Swiss Life

Getting acquainted

Annual Report 2004

Swiss Life at a Glance

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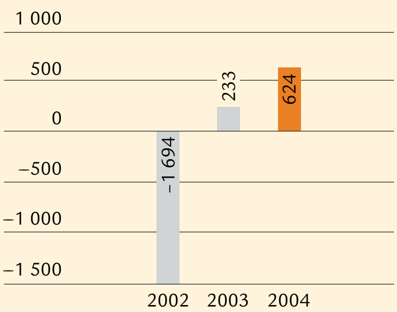
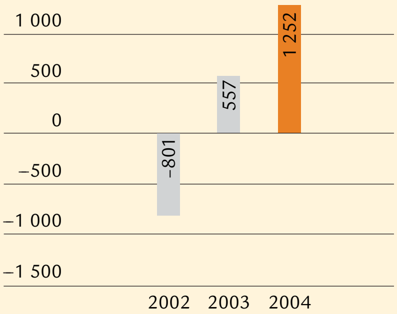
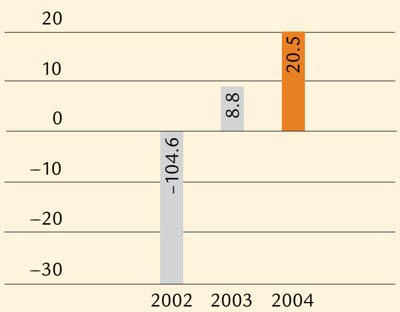
Net result CHF million



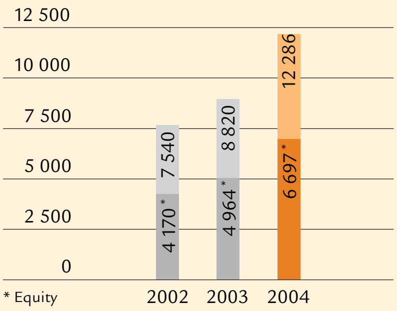
Operating result [1] CHF million



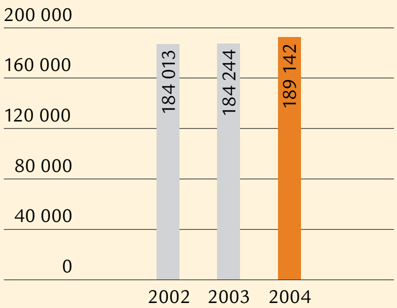
Earnings per share CHF



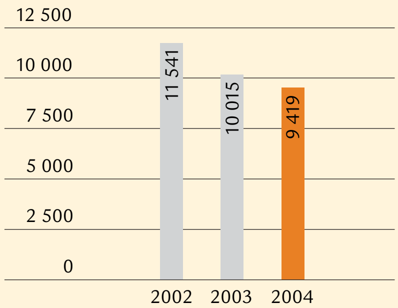
Core capital CHF million



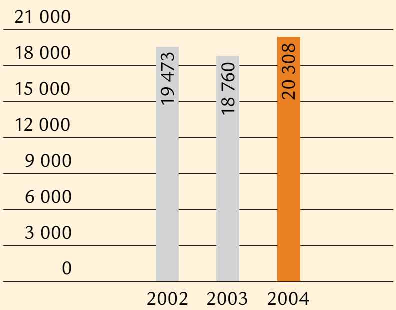
Assets under management CHF million



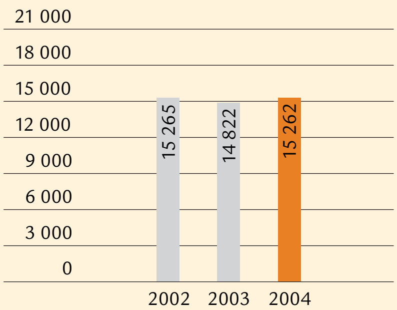
Employees (full-time equivalents)



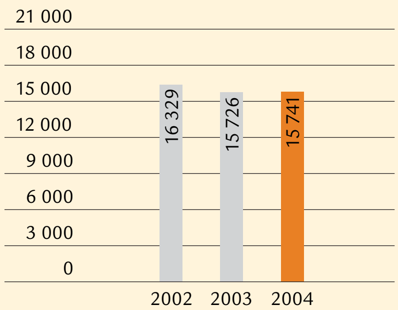
Gross written premiums [2] CHF million



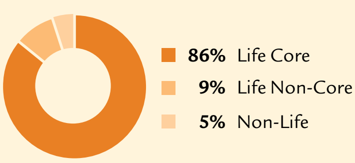
Net earned premiums and policy fees
CHF million



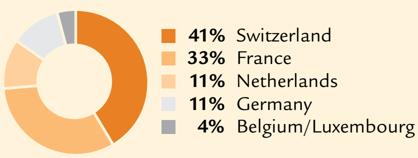
Benefits paid and changes in insurance reserves
CHF million



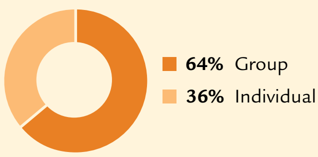
Gross written premiums by segment [2,3]



Gross written premiums Life Core by country [2,3]



Direct premiums and policy fees Life Core [3]



1) Before goodwill amortisation
2) Gross written premiums incl. deposits under investment contracts
3) On consolidated basis

Highlights

- Improved results: Net profit of CHF 624 million and return on equity of 10.7%
- Growth: Gross premium income boosted by 8% to CHF 20.3 billion
- Strong capital base: Equity increased by 35%
- Business focus: Concentration on life insurance and pensions business now complete
- Positioning: Higher profile with new brand

Swiss Life in brief

The Swiss Life Group is one of Europe's leading providers of pension and life insurance products. The Swiss Life Group offers individuals and companies comprehensive advice across a broad range of products via agents, brokers and banks in its domestic market, Switzerland, where it is market leader, and selected European markets. Multinational companies are serviced with tailor-made solutions by a network of partners in over 40 countries.

Swiss Life Holding, registered in Zurich, dates back to the Swiss Life Insurance and Pension Company founded in 1857. Shares of Swiss Life Holding are listed on the SWX Swiss Exchange (SLHN). The Swiss Life Group employs a staff of around 10 000.

Knows his
clients' dreams

Knows insurance
law like the back of
his hand

Knows all the
beaches on the
North Sea coast

Sunny Léons, 43

Ice cream lover, bookworm, quality fanatic, family man, insurance broker in Amsterdam. Has come to know Swiss Life's competence and openness in his daily work.

Expertise. Insurance brokers are very important to Swiss Life. They are proven specialists and know their clients' needs. That's why Swiss Life maintains regular contact with insurance brokers, offering them the best possible support. This collaboration between experts is perhaps the decisive reason why Sunny Léons places particular trust in Swiss Life.

Bruno Gehrig
Chairman of the Board of Directors

Rolf Dörig
Chief Executive Officer

Dear Shareholders,

It is our intention to achieve a position of pensions leadership for Swiss Life. Indeed, in the 2004 financial year, we made further significant progress in realising our ambition. Our focus on the life insurance and pensions business was successfully moved forward. Premium growth was above the market average in Switzerland, France, Germany, Belgium and Luxembourg. Gross premium income for the Group as a whole increased by more than 8% over last year, exceeding the CHF 20 billion mark for the first time in the company's history. We achieved this significant improvement in results thanks to an excellent financial result, strict cost management and more risk-based pricing. This produced a profit of CHF 624 million (2003: CHF 233 million). Return on equity came to 10.7% and earnings per share to CHF 20.50. All sectors and countries have contributed to this happy result. On the basis of these results, the Board of Directors will propose a dividend of CHF 4 at the General Meeting on 10 May 2005 after three financial years without any distribution of profit. The distribution will take the form of a repayment of par value.

The year 2004 was characterised by historically low interest rates and the absence of the significant economic growth which was generally anticipated. The Swiss Life Group achieved a welcome result, despite this rather unfavourable environment.

We have established our new focus. Concentration on our core pensions and life insurance business advanced rapidly in 2004. The insurance business in the United Kingdom, where no new business has been written since 2003, was sold to the Resolution Life Group in December 2004. Swiss Life spun off its third-party private equity business in February 2004. The Banca del Gottardo was separated from the insurance company in June 2004. It is a now a direct subsidiary of Swiss Life Holding. The legal separation of bank and insurance brings greater clarity and transparency for you, our shareholders, for our customers and, not least, for ourselves. The capital increase necessary for this transaction was successfully concluded in June 2004 thanks to the gratifyingly high participation of our existing shareholders. In February 2005 we took the last important steps in the process of sharpening our focus with the announced concentration on the Swiss Life brand within the home market of Switzerland, the integration into Swiss Life of the life insurance business of our subsidiary «La Suisse», the amalgamation of the sales organisations of both companies, and the sale of the remaining business lines of «La Suisse» to Vaudoise and Helsana.

We have gained market share both at home and abroad. In the financial year 2004 the Swiss Life Group generated, for the first time in its history, gross premium income exceeding CHF 20 billion. The actual premium volume of CHF 20.3 billion corresponded to a growth rate of over 8%. In France (+17%), Germany (+7%), Belgium/ Luxembourg (+29%), but also in the Swiss domestic market (+8%), Swiss Life's growth lay well above the market average. The ratio of premium volume achieved in Switzerland compared with that earned abroad was 40:60 in 2004. Although we assume that Switzerland represents a long-term growth market, we nevertheless anticipate that, due to the significantly greater growth potential outside Switzerland, this ratio will continue to change in favour of the international markets.

We have significantly improved results. The significant improvement on the previous year's results from CHF 233 million to CHF 624 million derives from a very good financial result, reduced costs and risk-based pricing. The net profit earned corresponds to a return on equity of 10.7%. The operating income (before amortisation of goodwill) improved from CHF 557 million to CHF 1252 million. Inasmuch as we had already achieved the objectives set by the cost savings programme at the end of 2003, one year ahead of schedule, we managed to reduce operating costs by an additional CHF 110 million (–5%) in 2004 despite the considerable growth in premiums. Operating expenses decreased by 3% to CHF 2.8 billion.

We have strengthened our balance sheet. As of 31 December 2004 the total equity of the Swiss Life Group stood at CHF 6.7 billion. This represents an increase of 35% compared to the previous year. The Swiss Life Group thus has a solid financial base. The significant rise in equity is mainly attributable to operating performance, as well as the capital increase concluded in June 2004. The solvency margin of the Swiss Life Group came to 195% on 31 December 2004. More important to our policyholders than this figure, but also to you, our shareholders, is that we have suitable reserves, thanks to our farsighted reserving policy, and are thus also in a position to fulfil our existing obligations over the long term.

We have our risks under control. Our Group-wide approach to asset and liability management (ALM) has proven its worth and will be developed on an ongoing basis. In the 2004 financial year, we narrowed the gap between the average duration of our investments on the asset side of the balance sheet and our obligations on the liabilities side by lengthening the maturities of our investments. The economic interest-rate sensitivity of the balance sheet has thus been reduced. In October 2004 we parted with the lion's share of our private equity portfolio as this investment category is lacking in liquidity and ties up a great deal of risk capital.

We have improved the quality of our service. Ongoing customer surveys, expert evaluations, and awards and distinctions underscore the success we have had in appreciably improving the quality of our customer service. The quality initiatives implemented in all markets have had the desired impact. Various reports from the customer side do, however, make it clear that there is additional room for improvement in this area. We are working on it.

Our new brand has given us a clear profile. In 2004 the brand architecture of the company was simplified and its image refreshed. The previously complex brand structure with its many different names and logos was replaced by a simple, clear look with "Swiss Life" as the umbrella brand. The new corporate identity was introduced in all markets in the course of 2004.

We thank all our employees. Their competence and commitment have made this progress possible. The performance achieved in 2004 allows us to view the future with confidence.

The demand for financial provisions for the future continues to grow. Because people are now living to an ever-riper old age, the need for financial provisions for the future will be continue to grow. The state pension systems in many European countries are promising benefits that simply cannot be financed in the long run. With the ratio of pensioners to the actively employed visibly increasing, most countries are being forced to usher in reforms for which even acquired entitlements are not sacrosanct. Germany is a striking example, where the "first-pillar" pension benefits (paid for by current employees in a pay-as-you-go process) make up around 80% of the average retirement income. These inevitable corrections to the system are shifting the accent towards fully-funded occcupational or individual solutions. These alternatives are the core business of Swiss Life.

The conditions governing our business in Europe are intact. Although the tax advantages of endowment insurance might be reduced even more, in the private pensions business retirement products, in particular, will continue to enjoy a favourable tax situation. We are in a position to react flexibly to any unforeseen changes (as we proved in the previous year). Nevertheless, in Switzerland, our domestic market, important parameters for occupational benefits remain inappropriate and disadvantageous to both insured persons and shareholders. The minimum interest rate remains a political factor, as before, which limits the risk capacity of the employee benefits institutions, reduces their earnings potential and thus negatively impacts the future pension entitlement. Even after the legislative revision to the law, the legally defined conversion rate for the obligatory portion of second pillar pensions still fails to correspond to reality. Too high a rate poses a long-term danger to the financial stability of the pension system and produces a redistribution of the burden to the younger generation which is neither economically nor socially desirable. We will continue to do everything in our power to see that the conditions in Switzerland are adapted to reality in order to have a sustainable pension system over the long term.

We want to achieve a position of pensions leadership. Swiss Life wants to set the standards in both the private and occupational benefits business. We intend to be a leader in our business – not simply in size, but by leading in the quality of our advice, products and service. We want people to think of Swiss Life first when they think about safeguarding their retirement income or the financial security of their business or their family. We are in a very promising position to achieve this.

We occupy an attractive position in the market. Among the leading insurance providers, we are one of the very few internationally operating companies to focus systematically on the area of private and occupational benefits. In order to maximise our advantage, we will be gearing ourselves even more closely to the needs of our clients and selected customer segments such as self-employed persons and high earners. We will be increasing the possible ways for our customers to get in contact with us. In Switzerland, for example, where we have a very strong external sales organisation of our own, we would like to expand sales through brokers and banks. We would like to augment the established channels in France – our in-house external sales department and our sales agents – by means of cooperative agreements with banks. In Germany, where Swiss Life has nearly wholly relied on the broker market, we would also like to open up increased opportunities for cooperation.

We have successfully concluded an intensive fitness cure. We have reduced operating costs by about 20% in the past two years. Strict cost management and the organisational streamlining of our units in all countries have also contributed to these savings. At the same time, the 2004 annual figures also show that our results still remain strongly dependent on developments in the financial markets. For that reason we must especially improve the technical results – the underwriting results from purely insurance business – by primarily continuing to improve operational efficiency.

We have exceptional expertise. With its nearly 150 years of tradition and experience, Swiss Life possesses exceptional expertise in both products and risk, and intends to develop its potential even further. In the past year we had highly promising initial successes in individual markets with product innovations driven by market requirements. In addition, we want to continue to improve cooperation and knowledge exchanges within the enterprise beyond organisational and geographical borders. Moreover, we will also be contributing our expertise in future to the political discussions about the course to be taken in the provision of benefits. We, too, have a social and political interest in ensuring that pension systems are sustainably designed, and that people have a suitable income after they are pensioned or if they become disabled.

We are prepared for the coming challenges. We are optimistic that we are on our way to making further progress in 2005. We intend to grow at least 1% over the market average in each country where we operate. The basis for our success is an even greater focus on our customers' needs and satisfaction. We intend to improve profitability primarily by means of increased efficiency. This will create the conditions to achieve a sustainable return on equity of better than 10%.

Dear shareholders, we thank you for the confidence you continue to place in the Swiss Life Group, our strategies and our employees. You may rest assured that we will do all we can to remain worthy of this confidence in the future.

Bruno Gehrig
Chairman of the
Board of Directors

Rolf Dörig
Chief Executive Officer

Strategy Swiss Life intends to achieve a position of pensions leadership. Swiss Life should be the first choice that comes to mind when customers, investors and employees think of this industry. To achieve this objective, Swiss Life is concentrating strategically on growth, efficiency and leadership.

The business of providing financial benefits is a growing market. People are getting older. The need for individual retirement solutions in the form of pensions and long-term savings is growing with increasing life expectancy and the rising percentage of retired people in the population. Swiss Life assumes that, in coming years, the market growth in Europe for both private and occupational benefits will be considerably above the general trend in economic growth.

Swiss Life wants to set the standards in this growing market for pensions. Swiss Life intends to be a leading provider of private and occupational pensions – leading in the quality of the advice, products, and service. The company offers private individuals comprehensive solutions for the financial safeguarding of their families and a secure retirement, as well as individual savings programmes with or without risk coverage. Corporate customers of every size are advised concerning their pensions situation and directed by Swiss Life to the right product for the specific needs of their company and its employees. Swiss Life focuses on the geographic markets in which it enjoys a strong existing or potential position. Swiss Life is number two in premium volume in its home market of Switzerland, and the clear market leader for individual life insurance. Thanks to its competence, effective sales channels and strong brand, Swiss Life is a preferred alternative to domestic providers in the French, German, Dutch, Belgian and Luxembourg markets.

Between 2002 and 2004, Swiss Life successfully adjusted its business model to the changed conditions: the company concentrated on its core business, reduced costs, adapted product conditions to economic and demographic circumstances, implemented an integrated risk management

Ambition Pensions leadership.

Mission We are committed to helping people create a financially secure future. For Life.

Values

Expertise: We offer first-class solutions for pensions and long-term savings. This expertise is based on our proven professional competence and many years of experience.

Proximity: We foster close relationships with our customers and partners and endeavour to understand their needs. This proximity enables us to provide optimum solutions tailored to their requirements.

Openness: We nurture open and direct dialogue both within and outside of our organisation. This approach builds trust in the work we do.

Clarity: We communicate clearly and offer products and services that are comprehensible. This clarity gives our customers and partners a sense of security.

Commitment: We work with commitment and enthusiasm to help our customers, staff and shareholders achieve their goals. This commitment forms the basis of long-term partnerships, and enables us to meet our social responsibilities.

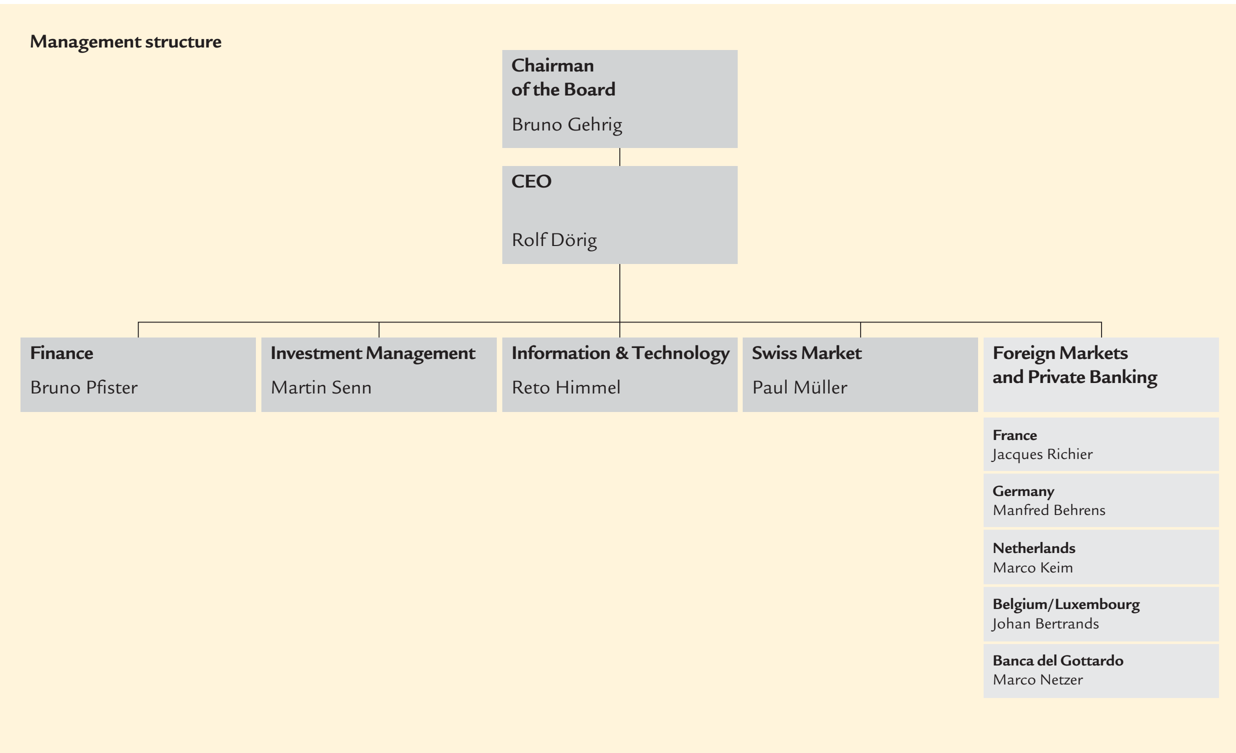
approach with Group-wide asset and liability management, and strengthened its capital base. In the coming years Swiss Life will be focusing on the following three strategic directions: growth, efficiency and leadership.

Growth Swiss Life wants to profit from the growing pensions market and position itself internationally as the preferred provider of pension solutions for individuals and companies. The continuous improvement of customer satisfaction is one important driver for this. Distribution in the individual markets will be more strongly diversified in order to create additional possibilities for customers to make contact. Swiss Life intends to grow by at least 1% above the market average in the countries in which it operates.

Efficiency Swiss Life wants to continue improving the profitability of its insurance business and to reduce its dependence on the financial result. This will be achieved through the simplification and optimisation of operational processes, reduction of complexities across the entire value chain and strict cost management.

Leadership Swiss Life wants to promote a performance-oriented culture and an entrepreneurial approach. The basis for this includes our corporate values, clear objectives and performance yardsticks, short decision-making processes, a performance-oriented remuneration system, and the systematic recording and development of our employees' skills and abilities.

Thanks to these measures, Swiss Life will be positioned to create the conditions for achieving a sustainable return on equity of over 10%, and to reward its shareholders with an appropriate dividend.



Discovers the
best fish stalls at
the Old Port

Discovers
the Quartier
du Panier

Discovers
the Municipal
Library

Discovers
the work of
Hippocrates

Discovers
her talent for
listening

Hinda Ansas, 44

Curious, well-read, nature-loving, meticulous, friendly, helpful. A self-employed nurse in Marseilles, Hinda Ansas is impressed by Swiss Life pension schemes.

Proximity. Only those who are close to people can really meet their needs. That's why we at Swiss Life attach great importance to cultivating personal contact with our clients. And offering them customised solutions that take their individual goals into account. In partnership with our clients – also especially appreciated by Hinda Ansas.

Summary of Group Results The Swiss Life Group generated a profit of CHF 624 million and a return on equity of 10.7% in 2004. Based on these good results, the Board of Directors is proposing that the General Meeting approve a dividend of CHF 4 per share in the form of a repayment of par value.

The Swiss Life Group achieved a good result in 2004. The company increased profits from CHF 233 million in 2003 to CHF 624 million, thus generating a return on equity of 10.7% (2003: 5.3%). Earnings per share came to CHF 20.50 (2003: CHF 8.83). Operating income before amortisation of goodwill worked out at CHF 1252 million (2003: CHF 557 million). The Life Core segment (Switzerland, France, Germany, the Netherlands, Belgium/ Luxembourg) contributed CHF 957 million to this figure (2003: CHF 341 million).

Swiss Life boosted its gross premium income by 8% from the prior-year figure to more than CHF 20.3 billion. Premium growth in the Life Core segment was also 8%. Swiss Life profited from significantly greater demand for pension products in France and Germany, achieving premium growth there of 18% (France) and 8% (Germany). Swiss Life gained market share in both countries. But also in its domestic market of Switzerland, Swiss Life returned to the growth zone (+8%) and recovered lost market share after suffering a drop of 19% in the previous year.

The financial result, at CHF 6.7 billion, was 14% higher than the previous year. This outstanding performance can be particularly attributed to capital gains realised on fixed-interest investments. On the one hand, asset maturities were extended once again in the context of asset and liability management in order to continue narrowing the differential between average assets and liabilities durations and to reduce the economic risk of interest rate fluctuation in the balance sheet. On the other hand, targeted opportunities were seized in the financial markets due to the historically low interest rates of the second half of the year. The return on insurance portfolio investments came to 6.7% (2003: 4.7%). The net equity exposure was raised in connection with the increased risk capacity and was 5.0% as of 31 December 2004 (2003: 2.1%). Insurance benefits including changes in insurance reserves were unchanged from the previous year at CHF 15.7 billion. The increase by CHF 878 million in insurance benefits paid (to CHF 15.2 billion) was compensated by the decline in changes in insurance reserves The amount for policyholder bonuses and participation in surplus was around 56% higher at CHF 1.4 billion.

Operating expenses fell by 3% from their prior-year level to CHF 2.8 billion despite the much higher premium volume. Operating costs dropped by CHF 110 million, or 5%.

Equity stood at CHF 6.7 billion on 31 December 2004. The increase of 35% compared with the end of 2003 can be attributed partly to the profit generated, but above all to the capital increase of CHF 917 million that took place in June 2004. Core capital for capital adequacy purposes, which includes deferred Group-related funds in addition to equity capital per se, improved by 39% to stand at CHF 12.3 billion. Goodwill was further reduced by CHF 243 million.

Assets under management totalled CHF 189.1 billion on 31 December 2004 (+3%).

On 31 December 2004 the full-time equivalents came to 9419, a decline of 7% in the personnel figure compared with the preceding year.

Life Core Swiss Life's operating income in 2004 came to CHF 957 million in the Life Core segment (2003: CHF 341 million). All countries contributed to this most satisfactory outcome. Gross written premiums rose by 8% to CHF 17.4 billion.

Switzerland An estimate of the Swiss Insurance Association (SIA) indicates that premium volume in the Swiss life insurance market dropped by roughly 6% to CHF 30 billion. After the plunge in the individual insurance segment in 2003, premium volume in the group business slowed down more in the year under review. Swiss Life, which wrote some 80% of its premium volume in group business, with a market share of 25%, ranks number two in this segment. With a slice of 18% of the individual insurance market, Swiss Life is the clear market leader.

In Switzerland, its domestic market, Swiss Life demonstrated clearly that it has regained the confidence of its customers. In a slowing market, the company succeeded in increasing its premiums written by 8% to CHF 7156 million. The growth came exclusively from group insurance: Swiss Life took in CHF 5485 million in premiums in this segment (+12%), largely through new contracts and vested benefit policies. Periodic premiums recorded a growth of 3% and single premiums were up 21%. The strong advance in single premiums includes the mathematical reserves brought in by new customers and the increased quotas for contracts managed by several companies.

Individual life experienced a further decline in premiums, down 4% to CHF 1601 million, reflecting the stubbornly low level of interest rates. Single premiums (–7%) took a harder hit than periodic premiums (–2%).

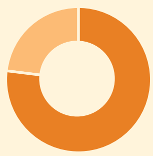
The financial result of CHF 2574 million was 9% above the previous year due to higher realised capital gains and a reduced need for valuation adjustments, as well as interest rate and currency effects.

Insurance benefits including changes in insurance reserves rose by 6% to CHF 7907 million. This growth, attributed to additional reserves for future risks and premium growth, was only partially equalised by the graduated reduction of the pension conversion rate from 7.2% to 5.835% in the supplementary portion of occupational provisions, the reduction of the minimum interest rate from 3.25% to 2.25%, and an improved claims experience.

Operating costs were reduced further in the year under review. In the second half of the year higher commissions as a result of premium growth, and (due to conservative model assumptions) a greater sum for the amortisation of deferred acquisition costs, led to a rise of 2% in operating expenses for a total of CHF 767 million for the year.

This resulted in overall operating income of CHF 443 million (2003: CHF 76 million). The one-off impacts of the reduction in the conversion rate and the introduction of a statutory minimum payout ratio (known in Switzerland as the "legal quote") contributed CHF 148 million to this figure.

Premiums for Switzerland, by type of insurance



Key figures for Switzerland

in CHF million	2004	2003	+/–%
Gross written premiums, policy fees and deposits under investment contracts	**7 156**	6 643	7.7%
Net earned premiums and policy fees	**7 023**	6 460	8.7%
Financial result	**2 574**	2 364	8.9%
Other income including fees	**42**	–33	n.a.
Total revenue	**9 639**	8 791	9.6%
Benefits paid and changes in insurance reserves	**–7 907**	–7 448	6.2%
Policyholder bonuses and participation in surplus	**–239**	–230	3.9%
Interest expenses	**–283**	–283	0.0%
Total benefits, losses and interest expenses	**–8 429**	–7 961	5.9%
Total operating expenses	**–767**	–754	1.7%
Operating result	**443**	76	n.a.
Assets under management	**58 216**	55 958	4.0%
Insurance reserves	**55 123**	55 409	–0.5%
Number of employees (full-time equivalent)	**2 615**	2 600	0.6%

In 2004 Swiss Life reaffirmed its commitment to a secure and calculable pension system. With regard to group insurance, the company underscored its intention to continue full insurance. Swiss Life is convinced that this form of occupational benefits (in which the insurer also assumes the investment risk) is the best type for small and medium-sized companies. At the same time, due to the unrealistic conditions, the company saw no way around a need to adjust conditions for the supplementary portion of occupational pensions at the beginning of 2005, and to lower the pension conversion rate in stages over three years. In the individual insurance segment, however, Swiss Life continues to forgo reductions to bonus annuities.

Customers respect these confidence-building measures. Most group insurance clients accept the new BVG model. Indeed, Swiss Life succeeded in switching over 90% of the mathematical reserve in the supplementary segment to contracts subject to the new conditions. In addition, Swiss Life recorded very low surrender sums in individual insurance during the reporting period. Intensive market development efforts, and measures to improve service quality also played a role in this development.

In 2004, reality re-entered the political discussion about the conditions governing occupational pensions. Awareness grew that wrongly applied parameters would lead to an undesireable redistribution of the burden to the younger generation, thus putting the security of the Swiss pension system at risk. For that reason the Swiss parliament is discussing a more radical and rapid reduction of the pension conversion rate for the obligatory portion. All insurance companies have already completed the reduction of this rate to a realistic level for the supplementary portion. As regards the minimum interest rate, the Swiss Insurance Association and the Swiss Pension Fund Association have joined forces in favour of a transparent, intelligible and market-oriented formula that can be borne by the economy as well as being calculable for all concerned. This formula should be the basis for introducing the subject once again into the political debate.

In February 2005 the Swiss Life Group announced that their focus in Switzerland is on the Swiss Life brand. The integration of the hitherto autonomously managed «La Suisse» life business is underway. The external sales units of both companies (which occasionally compete) will be amalgamated and the total number of offices reduced from 111 to 58. The stronger sales network will facilitate more efficient exploitation of the market potential in all our sales territories. To reinforce its core business further, Swiss Life is taking on the Vaudoise group life portfolio. In addition, Swiss Life is entering into agreements with Helsana, Switzerland's largest health insurer, and Vaudoise, to collaborate in distribution. Helsana offers its customers occupational pension solutions from Swiss Life. In return, Swiss Life can offer its corporate clients the sick pay and accident insurance coverage from Helsana, thus continuing to provide comprehensive solutions for personal insurance. Following the sale of its own group life portfolio, Vaudoise will offer its clients the BVG solutions from Swiss Life exclusively.

Such measures pave the way for an increase in sales productivity and additional improvements to efficiency. In 2005 Swiss Life is also placing emphasis on the streamlining of processes, and the simplification of its IT system architecture.

France With a premium volume of EUR 104 billion, France represents the second-biggest life insurance market in Europe. The market growth of 13% in 2004 reflected the heightened awareness in the country of the importance of saving for retirement. In addition, the recovery of the financial markets in the second half of the year stimulated demand for unit-linked insurance. As an insurer of individuals, Swiss Life is also active in health insurance in France. The premium volume in this market came to EUR 12 billion (+11%) in 2004.

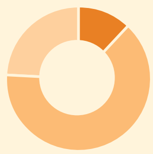
Swiss Life saw its gross written premiums grow by 23% (21% in local currency), thus increasing its market share from 2.4% to 2.6%. This gratifying growth was mainly thanks to the sales agents and banking channels working exclusively for Swiss Life. In Erisa, a joint venture between Swiss Life and the HSBC Group, and in its cooperation with Banque Rothschild, Swiss Life also enjoys direct access to the very important distribution network represented by banks. Since the beginning of 2005, Swiss Life has expanded its access by means of a sales agreement with CaixaBank.

Health insurance premium volume increased by 7% (6% in local currency). Taken together, the premium growth in France came to 18% (17% in local currency). The premium growth and the higher financial result led to an 11% rise in earnings to CHF 3607 million.

Total insurance benefits and losses went up to CHF 2806 million (+11%). The increase compared with the previous year can be attributed to higher outlays for surplus and bonuses to policyholders (+98) ensuing from the higher financial result, and the refinement of the method used to calculate deferred bonus liabilities. Operating expenses rose 16% mainly due to growth-related higher commissions. This produced an operating result of CHF 98 million (2003: CHF 123 million).

The sales organisation introduced at the beginning of the reporting period is thus already paying off. Swiss Life products continued to prove their merit as various pension solutions were once again given top marks by the trade press. In addition, a pension-savings plan was introduced in June 2004 based on the introduction in April 2004 of tax incentives for individual saving (Plan d'épargne-retraite populaire, PERP). Swiss Life has thereby expanded its very good position in the self-employed segment. In health insurance Swiss Life played a pioneering role by launching a new range of products which, among other things, encourage customers to shoulder greater responsibility.

Premiums for France, by type of insurance



Key figures for France

in CHF million	2004	2003	+/–%
Gross written premiums, policy fees and deposits under investment contracts	**5 637**	4 760	18.4%
Net earned premiums and policy fees	**2 305**	2 107	9.4%
Financial result	**1 298**	1 134	14.5%
Other income including fees	**4**	16	–75.0%
Total revenue	**3 607**	3 257	10.7%
Benefits paid and changes in insurance reserves	**–1 804**	–1 730	4.3%
Policyholder bonuses and participation in surplus	**–429**	–217	97.7%
Interest expenses	**–573**	–582	–1.5%
Total benefits, losses and interest expenses	**–2 806**	–2 529	11.0%
Total operating expenses	**–703**	–605	16.2%
Operating result	**98**	123	–20.3%
Assets under management	**30 136**	26 788	12.5%
Insurance reserves	**7 326**	6 435	13.8%
Number of employees (full-time-equivalent)	**1 532**	1 518	0.9%

Germany Swiss Life has a market share of 1.7% in Germany, the third-largest insurance market in Europe with a premium volume of EUR 68 billion.

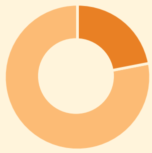
In 2004 Swiss Life generated gross written premiums of CHF 1910 million, representing an increase of 8% over the previous year. Growth in local currency came to 7% and was thus clearly higher than the 3% expansion of the overall market. The growth in premiums is due especially to the change in the Retirement Income Act effective 1 January 2005, which made taking out life insurance particularly attractive in 2004. Thanks to intensive marketing, Swiss Life managed to profit above the average from this situation. Premium growth and the higher financial result led to a rise in earnings by 6% to CHF 2749 million.

The 8% growth in insurance expenses to CHF 2452 million resulted from the increase in future policyholder bonuses and participation in surplus by 40% to CHF 607 million as a result of actuarial revaluations and the marked growth of unrealised gains on investments. Administrative costs were further reduced (–1%) despite considerable premium growth. Operating expenses dropped by 27% from the previous year to CHF 194 million, primarily due to a change in the method of amortising deferred acquisition costs during the reporting period. This produced an operating result of CHF 103 million (2003: CHF 40 million).

The year 2004 confirmed once again that Swiss Life is a preferred partner for brokers. In a broker survey on occupational pensions (bAV Award) in November 2004, Swiss Life was rated the best provider of occupational pension products. At the beginning of 2005 Swiss Life announced that it was taking a stake in MetallRente. MetallRente, the largest superannuation scheme in Germany, is directly involved with the 3.6 million employees of the metalworking and electronics industries. The stake in this consortium opens up new marketing possibilities for sales of direct insurance and pension funds. The Retirement Income Act that came into effect on 1 January 2005 contains new regulations on important facets of retirement provisions. For example, retirement provisions are to be encouraged by the government with the newly created Rürup pension. Swiss Life offers the "Swiss Life Basisplan" in this context.

Manfred Behrens has been the new CEO at Swiss Life in Germany since 1 April 2004. He suceeded Jürgen Strauss, who retired after more than ten years of distinguished service.

Premiums for Germany, by type of insurance



22% Group
78% Individual

Key figures for Germany

in CHF million	2004	2003	+/–%
Gross written premiums, policy fees and deposits under investment contracts	**1 910**	1 766	8.2%
Net earned premiums and policy fees	**1 815**	1 673	8.5%
Financial result	**968**	931	4.0%
Other income including fees	**–34**	–19	78.9%
Total revenue	**2 749**	2 585	6.3%
Benefits paid and changes in insurance reserves	**–1 821**	–1 821	0.0%
Policyholder bonuses and participation in surplus	**–607**	–435	39.5%
Interest expenses	**–24**	–22	9.1%
Total benefits, losses and interest expenses	**–2 452**	–2 278	7.6%
Total operating expenses	**–194**	–267	–27.3%
Operating result	**103**	40	n.a.
Assets under management	**17 599**	16 349	7.6%
Insurance reserves	**17 727**	16 709	6.1%
Number of employees (full-time-equivalent)	**762**	775	–1.7%

Netherlands The life insurance market in the Netherlands (with a premium volume of some EUR 25 billion) is heavily concentrated, with the five largest companies accounting for two-thirds of the business. Swiss Life, which holds a market share of about 5%, is ranked eighth. About half of the premium volume is channelled through independent brokers. The market growth for 2004 is estimated at between 1% and 3%.

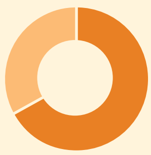
Gross written premiums totalled CHF 1959 million in 2004, a 17% decline (18% in local currency) from the previous year. The acquisition in the second half of the year of the group insurance portfolio from the Netherlands insurer De Goudse (EUR 300 million) only partly came up to the one-off impact of the contract concluded in 2003 with the pension fund of construction company HBG (EUR 570 million). Excluding the one-off impact of the above-mentioned contracts, premium volume was nearly constant from year to year.

Total insurance benefits and losses from the insurance business dropped by CHF 214 million (–10%) to CHF 2017 million. The drop of CHF 343 million in insurance benefits was partially offset by higher outlays for policyholder bonuses. Operating expenses rose by 18% to CHF 234 million. Commissions in particular, as well as other insurance-related expenses went up (+69%), mainly due to higher write-offs on deferred acquisition costs On the other hand, administrative costs were reduced (–11%).

This produced an operating result of CHF 272 million, which is CHF 171 million more than in the previous year. It must also be noted that the extraordinary profit from the sale of the mortgage portfolio contributed CHF 135 million to this result.

A survey conducted by insurance brokers in 2004 revealed that Swiss Life had achieved the greatest improvement in service quality in the industry, and underscored the positive impact of initiatives to increase customer satisfaction. Swiss Life intends to achieve further progress in service quality as one of the best in this area, by consistently gearing processes and systems to customer needs. With its acquisition of the De Goudse group business, Swiss Life expanded its strong position in the corporate clients segment. Swiss Life's acquisition on 1 January 2005 of the pension fund of the employees of the Netherlands central bank counts as a further success.

Premiums for the Netherlands, by type of insurance



Key figures for the Netherlands

in CHF million	**2004**	2003	+/–%
Gross written premiums, policy fees and deposits under investment contracts	**1 959**	2 356	–16.9%
Net earned premiums and policy fees	**1 593**	2 020	–21.1%
Financial result	**906**	503	80.1%
Other income including fees	**24**	8	n.a.
Total revenue	**2 523**	2 531	–0.3%
Benefits paid and changes in insurance reserves	**–1 953**	–2 296	–14.9%
Policyholder bonuses and participation in surplus	**–36**	98	n.a.
Interest expenses	**–28**	–33	–15.2%
Total benefits, losses and interest expenses	**–2 017**	–2 231	–9.6%
Total operating expenses	**–234**	–199	17.6%
Operating result	**272**	101	n.a.
Assets under management	**16 867**	15 558	8.4%
Insurance reserves	**13 982**	13 043	7.2%
Number of employees (full-time-equivalent)	**706**	726	–2.8%

Belgium/Luxembourg With a volume of EUR 20 billion, Belgium is a medium-sized life insurance market. In 2004, this market experienced 13% growth. Luxembourg is an important centre for cross-border insurance business. Swiss Life occupies ninth place in both segments in terms of premium volume.

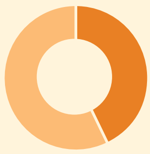
In 2004, Swiss Life recorded a substantial 31% overall increase (29% in local currency) in gross written premiums to CHF 741 million. Premium volume in Belgium grew by 13% (11% in local currency) to CHF 505 million. In Luxembourg, premium volume nearly doubled (CHF 236 million). The reason for such marked growth is the success in cross-border insurance sales involving fund products.

Earnings rose 13% to CHF 460 million, largely thanks to the considerably higher financial result (+39%), which can be attributed to the growth in investment income and capital gains on investments. While expenses due to the insurance business remained practically constant (+2%), operating expenses rose by 10% to CHF 82 million, mainly due to higher, growth-driven commissions. Despite considerable growth in premiums, administrative outlays in local currency remained constant. This produced an operating result of CHF 41 million (2003: CHF 1 million).

Swiss Life expanded its range of products, offering occupational benefits for small and mid-sized companies to cover growing demand from this business segment. Swiss Life also expanded the product range for self-employed individuals. Swiss Life received important awards in Belgium and Luxembourg. In Belgium, Swiss Life was awarded the “Trophée de l’assurance vie” for innovation. For the second time in a row, the company was honoured in Luxembourg with the “Best Pensions Solutions” title.

In 2005 Swiss Life in Belgium will be increasing its collaboration with independent brokers and banks. Swiss Life started a survey in Belgium at the end of February 2005 to assess the needs and expectations of the populace concerning retirement and pensions. The results will be used for the further development of the business and to improve customer communications. Swiss life intends to further expand its strong position in cross-border business in Luxembourg by collaborating with very large brokers.

Premiums for Belgium/Luxembourg, by type of insurance



Key figures for Belgium/Luxembourg

in CHF million	2004	2003	+/–%
Gross written premiums, policy fees and deposits under investment contracts	**741**	566	30.9%
Net earned premiums and policy fees	**259**	270	–4.1%
Financial result	**191**	137	39.4%
Other income including fees	**10**	0	n.a.
Total revenue	**460**	407	13.0%
Benefits paid and changes in insurance reserves	**–261**	–261	0.0%
Policyholder bonuses and participation in surplus	**–9**	–21	–57.1%
Interest expenses	**–67**	–50	34.0%
Total benefits, losses and interest expenses	**–337**	–332	1.5%
Total operating expenses	**–82**	–74	10.8%
Operating result	**41**	1	n.a.
Assets under management	**3 982**	3 310	20.3%
Insurance reserves	**1 859**	1 945	–4.4%
Number of employees (full-time-equivalent)	**300**	314	–4.5%

Life, Non-Core In the Life, Non-Core segment, Swiss Life's operating profit in 2004 came to CHF 67 million. Swiss Life (UK) was sold in December 2004. The «La Suisse» life portfolio is to be integrated into Swiss Life.

In 2004, the Life, Non-Core segment included operations in the UK and Italy besides the life business of «La Suisse» in Switzerland. Swiss Life announced the sale of Swiss Life (UK) to the Resolution Life Group in December 2004. The transaction was approved by the Financial Services Authority and completed on 31 March 2005. Swiss Life (UK) was deconsolidated on 31 December 2004 and no longer features in Swiss Life's figures for assets under management, mathematical reserves and employees. As announced in February 2005, the life business of «La Suisse» is to be integrated into Swiss Life (see page 17 on this subject).

In the 2004 financial year, earnings in this segment amounted to CHF 1677 million. The decline of 6% against the previous year is due to the significantly lower financial result (–20%) caused by the CHF 125 million charge for the sale of Swiss Life (UK). Expenses in the insurance business fell to CHF 1465 million, or 5% down from the previous year, and operating expenses were reduced by 28% to CHF 137 million. This produced an operating result of CHF 75 million (against CHF 67 million the previous year).

«La Suisse» As a result of the 100% takeover of the contingency fund on 1 January 2004, gross premium income increased by 76% to CHF 1368 million. The transfer led to a single premium of CHF 554 million. The reduction of the conversion rate and introduction of the statutory distribution ratio in Switzerland as of 1 January 2004 had a one-off positive impact of CHF 50 million on the results at «La Suisse».

United Kingdom Swiss Life has not written any new business in the UK since July 2003. Premium income fell by 32% to GBP 507 million in 2004. The sale of Swiss Life (UK) to the Resolution Life Group had a negative impact of CHF 125 million on the results of Swiss Life in the United Kingdom.

Italy Swiss Life is confining itself to the group risk business in Italy, and continues to refrain from writing any new individual business. This led to a slight decline in total premium income in the period under review.

Key figures for Life Non-Core

in CHF million	2004	2003	+/–%
Gross written premiums, policy fees and deposits under investment contracts	**1 896**	1 646	15.2%
Net earned premiums and policy fees	**1 306**	1 322	–1.2%
Financial result	**362**	450	–19.6%
Other income including fees	**9**	18	–50.0%
Total revenue	**1 677**	1 790	–6.3%
Benefits paid and changes in insurance reserves	**–1 289**	–1 445	–10.8%
Policyholder bonuses and participation in surplus	**–24**	–49	–51.0%
Interest expenses	**–152**	–40	n.a.
Total benefits, losses and interest expenses	**–1 465**	–1 534	–4.5%
Total operating expenses	**–137**	–189	–27.5%
Operating result	**75**	67	11.9%
Assets under management	**6 136**	8 703	–29.5%
Insurance reserves	**5 906**	8 225	–28.2%
Number of employees (full-time equivalent)	**454**	912	–50.2%

Non-Life Swiss Life's operating income in the Non-Life segment came to CHF 46 million in 2004. Gross premium income totalled CHF 1067 million for the period, while the combined ratio improved from 108.4% to 104.6%.

The Non-Life segment consists of the non-life operations of «La Suisse» in Switzerland, certain operations in France, and Zelia in Belgium. Swiss Life announced in February 2005 that it would be selling the non-life operations of «La Suisse» to Vaudoise and Helsana. It was also decided in October 2004 that Zelia should be separated from the Belgian Swiss Life organisation and should concentrate exclusively on the non-life business in future.

Premium income in the non-life segment fell slightly in 2004 to CHF 1067 million (–1%). However, lower earnings were more than compensated for by lower costs in the insurance business and the 4% fall in operating expenses. This produced an operating result of CHF 46 million (CHF 23 million in 2003).

«La Suisse» Increased premium rates and a strict underwriting policy for new business led to a slight fall in premium volume of 1% at «La Suisse», to CHF 395 million. As insurance benefits and operating expenses declined more strongly than income, the operating result rose significantly. The measures to increase profitability also led to a considerable improvement of the combined ratio, from 105.4% to 99.1%.

France The focus on profitability also led to a slight decline in premiums of 2% to CHF 587 million. The combination of a decrease in insurance benefits paid and the reduction of administrative expenses resulted in a considerable increase in the operating result. The combined ratio improved slightly, from 107.9% to 107.1%.

Belgium The restructuring of portfolios led to a decline of 3% in Zelia's gross premiums. Thanks to the significantly more favourable claims experience and lower costs, the combined ratio improved from 122.3% to 109.7%.

Key figures for Non-Life

in CHF million	2004	2003	+/–%
Gross written premiums	**1 067**	1 075	–0.7%
Net earned premiums	**968**	962	0.6%
Financial result	**110**	119	–7.6%
Other income including fees	**1**	5	–80.0%
Total revenue	**1 079**	1 086	–0.6%
Benefits paid and changes in insurance reserves	**–708**	–726	–2.5%
Policyholder bonuses and participation in surplus	**–19**	–18	5.6%
Interest expenses	**–2**	–3	–33.3%
Total benefits, losses and interest expenses	**–729**	–747	–2.4%
Total operating expenses	**–304**	–316	–3.8%
Operating result	**46**	23	n.a.
Claims ratio	**73.2%**	75.5%	-2.3 [1]
Expense ratio	**31.4%**	32.9%	-1.5 [1]
Combined ratio	**104.6%**	108.4%	-3.8 [1]
Number of employees (full-time equivalent)	**1 297**	1 301	–0.3%

1) Percentage points

Private Banking In 2004 the Swiss Life Group generated a profit of CHF 96 million in its Private Banking segment, thus continuing the successful expansion of Banca del Gottardo on-shore operations.

The Private Banking segment consists primarily of the Banca del Gottardo. Operating income for the 2004 financial year amounted to CHF 96 million in this segment. A loss of CHF 19 million was posted the previous year due to the loss of CHF 105 million on the sale of Schweizerische Treuhandgesellschaft STG. Assets under management increased by 7%, and amounted to CHF 44.6 billion on 31 December 2004. The Swiss Life Group employed a total of 1221 staff in this segment (on the basis of full-time equivalents).

Banca del Gottardo Banca del Gottardo achieved a consolidated net profit of CHF 71 million (these and all following figures are calculated on a local basis). The reduction of 17% against the previous year is largely due to the 66% increase in taxes paid, from CHF 9 million to CHF 17 million. Operating profit before extraordinary returns and tax amounted to CHF 78 million (+3%).

Net income totalled CHF 450 million. The decline of 4% from the previous year is primarily due to the unfavourable market environment, which led to significantly lower trading results (CHF 52 million, or –34%) compared with the exceptionally good result the previous year.

The 6% increase in business expenses, to CHF 309 million, is due to investments in the expansion of on-shore operations. In Italy, Banca del Gottardo opened three new branches in Rome, Turin and Treviso. In France, the bank acquired Oudart, the Paris-based asset management company. In other areas, the bank continued in its efforts to cut costs and improve efficiency. The decreased need for amortisation, reserves and valuation adjustments, amounting to CHF 63 million (–36%), had a positive impact on the annual result.

Consolidated equity before profit distribution amounted to CHF 1.0 billion (+10%) on 31 December 2004. At the end of the year assets under management at Banca del Gottardo totalled CHF 41.1 billion. The increase of CHF 2.5 billion, or 7%, compared to the previous year is partially due to the acquisition of Oudart.

The transfer of Banca del Gottardo to Swiss Life Holding in July 2004 served to remove doubt concerning the bank's future, allowing complete concentration on business operations and the continued development of the bank. Banca del Gottardo was further integrated in Swiss Life's group processes over the last three quarters of the reporting year, particularly in the areas of controlling, risk management, compliance, internal audit and taxes.

Key figures for Private Banking

in CHF million	2004	2003	+/–%
Fee income	**286**	313	–8.6%
Financial result	**261**	164	59.1%
Other income	**18**	27	–33.3%
Total revenue	**565**	504	12.1%
Total interest expenses and expenses from interest operations	**–86**	–103	–16.5%
Total operating expenses	**–383**	–420	–8.8%
Operating result	**96**	–19	n.a.
Assets under management	**44 641**	41 773	6.9%
Number of employees (full-time equivalents)	**1 221**	1 205	1.3%

Investment Management Swiss Life's Investment Management segment generated a profit of CHF 67 million. The concentration on core business and a successful acquisition of additional third-party clients reflect our new alignment in this segment.

The Investment Management segment manages Swiss Life's insurance assets, amounting to CHF 72.2 billion, as well as third-party assets of CHF 13.8 billion.

In 2004, in the course of implementing its strategy, Swiss Life simplified the structure of the Investment Management segment through liquidations and divestments. Swiss Life Asset Management Germany and Belgium are to be dissolved and the assets transferred to the relevant units. Swiss Life sold its third-party private equity business as per 31 March 2004.

The two investment companies Adamed and Adamed Investments were dissolved in the fourth quarter of 2004 and the remaining investments transferred to a new institutional fund. Apart from these measures to concentrate on the pensions business, considerable progress was made in winning new third-party mandates. The 8% decline in fee income to CHF 173 million is a consequence of the concentration on core business and lower earnings in the real estate sector. France reported gratifyingly higher fee income. Swiss Life Asset Management, Zurich, the fourth-largest institutional asset manager in Switzerland, increased its assets under management by 40%. This will positively affect fee income from 2005 onwards.

The significantly lower financial result primarily reflects adverse developments in the biotechnology sector, which affected Adamed Investments Ltd.'s performance.

Operating costs decreased by 15% to CHF 121 million. This decline is largely due to restructuring measures and the efficiency drive. The Investment Management segment thus posted a profit of CHF 67 million.

For 2005, with the further development of the asset and liability management process, all activities in the Investment Management segment will again be targeted towards generating an optimal risk-adjusted return on the insurance funds Furthermore, marketing efforts to acquire mandates in institutional asset management and real estate management will again be intensified. And to this aim the product range for institutional funds will be extended further.

Key figures for Investment Management

in CHF million	2004	2003	+/–%
Fee income from investment	**173**	188	–8.0%
Financial result	**5**	42	–88.1%
Other income	**10**	8	25.0%
Total revenue	**188**	238	–21.0%
Total interest expenses and interest-related expenses	**0**	–1	n.a.
Total operating expenses	**–121**	–142	–14.8%
Operating result	**67**	95	–29.5%
Assets under management	**86 005**	99 400	–13.5%
Number of employees (full-time equivalents)	**376**	413	–9.0%

Swiss Life Network The Swiss Life Network specialises in comprehensive employee benefit plans for multinational corporations. At the end of 2004, the Network comprised 49 partners, who managed approximately 5 000 contracts for over 400 companies in 51 countries.

The Swiss Life Network enables multinational companies to bundle their group contracts, which they maintain with the Swiss Life Group and partners in the Swiss Life Network. This service includes employee benefit plans customised to meet client-specific needs and risk profiles. Broader distribution makes it possible to achieve better spreading of risks. Clients are also able to centrally monitor and determine the benefits and costs of their employee benefit plans worldwide. Favourable loss experience within the pool means that costs are also reduced.

Business volume amounted to CHF 1.8 billion in 2004. The Swiss Life Network is thus the world's leading employee benefit plan network in terms of premium volume. This market position was confirmed in 2004, despite continuing competitive pressure, and the Network's excellent international contacts and country-specific sales efforts played a decisive role in an environment marked by increasing globalisation.

Another service offered by the Swiss Life Network is to share expertise and to provide information on local social insurance requirements, benefit plans and market-specific developments. The quarterly newsletter and the annually updated Employee Benefit Reference Manual, which provides data on the 46 most important life insurance markets, take into account the growing information needs of clients and partners. In order to set standards in the area of consultancy services, clients in need of internet services are permitted internet access to their contract data.

In the period under review, Veritas Life Insurance, Finland, and GAN Portugal joined the Swiss Life Network as new partners.

The Swiss Life Network International Employee Benefits Conference will be held at the end of April 2005. Representatives of approximately 150 multinational clients and the partner companies will be guests at this three-day conference, which will feature presentations by renowned speakers and workshops on current topics relating to occupational pensions.

Europe/Africa

Austria	Wiener Städtische
Belgium	Swiss Life (Belgium)
Czech Republic	Kooperativa
Denmark	Danica Pension
	International Health Insurance (IHI) [1]
	PFA Pension
Finland	Ilmarinen
	Veritas Life Insurance
France	Société suisse (France)
Germany	Schweizerische Rentenanstalt (Swiss Life)
Greece	Aspis Pronia
Hungary	Union Biztosító
Ireland	Irish Life
Italy	Swiss Life (Italia)
Liechtenstein	Swiss Life, Switzerland
Luxembourg	Swiss Life (Luxembourg)
Monaco	Société suisse (France)
Netherlands	Zwitserleven (Swiss Life)
Norway	Vital Forsikring
Poland	Compensa S.A.
Portugal	GAN Portugal
Russia	Rosgosstrakh
Slovakia	Kooperativa
South Africa	Momentum Life
Spain	VidaCaixa
Sweden	Danica Fondförsäkring
Switzerland	Swiss Life (Head office)
	«La Suisse» (Non-Life)
United Kingdom	UnumProvident

1) Health insurer for Swiss Life Network's international clients

North and South America

Argentina	Galicia Vida
Brazil	Icatu Hartford
Canada	Great-West Life
Chile	Cruz del Sur
Colombia	Seguros Bolívar
Costa Rica	Seguros de Occidente, Guatemala
El Salvador	Aseguradora Mundial de Panama
Guatemala	Seguros de Occidente
Honduras	Aseguradora Mundial de Panama
	Seguros de Occidente, Guatemala
Mexico	Seguros Inbursa
Nicaragua	Aseguradora Mundial de Panama
	Seguros de Occidente, Guatemala
Panama	Aseguradora Mundial
USA	Swiss International Services
Venezuela	Seguros Comerciales Bolívar

Asia/Pacific

Australia	Hannover Life Re of Australasia
	Swiss Life Asia Pacific
Hong Kong	CMG Asia Life Assurance
India	Kotak Mahindra Old Mutual Life
Indonesia	NTUC Income, Singapore
	CMG Asia Life Assurance
Japan	Meiji Yasuda Life
Korea	Korea Life
Malaysia	Hong Leong Assurance
New Zealand	Hannover Life Re of Australasia
Philippines	First Guarantee Life
Singapore	NTUC Income
	Swiss Life Asia Pacific
Taiwan	Kuo Hua Life
Thailand	Bangkok Life Assurance

His first time
in the limelight

His first ride
on a horse

His first time
with Patma
in the ring

His first
performance
abroad

His first time
as manager of
180 staff from
16 countries


N

Franco Knie, 51

Entrepreneur, artist, animal expert, journeyman, entertainer. And on tour in Switzerland in 2003 for the first time with the support of Swiss Life.

Openness. Those who encounter others with open arms engender trust. Because they know what really moves people. And because they are capable of explaining risks and opportunities objectively. Openness thus provides new perspectives and encourages a pioneering approach – in both a traditional family business and the pensions solutions from Swiss Life.

Corporate Governance The Swiss Life Group is committed to good corporate governance for the benefit of its shareholders, policyholders and employees.

The internal procedures of the Swiss Life Group are constantly being monitored and, if necessary, adapted in light of changing operating conditions and standards. The company has clearly delineated the various internal competencies and responsibilities and created an optimum structure for cooperation between the Board of Directors, management and internal control bodies. The Board of Directors of Swiss Life Holding is composed entirely of non-executive directors; there is a division of functions between the Chairman of the Board of Directors and the Chairman of the Corporate Executive Board (CEO). This upholds the separation of powers between the decision-makers and guarantees the autonomy of the Board of Directors.

The following report highlights the main aspects of corporate governance at the Swiss Life Group. The information is provided and structured in accordance with the Directive on Information Relating to Corporate Governance issued by the SWX Swiss Exchange, which came into effect on 1 July 2002.

Group structure and shareholders

Group structure Swiss Life Holding is a public limited company incorporated under Swiss law with its registered office in Zurich. It was established in 2002 and has been listed on the SWX Swiss Exchange since 19 November 2002. Swiss Life Holding brings together all Swiss Life Group companies and activities under a single holding company umbrella. The holding company structure makes it easier to effect investments, enter into partnerships or cooperation agreements and execute capital market transactions. In addition, by separating the interests of shareholders from those of policyholders, transparency is also improved.

The companies falling within the Group's scope of consolidation are presented in note 44 to the Financial Statements. Details concerning the SWX Swiss Exchange listing and market capitalisation can be found on page 35. The operational Group structure is organised around the core functions of the business (see chart on page 9). The resulting allocation of functional responsibilities across borders is reflected in the division of responsibilities in the Corporate Executive Board and can be seen in the market units. Along with the allocation of functional responsibilities across borders, each country has one person with market responsibility who is also responsible for results.

Shareholders On 8 January 2004, Queensgate Bank & Trust Company Ltd., P.O. Box 30 464 SMB, Grand Cayman, Harbour Place, 103 South Church St., Grand Cayman, Cayman Islands, disclosed a 6.76% interest (1 586 098 shares) in Swiss Life Holding. Queensgate holds the shares in its capacity as trustee for the "MCS Share Trust", which was established in connection with the MCS II (2003–2004) mandatory convertible securities issued in 2003. These mandatory convertible securities expired on 30 December 2004. As a consequence, all Swiss Life Holding shares held by Queensgate were delivered to the holders of the MCS II (2003–2004) mandatory convertible securities.

Threadneedle Asset Management Ltd., Station Road, Swindon, UK, reported that on 12 March its participation had gone under and then on 15 March had exceeded the notifiable 5% limit. On 31 March 2004, Threadneedle disclosed a 4.98% stake (1 246 610 shares) in Swiss Life Holding.

On 8 June 2004, Premafin Finanziaria S.P.A. reported that a group consisting of Premafin Finanziaria S.P.A., Rome, Fondiaria-SAI SPA, Florence, Fondiaria Nederland BV, Amsterdam, and Milano Assicurazioni S.P.A., Milan, held a 9.93% stake (3 141 026 shares) in Swiss Life Holding.

Between March and June 2004, the fund management company Fidelity International Limited, P. O. Box HM 670, Hamilton HMCX, Bermuda, reported that it had under or overshot the 5% limit on registered share capital on six occasions. As of 2 August 2004, Fidelity reported a 4.99% shareholding (1 666 865 shares).

On the balance sheet date, Swiss Life Holding held 7.52% of its own shares, either directly or indirectly via its subsidiaries Swiss Life/Rentenanstalt, Swiss Life Cayman Finance Ltd. and Banca del Gottardo. Following the MCS I (2002–2005) issue of mandatory convertible securities in 2002, 5.85% of this total was earmarked for the allocation reserve required to carry out the compulsory conversion of the securities issued under MCS I (2002–2005) into shares of Swiss Life Holding. Additional information on MCS I (2002–2005) can be found in the "Capital structure" section below and in note 31 to the Financial Statements.

Swiss Life Holding is not aware of any other parties who directly or indirectly held more than 5% of the registered shares in issue as of the balance sheet date (see table on page 151).

No cross participations exceeding the 5% threshold exist between Swiss Life Holding or its subsidiaries and other listed companies.

Capital structure

Capital and changes in capital The capital structure of Swiss Life Holding was as follows on the balance sheet date:

- Ordinary share capital: CHF 1 668 790 900, divided into 33 775 818 fully paid registered shares with a par value of CHF 50 per share.
- Conditional capital: CHF 183 406 100, divided into 3 668 122 registered shares with a par value of CHF 50 per share.
- Authorised share capital: none

Since the establishment of Swiss Life Holding on 17 September 2002 with a share capital of CHF 250 000, divided into 5000 registered shares with a par value of CHF 50 each, several capital market transactions have been successfully carried out. This included in a first step the offer presented to the then Swiss Life/Rentenanstalt shareholders to exchange their registered shares for Swiss Life Holding registered shares on a 1:1 basis. Around 92% of Swiss Life/Rentenanstalt's shareholders accepted the public exchange offer, and on 18 November 2002 the Swiss Life Holding share capital was increased, through taking delivery of 10 834 704 Swiss Life/Rentenanstalt registered shares with a par value of CHF 50 each, by 10 834 704 registered shares with a par value of CHF 50 each to CHF 541 985 200 (divided into 10 839 704 registered shares).

The Swiss Life Holding General Meeting of Shareholders on 18 November 2002 approved the creation of conditional capital of no more than CHF 270 992 600 through the issuance of a maximum number of 5 419 852 registered shares to be paid in full, each with a par value of CHF 50. Such capital is at the disposal of the holders of conversion or option rights granted by the company or companies belonging to the Group in connection with existing and new loan debentures or similar bonds issued by Swiss Life Holding and companies belonging to the Group.
The shareholders are excluded from subscription rights, however their advance subscription rights remain safeguarded. The Board of Directors sets the terms of conversion and option conditions.

In December 2002, Swiss Life Holding completed an ordinary capital increase of CHF 541 985 200, divided into 10 839 704 registered shares of CHF 50 par value each, in which existing shareholders were granted negotiable subscription rights for each share. As a result, the share capital increased to CHF 1 083 970 400, divided into 21 679 408 registered shares. Also in December 2002, pursuant to the issue of MCS I (2002–2005) mandatory convertible securities, 1 768 535 registered shares with a par value of CHF 50 per share were created from the conditional capital. As a result, the ordinary share capital rose by CHF 88 426 750 from CHF 1 083 970 400 to CHF 1 172 397 150, divided into 23 447 943 registered shares. The conditional capital thus decreased to CHF 182 565 850 or 3 651 137 registered shares.

At the end of 2003, Swiss Life Holding simiplified its shareholder structure by reducing the minority shareholdings in its Swiss Life/Rentenanstalt subsidiary, following the 2002 conversion of Swiss Life/Rentenanstalt shares into Swiss Life Holding shares, to just under 0.2%. The company issued the MSC II (2003–2004) mandatory convertible securities so as to be able to conduct the transaction as efficiently as possible. In conjunction with the issue of MCS II (2003–2004) mandatory convertible securities, on 30 December 2003 a further 1 586 098 registered shares, each with a CHF 50 par value, were issued from conditional capital. Ordinary share capital thus expanded by CHF 79 304 900 to CHF 1 251 702 050, divided into 25 034 041 fully paid registered shares of CHF 50 par value each, while conditional capital fell to CHF 103 260 950 or 2 065 219 registered shares.

During the year under review, at the Annual General Meeting of Shareholders on 18 May 2004, authorised capital of CHF 417 234 000 was created and the Board of Directors was authorised to increase the share capital by the issue of a maximum of 8 344 680 fully paid registered shares at a par value of CHF 50 each, at the latest by 18 May 2006. At the same Annual General Meeting, the shareholders decided to increase the existing conditional capital by CHF 100 000 000, or 2 000 000 registered shares at a par value of CHF 50 each, to CHF 203 260 950 divided into 4 065 219 registered shares with a par value of CHF 50 each.

On 2 June 2004, the Board of Directors decided to increase the ordinary share capital out of the authorised capital by CHF 417 234 000 to CHF 1 668 936 050, divided into 33 378 721 registered shares at a par value of CHF 50 each, thus reducing the authorised capital to nil.

In conjunction with the adjustments of the conversion rate of the MCS I (2002–2005) and MCS II (2003–2004) mandatory convertible securities, which were required following capital dilution as a result of the capital increase, 397 078 registered shares at a par value of CHF 50 each were created from conditional capital on 30 June 2004. The ordinary share capital consequently increased to CHF 1 688 789 950, divided into 33 775 799 registered shares at a par value of CHF 50 each, while conditional capital decreased by CHF 19 853 900 to CHF 183 407 050, divided into 3 668 141 registered shares at a par value of CHF 50 each.

Due to the partial conversion of the convertible securities (2004–2010), between the issuance in the year under review of the convertible securities (2004–2010) and the balance sheet date, another 19 registered shares in all were created from conditional capital.

Shares On the balance sheet date, 33 775 818 fully paid Swiss Life Holding registered shares with a par value of CHF 50 each were outstanding. Each share conveys an entitlement to one vote at the General Meeting of Shareholders. Information on the restriction on voting rights to 10% of the total share capital as laid down in the Articles of Association can be found in the section on shareholders' participation rights on page 46. No other kind of shares exist with either increased or restricted voting rights, privileged or restricted voting rights, privileged dividend entitlement or other preferential rights. Likewise, there are no other equity securities. No registration restrictions apply to Swiss Life Holding shares.

Swiss Life share details

Symbols	
Security number:	1 458 278
ISIN:	CH 001 485 278 1
Ticker symbol:	SLHN
Reuters:	SLHN.VX
Bloomberg:	SLHN VX

Key figures as of 31 December

in CHF	2004	2003	+/-%
Shares outstanding	33 775 818	23 447 943	44.0%
Share price	166	227	-26.9%
Market capitalisation	5 589 894 735	5 322 683 061	5.0%
Earnings per share	20.50	8.83	–

Limitations on transferability and nominee registrations

Swiss Life Holding shares are not subject to any limitations on transferability. According to the Articles of Association, resolutions for the introduction, amendment or repeal of restrictions on transferability must be put before the General Meeting of Shareholders and must be approved by at least both two-thirds of the voting shares represented and an absolute majority of the share par value represented. Swiss and foreign banks, securities brokers and companies acting on their behalf, with shares of Swiss Life Holding held in their custody for the account of the beneficial owners, may be registered as nominees. Professional asset managers may also be registered if, in a fiduciary capacity, they have deposited shares of Swiss Life Holding for the account of third parties with Swiss or foreign banks or securities brokers in their own name. Nominees are required to be subject to banking or financial market supervision. A request must be filed to register as a nominee. The voting rights of nominees are restricted to 10% of the share capital, whereby nominees who are connected with regard to capital or voting rights under uniform management or contractual agreement will be counted as a single shareholder. The Board of Directors may approve exceptions to these restrictions on registration, observing the principle of free decision-making based upon a due assessment of the circumstances. No such exceptions were granted during the period under review

Convertible bonds and options Two mandatory convertible securities remained outstanding on the balance sheet date: the MCS I (2002–2005) issue of December 2002 by Swiss Life Cayman Finance Ltd. for CHF 250 000 000 and the (2004–2010) issue of June 2004 by Swiss Life Holding for CHF 317 000 000. The specific conditions attached to these convertible securities as well as further details can be found in note 31 to the Financial Statements and in the issue prospectuses of 9 December 2002 and 8 June 2004, respectively. The MCS II (2003–2004) mandatory convertible securities issued by Swiss Life Cayman Finance Ltd. expired on 30 December 2004.

Information on options granted by Swiss Life Holding or by Group companies on rights to participate in Swiss Life Holding under equity compensation plans for employees can be found in note 26 to the Financial Statements.

Members of the Board of Directors

Function The Board of Directors is responsible for all matters that are not reserved for the consideration of the General Meeting of Shareholders (formally the supreme decision-making body of a public limited company) under the terms of Art. 698 of the Swiss Code of Obligations (OR) or of the company's Articles of Association. In addition to its non-transferable duties (stipulated in Art. 716a OR) the Board of Directors is responsible, in particular, for the ultimate direction of the Group, including determination of strategy as well as supervision of the Corporate Executive Board.

Elections and terms of office Pursuant to the Articles of Association, the Board of Directors shall consist of no fewer than five and no more than fourteen members. Individual members of the Board are elected by the General Meeting of Shareholders for a term of office not exceeding three years. When the Board of Directors was reconstituted in 2003, the new members were given staggered terms of office to ensure that, as far as possible, an equal number of members will come up for re-election every year. If a member steps down during his or her term of office, the successor will serve for the rest of that term.

The Organisational Regulations stipulate that a member of the Board of Directors shall automatically resign from the Board at the Annual General Meeting of Shareholders in the year in which the member reaches the age of 70.

Composition The Board of Directors of Swiss Life Holding currently consists entirely of non-executive directors with no duties related to operational management within Swiss Life Holding, and who have not exercised such duties during the past three financial years. No member of the Board moreover has any significant business relationship with Swiss Life Holding or any other Group companies.

The members of the Board of Directors of Swiss Life Holding also make up the Board of Directors of the operating insurance company Swiss Life/Rentenanstalt.

There are no mutual cross-directorships with listed companies. Information on further directorships held by individual members of the Swiss Life Holding Board of Directors with other companies can be found in the section below.

Members of the Board of Directors As of the balance sheet date the Board of Directors was composed of the following members:

Name	Functions	Year appointed/ reelected	Elected until
Bruno Gehrig	Chairman Chairman's Committee, Chairman Investment and Risk Committee	2003	2006
Gerold Bührer	Vice Chairman Chairman's Committee Investment and Risk Committee, Chairman	2002/2003 1)	2005
Volker Bremkamp	Member Audit Committee, Chairman	2003/2004	2007
Paul Embrechts	Member Audit Committee	2003	2005
Rudolf Kellenberger	Member Chairman's Committee	2003/2004	2007
Georges Muller	Member Audit Committee	2002/2003 2)	2006
Peter Quadri	Member Audit Committee	2003/2004	2007
Pierfranco Riva	Member Investment and Risk Committee	2003	2006
Franziska Tschudi	Member Investment and Risk Committee	2003	2005

1) Member of the Board of Directors of Swiss Life/Rentenanstalt since 2000
2) Member of the Supervisory Board of Swiss Life/Rentenanstalt since 1995 and member of the Board of Directors since 1997

Bruno Gehrig

Born 1946, Swiss national
Chairman of the Board of Directors

Bruno Gehrig received his Doctorate in Economics (Dr. rer. pol) in 1975 from the University of Berne where, following studies at the University of Rochester (NY), USA, he also qualified as a lecturer in 1978 with a paper on monetary policy. From 1971 to 1980 he was an assistant and lecturer at the University of Berne, becoming Assistant Professor in 1978.

From 1981 to 1984 Bruno Gehrig was head of the Economics Section at the Union Bank of Switzerland. In 1985 he spent a year studying international banking. In 1988 he was promoted to Head of Stock Markets and Securities Sales Division for the UBS Group. Between 1989 and 1991 Mr Gehrig was Chairman of the Executive Board of Bank Cantrade. From 1992 to 1996 he held the chair as Professor of Business Administration at the University of St. Gallen and was Head of its Swiss Institute of Banking and Finance. In 1996 Bruno Gehrig was appointed Member of the Governing Board of the Swiss National Bank as Head of Department III, and served as the Board's Vice Chairman from 2001 to 2003. His political activities include his serving as Chairman of the economic policy study group of the Swiss Christian Democratic Party from 1984 to 1991. He was a member of the Swiss Federal Banking Commission between 1992 and 1996.

Other appointment:
- Roche Holding AG, Basel, Vice Chairman of the Board of Directors and Independent Lead Director

Gerold Bührer

Born 1948, Swiss national
Vice Chairman of the Board of Directors

Gerold Bührer graduated from the University of Zurich in Economics (lic. oec. publ) in 1972. Following 17 years with the Union Bank of Switzerland as a member of management in its Financial Sector and Member of the Executive Board of its investment company, he joined Georg Fischer AG in 1991 where he was a member of its Corporate Executive Board (Finances) until 2000. He currently acts as an independent economic consultant.

Gerold Bührer will be put forward for re-election at the Swiss Life Holding Annual General Meeting of Shareholders on 10 May 2005.

Other appointments:
- Banca del Gottardo, Lugano, Vice Chairman of the Board of Directors
- Employee benefits foundations for Swiss Life/Rentenanstalt's internal services and external sales staff in Switzerland, Member of the Board of Trustees
- Association of Swiss Companies in Germany, domiciled in Basel, Vice Chairman
- Bank Sal. Oppenheim jr. & Cie. (Schweiz) AG, Zurich, Member of the Board of Directors
- Cellere AG, St. Gallen, Member of the Board of Directors
- Georg Fischer AG, Schaffhausen, Member of the Board of Directors

Political activities:
- 1982 to 1991 Member of the Grand Council of the Canton of Schaffhausen
- Member of the Swiss Parliament since 1991
- 2001/2002 President of the Free Democratic Party (FDP) of Switzerland

Volker Bremkamp
Born 1944, German national
Member of the Board of Directors

Volker Bremkamp joined Albingia Versicherungs AG in Hamburg in 1963 (a subsidiary of Guardian Royal Exchange plc, London), receiving his qualifications as an insurance expert in 1965. Between 1969 and 1971 he was employed by various insurance companies and brokers in London and Paris. He returned to Albingia Versicherungs AG, Hamburg, in 1971, serving as an Executive Director from 1978 to 1989 and from 1989 to 2000 as CEO of Albingia Lebensversicherungs AG. Volker Bremkamp was an Executive Director and at the same time Group Executive Director, Continental Europe, at Guardian Royal Exchange plc, London, from 1995 to 1999, which was taken over by the AXA Group in 1999. From 1999 to 2000 he was an Executive Director of AXA Colonia Konzern AG, Cologne, which is the holding company of AXA Germany. Since 2000 he has been Managing Director of BMB Bremkamp Management- und Beteiligungs-GmbH.

Other appointments:
- Vereins- und Westbank AG (a member of Hypo Vereinsbank AG, Munich), Hamburg, Supervisory Board
- AON International Insurance Broker, Hamburg, Member of the Supervisory Board
- Dresdner Bank AG, Hamburg, Member of the Advisory Committee for Northern Germany
- Everpublic AG, Hamburg, Chairman of the Supervisory Board
- WAVE Management AG, Hamburg, Deputy Chairman of the Supervisory Board
- UKE University Clinic Hamburg, Member of the Supervisory Board
- Hanse Merkur Krankenversicherung VVaG., Hamburg, Advisory Committee
- Stifterverband für die Deutsche Wissenschaft, Member of the Board of Trustees

Paul Embrechts
Born 1953, Belgian national
Member of the Board of Directors

Paul Embrechts received his Master's Degree in Mathematics from the University of Antwerp (Belgium) in 1975 and his doctorate (Dr. sc. [Math.]) from the Catholic University of Leuven (Belgium) in 1979. Between 1975 and 1983 he held a post as Research Assistant at the Catholic University of Leuven. From 1983 to 1985 he was Lecturer in Statistics at Imperial College, University of London, moving to a position as Lecturer at the University of Limburg (Belgium), which he held from 1985 to 1989. In 1989 Paul Embrechts was appointed Professor of Mathematics at the Swiss Federal Institute of Technology (ETH) in Zurich.

Paul Embrechts will be put forward for re-election at the Swiss Life Holding Annual General Meeting of Shareholders on 10 May 2005.

Other appointments:
- Employee benefits foundations for Swiss Life/Rentenanstalt's internal services and external sales staff in Switzerland, Member of the Board of Trustees
- Julius Bär Holding AG, Zurich, Member of the Board of Directors
- Bank Julius Bär & Co. AG, Zurich, Member of the Board of Directors

Rudolf Kellenberger
Born 1945, Swiss national
Member of the Board of Directors

Rudolf Kellenberger received his Degree in Civil Engineering from the Swiss Federal Institute of Technology (ETH), Zurich in 1970. Between 1970 and 1978 he held various project management positions in the construction industry, including three years in the United Kingdom. Rudolf Kellenberger joined Swiss Re in 1978, where he served as Head of the Engineering Department from 1990 to 1992. In 1993 he was appointed as a Member of the Executive Board with responsibility for Europe. From 2000 to the end of December 2004 Mr Kellenberger served as Deputy Chief Executive Officer at Swiss Re.

Other appointments:
- Employee benefits foundations for Swiss Life/Rentenanstalt's internal services and external sales staff in Switzerland, Deputy Member of the Board of Trustees
- Swiss Pool for Aviation Insurance, Chairman of the Board of Directors
- Atradius Kreditversicherung NV, Amsterdam, Vice Chairman of the Supervisory Board

Georges Muller
Born 1940, Swiss national
Member of the Board of Directors

Georges Muller graduated from the University of Lausanne in Law and Business Administration in 1963 and earned an LL.M. at Harvard University in 1969. In 1973, he received his Doctorate in Law from the University of Lausanne.

Georges Muller joined the Swiss Tax Administration in 1964 and has been a partner with the law office Bourgeois, Muller, Pidoux & Associés since 1975. Between 1984 and 2000, he was also a Professor of Law at the University of Lausanne. He has been an Honorary Professor since 2000.

Other appointments:
- Serono SA, Coinsins, Chairman of the Board of Directors
- SGS SA, Geneva, Chairman of the Board of Directors
- Bertarelli & Cie., Chéserex, Vice Chairman of the Board of Directors
- Schindler Elevator Limited, Ebikon, Member of the Board of Directors
- ISREC, Swiss Institute for Experimental Cancer Research, Epalinges, Chairman of the Board of Trustees

Peter Quadri
Born 1945, Swiss national
Member of the Board of Directors

Peter Quadri received his Master's Degree in Economics and Business Administration and Operations Research in 1969 from the University of Zurich. He began his career in 1970 as a systems engineer and software/operating systems specialist at IBM and held various management positions before assuming his current appointment as Country General Manager at IBM Switzerland in 1998.

Other appointments:
- IBM Switzerland, Zurich, Chairman of the Board of Directors
- Swiss-American Chamber of Commerce, Member of the Board
- economiesuisse, Zurich, Member of the Board
- Zurich Chamber of Commerce, Member of the Board

Pierfranco Riva
Born 1940, Swiss national
Member of the Board of Directors

Pierfranco Riva studied at the Universities of Freiburg, Munich and Berlin between 1960 and 1966, and received his Doctorate in Law in 1968. He became a member of the Bar in 1970. He has been an attorney and notary public with the firm Felder Riva Soldati in Lugano since 1970. He served as Chairman of the Council of the Bar Association of the Canton of Ticino between 1987 and 1989, and from 1995 to 1999 was a member of the supervisory authority, Council of Magistrates for the Canton of Ticino.

Other appointments:
- Finter Bank Zürich, Zurich, Vice Chairman of the Board of Directors
- Fondazione Daccò, Lugano, Member of the Board of Trustees
- Fondazione Nerina Bellingeri ved. Gualdi, Lugano, Member of the Board of Trustees
- Fondazione Rudolf Chaudoire, Lugano, Member of the Board of Trustees

Franziska Tschudi
Born 1959, Swiss national
Member of the Board of Directors

Franziska Tschudi studied Law at the University of Berne between 1978 and 1984 , and passed her Bar exam there in 1984. From 1985 to 1986 she studied US Law at Georgetown University, Washington DC, USA, earning an LL.M. degree, and passed the Bar exam for the States of New York and Connecticut in 1987. Franziska Tschudi also did postgraduate studies at the University of St. Gallen (1991–1993), receiving an Executive MBA. From 1984 to 1985, after completing various internships in law between 1981 and 1983, Ms Tschudi was an Assistant for Media Law at the Institute for Constitutional and Administrative Law at the University of Berne. Between 1984 and 1992, she practised business and media law in Zurich, Geneva and Washington DC. From 1992 to 1995 she served as Secretary General at SIG Swiss Industrial Company. Ms Tschudi then became a member of the Executive Board of WICOR Holding AG ("Weidmann Group"), Rapperswil in 1995, where she was Head of Corporate Development and from 1998 Head of Business Area Electrical Technology Asia/Pacific. She has been Chief Executive Officer and Managing Director of WICOR Holding AG since 2001.

Franziska Tschudi will be put forward for re-election at the Swiss Life Holding Annual General Meeting of Shareholders on 10 May 2005.

Other appointments:
- Employee benefits foundations for Swiss Life/Renten-anstalt's Internal services and external sales staff in Switzerland, Member of the Board of Trustees
- SCRJ Sport AG, Rapperswil, Vice Chairperson
- BIOMED AG, Dübendorf, Member of the Board of Directors
- Swiss-Chinese Chamber of Commerce, Member of the Executive Board
- Swiss-American Chamber of Commerce, Member of Management Team for Chapter Doing Business in the USA
- Chamber of Commerce Germany-Switzerland, Member of the Executive Committee
- Chamber of Commerce and Industry St. Gallen-Appenzell, Member of the Board
- OSEC, Member of the Advisory Committee
- Judge at Commercial Court for the Canton of St. Gallen
- "Die Chance" Foundation, Member of the Board of Trustees

Resignations There were no resignations from the Corporate Executive Board during the review period.

Internal organisational structure In line with the Articles of Association, and in observance of local and international standards for corporate governance, the Board of Directors decided to introduce a revision of the Organisational Regulations, effective 1 December 2003. These regulations apply to the internal organisation and delineate the tasks and competencies of the Board of Directors' committees, the Chairman of the Board of Directors and the Corporate Executive Board. As opposed to before, the tasks and responsibilities of the Chairman of the Board of Directors are now included in the Organisational Regulations. The Chairman coordinates the work of the Board and the committees, and is responsible for ensuring reporting from the Corporate Executive Board to the Board of Directors. In urgent situations, the Chairman may also determine the necessary measures and steps falling within the scope of competencies of the Board until it takes a decision. If a timely decision cannot be reached by the Board of Directors, the Chairman is empowered to take a decision.

The Board of Directors meets as often as business requires, but normally at least six times a year. As a rule, meetings are called by the Chairman. However, any member of the Board of Directors or the Corporate Executive Board may request that a meeting be called. In addition to the members of the Board of Directors, the CEO, as well as other members of the Corporate Executive Board as required, will normally attend the meetings or parts of meetings in an advisory capacity. The Board of Directors met eight times during the year under review.

Three standing committees support the work of the Board of Directors as a whole: the Chairman's Committee, the Audit Committee, and the Investment and Risk Committee. The Board of Directors may establish other committees to be entrusted with special tasks.

Chairman's Committee The Chairman's Committee assists the Chairman of the Board of Directors in fulfilling his leadership and coordination role, and assists the Board of Directors with matters concerning corporate governance. It also assists the Board of Directors in decisions concerning the appointment of personnel at the highest levels of management (nomination function) and in setting guidelines for compensation of members of the Board of Directors and the Corporate Executive Board, and determining how these guidelines will be applied to the compensation and terms of employment of the CEO and the other members of the Corporate Executive Board (compensation function).

The Chairman's Committee meets at least six times a year. The Chairman's Committee met thirteen times during the year under review.

Investment and Risk Committee The Investment and Risk Committee assists the Board of Directors in matters concerning investment management, financial management and risk management within the company. The tasks and competencies of the Investment and Risk Committee include, among others, submitting proposals to the Board of Directors on the principles of asset and liability management for the Group, the assessment of capital adequacy, the definition of the Group's investment policy, verification of compliance with Group guidelines on investments, and establishment of the risk tolerance in insurance and investment operations.

The Investment and Risk Committee meets at least four times a year. The Investment and Risk Committee met eight times during the year under review.

Audit Committee The Audit Committee assists the Board of Directors in its supervision of the accounting function and financial reporting activities as well as the Group's compliance with the legal requirements. It reviews the appropriateness of the internal control structures and processes used to comply with the legal requirements. It monitors the activities of Corporate Internal Audit and the external audit services, and takes due note of their reports and recommendations.

The Audit Committee meets at least four times a year. The frequency of meetings depends on the financial budgeting and reporting process. The Audit Committee met six times during the year under review.

Delineation of competencies between the Board of Directors and the Corporate Executive Board
The Organisational Regulations of Swiss Life Holding provide for the comprehensive delegation of the executive management of the company to the Corporate Executive Board, with the exception of those duties reserved for other bodies in accordance with the law, the Articles of Association or the Organisational Regulations themselves. The Corporate Executive Board bears responsibility in particular for the implementation of corporate strategy, for the conditions governing business operations and for financial guidance. It is further responsible for the preparation of the resolutions for the Board of Directors and its committees, and for monitoring the implementation of these decisions in the Group. It is vested with the authority to rule on business referred to it by the Board of Directors, the Board of Directors' committees and the Chairman of the Board of Directors insofar as decision or approval is not reserved exclusively to the delegating body.

Control instruments vis-à-vis the Corporate Executive Board The Board of Directors is kept continually and comprehensively informed regarding the activities of the Corporate Executive Board. The CEO, as chairman of the Corporate Executive Board, keeps the Chairman of the Board of Directors and the Board of Directors and its committees regularly informed about the conduct of business, new business activities and significant projects. The CEO informs the Chairman of the Board of Directors immediately about extraordinary matters. The Chairman of the Board of Directors may participate in the meetings of the Corporate Executive Board in an advisory role and receives all the minutes of the meetings of the Corporate Executive Board. Internal auditing procedures represent an efficient means of independent monitoring and information gathering for the Board of Directors, whereby the Corporate Internal Audit department reports directly to the Chairman of the Board.

Corporate Executive Board

The CEO directs the business operations of the Group. The CEO, together with the Corporate Executive Board, works out the long-term objectives and strategic orientation of the Group for consideration by the Board of Directors and, based on the resolutions of the Board of Directors, ensures the goal-oriented leadership and development of the Group. The Corporate Executive Board may form committees for individual areas of responsibility and delegate competencies to such a Corporate Executive Board Committee.

Each member of the Corporate Executive Board has responsibility for a division within the Group. The members of the Corporate Executive Board are responsible for setting the objectives, financial planning, HR management and achievement of objectives within their division. They issue directives for their division within the context of legal and regulatory requirements, the relevant regulations and the Group directives intended for the Group as a whole.

Members of the Corporate Executive Board

The Corporate Executive Board of Swiss Life Holding is composed of the following members:

Name	Position	Since
Rolf Dörig	Chief Executive Officer	06.11.2002
Reto Himmel	Chief Technology Officer	20.01.2003
Paul Müller	Chief Market Officer	15.01.2003
Bruno Pfister	Chief Financial Officer	01.08.2002
Martin Senn	Chief Investment Officer	01.01.2003

Rolf Dörig

Born 1957, Swiss national
Chief Executive Officer (CEO)

Rolf Dörig laid the groundwork for his professional career by obtaining a Doctorate in Law from the University of Zurich before being called to the Bar of Zurich. Joining Credit Suisse in 1986, he assumed a number of executive responsibilities in various areas of banking and in different geographical markets. He subsequently became Chief of Staff and Chief Communications Officer for the Credit Suisse Group. As a member of the Executive Board of Credit Suisse Financial Services, he was assigned responsibility for Swiss Corporate and Retail Banking from 2000 onwards. In spring 2002 he became Chairman Switzerland for the Credit Suisse Group.

Rolf Dörig has been Chief Executive Officer (CEO) of the Swiss Life Group since 6 November 2002.

Other appointments:
- Swiss Insurance Association, Member of the Board
- economiesuisse, Zurich, Member of the Board Committee
- Kaba Holding AG, Rümlang, Member of the Board of Directors
- DANZER AG, Baar, Member of the Board of Directors
- Zurich Chamber of Commerce, Member of the Board of Directors
- Grasshopper-Club Zürich, Chairman of the Board of Directors

Reto Himmel

Born 1956, Swiss national
Chief Technology Officer (CTO)

The physicist Reto Himmel (Master's Degree in Physics, Swiss Federal Institute of Technology (ETH), Zurich, 1982) graduated from the Harvard Business School in 1987 with an MBA. He began his career in 1982 as a software engineer with Brown Boveri & Co. in Baden, before joining Credit Suisse in 1985. From 1990 to 1994 he went on to head the General Secretariat at Bank Leu. He then returned to Credit Suisse where he held the position of Chief of Staff of the Investment and Trading Division. In 1997 Mr Himmel became a member of the Executive Board at ABN AMRO Bank (Switzerland), assuming responsibility for the bank's logistics operations. He became Head of Operations at UBS Warburg Switzerland in August 2001.

Reto Himmel has been Chief Technology Officer (CTO) at the Swiss Life Group since January 2003.

Other appointment:
- SWX Swiss Exchange, Member of the Board and Audit Committee

Paul Müller

Born 1950, Swiss national
Chief Market Officer (CMO)

Paul Müller studied Economics at the University of St. Gallen. After graduating with a Master's degree (lic.oec. HSG) in 1975 he launched his career by joining Wintherthur Versicherungen. In 1982 he moved to Baloise Insurance where he held a number of leading positions. As a member of the Corporate Executive Board he was ultimately responsible for the German, Austrian, French, Belgian and Luxembourg markets. From 1995 Paul Müller served as CEO of Helvetia Patria Assurances' Swiss Division in Basel.

He took up his new position as Chief Market Officer (CMO) at the Swiss Life Group in January 2003.

Other appointments:
- «La Suisse» Vie, Lausanne, Chairman of the Board of Directors
- «La Suisse» Accidents, Lausanne, Chairman of the Board of Directors
- Pendia Associates AG, Zurich, Member of the Board of Directors
- Chamber of Commerce Germany-Switzerland, Member of the Executive Committee
- Member of the Board of the Society for the Promotion of the Institute of Insurance Economics of the University of St. Gallen

Bruno Pfister
Born 1959, Swiss national
Chief Financial Officer (CFO)

Bruno Pfister graduated from the University of Geneva with a Master's Degree in Law before being called to the Bar of Geneva. He then turned his attention to business management studies, earning an MBA from the Graduate School of Management in Los Angeles. The initial stages of his career saw Mr Pfister work for Chase Manhatten Bank in London and Geneva. From 1988 onwards he was a management consultant for McKinsey & Co. In 1996 Mr Pfister became Chief of Staff of the Private Banking division at Liechtenstein Global Trust (LGT) where he managed a global strategic project before being appointed Chief Financial Officer of LGT Group and LGT Bank in Liechtenstein in 1998. In 1999 he took over as Head of Customer Segment and Product Management at Credit Suisse.

Bruno Pfister has been CFO of the Swiss Life Group since August 2002.

Other appointments:
- Banca del Gottardo, Lugano, Member of the Board of Directors
- Castle Alternative Invest Ltd., Freienbach, Member of the Board of Directors

Martin Senn
Born 1957, Swiss national
Chief Investment Officer (CIO)

Martin Senn studied commerce before graduation from Management courses at INSEAD in Fontainebleau and the Harvard Business School. He worked at the former Swiss Bank Corporation from 1976 to 1994, where his positions included Treasurer in Hong Kong and Regional Treasurer for Asia and the Pacific region in Singapore before ultimately managing the company's Tokyo office. In 1994 he moved to Credit Suisse where his many executive roles included that of Regional Treasurer for Europe and Turnaround Manager with a mandate to restructure and reposition all legal entities of the Credit Suisse Group in Japan. A member of the Credit Suisse Executive Board, he was appointed Head of its Trading and Investment Services Division in 2001.

Mr Senn has been Chief Investment Officer (CIO) of the Swiss Life Group since January 2003.

Other appointments:
- Banca del Gottardo, Lugano, Member of the Board of Directors
- Swiss Life Asset Management, Zurich, Chairman of the Board of Directors
- Maerki Baumann & Co. AG, Zurich, Member of the Board of Directors
- Castle Alternative Invest Ltd., Freienbach, Member of the Board of Directors

Resignations Two members of the Corporate Executive Board resigned during the year under review. Since the resignation of Michael Koller, Chief Risk Officer, in August 2004, Group Compliance and Regulatory Affairs reports directly to CEO Rolf Dörig. CFO Bruno Pfister is responsible for Group Risk Management and the actuarial units. René van der Smeede, Head of International Markets, resigned with effect from the end of the year to devote himself to personal interests, as had long been his intention. The national CEOs in the international markets now report directly to Rolf Dörig.

Transfer of management tasks
No management tasks have been contractually delegated to third parties by Swiss Life Holding.

Compensation, participation in equity, loans
Practice and procedure Pursuant to the Organisational Regulations, the Board of Directors as a whole is responsible for determining the level and composition of compensation for its members. The Chairman's Committee, in its capacity as Compensation Committee, is responsible for putting forward corresponding proposals. The Board of Directors also establishes guidelines for the compensation policy within the Group. In so doing, it takes into consideration the compensation policies of other organisations of comparable size and in comparable industries, with its findings drawn from publicly available information or, as necessary, studies by external experts. Based on these guidelines, the Chairman's Committee determines the compensation for individual members of the Corporate Executive Board and informs the entire Board of Directors accordingly.

The share option programme for Swiss Life Group management, which was introduced in 2000, was discontinued at the end of 2002. Accordingly, no more share options were allocated in 2003 or 2004. The share options issued in the year 2000 expired worthless at the end of March 2004.

Within the framework of the compensation arrangements for the members of the Corporate Executive Board and other key performers within the Swiss Life Group, set by the Corporate Executive Board with the concurrence of the Chairman's Committee, a long-term remuneration component was introduced in the year under review based on a corresponding 2004 directive. In line with this, shares and rights to shares of Swiss Life Holding are allocated to the participants free of charge. The rights convey an entitlement to subscribe to Swiss Life Holding shares at no cost after one or two years have elapsed. They expire worthless if the employment relationship is severed by the participants before the delivery of the shares. The shares in the immediate allocation are subject to a three-year vesting period. The shares to be allocated on the basis of the rights after a one or two-year period, as the case may be, shall be blocked for a period of three years from the date when the rights were allocated.

Further details on compensation and benefit expenditure for the Swiss Life Group management and employees can be found in note 26 to the Financial Statements.

Compensation paid to acting members of governing bodies Compensation paid to incumbent members of the Board of Directors and the Corporate Executive Board during the period under review was as follows:

Board of Directors	CHF	1 391 000
Corporate Executive Board	CHF	7 826 686

The following compensation was received by incumbent members of the Board of Directors of Swiss Life Holding (as of 31 December 2004) during the year under review.

Name	Remuneration in cash	Shares [1]
Bruno Gehrig	CHF 555 000	300
Gerold Bührer	CHF 128 000	219
	CHF 140 000 [2]	
Volker Bremkamp	CHF 96 000	163
Paul Embrechts	CHF 72 000	125
Rudolf Kellenberger	CHF 88 000	151
Georges Muller	CHF 72 000	125
	CHF 24 000 [3]	
Peter Quadri	CHF 72 000	125
Pierfranco Riva	CHF 72 000	125
Franziska Tschudi	CHF 72 000	125

1) c.f. also the section on share allotment
2) for activities as Vice Chairman of the Board of Directors of Banca del Gottardo (from April 2004)
3) for activities as Chairman of the Board of Directors of «La Suisse» (until April 2004)

There were no resignations from the Board of Directors during the review period. Apart from the contractual agreements for continued payment of salary, members of the Corporate Executive Board who resigned during the period under review received no further benefits by way of severance payments.

Compensation paid to former members of governing bodies No former member of either the Board of Directors or the Corporate Executive Board received any compensation during the year under review.

Share allotment in the year under review Swiss Life Holding shares with a par value of CHF 50 each were allocated to members of the Board of Directors and the Corporate Executive Board as follows during the 2004 financial year:

Board of Directors	1 458 shares allocated at values of CHF 164.15, CHF 155.65 and CHF 142.80. They are subject to a three-year vesting period.
Corporate Executive Board	13 454 shares [1] allocated at a value of CHF 164.15. They are subject to a three-year vesting period.

1) 6944 of the shares allocated in the 2004 financial year fell under the 2004 regulations on the long-term remuneration component

No shares were allocated to parties closely linked [1] to such persons within the meaning of the law.

Share ownership On the balance sheet date, members of the Board of Directors and the Corporate Executive Board (including closely linked parties) held a total number of Swiss Life Holding registered shares, with a par value of CHF 50 each, as follows:

Board of Directors	5 734 shares
Corporate Executive Board	59 336 shares

Options No more share options were granted in the Swiss Life Group in 2003 and 2004. Options on shares of Swiss Life/Rentenanstalt were allocated to the members of the Board of Directors and Corporate Executive Board in 2000, 2001 and 2002 in the context of the share option plan introduced in 2000 for the entire senior management of the Swiss Life Group, and were subsequently converted into options on Swiss Life Holding shares. At the end of 2002 this share option programme was discontinued as of 2003. The share options allocated in the year 2000 expired worthless at the end of March 2004. In connection with the exchange of Swiss Life/Rentenanstalt shares for shares of Swiss Life Holding and the capital increases in autumn 2002 and spring 2004, the parameters of the options allocated in 2001 and 2002 were adjusted in accordance with Eurex guidelines. No other changes have been made to the allocated share options.

1) "Closely linked parties" are natural persons and legal entities pursuant to Art. 678 of the Swiss Code of Obligations that have close personal, economic, legal or de facto ties with members of governing bodies. This typically includes spouses, minors, companies controlled by the member of the governing body, and natural or legal persons serving the member of the governing body in a fiduciary capacity.

Board of Directors	
Allotment year	
2004	No share options issued
2003	No share options issued
2002	11 400 options
	Option life: 5 years
	Vesting period: 3 years
	Subscription ratio: 1.55
	Exercise price: CHF 229.90
2001	11 250 options
	Option life: 5 years
	Vesting period: 3 years
	Subscription ratio: 1.55
	Exercise price: CHF 701.75

Corporate Executive Board	
Allotment year	
2004	No share options issued
2003	No share options issued
2002	22 000 options
	Option life: 5 years
	Vesting period: 3 years
	Subscription ratio: 1.55
	Exercise price: CHF 229.90
2001	23 500 options
	Option life: 5 years
	Vesting period: 3 years
	Subscription ratio: 1.55
	Exercise price: CHF 701.75

Additional honorariums and remuneration During the period under review there were no additional honorarium or remuneration payments to members of the Board of Directors or the Corporate Executive Board that would have been subject to disclosure requirements.

Loans On the balance sheet date, there were no loans outstanding to members of the Board of Directors or members of the Corporate Executive Board that would have been subject to disclosure requirements:

Board of Directors	none
Corporate Executive Board	none

Highest total compensation, Board of Directors The highest total compensation for a member of the Board of Directors in 2004 was paid to Bruno Gehrig as Chairman of the Board. The total compensation paid in 2004 was as follows:

Compensation	CHF 555 000	
Shares 1)	CHF 49 245	300 SLHN shares at CHF 164.15
Share options	none	
Total compensation	CHF 604 245	

1) The 300 shares allocated are subject to a vesting period of three years.

Highest total compensation, Corporate Executive Board The highest total compensation for a member of the Corporate Executive Board was paid to Rolf Dörig as CEO. For transparency reasons and in view of forthcoming statutory disclosure rules on remuneration, the compensation he received is broken down. The total compensation paid in 2004 was as follows:

Compensation 1)	CHF 2 649 465	
Shares 2)	CHF 534 308	3 255 SLHN shares at CHF 164.15
Share options	none	
Total compensation	CHF 3 183 773	

1) Including bonus in cash.
2) 1519 shares were allocated under the 2004 regulations governing the long-term remuneration component and 1736 shares as bonus. All shares are blocked for three years until the end of March 2007 (vesting period).

Shareholders' participation rights

Restrictions on voting rights In exercising voting rights, no shareholder can collect more than 10% of the total share capital directly or indirectly in respect of his own shares and those he represents. Legal entities and partnerships which are connected through capital, voting rights, uniform management or in any other way, as well as individuals or legal entities and partnerships which act in concert by virtue of agreement, as a syndicate or in any other way, are deemed to be a single person. Any amendment to or revocation of restrictions on voting rights must be approved by at least two-thirds of the voting shares represented at the General Meeting of Shareholders and an absolute majority of the share par value represented.
The Board of Directors can permit exceptions to this limit on the basis of its discretionary powers; however, during the review period no exceptions were permitted.

Right of representation The Articles of Association stipulate that a shareholder may be represented by another shareholder, a legal representative, a management representative, an independent voting representative or a representative of deposited shares. Married persons may also be represented by their spouses, who are not required to be shareholders.

Required majorities In addition to the resolutions provided for by law, a qualified majority (corresponding to at least two-thirds of the voting shares represented and an absolute majority of the share par value represented) is required to:

- change provisions concerning restrictions on voting rights
- dissolve the company (liquidation)
- dismiss more than one-third of the Members of the Board of Directors;
- change these provisions of the Articles of Association.

Convocation of the General Meeting of Shareholders and agenda The rules set out in the Articles of Association for convening a General Meeting of Shareholders and drawing up the agenda encompass the stipulations of the law. Shareholders representing shares with a par value of at least one million Swiss francs can submit a written request within a time limit published in advance by Swiss Life Holding for the inclusion on the agenda of an item for discussion, together with the relevant motions. The written application must he accompanied by a certificate issued by a bank to confirm that the shares are deposited with it until after the General Meeting of Shareholders is held.

Entry in the share register Entries can be made in the share register up to, but not including, the day before the General Meeting of Shareholders. In all cases, however, the company reserves the right to adhere to the legal maximum period of 20 days for refusal to recognise entries in the share register in accordance with Art. 685g of the Swiss Code of Obligations. For administrative reasons (postal delivery times) the deadline for registering to participate in the General Meeting of Shareholders is usually seven calendar days before the meeting takes place.

Voting system and procedures Voting at Swiss Life Holding is by show of hands; a written vote may be requested by the presiding officer at the General Meeting of Shareholders, or by shareholders who together represent at least 10% of the entire share capital. The presiding officer may use electronic voting for a written vote. Swiss Life Holding uses a certified electronic voting system, which it helped develop, to permit balloting with remote-controlled handsets and to record the exact number of proxy votes.

Change of control, defence measures

Duty to make an offer Swiss Life Holding's Articles of Association provide for neither an "opting up" nor an "opting out" clause within the meaning of Art. 22 and 32 of the Swiss Stock Exchange Act.

Clauses on changes of control No agreements exist in favour of the Board of Directors or the Corporate Executive Board for cases concerning changes in control of the company.

Auditors

PricewaterhouseCoopers (PwC) serves as external statutory auditor for 77% of the Swiss Life Group companies that are directly or indirectly held by Swiss Life Holding under its scope of consolidation. PwC is also the Group Auditor for Swiss Life Holding. The remaining auditing mandates for subsidiaries are carried out by Ernst & Young (14%) and other auditing firms (9%).

In the report of the Group Auditors, PwC confirms that it meets the legal requirements concerning professional qualification and independence.

Duration of the mandate and term of office of the lead auditor At the time Swiss Life Holding was established in 2002, PwC was named as Group Auditor and was re-elected at the Annual General Meeting of Shareholders in May 2004 for the year 2004. The Articles of Association stipulate that the External Auditor is to be elected by the General Meeting of Shareholders for one financial year at a time. PwC has served as Group Auditor for Swiss Life since 1994. For the 2004 financial year, a new PwC partner was elected lead auditor charged with reviewing the consolidated Financial Statements of Swiss Life Holding.

Auditing fees In 2004 the auditing fees received by PwC from the Swiss Life Group came to CHF 14.063 million (compared to CHF 11.602 million the previous year). These include the costs of reviewing Swiss Life's 2004 half-year accounts and checking the restatements occasioned by the conversion to IFRS 4 as well as the expenses connected with the capital increase and convertible bond issue (2004–2010) in the course of the year.

Additional auditing fees In 2004 PwC received additional payments totalling CHF 1.587 million for advisory services (previous year: CHF 2.785 million).

Supervisory and control instruments vis-à-vis the auditors The Audit Committee maintains regular contact with the external auditors. The Audit Committee assesses the quality of the external reporting, ascertains the independence of the statutory auditors and identifies possible conflicts of interest. Representatives from the external auditing firms may be called upon by the Audit Committee to attend any meetings it may hold. The Audit Committee held six meetings during the 2004 financial year. Representatives of the external auditors attended each of these meetings, in whole or part.

Information policy

In addition to its comprehensive review of operations and Financial Statements, Swiss Life Holding also reports its half-year results. All Swiss Life annual reports and half-year reports from 1997 onwards can be accessed via the website www.swisslife.com. Twice a year, a report with important facts and figures is sent to all those recorded in the share register. In addition, the second Investor's Day was held on 2 December 2004. Swiss Life provided financial analysts and institutional investors with a deeper insight into the Group's international markets. The next Investors' Day event is scheduled to be held on 1 December 2005. Important dates and contacts can be found on page 156.

Board of Directors



Bruno Gehrig   Rudolf Kellenberger   Peter Quadri



Volker Bremkamp   Paul Embrechts   Georges Muller



Franziska Tschudi   Gerold Bührer   Pierfranco Riva

Corporate Executive Board


Rolf Dörig

Martin Senn


Reto Himmel

Paul Müller


Bruno Pfister

Responsible Corporate Conduct Swiss Life is committed to helping people create a financially secure future. For life. This mission statement takes into account not only product-oriented and legal and regulatory requirements, but also the company's obligations towards the environment and the community.

Swiss Life is aware of its responsibilities towards shareholders, clients, staff and the general public, and acts accordingly. A study of Swiss Life's activities, focusing on Switzerland, reflects the company's commitment to sustainable corporate management.

Society This annual report is despatched in Switzerland by patients of the Swiss Epilepsy Centre in Zurich. This is just one example of the many social campaigns that Swiss Life has pursued for years. The company's social commitment ranges from charitable activities to support for cultural institutions and sports sponsorship. For example, Swiss Life contributes substantial sums to its own Jubilee Foundation for Public Health and Medical Research, as well as contributing to support funds and the short-term disability insurance for Swiss artists. Swiss Life is a member of various bodies in Switzerland, including The Sustainability Forum and the Standard-Setting Board of the Swiss Federal Office of Private Insurance. Besides its membership, Swiss Life's commitment to the Swiss Insurance Association extends to the active role played in the organisation by various Swiss Life staff.

Swiss Life employees also lecture at and cooperate with various universities and professional associations with a view to actively promoting further training in the insurance sector. Swiss Life Group subsidiary Swiss Life Asset Management (SLAM), which cooperates with SAM Sustainable Asset Management, provides asset management services for institutional investors. SAM and SLAM are the first companies to offer sustainability-balanced direct mandates in partnership, exploiting the advantages of sustainable asset management and the concept of mixed mandates.

Staff Swiss Life attaches great importance to developing its staff, and to this end continuously adjusts its range of human resources training programmes. A Group-wide staff survey was conducted in 2004. From now on, staff satisfaction will be measured on the basis of the survey, and measures for improvement derived from it. This includes a programme for employees' further development. With the aim of promoting health, various discounts on sports facility fees are available to staff throughout the Group, and some sites, such as Zurich and Munich, have their own sports club. In Switzerland, the range of social insurance available in terms of pension plans and maternity leave exceeds the legal minimum requirements. Further social assistance includes partnerships with nursery schools, discounts on public transport season tickets, in-house advice from human resources and legal staff, free influenza vaccinations and contributions towards the costs of smoking cessation programmes.

Environment In connection with its membership of the Zurich Energy Model, Swiss Life has set itself the goal of increasing energy efficiency by at least 1.5% each year and lowering its energy consumption and emissions continuously. The goal is to reduce overall energy consumption by 15% between 2000 and 2010. Individual measures include optimising operating times for heating, ventilation and lighting, waste separation, use of rain and lake water for roof cooling and sanitary facilities, as well as creating IT procurement criteria that take environmental aspects into account. Great importance was attached to observing “Minergie” principles and ecological criteria when planning structural features and selecting building materials, particulary for the renovation of Head Office in Zurich, in 2004 and 2005. Swiss Life has also subscribed to an international charter, joining other financial institutions in signing a commitment to the United Nations Environment Programme (UNEP).

Information Open and sincere communication, both internal and external, is an important prerequisite for long-term confidence. Staff events, for example, serve as information platforms and forums in which employees can address their questions to the Corporate Executive Board. To cultivate dialogue, employees use the intranet and specific e-mail addresses, lunchtime conversations with senior managers, information events on the annual and half-year results, and the annual international meeting for 130 management staff. “Life”, the Group-wide staff magazine, is published five times a year in three languages, with a circulation of 11 000 copies. Since Swiss Life went public in 1997, Shareholder Services has been its first point of contact for shareholders, offering them all the services they need to administer their Swiss Life Holding shares in a securities account, free of charge. In the interests of private and institutional investors, financial analysts and the general public, the Investor Relations department also provides up-to-date, transparent reporting, which is permanently accessible on its website at www.swisslife.com. The nomination as best investor relations website by the Swiss newspaper “Finanz und Wirtschaft” in 2002 and 2004 is further evidence that the site is acknowledged to be extremely valuable.

Is good with
her hands

Is a diligent
student

Is fascinated
by crystal vases

Is an enthusiastic
trainee

Is Switzerland's
first female
neon tube
glassblower

Carole Marchon, 19

Precise, passionate, determined, dextrous, and has stamina. Together with her colleagues in Berne, she makes the Swiss Life logo glow.

Clarity. Only those who communicate clearly are also understood. That's why Swiss Life goes for a simple, clear corporate image that positions us as a leading international pensions provider. This clarity is expressed both in our day-to-day business and in the consistent communication of our brand.

Embedded Value The Swiss Life Group's embedded value rose by 15% to CHF 7.9 billion in the 2004 financial year.

Embedded value serves as an indicator of the value of the existing insurance portfolio. It consists of two components: the present value of future profits (PVFP) and the adjusted net asset value attributable to shareholders (ANAV). Future new business is not included. All calculations relating to embedded value are based on the statutory accounts. The information published here has been reviewed and checked by Deloitte & Touche LLP.

For the model PVFP calculations, the most realistic assumptions were made regarding several factors, in particular returns on investments, the development of costs and claims, insurance customers' participation in surplus and the risk discount rate. Business is also assumed to be proceeding at the same level (going concern). The current cost ratios – adjusted for inflation – are thus assumed to hold good for the future as well. The PVFP makes allowance for the future costs of the solvency capital required to underpin the insurance business. This is shown separately in the "Embedded Value" table (cost of capital). Equity attributable to shareholders in the future – the statutory equity adjusted for the shareholders' interest in the revaluation reserve – produces the ANAV.

The extent to which the embedded value is dependent on the assumptions made can be seen in the "Economic Sensitivities" table on the next page.

Development in 2004 Embedded value for the Swiss Life Group came to CHF 7936 million on 31 December 2004. This represents an increase of CHF 1025 million against the previous year. The main reason for this improvement was the capital increase of CHF 860 million in the year under review. Investment income came in clearly above the assumptions in the review period, leading to an increase of CHF 797 million. On the other hand, the decline in anticipated future investment income implied a reduction of around CHF 500 million. Increases in reserves, partially due to the first BVG revision in Switzerland, together with the sale of Swiss Life's UK operations, had a negative impact of CHF 475 million on the company's embedded value. A compilation of other changes in embedded value can be seen in the "Analysis of change" table on the next page.

Embedded Value Swiss Life Group as of 31 December

in CHF million	2004	2003	+/–%
Switzerland	**3 601**	3 501	**+2.9%**
Europe without Switzerland	**2 819**	2 788	**+1.1%**
ANAV of Swiss Life Holding [1,2]	**1 516**	622	
Swiss Life Group	**7 936**	6 911	**+14.8%**
of which ANAV [1]	**4 909**	2 831	
of which PVFP [3]	**4 507**	5 209	
of which cost of capital	**–1 480**	–1 129	

1) Adjusted Net Asset Value
2) Equity of Swiss Life Holding less book value of Swiss Life/Rentenanstalt
3) Present Value of Future Profits

Economic assumptions

	Switzerland		Europe without Switzerland	
	Current	In 5 years	Current	In 5 years
Risk discount rate	**7.0%**	7.0%	**8.0%**	8.0%
Total weighted new money return	**3.1%**	3.8%	**4.0%**	4.5%
Return assumptions per asset class				
Bonds & loans return	**2.5%**	3.3%	**3.9%**	4.4%
Real estate return	**4.2%**	4.5%	**5.8%**	6.0%
Equities return	**5.0%**	5.0%	**6.0%**	6.0%
Return on participations/alternative investments	**5.0%**	5.0%	**6.0%**	6.0%

Analysis of change

in CHF million	
Swiss Life Group embedded value at end of 2003	**6 911**
Unwind 2004	**+431**
Actual investment return 2004	**+797**
Future investment return	**–506**
Persistency	**–114**
Strengthening of reserves	**–221**
Changes in legal environment	**–96**
Value of new business 2004	**+41**
Capital increase	**+860**
Sale of Swiss Life (UK)	**–158**
Various	**–9**
Swiss Life Group embedded value at end of 2004	**7 936**

Economic sensitivities

in CHF million	Switzerland	Europe without Switzerland	Other effects	Total
Swiss Life Group embedded value at end of 2004	**3 601**	**2 819**	**1 516**	**7 936**
Impact of 50 bp increase in investment return	**+313**	**+304**	**–**	**+617**
Impact of 50 bp decrease in investment return	**–520**	**–264**	**–**	**–784**
Impact of 50 bp decrease in risk discount rate	**+190**	**+91**	**–**	**+281**
Impact of 50 bp increase in return on new bond investments	**+94**	**+141**	**–**	**+235**
Impact of 10% decrease in asset values (property only)	**–542**	**–28**	**–**	**–570**

Deloitte & Touche LLP ("Deloitte"), our consulting actuaries, have reviewed the choice of methodology together with the asumptions and calculations made by the Swiss Life Group ("the Group") in the calculation of its embedded value results. Deloitte have reported to the Group that they consider that the methodology is appropriate, the Group's assumptions are together reasonable and that the embedded value results have been properly compiled on the basis of the methodology and assumptions chosen. For the purpose of this report, Deloitte have performed certain checks on data provided by the Group, but have not verified and have relied on financial information underlying the Group's financial statements.

Risk Management As is the case with any life insurance company, risk management is one of Swiss Life's core tasks, and one that ensures it is able to meet its long-term obligations to clients with the greatest possible security.

Part of Swiss Life's risk policy is to measure and monitor the various risk categories regularly to make sure the risk structure conforms to the company's risk capacity. The Investment and Risk Committee of the Board of Directors determines Swiss Life's risk appetite within the preset risk capacity parameters, and this forms the basis for deriving the limits for the various risk categories at the individual Group companies. It is the responsibility of the risk management units at the individual companies to ensure that these limits are complied with at all times. The limit utilisations are monitored centrally and locally with the help of a common risk management system.

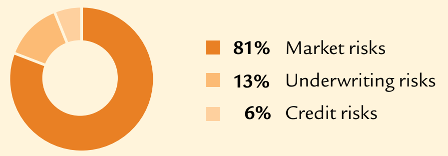
The Investment and Risk Committee of the Board of Directors receives regular reports on the overall risk situation of the individual companies and also of the Swiss Life Group as a whole. It assesses the situation and decrees appropriate measures, such as setting new limits if there has been a significant change in the risk capacity originally determined. The committee also ensures that the risk management processes are up to requirements.

In addition to integration with the Group-wide risk management process, the local risk management units are also responsible for ensuring compliance with the specific regulatory and statutory requirements in their respective countries, and support the local management teams in all risk management matters.

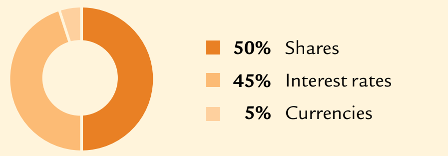
The basic principles and measurement methods are developed by the risk management team at Group level in conjunction with the local units, and are then approved by the Investment and Risk Committee of the Board of Directors.

Market risks Market risks are among the largest quantifiable risks of a life insurance company. On the assets side of the balance sheet market risk refers to the risk of changes in the value of securities, such as stocks and bonds, or real estate holdings, as well as fluctuations in foreign exchange rates. The high volatilities on the financial markets in recent years perfectly illustrated the necessity of actively managing these market risks.

Distribution of risks by category



Distribution of market risks



Life insurers are also exposed to market risks on the liabilities side of their balance sheets, especially interest-rate risks stemming from the sale of long-term insurance policies with interest guarantees. Because the clients often take on long-term commitments, in addition to the guarantees they expect to profit from uptrends on the financial markets in the form of bonuses. Options embedded in the insurance policies afford clients the necessary flexibility for long-term agreements. These three elements – guarantee, bonuses and options – essentially determine the financial risk of classical life insurance policies.

These interest-rate risks are reduced by purchasing corresponding interest instruments, and in particular bonds. The main source of exchange-rate risks for Swiss Life is its foreign-currency investments, and these risks are managed using currency hedges. Swiss Life also seeks to reduce market risks by ensuring a high level of diversification both in its investment portfolio and direct investments. Information on asset and liability management, including the matching of receivables and obligations, can be found in the next chapter on page 61.

Credit risks Credit risk concerns the possibility that debtors may no longer be able to meet their obligations. Responsibility for monitoring credit risks lies with the individual companies, which follow stringent, Group-wide guidelines with regard to minimum borrower ratings and the diversification of credit risks across all areas in which Swiss Life is exposed to such risks, in particular the investment and reinsurance segments. To avoid excessive concentrations of risk across the Group as a whole, the credit risks are also regularly assessed in summary at the Group level and where necessary reduced at the individual units in accordance with instructions issued by the Group. All in all, this strict credit risk management process ensures a broadly diversified credit portfolio with low credit risk exposure.

Liquidity risk The purpose of liquidity risk management is to ensure that there is sufficient liquidity at all times to meet any payments that fall due. To this end, Swiss Life continuously forecasts its expected cash flows on both sides of the balance sheet. In addition to this, the investment portfolio is also structured in such a way as to ensure the necessary flexibility to react on the investment side both to changes in the capital markets and in the insurance portfolio.

Underwriting risks In the life insurance business a distinction is drawn between three types of underwriting risk: longevity, death and disability. Swiss Life conducts an annual review and analysis of its customer portfolios with regard to mortality, cancellation and reactivation. To manage disability risk and improve risk performance, individual evaluations are used along with portfolio analyses for disability risk to allow a better assessment of the exposure structure. The information gained is used in setting appropriate prices and rates as well as ensuring that reserves are sufficient for future insurance obligations to be met at all times. It also forms the basis for determining the risk capital that will be required to offset unexpected deviations in the actuarial reserves.

Operational risks The operational risks include process risks, risks relating to human error or moral hazard, and technology and operating risks resulting from changes in the economic, fiscal or legal environment. In order to pre-empt such risks, a review based on uniform criteria is carried out periodically throughout the Group, with estimates compiled at the local units to ascertain the probability of these risks leading to material losses. The consolidated report highlights potential need for action at an early stage, and the effectiveness of the measures introduced is subsequently checked.

Ongoing improvements The regular Group-wide reporting on all the above risks was fine-tuned and improved further in 2004. Aggregating the various risks makes it possible to determine the possible total loss potential, which is set against the risk capacity to form the basis for assessing the risk exposure using uniform criteria. This information is integrated into the risk budget, which is largely compatible with the Swiss Solvency Test and serves as the basis for the strategic asset allocation (SAA) as part of the asset and liability management process. In summer 2004, Swiss Life took part in the initial trial run of the Swiss Solvency Test, which gave it the opportunity to check the internal risk model introduced at the beginning of 2003 and to prepare for the new solvency regulations, as the requirement to determine the risk-based solvency is likely to come into effect in 2006 with the introduction of the new Insurance Supervisory Act (VAG) in Switzerland.

Reference to each risk class with page numbers in Financial Statements

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Credit risk	137

Asset and Liability Management

Matching assets and liabilities is one of the most important aspects of risk management in life insurance. It ensures that benefits payable are covered and that core capital will always be available to absorb fluctuations in the value of assets and liabilities.

By using asset and liability management (ALM) to systematically get the right match of assets and liabilities, Swiss Life aims to make sure it can meet its commitments to policyholders at all times, while also adequately compensating shareholders for making risk capital available.

Based on the economic principles of risk management, the ALM process at Swiss Life defines the answers to the following four questions:

- How high is Swiss Life's risk capacity and its corresponding appetite for risk (risk budget)?
- How are the policyholders' funds and the company's free reserves to be invested (asset allocation)?
- What principles apply with regard to the distribution of the surplus generated on investments (distribution policy)?
- What guarantees and benefits are being promised to policyholders and what would be the ideal pricing (product design)?

Risk budget The risk capital available is determined by way of an economic valuation of the assets and liabilities, and is matched against the economic risk capital employed. The risk capital available to Swiss Life sets the parameters for its risk appetite. There are two types of limits in this regard:

- risk capital limits: These limits apply for the market risk capital, the interest-rate risk capital and the credit risk capital. The purpose of the capital set aside for interest-rate risks is to limit the interest-rate instability differential between assets and liabilities.
- exposure limits: These limits apply primarily to foreign currencies and on a net basis to equity positions.

Both types of limits set the parameters for the asset allocation. Risk budgeting is based on a purely economic perspective, and additional non-economic restrictions such as regulatory and accounting aspects are not taken into account. These are considered in the asset allocation process itself.

Asset allocation On the asset side the portfolio is managed in such a way that economic risk capital deployment is consistent with Swiss Life's risk appetite. To this end, cash flows up to a certain term to maturity are aligned with one another (cash-flow matching), while the durations of the other liabilities are aligned (duration matching).

The underlying principle behind this approach is to ensure that the assets (and the income they help generate) cover the contractual or statutory commitments towards policyholders at all times. Cash flows on either side of the balance sheet should match one another as closely as possible. Since the majority of the liabilities are long-term in nature, the ALM portfolio is mainly composed of interest-rate-sensitive instruments. In this way the economic impact of interest-rate fluctuations on the company is kept to a minimum, thus ensuring that policyholders receive the benefits they were promised.

Given that developments on the liabilities side can be dynamic, a static asset allocation approach is unsuitable. If the liabilities are split into a guaranteed segment and a non-guaranteed segment (bonus component), the guaranteed segment can be presented as the guaranteed minimum interest rate. Meanwhile the bonus is subject to change over the course of time, given that the amounts to be distributed are directly influenced by market developments (e.g. interest environment, stock markets). If the market interest rate increases, so too do policyholders' expectations with regard to the bonus payments they anticipate from Swiss Life.

Within the parameters of the risk capital and exposure limits, the remaining risk capital is then used for investments in higher-yielding assets for tactical reasons. The ensuing higher investment returns benefit policyholders in the form of bonuses and shareholders in the form of dividends and a boost to equity.

In addition to the purely economic considerations, there are other factors that have to be taken into account (regulatory requirements, funding ratio, solvency, local and international accounting standards, liquidity requirements, demands from the rating agencies), some of which may lead to results that conflict with the economic approach. For example, the economic approach is not consistent with the international accounting standards currently promulgated (International Financial Reporting Standards, IFRS). Under the current accounting treatment liabilities are not carried at fair value. Valuations are not adjusted following interest-rate movements, although the value of future commitments will obviously have changed. However, the focus on managing assets and liabilities according to economic criteria does make sense, this being highlighted by the fact that accounting standards are clearly moving in the direction of the fair-value valuation of liabilities. Moreover, the introduction of the Basel II solvency guidelines will see more attention being paid to economic principles given that the risk-adjusted approach is based on this perspective.

Swiss Life began to reduce its duration gap in 2003, and it continued its efforts in this regard during the year under review, narrowing the difference in interest-rate sensitivity between assets and liabilities and thus reducing its balance sheet risk. To this end, the duration of the bond portfolio was increased by 1.9 years in 2004, allowing for the difficulty of determining the duration for existing liabilities given the various uncertainties that surround the legal parameters for Group business in Switzerland (including the minimum interest rate and pension conversion rate).

Asset Allocation as of 31 December (insurance portfolio)

In CHF million	2004		2003	
Equity securities and equity funds	**8 443**	**6.3%**	7 780	6.0%
Alternative investments	**3 629**	**2.7%**	3 953	3.0%
Real estate	**11 232**	**8.4%**	10 837	8.4%
Mortgages	**6 929**	**5.2%**	10 298	8.0%
Loans	**6 412**	**4.8%**	7 555	5.8%
Debt securities	**88 847**	**66.3%**	79 506	61.6%
Cash and cash equivalents	**4 865**	**3.6%**	4 802	3.7%
Other investments	**3 701**	**2.7%**	4 575	3.5%
Total	**134 058**		129 306	
Net equity exposure	***5.0%***		*2.1%*	
Duration of debt securities	***8.9 years***		*7.0 years*	
Duration of loans originated by the enterprise	***3.7 years***		*3.3 years*	

Distribution policy The distribution policy at Swiss Life seeks to harmonise the interests of the different groups of stakeholders. For policyholders the accent is firmly on security: they want the safety of the minimum interest rate coupled with a regular and appropriate bonus. Meanwhile, shareholders place greater emphasis on returns commensurate with the level of risk: they are looking for a dividend or capital gain to adequately compensate them for the risks assumed. From the company's point of view, the focus is on sustainability: its business model has to remain successful in the long run, and a lasting balance must be found between the divergent interests of policyholders and shareholders. In this regard, ALM will be concentrating in the coming financial year on refining the long-term crediting policy and setting priorities for the distribution of income to the individual stakeholder groups. There are plans for drawing up guidelines on the annual allocation of bonuses, dividend policy, beefing up reserves and setting the relative priorities for these measures. Such guidelines have already been issued for certain business units.

The parameters for the long-term crediting policy have an impact on the modelling of liabilities and their valuations, which in turn affect risk management and ALM.

As regards the actual distributions, the dividend policies of the other market participants (insurers) also have to be taken into account, and a certain bandwidth of market expectation can be anticipated in this regard. Distributing more to policyholders does not automatically lead to the desired increase in business volume. However, if bonus payments were pitched below the average, this could lead to a clear drop in volume.

The actual crediting rates are determined on an annual basis, whereas the underlying principles are defined only once. To ensure a balance is maintained between the expectations of the policyholders and the shareholders, the Group's perspective is included in the decision-making process.

Product design Product design involves setting guarantees and benefits. The actuarial bases used for this purpose guarantee that each individual product will generate a sufficient contribution margin.

For new business, the product parameters are set in such a way that the costs, including capital costs, are covered and both the risk result and the net interest result will be positive. In addition, premium levels must either reflect the value of embedded options, such as policy surrender or waiver of premium, or eliminate these altogether. Alternatively, products can be designed in such a way that the costs associated with the exercise of such options are negligible.

To ensure these principles are observed, Group-wide guidelines on underwriting and reinsurance have been introduced to coordinate the local guidelines. In writing business, the responsibility no longer exclusively lies with the local business unit, and Head Office must instead also be involved in individual cases.

There must always be sufficient reserves to meet the contractual and regulatory requirements arising from existing business. Consequently, not only must the regulatory constraints be observed, but in-house estimates concerning specific types of risk must also be taken into consideration.

In 2004, ALM activities focused on honing the cost breakdown per product and on promoting risk products, such as life and disability insurance.

The product design principles are reviewed twice a year. The economic viability of new business is recorded quarterly, so that Swiss Life can adapt the conditions of sale for the individual products in line with ongoing changes.

Process management The ALM process is managed centrally. The Asset and Liability Management Committee (ALCO), composed of members of the Corporate Executive Board and presided over by the Chief Executive Officer (CEO), sets the parameters. The CEO is responsible for the Group-wide ALM process. At local level, the competent bodies implement the decisions reached at Group level in collaboration with the ALCO at their business unit. All the relevant functions are represented in the ALM process: risk management, investments, actuarial services, product management, distribution and finance.

The process is designed to add value with the support of these areas. In the case of investment decisions, the contractual (and non-contractual) obligations towards policyholders must be heeded. Products and their prices should be in line with the investment returns that can actually be achieved, so that the promises to policyholders can be fulfilled and the expectations of shareholders met. The approaches adopted by the competition must also be taken into account.

In 2004, Swiss Life implemented the ALM process as an integral component of corporate procedures at all business units. Information from the risk budgeting process now flows into the asset allocation. Once the asset allocation has been defined on the basis of these parameters and the bonuses for the policyholders have been set, the data is fully factored into the planning process.

Brought up with
5 siblings

Toured Europe with
7 friends

Stood at the stove
with 30 cooks

Ran the New York
Marathon with
30,000 athletes

Prepares 400 meals
with 8 colleagues
every day

Josef Huy, 54

Early riser, organiser, problem-solver, judge of character, motivator, bon vivant and head chef at Swiss Life. Founded the Swiss Life Sportclub in Munich, which now has over 200 members.

Commitment. Those who are dedicated to doing a job well can achieve outstanding results. That's why Swiss Life is committed to helping employees achieve their goals and actively motivates each and every one of them. The result: a commitment that extends beyond day-to-day business and spurs our staff to extraordinary achievements – like Josef Huy's excellent position at the New York Marathon.

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Consolidated Statement of Income

Consolidated statement of income for the years ended 31 December

In CHF million	Notes	2004	2003
Revenue			
Net earned premiums and policy fees	24	**15 262**	14 822
Net investment income	9, 40	**5 465**	5 546
Net realised and unrealised gains/losses on investments	9	**965**	334
Share of results of associates	16, 40	**3**	6
Net trading income	9	**237**	–50
Investment management, banking and other fee income	9	**448**	553
Other income	9	**–38**	–123
Total revenue		**22 342**	21 088
Benefits, losses and expenses			
Net benefits paid and changes in insurance reserves	9	**–15 741**	–15 726
Policyholder bonuses and participation in surplus		**–1 363**	–871
Interest credited to investment contracts, customer deposits and other funds on deposit	9	**–926**	–818
Interest on borrowings		**–193**	–177
Other interest expenses		**–64**	–59
Investment management and banking expenses	9	**–565**	–635
Insurance-underwriting and policy-acquisition costs	9	**–1 497**	–1 546
Other operating and administrative expenses	9	**–741**	–699
Amortisation of goodwill	19	**–243**	–80
Total benefits, losses and expenses		**–21 333**	–20 611
Net result before tax and minority interests		**1 009**	477
Income tax expenses	28	**–358**	–202
Net result before minority interests		**651**	275
Minority interests		**–27**	–42
Net result		**624**	233
Basic earnings per share (in CHF) *		**22.73**	9.68
Diluted earnings per share (in CHF) *	8	**20.50**	8.83

* Year-end 2003 figures adjusted to reflect the rights issue of June 2004

Consolidated Balance Sheet

Consolidated balance sheet as of 31 December

In CHF million	Notes	2004	2003
Assets			
Investments			
Held-to-maturity investments	10, 40	**6 339**	5 317
Available-for-sale investments	10, 40	**95 541**	88 906
Financial assets held for trading	11	**3 045**	3 024
Investment property	13	**11 514**	11 082
Loans originated by the enterprise	15	**20 771**	25 600
Investments in associates	16	**58**	64
Total investments		**137 268**	133 993
Cash and cash equivalents		**8 304**	6 250
Insurance and other receivables	29	**4 469**	4 715
Reinsurance assets	25	**1 229**	1 608
Deferred acquisition costs	17	**2 755**	2 793
Property and equipment	18	**1 237**	1 468
Goodwill and other intangible assets	19	**899**	1 071
Deferred tax assets	28	**553**	944
Other assets	30	**722**	978
Separate account (unit-linked) assets	20	**8 177**	8 658
Total assets		**165 613**	162 478

Consolidated balance sheet as of 31 December

In CHF million	Notes	2004	2003
Liabilities and equity			
Liabilities			
Financial liabilities held for trading	11	**1 165**	1 225
Investment contracts, customer deposits and other funds on deposit	21	**31 269**	29 352
Insurance reserves	22, 25	**104 166**	103 862
Borrowings	27	**6 149**	5 802
Deferred tax liabilities	28	**1 684**	1 825
Insurance and other payables	29	**4 248**	4 779
Provisions	35, 40	**193**	258
Other liabilities	30, 40	**1 639**	1 522
Separate account (unit-linked) liabilities		**8 192**	8 674
Total liabilities		**158 705**	157 299
Minority interests		**211**	215
Equity			
Share capital	31	**1 689**	1 252
Share premium		**2 425**	1 948
Treasury shares		**–38**	–21
Gains/losses recognised directly in equity, net	31	**931**	714
Foreign currency translation differences		**–117**	–117
Retained earnings		**1 807**	1 188
Total equity		**6 697**	4 964
Total liabilities and equity		**165 613**	162 478

Consolidated Statement of Cash Flow

Consolidated statement of cash flow for the years ended 31 December

In CHF million	Notes	2004	2003
Cash flow from operating activities			
Net result before tax and minority interests		**1 009**	477
Adjustments			
Net realised and unrealised gains/losses		**–3 384**	–1 402
Depreciation and amortisation		**728**	708
Net impairment losses		**280**	655
Net income from investments in associates	16	**–2**	–5
Interest credited to investment contracts, customer deposits and other funds on deposit, net of fee income		**919**	974
Expenses for equity compensation plans		**6**	4
Other, net		**1 150**	–267
Changes in operating assets and liabilities			
Financial assets and liabilities held for trading		**–1 485**	144
Acquisition costs deferred	17	**–612**	–569
Reinsurance assets		**381**	–15
Insurance reserves		**453**	961
Net changes in other operating assets and liabilities		**2 565**	695
Cash flow from operating activities		**2 008**	2 360
Income taxes paid		**–72**	–18
Total net cash flow from operating activities		**1 936**	2 342
Cash flow from investing activities			
Purchases of held-to-maturity investments		**–1 694**	–1 219
Purchases of available-for-sale investments		**–48 894**	–42 368
Sales of held-to-maturity investments		**5**	–
Sales of available-for-sale investments		**40 548**	35 260
Redemptions of held-to-maturity investments		**620**	604
Redemptions of available-for-sale investments		**2 973**	2 146
Purchases of investment property		**–329**	–326
Sales of investment property		**125**	256
Origination of loans		**–21 760**	–33 320
Redemptions of loans		**23 576**	39 264
Sales of loans		**2 284**	–
Purchases of investments in associates		**0**	–1
Sales of investments in associates		**0**	142
Purchases of property and equipment		**–137**	–102
Sales of property and equipment		**24**	15
Acquisitions of minority interests	1	**–9**	–296
Acquisitions of subsidiaries, net of cash and cash equivalents	5	**–28**	–13
Disposals of subsidiaries, net of cash and cash equivalents	5	**–142**	–104
Total net cash flow from investing activities		**–2 838**	–62
Balance carried forward to next page		**–902**	2 280

Consolidated statement of cash flow for the years ended 31 December

In CHF million	Notes	2004	2003
Balance carried forward from previous page		**–902**	2 280
Cash flow from financing activities			
Deposits under investment contracts, other policyholder funds and reinsurance contracts		**5 168**	3 282
Withdrawals under investment contracts, other policyholder funds and reinsurance contracts		**–3 708**	–2 699
Deposits under financial reinsurance contracts that do not transfer risk		**1**	0
Withdrawals under financial reinsurance contracts that do not transfer risk		**–5**	–6
Net change in demand deposits, savings deposits and time deposits		**–291**	–929
Issuance of convertible debt	27	**310**	–
Issuance of guaranteed bonds	27	**454**	–
Issuance of other debt instruments		**692**	714
Redemption and reacquisition of debt instruments		**–447**	–1 065
Issuance of shares		**800**	–
Issuance of mandatory convertible securities		**–**	323
Sales of own subscription rights on own shares		**61**	–
Purchases of treasury shares		**–262**	–172
Sales of treasury shares		**235**	175
Contributions from minority interests		**6**	6
Dividends paid to shareholders and minority interests		**–11**	–4
Total net cash flow from financing activities		**3 003**	–375
Effect of exchange rate differences on cash and cash equivalents		**–47**	128
Total change in cash and cash equivalents		**2 054**	2 033
Cash and cash equivalents as of 1 January		**6 250**	4 217
Total change in cash and cash equivalents		**2 054**	2 033
Cash and cash equivalents as of 31 December		**8 304**	6 250
Supplemental disclosures on cash flow from operating activities			
Interest received		**4 502**	4 427
Dividends received		**372**	499
Interest paid		**234**	220
Non-cash financing and investing activities			
Conversion of debt to equity		**0**	–
Change in gains/losses recognised directly in equity, net		**217**	177
Acquisitions of assets through finance leases		**0**	1

Consolidated Statement of Changes in Equity

Consolidated statement of changes in equity for the years ended 31 December

In CHF million (except for per share data)	Notes	2004 Number of shares	2003 Number of shares	2004 Total recognised gains and losses	2003 Total recognised gains and losses	2004 Cumulative change in equity	2003 Cumulative change in equity
Share capital	31						
Balance as of 1 January		**25 034 041**	23 447 943			**1 252**	1 172
Issuance of shares		**8 344 680**	–			**417**	–
Issuance of mandatory convertible securities (MCS)		**–**	1 586 098			**–**	80
Issuance of MCS (adjustment)		**397 078**	–			**20**	–
Conversion of convertible debt		**19**	–			**0**	–
Balance as of 31 December		**33 775 818**	25 034 041			**1 689**	1 252
Share premium	31						
Balance as of 1 January						**1 948**	1 716
Issuance of shares						**417**	–
Issuance of MCS						**–**	258
Issuance of MCS (adjustment)						**–20**	–
Conversion of convertible debt						**0**	–
Equity compensation benefits						**6**	4
Convertible debt, equity element	27					**57**	–
Gains/losses on sales of treasury shares						**–9**	–12
Sales of own subscription rights on own shares						**61**	–
Equity transaction costs (capital increase), net of taxes						**–34**	–
Equity transaction costs (convertible debt), net of taxes						**–1**	–18
Balance as of 31 December						**2 425**	1 948
Treasury shares	31						
Balance as of 1 January		**3 475 062**	1 892 614			**–21**	–36
Issuance of shares in form of MCS		**–**	1 586 098			**–**	–
Issuance of shares in form of MCS (adjustment)		**397 078**	–			**–**	–
Conversion of MCS		**–1 773 706**	–			**–**	–
Purchases of treasury shares		**1 506 662**	1 365 921			**–262**	–172
Sales of treasury shares		**–1 368 037**	–1 369 571			**245**	187
Balance as of 31 December		**2 237 059**	3 475 062			**–38**	–21
Balance carried forward to next page		**31 538 759**	21 558 979			**4 076**	3 179

Consolidated statement of changes in equity for the years ended 31 December

In CHF million (except for per share data)	Notes	2004 Number of shares	2003 Number of shares	2004 Total recognised gains and losses	2003 Total recognised gains and losses	2004 Cumulative change in equity	2003 Cumulative change in equity
Balance carried forward from previous page		**31 538 759**	21 558 979			**4 076**	3 179
Gains/losses recognised directly in equity, net	31						
Balance as of 1 January						**714**	537
Change in net unrealised gains/losses				**217**	177	**217**	177
Balance as of 31 December						**931**	714
Foreign currency translation differences	31						
Balance as of 1 January						**–117**	–174
Change for the period				**0**	57	**0**	57
Balance as of 31 December						**–117**	–117
Retained earnings	31						
Balance as of 1 January						**1 188**	955
Change in accounting policy	41					**–5**	–
Balance as of 1 January adjusted						**1 183**	955
Net result				**624**	233	**624**	233
Dividend to shareholders						**–**	–
Dividend to MCS holders						**–**	–
Balance as of 31 December						**1 807**	1 188
Total equity		**31 538 759**	21 558 979	**841**	467	**6 697**	4 964

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1 General Information

The Swiss Life Group is a multinational insurance and financial services group registered in Zurich, Switzerland. Swiss Life is a diversified organisation offering a wide range of services in areas such as insurance, investment management, risk management and banking. Swiss Life is a large life and pension insurer in Switzerland and has operations in various European countries through branch offices, subsidiaries and affiliates. The Group also provides individualised investment forms of employee benefit plans for large clients and offers solutions in long-term savings and protection. The Group offers a broad line of life, pension, annuity, accident and health and investment-type products to both individuals and groups and delivers additional banking services through its banking subsidiaries.

The following events had an influence on the period under review:

Capital increase On 2 June 2004, Swiss Life Holding issued 8 344 680 Swiss Life Holding (SLH) registered shares with a nominal value of CHF 50 each. The subscription price was CHF 100 per share. The gross proceeds of the rights offering amounted to CHF 834 million.

Additionally, 397 078 new SLH shares with a nominal value of CHF 50 each were created by reducing the conditional share capital. These shares adjust the (minimum) number of shares convertible under the mandatory convertible securities (MCS) issues (MCS I, 2002–2005, and MCS II, 2003–2004).

Convertible bond offering On 10 June 2004, Swiss Life Holding issued CHF 317 million in 0.625% Convertible Bonds 2004–2010 convertible into SLH registered shares. The conversion price was set at CHF 209.625.

In 2004, convertible bonds were converted into 19 SLH shares with a corresponding increase of share capital and share premium.

Acquisition of minority interests During 2004, Swiss Life Holding acquired an additional 15 216 Swiss Life/Rentenanstalt shares. The equity stake held by Swiss Life Holding in Swiss Life/Rentenanstalt shares therefore increased from 99.7% to 99.8% as of 31 December 2004.

Statutory distribution ratio (“legal quote”) The Swiss Federal Council introduced a new model in the Swiss group business (second pillar) for the participation of policyholders (statutory distribution ratio) on 1 April 2004 with retroactive effect from 1 January 2004. The calculation of the participation is based on the statutory accounts and the impact of this new regulation on equity is shown in note 41.

Dividends No dividend in respect of 2003 was paid in the period under review.

On 4 April 2005, the Board of Directors approved the annual financial statements and the financial report and authorised them for issue. The financial report therefore only reflects events up to this date.

The General Meeting of Shareholders of Swiss Life Holding has the power to amend the financial statements after issue.

2 Summary of Significant Accounting Policies

The consolidated financial statements of Swiss Life have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The consolidated financial statements are prepared under the historical cost convention as modified by recording available-for-sale investments, investment property and financial assets and liabilities held for trading at fair values.

Currently, IFRS has no insurance industry guidelines for the technical areas. Swiss Life has generally based the accounting for the insurance (technical) areas on the requirements of the Generally Accepted Accounting Principles in the United States (US GAAP).

Consolidation principles

The Group's consolidated financial statements include the assets, liabilities, revenues and expenses of Swiss Life Holding and its subsidiaries. A subsidiary is an entity in which Swiss Life Holding owns directly or indirectly more than 50% of the voting rights, or in which it otherwise has the power to exercise control over operations. Subsidiaries are consolidated from the date on which effective control is transferred. All intercompany balances, transactions and unrealised gains and losses on transactions have been eliminated. A listing of the Group's principal subsidiaries is set out in note 44. The financial effect of acquisitions and disposals of subsidiaries is shown in note 5. Associates, partnerships and certain joint ventures for which the Group has between 20% and 50% of the voting rights and/or exercises significant influence are accounted for using the equity method. The Group's share of net income for the year is recognised as investment income and the ownership interest in the investment is recorded in the balance sheet at an amount that reflects its share of the net assets and includes goodwill on the acquisition. A listing of the Group's principal associates, partnerships and joint ventures is shown in note 44.

Foreign currency translation and transactions

The reporting currency of the Group is the Swiss franc (CHF).

Foreign currency exchange rates

	31.12.2004	31.12.2003
1 EUR	**1.5430**	1.5580
1 GBP	**2.1820**	2.2010
1 USD	**1.1310**	1.2360

Average	**Jan.–Dec. 2004**	Jan.–Dec. 2003
1 EUR	**1.5438**	1.5211
1 GBP	**2.2762**	2.1982
1 USD	**1.2429**	1.3452

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates.

Foreign currency translation On consolidation, assets and liabilities of Group companies denominated in foreign currencies are translated into Swiss francs at year-end exchange rates. Income and expense items are translated into Swiss francs at the annual average exchange rate. Goodwill is translated at historical exchange rates. The resulting translation differences are recorded directly in equity as cumulative translation adjustments. On disposal of foreign entities, such translation differences are recognised in income as part of the profit or loss on the sale.

Foreign currency transactions For individual Group entities, foreign currency transactions are accounted for using the approximate exchange rate at the date of the transaction. Outstanding balances in foreign currencies at year-end arising from foreign currency transactions are translated at year-end exchange rates for monetary items while historical rates are used for non-monetary items. Those non-monetary items in foreign currencies recorded at fair values are translated at the exchange rate on the revaluation date.

2 Summary of Significant Accounting Policies (continued)

Insurance operations

Insurance income and related expenses Premiums from traditional life insurance contracts are recognised when due from the policyholder. Reserves are established in order to recognise future benefits and expenses. Amounts collected as premiums from investment-type contracts such as universal life and unit-linked contracts are reported as deposits. Only those parts of the premiums used to cover the insured risks and associated costs are treated as premium income. These include fees for the cost of insurance, administrative charges and surrender charges. Benefits recognised under expenses include claims for benefits incurred in the period under review that exceed the related deposits under policyholder contracts and interest that is credited to the appropriate insurance policy accounts.

For contracts with a short duration, premiums are recorded as written upon inception of the contract and are earned primarily on a pro-rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage.

Deferred acquisition costs Costs that vary with and are directly related to the acquisition of new and renewed insurance contracts including commissions, underwriting costs, agency and policy issue expenses are deferred. Deferred acquisition costs (DAC) are periodically reviewed to ensure that they are recoverable from future revenues.

For participating life insurance contracts, where the contribution principle applies to the allocation of the policyholder bonus, the deferred acquisition costs are amortised over the life of the contract based on the present value of the estimated gross margin amounts which are expected to be realised. Expected gross margins include expected premiums and investment results less expected benefit claims and administrative expenses, anticipated changes to future life policyholder benefits and expected annual policyholder bonuses.

Deferred acquisition costs for other traditional life insurance contracts and annuities with life contingencies are amortised in proportion to the expected premiums.

Deferred acquisition costs for investment-type contracts such as universal life and unit-linked contracts are amortised over the life of the contract based on the present value of the estimated gross profits expected to be realised. The estimated gross profits consist of margins available from mortality charges and contract-administration costs, investment earnings spreads, surrender charges and other expected assessments and credits.

Assumptions used to estimate the future value of expected gross margins and profits are evaluated regularly and adjusted if estimates change. Deviations of actual results from estimated experience are reflected in income.

The effect on the DAC assets that would result from the realisation of unrealised gains or losses on investments is recognised through an offset to unrealised gains or losses in equity at the balance sheet date.

For short-duration contracts acquisition costs are amortised over the period in which the related premiums written are earned, in proportion to premium revenue.

Future life policy benefit liabilities, policyholder contract deposits and loss reserves For participating life insurance contracts, where the contribution principle applies to the allocation of the policyholder bonus, future life policy benefit liabilities are determined by using the net-level-premium method on the basis of appropriate mortality and interest assumptions. In most instances a liability for terminal bonuses is accrued in the liability for future policy benefits, in proportion to the estimated gross margins.

Future life policy benefit liabilities for other traditional life insurance contracts are calculated using the net-level-premium method based on actuarial assumptions as to mortality, persistency, expenses and investment return, including a margin for adverse deviation. These assumptions are based on figures at the time the policy is issued.

If the actual results indicate that the accumulated liabilities together with anticipated future revenues are not adequate to meet future obligations and to recover the unamortised DAC, the loss is recognised immediately, either by a reduction of the unamortised DAC or through an increase in reserves for future life policy benefits.

Liabilities for policyholder investment contracts and universal life contracts are not calculated actuarially; they move in line with premiums paid by the policyholders

2 Summary of Significant Accounting Policies (continued)

plus interest credited less expenses and mortality charges and withdrawals.

Reserves for unpaid losses and loss adjustment expenses are for future payment obligations under insurance claims, where normally either the amount of benefits to be paid or the date when payments must be made is not yet fixed. They include claims reported at the balance sheet date, claims incurred but not yet reported and claim settlement expenses. Reserves for unpaid losses and loss adjustment expenses are calculated at the estimated amount considered necessary to settle future claims in full, using actuarial methods. These methods are continually reviewed and updated. Claim reserves are not discounted except for claims with determinable and fixed payment terms.

Policyholder bonuses Policyholder bonus liabilities are recognised in accordance with legal or contractual requirements. Policyholder bonuses are mostly based on the agreed insured amounts and on the statutory net income. For IFRS adjustments, which impact either the result or the gains/losses recognised directly in equity, net, an additional deferred bonus liability is accrued. In countries without legal or contractual requirements there are typically consistent patterns of profit sharing driven by market practice and policyholder expectations. However, these amounts are not accrued until ratified by management.

For investment-type products bonuses are only accrued on deposits under policyholder accounts if the policyholders are entitled to receive those bonuses upon surrender at the balance sheet date.

Separate account and unit-linked assets and liabilities
These contracts represent life insurance contracts whose risk is borne according to their specific investment objectives by the policyholders. Investment income and both realised and unrealised gains and losses accrue directly to the policyholder. The assets of each account are segregated and are not subject to liabilities that arise out of any other business of the company. The assets and liabilities are carried at fair value. Deposits, withdrawals, net investment income and realised and unrealised capital gains and losses on such assets are not reflected in the consolidated statement of income or equity. The cost of insurance, administrative charges and surrender charges are included in policy fee income.

Investment management
Revenue consists principally of investment management fees, commission revenue from distribution and sale of investment fund units and custody account fees. Such revenue is recognised when earned.

Commissions and certain operating expenses related to the sale of certain investment funds have been deferred. These costs are charged to income in relation to revenues earned on these investment funds. Certain front-end fees charged to unitholders have been deferred and amortised in proportion to the related expenses which have also been deferred. The Group periodically reviews and updates its assumptions made in determining projected revenues, with amortisation periods being adjusted as necessary.

Reinsurance
The Group assumes and/or cedes insurance in the normal course of business. Reinsurance assets principally include receivables due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts recoverable or due under reinsurance contracts are recognised in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contract. Reinsurance is presented on the consolidated balance sheet on a gross basis unless a right and the intention to offset exist.

Reinsurance contracts that do not transfer insurance risk are accounted for as financial reinsurance and are included in reinsurance assets or liabilities. A deposit asset or liability is recognised based on the consideration paid or received, less any explicitly identified premiums or fees to be retained by the reinsured. These contracts are primarily accounted for using the effective interest method with future cash flows being estimated to calculate the effective interest rate.

Financial assets
Financial assets which the Group has the ability and positive intent to hold to maturity (HTM) are carried at amortised cost. Financial instruments which the Group buys with the intention to resell in the near term are classified as held for trading and carried at fair value. Realised and unrealised gains and losses are recognised in net trading income. Financial assets classified as available-for-sale (AFS) are carried at fair value. Gains and losses arising from fair value changes of available-for-sale investments are reported in equity, net of certain policyholder bonuses and other policyholder liabilities and deferred

2 Summary of Significant Accounting Policies (continued)

acquisition costs, deferred income taxes and minority interests. On disposal of an AFS investment, the cumulative gain or loss is transferred from equity to profit or loss for the period. Gains and losses on disposal are determined using the average cost method.

"Regular way" purchases and sales of financial assets are recorded on the trade date, net of transaction costs. The amortisation of premiums and discounts on investments is computed using the effective interest method and is recognised in income as an adjustment of yield. Dividends are recorded as revenue on the ex-dividend date. Interest income is recognised on an accrual basis.

Loans originated by the enterprise are carried at amortised cost using the effective interest rate method. The computation includes all fees and points paid or received. Loans with indefinite maturities are carried at unpaid principal amounts or cost.

Sales or purchases of securities under agreements to repurchase or resell and under lending agreements are accounted for as collateralised borrowings or loans and carried at the contracted resale or repurchase amount, plus accrued interest. Interest paid or received is recognised in income over the life of each agreement.

Investment property

Investment property consists of investments in residential, commercial and mixed-use properties primarily located within Switzerland. Property held for investment purposes includes both land and buildings.

Investment property is property held to earn rentals or for capital appreciation or both.

Property held for sale in the ordinary course of business is reported under other assets.

Investment property is carried at fair value and changes in fair values are recognised in income. Fair values are determined either on the basis of periodic independent valuations (at least every three years) or annually by using discounted cash flow projections. Rental income is recognised on a straight-line basis over the lease term.

Derivatives and risk management activities

The Group enters into forward foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options and other derivative financial instruments for hedging risk exposures or for trading purposes. To manage the risks associated with derivatives trading, the Group establishes risk levels and monitors these exposures. Exposure to price risk on both derivatives and their underlyings is managed in accordance with risk limits set by management for buying or selling instruments or closing out positions. The Group restricts its exposure to credit risk by entering into derivative contracts with counterparties that have at least an A credit rating and by entering into master netting agreements. The notional amounts or contract volumes of derivatives, which are used to express the volume of instruments outstanding and to provide a basis for comparison with other financial instruments, do not represent the amounts that are effectively exchanged by the parties and, therefore, do not measure the Group's exposure to credit risk. The amounts exchanged are calculated on the basis of the notional amounts or contract volumes and other terms of the derivatives that relate to interest or exchange rates, securities prices and the volatility of these rates and prices.

All derivative financial instruments are carried in the balance sheet at fair value as assets when favourable to the Group and liabilities when unfavourable. Realised and unrealised gains and losses on derivatives held for trading are recognised in income immediately.

Derivatives and other financial instruments are also used to hedge or modify exposures to interest rate, foreign currency and other risks if certain criteria are met. Such financial instruments are designated to offset changes in the fair value of an asset or liability (fair value hedge), or changes in future cash flows of an asset, liability, firm commitment, or forecasted transaction (cash flow hedge).

In a qualifying fair value hedge, the change in fair value of a hedging derivative is recognised in income. The change in fair value of the hedged item attributable to the hedged risk adjusts the carrying value of the hedged item and is also recognised in income.

In a qualifying cash flow hedge, the effective portion of the gain or loss on the hedging derivative is recognised directly

2 Summary of Significant Accounting Policies (continued)

in equity. When the firm commitment or forecasted transaction results in the recognition of an asset or liability, the gain or loss is removed from equity and included in the carrying amount of the asset or liability. Otherwise, the gain or loss is recognised in income in the period during which the hedged item affects income. Any ineffective portion of the gain or loss is recognised in the income statement immediately. When a hedge relationship is no longer effective, expires or is terminated, hedge accounting is discontinued from that point on.

Cash and cash equivalents

Cash amounts represent cash on hand and demand deposits. Cash equivalents are primarily short-term highly liquid investments with a maturity of 90 days or less from the date of acquisition.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is principally calculated using the straight-line method over the asset's estimated useful life as follows: buildings 25 to 50 years; furniture and fixtures 5 to 10 years; computer hardware and software 3 to 5 years. Maintenance and repair costs are charged to income as incurred. Expenditures that enhance or extend the economic benefit of property and equipment are capitalised and depreciated. Realised gains and losses on disposals are determined by reference to the carrying amount. Borrowing costs directly attributable to the construction or acquisition of a qualifying asset are capitalised as part of the cost of that asset.

The Group primarily enters into operating leases for the rental of equipment. Payments made under such leases are generally charged to income on a straight-line basis over the period of the lease.

If the lease agreement transfers the risks and rewards of the asset, the lease is recorded as a finance lease and the related asset is capitalised. At inception, the asset is recognised at the lower of the present value of the minimum lease payments or fair value and is depreciated over its estimated useful life. The corresponding finance lease obligation is recorded as a liability.

Goodwill and other intangible assets

The Group's acquisitions of other companies are accounted for under the purchase method, whereby the purchase price is allocated to the fair value of assets and liabilities acquired at the date of acquisition, with any residual amount allocated to goodwill. Goodwill acquired prior to 1995 was charged directly to equity.

The accounting policies for goodwill and intangible assets relating to business combinations for which the agreement date is before 31 March 2004 are as follows:

Goodwill is amortised using the straight-line method over its estimated useful life, normally up to a maximum of 20 years. In determining the useful life, the Group considers the expected pattern of benefits to be received from the acquired company which is based on factors such as the type of business, the duration of the underlying insurance contracts, client relationships and distribution networks. The useful life of goodwill is reviewed annually and written down for impairment where necessary.

Goodwill is recorded net of negative goodwill. Negative goodwill is amortised into income over the remaining average useful life of the non-monetary assets acquired, which normally ranges from 1 to 10 years. Negative goodwill in excess of the fair value of non-monetary assets acquired is recognised as income immediately.

The present value of future profits from acquired insurance contracts is recognised as an intangible asset and amortised over the premium or gross profit recognition period of the insurance contracts acquired, which generally ranges from 20 to 30 years.

Other intangible assets primarily consist of trademarks and brand names and are amortised over their useful lives, generally 20 years, using the straight-line method.

The accounting policies for goodwill and intangible assets relating to business combinations for which the agreement date is on or after 31 March 2004 are as follows:

The allocation of the cost of a business combination includes the separate recognition of the liabilities for terminating or reducing the activities of the acquiree and contingent liabilities of the acquiree. Intangible assets of the acquiree which can be identified separately and for which the fair value can be measured reliably are separately recognised as part of allocating the cost of a combination.

2 Summary of Significant Accounting Policies (continued)

Goodwill acquired in a business combination is measured after initial recognition at cost less any accumulated impairment losses. Goodwill is not amortised but tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Negative goodwill is recognised immediately in profit or loss.

Impairment of assets

The Group reviews the carrying value of assets regularly for indications of impairment.

A financial asset is impaired if its carrying amount is greater than the recoverable amount. Depending on the type of financial asset the recoverable amount is estimated as follows: present value of expected future cash flows discounted at the instrument's original effective interest rate or current market rate; the fair value using an observable market price; or an amount based on the fair value of any collateral. Debt instruments carried at amortised cost are considered impaired if it is probable that the Group will not be able to collect all amounts due according to the contractual terms. Equity instruments are considered impaired if the fair value remains substantially below cost for a prolonged period, or objective evidence indicates that costs may not be recovered. As a Group policy, available-for-sale equity securities are reviewed for impairment when the market value has remained 20% or more below cost for the previous 12 months.

For non-financial assets the recoverable amount is measured as the higher of net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, willing parties, after deducting any direct disposal costs. "Value in use" is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

When an impairment loss has been incurred, the carrying amount of the asset is reduced to its recoverable amount, and the amount of the loss is recognised in the income statement. When an available-for-sale financial asset is impaired, the unrealised loss previously included in equity is removed from equity and recognised in the income statement. This includes any portion attributable to foreign currency changes in the case of non-monetary assets.

In respect of financial assets, an impairment loss is reversed if the subsequent increase in recoverable amount can be objectively related to an event occurring after the impairment was recognised. In respect of non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

Impairment losses and reversals of impairment losses on investments are recognised in income as part of realised and unrealised gains and losses on investments. Impairment losses and reversals of impairment losses on goodwill are recognised as part of the amortisation of goodwill. Impairment losses and reversals on other assets are recognised in operating expenses.

The accounting policies for the impairment of goodwill relating to business combinations for which the agreement date is before 31 March 2004 are as follows:

Goodwill is tested for impairment when there are indications of impairment. For the purposes of impairment testing, the recoverable amount of the cash-generating unit the goodwill belongs to is compared to the carrying amount of the respective cash-generating unit. An impairment loss on goodwill is reversed in a subsequent period if it was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent events have ocurred that reverse the effect of that event.

The accounting policies for the impairment of goodwill relating to business combinations for which the agreement date is on or after 31 March 2004 are as follows:

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is allocated to the cash-generating unit or groups of cash-generating units that are expected to benefit from the synergies of the business combination. A cash-generating unit to which goodwill has been allocated is tested for impairment by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

2 Summary of Significant Accounting Policies (continued)

Income taxes

Current and deferred income taxes are recognised in income except when they relate to items recognised directly in equity. Income taxes are calculated using the tax rates enacted or substantively enacted as of the balance sheet date.

Deferred income taxes are recognised for all temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the tax bases of these assets and liabilities, using the liability method. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be used. For unused tax losses a deferred tax asset is recognised to the extent that it is probable that these losses can be offset against future taxable profits.

A deferred tax liability is recognised for taxable temporary differences relating to investments in subsidiaries, branches and associates and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Earnings per share

Basic earnings per share are calculated by dividing net income available to shareholders by the weighted average number of shares in issue during the reporting period, excluding the average number of shares purchased by the Group and held as treasury shares.

For the diluted earnings per share the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential shares, such as convertible debt and share options issued. Potential or contingent share issuance is treated as dilutive when conversion to shares would decrease earnings per share.

Employee benefits

The Swiss Life Group provides post-employment benefits under two types of arrangement: defined benefit plans and defined contribution plans. The assets of these plans are generally held separately from the Group's general assets in trustee-administered funds. Defined benefit plan contributions are calculated based upon regulatory requirements and/or plan terms. The Group's defined benefit obligations and the related service costs are determined at each balance sheet date by a qualified actuary, using the Projected Unit Credit Method.

Unrecognised actuarial gains and losses which exceed 10% of the greater of the present value of the defined benefit obligations and the fair value of plan assets at the end of the previous reporting period are recognised in income over the expected average remaining working lives of the employees participating in the plans.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations, reduced by the fair value of plan assets and adjusted for unrecognised actuarial gains and losses and unrecognised past service costs. The recognition of a resulting asset is limited to the total of any cumulative unrecognised net actuarial losses and past service costs or the present value of any future refunds from the plans or reductions in future contributions to the plans, if lower.

Some Group companies provide healthcare benefits to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to the retirement age and the completion of a minimum service period. The expected costs of these benefits are accounted for in the same manner as for defined benefit plans.

The Group's contributions to the defined contribution plans are charged to income in the reporting period to which they relate.

The Group recognises share-based payments based on the difference between the fair value of the shares at the grant date and the exercise price or the intrinsic value of the share option at the grant date for share option plans. All other employee benefit expenses are accrued or recognised when the related service has been rendered.

Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

2 Summary of Significant Accounting Policies (continued)

Debt instruments with embedded conversion options on shares of the Group are bifurcated into a debt and an equity component. The difference between the proceeds and fair value of the debt at issuance is recorded in equity. The fair value of the debt is determined using a market interest rate for similar instruments with no conversion rights. The Group does not recognise any change in the value of these options in subsequent reporting periods.

Treasury shares

Treasury shares are presented in the consolidated balance sheet as a deduction from equity and are recorded at cost. The difference between the purchase price and the sales proceeds is included in share premium.

Provisions and contingent liabilities

Provisions are liabilities with uncertainties as to the amount or timing of payments. Provisions are recognised if there is a present obligation that probably requires an outflow of resources and a reliable estimate can be made at the balance sheet date. Contingent liabilities are disclosed in the Notes if there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

Fair value of financial instruments

The fair value of financial instruments is determined based on quoted market prices, where available, or on estimates using present values or other valuation techniques. These techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is either based on estimates obtained from independent experts or quoted market prices of comparable instruments. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, could not be realised immediately.

The principal methods and assumptions used by the Group in estimating the fair value of the following financial instruments are:

- Fair values for debt and equity securities are generally based upon quoted market prices.
- Fair values for derivative financial instruments are obtained from quoted market prices and/or discounted cash flow models as appropriate.
- The fair value of loans is estimated using discounted cash flows based upon the Group's current lending rates for similar loans. For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values equal the carrying values.
- The majority of the private equity investments are classified as available-for-sale. Investments are normally valued at market if the market value represents the fair value. If no market value is available, fair value is estimated using various methods, such as discounted cash flow analysis or reference to recent comparable transactions.
- The fair value of other investments is generally based on quoted market prices.
- The fair value of financial reinsurance assets and liabilities is estimated using discounted cash flow calculations.
- Policyholder investment contracts and other funds on deposit are estimated using discounted cash flow calculations based upon interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. The fair values of demand or savings deposits are equal to the amount payable on demand or the carrying amount. The carrying amounts of variable-rate deposits approximate their fair values at the reporting date.
- Borrowings are estimated using discounted cash flow calculations based upon the Group's current borrowing rates for similar borrowings with remaining maturities consistent with the debt being valued.
- The carrying amount of accrued interest and other financial liabilities approximates their fair value.

Offsetting

Financial assets and liabilities are offset with the net amount being reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3 Effect of Changes in Accounting Policies

The Accounting Standards Executive Committee (AcSEC) issued a Statement of Position (SOP) 03-1 "Accounting and Reporting by Insurance Enterprises for Certain Non-Traditional Long-Duration Contracts and for Separate Accounts" in July 2003. The adoption of this new pronouncement resulted in additional reserves for universal life contracts and additional reserves for annuitisation options totalling CHF 54 million in France and the United Kingdom. The net impact (net of policyholder bonuses and taxes) on the opening balance of retained earnings as of 1 January 2004 was a decrease of CHF 5 million. The impact of the adoption of this new pronouncement is shown in note 41.

IFRS 3 Business Combinations applies to the accounting for business combinations for which the agreement date is on or after 31 March 2004. IFRS 3 applies to goodwill or any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination arising from business combinations for which the agreement date is on or after 31 March 2004. The Swiss Life Group has applied IFRS 3 to business combinations for which the agreement date is on or after 31 March 2004 in accordance with the transitional provisions and will adopt the remaining requirements of IFRS 3 as of 1 January 2005. The main changes from IAS 22 are as follows:

- All business combinations within the scope of the standard must be accounted for using the purchase method. IAS 22 permitted business combinations to be accounted for using the pooling of interests method for combinations classified as unitings of interests and the purchase method for combinations classified as acquisitions.
- As part of allocating the cost of a business combination, the IFRS requires separate recognition of liabilities for terminating or reducing the activities of the acquiree and separate recognition of contingent liabilities of the acquiree.
- The standard clarifies the criteria for separately recognising intangible assets of the acquiree as part of allocating the cost of a combination.
- Goodwill acquired in a business combination must be measured after initial recognition at cost less any accumulated impairment losses. Therefore, the goodwill is not amortised and instead must be tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.
- Negative goodwill is recognised immediately in profit or loss.

The IASB also developed IAS 36 (revised) Impairment of Assets and IAS 38 (revised) Intangible Assets which specify the subsequent accounting for goodwill and intangible assets acquired in business combinations.

The accounting policies for goodwill and intangible assets are described in note 2.

4 Other Forthcoming Changes in Accounting Policies

IFRS 4 Insurance Contracts IFRS 4 Insurance Contracts applies to insurance contracts (including reinsurance contracts). The standard provides for limited improvements to the accounting for insurance contracts and requires an insurer to disclose information about such contracts. The main changes resulting from the adoption of this standard as of 1 January 2005 are as follows:

- Certain contracts that do not meet the definition of an insurance contract contained in IFRS 4, together with investment contracts without discretionary participation features, will be accounted for as financial instruments in accordance with IAS 39 Financial Instruments (revised): Recognition and Measurement.
- Rights arising from discretionary participation features in insurance contracts and financial instruments will be presented separately as liabilities and/or equity.

For items not specifically addressed by this IFRS, the Swiss Life Group will continue to apply its current accounting policies for the recognition and measurement of insurance contracts.

IAS 39 (revised) Financial Instruments: Recognition and Measurement IAS 39 (revised) Financial Instruments: Recognition and Measurement was issued by the IASB to provide additional guidance on the accounting for financial instruments. This standard will be applied by the Swiss Life Group as of 1 January 2005. The most significant changes are as follows:

- The standard permits an entity to designate any financial asset or financial liability on initial recognition as one to be measured at fair value, with changes in fair value recognised in profit or loss (fair value option).
- Additional guidance is provided on the derecognition of financial assets. The standard clarifies that the evaluation of the transfer of risks and rewards of ownership precedes the evaluation of the transfer of control for all derecognition transactions.
- The standard provides additional guidance about how to determine fair values using fair value techniques.
- With regard to impairment of financial assets clarification is given that an impairment loss is recognised only when it has been incurred. It also provides additional guidance on what events provide objective evidence of impairment for investments in equity instruments. An impairment loss on available-for-sale equity instruments cannot be reversed through profit or loss. Any subsequent increase in fair value is recognised in equity.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations IFRS 5 Non-current Assets Held for Sale and Discontinued Operations applies to the classification, measurement and presentation of non-current assets held for sale and disposal groups – i.e. a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. The standard specifies that assets or disposal groups that are classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell. IFRS 5 is being adopted by the Swiss Life Group as of 1 January 2005.

The financial effects of these new accounting pronouncements are in the process of being quantified.

5 Significant Acquisitions and Disposals of Subsidiaries

In December 2004, the Swiss Life Group sold its UK life business. The life insurance business in the UK was reported within the Life, Non-Core segment. The sales price amounted to CHF 401 million. The cash-related part thereof amounted to CHF 279 million and was received in March 2005. The realised loss on the sale amounted to CHF 125 million and was fully recognised in 2004. The guarantees related to this transaction are described in note 36. The UK life business contributed CHF 58 million in net income to the Group result for the period from 1 January 2004 to 31 December 2004 (2003: CHF 25 million).

SwAFE B.V., a special purpose entity in the Netherlands which had issued notes backed by a portfolio of first-ranking mortgages originated by Zwitserse Maatschappij van Levensverzekering en Lijfrente was transferred to a third party in 2004. With this sale, mortgage loans totalling CHF 782 million and mortgage-backed notes totalling CHF 493 million were transferred. The gain recognised on this sale amounted to CHF 21 million. SwAFE B.V. contributed CHF 15 million in net income to the Group result for the period 1 January 2004 to 31 October 2004 (1 January 2003 to 31 December 2003: CHF 23 million).

The equity stake in LGT Swiss Life Non Traditional Advisers, Liechtenstein, was reduced from 58% to 43.4% in December 2004. The remaining equity stake totalling CHF 4 million qualifies as an investment in an associate and is accounted for under the equity method. The contribution of LGT Swiss Life Non Traditional Advisers to the net income of the Swiss Life Group amounted to CHF 5 million for the period 1 January 2004 to 23 December 2004 (1 January 2003 to 31 December 2003: CHF 8 million).

The Swiss Life Group acquired 94.9% of the shares of Renum AG, a real estate company, in Germany. The purchase price amounted to CHF 52 million. Renum contributed CHF 0.2 million in net income to the Group result for the period 18 October 2004 to 31 December 2004.

In May 2004, the Swiss Life Group acquired through its banking subsidiary Banca del Gottardo the asset management group Oudart by exercising the bank's option for the acquisition of the remaining 60.7% of Oudart's shares. The purchase price amounted to CHF 28 million. The contribution of Oudart to the net income of the Swiss Life Group was a loss of CHF 4 million for the period 25 May 2004 to 31 December 2004.

With regard to the implementation of the strategy of the Group and its focus on the life insurance business in some core markets, the following divestitures took place in 2003:

On 12 November 2003, the Swiss Life Group sold its life insurance business in Spain to VidaCaixa, a subsidiary of the CaiFor Group. The life insurance business in Spain was reported within the Life, Non-Core segment. The selling price amounted to EUR 43 million, net of transaction costs. Additionally, VidaCaixa transferred CHF 14 million to the Swiss Life Group to redeem a loan to Swiss Life Spain. The loss recognised on the sale amounted to CHF 3 million. The life business in Spain contributed a loss of CHF 2 million to the Group result for the period from 1 January 2003 to 12 November 2003.

Swiss Life Asset Management (UK) was sold on 5 November 2003 to King & Shaxson Bond Brokers. In September 2003, the equity stake in Swiss Life Partner AG, Germany, an insurance intermediary, was reduced from 77.5% to 49.9%. The remaining equity stake totalling CHF 1 million qualifies as an investment in an associate and is accounted for under the equity method. The proceeds from sale for both transactions amounted to CHF 3 million. Swiss Life Asset Management (UK) contributed a loss of CHF 1 million to the Group result for the period from 1 January 2003 to 22 December 2003.

In June 2003, the Swiss Life Group sold STG Schweizerische Treuhandgesellschaft and all its subsidiaries to the LGT Group. The selling price was CHF 197 million minus related costs of CHF 1 million. The loss recognised on the sale amounted to CHF 105 million. The contribution of STG Schweizerische Treuhandgesellschaft and its subsidiaries to the net income of the Swiss Life Group amounted to CHF 6 million for the period 1 January 2003 to 25 June 2003.

The Swiss Life Group acquired three real estate companies in Belgium in 2003. The total acquisition cost was CHF 12 million. These real estate companies contributed CHF 1 million in net income to the Group result for the period 1 January 2003 to 31 December 2003. Additionally, Banca del Gottardo acquired a subsidiary in Italy which contributed CHF 0.03 million to the Group result for the period from 11 March 2003 to 31 December 2003. The acquisition price was CHF 1 million.

5 Significant Acquisitions and Disposals of Subsidiaries (continued)

Assets and liabilities from acquisitions and disposals

In CHF million	**2004**	2003	**2004**	2003
	Acquisitions	Acquisitions	**Disposals**	Disposals
Investments	**78**	38	**3 776**	1 802
Cash and cash equivalents	**52**	0	**145**	370
Goodwill	**1**	–6	**–**	202
Present value of profits on acquired insurance portfolios	**–**	–	**–**	–
Customer relationships and other intangible assets	**16**	0	**3**	–
Other assets	**9**	1	**1 015**	238
Insurance liabilities	**–**	–	**–2 013**	–1 938
Other liabilities	**–60**	–20	**–2 079**	–308
Minority shareholders	**–4**	–	**–3**	–1
Net assets acquired/net assets disposed of	**92**	13	**844**	365
Transfer from (+)/to (–) associates	**12**	–	**–4**	–1
Gains/losses recognised directly in equity	**–**	–	**–23**	–9
Currency translation differences	**–**	–	**10**	20
Profit (+)/loss (–) on disposals	**–**	–	**–107**	–109
Cash used for acquisitions (–)/received from disposals (+)	**–80**	–13	**3**	266
Consideration not yet received in cash	**–**	–	**279**	–
Received in cash	**–**	–	**3**	266
Payment in kind	**–**	–	**438**	–
Total purchase consideration/disposal consideration	**–80**	–13	**720**	266
Cash used for acquisitions (–)/received from disposals (+)	**–80**	–13	**3**	266
Cash and cash equivalents acquired (+)/disposed of (–)	**52**	0	**–145**	–370
Net cash outflow (–)/inflow (+) from acquisitions/disposals	**–28**	–13	**–142**	–104

6 Segment Information

The Group's reportable segments are defined using the "management approach" reflecting the sources and nature of the Group's risks and returns as monitored by management in order to strategically manage the Group and make business decisions. Primary segmentation is based on product lines and services. Secondary segmentation is based on geographical areas.

Under the new strategy primary segmentation is split into six categories: Life Core, Life Non-Core, Non-Life, Private Banking, Investment Management and Other.

- Life insurance operations offer a broad range of life, pension, annuity and investment-type policies to both groups and individuals, including accident, health and disability coverage. Under the Group's new strategy, which involves refocusing on the life and pension business and a number of key European markets, some life insurance operations have been defined as core business and others as non-core business. Life operations in Switzerland (excl. «La Suisse»), France, Germany, the Netherlands and Belgium/Luxembourg are defined as core business. Life operations in the United Kingdom, Spain, Italy and «La Suisse» in Switzerland are defined as non-core business. The "Life" segment also includes a number of companies which are predominantly active in the management of investments pertaining to life insurance.
- "Non-Life" products principally include property and casualty, liability and motor insurance. As a consequence of the new strategy, non-life operations are generally regarded as non-core business.
- "Private Banking" involves the management of assets for high net worth individuals, as well as the provision of corresponding special asset management services. "Private Banking" also covers the Group's banking operations.
- "Investment Management" refers to the management of assets for institutional clients, as well as the provision of expert advice for such clients. "Investment Management" is mainly core business.
- "Other" refers principally to various service companies and general corporate functions not specifically related to any of the other segments.

Reinsurance activities are classified as belonging to the Life or Non-Life segments depending on the type of contract. Secondary segmentation is based on geographical area, covering the following segments: Switzerland, France, Germany, the Netherlands, Belgium, the United Kingdom, and other countries.

The accounting policies for the segments are the same as those described in the summary of significant accounting policies. Inter-segmental services and transfers of assets and liabilities are treated as if the transactions were with third parties, i.e. at market prices applicable at the time of the transaction. The statement of income, balance sheet and footnote disclosure for the primary segments are given on the following pages:

6 Segment Information (continued)

Statement of income for the year ended 31 December 2004

In CHF million	Life Core	Life Non-Core	Non-Life	Private Banking	Investment Management	Other	Eliminations	Total
Net earned premiums and policy fees	12 998	1 306	968	–	–	–	–10	15 262
Net investment income	4 799	318	87	240	5	50	–34	5 465
Net realised and unrealised gains/losses on investments	1 084	–109	23	–31	1	–3	–	965
Share of results of associates	3	–	0	0	0	0	–	3
Net trading income	33	153	0	52	–1	–	0	237
Investment management, banking and other fee income	82	0	1	286	173	40	–134	448
Other income	–54	9	0	18	10	15	–36	–38
Total revenue	18 945	1 677	1 079	565	188	102	–214	22 342
of which inter-segment	*78*	*–19*	*10*	*11*	*80*	*54*	*–214*	
Net benefits paid and changes in insurance reserves	–13 746	–1 289	–708	–	–	–	2	–15 741
Policyholder bonuses and participation in surplus	–1 320	–24	–19	–	–	–	0	–1 363
Interest credited to investment contracts, customer deposits and other funds on deposit	–735	–139	0	–52	–	–	0	–926
Interest on borrowings	–159	–11	–1	–33	0	–25	36	–193
Other interest expenses	–63	–2	–1	–1	–	–1	4	–64
Total benefits, losses and interest expenses	–16 023	–1 465	–729	–86	0	–26	42	–18 287
of which inter-segment	*–41*	*8*	*–1*	*0*	–	*–8*	*42*	
Investment management and banking expenses	–161	–3	–2	–381	–120	0	102	–565
Insurance-underwriting and policy-acquisition costs	–1 238	–86	–197	–	–	–	24	–1 497
Other operating and administrative expenses	–566	–48	–105	–2	–1	–65	46	–741
Total operating expenses	–1 965	–137	–304	–383	–121	–65	172	–2 803
of which inter-segment	*–109*	*–8*	*–5*	*–5*	*–29*	*–16*	*172*	
Segment result	957	75	46	96	67	11	–	1 252
of which inter-segment	*–72*	*–19*	*4*	*6*	*51*	*30*	–	
Amortisation of goodwill								–243
Income tax expenses								–358
Net result before minority interests								651
Minority interests								–27
Net result								624
Other disclosures								
Additions of property and equipment and intangible assets	122	10	6	26	0	5	–	169
Expenses for depreciation and amortisation	490	52	97	–1	1	9	–	648
Other non-cash expenses	996	–500	113	–4	0	1	56	662

Results for the Life Core segment and the Life, Non-Core segment include the one-off effects of the introduction of the statutory minimum payout ratio (“legal quote”) and the reduction of the conversion rate for pensions under the non-mandatory part of the BVG business as described in note 41. These one-off effects amount to CHF 148 million (before taxes) for the Life Core segment and to CHF 50 million (before taxes) for the Life, Non-Core segment.

6 Segment Information (continued)

Statement of income for the year ended 31 December 2003

In CHF million	Life Core	Life Non-Core	Non-Life	Private Banking	Investment Management	Other	Eliminations	Total
Net earned premiums and policy fees	12 532	1 322	962	–	–	–	6	14 822
Net investment income	4 811	373	97	254	4	40	–33	5 546
Net realised and unrealised gains/losses on investments	376	58	24	–148	9	15	0	334
Share of results of associates	5	–	–	1	–	0	–	6
Net trading income	–154	19	–2	57	29	–	1	–50
Investment management, banking and other fee income	134	1	1	313	188	41	–125	553
Other income	–184	17	4	27	8	30	–25	–123
Total revenue	17 520	1 790	1 086	504	238	126	–176	21 088
of which inter-segment	*55*	*–39*	*5*	*–1*	*91*	*65*	*–176*	
Net benefits paid and changes in insurance reserves	–13 557	–1 445	–726	–	–	–	2	–15 726
Policyholder bonuses and participation in surplus	–805	–49	–18	–	–	–	1	–871
Interest credited to investment contracts, customer deposits and other funds on deposit	–725	–26	–2	–68	–	–	3	–818
Interest on borrowings	–160	–12	–2	–34	0	–4	35	–177
Other interest expenses	–56	–2	1	–1	–1	–4	4	–59
Total benefits, losses and interest expenses	–15 303	–1 534	–747	–103	–1	–8	45	–17 651
of which inter-segment	*–97*	*66*	*–6*	*–2*	*0*	*–6*	*45*	
Investment management and banking expenses	–151	–4	–2	–417	–137	1	75	–635
Insurance-underwriting and policy-acquisition costs	–1 162	–170	–229	–	–	–5	20	–1 546
Other operating and administrative expenses	–563	–15	–85	–3	–5	–64	36	–699
Total operating expenses	–1 876	–189	–316	–420	–142	–68	131	–2 880
of which inter-segment	*–86*	*–12*	*–13*	*–4*	*–3*	*–13*	*131*	
Segment result	341	67	23	–19	95	50	–	557
of which inter-segment	*–128*	*15*	*–14*	*–7*	*88*	*46*	–	
Amortisation of goodwill								–80
Income tax expenses								–202
Net result before minority interests								275
Minority interests								–42
Net result								233
Other disclosures								
Additions of property and equipment and intangible assets	71	14	5	5	1	8	–	104
Expenses for depreciation and amortisation	503	18	93	9	3	3	–	629
Other non-cash expenses	660	331	26	–2	0	1	14	1 030

The result for the Private Banking segment includes the loss of CHF 105 million on the sale of STG Schweizerische Treuhandgesellschaft.

6 Segment Information (continued)

Balance sheet as of 31 December 2004

In CHF million	Life Core	Life Non-Core	Non-Life	Private Banking	Investment Management	Other	Eliminations	Total
Assets								
Investments								
Held-to-maturity investments	5 585	–	611	71	–	72	–	6 339
Available-for-sale investments	88 658	3 743	1 426	1 619	14	83	–2	95 541
Financial assets held for trading	1 226	8	1	1 769	60	–	–19	3 045
Investment property	10 208	923	101	–	–	282	–	11 514
Loans originated by the enterprise	13 475	1 405	144	5 723	1	400	–377	20 771
Investments in associates	51	–	0	1	4	2	–	58
Total investments	119 203	6 079	2 283	9 183	79	839	–398	137 268
Other assets								
Cash and cash equivalents	6 138	131	96	1 285	68	626	–40	8 304
Insurance and other receivables	3 620	193	363	129	48	333	–217	4 469
Reinsurance assets	721	113	466	–	–	–	–71	1 229
Deferred acquisition costs	2 555	146	54	–	–	–	–	2 755
Property and equipment	947	82	9	161	2	36	–	1 237
Present value of future profits and other intangible assets	61	10	6	13	0	8	–	98
Other assets	589	36	6	85	0	5	1	722
Separate account (unit-linked) assets	8 164	13	–	–	–	–	–	8 177
Total allocated other assets	22 795	724	1 000	1 673	118	1 008	–327	26 991
Total segment assets	141 998	6 803	3 283	10 856	197	1 847	–725	164 259
Goodwill								801
Deferred tax assets								553
Total non-allocated assets								1 354
Total assets								165 613
Liabilities and equity								
Liabilities								
Financial liabilities held for trading	235	–	–	948	–	–	–18	1 165
Investment contracts, customer deposits and other funds on deposit	25 408	420	70	5 408	–	–	–37	31 269
Insurance reserves	96 007	5 906	2 282	–	–	–	–29	104 166
Borrowings	2 771	–	15	2 905	–	860	–402	6 149
Insurance and other payables	3 719	64	147	388	18	95	–183	4 248
Provisions	71	–	4	82	12	24	–	193
Other liabilities	1 172	97	268	74	23	61	–56	1 639
Separate account (unit-linked) liabilities	8 180	12	–	–	–	–	–	8 192
Total allocated liabilities	137 563	6 499	2 786	9 805	53	1 040	–725	157 021
Deferred tax liabilities								1 684
Total liabilities								158 705
Minority interests								211
Equity								6 697
Total liabilities and equity								165 613

6 Segment Information (continued)

Balance sheet as of 31 December 2003

in CHF million	Life Core	Life Non-Core	Non-Life	Private Banking	Investment Management	Other	Eliminations	Total
Assets								
Investments								
Held-to-maturity investments	4 406	–	670	168	–	73	–	5 317
Available-for-sale investments	80 181	5 364	1 383	1 878	22	79	–1	88 906
Financial assets held for trading	1 185	412	1	1 353	91	–	–18	3 024
Investment property	9 845	918	74	–	–	245	–	11 082
Loans originated by the enterprise	18 199	1 573	148	5 691	191	423	–625	25 600
Investments in associates	49	–	0	13	–	2	–	64
Total investments	113 865	8 267	2 276	9 103	304	822	–644	133 993
Other assets								
Cash and cash equivalents	4 261	526	14	1 236	80	194	–61	6 250
Insurance and other receivables	4 071	370	356	151	169	48	–450	4 715
Reinsurance assets	857	593	444	–	–	–	–286	1 608
Deferred acquisition costs	2 502	234	57	–	–	–	–	2 793
Property and equipment	1 123	128	12	177	3	25	–	1 468
Present value of future profits and other intangible assets	7	15	4	0	–	1	–	27
Other assets	1 114	57	5	95	2	5	–300	978
Separate account (unit-linked) assets	7 607	1 051	–	–	–	–	–	8 658
Total allocated other assets	21 542	2 974	892	1 659	254	273	–1 097	26 497
Total segment assets	135 407	11 241	3 168	10 762	558	1 095	–1 741	160 490
Goodwill								1 044
Deferred tax assets								944
Total non-allocated assets								1 988
Total assets								162 478
Liabilities and equity								
Liabilities								
Financial liabilities held for trading	261	3	0	976	–	–	–15	1 225
Investment contracts, customer deposits and other funds on deposit	23 081	714	76	5 605	–	–	–124	29 352
Insurance reserves	93 533	8 225	2 240	–	–	–	–136	103 862
Borrowings	3 737	170	15	2 528	2	1	–651	5 802
Insurance and other payables	3 885	457	161	510	20	214	–468	4 779
Provisions	103	12	5	110	20	8	–	258
Other liabilities	1 048	121	226	89	331	54	–347	1 522
Separate account (unit-linked) liabilities	7 623	1 051	–	–	–	–	–	8 674
Total allocated liabilities	133 271	10 753	2 723	9 818	373	277	–1 741	155 474
Deferred tax liabilities								1 825
Total liabilities								157 299
Minority interests								215
Equity								4 964
Total liabilities and equity								162 478

6 Segment Information (continued)

Geographical segments

In CHF million	Segment revenues from external customers	Segment assets	Additions of property and equipment and intangible assets
2004			
Switzerland	**11 965**	**84 373**	**117**
France	**4 270**	**33 821**	**27**
Germany	**2 757**	**19 945**	**13**
Netherlands	**2 524**	**17 473**	**1**
Belgium	**475**	**4 229**	**6**
United Kingdom	**65**	**0**	**0**
Other countries	**286**	**4 418**	**5**
Non-allocated deferred tax assets and goodwill	**–**	**1 354**	**–**
Total	**22 342**	**165 613**	**169**
2003			
Switzerland	10 560	83 484	31
France	3 872	30 664	37
Germany	2 590	18 489	12
Netherlands	2 531	16 589	2
Belgium	450	3 777	8
United Kingdom	671	3 955	10
Other countries	414	3 532	4
Non-allocated deferred tax assets and goodwill	–	1 988	–
Total	21 088	162 478	104

Revenues, assets and purchases of owner-occupied property, equipment and intangible assets are allocated to the geographical segment in which the entity reporting such assets is located. Due to cross-border activities and the nature of operations the Group is unable to break down revenues and assets according to the locations of the customers.

7 Details of Life Core Segment

Statement of income Life Core segment for the year ended 31 December 2004

In CHF million	Switzerland	France	Germany	Netherlands	Belgium/ Luxembourg	Elimi-nations	Total
Net earned premiums and policy fees	7 023	2 305	1 815	1 593	259	3	12 998
Net investment income	2 093	1 186	784	614	140	–18	4 799
Net realised and unrealised gains/losses on investments	439	159	232	197	57	–	1 084
Share of results of associates	1	2	0	–	0	–	3
Net trading income	41	–49	–48	95	–6	–	33
Investment management, banking and other fee income	76	2	0	16	8	–20	82
Other income	–34	2	–34	8	2	2	–54
Total revenue	9 639	3 607	2 749	2 523	460	–33	18 945
Net benefits paid and changes in insurance reserves	–7 907	–1 804	–1 821	–1 953	–261	0	–13 746
Policyholder bonuses and participation in surplus	–239	–429	–607	–36	–9	0	–1 320
Interest credited to investment contracts, customer deposits and other funds on deposit	–103	–545	–24	0	–63	0	–735
Interest on borrowings	–141	–17	0	–16	–3	18	–159
Other interest expenses	–39	–11	0	–12	–1	0	–63
Total benefits, losses and interest expenses	–8 429	–2 806	–2 452	–2 017	–337	18	–16 023
Investment management and banking expenses	–125	–15	–14	–2	–6	1	–161
Insurance-underwriting and policy-acquisition costs	–513	–477	–96	–118	–37	3	–1 238
Other operating and administrative expenses	–129	–211	–84	–114	–39	11	–566
Total operating expenses	–767	–703	–194	–234	–82	15	–1 965
Operating result	443	98	103	272	41	–	957

The income and expenses of the Life Core segment are broken down into the five core markets Switzerland, France, Germany, the Netherlands and Belgium/Luxembourg. The result for the core market Switzerland includes the one-off effects totalling CHF 148 million (before taxes) of the introduction of the statutory distribution ratio (“legal quote”) and the reduction of the conversion rate for pensions under the non-mandatory part of the BVG business as described in note 41.

7 Details of Life Core Segment (continued)

Statement of income Life Core segment for the year ended 31 December 2003

In CHF million	Switzerland	France	Germany	Netherlands	Belgium/ Luxembourg	Elimi- nations	Total
Net earned premiums and policy fees	6 460	2 107	1 673	2 020	270	2	12 532
Net investment income	2 035	1 136	951	596	124	–31	4 811
Net realised and unrealised gains/losses on investments	206	137	92	–83	24	–	376
Share of results of associates	1	0	–	–	4	–	5
Net trading income	122	–139	–112	–10	–15	–	–154
Investment management, banking and other fee income	131	1	0	18	1	–17	134
Other income	–164	15	–19	–10	–1	–5	–184
Total revenue	8 791	3 257	2 585	2 531	407	–51	17 520
Net benefits paid and changes in insurance reserves	–7 448	–1 730	–1 821	–2 296	–261	–1	–13 557
Policyholder bonuses and participation in surplus	–230	–217	–435	98	–21	0	–805
Interest credited to investment contracts, customer deposits and other funds on deposit	–113	–548	–15	–	–48	–1	–725
Interest on borrowings	–131	–31	–1	–25	–	28	–160
Other interest expenses	–39	–3	–6	–8	–2	2	–56
Total benefits, losses and interest expenses	–7 961	–2 529	–2 278	–2 231	–332	28	–15 303
Investment management and banking expenses	–112	–15	–18	–1	–6	1	–151
Insurance-underwriting and policy-acquisition costs	–498	–405	–164	–70	–30	5	–1 162
Other operating and administrative expenses	–144	–185	–85	–128	–38	17	–563
Total operating expenses	–754	–605	–267	–199	–74	23	–1 876
Operating result	76	123	40	101	1	–	341

8 Earnings per Share

Basic earnings per share (EPS) are calculated on the weighted average number of shares outstanding during the reporting period, excluding the average number of shares purchased by the Group and held as treasury shares. Diluted earnings per share include the dilutive effect of convertible bonds and share options issued to employees and other dilutive effects. In the diluted EPS calculation, the convertible debt is assumed to have been converted into shares and the net result is adjusted for the applicable interest expenses minus the related taxes. Share options are dilutive when they would result in the issuance of shares for less than fair value. The number of dilutive shares is determined as the difference between the weighted average number of shares under option during the period and the number of shares that would be issued based on the average fair value for the period. The resulting number of shares is considered to have been issued for no consideration.

Diluted earnings per share

Amounts in CHF million	**2004**	2003
Net result for the period	**624**	233
Elimination of interest expenses on convertible bonds and mandatory convertible securities, net of taxes	**7**	2
Net result used to determine diluted earnings per share	**631**	235
Weighted average number of shares outstanding	**27 441 743**	24 064 329
Adjustments		
Assumed conversion of convertible bonds	**840 118**	–
Share options	**–**	–
Mandatory convertible securities	**2 505 511**	2 510 439
Weighted average number of shares for diluted earnings per share	**30 787 372**	26 574 768
Diluted earnings per share (in CHF) [1]	**20.50**	8.83

1) Year-end 2003 figures adjusted to reflect the rights issue of June 2004

9 Details for Certain Items in the Statement of Income

Net investment income

In CHF million	Notes	**2004**	2003
Interest income on debt securities		**3 618**	3 495
Dividend income on equity securities, investment fund units, private equity and hedge funds		**334**	491
Interest income on loans		**811**	936
Income on investment property		**534**	488
Income on other investments		**55**	51
Other		**113**	85
Total net investment income	40	**5 465**	5 546

9 Details for Certain Items in the Statement of Income (continued)

Net realised and unrealised gains/losses on investments

In CHF million	Notes	2004	2003
Sale of			
Held-to-maturity investments		**1**	–
Available-for-sale investments	31	**1 541**	885
Investment property		**21**	21
Loans		**113**	–1
Investments in associates		**0**	12
Other realised gains/losses		**–145**	–104
Net realised gains/losses		**1 531**	813
Fair value gains/losses on investment property		**–67**	–27
Foreign currency gains/losses on investments		**–405**	181
Impairment losses on financial investments		**–130**	–735
Reversals of impairment losses on financial investments		**36**	102
Total net realised and unrealised gains/losses on investments		**965**	334

Net trading income

In CHF million	2004	2003
Interest and dividend income	**162**	163
Fair value gains/losses – interest rate instruments	**27**	–117
Fair value gains/losses – equity instruments	**–218**	–510
Fair value gains/losses – foreign currency instruments and other	**266**	414
Total net trading income	**237**	–50

Investment management, banking and other fee income

In CHF million	2004	2003
Fiduciary and portfolio management fees	**246**	269
Brokerage fees	**82**	82
Other service fees and commissions	**120**	202
Total investment management, banking and other fee income	**448**	553

Other income

In CHF million	2004	2003
Realised gains/losses on sales of other assets	**–9**	1
Other foreign currency gains/losses	**–32**	–196
Other	**3**	72
Total other income	**–38**	–123

Net benefits paid and changes in insurance reserves

In CHF million	2004	2003
Life benefits and claims	**15 191**	14 313
Change in reserves for future life benefits	**–158**	693
Losses and loss adjustment expenses	**708**	720
Total net benefits paid and changes in insurance reserves	**15 741**	15 726

9 Details for Certain Items in the Statement of Income (continued)

Interest credited to investment contracts, customer deposits and other funds on deposit

In CHF million	2004	2003
Interest on customer deposits	**53**	68
Interest on investment contracts	**833**	712
Other	**40**	38
Total interest credited to investment contracts, customer deposits and other funds on deposit	**926**	818

Investment management and banking expenses

In CHF million	2004	2003
Commission expenses – banking activity	**18**	29
Investment management expenses	**26**	25
Staff costs	**283**	341
Marketing and advertising	**10**	11
Depreciation and amortisation	**42**	53
Impairment losses on property and equipment and other intangible assets	**11**	–
Information technology and systems	**33**	25
Rental, maintenance and repair expenses	**56**	58
Other	**86**	93
Total investment management and banking expenses	**565**	635

Insurance-underwriting and policy-acquisition costs

In CHF million	Notes	2004	2003
Agent/broker commissions		**837**	784
Staff costs		**477**	552
Marketing and advertising		**24**	22
Depreciation and amortisation		**32**	45
Impairment losses on property and equipment and other intangible assets		**–**	0
Information technology and systems		**47**	49
Rental, maintenance and repair expenses		**28**	32
Other		**167**	196
Acquisition costs deferred	17	**–612**	–569
Assumed underwriting and acquisition expenses		**19**	12
Ceded underwriting and acquisition expenses		**–27**	–57
Retroceded underwriting and acquisition expenses		**0**	0
Net amortisation of DAC and premium deficiencies	17	**505**	480
Total insurance-underwriting and policy-acquisition costs		**1 497**	1 546

Other operating and administrative expenses

In CHF million	2004	2003
Staff costs	**331**	299
Marketing and advertising	**32**	25
Depreciation and amortisation	**31**	40
Impairment losses on property and equipment and other intangible assets	**–**	6
Information technology and systems	**56**	48
Rental, maintenance and repair expenses	**25**	29
Other	**266**	252
Total other operating and administrative expenses	**741**	699

10 Held-to-Maturity and Available-for-Sale Investments

Held-to-maturity and available-for-sale investments as of 31 December

In CHF million	2004	2003	2004	2003	2004	2003
	Cost/ amortised cost (carrying amount)	Cost/ amortised cost (carrying amount)	Net unrecognised gains/losses	Net unrecognised gains/losses	Fair value	Fair value
Held-to-maturity investments						
Debt securities	**6 293**	5 252	**440**	259	**6 733**	5 511
Money market instruments	**46**	65	**0**	0	**46**	65
Other	**–**	–	**–**	–	**–**	–
Total held-to-maturity investments, net of impairment losses	**6 339**	5 317	**440**	259	**6 779**	5 576

In CHF million	2004	2003	2004	2003	2004	2003
	Cost/ amortised cost	Cost/ amortised cost	Net unrealised gains/losses	Net unrealised gains/losses	Fair value (carrying amount)	Fair value (carrying amount)
Available-for-sale investments						
Debt securities	**75 700**	71 307	**4 671**	2 681	**80 371**	73 988
Money market instruments	**22**	32	**0**	0	**22**	32
Equity securities	**4 759**	5 481	**347**	402	**5 106**	5 883
Investment fund units – debt	**1 405**	1 543	**73**	56	**1 478**	1 599
Investment fund units – equity	**3 350**	2 019	**54**	–24	**3 404**	1 995
Investment fund units – mixed	**969**	763	**–36**	–63	**933**	700
Private equity	**278**	418	**–15**	–19	**263**	399
Hedge funds	**3 444**	3 673	**–78**	–119	**3 366**	3 554
Other	**587**	756	**11**	0	**598**	756
Total available-for-sale investments, net of impairment losses	**90 514**	85 992	**5 027**	2 914	**95 541**	88 906

In CHF million		2004	2003	2004	2003
		Held-to-maturity	Held-to-maturity	Available-for-sale	Available-for-sale
Accumulated impairment losses	Notes				
Balance at the beginning of the reporting period		**–1**	–1	**–1 577**	–1 077
Recognition of impairment losses	31	**–**	–	**–95**	–703
Reversal of impairment losses	31	**–**	–	**36**	102
Write-off due to disposals		**–**	–	**372**	120
Foreign currency translation differences		**0**	0	**4**	–19
Total accumulated impairment losses at the end of the reporting period		**–1**	–1	**–1 260**	–1 577

10 Held-to-Maturity and Available-for-Sale Investments (continued)

Based on detailed assessments with regard to indications of impairment, impairment losses totalling CHF 95 million were recognised in the period under review. The impairment losses primarily related to equity securities and investment fund units.

The Group monitors the investment portfolio risks by establishing mandatory risk limits. The investment portfolio is adequately diversified and there was only one investment exceeding 10% of shareholders' equity: HSBC totalling CHF 0.9 billion (2003: CHF 1.1 billion). At 31 December 2004 debt securities with a fair value of CHF 1.5 billion (2003: CHF 1.7 billion) had a BBB rating or lower. No held-to-maturity securities were transferred to the available-for-sale category and no available-for-sale securities were transferred to the held-to-maturity category.

11 Financial Assets and Liabilities Held for Trading

The Group held the following positions in financial instruments used for trading purposes as well as derivative financial instruments that do not qualify for hedge accounting. The fair values of these assets and liabilities are shown in the following table for the years ended 31 December:

Financial assets held for trading

In CHF million		**2004**	2003
	Notes	**Fair value**	Fair value
Debt securities		**1 009**	963
Equity securities		**271**	271
Investment fund units – debt		**–**	–
Investment fund units – equity		**–**	–
Investment fund units – mixed		**–**	–
Private equity		**60**	88
Hedge funds		**–**	–
Loans		**–**	2
Derivatives	12	**1 549**	1 622
Other		**156**	78
Total financial assets held for trading		**3 045**	3 024

Financial liabilities held for trading

In CHF million		**2004**	2003
	Notes	**Fair value**	Fair value
Derivatives	12	**606**	744
Other		**559**	481
Total financial liabilities held for trading		**1 165**	1 225

12 Derivatives Held for Trading

Derivatives held for trading include contracts entered into for trading purposes and also derivative contracts which provide economic hedges for risk exposures but do not qualify for hedge accounting treatment. Derivatives held for trading were as follows as of 31 December:

In CHF million	**2004**	2003	**2004**	2003	**2004**	2003
	Fair value assets	Fair value assets	**Fair value liabilities**	Fair value liabilities	**Contract/ notional amount**	Contract/ notional amount
Currency instruments						
Forward contracts	**320**	380	**291**	264	**23 101**	19 469
Swaps	**82**	64	**84**	74	**1 019**	1 020
Futures	**–**	–	**–**	–	**–**	–
Options (over-the-counter)	**27**	37	**28**	38	**2 637**	2 531
Options (exchange traded)	**–**	–	**–**	–	**–**	–
Other	**–**	–	**–**	–	**–**	–
Total currency instruments	**429**	481	**403**	376	**26 757**	23 020
Interest instruments						
Forward rate agreements	**–**	0	**–**	0	**–**	40
Swaps	**239**	284	**124**	182	**11 735**	14 147
Futures	**–**	0	**–**	0	**2 005**	1 125
Options (over-the-counter)	**2**	7	**3**	9	**1 856**	1 947
Options (exchange traded)	**–**	–	**–**	–	**–**	–
Other	**3**	–	**–**	–	**1 380**	–
Total interest instruments	**244**	291	**127**	191	**16 976**	17 259
Equity and equity-index instruments						
Forward contracts	**22**	2	**1**	3	**3 828**	314
Futures	**–**	0	**–**	67	**222**	2 474
Options (over-the-counter)	**15**	28	**20**	32	**752**	1 159
Options (exchange traded)	**142**	179	**49**	66	**1 811**	1 957
Other	**42**	35	**1**	–	**48**	64
Total equity and equity-index instruments	**221**	244	**71**	168	**6 661**	5 968
Precious-metal instruments						
Forward contracts	**2**	2	**4**	7	**116**	118
Futures	**–**	–	**–**	–	**–**	–
Options (over-the-counter)	**1**	1	**0**	2	**63**	61
Options (exchange traded)	**–**	–	**–**	–	**–**	–
Other	**–**	–	**–**	–	**–**	–
Total precious-metal instruments	**3**	3	**4**	9	**179**	179
Other derivative instruments	**652**	603	**1**	–	**719**	695
Total derivatives held for trading	**1 549**	1 622	**606**	744	**51 292**	47 121

12 Derivatives Held for Trading (continued)

The Group writes covered call options through various brokers. The underlying securities are placed in a blocked account. The options are typically written for a period of 6 to 24 months. The Group receives an option premium at the beginning of the contract period and bears the risk associated with the writing of options. Future cash requirements for options written are equal to the fair value of the options. Options are carried in the consolidated balance sheet at fair value. Option premiums are recognised in income through the change in fair value of the option.

13 Investment Property

Investment property consists of investments in residential, commercial and mixed-use properties primarily located within Switzerland. Property held for investment purposes comprises land and buildings owned by the Group to earn rentals and/or for capital appreciation. Property that is used by the Group itself or leased to, and occupied by, another entity of the Group is classified as owner-occupied property. Property acquired with a view to its subsequent disposal in the near future is classified as sundry assets.

In CHF million	Notes	**2004**	2003
Carrying value as of 1 January		**11 082**	10 770
Additions		**282**	288
Additions arising from acquisitions		**55**	37
Capitalised subsequent expenditure		**47**	38
Disposals		**–104**	–238
Gains/losses from fair value adjustments		**–67**	–27
Transfers from/to property and equipment	18	**234**	120
Other movements		**–**	–
Foreign currency translation differences		**–15**	94
Carrying value as of 31 December		**11 514**	11 082

Rental income from investment property was CHF 690 million for the period ended 31 December 2004 (2003: CHF 685 million). Operating expenses arising from investment property that generated rental income stood at CHF 140 million for the period ended 31 December 2004 (2003: CHF 182 million). Operating expenses arising from investment property that did not generate rental income during the period stood at CHF 16 million for the period ended 31 December 2004 (2003: CHF 15 million).

14 Future Minimum Lease Payments under Non-Cancellable Operating Leases – Lessor

In CHF million	**2004**	2003
Not later than 1 year	**103**	65
Later than 1 year and not later than 5 years	**327**	378
Later than 5 years	**431**	148
Total	**861**	591

Leased assets where the Group is a lessor primarily relate to investment property leased to third parties under operating leases.

15 Loans Originated by the Enterprise

Loans originated by the enterprise as of 31 December

In CHF million	2004	2003	2004	2003	2004	2003	2004	2003
	Receiv-ables	Receiv-ables	**Allowance for loan losses**	Allowance for loan losses	**Carrying value**	Carrying value	**Fair value**	Fair value
Mortgages	**8 706**	12 107	**–61**	–69	**8 645**	12 038	**8 806**	12 075
Policy loans	**1 010**	1 368	**–**	–	**1 010**	1 368	**1 016**	1 380
Other loans	**10 705**	11 867	**–124**	–131	**10 581**	11 736	**10 801**	12 003
Repurchase agreements	**535**	458	**–**	–	**535**	458	**534**	458
Total loans originated by the enterprise	**20 956**	25 800	**–185**	–200	**20 771**	25 600	**21 157**	25 916

The Group accepted securities at a fair value of CHF 534 million (2003: CHF 515 million) as collateral under repurchase agreements and CHF 705 million (2003: CHF 1510 million) under securities borrowing arrangements which it is permitted to sell or repledge. CHF 966 million (2003: CHF 687 million) of this was either repledged or sold to third parties. An allowance for loan losses is set aside for management's estimate of loan losses as soon as objective evidence exists that the loan amount may not be fully recoverable. An allowance is recognised for the difference between the carrying value and the estimated recoverable amount, if lower.

In 2004, Zwitserse Maatschappij van Levensverzekering en Lijfrente in the Netherlands sold a portfolio of mortgages totalling CHF 2.2 billion and realised a gain on the sale of CHF 114 million. With the transfer of SwAFE B.V., a special purpose entity in the Netherlands, another mortgage portfolio totalling CHF 782 million was sold.

Allowance for loan losses

In CHF million	2004	2003
Balance as of 1 January	**–200**	–291
Amounts recognised as expense	**–35**	–32
Write-offs	**50**	125
Recoveries	**0**	0
Foreign currency translation differences	**0**	–2
Balance as of 31 December	**–185**	–200

Accrued interest of CHF 27 million (2003: CHF 22 million) on impaired loans was recognised but not yet received in cash as of 31 December 2004. Property acquired through foreclosure with the intent to sell in the near future is included in sundry assets and was CHF 8 million (2003: CHF 10 million) for the year ended 31 December 2004. The Group's loan portfolio is monitored closely through the review of information such as debt service, annual reports and assessments. This information is evaluated in light of current economic conditions and other factors such as diversification of the property portfolio. This evaluation is part of the regular review to determine whether the allowance for potential loan losses is warranted. Management believes the allowance for loan losses is sufficient. However, management cannot predict with assurance the impact of future economic circumstances or how the mortgage and real estate portfolios would be affected by various economic circumstances.

15 Loans Originated by the Enterprise (continued)

Finance lease receivables as of 31 December

In CHF million	2004	2003	2004	2003
	Minimum lease payments	Minimum lease payments	**Present value of minimum lease payments**	Present value of minimum lease payments
Not later than 1 year	**222**	200	**201**	185
Later than 1 year and not later than 5 years	**427**	363	**401**	337
Later than 5 years	**78**	74	**67**	67
Total	**727**	637	**669**	589
Future finance income	***58***	*48*		
Unguaranteed residual values	***6***	*4*		

Finance lease receivables are included in other loans.

16 Investments in Associates

In CHF million	2004	2003
Balance as of 1 January	**64**	181
Additions	**0**	1
Additions due to partial sale of subsidiaries	**4**	1
Reduction due to majority ownership	**–12**	–
Disposals	**0**	–142
Realised gains/losses on disposals	**0**	12
Share of results	**3**	6
Share of amounts recognised directly in equity	**0**	–
Dividends paid	**–1**	–1
Impairment losses	**–**	0
Foreign currency translation differences	**0**	6
Balance as of 31 December, net of impairment losses	**58**	64
Impairment losses		
Impairment losses at the beginning of the reporting period	**–1**	–1
Recognition of impairment losses	**–**	0
Reversal of impairment losses	**–**	–
Write-off due to disposals	**0**	0
Foreign currency translation differences	**0**	0
Impairment losses at the end of the reporting period	**–1**	–1

Adamant Biomedical Investments AG, Basel, LGT Swiss Life Non Traditional Advisers, Liechtenstein, and a service company in Germany, were reclassified to investments in associates due to partial sales of the equity stakes held.

Due to the acquisition of the remaining 60.7% of Oudart, an asset management group, investments in associates were reduced by CHF 12 million.

On 31 July 2003, the Swiss Life Group sold its 22.9% stake in Tuxedo Invest AG, Zug. The gain recognised on the sale amounted to CHF 12 million. On 7 July 2003, the Swiss Life Group announced the sale of its 33.3% stake in Crédit Agricole S.A. (Belgium) for a price of EUR 48 million. The realised gain on the sale amounted to CHF 0.5 million.

A listing of major investments in associates accounted for under the equity method is set out in note 44.

17 Deferred Acquisition Costs

In CHF million	2004	2003
Balance as of 1 January	**2 793**	2 576
Acquisition costs deferred	**612**	569
Amortisation and interest charged to income, including adjustments due to new actuarial assumptions	**–505**	–455
Decrease due to premium deficiencies	**0**	–25
Increase/decrease due to unrealised gains/losses on investments	**–79**	5
Decrease due to disposal of subsidiaries	**–48**	–3
Foreign currency translation differences	**–18**	126
Balance as of 31 December	**2 755**	2 793

18 Property and Equipment

In CHF million	Notes	2004						2003
		Land and buildings	Buildings under construc-tion	Furniture and fixtures	Hardware	Other equipment	Total	Total
Cost								
Balance as of 1 January		**1 267**	**200**	**214**	**504**	**51**	**2 236**	2 348
Reclassification of computer software to intangible assets		–	–	–	**–205**	–	**–205**	–
Additions		**13**	**70**	**11**	**33**	**10**	**137**	103
Additions arising from acquisitions		–	–	**1**	**0**	**0**	**1**	0
Disposals		**–108**	–	**–31**	**–79**	**–12**	**–230**	–152
Transfers from/to investment property	13	**–139**	**–95**	–	–	–	**–234**	–120
Revaluation surplus on transfers to investment property	31	**103**	–	–	–	–	**103**	31
Transfers to assets held for sale		–	–	–	–	–	–	–26
Foreign currency translation differences		**–3**	**–1**	**0**	**–1**	**0**	**–5**	52
Balance as of 31 December		**1 133**	**174**	**195**	**252**	**49**	**1 803**	2 236
Accumulated depreciation								
Balance as of 1 January		**–202**	–	**–150**	**–378**	**–29**	**–759**	–716
Reclassification of computer software to intangible assets		–	–	–	**134**	–	**134**	–
Depreciation		**–27**	–	**–24**	**–30**	**–6**	**–87**	–139
Disposals		**59**	–	**30**	**65**	**5**	**159**	114
Foreign currency translation differences		**1**	–	**0**	**2**	**0**	**3**	–18
Balance as of 31 December		**–169**	–	**–144**	**–207**	**–30**	**–550**	–759
Impairment losses								
Balance as of 1 January		**0**	**–4**	**0**	**–4**	**–1**	**–9**	–7
Recognition of impairment losses		**–11**	–	–	–	–	**–11**	–5
Reversal of impairment losses		**0**	–	**0**	**0**	**0**	**0**	1
Disposals		**0**	–	–	**5**	**0**	**5**	2
Foreign currency translation differences		**–1**	–	–	**–1**	**1**	**–1**	0
Balance as of 31 December		**–12**	**–4**	–	–	–	**–16**	–9
Total property and equipment as of 31 December		**952**	**170**	**51**	**45**	**19**	**1 237**	1 468
of which assets under finance leases		***43***	–	–	***4***	–	***47***	*53*

19 Goodwill and Other Intangible Assets

In CHF million					2004	2003
	Goodwill (positive)	**Goodwill (negative)**	**Present value of future profits**	**Other intangible assets**	**Total**	Total
Cost						
Balance as of 1 January	**2 553**	**–50**	**70**	**14**	**2 587**	2 994
Reclassification of computer software from property and equipment	**–**	**–**	**–**	**205**	**205**	–
Additions	**–**	**–**	**–**	**15**	**15**	1
Additions arising from acquisitions	**1**	**–1**	**–**	**16**	**16**	–27
Internal developments	**–**	**–**	**–**	**–**	**–**	–
Disposals	**–3**	**–**	**–4**	**–54**	**–61**	–384
Effect of gains/losses recognised directly in equity	**–**	**–**	**–1**	**–**	**–1**	–
Foreign currency translation differences	**0**	**–**	**0**	**0**	**0**	3
Balance as of 31 December	**2 551**	**–51**	**65**	**196**	**2 761**	2 587
Accumulated amortisation						
Balance as of 1 January	**–1 505**	**46**	**–45**	**–12**	**–1 516**	–1 608
Reclassification of computer software from property and equipment	**–**	**–**	**–**	**–134**	**–134**	–
Amortisation	**–244**	**1**	**–5**	**–20**	**–268**	–87
Disposals	**3**	**–**	**1**	**53**	**57**	181
Foreign currency translation differences	**0**	**–**	**–1**	**0**	**–1**	–2
Balance as of 31 December	**–1 746**	**47**	**–50**	**–113**	**–1 862**	–1 516
Total goodwill and other intangible assets as of 31 December	**805**	**–4**	**15**	**83**	**899**	1 071
Impairment losses (included in the accumulated amortisation)						
Balance as of 1 January	**–738**		**–**	**–2**	**–740**	–835
Recognition of impairment losses	**–163**		**–**	**–**	**–163**	–2
Reversal of impairment losses	**–**		**–**	**–**	**–**	–
Effect of disposals	**–**		**–**	**3**	**3**	96
Foreign currency translation differences	**–**		**–**	**–1**	**–1**	1
Balance as of 31 December	**–901**		**–**	**–**	**–901**	–740

In 2004, Swiss Life Holding acquired an additional 15 216 Swiss Life/Rentenanstalt shares and increased the equity stake held in its Swiss Life/Rentenanstalt subsidiary from 99.7% as of 31 December 2003 to 99.8% as of 31 December 2004. The related negative goodwill on these transactions amounted to CHF 1 million and was recognised in net income.

The net carrying amount of goodwill of CHF 801 million includes goodwill on the following acquisitions:

- Banca del Gottardo CHF 518 million
- Lloyd Continental CHF 283 million

In 2004, a legal reform of the healthcare system in France took place which has had an influence on the business environment of the participants in the accident and health insurance market. Due to this legal reform, an impairment test of the goodwill relating to Lloyd Continental was performed. The recoverable amount of the insurance portfolios relating to Lloyd Continental was estimated using various analyses and valuation techniques based on assumptions which are consistent with the embedded value calculations. These tests resulted in an impairment charge totalling CHF 123 million. Due to insufficient recoverable amounts other goodwills totalling CHF 40 million were charged as an impairment.

19 Goodwill and Other Intangible Assets (continued)

In 2003, Swiss Life Holding acquired an additional 878 978 SL/RA shares and increased the equity stake held in its Swiss Life/Rentenanstalt subsidiary from 92.2% as of 31 December 2002 to 99.7% as of 31 December 2003. The related negative goodwill on these transactions amounted to CHF 21 million and was recognised in net income.

Annual amortisation charges on the present value of future profits relating to acquired insurance portfolios totalling CHF 15 million are estimated as ranging from CHF 4 million to CHF 6 million for the years 2005 to 2007.

20 Separate Account (Unit-Linked) Assets

Separate account (unit-linked) assets as of 31 December

In CHF million	2004	2003
Debt securities	**1 882**	2 073
Equity securities	**5 744**	5 723
Derivative financial instruments	**0**	0
Loans	**2**	21
Other financial investments	**204**	477
Cash and cash equivalents	**345**	364
Total separate account (unit-linked) assets	**8 177**	8 658

21 Investment Contracts, Customer Deposits and Other Funds on Deposit

Investment contracts, customer deposits and other funds on deposit as of 31 December

In CHF million	2004	2003
Investment-type, universal life and annuity contracts	**24 107**	21 968
Other policyholder deposits and bonus accumulations	**1 057**	1 085
Deposits held under reinsurance contracts	**603**	625
Demand deposits	**3 247**	3 213
Savings deposits	**195**	176
Time deposits	**2 060**	2 285
Total investment contracts, customer deposits and other funds on deposit	**31 269**	29 352

Deposit assets and liabilities for insurance and reinsurance contracts not transferring risk as of 31 December

In CHF million	2004	2003
Deposit assets	**–**	–
Deposit liabilities	**–**	34

22 Insurance Reserves

Insurance reserves as of 31 December

In CHF million	Notes	2004	2003
Reserves for losses and loss adjustment expenses	25	**2 088**	2 040
Reserves for unearned premiums	25	**214**	378
Reserves for future life policyholder benefits	25	**87 285**	88 743
Reserves for claims	25	**7 849**	7 856
Reserves for policyholder bonuses and other reserves	25	**6 730**	4 845
Total insurance reserves		**104 166**	103 862

Significant delays occur in the notification of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the balance sheet date.

The reserves for unpaid losses and loss adjustment expenses are determined on the basis of information currently available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The following analysis provides a reconciliation of the movement in the reserves for losses and loss adjustment expenses for the years ended 31 December:

Movement in reserves for losses and loss adjustment expenses

In CHF million	2004	2003
As of 1 January		
Gross reserves for losses and loss adjustment expenses	**2 040**	1 929
Less: Reinsurance recoverable on losses	**–365**	–349
Net reserves for losses and loss adjustment expenses	**1 675**	1 580
Losses and loss adjustment expenses incurred		
Reporting period	**798**	743
Prior reporting periods	**–90**	–23
Total losses and loss adjustment expenses incurred	**708**	720
Losses and loss adjustment expenses paid		
Reporting period	**–251**	–236
Prior reporting periods	**–390**	–460
Total losses and loss adjustment expenses paid	**–641**	–696
Acquisitions and disposals of companies and insurance business	**–**	–
Foreign currency translation differences	**–10**	71
As of 31 December		
Net reserves for losses and loss adjustment expenses	**1 732**	1 675
Plus: Reinsurance recoverable on losses	**356**	365
Total gross reserves for losses and loss adjustment expenses	**2 088**	2 040

22 Insurance Reserves (continued)

Future life policyholder benefits Long-duration contract liabilities included in future life policyholder benefits result from traditional participating and non-participating life products with mortality and morbidity risk. Short-duration contract liabilities are primarily accident and health products. The liability for future life policyholder benefits has been estimated using actuarial techniques, generally based on present values of future net cash flows and the following parameters:

- Interest rates vary by country, year of issuance and product.
- Mortality and surrender rates are based upon actual experience, geographical area and product type.
- The average rate of assumed investment yield used for estimating gross margins ranges from 0.7% to 6%.
- Experience adjustments relating to future life policyholder benefits vary according to the type of contract and the country. Investment, mortality and morbidity results may be passed through by experience credits or as an adjustment to the premium mechanism, subject to local regulatory provisions.

Liabilities for future life policyholder benefits as of 31 December

In CHF million	**2004**	2003
Long-duration contracts	**86 961**	88 407
Short-duration contracts	**324**	336
Total liabilities for future life policyholder benefits	**87 285**	88 743

23 Reinsurance

The Group limits its exposures to loss within its insurance operations through participation in reinsurance agreements. Reinsurance arrangements do not relieve the Group of its direct obligations to the parties insured. Thus, a credit exposure exists with respect to both non-life and life reinsurance ceded to the extent that any reinsurer is unable to meet the obligations assumed under the reinsurance agreements. A provision has been recorded for estimated unrecoverable reinsurance. In addition, the Group holds substantial collateral under related reinsurance agreements in the form of deposited funds and securities.

No single reinsurer is a material reinsurer to the Group, nor is the Group's business substantially dependent upon any reinsurance contract.

The life operations limit exposure to loss on any single life. Retention limits vary by country. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for the underlying policy benefits and are presented in the balance sheet as a component of reinsurance assets.

24 Premiums

Written premiums and policy fees

In CHF million	2004	2003	2004	2003	2004	2003
	Short-duration contracts	Short-duration contracts	**Long-duration contracts**	Long-duration contracts	**Total**	Total
Direct	**2 804**	2 933	**13 065**	12 234	**15 869**	15 167
Assumed	**188**	191	**22**	20	**210**	211
Gross written premiums and policy fees	**2 992**	3 124	**13 087**	12 254	**16 079**	15 378
Ceded	**–646**	–363	**–214**	–169	**–860**	–532
Net written premiums and policy fees	**2 346**	2 761	**12 873**	12 085	**15 219**	14 846

Earned premiums and policy fees

In CHF million	2004	2003	2004	2003	2004	2003
	Short-duration contracts	Short-duration contracts	**Long-duration contracts**	Long-duration contracts	**Total**	Total
Direct	**2 846**	2 921	**13 069**	12 222	**15 915**	15 143
Assumed	**189**	191	**21**	22	**210**	213
Ceded	**–649**	–371	**–214**	–163	**–863**	–534
Net earned premiums and policy fees	**2 386**	2 741	**12 876**	12 081	**15 262**	14 822

Swiss Life (UK) entered into a reinsurance arrangement with Unum, which cedes 100% of the retained risk in respect of the claims portfolio of the group income protection business. The ceded reinsurance premiums with respect to this arrangement totalled CHF 427 million for the period under review.

Under the accounting priniciples adopted, deposits under investment contracts are not recognised as income:

In CHF million	2004	2003
Net earned premiums and policy fees as reported	**15 262**	14 822
Deposits under investment contracts	**4 229**	3 382
Net earned premiums, policy fees and deposits under investment contracts	**19 491**	18 204
Gross written premiums, policy fees and deposits under investment contracts	**20 308**	18 760

25 Insurance Liabilities and Reinsurance Assets

In CHF million	2004			2003		
	Gross	**Rein-surance assets**	**Net**	Gross	Rein-surance assets	Net
Reserves for losses and loss adjustment expenses	**2 088**	**356**	**1 732**	2 040	365	1 675
Reserves for unearned premiums	**214**	**7**	**207**	378	14	364
Reserves for future life policyholder benefits	**87 285**	**534**	**86 751**	88 743	614	88 129
Reserves for claims	**7 849**	**128**	**7 721**	7 856	426	7 430
Reserves for policyholder bonuses and other reserves	**6 730**	**3**	**6 727**	4 845	5	4 840
Total insurance reserves	**104 166**	**1 028**	**103 138**	103 862	1 424	102 438
Premiums and other receivables		**105**			69	
Investment contracts and financial reinsurance deposits		**3**			4	
Funds-held arrangements		**93**			111	
Other reinsurance assets		**–**			–	
Total reinsurance assets		**1 229**			1 608	
Accumulated impairment		***5***			*5*	

Reinsurance liabilities consisted of CHF 680 million as of 31 December 2004 (2003: CHF 703 million).

26 Employee Benefits

Amounts recognised in the consolidated balance sheet as of 31 December

In CHF million	Notes	2004	2003
Present value of funded obligations		**–2 615**	–2 625
Fair value of plan assets		**2 281**	2 258
Present value of unfunded obligations		**–243**	–239
Unrecognised actuarial gains (–)/losses (+)		**291**	303
Unrecognised past service costs		**–9**	–9
Amounts not recognised as assets		**–**	–
Net asset (+)/liability (–)		**–295**	–312
The net asset/liability consists of			
Gross defined benefit liabilities	30	**–513**	–518
Gross defined benefit assets	30	**218**	206

26 Employee Benefits (continued)

Amounts recognised in the consolidated statement of income

In CHF million	2004	2003
Current service costs	**103**	121
Interest costs	**104**	110
Employer's contribution to purchases	**–**	–2
Expected return on plan assets	**–94**	–93
Expected return on reimbursement rights	**–**	–
Net actuarial gains (–)/losses (+)	**9**	21
Past service costs	**–1**	–26
Change in amounts not recognised as assets	**–**	–
Employee contributions	**–30**	–32
Effect of curtailments or settlements	**–3**	–24
Total defined benefit expenses	**88**	75
Actual return on plan assets	***–61***	*–100*
Actual return on reimbursement rights	***–***	*–*

Change in net asset/liability recognised in the balance sheet

In CHF million	2004	2003
As of 1 January	**–312**	–319
Expenses recognised in the income statement	**–88**	–75
Contributions	**108**	99
Assets/liabilities from acquisitions/disposals	**–5**	0
Foreign currency translation differences	**2**	–17
Net liability as of 31 December	**–295**	–312

Principal actuarial assumptions (weighted averages) as of 31 December

	2004	2003
Discount rate	**3.6%**	3.7%
Expected rate of return on plan assets	**4.0%**	4.1%
Expected rate of return on reimbursement rights	**n. a.**	n. a.
Future salary increases	**1.8%**	1.9%
Future pension increases	**0.8%**	0.9%

Movements in the number of shares under option

Amounts in CHF	2004	2003	2004	2003	2004	2003	2004	2003
	Number of shares	Number of shares [1]	**Exercise date**	Exercise date	**Expiry date**	Expiry date	**Weighted average excercise price**	Weighted average excercise price [2]
		adjusted						adjusted
As of 1 January	**413 256**	442 206					**612**	608
Granted/issued	**–**	–	**–**	–	**–**	–	**–**	–
Exercised	**–**	–	**–**	–	**–**	–	**–**	–
Lapsed	**–142 642**	–28 950	**–**	–	**–**	–	**863**	550
As of 31 December	**270 614**	413 256					**482**	612

1) Number of shares adjusted due to capital increase in accordance with Eurex rules
2) Exercise price adjusted due to capital increase in accordance with Eurex rules

26 Employee Benefits (continued)

The Group had 9419 full-time equivalents as of 31 December 2004 (2003: 10 015).

Defined benefit pension plans Employees are covered under various funded and unfunded pension plans. When a third party will reimburse some or all of the expenditure for employee benefits and the rights to reimbursement do not qualify as plan assets, they are treated as a separate asset rather than as a deduction from the obligation. In all other respects the treatment is the same as for plan assets. Participation in the various plans is based either on completion of a specific period of continuous service or on the date of hire. Benefits are based on the employee's credited years of service and average compensation in the years preceding retirement. Annual funding requirements are determined based on actuarial methods or local requirements.

Defined benefit expenses are included in staff costs.

The net asset/liability position does not incorporate any reimbursement rights. Plan assets included own financial instruments issued by the Group with a fair value of CHF 70 million as of 31 December 2004 (2003: CHF 72 million). Plan assets do not include any property occupied by the Group.

Defined contribution pension plans Certain subsidiaries sponsor various defined contribution plans. Participation in the various plans is based either on completion of a specific period of continuous service or on the date of hire. The plans stipulate contributions by both employers and employees. The Group's expenses under these plans amounted to CHF 5 million in 2004 (2003: CHF 1 million).

Other long-term employee benefits The liability for long-term employee benefits amounted to CHF 12 million as of 31 December 2004 (2003: CHF 12 million). It relates to part-time employment contracts prior to retirement and to profit-sharing arrangements for certain employees.

Termination benefits Termination benefits totalling CHF 3 million for the year ending 31 December 2004 (2003: CHF 15 million) arose as a result of early retirements and voluntary redundancies.

Equity compensation plan In the income statement the Group recognises compensation at the measurement date as the difference between fair value and the price at which the shares are allocated. The average fair value of the shares allocated amounted to CHF 195 in 2004 (2003: CHF 83). Expenses for equity compensation plans amounted to CHF 6 million in 2004 (2003: CHF 4 million).

Share options The Group offers share options to directors and managers in Switzerland and abroad. No new share options were allocated in 2004 and 2003. Due to the capital increase, the number and the exercise price of shares under option granted in prior years were adjusted using the Eurex R factor of 0.894 092. The outstanding share options did not have an intrinsic value as of 31 December 2004.

Other benefits The Swiss Life Group maintains incentive programmes for certain management and other employees. Related expenses in 2004 were CHF 10 million (2003: CHF 15 million).

27 Borrowings

Borrowings as of 31 December

In CHF million	2004	2003
Money market instruments	**80**	118
Repurchase agreements	**1 256**	1 152
Debentures and loans		
Exchangeable debt (GEMMS)	**833**	829
Hybrid debt	**1 451**	1 461
Convertible debt	**259**	–
Subordinated debt	**167**	216
Other debentures	**534**	712
Bank loans	**1 454**	1 222
Finance lease obligations	**22**	30
Other	**93**	62
Total borrowings	**6 149**	5 802
of which unsecured	***3 224***	*2 921*

Repurchase agreements Securities sold under agreements to repurchase the same or substantially the same securities at a specific future date at a fixed price are generally treated as collateralised borrowing. Securities pledged as collateral under repurchase agreements are not derecognised from the balance sheet, unless control of these securities is transferred. As of 31 December 2004 securities of CHF 1317 million were provided as collateral in respect of repurchase agreements (2003: CHF 1177 million) and CHF 531 million in respect of securities lending arrangements (2003: CHF 1054 million).

Exchangeable debt (GEMMS) The GEMMS (Guaranteed Exchangeable Monetisations of Multiple Shares) were issued by the Group on 15 May 1998 and are exchangeable at the option of the holder into shares of the designated company until the maturity date of the issue. The Group may redeem some of the issues principally on or after a specific redemption date at an early redemption price. In May 2003, the remaining EUR 200 million debt exchangeable into Unilever shares matured and was repaid. During 2004 GEMMS with a nominal amount of CHF 6 million were repurchased in the market (2003: CHF 81 million). The loss on the repurchased debt was CHF 0.4 million (2003: CHF 2 million).

As of 31 December, issues with the following terms were outstanding:

	2004	2003					
Outstanding principal	In CHF million Carrying amount	In CHF million Carrying amount	Interest rate	Maturity date	Final redemption price	Exchange ratio (face value/shares)	Designated company
USD 162 089 000	**205**	219	2.00%	20 May 2005	113.86%	USD 1 000 = 13.6141	Royal Dutch Petroleum
CHF 332 550 000	**327**	318	0.75%	20 May 2005	100.00%	CHF 10 000 = 2.915451	Novartis/Syngenta
CHF 304 610 000	**301**	292	1.00%	20 May 2005	100.00%	CHF 10 000 = 86.95653	UBS AG
Total	**833**	829					

Hybrid debt In March 1999, Swiss Life privately placed a subordinated perpetual step-up loan comprising three simultaneous advances of EUR 443 million (at a rate of interest of Euribor plus a margin of 1.05%, increasing by 100 basis points as from March 2009), EUR 215 million (at a rate of interest of 5.3655%, increasing by 100 basis points as from September 2009) and CHF 290 million (at a rate of interest of Libor plus a margin of 1.05%, increasing by 100 basis points as from March 2009). Swiss Life can call the floating rate loans at the earliest on 31 March 2009

27 Borrowings (continued)

and the fixed rate loan at the earliest on 30 September 2009 or at five-year intervals thereafter, upon notice and subject to the consent of the Federal Office of Private Insurance. No interest may be paid on the loans if at the time, or as a result of the payment of interest, the solvency margin of Swiss Life would be, or would fall below, the threshold of 150% of the applicable minimum solvency margin which Swiss Life is required to maintain under the Swiss regulatory regime.

In 2001, the Group issued a subordinated step-up loan of EUR 100 million with a time to maturity of 20 years that can be repaid by the Group after 10 years. The interest rate equals that of Euribor plus a margin which is 1.75% for the first ten years and 2.75% thereafter.

Convertible debt On 10 June 2004, Swiss Life Holding issued CHF 317 million 0.625% convertible bonds due in 2010. The bonds may be converted into registered shares of Swiss Life Holding at any time at the option of the holder. Bondholders exercising their conversion right are entitled to receive the number of shares equal to the principal amount of CHF 1000 divided by the conversion price of CHF 209.625 (subject to adjustments).

The proceeds received from the issue of the convertible bonds have been split between a liability component and an equity component. The fair value of the liability component at issue date amounted to CHF 260 million and was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount of CHF 57 million represents the value of the option to convert the instrument into Swiss Life Holding shares and is included in share premium. Transaction costs of CHF 6 million were deducted from the liability and costs of CHF 1 million were recognised in share premium.

Subordinated debt As of 31 December, the Group has subordinated debts with the following terms were outstanding:

Amounts in CHF million					2004	2003
Issuer	Currency	Interest rate	Year of issue	Maturity	Carrying amount	Carrying amount
Banca del Gottardo	CHF	5.375%	1995	2005	**39**	39
Banca del Gottardo	CHF	4.000%	2001	2008	**53**	55
Banca del Gottardo	EUR	5.500%	2001	2008	**20**	23
Banca del Gottardo	USD	5.750%	2001	2008	**6**	6
Banca del Gottardo, ex-warrants	USD	3.375%	1997	2004	–	16
ERISA	EUR	Euribor +0.800%	1998	2008	**18**	18
ERISA	EUR	Euribor +1.000%	2001	2011	**31**	31
SwAFE B.V. - Mezzanine Class B mortgage-backed notes	EUR	Euribor +0.650%	2002	2079	–	23
SwAFE B.V. - Junior Class C mortgage-backed notes	EUR	Euribor +1.200%	2002	2079	–	5
Total					**167**	216

Other debentures On 30 June 2004, Swiss Life Insurance Finance Ltd., Cayman Islands, issued EUR 300 million 4.375% bonds at a price of 99.856%. The bonds mature in 2008 and are subject to redemption in whole, at their principal amount, at the option of the issuer at any time in the event of certain changes affecting taxes of the Cayman Islands or Switzerland. The payments of all amounts under the bonds are unconditionally and irrevocably guaranteed by Swiss Life/Rentenanstalt.

Due to the sale in 2004 of SwAFE B.V., a special purpose entity in the Netherlands, the remaining mortgage-backed notes totalling CHF 493 million were transferred.

As of 31 December, other debentures with the following terms were outstanding:

27 Borrowings (continued)

Amounts in CHF million					2004	2003
Issuer/Instrument	**Currency**	**Interest rate**	**Year of issue**	**Maturity**	**Carrying amount**	Carrying amount
Banca del Gottardo - bond	CHF	3.250%	1998	2005	**71**	72
Banca del Gottardo - medium-term notes [1)]	CHF	2.500%	n.a.	n.a.	**3**	5
Dreieck Leasing - bond	CHF	variable	2003	2005	**–**	10
Swiss Life Insurance Finance Ltd. CI - Guaranteed bonds	EUR	4.375%	2004	2008	**460**	–
SwAFE B.V. - Senior Class A1 mortgage-backed notes	EUR	Euribor +0.240%	2002	2032	**–**	614
SwAFE B.V. - Senior Class A2 mortgage-backed notes	EUR	5.320%	2002	2079	**–**	11
Total					**534**	712

1) Medium-term notes are fixed-rate debentures issued continuously by Banca del Gottardo on demand with a maturity of 2 to 8 years.
As of 31 December 2004, the average interest was 2.5% (2003: 2.9%) and the average remaining time to maturity 23 months (2003: 24 months).

Bank loans Bank loans outstanding as of 31 December are repayable as follows:

In CHF million	2004	2003
	Carrying amount	Carrying amount
On demand and within 1 year	**1 339**	1 099
After 1 year up to 5 years	**71**	39
After 5 years	**44**	84
Total	**1 454**	1 222

Medium and long-term bank loans include various mortgage loans with the following interest rates and maturities:

Amounts in CHF million			2004	2003
Currency	**Interest rate**	**Maturity**	**Carrying amount**	Carrying amount
CHF	4.420%	2004	**–**	25
CHF	4.400%	2005	**15**	15
CHF	4.050%	2006	**16**	16
CHF	variable	2009	**49**	50
CHF	5.080%	2010	**43**	44
Total			**123**	150

Finance lease obligations Finance lease obligations as of 31 December were as follows:

In CHF million	2004	2003	2004	2003
	Minimum lease payments	Minimum lease payments	**Present value of minimum lease payments**	Present value of minimum lease payments
Not later than 1 year	**6**	6	**5**	5
Later than 1 year and not later than 5 years	**19**	28	**17**	25
Later than 5 years	**–**	–	**–**	–
Total	**25**	34	**22**	30
Future finance charges	***3***	*4*		

28 Income Taxes

Income tax expenses

In CHF million	2004	2003
Current tax expenses		
Current tax of current year	**202**	135
Adjustments for current tax of prior years	**–10**	–2
Total current tax expenses	**192**	133
Deferred tax expenses		
Origination and reversal of temporary differences	**151**	106
Change in tax rates	**–1**	–11
Benefit of tax losses/credits recognised	**–16**	–14
Change in deferred tax valuation allowance	**32**	–12
Total deferred tax expenses	**166**	69
Total income tax expenses	**358**	202

The expected weighted-average tax rates for the Group were 23.0% in 2004 (2003: 19.4%). These rates were derived by obtaining a weighted average of the expected income tax rates in the various jurisdictions in which the Group operates. The increase of the weighted-average tax rate is due to the geographical allocation of the profits and the different tax rates in these jurisdictions. The actual income tax expenses differ from the expected amounts as follows:

Actual tax expenses

In CHF million	2004	2003
Expected tax expenses	**232**	92
Increase/reduction in taxes resulting from		
Tax-exempt interest	**–5**	–1
Tax-exempt dividends	**–3**	–40
Other non-taxable income	**–42**	–46
Non-deductible expenses	**74**	174
Other income taxes (incl. withholding taxes)	**8**	5
Unrecognised tax losses	**57**	9
Use of previously unrecognised tax losses	**–16**	–14
Other	**53**	23
Actual tax expenses	**358**	202

28 Income Taxes (continued)

Net deferred income tax assets and liabilities as of 31 December

In CHF million	2004	2003
Deferred tax assets		
Reserves for future life policyholder benefits	55	113
Reserves for losses and loss adjustment expenses	100	139
Reserves for unearned premiums	8	23
Deferred acquisition costs	66	72
Employee benefits	41	65
Investments	64	59
Tax losses and tax credit	126	189
Depreciable and amortisable assets	28	47
Other	97	237
Total deferred tax assets, gross	**585**	944
Valuation allowance	–32	–
Total deferred tax assets, net	**553**	944
Deferred tax liabilities		
Reserves for future life policyholder benefits	91	159
Reserves for losses and loss adjustment expenses	11	19
Reserves for unearned premiums	14	15
Deferred acquisition costs	347	339
Employee benefits	25	45
Investments	1 142	1 125
Depreciable and amortisable assets	3	8
Other	51	115
Total deferred tax liabilities	**1 684**	1 825

Deferred tax assets are recognised for tax-loss carryforwards and unused tax credits only to the extent that realisation of the related tax benefit is probable. The uncertainty of the recoverability of tax losses and tax credits is taken into account in establishing the valuation allowance. For the following tax-loss carryforwards and tax credits no deferred tax asset has been recognised as of 31 December which will expire as follows:

Unrecognised tax losses and tax credits

In CHF million	2004	2003
2004	–	–
2005	27	–
2006	–	–
2007	–	–
Thereafter	785	743
Total	**812**	743

Deferred tax liabilities have not been established for withholding tax and other taxes that would be payable on the unremitted income of certain subsidiaries, as such amounts are always retained.

29 Insurance and Other Receivables and Payables

Insurance and other receivables as of 31 December

In CHF million	2004	2003
Receivables from agents, brokers and insurers	**457**	599
Receivables from policyholders	**1 006**	1 301
Accrued investment income	**2 168**	2 029
Accrued other income	**13**	14
Other	**825**	772
Total insurance and other receivables	**4 469**	4 715

Insurance and other payables as of 31 December

In CHF million	2004	2003
Amounts due to agents, brokers and insurers	**417**	307
Amounts due to policyholders	**2 213**	2 485
Bank overdrafts	**466**	495
Accrued expenses	**478**	481
Other	**674**	1 011
Total insurance and other payables	**4 248**	4 779

30 Other Assets and Liabilities

Other assets as of 31 December

In CHF million	Notes	2004	2003
Derivatives designated and accounted for as hedging instruments	38	**143**	111
Deferred charges and prepaid expenses		**286**	497
Current tax assets		**46**	121
Pension assets	26	**218**	206
Sundry assets		**29**	43
Total other assets		**722**	978

Other liabilities as of 31 December

In CHF million	Notes	2004	2003
Derivatives designated and accounted for as hedging instruments	38	**43**	49
Current tax liabilities		**347**	254
Pension liabilities	26	**513**	518
Deferred revenues		**442**	409
Sundry liabilities		**294**	292
Total other liabilities		**1 639**	1 522

31 Equity

Share capital As of 31 December 2004, the share capital of Swiss Life Holding (SLH) consisted of 33 775 818 fully-paid shares with a nominal value of CHF 50 each. In exercising voting rights, no shareholder can collect more than 10% of the total share capital directly or indirectly in respect of his/her own shares and those he/she represents. As of 31 December 2003, SLH had 25 034 041 registered shares with a nominal value of CHF 50 per share. Conditional share capital was CHF 183 406 100 as of 31 December 2004 (2003: CHF 103 260 950).

Share premium Share premium comprises additional paid-in capital in excess of the nominal value (net of transaction costs), gains/losses on own equity instruments, equity compensation benefits and equity elements of convertible debt.

Treasury shares Treasury shares consist of SLH shares held by the Swiss Life Group.

Gains/losses recognised directly in equity Gains/losses recognised directly in equity comprise fair value changes of available-for-sale investments, revaluation surpluses on the transfer of owner-occupied property to investment property and the effective portion of the gain or loss on hedging derivatives in qualifying cash flow hedges. These amounts are net of certain policyholder bonuses and other policyholder liabilities and deferred acquisition costs, deferred income taxes and minority interests.

Foreign currency translation differences Foreign currency translation differences comprise the resulting differences arising on the translation of assets, liabilities, income and expenses of Group entities denominated in foreign currencies into Swiss francs.

Retained earnings Retained earnings comprise accumulated retained earnings of the Group entities which have not been distributed to the shareholders. The distribution of profit is subject to restriction according to the various jurisdictions where the Group entities are located.

The Group's insurance subsidiaries are subject to regulatory restrictions on the amount of dividends, cash loans and advances which can be remitted to the Group. Certain foreign jurisdictions have restrictions that allow the payment of dividends but may cause a delay in their remittance. Dividends payable are not accrued for until they have been ratified at the General Meeting.

Capital increase in 2004 On 2 June 2004, SLH issued 8 344 680 SLH registered shares with a nominal value of CHF 50 each. The subscription price was CHF 100 per share. The gross proceeds of the rights offering amounted to CHF 834 million.

Additionally, 397 078 new SLH shares with a nominal value of CHF 50 each were created by reducing conditional share capital. These shares adjust the (minimum) number of shares convertible under the mandatory convertible securities (MCS) issues (MCS I, 2002–2005, and MCS II, 2003–2004).

Issuance of convertible debt in 2004 On 10 June 2004, SLH issued CHF 317 million in 0.625% Convertible Bonds 2004–2010 convertible into SLH registered shares. The conversion price was set at CHF 209.625. The equity element (embedded conversion options) recognised in share premium amounted to CHF 57 million less costs of CHF 1 million at inception.

In 2004, convertible bonds were converted into 19 SLH shares with a corresponding increase of share capital totalling CHF 950 and an increase of share premium totalling CHF 2433.

Maturity of mandatory convertible securities (MCS II) in 2004 On 30 December 2004, the 1.00% mandatory convertible securities (MCS II) issue totalling CHF 341 million matured. 1 586 098 SLH shares equal to the number of SLH shares required under the conversion ratio were created upon issuance of the MCS II. As an adjustment to the minimum number of shares convertible under the MCS II another 187 608 shares were created in June 2004 in connection with the capital increase as described above. They were accounted for as treasury shares acquired for no consideration. Upon maturity of the MCS II, the number of treasury shares decreased by 1 773 706.

Simplification of shareholder structure in 2003 In 2003, the Swiss Life Group simplified its shareholder structure by reducing the minority stake in its Swiss Life/Rentenanstalt subsidiary following the exchange of Swiss Life/Rentenanstalt shares (SL/RA shares) for SLH shares which took place in 2002. SLH acquired an additional 878 978 SL/RA shares and increased the equity stake held in its Swiss Life/Rentenanstalt subsidiary from 92.2% as of 31 December 2002 to 99.7% as of 31 December 2003.

31 Equity (continued)

Issuance of mandatory convertible securities (MCS II) in 2003 The simplification of the shareholder structure was financed through the issuance of mandatory convertible securities (MCS II, 2003–2004) totalling CHF 341 million on 30 December 2003. 341 011 MCS IIs were issued in denominations of CHF 1000 each with a maturity date of 30 December 2004. The MCS IIs could at the option of the holder or at the option of the issuer be converted into SLH shares at any time between 9 February 2004 and 15 December 2004. Unless converted by 15 December 2004, or purchased by the issuer and cancelled, each MCS II was mandatorily converted on 30 December 2004 into such number of shares as was equal to the maturity conversion ratio (4.65116 SLH shares per MCS II, subject to adjustment). The holders of the MCS II were entitled to annual interest payments per MCS II at 1.0% of the nominal value and certain payments in the event of any dividends or other cash distributions made by SLH to its shareholders. The MCS IIs were accounted for as equity, as they represented a forward sale of SLH shares, except for the present value of the interest payments totalling CHF 3.4 million, which was deferred and recognised as a liability. Share premium increased by CHF 240 million due to the issuance of the MCS II. Subsequently, 1 586 098 SLH shares equal to the number of SLH shares required under the conversion ratio were created from the SLH conditional capital and transferred to the MCS Share Trust. These SLH shares were accounted for as treasury shares acquired for no consideration. With the issuance of these SLH shares, the ordinary share capital of SLH increased by CHF 79 304 900 and amounted to CHF 1 251 702 050 as of 31 December 2003.

The changes in gains and losses not recognised in the income statement were as follows:

Gains/losses recognised directly in equity

In CHF million	Notes	01.01.2004	Change during the period	31.12.2004
Available-for-sale investments		2 914	2 113	5 027
Cash flow hedges		–28	5	–23
Other	18	31	103	134
Gains/losses recognised directly in equity, gross		2 917	2 221	5 138
Less amounts attributable to				
Deferred acquisition costs and present value of future profits		–248	–80	–328
Policyholder bonuses and other policyholder liabilities		–1 697	–1 820	–3 517
Deferred income tax		–253	–102	–355
Minority interests		–5	–2	–7
Total gains/losses recognised directly in equity, net of taxes and other items		714	217	931

31 Equity (continued)

Gains/losses recognised directly in equity

In CHF million					2004	2003
		Available-for-sale investments	**Cash flow hedges**	**Other**	**Total**	Total
Details on change during the period	Notes					
Unrealised gains/losses arising during the period	38	**3 621**	**–4**	**–**	**3 617**	1 407
Gains reclassified to the income statement	9	**–1 763**	**–**	**–**	**–1 763**	–1 165
Losses reclassified to the income statement	9, 38	**222**	**9**	**–**	**231**	261
Foreign currency gains/losses reclassified to the income statement		**54**	**–**	**–**	**54**	66
Impairment losses reclassified to the income statement	9	**59**	**–**	**–**	**59**	601
Revaluation surplus on owner-occupied property transferred to investment property		**–**	**–**	**103**	**103**	31
Share of gains/losses of associates		**–**	**–**	**0**	**0**	–
Effect of disposals		**–58**	**–**	**–**	**–58**	–246
Foreign currency translation differences		**–22**	**–**	**0**	**–22**	76
Change during the period, gross		**2 113**	**5**	**103**	**2 221**	1 031
Less changes in amounts attributable to						
Deferred acquisition costs and present value of future profits					**–80**	3
Policyholder bonuses and other policyholder liabilities					**–1 820**	–908
Deferred income tax					**–102**	9
Minority interests					**–2**	42
Change during the period, net of taxes and other items					**217**	177

32 Core Capital

The Group's capital can perform several important functions, such as funding future growth and providing a protective cushion for shareholders and policyholders as well as hedging future risks. The defined Group core capital includes certain liabilities with equity characteristics (deferred Group-related funds) and minority interests. Apart from equity and minority interests, total core capital also includes hybrid debt, subordinated debt, theoretical policyholder participation in surplus under consideration of additional DAC amortisation and deferred taxes.

Reserves and appropriations As of 31 December 2004 and 2003 respectively, the Swiss Life Group was in substantial compliance with all applicable regulatory capital adequacy requirements.

Core capital as of 31 December

In CHF million		**2004**	2003
	Notes		
Total equity		**6 697**	4 964
Minority interests		**211**	215
Hybrid debt	27	**1 451**	1 461
Subordinated debt	27	**167**	216
Deferred Group-related funds after deduction of minority interests		**3 760**	1 964
Total core capital		**12 286**	8 820

33 Related-Party Transactions

In the normal course of business, the Group enters into various transactions with affiliated companies, including reinsurance and cost sharing arrangements. Related-party transactions include transactions with associates, partnerships, joint ventures, major shareholders, key management and companies significantly controlled by major shareholders or key management. Transactions with related parties are summarised below:

Consolidated statement of income for the years ended 31 December

In CHF million	**2004**	2003
Net investment income	**59**	232
Net realised and unrealised gains/losses on investments	**–2**	5
Investment management, banking and other fee income	**–**	0
Other income	**22**	–
Benefits, losses and interest expenses	**0**	0
Operating and other expenses	**–4**	–3

Consolidated balance sheet as of 31 December

In CHF million	**2004**	2003
Investments	**325**	546
Other assets	**4**	2
Investment contracts, customer deposits and other funds on deposit	**–3**	–28
Other liabilities	**0**	0
SLH shares issued to key management under equity compensation plan (number)	**14 912**	42 492

34 Assets under Management

Assets under management as of 31 December

In CHF million	2004	2003
Held-to-maturity investments	**6 339**	5 317
Available-for-sale debt securities	**80 371**	73 988
Available-for-sale money market instruments	**22**	32
Available-for-sale equity securities	**5 106**	5 883
Available-for-sale investment fund units	**5 815**	4 294
Available-for-sale private equity investments	**263**	399
Available-for-sale hedge funds	**3 366**	3 554
Other available-for-sale investments	**598**	756
Financial assets held for trading	**3 045**	3 024
Investment property	**11 514**	11 082
Loans originated by the enterprise	**20 771**	25 600
Investments in associates	**58**	64
Cash and cash equivalents	**8 304**	6 250
Total cash and investments	**145 572**	140 243
Separate account (unit-linked) assets	**8 177**	8 658
Total on-balance-sheet assets	**153 749**	148 901
Plus fair value adjustments of assets reported at amortised cost		
Held-to-maturity investments	**440**	259
Loans originated by the enterprise	**386**	316
Minus externally managed on-balance-sheet assets		
Assets of unit-linked business	**–2 353**	–3 250
Externally managed alternative investments	**–4 499**	–4 990
Externally managed other assets	**–1 108**	–1 322
Total on-balance-sheet assets managed by the enterprise	**146 615**	139 914
Third-party off-balance-sheet assets	**42 527**	44 330
Total assets under management	**189 142**	184 244

Assets under management are taken to comprise:

- assets stated as investments in the balance sheet and cash and cash equivalents
- assets stated in the balance sheet as separate account (unit-linked) investments
- assets managed for third parties by the Group
- minus assets managed by third parties and alternative investments managed by third parties

35 Provisions

In CHF million	2004			2003
	Restructuring	Other	Total	Total
As of 1 January	73	185	258	287
Additional provisions during the reporting period	9	76	85	103
Amounts used during the reporting period	–45	–63	–108	–129
Unused amounts reversed during the reporting period	–17	–22	–39	–10
Effect of acquisitions/disposals	–2	–1	–3	0
Foreign currency translation differences	1	–1	0	7
As of 31 December	**19**	**174**	**193**	**258**

Restructuring costs In 2004, additional provisions were primarily set up in Switzerland and in Germany for restructuring programmes and for termination benefits for employees. Due to a restructuring programme in the United Kingdom, additional amounts for redundancies totalling CHF 8 million were provided in 2003. Further provisions were set up for termination benefits which mainly relate to the private banking business and the life insurance business in Germany.

Other provisions Other provisions were primarily set up in 2004 to cover credit risks arising from guarantees and to cover costs arising from the sale of the life business in the United Kingdom.

36 Contingent Liabilities and Commitments

Contingent liabilities and commitments as of 31 December

In CHF million	2004	2003
Guarantees, letters of credit and surety bonds	527	791
Documentary credits	31	46
Commitments to extend credit	533	318
Capital commitments	343	81
Private equity commitments	174	452
Operating lease commitments	140	155
Other contingencies and commitments	49	14
Total	**1 797**	**1 857**

Guarantees, letters of credit and surety bonds
The Group has issued financial guarantees and transaction-related guarantees and similar instruments. Financial guarantees provide for specified payments to be made to reimburse the holder for a loss incurred in the event that a client fails to make payment when due. Transaction-related guarantees such as performance bonds and bid bonds protect the holder against loss in the event of non-performance of a contract. Irrevocable letters of credit and surety bonds have been issued to secure certain reinsurance contracts.

With the sale of the life business in the UK, representations and warranties have been agreed with the buyer which limit the exposure for the Swiss Life Group in respect of time and amount with regard to arising claims and taxes. Misselling, in particular, has been included within the provisions covering a material financial deterioration in the position of the OB fund of the former Swiss Life UK business, in which case the financial consequences will be shared between the Swiss Life Group and the buyer according to a clear set of rules which limit the impact on the Swiss Life Group with regard to time (five years) and amount (GBP 31.5 million).

36 Contingent Liabilities and Commitments (continued)

Commitments to extend credit The Group has also entered into irrevocable commitments to extend credit in the form of loans and other instruments. They represent undrawn credit lines which are available to clients to secure their liquidity needs. With respect to credit risk, these commitments are contingent upon clients maintaining certain credit standards, and the Group monitors its exposure on a regular basis.

The total amount of credit commitments includes commitments to lend at fixed rates which expose the Group to interest rate risk. These commitments are entered into for restricted periods of time. As of 31 December 2004, committed principal amounts stood at EUR 40 million and CHF 309 million. The periods for which these commitments were made extend from three months to one year, and the range of committed interest rates is 1.7% to 5.3%.

Capital commitments The Group had commitments to purchase investments of CHF 220 million (excluding private equity) as of 31 December 2004 (2003: CHF 55 million). Contractual obligations to purchase or construct investment property amounted to CHF 123 million as of 31 December 2004 (2003: CHF 26 million).

Private equity commitments Private equity commitments represent unfunded commitments to make investments in direct private equity or private equity funds. Such commitments do not involve credit or market risk, as the Group purchases investments at market value at the time the commitments are invoked.

Future minimum lease payments under non-cancellable operating leases – lessee

In CHF million	**2004**	2003
Not later than 1 year	**14**	13
Later than 1 year and not later than 5 years	**35**	42
Later than 5 years	**91**	100
Total	**140**	155

Operating lease commitments The Group has entered into various operating leases as a lessee. Rental expenses recognised in income for these items totalled CHF 68 million for the year ending 31 December 2004 (2003: CHF 73 million). Of these amounts, minimum lease payments totalled CHF 68 million in 2004 (2003: CHF 71 million), while contingent rents totalled CHF 0.05 million in 2004 (2003: CHF 2 million).

Other contingencies and commitments Contractual obligations for repairs and maintenance of investment property amounted to CHF 48 million as of 31 December 2004, which are included in this line item.

Legal proceedings The Group is involved in various legal proceedings, claims and litigation generally relating to its insurance operations.

The outcome of such current legal proceedings, claims and litigation could have a material effect on operating results or cash flows when resolved in a future period. However, in the opinion of management these matters will not materially affect the Group's consolidated financial position.

The Group has received notices from various tax authorities asserting deficiencies in taxes for various years. The Group believes that it has meritorious legal defences to those purported deficiencies and believes that the ultimate outcome of the cases will not result in a material impact on the Group's consolidated results, operations or financial position.

37 Assets Pledged

Assets are pledged as security for credit lines, for liabilities under repurchase agreements and mortgages on the Group's property. The following table shows assets pledged as security for liabilities and assets subject to restriction of title as of 31 December:

37 Assets Pledged (continued)

In CHF million	2004	2003
Securities	**1 996**	2 406
Loans	**1**	658
Investment property	**142**	199
Other	**20**	–
Total	**2 159**	3 263

Total assets pledged include collateral provided under repurchase agreements and securities lending arrangements of CHF 1849 million as of 31 December 2004 (2003: CHF 2231 million).

38 Risk Management Activities

Hedge accounting As the Group operates internationally, it is exposed to fluctuations in prices, interest rates and foreign exchange rates. The Group uses various investment strategies and derivatives to mitigate these risks and optimise its investment performance. The following tables present total derivatives designated as hedging instruments by risk category as of 31 December:

Derivatives designated as fair value hedges

In CHF million	2004	2003	2004	2003	2004	2003
	Fair value assets	Fair value assets	**Fair value liabilities**	Fair value liabilities	**Contract/ notional amount**	Contract/ notional amount
Interest rate derivatives	**–**	–	**–**	–	**–**	–
Currency forward contracts	**76**	12	**–**	–	**2 601**	630
Equity options (exchange traded)	**53**	85	**–**	–	**250**	1 302
Other	**–**	–	**–**	–	**–**	–
Total derivatives designated as fair value hedges	**129**	97	**–**	–	**2 851**	1 932

Derivatives designated as cash flow hedges

In CHF million	Notes	Fair value assets	Fair value liabilities	Gains/ losses recognised in equity	Gains/ losses transferred to income	Expected occurrence of hedged transactions	Periods expected to affect income	Contract/ notional amount
31 December 2004								
Interest rate swaps	31	**11**	**43**	**–4**	**9**	**2005-2015**	**2005-2015**	**2 007**
Currency derivatives		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Equity derivatives		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total derivatives designated as cash flow hedges		**11**	**43**	**–4**	**9**	**n. a.**	**n. a.**	**2 007**
31 December 2003								
Interest rate swaps		14	49	21	–19	2004-2015	2004-2015	3 134
Currency derivatives		–	–	–	–	–	–	–
Equity derivatives		–	–	–	–	–	–	–
Other		–	–	–	–	–	–	–
Total derivatives designated as cash flow hedges		14	49	21	–19	n. a.	n. a.	3 134

38 Risk Management Activities (continued)

Interest rate risk The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its assets, liabilities and cash flows. Matching of assets and liabilities is utilised as the main method of hedging the interest rate risk associated with interest-sensitive insurance liabilities. To the extent this is not practicable, swap contracts and other instruments are used to hedge interest rate risk. The table below summarises the Group's exposure to interest rate risks:

In CHF million	Earlier of expected repricing or maturity				
	Not later than 1 year	1–5 years	Later than 5 years	Non-interest bearing	Total
Carrying value as of 31 December 2004					
Assets					
Fixed-rate financial instruments	**14 557**	**29 158**	**62 490**	**–**	**106 205**
Variable-rate financial instruments	**9 429**	**356**	**–**	**–**	**9 785**
Non-interest-bearing financial instruments	**–**	**–**	**–**	**22 823**	**22 823**
Non-financial instruments	**–**	**–**	**–**	**18 623**	**18 623**
Separate account (unit-linked) assets	**–**	**–**	**–**	**8 177**	**8 177**
Total assets	**23 986**	**29 514**	**62 490**	**49 623**	**165 613**
Liabilities					
Fixed-rate financial instruments	**–7 012**	**–23 077**	**–2 154**	**–**	**–32 243**
Variable-rate financial instruments	**–1 777**	**–279**	**–**	**–**	**–2 056**
Non-interest-bearing financial instruments	**–**	**–**	**–**	**–8 469**	**–8 469**
Non-financial instruments	**–**	**–**	**–**	**–107 745**	**–107 745**
Separate account (unit-linked) liabilities	**–**	**–**	**–**	**–8 192**	**–8 192**
Total liabilities	**–8 789**	**–23 356**	**–2 154**	**–124 406**	**–158 705**
Balance sheet interest rate sensitivity gap	**15 197**	**6 158**	**60 336**	**–74 783**	**6 908**
Carrying value as of 31 December 2003					
Total assets	20 788	31 673	58 967	51 050	162 478
Total liabilities	–8 589	–20 258	–2 932	–125 520	–157 299
Balance sheet interest rate sensitivity gap	12 199	11 415	56 035	–74 470	5 179

In addition, the Group is exposed to the risk of prepayment on loans; however, management believes the information provided is a reasonably reliable prediction of contractual maturities and repricing based on management's expectations related to prepayment risk.

The carrying amount of financial assets with variable interest rates was CHF 9785 million as of 31 December 2004 (2003: CHF 9760 million). Financial liabilities with variable interest rates were carried at CHF 2056 million as of 31 December 2004 (2003: CHF 2094 million).

The weighted average effective interest rates vary by major currencies and products for interest-bearing assets and liabilities.

The Group enters into interest rate swaps, caps, floors and collar agreements to manage interest rate risk on its financial instruments. These measures are taken in order to effectively convert the portfolio into an acceptable fixed, variable and capped rate mix. The swap agreements are contracts to exchange floating or fixed-rate interest payments periodically over the life of the agreements without exchanging the underlying notional amounts.

38 Risk Management Activities (continued)

Foreign currency risk As the Group operates internationally, it is exposed to risks associated with changes in foreign exchange rates. The Group had the following significant currency balance sheet items:

Currency positions

In CHF million	CHF	EUR	GBP	USD	JPY	Other	Total
Carrying value as of 31 December 2004							
Assets							
Held-to-maturity investments	33	6 273	21	12	–	–	6 339
Available-for-sale investments	22 078	64 663	607	8 004	170	19	95 541
Financial assets held for trading	869	1 695	141	238	7	95	3 045
Investment property	9 649	1 865	–	–	–	–	11 514
Loans originated by the enterprise	16 828	3 264	155	380	32	112	20 771
Investments in associates	20	38	–	–	–	–	58
Cash and cash equivalents	5 192	1 990	58	869	69	126	8 304
Insurance and other receivables	1 520	2 847	9	91	1	1	4 469
Other	5 106	9 704	30	732	–	0	15 572
Total assets	61 295	92 339	1 021	10 326	279	353	165 613
Liabilities							
Financial liabilities held for trading	–563	–453	–4	–136	–4	–5	–1 165
Investment contracts, customer deposits and other funds on deposit	–4 951	–24 976	–99	–1 053	–98	–92	–31 269
Insurance reserves	–61 203	–42 799	–75	–88	–	–1	–104 166
Borrowings	–3 623	–2 195	–2	–315	–1	–13	–6 149
Other	–5 831	–9 485	–7	–628	–1	–4	–15 956
Total liabilities	–76 171	–79 908	–187	–2 220	–104	–115	–158 705
Net balance sheet currency gap	–14 876	12 431	834	8 106	175	238	6 908
Carrying value as of 31 December 2003							
Total assets	67 623	80 552	4 994	8 688	288	333	162 478
Total liabilities	–77 796	–72 906	–3 917	–2 306	–172	–202	–157 299
Net balance sheet currency gap	–10 173	7 646	1 077	6 382	116	131	5 179

The main method of hedging the foreign currency risks associated with insurance and other liabilities is to use forward exchange and option contracts.

The foreign currency gains and losses on derivatives designated as hedges for currency risks are recognised in the consolidated statement of income in the same period that the gains or losses are recognised on the related assets, liabilities and anticipated transactions. For 2004 gains of CHF 245 million (2003: CHF 78 million) were recognised in income.

The amount of foreign currency differences recognised in income represented a loss of CHF 438 million for the year ended 31 December 2004 and a gain of CHF 63 million for the year ended 31 December 2003.

38 Risk Management Activities (continued)

Liquidity risk The Group has formal asset/liability matching practices and monitors liquidity on a regular basis. There are no option/individual contracts or policyholders with the potential to prompt an outflow of liquidity through cancellation or early termination which would be material for the Group as a whole.

In CHF million	Contractual maturity dates						
	On demand	Subject to notice	Not later than 1 year	1–5 years	Later than 5 years	No maturity date	Total
31 December 2004							
Assets							
Fixed-rate financial instruments	–	–	14 322	29 324	62 559	–	106 205
Variable-rate financial instruments	412	304	8 080	708	238	43	9 785
Non-interest-bearing financial instruments	809	13	4 537	94	21	15 656	21 130
Derivative instruments	–	–	720	248	725	–	1 693
Non-financial instruments	–	–	–	–	–	18 623	18 623
Separate account (unit-linked) assets	–	–	–	–	–	8 177	8 177
Total assets	**1 221**	**317**	**27 659**	**30 374**	**63 543**	**42 499**	**165 613**
Liabilities							
Fixed-rate financial instruments	–	–	–6 990	–23 099	–2 154	–	–32 243
Variable-rate financial instruments	–845	–	–911	–37	–263	–	–2 056
Non-interest-bearing financial instruments	–2 868	–18	–2 365	–1 616	–947	–5	–7 819
Derivative instruments	–	–	–619	–30	–1	–	–650
Non-financial instruments	–	–	–	–	–	–107 745	–107 745
Separate account (unit-linked) liabilities	–	–	–	–	–	–8 192	–8 192
Total liabilities	**–3 713**	**–18**	**–10 885**	**–24 782**	**–3 365**	**–115 942**	**–158 705**
Net balance sheet liquidity gap	**–2 492**	**299**	**16 774**	**5 592**	**60 178**	**–73 443**	**6 908**
31 December 2003							
Total assets	1 672	345	24 486	31 906	59 913	44 156	162 478
Total liabilities	–3 842	–404	–10 181	–21 942	–4 630	–116 300	–157 299
Net balance sheet liquidity gap	–2 170	–59	14 305	9 964	55 283	–72 144	5 179

Put or call provisions on certain instruments may affect the timing, amount and certainty of cash flows.

38 Risk Management Activities (continued)

Market risk The Group is exposed to various risks associated with the effects of changes in the market prices of assets and liabilities recognised in the balance sheet. The Group manages its exposure to market risk through asset allocation limits, duration limits (as appropriate) and stress tests. To manage risks associated with changes in the market price of assets and liabilities, the Group also enters into fair value hedges using mainly options and futures to offset the market behaviour of existing assets or liabilities.

Fair value changes of both the derivative financial instruments designated as fair value hedges and the underlying assets and liabilities are recognised in income. The realised losses recognised on the derivatives designated as fair value hedges for the year ended 31 December 2004 were CHF 34 million (2003: CHF 180 million).

Credit risk The Group mainly operates throughout Europe with a large percentage of business transacted in Switzerland. However, credit risk is well spread over a diversity of individual and commercial clients. The Group has no significant exposure to any particular client or counterparty.

As an active participant in the international capital markets, the Group has a significant concentration of credit risk with financial institutions. The risk that counterparties to both derivative and cash instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Group deals with a diverse group of counterparties with good credit standing, enters into master netting agreements whenever possible, and when appropriate, obtains collateral.

In most cases, the Group's exposure to credit risk is reflected in the amounts shown on the balance sheet.
The Group enters into master netting agreements which mitigate the overall exposure to credit risk but do not qualify the assets and liabilities for offsetting under IAS 32.

39 Fair Value of Financial Instruments Not Presented in the Balance Sheet at Fair Value

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented in the Group's balance sheet at fair value as of 31 December:

In CHF million	**2004**	2003	**2004**	2003
	Carrying value	Carrying value	**Fair value**	Fair value
Held-to-maturity investments	**6 339**	5 317	**6 779**	5 576
Loans originated by the enterprise	**20 771**	25 600	**21 157**	25 916
Deposits held under financial reinsurance contracts	**3**	4	**3**	4
Liabilities under investment contracts, customer deposits and other funds on deposit	**31 269**	29 352	**31 269**	29 353
Borrowings	**6 149**	5 802	**6 315**	5 807
Other financial liabilities	**3 769**	4 298	**3 772**	4 301

40 Reclassifications in the Statement of Income and in the Balance Sheet

Participation in results of associates, which was previously carried under net investment income, is now presented separately in the income statement.

Held-to-maturity investments classified previously as other investments have been reclassified to held-to-maturity investments. A similar treatment has been adopted for available-for-sale investments which were previously classified as other investments.

Provisions previously carried under other liabilities are now presented separately in the balance sheet.

Reclassifications in the statement of income

In CHF million	2003	Reclas-sification	2003
	as disclosed		reclassified
Net investment income	5 552	–6	
Net investment income			5 546
Share of results of associates	–	6	
Share of results of associates			6

Reclassifications in the balance sheet

In CHF million	2003	Reclas-sification	2003
	as disclosed		reclassified
Held-to-maturity securities	5 252	65	
Held-to-maturity investments			5 317
Available-for-sale securities	88 118	788	
Available-for-sale investments			88 906
Other investments	853	–853	
Other investments			–
Provisions	–	258	
Provisions			258
Other liabilities	1 780	–258	
Other liabilities			1 522

41 Impact on Equity of Reduction in BVG Conversion Rate and of Statutory Distribution Ratio ("legal quote") and Change in Accounting Policy

The conversion rate for the pensions under the non-mandatory part of the BVG occupational pensions business (Swiss occupational plans) is being reduced by the Swiss Life Group over the next four years from 7.2% to 5.835%. This reduction resulted in a release of reserves (after taxes) of CHF 253 million in the period under review.

The introduction of the statutory distribution ratio ("legal quote") in the Swiss group business resulted in a one-off charge on unrealised gains/losses recognised directly in equity of CHF 197 million (after taxes) and a one-off charge on net income of CHF 89 million (after taxes).

Due to the adoption of SOP 03–1, "Accounting and Reporting by Insurance Enterprises for Certain Non-Traditional Long-Duration Contracts and for Separate Accounts", additional reserves totalling CHF 54 million were set up. The net impact (net of policyholder bonuses and taxes) on the opening balance of retained earnings as of 1 January 2004 was a decrease of CHF 5 million.

Gains/losses recognised directly in equity, net

In CHF million	2004
Balance as of 1 January	714
Impact of 'legal quote' regulation	–197
Change in net unrealised gains/losses (net of one-off effects)	414
Balance as of 31 December	**931**

Retained earnings

In CHF million	2004
Balance as of 1 January	1 188
Change in accounting policy	–5
Balance as of 1 January adjusted	**1 183**
Impact of reduction in BVG conversion rate	253
Impact of 'legal quote' regulation	–89
Net income (net of one-off effects)	460
Net income	**624**
Balance as of 31 December	**1 807**

42 Branches, Subsidiaries, Associates, Partnerships and Joint Ventures

A list of the principal branches, subsidiaries, associates, partnerships and joint ventures together with the country of registration and the Group's ownership interest and voting interest, if different, is shown in note 44.

43 Events after the Balance Sheet Date

An agreement was reached in France with CaixaBank France regarding a cooperation in the areas of distribution and sale of bank and insurance products. The agreement was effective from January 2005 and involved the transfer of 11.4% of the shares of Swiss Life Assurances de Biens, Paris, and 45% of the shares of Swiss Life Banque, Paris. In return the Swiss Life Group purchased 4.7% of the shares of CaixaBank France. The cooperation can be terminated by both parties according to certain rules in 2009, 2011 and 2013.

On 1 February 2005, the Swiss Life Group announced the sale of the non-life operations of «La Suisse». The property and liability business will be transferred to Vaudoise while the accident and health business will be sold to Helsana. In addition, the Swiss Life Group will take on the Vaudoise group life business in return. The consideration for the portfolio transfer to Helsana will be received in cash.

The closing of the sales contract of the UK life business took place in March 2005. The cash-related part of the sales price totalling CHF 279 million was received in March 2005.

On 4 April 2005, the Board of Directors approved the annual financial statements and the financial report and authorised them for publication on 5 April 2005.

44 Significant Subsidiaries and Associates

	Segment [1]	Core = ● Non-Core = ○	Consolidation period	Group share	Direct share	Method of consolidation	Currency	Authorised share capital in 1000
Switzerland								
Adamant, Basel	–	–		41.0%	41.0%	equity	CHF	250
Adamed, Basel	IM	●	until 01.12.2004	–	–	full	CHF	23 018
Adroit Investment, Zürich	Life	●		99.8%	100.0%	full	CHF	5 000
Adroit Private Equity, Zürich	Life	●		99.8%	100.0%	full	CHF	5 000
Alvetern, Pfäffikon	IM	●	until 30.04.2004	–	–	full	CHF	100
Banca del Gottardo, Lugano	PB	○		100.0%	100.0%	full	CHF	170 000
Dreieck Equipment Leasing, Zürich	PB	○		43.0%	43.0%	full	CHF	100
Dreieck Fiduciaria, Lugano	PB	○		100.0%	100.0%	full	CHF	500
Dreieck Industrie Leasing (formerly Dreieck Leasing), Lausanne	PB	○		100.0%	100.0%	full	CHF	15 000
Drive Shop, Thônex	PB	○	from 01.01.2004 until 24.12.2004	–	–	full	CHF	100
Eaux-Vives 2000, Zürich	Life	●		99.8%	100.0%	full	CHF	1 000
Eaux-Vives Office, Zürich	Life	●		99.8%	100.0%	full	CHF	100
Geschäftshaus Spitalgasse, Bern	–	–	until 25.06.2003	–	–	equity	CHF	1 500
Kuhn & Seal, Nyon	Other	●		99.8%	100.0%	full	CHF	100
Kuhn & Seal Services, Nyon	Other	●	until 23.12.2004	–	–	full	CHF	100
«La Suisse» Accidents, Lausanne	Non-Life	○		99.8%	100.0%	full	CHF	50 000
«La Suisse» Vie, Lausanne	Life	○		99.8%	100.0%	full	CHF	24 000
Livit, Zürich	IM	●		99.8%	100.0%	full	CHF	3 000
Long Term Strategy in liquidation, Zug	Other	○		99.8%	100.0%	full	CHF	2 000
Neue Warenhaus AG, Zürich	Life	●		99.8%	100.0%	full	CHF	5 000
Oscar Weber AG, Zürich	Life	●		99.8%	100.0%	full	CHF	5 000
Pendia Associates, Zürich	Other	●		99.8%	100.0%	full	CHF	500
Rentenanstalt Holding, Zürich	Other	●		99.8%	100.0%	full	CHF	25 000
Schweizerische Treuhandgesellschaft, Zug	PB	○	until 25.06.2003	–	–	full	CHF	12 000
STG Schweizerische Treuhandgesellschaft, Basel	PB	○	until 25.06.2003	–	–	full	CHF	8 000
STG Asset Management, Basel	PB	○	until 25.06.2003	–	–	full	CHF	32 000
STG Management, Basel	PB	○	until 25.06.2003	–	–	full	CHF	250
STG Management Services, Basel	PB	○	until 25.06.2003	–	–	full	CHF	250
Swiss Life Asset Management, Zürich	IM	●		100.0%	100.0%	full	CHF	250
Swiss Life Capital Holding, Zürich	IM	●		99.8%	100.0%	full	CHF	5 514
Swiss Life Capital Partners, Pfäffikon	IM	●	until 30.06.2004	–	–	full	CHF	100
Swiss Life Fund Master, Zürich	IM	●	until 19.06.2003	–	–	full	CHF	250
Swiss Life Funds, Lugano	IM	●		100.0%	100.0%	full	CHF	10 000
Swiss Life Funds Business, Zürich	IM	●	from 16.12.2003	100.0%	100.0%	full	CHF	250
Swiss Life General Partners, Zürich	IM	●		99.8%	100.0%	full	CHF	100
Swiss Life Institutional Funds - SLIF 14, Lugano	IM	●	from 01.12.2004	99.8%	100.0%	full	–	–
Swiss Life Holding, Zürich	Other	●		–	–	full	CHF	1 688 791
Swiss Life Pension Services, Zürich	Life	●	from 17.12.2003	99.8%	100.0%	full	CHF	250
Swiss Life Private Equity Partners, Zürich	IM	●		99.8%	100.0%	full	CHF	250
Swiss Life Real Estate Partners, Zug	IM	●	until 30.09.2003	–	–	full	CHF	250
Swiss Life/Rentenanstalt, Zürich	Life	●		99.8%	99.8%	full	CHF	587 350
Swiss Life Selection, Zürich	Other	●		99.8%	100.0%	full	CHF	250
Swissville Centers, Zürich	Life	●		99.8%	100.0%	full	CHF	2 500
Swissville Centers Holding, Zürich	Life	●		99.8%	100.0%	full	CHF	7 100
Swissville Commerce, Zürich	Life	●		99.8%	100.0%	full	CHF	150 900

1) Segment (IM = Investment Management, PB = Private Banking)

44 Significant Subsidiaries and Associates (continued)

	Segment 1)	Core = ● Non-Core = ○	Consolidation period	Group share	Direct share	Method of consolidation	Currency	Authorised share capital in 1000
Switzerland (continued)								
Swissville Commerce Holding, Zürich	Life	●		99.8%	100.0%	full	CHF	147 100
Swissville Europe Holding, Zürich	Life	●		99.8%	100.0%	full	CHF	11 500
Swissville Private, Zürich	Life	●		99.8%	100.0%	full	CHF	50 000
Swissville Private Holding, Zürich	Life	●		99.8%	100.0%	full	CHF	50 000
Technopark Immobilien, Zürich	–	–		33.3%	33.3%	equity	CHF	40 000
Tenium, Zürich	IM	●	until 31.08.2003	–	–	full	CHF	100
Tuxedo Invest, Zug	–	–	until 31.07.2003	–	–	equity	CHF	162 995
Ultrafin, Lugano	PB	○		100.0%	100.0%	full	CHF	5 000
Liechtenstein								
LGT Swiss Life Non Traditional Advisers, Vaduz	–	–		43.3%	43.4%	equity	CHF	1 000
Swiss Life (Liechtenstein), Vaduz	Life	●	from 23.11.2004	100.0%	100.0%	full	CHF	5 000
France								
AGAMI, Lille	Other	○		99.8%	100.0%	full	EUR	500
Carte Blanche Partenaires (formerly Domical Santé), Paris	Other	○		94.4%	95.1%	full	EUR	2 300
Carte Blanche TP, Paris	–	–	from 25.11.2003	43.6%	44.0%	equity	EUR	40
CEAT, Paris	Non-Life	○		99.7%	100.0%	full	EUR	2 400
CEGEMA, Villeneuve-Loubet	Other	○		50.5%	50.6%	full	EUR	300
Crédit et services financiers (CRESERFI), Paris	–	–		33.3%	33.4%	equity	EUR	56 407
Daunou Participations, Paris	PB	○	from 25.05.2004 until 21.12.2004	–	–	full	EUR	4 585
ERISA, Paris	Life	●		49.9%	50.0%	full	EUR	65 000
ERISA IARD, Paris	Non-Life	●		49.9%	50.0%	full	EUR	7 500
Financière Oudart, Paris	PB	○	from 25.05.2004 until 21.12.2004	–	–	full	EUR	38
Garantie Assistance, Paris	Non-Life	○		99.3%	100.0%	full	EUR	1 850
GSD Gestion, Paris	–	–	from 25.05.2004	25.0%	25.0%	equity	EUR	400
Oudart, Paris	PB	○		100.0%	100.0%	full	EUR	5 500
Oudart Assurances, Paris	PB	○	from 25.05.2004	100.0%	100.0%	full	EUR	38
Oudart & Associés, Paris	PB	○	from 25.05.2004 until 21.12.2004	–	–	full	EUR	38
Oudart Gestion, Paris	PB	○	from 25.05.2004	100.0%	100.0%	full	EUR	1 000
Premium Consulting SAS, Paris	–	–	from 27.07.2003	20.0%	20.0%	equity	EUR	40
SACAT, Paris	Other	○	until 05.08.2003	–	–	full	EUR	50
SCI DYNAPIERRE, Paris	Other	●		99.1%	100.0%	full	EUR	7 317
SCI ERISA IMMO 1, Paris	Other	●		49.9%	100.0%	full	EUR	39 980
SCI Paris Dammartin, Roubaix	Other	○		99.0%	100.0%	full	EUR	15
SCI Uniphénix, Paris	Other	●	until 17.12.2004	–	–	full	EUR	7 398
Société suisse de gestion immobilière, Paris	Other	●		99.7%	100.0%	full	EUR	22 860
Société suisse de participations d'assurance, Paris	Other	●		99.8%	100.0%	full	EUR	792 296
Société suisse vie, Paris (branch)	Life	●		–	–	full	–	–
Swiss Life Asset Management (France) (formerly Société suisse de gestion financière), Paris	IM	●		99.8%	100.0%	full	EUR	3 000
Swiss Life Asset Management (France), Paris	IM	●	until 23.12.2003	–	–	full	EUR	4 950
Swiss Life Assurance et Patrimoine, Paris	Life	●		99.1%	99.7%	full	EUR	75 000

1) Segment (IM = Investment Management, PB = Private Banking)

44 Significant Subsidiaries and Associates (continued)

	Segment [1]	Core = ● Non-Core = ○	Consolidation period	Group share	Direct share	Method of consolidation	Currency	Authorised share capital in 1000
France (continued)								
Swiss Life Assurances de Biens, Paris	Non-Life	○		99.7%	100.0%	full	EUR	110 850
Swiss Life Banque (formerly Société suisse Banque), Paris	PB	○		99.6%	100.0%	full	EUR	20 000
Swiss Life Prévoyance et Santé, Paris	Life	●		99.0%	99.2%	full	EUR	150 000
Germany								
DEPFA Holding Verwaltungsgesellschaft mbH, Düsseldorf	–	–	from 29.11.2004	20.4%	20.4%	equity	EUR	539
Financial Solutions, München	Other	●	from 08.09.2004	99.8%	100.0%	full	EUR	200
Münchner Tor, München	Life	●		99.8%	100.0%	full	EUR	59 435
Renum, München	Other	●	from 18.10.2004	94.8%	94.9%	full	EUR	250
Schweizerische Rentenanstalt, München (branch)	Life	●		–	–	full	–	–
Seko, München	Other	●		89.9%	90.0%	full	EUR	30
Sepis, München	Life	●		99.8%	100.0%	full	EUR	30
Schweizer Leben Pensions Management, München	Other	●		99.8%	100.0%	full	EUR	150
Swiss Life Asset Management, Unterföhring	IM	●		99.8%	100.0%	full	EUR	5 250
Swiss Life Beteiligungs GmbH, München	Other	●		99.8%	100.0%	full	EUR	25
Swiss Life Grundstücksmanagement, München	Life	●		99.8%	100.0%	full	EUR	26
Swiss Life Partner AG, München	–	–		49.8%	49.9%	equity	EUR	3 500
Swiss Life Partner Service und Finanzvermittlung, München	Other	●		99.8%	100.0%	full	EUR	1 800
Swiss Life Pensionsfonds, München	Life	●		99.8%	100.0%	full	EUR	3 000
Swiss Life Pensionskasse, München	Life	●		99.8%	100.0%	full	EUR	3 000
Netherlands								
Swiss Life Asset Management (Nederland), Amstelveen	IM	●		100.0%	100.0%	full	EUR	250
Zwitserleven, Amstelveen (branch)	Life	●		–	–	full	–	–
Zwitserleven Vermogensbeheer, Amstelveen	Life	●		99.8%	100.0%	full	EUR	2 269
Belgium								
AIA Pool, Bruxelles	–	–		13.0%	13.0%	equity	EUR	19
Crédit Agricole, Bruxelles	–	–	until 25.08.2003	–	–	equity	EUR	191 259
Demoisy & Cie, Montigny le Tilleul	–	–	from 01.01.2003	25.0%	25.0%	equity	EUR	31
European District Properties Three, Sint Stevens Woluwe	–	–		49.9%	50.0%	equity	EUR	62
Swiss Life Asset Management (Belgium), Bruxelles	IM	●		99.8%	100.0%	full	EUR	500
Swiss Life (Belgium), Bruxelles (branch)	Life	●		–	–	full	–	–
Swiss Life Immo-Commerce (Belgium), Bruxelles	Other	●		99.8%	100.0%	full	EUR	9 965
Swiss Life Immo-Cross Roads, Bruxelles	Other	●		99.8%	100.0%	full	EUR	64
Swiss Life Immo-Midi (Belgium), Bruxelles	Other	●		99.8%	100.0%	full	EUR	2 200
Swiss Life Immo-Techno Center I, Bruxelles	Other	●	from 01.01.2003	99.8%	100.0%	full	EUR	868
Swiss Life Immo-Techno Center II, Bruxelles	Other	●	until 01.01.2004	–	–	full	EUR	285
Swiss Life Immo-Techno Center III, Bruxelles	Other	●	until 01.01.2004	–	–	full	EUR	500
Swiss Life Informations Systems, Sint-Genesius-Rode	Other	●		99.8%	100.0%	full	EUR	62
Swiss Life Invest (Belgium), Bruxelles	Other	●		99.8%	100.0%	full	EUR	646
Swissville Europe (Belgium), Bruxelles	Life	●		99.8%	100.0%	full	EUR	8 087
ZELIA, Bruxelles	Life Non-Life	● ○		99.8%	100.0%	full	EUR	32 227

1) Segment (IM = Investment Management, PB = Private Banking)

44 Significant Subsidiaries and Associates (continued)

	Segment 1)	Core = ● Non-Core = ○	Consolidation period	Group share	Direct share	Method of consolidation	Currency	Authorised share capital in 1000
Luxembourg								
Apenso, Luxembourg	–	–	until 03.12.2004	–	–	equity	EUR	625
Banque du Gothard (Luxembourg), Luxembourg	PB	○		100.0%	100.0%	full	CHF	14 000
Esofac, Luxembourg	–	–		30.0%	30.0%	equity	EUR	125
Gottardo Equity Fund (Lux) Management, Luxembourg	PB	○		100.0%	100.0%	full	CHF	200
Gottardo Money Market Fund (Lux) Management, Luxembourg	PB	○		100.0%	100.0%	full	CHF	200
Gottardo Strategy Fund Management, Luxembourg	PB	○		100.0%	100.0%	full	CHF	200
Gottardo Tower Fund Management, Luxembourg	PB	○		100.0%	100.0%	full	EUR	125
Heralux, Luxembourg	Non-Life	○		99.0%	100.0%	full	EUR	1 250
SB-Gotthard I Fund Management, Luxembourg	PB	○		100.0%	100.0%	full	CHF	650
SLGB Management, Luxembourg	Other	●		99.8%	100.0%	full	EUR	125
Swiss Life Asset Management Holding, Strassen	IM	●		99.8%	100.0%	full	CHF	8 380
Swiss Life (Luxembourg), Strassen	Life	●		99.8%	100.0%	full	EUR	15 000
Swiss Life Immo-Arlon, Strassen	Other	●		99.8%	100.0%	full	EUR	1 000
Swiss Life Investment Advisers, Luxembourg	IM	●	until 27.01.2003	–	–	full	EUR	75
Swiss Life Multi Funds (Luxembourg) Management, Luxembourg	PB	○		100.0%	100.0%	full	CHF	200
United Kingdom								
Alpine Holdings, St. Peter Port-Guernsey	PB	○		100.0%	100.0%	full	USD	600
Dom-James, Sevenoaks	Other	○	until 31.12.2004	–	–	full	GBP	5 016
Integer Investment PCC Limited Cell 7, St. Peter Port-Guernsey	PB	○	from 01.07.2004	100.0%	100.0%	full	CHF	0
Swiss Life Asset Management (UK), London	IM	●	until 22.12.2003	–	–	full	GBP	10 000
Swiss Life (UK), Sevenoaks	Life	○	until 31.12.2004	–	–	full	GBP	200 000
Swiss Life (UK) Group, Sevenoaks	Life	○	until 31.12.2004	–	–	full	GBP	200 000
Swiss Life (UK) Services, Sevenoaks	Life	○	until 31.12.2004	–	–	full	GBP	100
Spain								
Gottardo Inversiones Financieras, Madrid	PB	○	from 19.05.2004	100.0%	100.0%	full	EUR	800
Swiss Life Asset Management (España), Madrid	IM	●	until 04.12.2003	–	–	full	EUR	2 110
Swiss Life (España), Madrid	Life	○	until 12.11.2003	–	–	full	EUR	39 066
Swiss Life Gestion, Madrid	IM	○	until 12.11.2003	–	–	full	EUR	751
Italy								
Banca del Gottardo Italia, Bergamo	PB	○		71.0%	71.0%	full	EUR	50 000
Fafid, Milano	PB	○	from 11.03.2003	95.0%	95.0%	full	EUR	150
Gottardo Asset Management SGR, Milano	PB	○	from 01.01.2003	82.1%	85.0%	full	EUR	2 500
Swiss Life (Italia), Milano	Life	○		99.8%	100.0%	full	EUR	5 170
Swiss Life (Italia) Infortuni e Malattie, Milano	Non-Life	○		99.8%	100.0%	full	EUR	2 500
Austria								
Gottardo Asset Management, Wien	PB	○	until 01.05.2003	–	–	full	EUR	363

1) Segment (IM = Investment Management, PB = Private Banking)

44 Significant Subsidiaries and Associates (continued)

	Segment [1]	Core = ● Non-Core = ○	Consolidation period	Group share	Direct share	Method of consolidation	Currency	Authorised share capital in 1000
Bahamas								
Gottardo Trust Company, Nassau	PB	○		100.0%	100.0%	full	USD	3 000
Gotthardfin, Nassau	PB	○	until 27.08.2003	–	–	full	CHF	10 000
MFT Multifin Transactions, Nassau	PB	○	until 17.01.2003	–	–	full	CHF	1 000
British Virgin Islands								
Swiss Life Finance, Tortola	Life	●		99.8%	100.0%	full	USD	50
Swiss Life International Finance, Tortola	IM	●	until 30.05.2003	–	–	full	USD	10
Cayman Islands								
Adamed Investments, George Town	IM	●	until 23.11.2004	–	–	full	USD	0
Adroit Investment Offshore, Grand Cayman	Life	●		99.8%	100.0%	full	CHF	0
							EUR	0
Adroit Private Equity Offshore, Grand Cayman	Life	●		99.8%	100.0%	full	CHF	0
							USD	0
Swiss Life Cayman Finance, Grand Cayman	Other	●		100.0%	100.0%	full	CHF	0
							USD	50
Swiss Life Financial Services, Grand Cayman	IM	●		99.8%	100.0%	full	CHF	50
Swiss Life Insurance Finance, Grand Cayman	Other	●	from 01.06.2004	99.8%	100.0%	full	EUR	5
Swiss Life Private Equity Partners (Cayman), Grand Cayman	IM	●		99.8%	100.0%	full	CHF	60
Greece								
Gottardo A.E.P.E.Y, Athens	PB	○		96.9%	96.9%	full	EUR	2 500
Second Pillar, Athens	–	–	from 12.07.2004	25.0%	25.0%	equity	EUR	60
Hong Kong								
Gottardo Asset Management (H.K.), Hong Kong	PB	○	until 02.09.2003	–	–	full	HKD	5 000
Monaco								
Banque du Gothard (Monaco), Monaco	PB	○		100.0%	100.0%	full	EUR	40 000
Financial Strategy (Sam), Monaco	–	–		20.0%	20.0%	equity	EUR	750
Gothard Gestion Monaco, Monaco	PB	○		100.0%	100.0%	full	EUR	160
Gottim Sam, Monaco	PB	○		100.0%	100.0%	full	EUR	150
Podium Sam, Monaco	–	–	from 01.01.2004	30.0%	30.0%	equity	EUR	150
Netherlands Antilles								
N.V. Pensioen ESC, Willemstad	Life	●		99.8%	100.0%	full	ANG	1 000
Uruguay								
CAASU, Montevideo	PB	○	until 25.06.2003	–	–	full	UYP	1 000

1) Segment (IM = Investment Management, PB = Private Banking)

Report of the Group Auditors

Report of the Group Auditors
to the General Meeting of
Swiss Life Holding, Zurich

As auditors of the group, we have audited the consolidated financial statements (consolidated statement of income, consolidated balance sheet, consolidated statement of cash flow, consolidated statement of changes in equity and notes to the consolidated financial statements, pages 71 to 145) of the Swiss Life Group for the year ended 31 December 2004.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Lüssi　　Enrico Strozzi

Zurich, 4 April 2005

Review of Operations

In its third financial year, Swiss Life Holding generated a profit of CHF 153 million (previous year: CHF 29 million).

Income for the 2004 financial year totalled CHF 166 million and largely came from dividends from participations (CHF 125 million) and interest on loans to Group companies (CHF 35 million). Expenses incurred in connection with management of the holding company, interest expenses and capital taxes amounted to CHF 13 million.

Significant balance sheet changes included the increase in participations held and their financing out of equity, as well as the issuance of a convertible bond.

On 2 July 2004 Swiss Life Holding acquired Banca del Gottardo, Lugano, from Swiss Life/Rentenanstalt for CHF 1.34 billion. This will result in greater diversification of Swiss Life Holding's future income base.

The other two new participations were Swiss Life Funds Business, Zurich, an intra-Group transfer, and Swiss Life (Liechtenstein), Vaduz, a newly established company.

With the purchase of 15 216 Swiss Life/Rentenanstalt shares, Swiss Life Holding increased its interest in Swiss Life/ Rentenanstalt from 99.7% to 99.8% as per 31 December 2004.

On 2 June 2004 a rights issue of 8 344 680 new shares significantly strengthened shareholders' equity. With an equity ratio of 90%, Swiss Life Holding is on a very solid financial footing.

On 10 June 2004 Swiss Life Holding brought out a convertible bond issue for a total of CHF 317 million.

Statement of Income

Statement of income

In CHF million	2004	2003
Investment income	**163**	33
Foreign currency gains/losses	**–1**	1
Net investment income	**162**	34
Operating expenses	**–11**	–8
Other income	**4**	5
Other charges	**–2**	–2
Net result for the year	**153**	29

Balance Sheet

Assets as of 31 December

In CHF million	2004	2003
Liquid funds	**28**	78
Time deposits and similar investments	**56**	24
Receivables from Group companies	**5**	13
Other receivables	**6**	2
Prepayments and accrued income	**0**	6
Current assets	**95**	123
Shares	**4**	3
Participations	**2 570**	1 218
Loans	**168**	–
Loans to Group companies	**502**	705
Non-current assets	**3 244**	1 926
Total assets	**3 339**	2 049

Equity and liabilities as of 31 December

In CHF million	2004	2003
Payables to Group companies	**14**	38
Other payables	**2**	10
Total short-term liabilities	**16**	48
Convertible securities	**311**	–
Total long-term liabilities	**311**	–
Total liabilities	**327**	48
Share capital	**1 689**	1 252
General reserves	***918***	*497*
Reserve for own shares	***38***	*28*
Legal reserves	**956**	525
Free reserves	**185**	195
Balance carried forward from previous year	***29***	*–*
Net result for the year	***153***	*29*
Result shown in the balance sheet	**182**	29
Equity	**3 012**	2 001
Total equity and liabilities	**3 339**	2 049

Notes to the Financial Statements

Accounting Rules

Assets and liabilities are stated in the balance sheet in accordance with the provisions of the Swiss Code of Obligations (OR).

Explanations on the Balance Sheet and Statement of Income

Participations

In CHF thousand	2004 Currency	2004 Share capital	2004 Direct share	2003 Currency	2003 Share capital	2003 Direct share
Swiss Life/Rentenanstalt, Zürich	**CHF**	**587 350**	**99.8%**	CHF	587 350	99.7%
Swiss Life Funds, Lugano	**CHF**	**10 000**	**100.0%**	CHF	10 000	100.0%
Swiss Life Cayman Finance, Grand Cayman	**CHF**	**0**	**100.0%**	CHF	0	100.0%
	USD	**50**		USD	50	
Swiss Life Asset Management, Zürich	**CHF**	**250**	**100.0%**	CHF	250	100.0%
Swiss Life Asset Management (Nederland), Amstelveen	**EUR**	**250**	**100.0%**	EUR	250	100.0%
Swiss Life Funds Business, Zürich	**CHF**	**250**	**100.0%**	–	–	0.0%
Swiss Life (Liechtenstein), Vaduz	**CHF**	**5 000**	**100.0%**	–	–	0.0%
Banca del Gottardo, Lugano	**CHF**	**170 000**	**100.0%**	–	–	0.0%

Loans to Group companies CHF 211.7 million of the loans to Group companies are classified as subordinated loans.

Major shareholders In accordance with documents at Swiss Life's disposal, the following shareholders or groups of shareholders connected to one another held more than 5% of Swiss Life Holding's registered share capital of 33 775 818 shares at 31 December 2004:

	Shares (entered in the share register)	Voting rights
Premafin Group (Italy)	**3 141 026**	**9.30%**

Share capital As of 31 December 2004, the share capital of Swiss Life Holding (SLH) consisted of 33 775 818 fully-paid shares with a nominal value of CHF 50 each. In exercising voting rights, no shareholder can collect more than 10% of the total share capital directly or indirectly in respect of his/her own shares and those he/she represents. As of 31 December 2003, SLH had 25 034 041 registered shares with a nominal value of CHF 50 per share. Conditional share capital was CHF 183 406 100 as of 31 December 2004 (2003: CHF 103 260 950).

Legal reserves Legal reserves comprise general reserves (additional paid-in capital in excess of the nominal value, net of transaction costs) and reserve for own shares (equivalent value to SLH shares held by the Swiss Life Group).

Free reserves and retained earnings Free reserves and retained earnings contain accumulated retained earnings which have not been distributed to the shareholders.

Capital increase in 2004 On 2 June 2004, SLH issued 8 344 680 SLH registered shares with a nominal value of CHF 50 each. The subscription price was CHF 100 per share. The gross proceeds of the rights offering amounted to CHF 834 million.

Explanations on the Balance Sheet and Statement of Income (continued)

Additionally, 397 078 new SLH shares with a nominal value of CHF 50 each were created by reducing conditional share capital. These shares adjust the (minimum) number of shares convertible under the mandatory convertible securities (MCS) issues (MCS I, 2002–2005, and MCS II, 2003–2004) made by SL Cayman Finance, Grand Cayman, a subsidiary of Swiss Life Holding.

Issuance of convertible debt in 2004 On 10 June 2004, SLH issued CHF 317 million in 0.625% Convertible Bonds 2004–2010 convertible into SLH registered shares. The conversion price was set at CHF 209.625.

In 2004, convertible bonds of CHF 4000 were converted into 19 SLH shares with a corresponding increase of share capital and share premium.

Simplification of shareholder structure in 2003 In 2003, the Swiss Life Group simplified its shareholder structure by reducing the minority stake in its Swiss Life/Rentenanstalt subsidiary following the exchange of Swiss Life/Rentenanstalt shares (SL/RA shares) for SLH shares which took place in 2002. SLH acquired an additional 878 978 SL/RA shares and increased the equity stake held in its Swiss Life/Rentenanstalt subsidiary from 92.2% as of 31 December 2002 to 99.7% as of 31 December 2003.

Issuance of mandatory convertible securities (MCS II) in 2003 The simplification of the shareholder structure was financed through the issuance of mandatory convertible securities (MCS II, 2003–2004) totalling CHF 341 million on 30 December 2003 by Swiss Life Cayman Finance, Grand Cayman, a subsidiary of Swiss Life Holding. 341 011 MCS II were issued in denominations of CHF 1000 each with a maturity date of 30 December 2004. The MCS II could at the option of the holder or at the option of the issuer be converted into SLH shares at any time between 9 February 2004 and 15 December 2004. Unless converted by 15 December 2004, or purchased by the issuer and cancelled, each MCS II was mandatorily converted on 30 December 2004 into such number of shares as was equal to the maturity conversion ratio (4.65116 SLH shares per MCS II, subject to adjustment). The holders of the MCS II were entitled to annual interest payments per MCS II at 1.0% of the nominal value and certain payments in the event of any dividends or other cash distributions made by SLH to its shareholders. Subsequently, 1 586 098 SLH shares equal to the number of SLH shares required under the conversion ratio were created from the SLH conditional capital and transferred to the MCS Share Trust.

Own shares In the year under review the companies in the Swiss Life Group purchased a total of 1 506 662 Swiss Life shares at an average price of CHF 173.40. In the same period, they sold 1 368 037 shares at an average price of CHF 171.42.

Personnel expenses No direct staff costs are included under operating expenses.

Contingencies Swiss Life Holding guarantees the interest payments, conversion into Swiss Life Holding shares, and declared dividends or other distributions in cash by Swiss Life Cayman Finance Ltd in connection with the mandatory convertible securities. In addition, Swiss Life Holding acts as warrantor for all Swiss Life/Rentenanstalt liabilities with regard to the various tranches of the subordinated perpetual step-up loan (hybrid debt), which amounted to an equivalent value of CHF 1305 million at the balance sheet date.

Explanations on the Balance Sheet and Statement of Income (continued)

Total equity

In CHF million	31.12.2004	31.12.2003
Corporate capital		
Balance as of 1 January	**1 252**	1 173
Converted Swiss Life Holding shares	**0**	–
Issuance of shares	**417**	–
Issuance of mandatory convertible securities (adjustment)	**20**	79
Total corporate capital	**1 689**	1 252
Legal reserves		
General reserves		
Balance as of 1 January	**497**	464
Withdrawal from legal reserves in accordance with the General Meeting	**–**	–225
Issuance of shares	**417**	–
Issuance of mandatory convertible securities (adjustment)	**–20**	240
Sale of subscription rights	**58**	–
Equity transaction costs	**–34**	–18
Converted Swiss Life Holding shares	**0**	–
Change in own shares	**–**	36
Total general reserves	**918**	497
Reserve for own shares		
Balance as of 1 January	**28**	36
Reserve for own shares	**10**	–8
Total reserve for own shares	**38**	28
Total legal reserves	**956**	525
Free reserves		
Balance as of 1 January	**195**	–
Addition to free reserves	**–**	223
Reserve for own shares	**–10**	–28
Total free reserves	**185**	195
Result shown in the balance sheet		
Balance as of 1 January	**29**	–2
Withdrawal from legal reserves	**–**	225
Addition to free reserves	**–**	–223
Net result for the year	**153**	29
Total result shown in the balance sheet	**182**	29
Total equity	**3 012**	2 001

Appropriation of Net Result

Net Result and Appropriation of Result

The net result for the year amounts to CHF 152 632 808. The Board of Directors proposes to the General Meeting of Shareholders to appropriate the available earnings in accordance with the table below. If the Board of Directors' proposal is adopted, a distribution in form of a reduction in the nominal value of CHF 4 per share will be paid.

Net result shown in the balance sheet

In CHF	2004	2003
Balance brought forward	**29 346 454**	–
Net result for the year	**152 632 808**	29 346 454
Result shown in the balance sheet	**181 979 262**	29 346 454

Appropriation of result

In CHF	2004	2003
Dividend	–	–
Allocation to legal reserves	–	–
Allocation to free reserves	**180 000 000**	–
Balance carried forward to new account	**1 979 262**	29 346 454
Result shown in the balance sheet	**181 979 262**	29 346 454

Zurich, 4 April 2005

For Swiss Life Holding Board of Directors

Bruno Gehrig Gerold Bührer

Report of the Statutory Auditors

Report of the Statutory Auditors
to the General Meeting of
Swiss Life Holding, Zurich

As statutory auditors, we have audited the accounting records and the financial statements (statement of income, balance sheet and notes, pages 149 to 153) of Swiss Life Holding for the year ended 31 December 2004.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of the net result comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Lüssi Enrico Strozzi

Zurich, 4 April 2005

Important dates

Annual General Meeting
10 May 2005
Schluefweg Stadium, Kloten

Presentation of half-year figures
5 September 2005

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Read the Swiss Life Annual Report
on the Internet at
http://www.swisslife.com/report

Caution regarding forward-looking statements

This Annual Report contains forward-looking statements about Swiss Life which involve certain risks and uncertainties. The reader should be aware that such statements represent projections which could differ materially from actual outcomes and results. All forward-looking statements are based on the data available to Swiss Life at the time the present Annual Report was compiled.

The Annual Report is also available in German and French. The English text is definitive for the financial statements.

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