



**Zurich Financial Services is gaining momentum
and reports net income of USD 2.1 billion in 2003**

Zurich Financial Services
Media and Public Relations
Mythenquai 2
P.O. Box
8022 Zurich
Switzerland

Phone +41 (0)1 625 21 00
Fax +41 (0)1 625 26 41
media.info@zurich.com
<http://www.zurich.com>

- **Net income of USD 2.1 billion after loss of USD 3.4 billion in 2002, generating an IAS return on equity (ROE) of 12.5%**
- **Business operating profit (BOP) of USD 2.3 billion, up 93% from 2002; BOP ROE after tax nearly doubled from 5.1% to 9.3%.**
- **Premiums in General Insurance of USD 36.3 billion, up 22% from 2002; combined ratio at 97.9%, an improvement of 5.6 percentage points before 2002 special provisions**
- **Premiums and insurance deposits in Life Insurance of USD 20.6 billion, up 5% from 2002, and new business profit margin improved by 2.9 percentage points to 9.0%**
- **Net income at Farmers Management Services of USD 604 million, up 7% from 2002; BOP of USD 970 million, up 6% from 2002**
- **Investment income of USD 7.0 billion; return on invested assets of 4.9%, compared with 2.3% in 2002**
- **Net reserves for losses and loss adjustment expenses of USD 37.0 billion at the end of 2003, an increase of USD 6.6 billion, of which USD 1.9 billion for prior-year development and strengthening**
- **Total shareholders' equity of USD 19.4 billion, up from USD 16.8 billion**
- **Proposed payment of CHF 2.50 per share in form of a reduction of the nominal value from CHF 9.00 to CHF 6.50 per share. Earnings per share (diluted) of CHF 19.90.**

Zurich, February 19, 2004 - In 2003 Zurich Financial Services (Zurich) gained momentum with a net income of USD 2.1 billion after a loss of USD 3.4 billion (including special provisions of USD 3.5 billion after tax) in 2002. Business operating profit (BOP), Zurich's internal measurement of performance, increased by 93% to USD 2.3 billion, generating an operating

return on equity (ROE) after tax of 9.3%. All core businesses contributed to the stronger bottom line performance.

The result reflects performance against the plan announced in September 2002. Zurich set out to rebuild its earnings capacity, to strengthen the balance sheet, and to improve its credibility in the financial markets. More than 200 specific, measurable projects improved 2003 earnings by more than USD 1 billion, exceeding the target under the operational improvement program. Measures to reduce costs included a reduction of the workforce by more than 4,500 employees (excluding divestments).

Performance highlights

General Insurance (formerly Non-Life Insurance) earned a net income of USD 1.8 billion, an increase of 326% on pre-provision 2002 net income. Premiums rose to USD 36.3 billion, an increase of 22% or 13% in local currencies. The combined ratio before 2002 provisions improved by a full 5.6 percentage points to 97.9%, benefiting from better claims handling, improved underwriting and more disciplined pricing against a backdrop of generally firm rates in the company's key markets. Segment business operating profit rose by USD 1.8 billion to USD 2.1 billion.

Life Insurance net income climbed by 132% to USD 799 million (excluding net gain on divestments) on premiums, policy fees and insurance deposits of USD 20.6 billion, an increase of 5%. The change in business mix, along with tight cost and expense control and product re-pricing, contributed to a sizeable increase in the new business margin from 6.1% to 9.0%, while the embedded value operating return on equity rose from 9.0% to 10.5%.

Farmers Management Services earned a net income of USD 604 million, an increase of 7% before 2002 special provisions. This increase was the result of higher premiums at the Farmers P&C Group Companies (which Zurich manages but does not own) attributable to higher rates in most lines of business. Business operating profit rose by 6% to USD 970 million.

The Other Businesses segment was affected by a deterioration in the insurance and credit enhancement businesses of Centre which required substantial provisions and asset write-downs. They amounted to USD 1.1 billion before tax and were substantially charged in the first nine months of 2003.

Other achievements in 2003 include:

- **Restored operational and financial discipline.** To ensure long-term earnings sustainability Zurich implemented a Group-wide approach to capital management, reinsurance, financial controlling and planning, IT, audit, and communications.
- **Sharpened focus on core businesses and key markets.** In 2003, Zurich optimized its business portfolio. The Group divested businesses for net cash proceeds of more than USD 1.3 billion and net gains of USD 351 million, releasing more than USD 1 billion dollars in risk-based capital that Zurich is now channeling into business opportunities expected to meet the Group's earnings goals. While fine-tuning of the business portfolio is an ongoing process, most of the divestments have been made and successfully implemented, and the Group's structure now better supports its performance goals.

- **Increased capital base and strengthened balance sheet.** The target of strengthening Zurich's risk-based capital by USD 5 billion was exceeded through a combination of measures. In addition to the USD 2.5 billion raised in the 2002 rights issue, the measures included among others more than USD 1 billion of risk-based capital released by divestments and USD 1.3 billion from a subordinated debt issue. High demand from investors enabled Zurich to increase the size of the debt offering. The Group used the proceeds to repay higher cost debt, reducing the average cost of funding. The Group further strengthened its reserves for prior year development, Centre, asbestos and discontinued portfolios by USD 1.9 billion. In addition, it reduced the proportion of equity securities in the investment portfolio for which we bear investment risk from 8.3% at the end of 2002 to 6.4%, making the balance sheet less volatile and freeing up capital that can be applied to write profitable insurance business. Primarily driven by net income shareholders' equity increased to USD 19.4 billion at December 31, 2003, from USD 16.8 billion at the end of 2002.

The Board of Directors will propose to the shareholders at the Annual General Meeting, to be held on April 16, a payment of CHF 2.50 per registered share in form of a reduction of the nominal value.

Financial Highlights

The following table presents the summarized consolidated results of operations of the Group for the years ended December 31, 2003 and 2002 and the financial position as of December 31, 2003 and 2002.

Consolidated operating statements

in USD millions, for the years ended December 31

	2003	2002	Change
Gross written premiums and policy fees	48,919	41,423	18 %
Net investment result	7,815	4,836	62 %
Net income / (loss)	2,120	-3,362	nm
Net income before special provisions in 2002	2,120	96	nm
Business operating profit ¹	2,265	1,175	93 %

Consolidated balance sheet figures

in USD millions, as of December 31

Total Group investments	175,967	163,788	7 %
Insurance reserves, gross	171,864	156,851	10 %
Senior and subordinated debt	4,775	4,438	8 %
Total shareholders' equity	19,384	16,775	16 %

General Insurance key performance indicators

for the years ended December 31

Business operating profit (in USD millions)	2,149	387	455 %
Net combined ratio, before special provisions in 2002	97.9 %	103.5 %	5.6 %
Net combined ratio, after special provisions in 2002	97.9 %	111.4 %	13.5 %

Life Insurance key performance indicators

for the years ended December 31

Business operating profit (in USD millions)	857	746	15 %
Embedded value profit / (loss), after tax (in USD millions)	928	-1,684	nm
Embedded value operating return, after tax	10.5 %	9.0 %	1.5 pts

Return on common stockholders' equity

Return on equity	12.5 %	-20.8 %	nm
Business operating profit (after tax) return on equity	9.3 %	5.1 %	4.2 pts

Per share data (Years ended 31 December)

Diluted earnings / (loss) per share (in CHF)	19.90	-57.24	nm
--	-------	--------	----

¹ Term defined in the Group Financial Review – Measuring performance

Group and segment operational performance

Group operational result highlights			
In USD millions, for the years ended December 31	2003	2002	Change
Gross written premiums and policy fees	48,919	41,423	18 %
Net investment income	7,004	6,230	12 %
Net realized and unrealized gains /(losses)	811	-1,394	nm
Business operating profit	2,265	1,175	93 %
Net income/(loss)	2,120	-3,362	nm
General Insurance combined ratio	97.9 %	111.4 %	13.5 pts
Life Insurance new business profit margin (as % of APE)	9.0 %	6.1 %	2.9 pts
Diluted earnings / (loss) per share (in CHF)	19.90	-57.24	nm

General Insurance			
In USD millions, for the years ended December 31	2003	2002	Change
Gross written premiums	36,250	29,830	22%
Net earned premiums	27,197	20,285	34%
Net underwriting result	580	-728	nm
Business operating profit	2,149	387	455%
Net income ^{1, 2}	1,883	435	333%
Loss ratio ¹	72.9%	77.9%	5.0pts
Expense ratio ^{1, 3}	25.0%	25.6%	0.6pts
Combined ratio ¹	97.9%	103.5%	5.6pts

¹ 2002 is pre-provision

² Excluding gains on divestments of businesses

³ Including 0.3% of policyholder dividends in both 2003 and 2002

Life Insurance			
In USD millions, for the years ended December 31	2003	2002	Change
GWP, policy fees and deposits	20,560	19,532	5%
Busines operating profit	857	746	15%
Net income ¹	799	345	132%
New bus. premiums (APE)	2,134	2,082	2%
New bus. profit margins (as % of APE)	9.0%	6.1%	2.9pts
EV operating profit, after tax	1,059	996	6%
EV operating return, after tax ²	10.5%	9.0%	1.5pts
Discount rate ³	8.1%	8.4%	-0.3pts

¹ Excluding gains on divestments of businesses. 2002 is pre-provision

² Before foreign currency translation effects

³ Beginning of year

Farmers Management Services			
In USD millions, for the years ended December 31	2003	2002	Change
Management fees and other revenue	1,885	1,799	5%
Management and other expenses	900	871	3%
Net investment result	77	60	28%
Business operating profit	970	916	6%
Net income ¹	604	563	7%
Gross operating margin	52.3%	51.6%	0.7pts

¹ 2002 is pre-provision

Other Businesses			
In USD millions, for the years ended December 31	2003	2002	Change
Business operating profit	-1,044	-141	nm
<i>of which: - Centre</i>	-985	-77	nm
<i>- other</i>	-59	-64	nm
Net income ¹	-1,019	-139	nm
<i>of which: - Centre</i>	-817	-67	nm
<i>- other</i>	-202	-72	nm

¹ Excluding gains on divestments of businesses. 2002 is pre-provision

Note to editors:

There will be a media conference at 10:00 AM CET at the Zurich Development Center, Keltenstrasse 48, Zurich.

The presentation to analysts and investors will be webcast on our website www.zurich.com live from 13:00. CET followed by a webcast playback available after 17.00.

Presentations for analysts and media, as well as supplemental information including information on the Business Divisions, will be available on our website www.zurich.com. Please click on the “Media View” button on the bottom right corner of our homepage.

Zurich Financial Services is an insurance-based financial services provider with a global network that focuses its activities on its key markets in North America and Europe. Founded in 1872, Zurich is headquartered in Zurich, Switzerland. Zurich has offices in more than 50 countries and employs approximately 62,000 people.

For further information please contact:

Zurich Financial Services, Media and Public Relations

8022 Zurich, Switzerland

Phone +41 (0)1 625 21 00, Fax +41 (0)1 625 26 41

<http://www.zurich.com>

SWX Swiss Exchange/virt-x: ZURN

Disclaimer and cautionary statement

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

This communication is directed only at persons who (i) have professional experience in matters relating to investments or (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) or to whom it may otherwise lawfully be communicated (all such persons together being referred to as relevant persons). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.

It should be noted that past performance is not a guide to future performance. Persons requiring advice should consult an independent adviser.