

The Zurich Financial Services Group intends to float a new commercial Swiss real estate company

Zurich Financial Services

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Zurich, October 6, 1999. – The Zurich Financial Services Group intends to transfer part of its Swiss commercial office real estate portfolio with a market value in excess of CHF 1 billion into a new company, called PSP Swiss Property Ltd., which will subsequently be listed on the Swiss Exchange. The Group's Swiss real estate management subsidiary, Turegum Immobilien AG, will be integrated into the new venture. PSP Swiss Property is expected to be listed by way of an Initial Public Offering (IPO) within six months. The Zurich Financial Services Group plans to keep a minority stake of up to 40%.

Through the stock market listing of PSP Swiss Property, Zurich Financial Services intends to offer an indirect and thereby liquid real estate investment opportunity to international and domestic institutional investors, such as pension funds. By focusing on high quality Swiss office properties, the company will target investors with a geographically diversified investment portfolio who wish to take advantage of the specific expertise available in a local real estate market.

PSP Swiss Property, which has real estate with an estimated market value of more than USD 1 billion, will have the critical mass needed to operate in that market from the first day of trading. The new company plans to selectively expand its commercial real estate portfolio of some 80 properties. It will concentrate on office premises in major economic centers in Switzerland and will benefit from a strong shareholders' equity of around 70% at the outset.

Rolf Hüppi, Chairman and Chief Executive Officer of Zurich Financial Services, commented that “the special attractiveness for investors lies in the combination of the advantages of a stable income flow from the real estate assets coupled with the liquidity and flexibility of an equity investment”. The current low interest rate levels in Switzerland, combined with the recovery in the real estate market, have created a very positive investment environment. “We want to use the favorable market conditions to introduce a new, innovative investment solution for international and domestic investors.”

Zurich Financial Services will retain a strategic share of up to 40% in PSP Swiss Property and according to Rolf Hüppi, the IPO provides “the opportunity to manage our real estate investments proactively and better exploit the long-term growth potential of the Swiss real estate market”.

The total real estate portfolio of the Zurich Financial Services Group amounted to USD 7.4 billion, or in excess of CHF 10 billion, at the end of 1998. Günther Gose, Chief Financial Officer of the Group, indicates that the planned transaction will have little impact on the composition of the Group’s investments as the transaction will lead to a “relatively slight reduction from 5.9% to 5.4% in the real estate share of the total investment portfolio”. He added that “we continue to place great importance on the revenues to be earned in the real estate sector, a fact underscored by our significant holding in PSP Swiss Property. We expect to profit not only from growth in the portfolio benefiting in part from third-party financing, but also from a rise in income from the management of properties for third parties.”

Fritz Jörg (1948), until now head of Turegum Immobilien AG, will become CEO of PSP Swiss Property. Turegum Immobilien had been founded in 1995 as a 100% subsidiary of the Zurich Group to spin off real estate management, which was not considered to be one of our core businesses. From the outset, the objective was to optimize management of the Group's own properties in Switzerland, but also to expand this service to third parties. Turegum Immobilien will be fully integrated into PSP Swiss Property, and real estate management will be further developed as a core activity of the new company. Zurich Financial Services will give a management contract for its remaining Swiss properties to the new company. These include primarily residential properties and self-occupied office space considered to be of strategic importance to the Group.

Zurich Financial Services has retained Morgan Stanley Dean Witter as investment bankers to the transaction.

The Zurich Financial Services Group is a global leader in the financial services industry, providing its customers with solutions in the area of financial protection and asset accumulation. The Group concentrates its activities in four core businesses: non-life and life insurance, reinsurance and asset management. Headquartered in Zurich, Switzerland, the Group's worldwide presence builds on strong positions in its three home markets – the United States, the United Kingdom and Switzerland. It has offices in more than 60 countries reaching over 33 million customers and employing 68,000 people. Based on consolidated figures for 1998, the Group achieved gross premiums of USD 45 billion. This amount includes insurance deposits as well as premiums from the Farmers Exchanges. The net income before one-time merger and other restructuring costs amounted to USD 2.8 billion. On June 30, 1999, the Group had USD 423 billion of assets under management of which USD 257 billion represent funds managed for third-party institutional and retail customers.