustee**”, which expression shall, where the context so admits, include such company and all other persons or companies for the time being the trustee or trustees of the Trust Deed).

WHEREAS

- (A) [ZURICH FINANCE (LUXEMBOURG) S.A.] [ZURICH FINANCE (USA), INC.] [ZURICH FINANCE (UK) PLC] [ZURICH BANK] as issuer, may issue Euro Medium Term Notes in an aggregate nominal amount of up to USD18,000,000,000 (or its equivalent in other currencies) pursuant to a Euro Medium Term Note Programme established by them.
- (B) The Issuer of the Notes of the relevant tranche specified in the Schedule hereto (the “**Issuer**”) has agreed to issue the Notes described in the Schedule hereto (the “**Notes**”) on the issue date specified in the Schedule hereto.
- (C) The Guarantor has agreed to guarantee to the Trustee up to a specified maximum amount the obligations of the Issuer to pay principal, interest and all other amounts payable on all outstanding Notes and under the Trust Deed (the “**Senior ZIC Guarantee**”) for the benefit of the Trustee, the holders of the Notes (the “**Noteholders**”), the holders of the Receipts (if any) relating thereto (the “**Receiptholders**” and the “**Receipts**”, respectively) and the holders of the Coupons (if any) relating thereto (the “**Couponholders**” and the “**Coupons**” respectively) (the Noteholders, the Receiptholders and the Couponholders together the “**Holders**” and the Notes, the Coupons and the Receipts together the “**Securities**”).

1. GUARANTEE

(1) Senior ZIC Guarantee

The Guarantor hereby irrevocably and unconditionally undertakes in its capacity as primary obligor and not merely as a surety, pursuant to Art. 111 of the Swiss Federal Code of Obligations, irrespective of the validity of the Securities and the Trust Deed and waiving all rights of objection and defence arising from the Securities and the Trust Deed to pay to the Trustee, acting for the benefit of the Holders, within seven days after the receipt by the Guarantor of the Trustee’s first written demand for payment and the Trustee’s confirmation in writing that an amount due under the Securities or the Trust Deed which is equivalent to the amount claimed under the Senior ZIC Guarantee has remained unpaid on the due date (the last day of such period of seven days being hereinafter referred to as the “**Seventh Day**”), such amount upon the following terms:

- (a) the Senior ZIC Guarantee constitutes a direct, unconditional, unsubordinated and unsecured obligation of the Guarantor ranking (subject as aforesaid) *pari passu* with all its other outstanding unsecured and unsubordinated obligations, present and future, save for statutorily preferred exceptions, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights;
- (b) the maximum liability of the Guarantor under the Senior ZIC Guarantee (including, in particular, all amounts payable under Clause 3 of the Senior ZIC Guarantee and all other amounts payable under the Senior ZIC Guarantee) shall not exceed in aggregate [insert currency and amount] (the "**Guarantee Amount**") calculated in accordance with Note 1 which may not be reduced for so long as any sum remains payable under the Securities;
- (c) all rights arising from the Senior ZIC Guarantee shall be held exclusively by the Trustee and no Holder may proceed directly against the Guarantor under the Senior ZIC Guarantee unless the Trustee having been so requested in writing by the Holders of not less than 25 per cent in nominal amount of the Notes then outstanding or so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders to proceed, fails to do so within a reasonable period and such failure is continuing; and
- (d) the Guarantor agrees that any payments to be made by it hereunder shall be made to or to the order of the Trustee in the place of payment specified in the Schedule hereto in the currency specified in the Schedule hereto in immediately available funds before close of business in that city on the Seventh Day and any such payment shall, to that extent, satisfy the obligation of the Guarantor under the Senior ZIC Guarantee.

Such written demand shall, however, not be submitted to the Guarantor before seven days have passed since the due date on which such amount due under the Securities or the Trust Deed should have been paid.

(2) Guarantor's Obligations Continuing

Subject to Clause 1(1)(b), the Guarantor's obligations under the Senior ZIC Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable under the Securities. Furthermore, the obligations of the Guarantor hereunder are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise, and may be enforced without first having recourse to the Issuer, any other person, any security or any other guarantee or indemnity.

(3) Exercise of Guarantor's Rights

So long as any sum remains payable by the Issuer under the Securities, no right of the Guarantor, by reason of the performance of any of its obligations under the Senior ZIC Guarantee, to be indemnified by the Issuer or to take the benefit of or enforce any security or other guarantee or indemnity shall be exercised or enforced. Until all amounts which may be or become payable in respect of the Securities have been irrevocably paid in full, the Guarantor shall not by virtue of the Senior ZIC Guarantee be subrogated to any rights of the Trustee or any Holder or claim in competition with the Trustee or the Holders against the Issuer.

(4) Avoidance of Payments

Any settlement or discharge between the Guarantor and the Trustee in respect of the Senior ZIC Guarantee shall be conditional upon no payment to the Trustee or any Holder by the Issuer or any person on the Issuer's behalf being avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency or liquidation or similar laws of general application for the time being in force and, in the event of any such payment being so avoided or reduced, the Trustee shall be entitled to recover from the Guarantor the amount by which such payment is so avoided or reduced as if such settlement or discharge had not occurred.

2. ACCEPTANCE

The Trustee accepts the Senior ZIC Guarantee in its capacity as trustee for the Holders. The Guarantor agrees to be bound by the provisions of Condition 7 (subject to Clause 1(1)(b)) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes as if set out in full in this guarantee agreement.

3. CURRENCY INDEMNITY

(1) Currency of Account and Payment

The currency of the Notes (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Guarantor under or in connection with the Senior ZIC Guarantee, including damages.

(2) Extent of Discharge

Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Guarantor or otherwise), by the Trustee in respect of any sum expressed to be due to it from the Guarantor will only discharge the Guarantor to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that day, on the first date on which it is practicable to do so).

(3) Indemnity

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Senior ZIC Guarantee, the Guarantor will, subject to Clause 1(1)(b), indemnify the recipient against any loss sustained by it as a result and will indemnify it against the cost of making any such purchase.

(4) Indemnity separate

This indemnity constitutes a separate and independent obligation from the other obligations in the Senior ZIC Guarantee, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Senior ZIC Guarantee or any judgment or order, subject always to Clause 1(1)(b).

4. NOTICES

Each notice or demand under the Senior ZIC Guarantee shall be made in writing. Each notice or demand to be made or sent to the Guarantor under the Senior ZIC Guarantee shall be made or sent (airmail, postage prepaid, if sent by post to another country) to the Guarantor at the address, and for the attention of the person, from time to time designated by the Guarantor for the purposes of the Senior ZIC Guarantee. Any such notice or demand shall be effective when actually delivered to such address. The address, attention and telefax number of the Guarantor for notices or demands under the Senior ZIC Guarantee for the time being are as follows:

Zurich Insurance Company Ltd

Mythenquai 2

CH8002 Zurich Fax: +41 (0)44 625 34 99

Attention: Group Treasury and Capital Management

With a copy to: Fax: +41 (0)44 625 34 99

Attention: Head of Group Treasury and Capital
Management

5. RIGHT OF PRODUCTION

A copy of the Senior ZIC Guarantee will be deposited with each of the paying agents appointed under the Agency Agreement. The Guarantor hereby acknowledges the right of each Holder to production of a copy of the Senior ZIC Guarantee.

6. GOVERNING LAW AND JURISDICTION

(1) Governing Law

The Senior ZIC Guarantee shall be governed by, and construed in accordance with, the substantive laws of Switzerland.

(2) Jurisdiction

Any dispute arising out of the Senior ZIC Guarantee between the Guarantor and the Trustee, or between the Guarantor and a Holder who is entitled to proceed against the Guarantor pursuant to Clause 1(1)(c), shall fall exclusively within the jurisdiction of the courts of the City of Zurich, and, where the law permits, the Commercial Court of the Canton of Zurich, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

This guarantee agreement has been entered into on the date stated at the beginning.

ZURICH INSURANCE COMPANY LTD

By:

By:

CITICORP TRUSTEE COMPANY LIMITED

By:

By:

Note 1:

* The Guarantee Amount in respect of a relevant tranche of Notes (other than Variable Notes (as defined below)) will be calculated as follows:

For Fixed Rate Notes:

$$GA = RA + (3 \times I) + AA$$

For Floating Rate Notes:

$$GA = RA + (3 \times EI) + AA$$

For Zero Coupon Notes:

$$GA = RA + AA$$

where:

“**GA**” means Guarantee Amount;

“**RA**” means the greater of the Early Redemption Amount and the Final Redemption Amount of the Notes, each as defined in the applicable Final Terms;

“**I**” means the amount of interest payable on the Notes up to the first anniversary of their issue date;

“**EI**” means the estimated amount of interest payable on the Notes up to the first anniversary of their issue date calculated on the basis that interest is payable for each interest period ending on or prior to such first anniversary at 1.5 times the rate fixed for the first interest period; and

“**AA**” means USD100,000 (or its equivalent in the currency of the Guarantee Amount) representing an additional amount to guarantee the payments of the Issuer to be due under the Trust Deed but not under the Securities.

For Notes with a variable or partial redemption amount or for Notes (other than Floating Rate Notes) where the amount of interest is not determinable at the Issue Date (“**Variable Notes**”), the Guarantee Amount will be signed between the Guarantor and the relevant Dealer on or before the Issue Date.

[Final Terms annexed]

THE SCHEDULE

Issuer: [Zurich Finance (Luxembourg) S.A.] [Zurich Finance (USA), Inc.] [Zurich Finance (UK) plc] [Zurich Bank]

Title of Notes being issued: [●]

Date of issue of relevant Tranche: [●]

Guarantee Amount [●]

Place of payment and specified currency
for the purposes of Clause 1(d): [●]

Form of Subordinated Guarantee

This subordinated guarantee agreement is made on the date of issue of the relevant tranche as specified in the Schedule hereto between:

- (1) ZURICH INSURANCE COMPANY LTD of Mythenquai 2, CH-8002 Zurich, Switzerland, a company incorporated with limited liability under the laws of Switzerland (the “**Guarantor**”); and
- (2) CITICORP TRUSTEE COMPANY LIMITED, of 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, acting as trustee for the Noteholders, the Receiptholders and the Couponholders (each defined below) (the “**Trustee**”, which expression shall, where the context so admits, include such company and all other persons or companies for the time being the trustee or trustees of the Trust Deed).

WHEREAS

- (A) [ZURICH FINANCE (LUXEMBOURG) S.A.] [ZURICH FINANCE (USA), INC.] [ZURICH FINANCE (UK) plc] [ZURICH BANK], as issuer, may issue Euro Medium Term Notes in an aggregate nominal amount of up to USD18,000,000,000 (or its equivalent in other currencies) pursuant to a European Medium Term Note Programme established by them.
- (B) The Issuer of the Notes of the relevant tranche specified in the Schedule hereto (the “**Issuer**”) has agreed to issue the Notes described in the Schedule hereto (the “**Subordinated Notes**”) on the issue date specified in the Schedule hereto.
- (C) The Guarantor has agreed to guarantee to the Trustee up to a specified maximum amount the obligations of the Issuer to pay principal, interest and all other amounts payable on all outstanding Subordinated Notes and under the Trust Deed (the “**Subordinated ZIC Guarantee**”) for the benefit of the Trustee, the holders of the Subordinated Notes (the “**Noteholders**”), the holders of the Receipts (if any) relating thereto (the “**Receiptholders**” and the “**Receipts**”, respectively) and the holders of the Coupons (if any) relating thereto (the “**Couponholders**” and the “**Coupons**” respectively) (the Noteholders, the Receiptholders and the Couponholders together the “**Holders**” and the Subordinated Notes and the Coupons together the “**Subordinated Securities**”).

1. GUARANTEE

(1) Subordinated ZIC Guarantee

The Guarantor hereby irrevocably and unconditionally undertakes on a subordinated basis in its capacity as primary obligor and not merely as a surety, pursuant to Art. 111 of the Swiss Federal Code of Obligations, irrespective of the validity of the Subordinated Securities and the Trust Deed and waiving all rights of objection and defence arising from the Subordinated Securities and the Trust Deed to pay to the Trustee, acting for the benefit of the Holders, within seven days after the receipt by the Guarantor of the Trustee’s first written demand for payment and the Trustee’s confirmation in writing that an amount due under the Subordinated Securities or the Trust Deed which is equivalent to the amount claimed under the Subordinated ZIC Guarantee has remained unpaid on the due date (the last day of such period of seven days being hereinafter referred to as the “**Seventh Day**”), such amount upon the following terms:

- (a) The Subordinated ZIC Guarantee hereunder constitutes a direct, unconditional, subordinated and unsecured obligation of the Guarantor.

Claims in respect of the Subordinated ZIC Guarantee will, in the event of a winding up, liquidation, dissolution, bankruptcy of or other similar proceedings against the Guarantor (such as bankruptcy (“*Konkurs*”) composition (“*Nachlassvertrag*”) and moratorium (“*Stundung*”)), rank

- (i) after the claims of any Senior Creditors (as defined below);

(ii) *pari passu* with any Subordinated Notes (as defined in the Trust Deed) of the Guarantor and any other subordinated obligations of the Guarantor which whether now or in the future rank or are expressed to rank *pari passu* with the claims of the holders of such Subordinated Notes or the beneficiaries of this Subordinated ZIC Guarantee (“**Parity Obligations**”, and “**Parity Obligation**” shall be construed accordingly); and

(iii) prior to the claims of the holders of any Capital Notes (as defined in the Trust Deed) and of all classes of issued shares in the share capital of the Guarantor.

As used above, “**Senior Creditors**” means (i) holders of Senior Obligations (as defined in the Trust Deed) and (ii) creditors of the Guarantor in respect of actual or contingent obligations (including claims of holders of insurance policies issued by the Issuer), whether outstanding at the date hereof or subsequently incurred, other than any obligation as to which, in the instrument creating or evidencing the obligation or pursuant to which the obligation is outstanding, it is expressly provided that such obligation is *pari passu* with, or junior to, the Subordinated ZIC Guarantee and/or any Parity Obligations.

- (b) Neither the Trustee nor any Noteholder and/or Couponholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer and/or the Guarantor arising under or in connection with the Subordinated Notes or the Subordinated ZIC Guarantee and the Trustee and each Noteholder, and/or Couponholder and/or Receiptholder shall, by virtue of being the holder of any of the Subordinated Notes and/or Coupons and/or Receipts, be deemed to have waived all such rights of set-off.
- (c) the maximum liability of the Guarantor under the Subordinated ZIC Guarantee (including, in particular, all amounts payable under Clause 3 of the Subordinated ZIC Guarantee and all other amounts payable under the Subordinated ZIC Guarantee) shall not exceed in aggregate [insert currency and amount] (the “**Guarantee Amount**”), calculated in accordance with Note 1 which may not be reduced for so long as any sum remains payable under the Subordinated Securities;
- (d) all rights arising from the Subordinated ZIC Guarantee shall be held exclusively by the Trustee and no Holder may proceed directly against the Guarantor under the Subordinated ZIC Guarantee unless the Trustee having been so requested in writing by the Holders of not less than 25 per cent, in nominal amount of the Subordinated Notes then outstanding or so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders to proceed, fails to do so within a reasonable period and such failure is continuing; and
- (e) the Guarantor agrees that any payments to be made by it hereunder shall be made to or to the order of the Trustee in the place of payment specified in the Schedule hereto in immediately available funds before close of business in that city on the Seventh Day and any such payment shall to that extent, satisfy the obligation of the Guarantor under the Subordinated ZIC Guarantee.

Such written demand shall, however, not be submitted to the Guarantor before 7 days have passed since the due date on which such amount due under the Subordinated Securities or the Trust Deed should have been paid.

(2) Guarantor’s Obligations Continuing

Subject to Clause 1(1)(c), the Guarantor’s obligations under the Subordinated ZIC Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable under the Subordinated Securities. Furthermore, the obligations of the Guarantor hereunder are additional to, and

not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise, and may be enforced without first having recourse to the Issuer, any other person, any security or any other guarantee or indemnity.

(3) Exercise of Guarantor's Rights

So long as any sum remains payable by the Issuer under the Subordinated Securities, no right of the Guarantor, by reason of the performance of any of its obligations under the Subordinated ZIC Guarantee, to be indemnified by the Issuer or to take the benefit of or enforce any security or other guarantee or indemnity shall be exercised or enforced. Until all amounts which may be or become payable in respect of the Subordinated Securities have been irrevocably paid in full, the Guarantor shall not by virtue of the Subordinated ZIC Guarantee be subrogated to any rights of the Trustee or any Holder or claim in competition with the Trustee or the Holders against Issuer.

(4) Avoidance of Payments

Any settlement or discharge between the Guarantor and the Trustee in respect of the Subordinated ZIC Guarantee shall be conditional upon no payment to the Trustee or any Holder by the Issuer or any person on the Issuer's behalf being avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency or liquidation or similar laws or general application for the time being in force and, in the event of any such payment being so avoided or reduced, the Trustee shall be entitled to recover from the Guarantor the amount by which such payment is so avoided or reduced as if such settlement or discharge had not occurred.

2. ACCEPTANCE

The Trustee accepts the Subordinated ZIC Guarantee in its capacity as trustee for the Holders. The Guarantor agrees to be bound by the provisions of Conditions 7 (subject to Clause 1(1)(c)) of the Terms and Conditions of the Subordinated Notes as if set out in full in this guarantee agreement.

3. CURRENCY INDEMNITY

(1) Currency of Account and Payment

The currency of the Subordinated Notes (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Guarantor under or in connection with the Subordinated ZIC Guarantee, including damages.

(2) Extent of Discharge

Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of the enforcement of a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Guarantor or otherwise), by the Trustee in respect of any sum expressed to be due to it from the Guarantor will only discharge the Guarantor to the extent of the Contractual Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recover (or, if it is not practicable to make that purchase on that day, on the first date on which it is practicable to do so).

(3) Indemnity

If that Contractual Currency amount is less than the Contractual Currency amount expressed to be due to the recipient under the Subordinated ZIC Guarantee, the Guarantor will, subject to Clause 1(1)(c), indemnify the recipient against any loss sustained by it as a result and will indemnify it against the cost of making any such purchase.

(4) Indemnity separate

This indemnity constitutes a separate and independent obligation from the other obligations in the Subordinated ZIC Guarantee, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Trustee and will continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under the Subordinated ZIC Guarantee or any judgment or order, subject always to Clause 1(1)(c).

4. NOTICES

Each notice or demand under the Subordinated ZIC Guarantee shall be made in writing. Each notice or demand to be made or sent to the Guarantor under the Subordinated ZIC Guarantee shall be made or sent (airmail, postage prepaid, if sent by post to another country) to the Guarantor at the address, and for the attention of the person, from time to time designated by the Guarantor for the purposes of the Subordinated ZIC Guarantee. Any such notice or demand shall be effective when actually delivered to such address. The address, attention and telefax number of the Guarantor for notices or demands under the Subordinated ZIC Guarantee for the time being are as follows:

Zurich Insurance Company Ltd

Mythenquai 2

CH-8002 Zurich Fax: +41 (0)44 625 34 99

Attention: Group Treasury and Capital Management

With a copy to: Fax: +41 (0)44 625 34 99

Attention: Head of Group Treasury and Capital Management

5. RIGHT OF PRODUCTION

A copy of the Subordinated ZIC Guarantee will be deposited by the Guarantor with each of the paying agents appointed under the Agency Agreement. The Guarantor hereby acknowledges the right of each Holder to production of a copy of the Subordinated ZIC Guarantee.

6. GOVERNING LAW AND JURISDICTION

(1) Governing law

The Subordinated ZIC Guarantee shall be governed by, and construed in accordance with, the substantive laws of Switzerland.

(2) Jurisdiction

Any dispute arising out of the Subordinated ZIC Guarantee between the Guarantor and the Trustee, or between the Guarantor and a Holder who is entitled to proceed against the Guarantor pursuant to Clause 1(1)(d), shall fall exclusively within the jurisdiction of the courts of the City of Zurich and, where the law permits, the Commercial Court of the Canton of Zurich, with the right of appeal, where the law permits, to the Swiss Federal Court of Justice in Lausanne, the decision of which shall be final.

This guarantee agreement has been entered into on the date stated at the beginning.

ZURICH INSURANCE COMPANY LTD

By:

By:

CITICORP TRUSTEE COMPANY LIMITED

By:

By:

Note 1:

* The Guarantee Amount in respect of a relevant tranche of Subordinated Notes (other than Variable Notes (as defined below)) will be calculated as follows:

For Fixed Rate Notes:

$GA = RA + (3 \times I) + AA$

For Floating Rate Notes:

$GA = RA + (3 \times EI) + AA$

For Zero Coupon Notes:

$GA = RA + AA$

where:

“**GA**” means Guarantee Amount;

“**RA**” means the greater of the Early Redemption Amount and the Final Redemption Amount of the Subordinated Notes, each as defined in the applicable Final Terms;

“I” means the amount of interest payable on the Subordinated Notes up to the first anniversary of their issue date;

“EI” means the estimated amount of interest payable on the Subordinated Notes up to the first anniversary of their issue date calculated on the basis that interest is payable for each interest period ending on or prior to such first anniversary at 1.5 times the rate fixed for the first interest period; and

“AA” means USD100,000 (or its equivalent in the currency of the Guarantee Amount) representing an additional amount to guarantee the payments of the Issuer to be due under the Trust Deed but not under the Securities.

For Subordinated Notes with a variable or partial redemption amount or for Subordinated Notes (other than Floating Rate Notes) where the amount of interest is not determinable at the Issue Date (“Variable Notes”), the Guarantee Amount will be signed between the Guarantor and the relevant Dealer on or before the Issue Date.

[Final Terms annexed]

THE SCHEDULE

Issuer: [Zurich Finance (Luxembourg) S.A.] [Zurich Finance (USA), Inc.] [Zurich Finance (UK) plc] [Zurich Bank]

Title of Subordinated Notes being issued: [Specify details of the Notes (including whether the Notes are Dated or Undated Subordinated Notes)]

Date of issue of relevant Tranche: [●]

Guarantee Amount: [●]

Place of payment and specified currency for the purposes of Clause 1(e): [●]

Taxation

United States Taxation (in respect of Notes issued by ZF (USA))

Certain US Federal Income Tax Consequences

The following is a general discussion of the material US Federal income tax considerations applicable to initial Non-US Holders of the Notes issued by ZF (USA). This summary is based upon current provisions of the Internal Revenue Code of 1986, as amended (the “Code”), regulations of the Treasury Department (“Treasury Regulations”), administrative rulings and pronouncements of the Internal Revenue Service (“IRS”) and judicial decisions currently in effect, all of which are subject to change, possibly with retroactive effect.

For purposes of this discussion, a “US person” means (i) a citizen or resident (as defined in Section 7701(b)(1) of the Code) of the United States, (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the United States or any State thereof (including the District of Columbia), (iii) an estate or trust described in Section 7701(a)(30) of the Code, or (iv) a person whose worldwide income or gain is otherwise subject to US Federal income taxation on a net income basis and a “Non-US Holder” means any beneficial owner of a Note that is not a US person.

The following discussion is based upon certain of the facts set forth in this Base Prospectus and other documents related to the issuance of Notes and upon compliance with the provisions thereof and the representations and agreements therein. This discussion is based on representations to the Issuers by the Dealers that they have in effect procedures reasonably designed to ensure that their employees or agents who are directly engaged in selling the Notes are aware that the Bearer Notes cannot be offered or sold during the restricted period (or resold in connection with the original issue) to a person who is within the United States or its possessions or who is a United States person, except as permitted by the Treasury Regulations.

To ensure compliance with US Treasury Department Circular 230, Noteholders are hereby notified that: (A) any discussion of US Federal tax issues in this Base Prospectus is not intended or written to be relied upon, and cannot be relied upon, by Noteholders for the purpose of avoiding penalties that may be imposed on Noteholders under the Code, (B) such discussion is included herein by the Issuers in connection with the promotion or marketing (within the meaning of Circular 230) by the Issuers and the Dealers of the transactions or matters addressed herein and (C) Noteholders should seek tax advice based on their particular circumstances from an independent tax advisor.

The tax discussion set forth below is included for general information only and may not be applicable depending upon a Noteholder’s particular situation. In addition, the discussion does not consider the effect of any foreign, state, local, gift, estate or other tax laws that may be applicable to a particular investor. Noteholders are urged to consult their own tax advisors with respect to the particular consequences to them of holding and disposing of Notes in light of their own particular circumstances including the tax consequences under local, state, foreign and other tax laws and possible effects of changes in United States federal income or other tax laws.

Taxation of Non-US Holders

Under present US Federal income and estate tax laws and subject to the discussion of backup withholding below:

- (a) A Non-US Holder generally will not be subject to the US Federal income or withholding tax on payments of interest on a Note (including original issue discount), provided that (i) the holder is not (A) a direct or indirect owner of 10 per cent or more of the total voting power of all voting stock of the relevant Issuer or (B) a controlled foreign corporation related to the relevant Issuer through stock ownership, (ii) such interest payments are not effectively connected with the conduct by the Non-US Holder of a trade or business within the United States, (iii) the Holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code (iv) the interest is not contingent interest described in Section 871(h)(4) of the Code, related primarily to interest based on or determined by reference to income, profits, cash flow and other comparable attributes of the obligor or a party related to the obligor and (v) for Notes issued on or after 19 March 2012, the Note must be issued in registered form.

- (b) A Non-US Holder generally will not be subject to US Federal income or withholding tax on gains from the sale or other disposition of a Note, provided that (i) such gains are not effectively connected with the conduct by the Non-US Holder of a trade or business within the United States and (ii) such Non-US Holder is not an individual who is present in the United States for 183 days or more in the taxable year of disposition and meets certain other requirements; and
- (c) Any Note or coupon beneficially owned by an individual who at the time of death is not a citizen or resident of the US will not be subject to US Federal estate tax provided that, at the time of death, such individual does not actually or constructively own 10 per cent or more of the total combined voting power of the relevant Issuer entitled to vote and interest on the Notes or coupon was not effectively connected with a US trade or business conducted by such individual.

If a Non-US Holder cannot satisfy the requirements of the “portfolio interest” exception described in (a) above, payments of premium, if any, and interest made to such Non-US Holder will be subject to a 30 per cent withholding tax unless such holder provides the relevant Issuer or its paying agent as the case may be with a properly executed (1) IRS Form W8BEN claiming an exemption from withholding under the benefit of a tax treaty or (2) IRS Form W8ECI stating that interest paid on the Note is not subject to withholding tax because it is effectively connected with the holder’s conduct of a trade or business in the United States.

If a Non-US Holder is engaged in a trade or business in the United States and premium, if any, or interest on the Notes is effectively connected with the conduct of such trade or business, such holder, although exempt from the withholding tax discussed above, will be subject to United States Federal income tax on such interest on a net income basis in the same manner as if it were a US person. In addition, if such Non-US Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30 per cent of its effectively connected earnings and profits for the taxable year, subject to adjustments. For this purpose, premium, if any, and interest on a Note will be included in such foreign corporation’s earnings and profits.

The Hiring Incentives to Restore Employment Act of 2010 (the “**2010 HIRE Act**”) may impose additional US withholding tax requirements for a Note issued after 18 March 2012. Under the 2010 HIRE Act, a Non-US Holder may be subject to a 30 per cent US withholding tax on a payment made after 31 December 2012 of interest (including original issue discount) on such a Note, or gross proceeds from the disposition of such a Note, if income from the payment is not effectively connected with a US trade or business and the payment is made to (i) a “foreign financial institution” that does not meet certain US tax reporting requirements regarding its US account holders or (ii) a non-US entity that is not a “foreign financial institution” if the non-US entity does not disclose to the IRS the name, address and taxpayer identification number of any substantial US owners (or certify that it does not have any substantial US owners). A refund or credit may be available to the extent the payment is otherwise exempt from US tax (e.g. if the portfolio interest exemption applies), unless the beneficial owner is a “foreign financial institution” not exempt from withholding under an applicable treaty.

Information Reporting and Backup Withholding

A holder of a Note may be subject to backup withholding at a rate of 28 per cent with respect to interest paid on the Note and proceeds from the sale, exchange, redemption or retirement of the Note, unless such holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates that fact or (ii) provides a correct taxpayer identification number (social security number or employer identification number), certifies as to its exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Furthermore, the 2010 HIRE Act imposes additional reporting requirements for individuals generally applicable to tax years beginning after 18 March 2010. Under these new requirements, an individual holder of a “specified foreign financial asset” may be required to disclose certain information relating to the holder’s interest in such asset for any taxable year in which the aggregate value of all the holder’s “specified foreign financial assets” is greater than \$50,000. A specified foreign financial asset includes any “financial account” maintained by a “foreign financial institution” which may include debt of the institution not regularly traded on an established security market, and any Note issued by a non-US person if it is not held in an account maintained by a financial institution. There is currently some uncertainty as to what extent a non-US insurance company will be considered to be a “foreign financial institution” under the recently enacted legislation. Certain penalties may be imposed by the IRS on a holder that is required to supply information but does not do so in the proper manner.

A Non-US Holder generally will be exempt from backup withholding and information reporting requirements, but may be required to comply with certification and identification procedures in order to obtain an exemption from backup withholding and information reporting.

Any amount withheld under the backup withholding rules from a payment to a holder is allowable as a credit against such holder's US Federal income tax (which might entitle such holder to a refund), provided that such holder furnishes the required information to the IRS.

Luxembourg Taxation

The following information is of a general nature only and is based on ZF (Luxembourg)'s understanding of certain aspects of the laws and practice in force in Luxembourg as of the date of this Base Prospectus. It does not purport to be a comprehensive description of all of the tax considerations that might be relevant to an investment decision. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. It is a description of the essential material Luxembourg tax consequences with respect to the Notes and may not include tax considerations that arise from rules of general application or that are generally assumed to be known to holders of Notes. This summary is based on the laws in force in Luxembourg on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. Prospective holders of Notes should consult their professional advisors with respect to particular circumstances, the effects of state, local or foreign laws to which they may be subject and as to their tax position.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), personal income tax (*impôt sur le revenu*), as well as a temporary crisis contribution (*contribution de crise*) generally. Corporate taxpayers may further be subject to net worth tax (*impôt sur la fortune*), as well as other duties, levies or taxes. Corporate income tax, municipal business tax, as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax, the solidarity surcharge and the temporary crisis contribution. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well

(a) Luxembourg tax residency of the holders of Notes

Investors will not become resident nor be deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of their rights thereunder.

(b) Withholding Tax

(i) Resident holders of Notes

Under the Luxembourg law dated 23 December 2005 (the "**Law**"), a 10% Luxembourg withholding tax is levied as of 1 January 2006 on interest or similar income payments (accrued since 1 July 2005) made by Luxembourg paying agents to or for the immediate benefit of an individual beneficial owner who is resident in Luxembourg. This withholding tax also applies on accrued interest received upon disposal,

redemption or repurchase of the Notes. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Further, Luxembourg resident individuals who are the beneficial owners of interest payments and other similar income made as from 1 January 2008 by a paying agent established outside Luxembourg in a Member State of the European Union or the European Economic Area or in a jurisdiction having concluded an agreement with Luxembourg in connection with the Savings Directive may opt for a final 10% levy. In such case, the 10% levy is calculated on the same amounts as for the payments made by Luxembourg paying agents. The option for the 10% final levy must cover all interest payments made by paying agents to the beneficial owner during the entire civil year.

(ii) Non-resident holders of Notes

Under the Luxembourg tax law currently in effect and subject to the application of the Luxembourg laws dated 21 June 2005 (the “**Laws**”) implementing the Savings Directive and several agreements concluded between Luxembourg and certain dependant territories of the European Union, there is no withholding tax on payments of interest (including accrued but unpaid interest) made to a Luxembourg non-resident holder of Notes. There is also no Luxembourg withholding tax upon repayment of the principal, or subject to the application of the Laws, upon redemption or exchange of the Notes. Under the Laws, a Luxembourg based paying agent (within the meaning of the Savings Directive) is required since 1 July 2005, to withhold tax on interest and other similar income (including reimbursement premium received at maturity) paid by it to (or under certain circumstances, to the benefit of) an individual or a residual entity (“**Residual Entity**”) in the sense of article 4.2. of the Savings Directive (i.e. an entity without legal personality except for (1) a Finnish *avoin yhtiö* and *kommandiittiyhtiö / öppet bolag* and *kommanditbolag* and (2) a Swedish *handelsbolag* and *kommanditbolag*, and whose profits are not taxed under the general arrangements for the business taxation and that is not, or has not opted to be considered as, a UCITS recognised in accordance with Council Directive 85/611/EEC), resident or established in another Member State of the European Union, unless the beneficiary of the interest payments elects for an exchange of information. The same regime applies to payments to individuals or Residual Entity resident in any of the following territories: Aruba, British Virgin Islands, Guernsey, the Isle of Man, Jersey, Montserrat as well as the former Netherlands Antilles, i.e. Bonaire, Curaçao, Saba, Sint Eustatius and Sint Maarten.

The withholding tax rate is currently 20% increasing to 35% as from 1 July 2011.

In each case described here above (residents and non-residents), responsibility for the withholding tax will be assumed by the Luxembourg paying agent.

(c) Taxation of the holders of Notes

(i) Taxation of Luxembourg non-residents

Holders of Notes who are non-residents of Luxembourg and who have neither a permanent establishment nor a permanent representative in Luxembourg to which the Notes are attributable are not liable to any Luxembourg income tax, whether they receive payments of principal or interest (including accrued but unpaid interest) or realise capital gains upon redemption, repurchase, sale, disposal or exchange, in any form whatsoever, of any Notes.

Holders of Notes who are non-residents of Luxembourg and who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable are liable to Luxembourg income tax on any interest received or accrued, as well as any reimbursement premium received at maturity and any capital gain realised on the sale or disposal, in any form whatsoever, of the Notes and may have to include this income in their taxable income for Luxembourg income tax assessment purposes.

(ii) Taxation of Luxembourg residents

Luxembourg resident individuals

An individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts under the Notes, except if a withholding tax has been levied on such payments in accordance with the Law.

Under Luxembourg domestic tax law, gains realised upon the sale, disposal or redemption of the Notes, which do not constitute zero coupon notes, by an individual holder of Notes, who is a resident of Luxembourg for tax purposes and who acts in the course of the management of his/her private wealth, on the sale or disposal, in any form whatsoever, of Notes are not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the acquisition of the Notes. An individual holder of Notes, who acts in the course of the management of his/her private wealth and who is a resident of Luxembourg for tax purposes, has further to include the portion of the gain corresponding to accrued but unpaid income in respect of the Notes in his/her taxable income, insofar as the accrued but unpaid interest is indicated separately in the agreement.

A gain realised upon a sale of zero coupon Notes before their maturity by Luxembourg resident holders of Notes, in the course of the management of their private wealth, must be included in their taxable income for Luxembourg income tax assessment purposes.

Luxembourg resident individual holders of Notes acting in the course of the management of a professional or business undertaking to which the Notes are attributable, may have to include any interest received or accrued, as well as any gain realised on the sale or disposal of the Notes, in any form whatsoever, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg corporate residents

Luxembourg corporate holders of Notes must include any interest received or accrued, as well as any gain realised on the sale or disposal of the Notes, in their taxable income for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price (including but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed.

Luxembourg residents benefiting from a special tax regime

Luxembourg holders of Notes who benefit from a special tax regime, such as, for example, undertakings for collective investment subject to the amended laws of 20 December 2002 or of 17 December 2010, specialized investment funds governed by the law of 13 February 2007 or family wealth management companies governed by the law of 11 May 2007 are exempt from income taxes in Luxembourg and thus income derived from the Notes, as well as gains realised thereon, are not subject to income taxes.

(d) Net Wealth Tax

Luxembourg resident holders of Notes and non-resident holders of Notes who have a permanent establishment or a permanent representative in Luxembourg to which the Notes are attributable, are subject to Luxembourg wealth tax on such Notes, except if the holder of Notes is (i) an individual, (ii) an undertaking for collective investment subject to the amended law of 20 December 2002 or of 17 December 2010, (iii) a securitisation company governed by the law of 22 March 2004 on securitization, (iv) a company governed by the law of 15 June 2004 on venture capital vehicles, (v) a specialized investment fund governed by the law of 13 February 2007 or (vi) a family wealth management company governed by the law of 11 May 2007.

(e) Other Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the holders of Notes as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or repurchase of the Notes (except in case of voluntary registration in Luxembourg).

No estate or inheritance taxes are levied on the transfer of the Notes upon death of a holder of Notes in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. Gift tax may be due on a gift or donation of Notes if the gift is recorded in a deed passed in front of a Luxembourg notary or otherwise registered in Luxembourg.

Swiss Taxation

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes who are in any doubt as to their tax positions should consult their professional advisers.

(a) Withholding Tax

Payments by the Issuers (other than ZIC), or by ZIC as Guarantor, of interest on, and repayment of principal of, the Notes, will not be subject to Swiss federal withholding tax, even though the Notes are guaranteed by ZIC as Guarantor, provided that the relevant Issuer uses the proceeds from the offering and sale of the Notes outstanding outside of Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

Payments of interest on Notes issued by ZIC will in general be subject to Swiss federal withholding tax at a rate of 35 per cent. Certain types of Notes issued by ZIC may classify as notes with a “predominant one-time interest payment” (*Obligationen mit überwiegender Einmalverzinsung*; see below “—Income Taxation on Principal or Interest”) under circular letter No. 15 issued by the Swiss federal tax authorities

on 7 February 2007. A “one-time interest payment” will be subject to Swiss federal withholding tax upon redemption of the Notes. Restricted Notes may not be subject to the Swiss federal withholding tax.

A holder of a Note issued by ZIC who resides in Switzerland and who, at the time the payment of interest is due, is the beneficial recipient of the payment of interest and, in the case of a holder who is an individual, duly reports the gross payment of interest in his or her tax return and, in the case of a holder who is a legal entity or an individual required to keep accounting books, includes such payment as earnings in its income statement, is entitled to a full refund of or a full tax credit for the Swiss federal withholding tax. A holder of a Note issued by ZIC who does not reside in Switzerland may be able to claim a full or partial refund of the Swiss federal withholding tax by virtue of the provisions of an applicable double taxation treaty, if any, between Switzerland and the country of residence of such holder.

On 22 December 2010 the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35 per cent on any payment of interest in respect of a Note to an individual resident in Switzerland or to a person resident in a country which has no double tax treaty with Switzerland. If this legislation or similar legislation were enacted and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the Issuer nor the Guarantor nor any paying agent nor any other person would pursuant to the Conditions be obliged to pay additional amounts with respect to any Note as a result of the deduction or imposition of such withholding tax.

(b) Stamp Taxes

The issue and redemption of Notes by the Issuers (other than ZIC) and the issue of the Guarantee by ZIC as Guarantor are not subject to Swiss federal stamp duty on the issue of securities, even though the Notes are guaranteed by ZIC as Guarantor, provided that the Issuer uses the proceeds from the offering and sale of the Notes outstanding outside of Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

The issue of Notes by ZIC, but not their redemption, is in general subject to Swiss federal stamp duty on the issue of securities, in the case of Notes issued with a maturity of twelve months or less, at a rate of 0.06 per cent of the aggregate nominal amount of the Notes, calculated for each day of the whole term of the Note on the basis of $1/360^{\text{th}}$ of such tax rate or, in the case of Notes with a maturity in excess of twelve months, at a rate of 0.12 per cent of the aggregate nominal amount of the Notes for each year from the date of issue of the Notes until maturity, parts of a year being treated, for such purposes, as a whole year. Restricted Notes may not be subject to the Swiss federal stamp duty on the issue of securities.

Dealings in Notes with a maturity in excess of 12 months where a Swiss domestic bank or a Swiss domestic securities dealer (as defined in the Swiss federal stamp duty act) is a party, or acts as an intermediary, to the transaction may be subject to Swiss federal stamp duty on dealings in securities at a rate of up to 0.3 per cent of the purchase price of the Notes. at a rate of up to 0.15 per cent of the purchase price of the Notes in the case of Notes issued by ZIC and at a rate of up to 0.3 per cent of such purchase price in the case of Notes issued by the other Issuers. Where both the seller and the purchaser of the Notes (whether or not issued by ZIC) are non-residents of Switzerland or the

Principality of Liechtenstein, no Swiss federal stamp duty on dealing in securities is payable. Restricted Notes may not be subject to the Swiss federal stamp duty on the issue of securities.

(c) Income Taxation on Principal or Interest

(i) Notes held by non-Swiss holders

Payments by the Issuers (other than ZIC), or by ZIC as Guarantor, of interest and repayment of principal to, and gain realised on the sale or redemption of Notes by, a holder of Notes who is not a resident of Switzerland and who during the current taxation year has not engaged in trade or business through a permanent establishment or a fixed place of business in Switzerland to which such Note is attributable and who is not subject to income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax.

(ii) Notes held by Swiss resident holders as private assets

Notes without a “predominant one-time interest payment”: Individuals who reside in Switzerland and who hold Notes as private assets without a predominant one-time interest payment are required to include all payments of interest on such Notes in their personal income tax return and will be taxable on any net taxable income (including the payments of interest on the Notes) for the relevant tax period. Notes without a predominant one-time interest payment are bonds the yield-to-maturity of which predominantly derives from periodic interest payments and not from a one-time-interest-payment.

Notes with a “predominant one-time interest payment”: If the yield-to-maturity of a Note predominantly derives from a one-time-interest-payment such as an original issue discount or a repayment premium and not from periodic interest payments, then a holder who is an individual resident in Switzerland holding such bond as a private asset, is required to include in his personal income tax return for the relevant tax period any periodic interest payments received on the Notes and, in addition, any amount equal to the difference between the value of the bond at redemption or sale, as applicable, and the value of the bond at issuance or secondary market purchase, as applicable, realised on the sale or redemption of such bond, and converted into Swiss Francs at the exchange rate prevailing at the time of sale or redemption, issuance or purchase, respectively, and will be taxable on any net taxable income (including such amounts) for the relevant tax period. Any value decreases realised on such a Note on sale or redemption may be offset by such a holder against any gains (including periodic interest payments) realised by him within the same taxation period from other instruments with a predominant one-time interest payment.

Capital gains and losses: Swiss resident individuals who sell or otherwise dispose of privately held Notes realise either a tax-free private capital gain or a non-tax-deductible capital loss. See the preceding paragraph for a summary of the tax treatment of a gain or a loss realised on Notes with a “predominant one-time interest payment.” See “Notes held as Swiss business assets” below for a summary on the tax treatment of individuals classified as “professional securities dealers.”

(iii) Notes held as Swiss business assets

Individuals who hold Notes as part of a business in Switzerland and Swiss-resident corporate taxpayers and corporate taxpayers residing abroad holding Notes as part of a Swiss permanent establishment or fixed place of business in Switzerland, are required to recognise the payments of interest and any capital gain or loss realised on the sale or other disposition of such Notes in their income statement for the

respective tax period and will be taxable on any net taxable earnings for such period. The same taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as “professional securities dealers” for reasons of, *inter alia*, frequent dealings and leveraged transactions in securities.

United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment and reporting obligations based on UK law and HM Revenue & Customs published practice at the date hereof in relation to payments of interest in respect of the Notes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes (and for the avoidance of doubt do not include consideration of direct taxation of income on which tax may or may not be withheld). The comments are made on the assumption that none of ZF (Luxembourg), ZF (USA), Zurich Bank and ZIC is resident in the United Kingdom for United Kingdom tax purposes, is issuing the Notes for the purposes of or in the course of a trade or other business carried on by it in the United Kingdom or pays interest on the Notes which has a United Kingdom source. The comments relate only to the position of persons who are absolute beneficial owners of the Notes (and may not apply to certain classes of Noteholders (such as dealers and persons who are connected or associated with the Issuer for relevant tax purposes)). Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that series and other Tranches of Notes. The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

(a) Interest on the Notes issued by ZF (UK)

The Notes issued by ZF (UK) which carry a right to interest will constitute “quoted Eurobonds” within the meaning of section 987 of the UK Income Tax Act 2007 (the “**Act**”) as long as they are and continue to be listed on a “recognised stock exchange” within the meaning of section 1005 of the Act. Securities will be treated as listed on a recognised stock exchange if (and only if) they are admitted to trading on that exchange (the regulated market of the Luxembourg Stock Exchange is a recognised stock exchange for these purposes) and either they are included in the United Kingdom Official List (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

Accordingly, payments of interest on such Notes issued by ZF (UK) may be made without withholding for or on account of UK income tax provided such Notes are and remain so listed and admitted to trading at the time of payment.

In all other cases, interest on the Notes issued by ZF (UK) may fall to be paid under deduction of United Kingdom income tax at the basic rate, which is currently 20 per cent, subject to such relief as may be

available under an applicable double taxation treaty or to any other exemption which may apply. However, this withholding will not apply if the relevant interest is paid on Notes issued by ZF(UK) with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

(b) Payments by guarantor

If any payments are made pursuant to a Senior ZIC Guarantee or a Subordinated ZIC Guarantee in respect of interest on Notes issued by ZF (UK) (or other amounts due under such Notes other than the repayment of amounts subscribed for the Notes) such payments may be subject to United Kingdom withholding tax at the basic rate, which is currently 20 per cent, subject to the availability of relief under the provisions of any applicable double taxation treaty or to any other exemption which may apply (although such payments may not be eligible for the exemptions described in paragraph (a) above).

(c) Provision of information

Noteholders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by ZF (UK) or any person in the United Kingdom acting on behalf of ZF (UK), ZF (Luxembourg), ZF (USA), Zurich Bank or ZIC (a “**paying agent**”), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a “**collecting agent**”), then ZF (UK), the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HM Revenue and Customs details of the payment and certain details relating to the Noteholder (including the Noteholder’s name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. In certain circumstances, the details provided to HM Revenue and Customs may be passed by HM Revenue and Customs to the tax authorities of certain other jurisdictions.

For the purposes of this paragraph (c), “interest” should be taken, for practical purposes, as including payments made by a guarantor in respect of interest on Notes.

With effect from 6 April 2011, the provisions referred to in this paragraph (c) may also apply, in certain circumstances, to payments made on redemption of any Notes where the amount payable on redemption is greater than the issue price of the Notes.

(d) Other rules relating to United Kingdom withholding tax

Notes issued by ZF (UK) may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Notes should not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in (a) above, but may be subject to reporting requirements as outlined in (c) above and in “EU Savings Directive” below.

Where Notes issued by ZF (UK) are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax, and to reporting requirements as outlined in (c) above and in “EU Savings Directive” below.

The references to “interest” in this United Kingdom Taxation section above mean “**interest**” as understood in United Kingdom tax law. Such statements do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation (e.g. see Condition 5(d) of the Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes).

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer pursuant to Condition 14 of the Notes or otherwise and does not consider the tax consequences of any such substitution.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty and the relevant Noteholder successfully completes a claim for recovery of tax deducted under such double taxation treaty.

Ireland Taxation

The following is a general summary of Zurich Bank’s understanding of the current law and practice in Ireland relating to the taxation of Notes issued under the Programme. The summary relates only to the position of the persons who are the absolute beneficial owners of Notes and the interest on them and some aspects may not apply to certain classes of taxpayers (such as dealers). Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. This summary does not constitute tax or legal advice and the comments below are of a general nature only. Holders of Notes should seek their own professional advice as to their tax position.

(a) Liability of holders of Notes to Irish income tax

Persons resident in Ireland for the purposes of Irish tax are subject to Irish tax on their worldwide income, which would include interest paid (premium on redemption is treated as interest for this purpose) and discounts realised on the Notes (whether issued by Zurich Bank or another Issuer).

A company that is not resident in Ireland for the purposes of Irish tax but operates in Ireland through a branch or agency to which any Notes are attributable (whether issued by Zurich Bank or another Issuer) is subject to Irish corporation tax in respect of interest paid and discounts realised on the Notes.

Persons not resident in Ireland for the purposes of Irish tax are subject to Irish income tax on interest payable and discounts realised on Notes issued by Zurich Bank, unless one of the following exemptions is available:

- (i) A company which is not resident in Ireland for the purposes of Irish tax will not be chargeable to income tax in respect of interest paid in the ordinary course of business of Zurich Bank on the Notes if the company is resident in a Member State of the European Union under the laws of that Member State or in a territory with which Ireland has signed a double tax treaty and where that Member State or territory imposes a tax that generally applies to interest receivable from sources outside that Member State or territory, or where the interest paid would be exempted from the charge to income tax under a double taxation treaty that is in effect or, if not yet in effect, that has been signed between Ireland and the territory in which the company is a resident for tax purposes.

(ii) A person (whether or not a company) who is not resident in Ireland for the purposes of tax will not be chargeable to income tax in respect of interest received or discounts realised on the Notes if the person is resident in a Member State of the European Union under the laws of that Member State or in a territory with which Ireland has signed a double tax treaty; and in the case of interest only, the interest is paid on:

- (1) a Quoted Eurobond (as defined below); or
- (2) a Wholesale Debt Instrument (as defined below)

A Note issued by Zurich Bank will qualify for exemption from withholding tax on interest as a **“Quoted Eurobond”** if:

- (i) it is quoted on a recognised stock exchange;
- (ii) it carries a right to interest; and
- (iii) one of the following conditions is satisfied:
 - (A) the person by or through whom the payment is made is not in Ireland; or
 - (B) the payment is made by or through a person in Ireland, and either:
 - (1) the Note is held in a recognised clearing system (Euroclear, Clearstream, Luxembourg and SIS are recognised for this purpose); or
 - (2) the person who is the beneficial owner of the Note and who is beneficially entitled to the interest is non-Irish resident and has made a declaration of non-Irish residence in the form required by the Irish Revenue Commissioners.

A Note issued by Zurich Bank will qualify for exemption from withholding tax on interest as a **“Wholesale Debt Instrument”** if:

- (i) it matures within two years;
- (ii) it has a minimum denomination of €500,000 if denominated in euro, USD500,000 if denominated in US dollars or, in the case of Debt Obligations which are denominated in a currency other than euro or US dollars, the equivalent in that other currency of €500,000 (such amount to be determined by reference to the relevant rate of exchange at the date of the first publication of this program); and
- (iii) one of the following conditions is satisfied:
 - (A) the Wholesale Debt Instrument is held in a recognised clearing system; or
 - (B) the payment is made by or through a person resident in Ireland or through a branch or agency through which a company not resident in Ireland carries on a trade or business in Ireland, and:
 - (1) the person who is beneficially entitled to the interest is resident in Ireland for the purposes of tax and has provided their Irish tax reference number to the Issuer; or
 - (2) the person who is the beneficial owner of the security and who is beneficially entitled to the interest thereon is not resident in Ireland for the purposes of tax and has made a declaration to that effect in the prescribed form.

(b) Withholding tax

Irish tax legislation requires licensed banks such as Zurich Bank to withhold deposit interest retention tax (“**DIRT**”) on the payment of interest or discounts on certain “deposits”. The term “**deposit**” is widely defined and would include Notes issued by Zurich Bank. There are a number of exceptions to the requirement to withhold tax, of which the most relevant are as follows:

- (i) The interest or discount is paid on a Note which is listed on a stock exchange.
- (ii) The interest or discount is paid on a Note that is held in a recognised clearing system (see above) in a denomination of not less than USD500,000 or €500,000, or if denominated in any currency other than US dollars or Euro, not less than the equivalent of €500,000 in that other currency at the date the programme is first publicised and such Note:
 - (A) recognises an obligation to pay a stated amount;
 - (B) matures within two years of the date of issue; and
 - (C) carries a right to interest, is issued at a discount, or is issued at a premium.

Where Notes issued by Zurich Bank are not listed on a recognised stock exchange and do not mature within two years of the date of issue, the Irish Revenue Commissioners operate a published practice which remains in force and effect as of the date hereof whereby DIRT which would otherwise be applicable will not apply to interest or other returns paid to persons not resident in Ireland who are beneficially entitled to the interest or other returns and where such Notes are issued to persons not resident in Ireland, subject to certain specified conditions. These conditions require that:

- (i) the issuer will not sell any of the Notes to Irish residents and will not offer such Notes in Ireland;
- (ii) interest on the Notes is paid by a paying agent located outside of Ireland;
- (iii) the Dealers must undertake as a matter of contract with Zurich Bank that they will not knowingly make primary sales of the Notes to Irish residents or persons whose usual place of abode is Ireland (with a statement to that effect being included in the relevant offering documentation);
- (iv) the Notes are cleared through a recognised clearing system (see above); and
- (v) the minimum denomination in which the Notes issue is made will be €500,000 or its equivalent.

Irish tax legislation contains, in addition to withholding tax on deposit interest, a general withholding tax at the rate of 20 per cent which may apply if the withholding tax on deposit interest does not apply. No withholding tax applies where a Note issued by Zurich Bank qualifies for exemption as a Quoted Eurobond (see above). In the case of Notes issued by Zurich Bank that do not qualify for exemption as a Quoted Eurobond (for instance, Notes which are not listed) no withholding tax applies to interest in respect of Notes, where such interest payments are made in the ordinary course of the Zurich Bank’s bona fide banking business carried on in Ireland.

(c) Encashment tax

Interest on any Notes issued by Zurich Bank which qualify for an exemption from withholding tax on interest as a Quoted Eurobond (see above) paid to or realised by an agent in Ireland on behalf of a holder of the relevant Note will be subject to a withholding in respect of Irish income tax at the standard rate of Irish income tax (at the date of this Base Prospectus being 20 per cent) unless the beneficial owner of the relevant Note that is entitled to the interest is not resident for tax purposes in Ireland and makes a declaration in the required form.

Interest on any Note issued by an Issuer other than Zurich Bank will be subject to a withholding in respect of Irish income tax at the standard rate of Irish income tax (at the date of this Base Prospectus being 20 per cent) if paid by a paying agent in Ireland. This is unless the beneficial owner of the relevant Note that is entitled to the interest is not resident for tax purposes in Ireland and makes a declaration in the required form.

(d) Capital gains tax

Provided the Notes are listed on a recognised stock exchange, or the Notes do not derive their value, or the greater part of their value from certain Irish land or mineral rights, then a Noteholder will not be subject to Irish tax on capital gains provided that such Noteholder is neither resident nor ordinarily resident in Ireland and such Noteholder does not have an enterprise, or an interest in an enterprise, which carries on business in Ireland through a branch or agency, or a permanent representative, to which or to whom the Notes are attributable

The rate of capital gains tax at the date of this Base Prospectus is 25 per cent.

(e) Capital acquisitions tax

If the Notes issued by Zurich Bank are comprised in a gift or inheritance taken from an Irish resident or ordinarily resident disponer or if the disponer's successor is resident or ordinarily resident in Ireland, or if any of the Notes (whether issued by Zurich Bank or not) are regarded as property situated in Ireland, the disponer's successor may be liable to capital acquisitions tax.

The Notes if issued in bearer form would be regarded as property situate in Ireland if they were ever to be physically kept or located in Ireland with a depositary or otherwise. The Notes if issued in registered form would be regarded as property situate in Ireland if the principal register of the Notes is maintained in Ireland.

The rate of capital acquisitions tax at the date of this Base Prospectus is 25 per cent.

(f) Stamp duty

No Irish stamp duty will be payable on the issue of the Notes nor will Irish stamp duty be chargeable on the transfer by delivery of Notes.

In the event of a written transfer of Notes issued by Zurich Bank no Irish stamp duty is chargeable provided that such Notes:

- (i) do not carry a right of conversion into stocks or marketable securities (other than loan capital) of a company having a register in Ireland or into loan capital having such a right,
- (ii) do not carry rights of the same kind as shares in the capital of a company, including rights such as voting rights, a share in the profits or a share in the surplus upon liquidation,
- (iii) are issued for a price which is not less than 90 per cent of their nominal value (e.g. Notes issued at a discount such as Zero Coupon Notes may not qualify for this exemption), and
- (iv) do not carry a right to a sum in respect of repayment or interest which is related to certain movements in an index or indices (based wholly or partly and directly or indirectly on stocks or

marketable securities) specified in any instrument or other document relating to the Notes (thus the Indexed Notes would be excluded from this exemption).

No stamp duty will be payable on redemption of the Notes.

Where an exemption does not apply, a written transfer of a Note issued by Zurich Bank (wherever executed) is liable to Irish stamp duty at the rate of 1 per cent of the consideration paid under the transfer (or, if greater, the market value of the Note).

EU Savings Directive disclosure

Under the EU Savings Directive on taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent pursuant to EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or, introduced in order to conform to, such Directive. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also a number of non-EU countries, including Switzerland, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission, the Council of the European Union and the European Parliament are considering a number of proposals to amend the EU Savings Directive. If any of the proposed changes are made to the Directive, they may amend or broaden the scope of the requirement discussed above.

In accordance with the agreement between Switzerland and the EU on the taxation of savings income, which is in force since 1 July 2005, Swiss paying agents have to withhold tax at a rate of 20 per cent, until 30 June 2011 and at a rate of 35 per cent, thereafter on interest payments made under the Notes to a beneficial owner who is an individual and resident of an EU member state, with the option of the individual to have the paying agent and Switzerland provide to the tax authorities of the EU member state the details of the interest payments in lieu of the withholding.

Subscription and Sale

The Dealers have in an amended and restated dealer agreement (as further amended or supplemented from time to time, the “**Dealer Agreement**”) dated 20 May 2011 agreed with the Issuers as the basis upon which they or any of them may from time to time agree to subscribe for Notes. Any such agreement will extend to those matters stated under “Form of the Notes and the Capital Notes”, “Terms and Conditions of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes” and “Terms and Conditions of the Capital Notes” above. In the Dealer Agreement, the Issuers have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

United States

The Notes have not been and will not be registered under the US Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, US persons (as defined in Regulation S under the US Securities Act) except in accordance with Regulation S under the US Securities Act or pursuant to an exemption from the registration requirements of the US Securities Act.

Notes in bearer form are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to US persons, except in certain transactions permitted by US tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will offer, sell and deliver Notes (i) as part of their distribution at any time and (ii) otherwise until forty days after the completion of the distribution of all Reg. S Notes of the Tranche of which such Notes are a part, only in accordance with Rules 903 and 904 of Regulation S under the US Securities Act, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Reg. S Notes from it or through it during the distribution compliance period a confirmation or notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons. Terms used in the above paragraph have the meanings given to them by Regulation S.

Each issuance of index, commodity or currency-linked Notes shall be subject to additional US selling restrictions as the relevant Dealer or Dealers shall agree as a term of the issuance and purchase of such Notes. Each Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional US selling restrictions.

The Notes are being offered and sold only outside the United States to persons other than US persons (“**foreign purchasers**,” which term includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust) in reliance upon Regulation S. As used in this discussion of “Subscription and Sale” — “United States”, the terms “**United States**” and “**US person**” have the meanings given to them in Regulation S.

Each purchaser of Notes will be deemed to have represented and agreed as follows:

- (1) It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a foreign purchaser that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to above).

- (2) It acknowledges that the Notes have not been registered under the US Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except as set forth below.
- (3) It agrees that the Issuer has no obligation to register the Notes under the US Securities Act.
- (4) It will not resell or otherwise transfer any Notes within two years after the original issuance of the Notes except (A) to the Issuer, (B) outside the United States in compliance with Rule 904 under the US Securities Act, (C) pursuant to the exemption from registration provided by Rule 144 under the US Securities Act (if available) or (D) pursuant to an effective registration statement under the US Securities Act.
- (5) It will give to each person to whom it transfers Notes notice of any restrictions on transfer of those Notes.
- (6) It understands that the Reg. S Notes offered will be represented by a Reg. S Global Notes. Before any interest in a Reg. S. Global Note may be offered, sold, pledged or otherwise transferred to a person who is not a foreign purchaser, the transferee will be required to provide the Trustee with a written certification (the form of which certification can be obtained from the Trustee) as to compliance with the transfer restrictions referred to above.
- (7) It understands that each of the Reg. S Notes will bear a legend substantially to the following effect unless otherwise agreed by the Issuer and the holder of particular Notes:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “**US Securities Act**”), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OF BENEFIT OF, US PERSONS. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS NOT A US PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE US SECURITIES ACT, (2) AGREES THAT IT WILL NOT, PRIOR TO THE DATE THAT IS TWO YEARS AFTER THE DATE OF THE ORIGINAL ISSUANCE OF THIS SECURITY AND THE LAST DATE ON WHICH THE ISSUER OF THIS SECURITY OR ANY AFFILIATED PERSON OF THE ISSUER WAS THE OWNER OF THIS SECURITY, RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE ISSUER OR ANY SUBSIDIARY OF THE ISSUER, (A) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE US SECURITIES ACT, (B) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT (IF AVAILABLE), OR (C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE US SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED IN THIS STATEMENT, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “US PERSON” HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE US SECURITIES ACT.

- (8) It will not sell or otherwise transfer Notes to, and each purchaser represents and covenants that it is not acquiring the Notes for or on behalf of, and will not transfer Notes to, any “employee benefit plan” as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 (“**ERISA**”) which is subject to Title I of ERISA or any “plan” as defined in Section 4975 of the Code, which is subject to Section 4975 of the Code (in such case, a “**Plan**”), or any entity the assets of which

constitute “plan assets” of any Plan for the purposes of ERISA or Section 4975 of the Code (a “**Plan Entity**”).

- (9) It acknowledges that the Trustee for the Notes will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions described above have been complied with.
- (10) It acknowledges that the Issuers, the Dealers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations and agreements deemed to have been made by its purchase of Notes are no longer accurate, it will promptly notify the Issuer and the Dealers. If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, and agreements on behalf of each account.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the relevant Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing

measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

Ireland

Each Dealer has represented and agreed (and each further Dealer appointed under the Programme will be required to represent and agree) that:

- (a) it has complied and will comply with the provision of the European Communities (Markets in Financial Instruments) Regulations 2007, as amended (the MiFID Regulations) if operating in or otherwise involving Ireland and, if acting under and within the terms of an authorisation to do so for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments (MiFID), it has complied with any applicable requirements of the MiFID Regulations or as imposed, or deemed to have been imposed, by the Central Bank of Ireland pursuant to the MiFID Regulations and, if acting within the terms of an authorisation granted to it for the purposes Directive 2006/48/EC of the European Parliament and the Council of the 14 June 2006 relating to the taking up and the pursuit of the business of credit institutions as amended, replaced or consolidated from time to time, it has complied with any codes of conduct or practice made under Section 117(1) of the Central Bank Act 1989 of Ireland (as amended) and any applicable requirements of the MiFID Regulations or as imposed pursuant to the MiFID Regulations;
- (b) it will not offer, sell, underwrite, place or do anything in Ireland in respect of any Notes otherwise than in compliance with the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland and any rules made by the Central Bank of Ireland pursuant thereto;
- (c) in respect of Notes issued by an Issuer (other than Zurich Bank) and which have an original maturity of less than one year, it shall not sell such Notes to the public in Ireland except in compliance with the exemption set out in Notice BSD C 01/02 of 12 November 2002 issued by the Central Bank of Ireland or otherwise in circumstances which do not require the relevant Issuer to hold a licence in Ireland for the carrying on of banking business;
- (d) in respect of any Notes issued by Zurich Bank that are not listed on any recognised stock exchange and that do not mature within two years of the date of issue:
 - (A) its action in any jurisdiction will comply with the then applicable laws and regulations of that jurisdiction;
 - (B) it will not knowingly offer to sell such Notes to an Irish resident, or to persons whose usual place of abode is Ireland, and it will not knowingly distribute or cause to be distributed in Ireland any offering material in connection with such Notes;
 - (C) it will not offer, sell or deliver any such Notes to any person in a denomination of less than €500,000 or its equivalent; and
 - (D) such Notes will be cleared through a recognised clearing system;
- (e) in respect of any Notes issued by Zurich Bank that are not listed on any recognised stock exchange and that mature within two years of the date of issue, it will not offer, sell or deliver any such Notes to any person in a denomination of less than €500,000 if the Note is denominated in Euro,

USD500,000 if the relevant Note is denominated in Dollars, or if the relevant Note is denominated in a currency other than Euro or Dollars, the equivalent of €500,000 at the date the Programme is first publicised and such Notes will be cleared through a recognised clearing system;

- (f) in respect of any local offer of Notes in Ireland, as defined in section 38 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland, it has complied with and will comply with section 49 of such Act.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) **No deposit-taking:** in relation to any Notes which have a maturity of less than one year:
- (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the relevant Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under Financial Instruments and Exchange Act of Japan (the “**Financial Instruments and Exchange Act**”) and disclosure under the Financial Instruments and Exchange Act has not been and will not be made with respect to the Notes. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it has not, directly or indirectly, offered, sold, resold or otherwise transferred and will not, directly or indirectly, offer sell, resell or otherwise transfer any Notes or any interest therein, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering resale or otherwise transferring, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan

except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and all other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable laws and regulations in force in any country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes any offering material in relation to such Notes and will obtain any consent, approval or permission required by it for the subscription, offer, sale or delivery by it of Notes or possession or distribution of such offering material under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such subscription, offer or sale.

No Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other additional restrictions as the relevant Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

Form of Final Terms of the Senior Notes, Dated Subordinated Notes and Undated Subordinated Notes

Final Terms dated ●

[Zurich Finance (Luxembourg) S.A*(/

Zurich Finance (USA), Inc./Zurich Finance (UK) plc/Zurich Bank/Zurich Insurance Company Ltd]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

[Guaranteed by Zurich Insurance Company Ltd]

under the USD18,000,000,000

Euro Medium Term Note Programme

Part A Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated ● [and the supplement to the Base Prospectus dated ●] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (*Directive 2003/71/EC*) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. [The Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing at [website] [and] during normal business hours at [address] [and copies may be obtained from [address].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions contained in the Trust Deed dated [original date] and set forth in the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated ●] (the Conditions). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement to the Base Prospectus dated ●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [current date] [and the supplements to the Base Prospectus dated ● and ●]. [The Base Prospectuses [and the supplements to the Base Prospectus] are available for viewing at [website] [and] during normal business hours at [address] [and copies may be obtained from [address].]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

(* Include where ZF (Luxembourg) is the Issuer: *société anonyme* 45, rue des Scillas L-2529 Howald R.C.S. Luxembourg B.69.748.

1. [(i)] Issuer: Zurich Finance (Luxembourg) S.A./Zurich Finance (USA), Inc./Zurich Finance (UK) plc/Zurich Bank/Zurich Insurance Company Ltd
- [(ii) Guarantor (not applicable to Notes issued by Zurich Insurance Company Ltd):] Zurich Insurance Company Ltd
2. [(i)] Series Number: []
- [(ii) Tranche Number: []
- (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible). []
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount of Notes admitted to trading: []
- [(i)] Series: []
- [(ii) Tranche: []
5. Issue Price: [] per cent of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
6. Specified Denominations:** [] [EUR 100,000 (or equivalent) and integral multiples of EUR 1,000 (or equivalent) in excess thereof up to and including EUR 199,000 (or equivalent). No Notes in definitive form will be issued with a denomination above EUR 199,000]*
- Calculation Amount [Notes issued under the Programme which may be listed on the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a member state of the European Union may not (a) have a minimum denomination of less than EUR 100,000 (or its equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by ZF (USA), ZIC, ZF (UK), ZF (Luxembourg) or Zurich Bank or by any entity to whose group ZF (USA), ZIC, ZF (UK), ZF (Luxembourg) or Zurich Bank belongs.]
7. [(i)] Issue Date: []
- [(ii) Interest Commencement Date: [] [Not Applicable]
8. Maturity Date (for dated Notes only): [*specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year/Not Applicable*]
9. [(i)] Interest Basis: [● per cent Fixed Rate]
 [[*specify reference rate*]
 +/- ● per cent
 Floating Rate]
 [Zero Coupon]
 [Index Linked Interest]
 [Other (specify)]
 (further particulars specified below)
- [(ii)] Optional Deferral of interest for Subordinated Notes: [Applicable] [Not Applicable]
- [(iii)] Optional Deferral limited to 5 years upon loss of regulatory capital credit [Yes] [No]

- [(iv)] Solvency Deferral of interest for Subordinated Notes [Applicable] [Not Applicable]
- [(v)] Relevant Entity [ZIC] [ZFS]
- [(vi)] Arrears of Interest payable at any time at Issuer's election [Yes in whole [or in part] [No]
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (*specify*)]
11. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. [(i)] Status of the Notes: [Unsubordinated/Subordinated] [*Insert details of any modifications to Conditions 2(b) or 2(c) including in respect of the ability to exercise or claim any right of set-off*]
- [(ii)] Status of the Guarantee: [Unsubordinated/Subordinated]]
- [(iii)] [Date [Board] approval for issuance of Notes [and] Guarantee] obtained: [] [and []], respectively]]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)]
- [(iv)] Guarantee Amount (for Notes issued by Zurich Finance (Luxembourg) S.A., Zurich Finance (USA), Inc., Zurich Finance (UK) plc or Zurich Bank only): []
14. Method of distribution: [Syndicated/Non-syndicated]
15. Condition 7(d)(vii) to apply: [Yes] [No]
16. Initial Permitted Non-Qualifying Lender[s]: []

* This wording must be included in the case of an issue of Notes where the Specified Denominations are minimum denominations of EUR 100,000 (or equivalent) and integral multiples of EUR 1,000 (or equivalent).

** If the Maturity date of the Notes (including Notes denominated in sterling) is less than one year from the Issue Date and either (a) the issue proceeds are received by the relevant Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) or (ii) another applicable exemption from section 19 of the FSMA must be available.

Provisions Relating to Interest (if any) Payable

17. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [] per cent per annum [payable [annually/semi annually/quarterly/monthly/other (specify)] in arrear]
 - (ii) Interest Payment Date(s): [] in each year
 - (iii) Fixed Coupon Amount[(s)]: [] per Calculation Amount
 - (iv) Broken Amount(s): [] per Calculation Amount payable on the interest Payment Date falling [in/on] []
 - (v) Day Count Fraction: [30/360/Actual/Actual ([ICMA]/ISDA)/other]
 - (vi) Determination Dates: [] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual ([ICMA])*
 - (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
 - [(viii) Mid Swap Rate:] [Applicable/Not Applicable]
 - [(ix) Specified Mid Swap Rate:] [Not Applicable/give details]
 - [(x) Mid Swap Rate Screen Page:] [Not Applicable/give details]
 - [(xi) Reset Period:] [Not Applicable/give details]
 - [(xii) Reset Margin:] [Not Applicable/give details]
 - [(xiii) Reset Date:] [Not Applicable/give details]
 - [(xiv) Specified Swap Duration:] [Not Applicable/give details]
18. Floating Rate Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate)*
- (i) Interest Period(s): []
 - (ii) Specified Interest Payment Dates: []
 - (iii) First Interest Payment Dates: []
 - (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
 - (v) Additional Business Centre(s): []

- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): []
- (viii) Screen Rate Determination:
- Reference Rate: []
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
- (ix) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (x) Margin(s): [+/-][] per cent per annum
- (xi) Minimum Rate of Interest: [] per cent per annum
- (xii) Maximum Rate of Interest: [] per cent per annum
- (xiii) Day Count Fraction: []
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
19. Zero Coupon Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [] per cent per annum
 - (ii) Reference Price: []
 - (iii) Any other formula/basis of determining amount payable: []
20. Index-Linked Interest Note/other *variable-linked interest Note Provisions* [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other variable: [*give or annex details*]
 - (ii) Party responsible for calculating Rates of Interest and Interest Amount(s) (if not the [Agent]): []
 - (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: []
 - (iv) Determination Date(s): []
 - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable []

or otherwise disrupted:

- (vi) Interest or calculation period(s): []
- (vii) Specified Interest Payment Dates: []
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
- (ix) Additional Business Centre(s): []
- (x) Minimum Rate/Amount of Interest: [] per cent per annum
- (xi) Maximum Rate/Amount of Interest: [] per cent per annum
- (xii) Day Count Fraction: []

21. Dual Currency Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [Insert name and address of Calculation Agent]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (iv) Person at whose option Specified Currency(ies) is/are payable: []

Provisions Relating to Redemption

22. Call Option [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [] per Calculation Amount
 - (b) Maximum Redemption Amount: [] per Calculation Amount
- (iv) Notice period: []
- (v) Redemption of Subordinated Notes for Accounting Event: [Applicable/Not Applicable]
- (vi) Initial Accounting Treatment Methodology: [liabilities/equity]

(vii) Redemption of Subordinated Notes for Capital Event:	[Applicable/Not Applicable]
(viii) Redemption of Subordinated Notes for Regulatory Event:	[Applicable/Not Applicable]
(ix) Regular Redemption Price:	[] per Calculation Amount
(x) Special Redemption Price:	[] per Calculation Amount
23. Put Option	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Optional Redemption Date(s):	[]
(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[] per Calculation Amount
(iii) Notice period:	[]
24. Final Redemption Amount of each Note	[] per Calculation Amount
In cases where the Final Redemption Amount is Index-Linked or other variable-linked:	
(i) Index/Formula/variable:	<i>[give or annex details]</i>
(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[]
(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[]
(iv) Determination Date(s):	[]
(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[]
(vi) Payment Date:	[]
(vii) Minimum Final Redemption Amount:	[] per Calculation Amount
(viii) Maximum Final Redemption Amount:	[] per Calculation Amount
25. Early Redemption Amount:	
Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[]
[26. Instalment Amount:	[]]
27. Maturity Date of Dated Subordinated Notes extended	[Yes] [No]

upon a Solvency Event in accordance with Condition 6(a):

General Provisions Applicable to the Notes

28. Form of Notes: Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 40 days' notice/in the limited circumstances specified in the Permanent Global Note]
[Temporary Global Note exchangeable for Definitive Notes]
[Permanent Global Note exchangeable for Definitive Notes on 40 days' notice/in the limited circumstances specified in the Permanent Global Note]
[In the case of Reg. S Notes whether the Notes are to be represented on issue by a Reg. S Global Note or by Individual Registered Notes]: [Reg. S Global Note exchangeable into Individual Registered Notes if requested by the holder upon not less than 40 days' notice/only in the limited circumstances described in the Base Prospectus]
[Individual Registered Notes]
[In the case of Listed Swiss Franc Notes:]: [Permanent Global SIS Note]
29. New Global Note Form: [Yes/No]
30. Payment Business Centre(s) or other special provisions relating to Payment Days for the purpose of Condition 5(c): [Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 18(ii), 19(iv) and 21(ix) relate]
31. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
32. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
33. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
34. Consolidation provisions:
(i) Listed Swiss Franc Note: [Yes/No]
(ii) Identity of Principal Paying Agent and other Paying Agents: []
35. Relevant Jurisdictions: [Specify if different from those set out in Condition 6(b)]
36. Other final terms: [Not Applicable/give details] (When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)
37. Restricted Note (Condition 10(j) shall apply): [Yes] [No]
(i) Restricted Note Minimum Denomination Amount []
(ii) Restricted Note Transfer Amount []

(iii) Number of Qualifying Banks []

Distribution

38. (i) If syndicated, names of Managers: [Not Applicable/give names]
(ii) Stabilising Manager(s) (if any): [Not Applicable/give name]
39. If non-syndicated, name of Dealer: [Not Applicable/give name]
40. US Selling Restrictions: [Reg. S Compliance Category: TEFRA C/TEFRA D/TEFRA not applicable]
41. Additional selling restrictions: [Not Applicable Regulation S category 1/Regulation S category 2/Regulation S category 3/give details]

[Listing and Admission to Trading Application

These Final Terms comprise the final terms required for listing on the Official List and for admission to trading on the regulated market of the Luxembourg/other stock exchange (*specify*) of the Notes described herein pursuant to the USD18,000,000,000 Euro Medium Term Note Programme of ● .]

Responsibility

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms. [(Relevant third party information) has been extracted from (specify source)]. The Issuer [and the Guarantor] confirm[s] that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (specify source), no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

Duly authorised

[Signed on behalf of the Guarantor:

By:

Duly authorised]

PART B — OTHER INFORMATION

1. Listing and Admission to Trading

(i) Listing:

[Luxembourg/other (specify)/None].

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [] with effect from [].] Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [] with effect from [].] [Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*)

(ii) Admission to trading:

(iii) Estimate of total expenses related to admission to trading:

[]

The Notes to be issued have been rated:

[S & P: [●]]

[Moody's: [●]]

[[Other]: [●]]

[and endorsed by [insert details]]¹

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

Insert one (or more) of the following options, as applicable:

[[insert credit rating agency/ies] [is]/[are] established in the European Union and [has]/[have each] applied for registration under Regulation (EC) No 1060/2009, although the result of such application has not yet been determined.]

[[insert credit rating agency/ies] [is]/[are] established in the European Union and registered under Regulation (EC) No 1060/2009.]

[[insert credit rating agency/ies] [is]/[are] not established in the European Union and [has]/[have each] not applied for registration under Regulation (EC)

¹ “**and endorsed by...**” Insert this wording where one or more of the ratings included in the Final Terms has been endorsed by an EU registered credit rating agency for the purposes of Article 4(3) of the CRA Regulation.

3 [Interests of Natural and Legal Persons Involved in the [Issue/Offer]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”

4. [Reasons for the Offer, Estimated Net Proceeds and Total Expenses

[(i) Reasons for the offer

[]

(See [“Use of Proceeds”] wording in Base Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

[[ii)] Estimated net proceeds:

[]

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]

[[iii)] Estimated total expenses:

[]. *[Include breakdown of expenses.]*

(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]

5. [Yield (*Fixed Rate Notes only*) Indication of yield:

[].

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. Performance of Index/Formula/other variable and other information concerning the underlying

(Index-Linked or other variable-linked Notes only)

This needs to include a statement setting out the type of the underlying and details of where information on the underlying can be obtained, and an indication where information about the past and further performance of the underlying and its volatility can be obtained.

- Where the underlying is a security, the name of the issuer of the security and the ISIN (International Security Identification Number) or other such security identification code need to be provided.*
- Where the underlying is an index, the name of the index and a description of the index if it is composed by the Issuer need to be provided. If the index is not composed by the Issuer need to include details of where the information about the index can be obtained.*
- Where the underlying is and interest rate, a description of the interest rate need to be provided.*
- Where the underlying does not fall within the categories specified above the securities note shall contain equivalent information.*
- Where the underlying is a basket of underlyings, disclosure of the relevant weightings of each underlying in the basket need to be provided.*

Need to include a description of any market disruption or settlement disruption events that affect the underlying and adjustment rules in relation to events concerning the underlying (if applicable).]

7 [Performance of Rate[s] of Exchange (Dual Currency Notes only)

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

8. Operational Information

- | | |
|---|--|
| (i) ISIN Code: | [] |
| (ii) Common Code: | [] |
| (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): | [Not Applicable/give name(s) and number(s)] |
| (iv) Delivery: | Delivery [against/free of] payment |
| Names and addresses of initial Paying Agent(s): | [] |
| (v) Names and addresses of additional Paying Agent(s) (if any): | [] |
| (vi). Intended to be held in a manner which would allow Eurosystem eligibility: | [Yes] [No] [Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with |

one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for Registered Notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.][*include this text if “yes” selected in which case Bearer Notes must be issued in NGN form*]

Notes:

1. The Guarantee Amount in respect of a relevant Tranche of Notes (other than Variable Notes (as defined below)) will be calculated as follows:

For Fixed Rate Notes:

$$GA = RA + (3 \times I) + AA$$

For Floating Rate Notes:

$$GA = RA + (3 \times EI) + AA$$

For Zero Coupon Notes:

$$GA = RA + AA$$

“**GA**” means Guarantee Amount;

“**RA**” means the greater of the Early Redemption Amount and the Final Redemption Amount of the Notes, each as defined in the applicable Final Terms;

“**I**” means the amount of interest payable on the Notes up to the first anniversary of their issue date;

“**EI**” means the estimated amount of interest payable on the Notes up to the first anniversary of their issue date calculated on the basis that interest is payable for each interest period ending on or prior to such first anniversary at 1.5 times the rate fixed for the first interest period; and

“**AA**” means USD100,000 (or its equivalent in the currency of the Guarantee Amount) representing an additional amount to guarantee the payments of the Issuer to be due under the Trust Deed but not under the Securities.

For Notes with a variable or partial redemption amount or for Notes (other than Floating Rate Notes) where the amount of interest is not determinable at the Issue Date (“**Variable Notes**”) the Guarantee Amount will be agreed between ZIC and the relevant Dealer on or before the Issue Date.

In the event of a discrepancy between the above footnote and the footnote contained in the [Senior ZIC Guarantee] [Subordinated ZIC Guarantee], the footnote contained in the [Senior ZIC Guarantee] [Subordinated ZIC Guarantee] will prevail.

Form of Final Terms of the Capital Notes

Final Terms dated ●

Zurich Insurance Company Ltd

Issue of [Aggregate Nominal Amount of Tranche] Capital Notes

under the USD18,000,000,000

Euro Medium Term Note Programme

Part A Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of Capital Notes set forth in the Base Prospectus dated ● [and the supplement to the Base Prospectus dated ●] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (*Directive 2003/71/EC*) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Capital Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. [The Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing at [website] [and] during normal business hours at [address] [and copies may be obtained from [address].]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of Capital Notes (the Conditions) set forth in the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated ●.] This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (*Directive 2003/71/EC*) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement to the Base Prospectus dated ●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplement to the Base Prospectus dated ●] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated [original date] and [current date] [and the supplements to the Base Prospectus dated ● and ●]. [The Base Prospectuses [and the supplements to the Base Prospectus] are available for viewing at [website] [and] during normal business hours at [address] [and copies may be obtained from [address].]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

1. Issuer: Zurich Insurance Company Ltd
2. [(i)] Series Number: []
[(ii)] Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).] []
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount of Notes admitted to trading: []
- [(i)] Series: []
- [(ii)] Tranche: []

5. Issue Price: [] per cent of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*if applicable*)]

6. Specified Denominations:** []
 [EUR 100,000 (or equivalent) and integral multiples of EUR 1,000 (or equivalent) in excess thereof up to and including EUR 199,000 (or equivalent). No Notes in definitive form will be issued with a denomination above EUR 199,000]*

Calculation Amount []
 [Notes issued under the Programme which may be listed on the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a member state of the European Union may not have a minimum denomination of less than EUR 100,000 (or its equivalent in another currency)], or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by ZF (USA), ZIC, ZF (UK), ZF (Luxembourg) or Zurich Bank or by any entity to whose group ZF (USA), ZIC, ZF (UK), ZF (Luxembourg) or Zurich Bank belongs.]]

7. [(i)] Issue Date: []
 [(ii)] Interest Commencement Date: [] [Not Applicable]

8. Type of Note [Dated] [Undated]
[Insert details of any modifications to Condition 2 including in respect of the ability to exercise or claim any right of set-off]

9. Maturity Date (for dated Notes only): *[specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year/Not Applicable]*

10. (i) Interest Basis: [● per cent Fixed Rate]
 [[specify reference rate]
 +/- (per cent Floating Rate]
 [Index Linked Interest]
 [Other (specify)]
 (further particulars specified below)

(ii) Solvency Event: [Applicable] [Not Applicable]
 [Cumulative] [Non-Cumulative]

(iii) Trigger Event: [Applicable] [Not Applicable]

(iv) Optional Non-Payment: [Applicable] [Not Applicable]
 [Cumulative] [Non-Cumulative]

(v) Optional Non-Payment limited to 5 years upon [Yes] [No]

loss of regulatory capital credit:	
(vi) Relevant Entity:	[ZIC/ZFS]
(vii) Cash Settlement:	[Applicable] [Not Applicable]
(viii) APM Settlement:	[Applicable] [Not Applicable]
	<i>([If Applicable, specify time period from the beginning of deferral upon which Deferred Interest is cancelled to the extent not settled via APM])</i>
(ix) Commercially Reasonable Efforts:	[Applicable] [Not Applicable] <i>([If Applicable, specify time period during which Issuer and ZFS shall continue to use their commercially reasonable efforts to operate the APM])</i>
(x) Intention Statement:	[Applicable] [Not Applicable]
	<i>([If Applicable, specify time period for which Issuer and ZFS intend to continue to voluntarily operate the APM in relation to Optionally Deferred Interest or Solvency Deferred Interest])</i>
(xi) Period for purposes of limb (vi) of definition of APM	[Not Applicable]/[]
Deferred Settlement Date:	
(xii) Cash Deferred Settlement Date applicable limbs:	[Limbs (iv) and/or (vi) [apply][do not apply]]
(xiii) Condition 3(e)(vi) to apply:	[Yes] [No]
11. Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Instalment] [Other (<i>specify</i>)]
12. Change of Interest or Redemption/Payment Basis:	<i>[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]</i>
13. Call Option:	[Issuer Call] [(further particulars specified below)]
14. Date [Board] approval for issuance of Notes obtained:	[]
15. Method of distribution:	[Syndicated/Non-syndicated]
16. Condition 7(b)(vi) to apply:	[Yes][No]
17. Initial Permitted Non-Qualifying Lender[s]:	[]

* This wording must be included in the case of an issue of Notes where the Specified Denominations are minimum denominations of EUR 100,000 (or equivalent) and integral multiples of EUR 1,000 (or equivalent).

** If the Maturity date of the Notes (including Notes denominated in sterling) is less than one year from the Issue Date and either (a) the issue proceeds are received by the relevant Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) or (ii) another applicable exemption from section 19 of the FSMA must be available.

Provisions Relating to Interest (if any) Payable

18. Fixed Rate Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [] per cent per annum [payable [annually/semi annually/quarterly/monthly/other (specify)] in arrear]
 - (ii) Interest Payment Date(s): [] in each year
 - (iii) Fixed Coupon Amount[(s)]: [] per Calculation Amount
 - (iv) Broken Amount(s): [] per Calculation Amount payable on the interest Payment Date falling [in/on] []
 - (v) Day Count Fraction: [30/360/Actual/Actual (ICMA/other)]
 - (vi) Determination Dates: [] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*
 - (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
 - [(viii) Mid Swap Rate:] [Applicable/Not Applicable]
 - [(ix) Specified Mid Swap Rate:] [Not Applicable/give details]
 - [(x) Mid Swap Rate Screen Page:] [Not Applicable/give details]
 - [(xi) Reset Period:] [Not Applicable/give details]
 - [(xii) Reset Margin:] [Not Applicable/give details]
 - [(xiii) Reset Date:] [Not Applicable/give details]
 - [(xiv) Specified Swap Duration:] [Not Applicable/give details]
19. Floating Rate Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate)*
- (i) Specified Period(s): []
 - (ii) Interest Payment Dates: []
 - (iii) First Interest Payment Dates: []
 - (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
 - (v) Additional Business Centre(s): []
 - (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
 - (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): []
 - (viii) Screen Rate Determination:
 - Reference Rate: []
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
 - (ix) ISDA Determination:
 - Floating Rate Option: []

- Designated Maturity: []
- Reset Date: []
- (x) Margin(s): [+/-][] per cent per annum
- (xi) Minimum Rate of Interest: [] per cent per annum
- (xii) Maximum Rate of Interest: [] per cent per annum
- (xiii) Day Count Fraction: [Actual/Actual/Actual/Actual/ISDA/Actual 365
(Fixed)/Actual/360/30/360/360/360/Bond
Basis/30E/360/Eurobond Basis/30E/360 (ISDA)/other]
- (xiv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
20. Index-Linked Interest Note/other variable-linked interest Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Party responsible for calculating Rates of Interest and Interest Amount(s) (if not the [Agent]): []
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: []
- (iv) Determination Date(s): []
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (vi) Interest or calculation period(s): []
- (vii) Specified Interest Payment Dates: []
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (ix) Additional Business Centre(s): []
- (x) Minimum Rate/Amount of Interest: [] per cent per annum
- (xi) Maximum Rate/Amount of Interest: [] per cent per annum
- (xii) Day Count Fraction: []
21. Dual Currency Note Provisions [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [Insert name and address of Calculation Agent]
- Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: Person at whose option Specified Currency(ies) is/are payable: []

Provisions Relating to Redemption

22. Call Option Applicable
- (i) Optional Redemption Date(s): [] [NB: This should take account of any regulatory requirements as to minimum periods for call options].
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [] per Calculation Amount
- (b) Maximum Redemption Amount: [] per Calculation Amount
- (iv) Notice period: []
23. (i) Accounting Event [Yes/No]
- (ii) Initial Accounting Treatment Methodology: [liabilities/equity]
24. Other Event Redemption Price: []
25. Capital Event: [Yes/No]
26. Regulatory Event: [Yes/No]
27. (i) Replacement Capital Covenant: [Yes/No]
- (ii) Intent-Based Replacement Language: [Yes/No]
28. Final Redemption Amount of each Note [[] per Calculation Amount
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: []
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: []
- (iv) Determination Date(s): []
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: []
- (vi) Payment Date: []
- (vii) Minimum Final Redemption Amount: [] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [] per Calculation Amount
29. Early Redemption Amount: []
- Special Redemption Price: []

Regular Redemption Price: []

[30. Instalment Amount:] []

31. Maturity Date of Dated Capital Notes [Yes] [No]
 extended upon a Solvency Event in
 accordance with Condition 6(c):

General Provisions Applicable to the Notes

32. Form of Notes: Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 40 days' notice/in the limited circumstances specified in the Permanent Global Note]
 [Temporary Global Note exchangeable for Definitive Notes]
 [Permanent Global Note exchangeable for Definitive Notes on 40 days' notice/in the limited circumstances specified in the Permanent Global Note]
 Registered Notes: [Reg. S Global Note and/or Individual Registered Notes (Specify whether/in what circumstances interests in the relevant Reg. S Global Note will be exchangeable for Individual Registered Notes and vice versa).]
 [Listed Swiss Franc Notes: Permanent Global SIS Note]

33. Payment Business Centre(s) or other special provisions relating to Payment Days for the purpose of Condition 5(c): [Not applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 18(ii), 19(iv) and 20(ix) relate]

34. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]

35. Principal Paying Agent: []

36. Relevant Jurisdictions: [Specify if different from those set out in Condition 6(b)]

37. Restricted Capital Note (Condition 10(j) shall apply): [Yes][No]

(i) Restricted Capital Note Minimum Denomination Amount: []

(ii) Restricted Capital Note Transfer Amount: []

(iii) Number of Qualifying Banks: []

38. Other final terms: [Not Applicable/give details] (When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Responsibility

The Issuer accepts responsibility for the information contained in these Final Terms. [(Relevant third party information) has been extracted from (specify source). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (specify source), no facts have been omitted which would tender the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B — OTHER INFORMATION

1. Listing and Admission to Trading

- (i) Listing: [Luxembourg/other (specify)/None].
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [] with effect from [].] Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [] with effect from [].] [Not Applicable.] *(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*
- (iii) Estimate of total expenses related to admission to trading: [].

2. Ratings

Ratings: The Notes to be issued have been rated:

[S & P: [●]]

[Moody's: [●]]

[[Other]: [●]]

[and endorsed by [insert details]]²

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

Insert one (or more) of the following options, as applicable:

[[insert credit rating agency/ies] [is]/[are] established in the European Union and [has]/[have each] applied for registration under Regulation (EC) No 1060/2009, although the result of such application has not yet been determined.]

[[insert credit rating agency/ies] [is]/[are] established in the European Union and registered under Regulation (EC) No 1060/2009.]

[[insert credit rating agency/ies] [is]/[are] not established in the European Union and [has]/[have each] not applied for registration under Regulation (EC) No 1060/2009.]

3. [Interests of Natural and Legal Persons Involved in the [Issue/Offer]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

² “and endorsed by...” Insert this wording where one or more of the ratings included in the Final Terms has been endorsed by an EU registered credit rating agency for the purposes of Article 4(3) of the CRA Regulation.

“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

4. [Reasons for the Offer, Estimated Net Proceeds and Total Expenses

[(i) Reasons for the offer

[]

(See [“Use of Proceeds”] wording in Base Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

[[(ii) Estimated net proceeds:

[]

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]

[[(iii) Estimated total expenses:

[]

[Include breakdown of expenses.]

(Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]

5. [Yield (Fixed Rate Notes only)

Indication of yield:

[].

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. [Performance of Index/Formula/other variable and other information concerning the underlying]

(Index-Linked or other variable-linked Notes only)

This needs to include a statement setting out the type of the underlying and details of where information on the underlying can be obtained, and an indication where information about the past and further performance of the underlying and its volatility can be obtained.

- Where the underlying is a security, the name of the issuer of the security and the ISIN (International Security Identification Number) or other such security identification code need to be provided.*
- Where the underlying is an index, the name of the index and a description of the index if it is composed by the Issuer need to be provided. If the index is not composed by the Issuer need to include details of where the information about the index can be obtained.*
- Where the underlying is an interest rate, a description of the interest rate need to be provided.*
- Where the underlying does not fall within the categories specified above the securities note shall contain equivalent information.*
- Where the underlying is a basket of underlyings, disclosure of the relevant weightings of each underlying in the basket need to be provided.*

Need to include a description of any market disruption or settlement disruption events that affect the underlying and adjustment rules in relation to events concerning the underlying (if applicable).]

7. [Performance of Rate[s] of Exchange (Dual Currency Notes only)]

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]

8. Operational Information

- (i) ISIN Code: []
- (ii) Common Code: []
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of initial Paying Agent(s): []
- (vi) Names and addresses of additional Paying Agent(s) (if any): []

General Information

1. The update and increase of the Programme and the issue of Notes has been duly authorised by resolutions of the Board of Directors of ZF (USA), ZF (Luxembourg), ZF (UK) and Zurich Bank dated 5 May 2011, 9 May 2011, 5 May 2011 and 20 April 2011 respectively. The increase of the Programme has been duly authorised by a resolution of the Board of Directors of ZIC dated 4 May 2011.
2. Application has been made for Notes issued under the Programme to be admitted to trading on the regulated market, and listed on the Official List, of the Luxembourg Stock Exchange.
3. So long as Notes are capable of being issued under the Programme, copies of the documents are, or will, when published, be available free of charge from the registered office of each Issuer and from the specified offices of the Paying Agent for the time being in Luxembourg and the documents set out in paragraph (iv) and (v) below will also be available for viewing on the Luxembourg Stock Exchange website at www.bourse.lu
 - (i) the constitutional documents (with, if applicable, an English translation thereof) of each Issuer;
 - (ii) the most recent audited annual financial statements of ZF (Luxembourg), ZF (USA), ZF (UK), Zurich Bank and ZIC (in each case with, if applicable, an English translation thereof). Neither ZF (Luxembourg), ZF (USA), ZF (UK), Zurich Bank nor ZIC are required to publish interim accounts;
 - (iii) the Dealer Agreement, the Trust Deed, the Agency Agreement, the forms of the bearer and registered Global Notes and the Notes in bearer definitive and individual registered form, the Receipts, the Coupons, the Talons, each Senior ZIC Guarantee, each Subordinated ZIC Guarantee and each agency agreement entered into in relation to an issue of Listed Swiss Franc Notes (which will contain the form of permanent global certificate in respect of such Notes);
 - (iv) a copy of this Base Prospectus;
 - (v) any future base prospectuses, information memoranda and supplements to this Base Prospectus and any other documents incorporated herein or therein by reference, and Final Terms (save that Final Terms relating to a Note which is not admitted to listing, trading and/or quotation by any stock exchange, listing authority and/or quotation system will only be available for inspection at the registered office of the relevant Issuer by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer as to its holding and identity); and
 - (vi) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).
4. The Notes have been accepted for clearance through Euroclear (Boulevard du Roi Albert II B-1210 Brussels, Belgium), Clearstream (42 Avenue J F Kennedy 1855 Luxembourg), Luxembourg and SIS. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg or SIS will be specified in the relevant Final Terms. The CUSIP numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code,

if applicable, will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant Final Terms.

5. The auditors of ZIC, for the years commencing 1 January 2010 and 2009, are PricewaterhouseCoopers AG, Birchstrasse 160, 8050 Zurich, Switzerland who are members of the Swiss Institute of Certified Accountants and Tax Consultants. The auditors of ZF (Luxembourg), for the years commencing 1 January 2010 and 2009, are PricewaterhouseCoopers S.à r.l., 400, route d'Esch, B. P. 1443, 1014 Luxembourg, Luxembourg who are members of the Institut des Réviseurs d'Entreprises. The auditors of ZF (UK), for the years commencing 1 January 2010 and 2009, are PricewaterhouseCoopers LLP, 31 Great George Street, Bristol, BS1 5QD, United Kingdom who are members of the Institute of Chartered Accountants of England and Wales. The auditors of ZF (USA), for the years commencing 1 January 2010 and 2009, are PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1, Ireland, who are members of the Institute of Chartered Accountants of Ireland. The auditors of Zurich Bank, for the years commencing 1 January 2010 and 2009, are PricewaterhouseCoopers LLP, One Spencer Dock, North Wall Quay, Dublin 1, Ireland who are members of the Institute of Chartered Accountants in Ireland. The financial statements of the Issuers and the Guarantor (pages 5, 6 and 7 of this Base Prospectus) have been audited by their respective auditors.
6. Save as disclosed in this Base Prospectus, since 31 December 2010 there has been no material adverse change in the prospects of ZIC, ZF (Luxembourg), ZF (USA), ZF (UK), Zurich Bank or in ZIG.
7. Save as disclosed in this Base Prospectus, since 31 December 2010 there has been no significant change in the financial or trading position of ZIC, ZF (Luxembourg), ZF (USA), ZF (UK), Zurich Bank or ZIG.
8. Save as disclosed in this Base Prospectus or in the relevant Final Terms, there are no governmental, legal or arbitration proceedings (or any such proceedings which are pending or threatened of which any of the Issuers is aware) during the 12 months before the date of publication of this Base Prospectus which may have or have had in the recent past, significant effects on the financial position or profitability of any of the Issuers or on ZIG.
9. The Issuer does not intend to provide any post-issuance information in relation to any assets underlying issues of Notes constituting derivative securities except if required by any applicable laws and regulations.

THE ISSUERS

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

45, rue des Scillas
L-2529 Howald
Luxembourg

Zurich Finance (USA), Inc.

c/o Zurich Holding
Company of America, Inc.
1400 American Lane
Schaumburg
Illinois 60196
USA

Zurich Finance (UK) plc

UK Life Centre
Station Road
Swindon SN1 1EL
United Kingdom

Zurich Insurance Company Ltd

Mythenquai 2
CH-8002 Zurich
Switzerland

Zurich Bank

5th Floor, La Touche House
International Financial Services Centre
Dublin 1
Ireland

THE GUARANTOR

(in respect of Notes issued by

ZF (Luxembourg), ZF (USA), and ZF (UK) and Zurich Bank)

Zurich Insurance Company Ltd

Mythenquai 2
CH-8002 Zurich
Switzerland

THE AGENT AND REGISTRAR

Citibank, N.A.
21st Floor, Citigroup Centre
Canada Square

THE TRUSTEE

Citicorp Trustee Company Limited
14th Floor
Citigroup Centre

Canary Wharf
London E14 5LB
United Kingdom

Canada Square
Canary Wharf
London E14 5LB
United Kingdom

THE PAYING AGENT AND TRANSFER AGENT

Dexia Banque Internationale à Luxembourg société anonyme

69, route d'Esch
L-2953 Luxembourg

LEGAL ADVISERS

To Zurich Insurance Company Ltd and
Zurich Finance (UK) plc
Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS
United Kingdom

To Zurich Finance (USA), Inc.
Willkie Farr & Gallagher LLP
787 Seventh Avenue
New York, New York 10019
USA

To Zurich Finance (Luxembourg) S.A.
Arendt & Medernach
14, rue Erasme
L-2082 Luxembourg
Luxembourg

To Zurich Bank
McCann FitzGerald
Riverside One
Sir John Rogerson's Quay
Dublin 2
Ireland

To the Dealers and the Trustee in England

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

STATUTORY AUDITORS TO ZF (LUXEMBOURG)

PricewaterhouseCoopers S.à r.l.
400, route d'Esch
B.P. 1443,
L-1014 Luxembourg

AUDITORS TO ZF (USA)

PricewaterhouseCoopers
1 Spencer Dock
North Wall Quay
Dublin 1
Ireland

AUDITORS TO ZF (UK)

PricewaterhouseCoopers LLP
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Bristol,
BS1 5QD
United Kingdom

AUDITORS TO ZIC

PricewaterhouseCoopers AG
Birchstrasse 160
Postfach
CH-8050 Zurich
Switzerland

AUDITORS TO ZURICH BANK

PricewaterhouseCoopers

1 Spencer Dock

North Wall Quay

Dublin 1

Ireland

THE DEALERS

Barclays Bank PLC

5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

BNP PARIBAS

10 Harewood Avenue
London NW1 6AA
United Kingdom

Crédit Agricole Corporate and Investment Bank

9, quai du Président Paul Doumer
92920 Paris La Défense Cedex
France

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Commerzbank Aktiengesellschaft

Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Federal Republic of Germany

Credit Suisse Securities (Europe) Limited

One Cabot Square
London E14 4QJ
United Kingdom

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

J.P. Morgan Securities Ltd.

125 London Wall
London EC2Y 5AJ
United Kingdom

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ
United Kingdom

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

The Royal Bank of Scotland plc

135 Bishopsgate
London EC2M 3UR
United Kingdom

UBS Limited

1 Finsbury Avenue
London EC2M 2PP
United Kingdom

LUXEMBOURG LISTING AGENT

Dexia Banque Internationale à Luxembourg société anonyme

69, route d'Esch
L-2953 Luxembourg

**Appendix C –
Collateral Prospectus Supplements**

**(I) PROSPECTUS SUPPLEMENT DATED 5 DECEMBER 2011 TO THE BASE PROSPECTUS DATED
20 MAY 2011**

Zurich Finance (Luxembourg) S.A.
(incorporated with limited liability in the Grand Duchy of Luxembourg)
Zurich Finance (USA), Inc.
(incorporated with limited liability in the State of Delaware, U.S.A.)
Zurich Finance (UK) plc
(incorporated with limited liability in England and Wales)
Zurich Bank
(incorporated with unlimited liability in Ireland)
Zurich Insurance Company Ltd
(incorporated with limited liability in Switzerland)

irrevocably guaranteed in the case of Notes issued by Zurich Finance (Luxembourg)
S.A., Zurich Finance (USA), Inc., Zurich Finance (UK) plc and Zurich Bank by

ZURICH INSURANCE COMPANY LTD

**U.S.\$18,000,000,000
Euro Medium Term Note Programme**

This document constitutes a prospectus supplement (the “**Prospectus Supplement**”), to the base prospectus dated 20 May 2011 that was published in connection with the above-mentioned Euro Medium Term Note Programme (the “**Base Prospectus**”) for the purposes of article 16 of the Prospectus Directive (as defined below) and must be read in conjunction with such Base Prospectus. Full information on the Issuers and the Guarantor and the offer of any Notes is only available on the basis of the combination of this Prospectus Supplement and the Base Prospectus. Copies of such Base Prospectus and this Prospectus Supplement have been filed with the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) and published and are available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu) and at the head office of the Guarantor.

This Prospectus Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and any other supplements to the Base Prospectus issued by the Issuers.

Terms used herein shall have the same meaning as ascribed to them in the Base Prospectus which constitutes a base prospectus for the purposes of article 5.4 of the Prospectus Directive (Directive 2003/71/EC), approved by the CSSF on 20 May 2011 in accordance with (i) article 7 of the Luxembourg law of 10 July 2005 on the prospectuses for securities (the “**Prospectus Law**”) implementing article 13 of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (the “**Prospectus Directive**”); and (ii) the relevant annex(es) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004.

To the extent that there is any inconsistency between (a) any statement in this Prospectus Supplement or any statement incorporated by reference into the Base Prospectus by this Prospectus Supplement and (b) any other statement in or incorporated in the Base Prospectus, the statements in (a) above will prevail.

Except as disclosed in this Prospectus Supplement and to the best of the knowledge and belief of each of the Issuers and the Guarantor, there has been no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Base Prospectus.

In accordance with article 13 paragraph 2 of the Prospectus Law, investors who have already agreed to purchase or subscribe for the Notes before publication of this Prospectus Supplement have the right, exercisable within a time limit of a maximum of two working days after the publication of this Prospectus Supplement, to withdraw their acceptances.

The distribution of the Base Prospectus, this Prospectus Supplement, any other supplements to the Base Prospectus and any Final Terms and the offering or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession the Base Prospectus, this Prospectus Supplement, any other supplements to the Base Prospectus or any Final Terms come are required by the Issuers, the Guarantor, the Dealers and the Arranger to inform themselves about and to observe any such restriction. In particular, there are restrictions on the distribution of the Base Prospectus, this Prospectus Supplement, any other supplements to the Base Prospectus, any Final Terms and other information in relation to the Issuers, the Guarantor and the Notes, and the offering or sale of Notes in the United States, the European Economic Area, Ireland, the United Kingdom, Luxembourg and Japan.

For a further description of restrictions on offers, sales and transfers of Notes and distribution of the Base Prospectus, this Prospectus Supplement and any Final Terms, see "Subscription and Sale" in the Base Prospectus. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

None of the Base Prospectus, this Prospectus Supplement or any Final Terms constitutes an offer of, or an invitation by or on behalf of the Issuers, the Guarantor, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

RESPONSIBILITY

Each of the Issuers and the Guarantor accepts responsibility for the information contained in its Prospectus Supplement as described above. Each of the Issuers and the Guarantor confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus Supplement is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

SUPPLEMENTAL DISCLOSURE IN RELATION TO ZURICH INSURANCE COMPANY LTD

The description of Zurich Insurance Company Ltd ("**ZIC**") on pages 108 to 119 (inclusive) of the Base Prospectus is supplemented by the addition of the following disclosures under the heading of "Subsequent Events" on page 111.

"During the second quarter 2011, one of Zurich Insurance Group's ("**ZIG**") operations in the UK, Zurich Specialties London Limited, entered into a reinsurance agreement to transfer the risk associated with a run-off portfolio as of 1 April 2011. This agreement is a first step in a transaction by which, subject to local regulatory and court approvals, the policies will be transferred to the reinsurer, who will then directly assume the rights and obligations under the policies. As of the date of the transaction, both premiums ceded to reinsurers and ceded insurance benefits and losses increased by USD 0.7 billion.

On 17 June 2011, it was announced that ZIG had completed the sale of 25 per cent of its investment in New China Life Insurance Co. ("**NCI**") to undisclosed buyers reducing its total holding in NCI from 20 percent to 15 percent.

On 20 June 2011, it was announced that ZIG has estimated aggregate claims of approximately USD 295 million for both Zurich North America and Farmers Re relating to the series of severe weather-related events which affected the United States in April and May of 2011 with a severity and frequency well above past industry experience. This estimate is net of reinsurance and before tax and was recorded in the consolidated interim financial statements of ZFS Group as of and for the six-month period ended 30 June 2011, which were released on 11 August 2011. The interim financial statements of ZFS Group as of and for the nine-month period ended 30 September 2011, which were released on 10 November 2011, reflect the best estimate of those claims.

On 27 July 2011, it was announced that ZIC has completed the successful issuance of 2.25 percent CHF 500 million of 6-year senior notes, maturing in 2017, and 2.875 percent CHF 250 million of 10-year senior notes, maturing in 2021, to retail and institutional investors in the Swiss Franc domestic market. Both series of notes have been issued under the Euro Medium Term Note Programme, whereby CHF 450 million and CHF 250 million were placed on 4 July 2011. Due to additional demand the 6-year senior notes tranche was increased by another CHF 50 million to a total amount of CHF 500 million on 11 July 2011. The transaction has been conducted to refinance senior notes maturing end of July 2011.

On 10 August 2011, further to the announcement on 5 May 2011 regarding the signing of a memorandum of understanding between ZIG and Deutsche Bank as referred to in the Base Prospectus, ZIG entered into an agreement with Deutsche Bank to extend an existing exclusive distribution agreement for life and general insurance products in Germany for a further 10 years until 31 December 2022.

On 11 August 2011, ZFS Group published its unaudited consolidated financial statements as of and for the six-month period ended 30 June 2011.

On 30 September 2011, it was announced that ZIG has completed the acquisition of 100 percent of the share capital of Malaysian Assurance Alliance Bhd (“**MAA**”), a composite insurer based in Malaysia, together with 100 percent share capital of four related services companies. The agreement was entered into on 20 June 2011. The total purchase price amounted to approximately USD 110 million subject to purchase price adjustment, of which approximately USD 22 million will be held-back in escrow for up to two years subject to claims. In addition, ZIG is required to inject approximately USD 172 million of capital into MAA within three months of completion of the transaction. As of 30 September 2011, the purchase price paid was recorded as an unconsolidated investment in other assets.

On 5 October 2011, it was announced, in relation to the long-term alliance with Santander, that ZIG has completed the acquisition of a 51.0 percent participation in the life insurance, pension and general insurance operations of Santander in Brazil and Argentina. Between 2 November and 4 November 2011, ZIG also completed the acquisition of a 51.0 percent participation in the life insurance, pension and general insurance operations of Santander in Chile, Mexico and Uruguay. The total initial consideration amounted to approximately USD 1.2 billion, subject to final purchase price and other adjustments. The transaction was previously announced on 15 July 2011 in addition to the announcement on 21 February 2011 regarding the signing of a memorandum of understanding between ZIG and Santander and referred to in the Base Prospectus. The scope, structure and key financial terms are materially unchanged from what was announced on 21 February 2011 (see Base Prospectus, page 111). As part of the transaction, ZIG entered into long-term strategic distribution arrangements with Santander in Latin America.

On 25 October 2011, it was announced that ZIC has successfully placed CHF 425 million of 7-year senior notes maturing in 2018 to retail and institutional investors in the Swiss Franc domestic market. The notes will be issued under the Euro Medium Term Note Programme. The coupon has been set at 2.375 percent. The spread over mid-swaps is 125 basis points. The transaction has been conducted for general corporate purposes and to refinance senior debt.

On 10 November 2011, ZFS Group published its unaudited consolidated interim financial statements as of and for the nine-month period ended 30 September 2011.

On 23 November 2011, it was announced that ZIC has successfully completed the issuance of CHF 525 million of 7-year senior notes, maturing in 2018. CHF 425 million were originally placed on 25 October 2011 and due to strong demand the transaction size was increased by CHF 100 million on 11 November 2011 for a total size of CHF 525 million. The notes have been issued under the Euro Medium Term Note Programme and were placed to retail and institutional investors in the Swiss Franc domestic market. The coupon has been set at 2.375%. The transaction has been conducted for general corporate purposes and to refinance senior debt.

On 1 December 2011, in the announcement to the ZFS Group Investors' Day, Martin Senn, Chief Executive Officer, stated, *inter alia*, that the strategic ROE target was unchanged and the ZFS Group

remained committed to delivering long-term business operating profit after tax return on equity (BOPaT ROE) of 16% and that, should the current economic outlook persist, achieving a return of around 2 percentage points below the target was more realistic. He also reinforced that the strong solvency and cash generation supported the ZFS Group's policy to pay a sustainable and attractive dividend."

CONDENSED FINANCIAL STATEMENTS

Zurich Insurance Group - Condensed consolidated income statement data for the nine months to 30 September 2011 and twelve months to 31 December 2010

in USD millions

	2011 (unaudited)	2010 (unaudited)		2010 (audited)
	as of September 30	as of December 31		as of December 31
			restatement ³	published
Revenues				
Net earned premiums and policy fees	\$ 31,791	\$ 45,516	\$ 7	\$ 45,509
Farmers management fees & other related revenues	\$ 2,071	\$ 2,778	\$ 0	\$ 2,778
Net investment result on Group investments	\$ 7,714	\$ 8,289	\$ 0	\$ 8,289
Net investment result on unit-linked investments	\$ (7'406)	\$ 10,093	\$ 0	\$ 10,093
Net gain/(loss) on divestments of businesses	\$ 17	\$ 38	\$ 0	\$ 38
Other Income	\$ 1,074	\$ 1,416	\$ 0	\$ 1,416
Total revenues	\$ 35,262	\$ 68,131	\$ 7	\$ 68,124
.				
Benefits, losses and expenses				
Insurance benefits and losses, net of reinsurance	\$ 24,681	\$ 34,484	\$ 0	\$ 34,484
Policyholder dividends & participation in profits, net of reinsurance	\$ (6,477)	\$ 10,801	\$ 0	\$ 10,801
Underwriting and policy acquisition costs, net of reinsurance	\$ 6,338	\$ 8,649	\$ 13	\$ 8,636
Administrative and other operating expense	\$ 6,005	\$ 7,900	\$ 0	\$ 7,900
Interest expense on debt	\$ 471	\$ 728	\$ 0	\$ 728
Interest credited to policyholder and other interest	\$ 358	\$ 507	\$ 0	\$ 507
Total benefits, losses and expenses	\$ 31,375	\$ 63,069	\$ 12	\$ 63,057
Net income before income taxes	\$ 3,887	\$ 5,062	\$ (5)	\$ 5,067
Income tax expense	\$ (556)	\$ (1,390)	\$ (1)	\$ (1,389)
Net income after taxes	\$ 3,331	\$ 3,672	\$ (6)	\$ 3,678
Attributable to non-controlling interests	\$ 80	\$ 110	\$ 0	\$ 110
Attributable to shareholders	\$ 3,251	\$ 3,561	\$ (6)	\$ 3,567

Zurich Insurance Group - Condensed consolidated balance sheet data as of 30 September 2011 and 31 December 2010

in USD millions

³ In the Zurich Insurance Group's General Insurance business in Germany, prior year results were misstated for a period of time due to errors in adjustments between local GAAP and IFRS. This resulted in incorrect reserves for losses, unearned premium reserves and deferred acquisition costs for some specific products. The errors identified by management have resulted in a restatement of consolidated total equity of USD 80 million as of 31 December 2010. The impact on consolidated net income after taxes was a loss of USD 6 million for the 2010 financial year. The impact on various line items is set out in the separate restatement column in the condensed consolidated balance sheet information as of 31 December 2010 and condensed consolidated income statement information for the financial year 2010.

	09/30/11 (unaudited)	12/31/10 (unaudited)		12/31/10 (audited)
		restated	restatement ¹	published
Assets				
Investments				
Total Group Investments	\$ 199,464	\$ 196,846	\$ 0	\$ 196,846
Investments for unit-linked contracts	\$ 100,277	\$ 107,947	\$ 0	\$ 107,947
Total investments	\$ 299,741	\$ 304,794	\$ 0	\$ 304,794
All other assets	\$ 73,239	\$ 71,713	\$ (38)	\$ 71,752
Total assets	\$ 372,980	\$ 376,507	\$ (38)	\$ 376,545
Liabilities				
Liabilities for investment contracts	\$ 47,830	\$ 50,667	\$ 0	\$ 50,667
Reserves for insurance contracts	\$ 242,967	\$ 242,719	\$ 72	\$ 242,646
Senior and subordinated debt	\$ 12,088	\$ 13,934	\$ 0	\$ 13,934
All other liabilities	\$ 35,042	\$ 35,756	\$ (31)	\$ 35,787
Total liabilities	\$ 337,928	\$ 343,075	\$ 42	\$ 343,033
Equity				
Shareholders' equity	\$ 33,413	\$ 31,862	\$ (79)	\$ 31,941
Non-controlling interests	\$ 1,639	\$ 1,570	\$ (1)	\$ 1,570
Total equity	\$ 35,052	\$ 33,432	\$ (80)	\$ 33,512
Total liabilities and equity	\$ 372,980	\$ 376,507	\$ (38)	\$ 376,545

Zurich Insurance Company Ltd - Condensed statutory income statement data for the nine months to 30 September 2011 and twelve months to 31 December 2010

in CHF millions

	2011 (unaudited)	2010 (audited)
	as of September 30	as of December 31
		published
Revenues		
Net earned premiums and policy fees	12,070	20,401
Net investment income	2,960	4,287
Net realized capital gains/(losses) on investments and write-downs	600	804
All other income	697	926
Total revenues	16,327	26,418
Benefits, losses and expenses		
Insurance benefits and losses, net of reinsurance	(9,066)	(14,231)
Policyholder dividends & participation in profits, net of reinsurance	(57)	(19)
Underwriting and policy acquisition costs, net of reinsurance	(3,247)	(5,343)
Administrative and other operating expense	(540)	(777)
All other expense	(1,020)	(1,811)
Total benefits, losses and expenses	(13,930)	(22,181)
Net income before income taxes	2,397	4,237
Income tax expense	(124)	(96)
Net income after taxes	2,272	4,141

Zurich Insurance Company Ltd - Condensed statutory balance sheet data as of 30 September 2011 and 31 December 2010

in CHF millions

	09/30/11 (unaudited)	12/31/10 (audited)
		published
Assets		
Total investments	69,600	68,948
All other assets	7,936	9,274
Total assets	77,536	78,222
Liabilities		
Insurance reserves, net	34,774	33,886
Senior debt	9,488	10,669
Subordinated debt	6,722	9,241
All other liabilities	5,293	5,441
Total liabilities	56,277	59,236
Total equity	21,259	18,986
Total liabilities and equity	77,536	78,222

MANAGEMENT BOARD OF ZIC

The description of the Management Board of ZIC on page 116 of the Base Prospectus is supplemented by the addition of the following paragraphs.

“Management Board of ZIC

The Board of Directors of ZIC resolved on 9 June 2011 to simplify the management structure and to better adjust it to the existing organizational structure of the ZFS Group. As a consequence and with immediate effect as of 9 June 2011, the following functions are no longer represented in the Management Board of ZIC:

<u>Name</u>	<u>Nationality</u>	<u>Function</u>
Inga Beale.....	British.....	Global Chief Underwriting Officer
Yannick Hausmann.....	Swiss.....	Group General Counsel
Patrick Manley	Irish.....	CEO Europe General Insurance Europe and CEO Zurich Insurance plc (ZIP)
Markus Nordlin.....	Finish/U.S. American....	Chief Information Technology Officer
Robert (Bob) F. Woudstra...	U.S. American.....	CEO Farmers Group, Inc.

whereas the other persons listed in the Base Prospectus formed the Management Board of ZIC as of 9 June 2011. However, Paul N. Hopkins has elected to retire as a member of the Management Board of ZIC, Regional Chairman of the Americas, and Chairman of the Board of Farmers Group, Inc., effective 30 June 2011. Mike Foley took on the additional role of Regional Chairman of the Americas and Axel P. Lehmann took on the additional role of Chairman of the Board of Farmers Group, Inc., effective 30 June 2011.

On 28 June 2011, it was announced that Dieter Wemmer, Chief Financial Officer and Regional Chairman of Europe, has decided to pursue new opportunities outside of the ZFS Group and will be leaving the ZFS Group by the end of the year. On 14 September 2011, it was announced that Pierre

Wauthier, Group Treasurer since October 2007 as well as Head of Centrally Managed Businesses since July 2010, was appointed as Chief Financial Officer and member of the Group Executive Committee (“GEC”), effective 1 October 2011. It was also announced that Axel P. Lehmann, Chief Risk Officer, Chairman of the Board of Farmers Group, Inc. and GEC member, will take on the additional role of Regional Chairman of Europe, effective 1 October 2011, succeeding Mr. Wemmer.

Accordingly, the following persons form the Management Board of ZIC on the issuance date of this Prospectus Supplement:

<u>Name</u>	<u>Nationality</u>	<u>Function</u>
Martin Senn.....	Swiss.....	Chief Executive Officer
Mike Foley.....	U.S. American.....	CEO North America Commercial and Regional Chairman of the Americas
Mario Greco.....	Italian.....	CEO General Insurance
Kevin Hogan.....	U.S. American.....	CEO Global Life
Axel P. Lehmann.....	Swiss.....	Chief Risk Officer, Chairman of the Board of Farmers Group, Inc. and Regional Chairman of Europe
Christian Orator.....	Swiss/Austrian.....	Chief Administrative Officer
Cecilia Reyes.....	Swiss/Philippine.....	Chief Investment Officer
Geoffrey (Geoff) Riddell.....	British.....	Regional Chairman of Asia-Pacific & Middle East
Kristof Terryn.....	Belgian.....	Group Head of Operations
Pierre Wauthier.....	French/British.....	Chief Financial Officer
Dieter Wemmer (til year end 2011)	German.....	Former Chief Financial Officer and Regional Chairman of Europe”

LEGAL PROCEEDINGS AND REGULATORY INVESTIGATIONS

The description of the legal proceedings and regulatory investigations on page 117 to 119 (inclusive) of the Base Prospectus is supplemented by the addition of the following.

“In the Fogel litigation, on 31 October 2011, the court granted a motion by the State of Montana to intervene so it could object to certain aspects of the proposed settlement. The court held the approval hearing on 9 November 2011 and adjourned its ruling on the proposed settlement. The next hearing is scheduled for 20 December 2011. If the court approves the settlement, the appeal period (which is 60 days) will run from entry of the court’s judgment.

In the Vera/Pevos Pension Fund litigation, Zurich Life has appealed the Commercial Court’s decision ordering Zurich Life to pay the amount of CHF 777,992 plus interest to the Vera Pension Fund before the Swiss Federal Supreme Court. In August 2011, the Federal Supreme Court dismissed Zurich Life’s appeal. This decision is final and these matters are now considered closed.

In the Fuller Austin litigation, testimony for the initial bench trial on certain threshold elements of the fraudulent transfer claims and on certain of defendants’ affirmative defenses has now concluded and closing arguments are scheduled for February 2012.

In the API litigation, pretrial discovery has substantially concluded and summary judgment motions were filed in July 2011. Oral argument on these motions has been scheduled for 22 November 2011. If the case is not decided on summary judgment, a trial will follow.

In the Converium-related litigation, the Amsterdam Court of Appeals held a fairness hearing on 3 October 2011 to decide whether to declare the proposed settlement binding on the class. A decision is expected by mid-January 2012.”

(II) PROSPECTUS SUPPLEMENT DATED 9 DECEMBER 2011 TO THE BASE PROSPECTUS DATED 20 MAY 2011

ZURICH FINANCE (LUXEMBOURG) S.A.

(INCORPORATED WITH LIMITED LIABILITY IN THE GRAND DUCHY OF LUXEMBOURG)

ZURICH FINANCE (USA), INC.

(INCORPORATED WITH LIMITED LIABILITY IN THE STATE OF DELAWARE, U.S.A.)

ZURICH FINANCE (UK) PLC

(INCORPORATED WITH LIMITED LIABILITY IN ENGLAND AND WALES)

ZURICH BANK

(INCORPORATED WITH UNLIMITED LIABILITY IN IRELAND)

ZURICH INSURANCE COMPANY LTD

(INCORPORATED WITH LIMITED LIABILITY IN SWITZERLAND)

IRREVOCABLY GUARANTEED IN THE CASE OF NOTES ISSUED BY ZURICH FINANCE (LUXEMBOURG) S.A., ZURICH FINANCE (USA), INC., ZURICH FINANCE (UK) PLC AND ZURICH BANK BY

ZURICH INSURANCE COMPANY LTD

U.S.\$18,000,000,000

EURO MEDIUM TERM NOTE PROGRAMME

This document constitutes a prospectus supplement (the “**Prospectus Supplement**”), to the base prospectus dated 20 May 2011 as supplemented by a Prospectus Supplement dated 5 December 2011 that was published in connection with the above-mentioned Euro Medium Term Note Programme (the “**Base Prospectus**”) for the purposes of article 16 of the Prospectus Directive (as defined below) and must be read in conjunction with such Base Prospectus. Full information on the Issuers and the Guarantor and the offer of any Notes is only available on the basis of the combination of this Prospectus Supplement and the Base Prospectus. Copies of such Base Prospectus and this Prospectus Supplement have been filed with the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) and published and are available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu) and at the head office of the Guarantor.

This Prospectus Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus.

Terms used herein shall have the same meaning as ascribed to them in the Base Prospectus which constitutes a base prospectus for the purposes of article 5.4 of the Prospectus Directive (Directive 2003/71/EC), approved by the CSSF in accordance with (i) article 7 of the Luxembourg law of 10 July 2005 on the prospectuses for securities (the “**Prospectus Law**”) implementing article 13 of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (the “**Prospectus Directive**”); and (ii) the relevant annex(es) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004.

To the extent that there is any inconsistency between (a) any statement in this Prospectus Supplement or any statement incorporated by reference into the Base Prospectus by this Prospectus Supplement

and (b) any other statement in or incorporated in the Base Prospectus, the statements in (a) above will prevail.

Except as disclosed in this Prospectus Supplement, to the best of the knowledge and belief of each of the Issuers and the Guarantor, there has been no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Base Prospectus.

In accordance with article 13 paragraph 2 of the Prospectus Law, investors who have already agreed to purchase or subscribe for the Notes before publication of this Prospectus Supplement have the right, exercisable within a time limit of a maximum of two working days after the publication of this Prospectus Supplement, to withdraw their acceptances.

The distribution of the Base Prospectus, this Prospectus Supplement and any Final Terms and the offering or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession the Base Prospectus, this Prospectus Supplement or any Final Terms come are required by the Issuers, the Guarantor, the Dealers and the Arranger to inform themselves about and to observe any such restriction. In particular, there are restrictions on the distribution of the Base Prospectus, this Prospectus Supplement, any Final Terms and other information in relation to the Issuers, the Guarantor and the Notes, and the offering or sale of Notes in the United States, the European Economic Area, Ireland, the United Kingdom, Luxembourg and Japan.

For a further description of restrictions on offers, sales and transfers of Notes and distribution of the Base Prospectus, this Prospectus Supplement and any Final Terms, see "Subscription and Sale" in the Base Prospectus. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

None of the Base Prospectus, this Prospectus Supplement or any Final Terms constitutes an offer of, or an invitation by or on behalf of the Issuers, the Guarantor, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

RESPONSIBILITY

Each of the Issuers and the Guarantor accepts responsibility for the information contained in its Prospectus Supplement as described above. Each of the Issuers and the Guarantor confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus Supplement is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

SUPPLEMENTAL DISCLOSURE IN RELATION TO ZURICH INSURANCE COMPANY LTD

The description of Zurich Insurance Company Ltd ("**ZIC**") on pages 108 to 119 (inclusive) of the Base Prospectus is supplemented by the addition of the following disclosures under the heading of "Subsequent Events" on page 111.

"On 7 December 2011, the Board of Directors and the shareholders of ZIC approved the payment of an extraordinary dividend in the amount of CHF 1.5 billion from ZIC to its parent company ZFS to be paid before year-end 2011.

On 7 December 2011, ZFS Group announced that Jeff Dailey (U.S. citizen) was appointed to become a member of the Group Executive Committee effective 1 January 2012. He will also become a member of the Management Board of ZIC on the same date. He is currently President and Chief Operating Officer (COO) of Farmers Group, Inc. and will become its CEO also effective 1 January 2012, replacing Robert (Bob) F. Woudstra who will be retiring at the end of 2011.”

**(III) PROSPECTUS SUPPLEMENT DATED 9 JANUARY 2012 TO THE BASE PROSPECTUS DATED
20 MAY 2011**

Zurich Finance (Luxembourg) S.A.
(incorporated with limited liability in the Grand Duchy of Luxembourg)
Zurich Finance (USA), Inc.
(incorporated with limited liability in the State of Delaware, U.S.A.)
Zurich Finance (UK) plc
(incorporated with limited liability in England and Wales)
Zurich Bank
(incorporated with unlimited liability in Ireland)
Zurich Insurance Company Ltd
(incorporated with limited liability in Switzerland)

irrevocably guaranteed in the case of Notes issued by Zurich Finance (Luxembourg) S.A., Zurich Finance (USA), Inc., Zurich Finance (UK) plc and Zurich Bank by

ZURICH INSURANCE COMPANY LTD

**U.S.\$18,000,000,000
Euro Medium Term Note Programme**

This document constitutes a prospectus supplement (the “**Prospectus Supplement**”) to the base prospectus dated 20 May 2011 as supplemented by a prospectus supplement dated 5 December 2011 and a prospectus supplement dated 9 December 2011 that were published in connection with the above-mentioned Euro Medium Term Note Programme (together the “**Base Prospectus**”) for the purposes of article 16 of the Prospectus Directive (as defined below) and must be read in conjunction with such Base Prospectus. Full information on the Issuers and the Guarantor and the offer of any Notes is only available on the basis of the combination of this Prospectus Supplement and the Base Prospectus. Copies of such Base Prospectus and this Prospectus Supplement have been filed with the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) and published and are available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu) and at the head office of the Guarantor.

This Prospectus Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus.

Terms used herein shall have the same meaning as ascribed to them in the Base Prospectus which constitutes a base prospectus for the purposes of article 5.4 of the Prospectus Directive (Directive 2003/71/EC), approved by the CSSF in accordance with (i) article 7 of the Luxembourg law of 10 July 2005 on the prospectuses for securities (the “**Prospectus Law**”) implementing article 13 of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (the “**Prospectus Directive**”); and (ii) the relevant annex(es) of the Commission Regulation (EC) No. 809/2004 of 29 April 2004.

To the extent that there is any inconsistency between (a) any statement in this Prospectus Supplement or any statement incorporated by reference into the Base Prospectus by this

Prospectus Supplement and (b) any other statement in or incorporated in the Base Prospectus, the statements in (a) above will prevail.

Except as disclosed in this Prospectus Supplement, to the best of the knowledge and belief of each of the Issuers and the Guarantor, there has been no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of Notes issued under the Programme since the publication of the Base Prospectus.

In accordance with article 13 paragraph 2 of the Prospectus Law, investors who have already agreed to purchase or subscribe for the Notes before publication of this Prospectus Supplement have the right, exercisable within a time limit of a maximum of two working days after the publication of this Prospectus Supplement, to withdraw their acceptances.

The distribution of the Base Prospectus, this Prospectus Supplement and any Final Terms and the offering or sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession the Base Prospectus, this Prospectus Supplement or any Final Terms come are required by the Issuers, the Guarantor, the Dealers and the Arranger to inform themselves about and to observe any such restriction. In particular, there are restrictions on the distribution of the Base Prospectus, this Prospectus Supplement, any Final Terms and other information in relation to the Issuers, the Guarantor and the Notes, and the offering or sale of Notes in the United States, the European Economic Area, Ireland, the United Kingdom, Luxembourg and Japan.

For a further description of restrictions on offers, sales and transfers of Notes and distribution of the Base Prospectus, this Prospectus Supplement and any Final Terms, see “Subscription and Sale” in the Base Prospectus. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

None of the Base Prospectus, this Prospectus Supplement or any Final Terms constitutes an offer of, or an invitation by or on behalf of the Issuers, the Guarantor, the Arranger or the Dealers to subscribe for, or purchase, any Notes.

RESPONSIBILITY

Each of the Issuers and the Guarantor accepts responsibility for the information contained in its Prospectus Supplement as described above. Each of the Issuers and the Guarantor confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus Supplement is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

LEGAL PROCEEDINGS AND REGULATORY INVESTIGATIONS

The description of the legal proceedings and regulatory investigations on page 117 to 119 (inclusive) of the Base Prospectus is supplemented by the addition of the following paragraph.

“In the Fogel litigation, the Court on 21 December 2011 granted final approval of the settlement. A 60-day appeal period commenced following entry of the Court’s judgment on 21 December 2011.”

REGISTERED OFFICE OF THE ISSUER

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