Swiss Life

Rentenanstalt

FINANCIAL STATEMENTS 2002

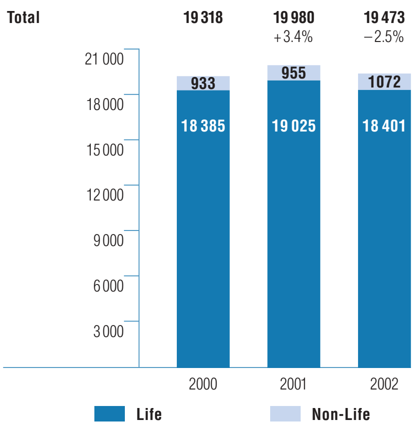
SWISS LIFE GROUP FINANCIAL STATEMENTS 2002

Key Figures

Group. In CHF million (unless indicated otherwise)	**2002**	2001 (restated)	+/– %
Gross written premiums, policy fees and deposits under policyholder investment contracts	**19 473**	19 980	–2.5
Gross written premiums and policy fees	**15 757**	15 630	+0.8
Net earned premiums and policy fees	**15 265**	15 129	+0.9
Net investment income including net trading income	**7 017**	5 912	+18.7
Net realised and unrealised gains/losses	**–2 304**	–141	–
Operating result	**–788**	80	–
Net result before tax and minority interests	**–1 847**	–103	–
Net result	**–1 694**	–115	–
Assets under management	**183 233**	194 224	–5.7
Equity	**4 170**	4 982	–16.3
Core capital	**7 540**	7 744	–2.6
Number of employees	**11 541**	12 265	–5.9

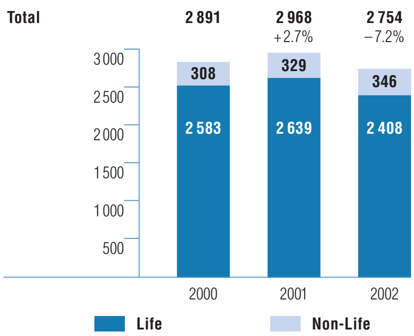
Gross premiums

in CHF million



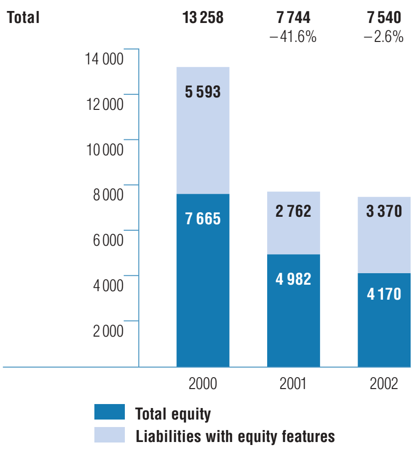
Operating expenses (insurance business)

in CHF million



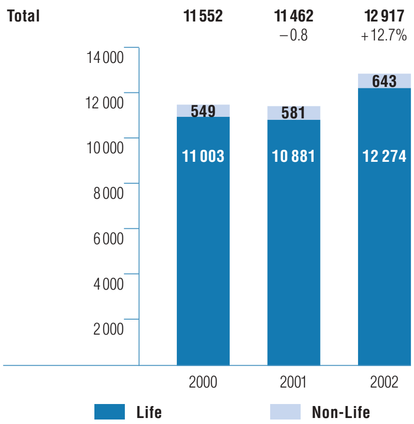
Core capital as of 31.12.

in CHF million



Insurance benefits paid

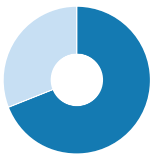
in CHF million



Assets under management as of 31.12.2002

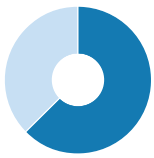
in CHF million

126 415	Core
56 818	Non-Core
183 233	Total



Employees as of 31.12.2002

7 224	Core
4 317	Non-Core
11 541	Total



Financial Statements 2002

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Consolidated Statement of Income

Consolidated statement of income for the years ended 31 December. In CHF million	Notes on page(s)	**2002**	2001 (restated)
Revenue			
Net investment income	32	**5 505**	5 626
Net realised and unrealised gains/losses on investments	32, 73	**– 2 304**	– 141
Net trading income	32	**1 512**	286
Investment management, banking and other fee income	32	**574**	664
Insurance premiums and policy fees[1]	47	**15 265**	15 129
Other income	32, 73	**104**	199
Total revenue		**20 656**	21 763
Benefits, losses and interest expenses			
Interest credited to deposits under policyholder contracts, customer deposits and other funds on deposit	33	**– 946**	– 1 072
Interest on borrowings	51	**– 363**	– 431
Other interest expenses		**– 11**	– 114
Benefits paid and changes in insurance reserves		**– 16 329**	– 15 783
Policyholder bonuses and participation in surplus		**– 340**	– 683
Total benefits, losses and interest expenses		**– 17 989**	– 18 083
Operating expenses			
Investment management and banking expenses	33	**– 917**	– 856
Insurance-underwriting and policy-acquisition costs	33	**– 1 680**	– 1 805
Other operating and administrative expenses	33	**– 858**	– 939
Total operating expenses		**– 3 455**	– 3 600
Operating result		**– 788**	80
Amortisation of goodwill and other intangible assets	43	**– 1 059**	– 183
Net result before tax and minority interests		**– 1 847**	– 103
Income tax expenses	53, 73	**92**	20
Net result before minority interests		**– 1 755**	– 83
Minority interests		**61**	– 32
Net result	73	**– 1 694**	– 115
Basic earnings per share (in CHF)	31	**– 104.6**	– 7.5
Diluted earnings per share (in CHF)	31	**– 104.6**	– 7.5

[1] Under the accounting principles adopted, deposits under policyholder investment contracts are not recognised as income:

Insurance premiums and policy fees as reported	47	**15 265**	15 129
Deposits under policyholder contracts		**3 716**	4 350
Insurance premiums, policy fees and deposits		**18 981**	19 479

Consolidated Balance Sheet

Consolidated balance sheet for the years ended 31 December. In CHF million	Notes on page(s)	**2002**	2001 (restated)
Assets			
Investments			
Held-to-maturity securities	34	**4 416**	5 000
Available-for-sale securities	34	**80 821**	81 220
Financial assets held for trading	35	**3 552**	2 411
Investment property	38	**10 770**	9 815
Loans originated by the enterprise	39, 73	**31 650**	29 769
Investments in associates, partnerships and joint ventures	40	**181**	410
Other investments	41, 73	**1 003**	1 070
Total investments		**132 393**	129 695
Other assets			
Cash and cash equivalents		**4 217**	6 374
Insurance and other receivables		**2 319**	3 476
Accrued income		**1 940**	1 830
Reinsurance assets	47	**1 533**	1 498
Deferred acquisition costs	41	**2 576**	2 815
Owner-occupied property and equipment	42	**1 625**	1 755
Goodwill and other intangible assets	43	**1 386**	2 501
Deferred tax assets	53	**1 721**	1 006
Other assets	54	**1 075**	895
Separate account (unit-linked) assets	44	**8 781**	11 434
Total other assets		**27 173**	33 584
Total assets		**159 566**	163 279

Consolidated balance sheet for the years ended 31 December. In CHF million		2002	2001
	Details on page(s)		(restated)
Liabilities and equity			
Liabilities			
Financial liabilities held for trading	35	**1 585**	1 345
Deposits under policyholder contracts, customer deposits and other funds on deposit	44	**28 086**	27 868
Insurance reserves	45, 47	**100 638**	98 827
Borrowings	50	**6 534**	8 240
Deferred tax liabilities	53	**2 516**	1 837
Accrued expenses and other liabilities	54	**6 794**	8 498
Separate account (unit-linked) liabilities		**8 738**	11 469
Total liabilities		**154 891**	158 084
Minority interests		**505**	213
Equity			
Share capital	10, 55	**1 172**	587
Share premium	11	**1 716**	1 780
Less: Treasury shares	11	**–36**	–540
Unrealised gains/losses not recorded in the income statement, net of taxes	10, 56, 73	**363**	283
Retained earnings	10, 73	**955**	2 872
Total equity		**4 170**	4 982
Total liabilities and equity		**159 566**	163 279

Core capital for capital adequacy purposes. In CHF million		2002	2001
	Notes on page(s)		(restated)
Total equity		**4 170**	4 982
Minority interests		**505**	213
Hybrid debt	50	**1 384**	1 402
Subordinated debt	50	**213**	201
Deferred Group-related funds after deduction of minority interests		**1 268**	946
Total core capital for capital adequacy purposes	57	**7 540**	7 744

Consolidated Statement of Cash Flow

Consolidated statement of cash flow for the years ended 31 December. In CHF million	2002	2001
		(restated)
Cash flow from operating activities		
Operating income before tax and minority interests	**–1 847**	–103
Adjustments		
Net realised and unrealised gains/losses	**2 013**	–921
Depreciation and amortisation	**934**	787
Net impairment losses	**1 698**	780
Net income from investments in associates, partnerships and joint ventures	**80**	48
Interest credited to policyholder contracts, customer deposits and other funds on deposit, net of fee income	**530**	498
Expenses for equity compensation plans	**–**	4
Other, net	**474**	555
Changes in operating assets and liabilities		
Financial assets and liabilities held for trading	**–273**	468
Deferred acquisition costs	**–361**	–273
Reinsurance assets	**–72**	–196
Insurance policy and claim reserves	**2 447**	2 244
Net changes in other operating assets and liabilities	**–2 627**	736
Cash flow from operating activities	**2 996**	4 627
Income taxes paid	**–158**	–186
Extraordinary items	**–**	–
Total net cash flow from operating activities	**2 838**	4 441
Cash flow from investing activities		
Purchases of held-to-maturity securities	**–13**	–267
Purchases of available-for-sale securities	**–49 322**	–43 579
Sales of held-to-maturity securities	**0**	0
Sales of available-for-sale securities	**45 446**	39 322
Redemptions of held-to-maturity securities	**520**	1 178
Redemptions of available-for-sale securities	**1 481**	740
Purchases of investment property	**–699**	–419
Sales of investment property	**58**	25
Origination of loans	**–47 112**	–2 944
Redemptions of loans	**41 064**	2 398
Purchases of investments in associates, partnerships and joint ventures	**–83**	–214
Sales of associates, partnerships and joint ventures	**243**	23
Purchases of other investments	**–1 165**	–2 736
Sales of other investments	**4 496**	338
Purchases of owner-occupied property, equipment and other assets	**–323**	–459
Sales of owner-occupied property, equipment and other assets	**17**	21
Acquisitions and disposals of subsidiaries, net of cash and cash equivalents	**91**	–902
Total net cash flow from investing activities	**–5 301**	–7 475
Balance carried forward to page 9	**–2 463**	–3 034

Consolidated statement of cash flow for the years ended 31 December. In CHF million	2002	2001 (restated)
Balance carried forward from page 8	**– 2 463**	– 3 034
Cash flow from financing activities		
Deposits under policyholder contracts, customer deposits and other funds on deposit	**117 930**	122 427
Withdrawals under policyholder contracts, customer deposits and other funds on deposit	**– 115 936**	– 120 763
Deposits under financial reinsurance or insurance contracts that do not transfer risk	**6**	12
Withdrawals under financial reinsurance or insurance contracts that do not transfer risk	**– 15**	– 28
Net increase in demand deposits, savings deposits and time deposits	**– 1 295**	392
Issuance of debt instruments	**45 956**	1 441
Redemption of outstanding debt instruments	**– 47 473**	– 830
Reduction in share capital	**–**	–
Issuance of shares	**790**	22
Issuance of mandatory convertible securities	**238**	–
Purchases of treasury shares	**– 388**	– 355
Sales of treasury shares	**580**	335
Dividends paid to shareholders and minority interests	**– 20**	– 225
Total net cash flow from financing activities	**373**	2 428
Effect of exchange rate differences on cash and cash equivalents	**– 67**	– 339
Total change in cash and cash equivalents	**– 2 157**	– 945
Total change in cash and cash equivalents	**– 2 157**	– 945
Cash and cash equivalents as of 1 January	**6 374**	7 319
Cash and cash equivalents as of 31 December	**4 217**	6 374
Supplemental disclosures of information on cash flow from operating activities		
Interest received	**4 455**	4 656
Dividends received	**479**	576
Interest paid	**703**	920
Non-cash financing and investing activities		
Conversion of debt to equity	**–**	–
Net change in unrealised gains and losses recorded in equity	**190**	2 058
Acquisition of assets through finance leases	**17**	6

Consolidated Statement of Changes in Equity

Consolidated statement of changes in equity for the years ended 31 Dec.		2002	2001	2002	2001	2002	2001
In CHF million (except for per share data)	Notes on page(s)		(restated)		(restated)		(restated)
		Number of shares	Number of shares	**Compre-hensive income**	Compre-hensive income	**Cumulative change in equity**	Cumulative change in equity
Retained earnings							
Balance as of 1 January						**3 111**	2 343
Effect of changes in accounting policies	23			**–**	848	**–**	848
Effect of restatement in 2001	73					**– 239**	–
Balance as of 1 January (adjusted)						**2 872**	3 191
Reclassification to minority interests due to new structure	55			**– 223**		**– 223**	–
Balance under new structure						**2 649**	3 191
Net result				**– 1 694**	– 115	**– 1 694**	– 115
Dividend						**–**	– 204
Balance as of 31 December						**955**	2 872
Unrealised gains/losses not recorded in income statement, net of taxes							
Balance as of 1 January						**44**	3 295
Effect of changes in accounting policies	23			**–**	– 893	**–**	– 893
Effect of restatement in 2001	73					**239**	–
Balance as of 1 January (adjusted)						**283**	2 402
Reclassification to minority interests due to new structure	55			**– 22**		**– 22**	–
Balance under new structure						**261**	2 402
Change in net unrealised gains/losses	56			**190**	– 2 058	**190**	– 2 058
Effect of foreign currency translation	56			**– 88**	– 61	**– 88**	– 61
Balance as of 31 December						**363**	283
Share capital	55						
Balance as of 1 January		**11 747 000**	11 747 000			**587**	587
Reclassification to minority interests due to new structure (unexchanged SL/RA shares)	55	**– 912 296**	–			**– 45**	–
Original Swiss Life Holding shares	55	**5 000**	–			**0**	–
Balance under new structure		**10 839 704**	11 747 000			**542**	587
Issuance of shares	55	**10 839 704**	–			**542**	–
Issuance of mandatory convertible securities (MCS)	55	**1 768 535**	–			**88**	–
Reduction in share capital		**–**	–			**–**	–
Balance as of 31 December		**23 447 943**	11 747 000			**1 172**	587
Balance carried forward to page 11		**23 447 943**	11 747 000	**– 1 837**	– 2 279	**2 490**	3 742

Consolidated statement of changes in equity for the years ended 31 Dec.		2002	2001	2002	2001	2002	2001
In CHF million (except for per share data)	Notes on page(s)		(restated)		(restated)		(restated)
		Number of shares	Number of shares	Compre-hensive income	Compre-hensive income	Cumulative change in equity	Cumulative change in equity
Balance carried forward from page 10		**23 447 943**	11 747 000	**–1 837**	–2 279	**2 490**	3 742
Share premium							
Balance as of 1 January						**1 780**	1 839
Reclassification to minority interests due to new structure	55					**–138**	–
Balance under new structure						**1 642**	1 839
Issuance of shares	55					**314**	–
Issuance of mandatory convertible securities (MCS)	55					**126**	–
Reduction in share premium						**–**	–
Equity compensation benefits						**–**	4
Convertible debt and share options						**1**	–2
Gains/losses on sales of SL/RA treasury shares						**–290**	–61
Gains/losses on sales of SLH treasury shares						**1**	–
Equity transaction costs (capital increase), net of taxes	55					**–66**	–
Equity transaction costs (MCS), net of taxes	55					**–12**	–
Balance as of 31 December						**1 716**	1 780
Less: Treasury shares							
Balance as of 1 January		**614 289**	441 606			**–540**	–399
Purchases of SL/RA treasury shares	52	**1 305 344**	484 911			**–345**	–537
Sales of SL/RA treasury shares		**–1 862 794**	–312 228			**855**	396
Exchange of SL/RA shares for SLH shares	55	**56 839**				**–30**	–
Original Swiss Life Holding shares	55	**5 000**				**0**	–
Issuance of shares in form of MCS	55	**1 768 535**				**–**	
Purchases of SLH treasury shares		**308 795**				**–43**	–
Sales of SLH treasury shares		**–246 555**				**37**	–
Balance as of 31 December		**1 892 614**	614 289			**–36**	–540
Total equity		**21 555 329**	11 132 711	**–1 837**	–2 279	**4 170**	4 982

Notes to the Consolidated Financial Statements

General Information

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

On 7 April 2003, 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.

New Holding Structure

Swiss Life/Rentenanstalt established a holding structure and founded a company as a wholly-owned subsidiary for this purpose on 17 September 2002. This company, Swiss Life Holding (SLH), had a share capital of CHF 250 000. On 23 September 2002, Swiss Life Holding launched an exchange offer to all holders of Swiss Life/Rentenanstalt shares. At the end of the exchange offer period, a total of 10 834 704 Swiss Life/Rentenanstalt shares or 92.2% of the total Swiss Life/Rentenanstalt shares had been tendered. In connection with the capital increase resolved by the Extraordinary General Meeting of Shareholders held on 18 November 2002 and its entry in the Register of Companies of the Canton of Zurich on 19 November 2002, the Swiss Life/Rentenanstalt shares were transferred to Swiss Life Holding by way of a contribution in kind in exchange for the issue to the tendering shareholders of 10 834 704 SLH shares. This transaction resulted in an additional Swiss Life Holding share capital following the exchange offer of CHF 541 985 200. Prior-year figures still reflect the old structure except for restatement.

Summary of Significant Accounting Policies

The consolidated financial statements of the Swiss Life Group have been prepared in accordance with and comply with International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS). The consolidated financial statements are prepared under the historical cost convention as modified by recording certain investments and derivatives at fair values.

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

Restatement

Due to a misinterpretation in 2001, the change in the fair value of CHF 316 million relating to equity securities classified as available-for-sale was included in net income (realised gains) instead of unrealised gains and losses. Adjustments of CHF 239 million (net of taxes) have been made to the balance sheet as of 31 December 2001 and to the income statement to reflect the appropriate accounting treatment.

1 Foreign currency exchange rates

	31.12.2002	31.12.2001
1 EUR	**1.457**	1.4833
1 GBP	**2.232**	2.3733
1 USD	**1.3925**	1.6425
Average	**Jan.–Dec. 2002**	Jan.–Dec. 2001
1 EUR	**1.467**	1.5111
1 GBP	**2.3345**	2.4307
1 USD	**1.5565**	1.6872

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 directly or indirectly owns 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 on pages 75 to 79. The financial effect of acquisitions and disposals of subsidiaries is shown on page 24.

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 on pages 75 to 79.

Foreign currency translation and transactions 1

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

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 and fair value adjustments arising from acquisitions are translated at their 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, or if hedged, at the exchange rate specified in the hedging instrument. 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 items in foreign currencies recorded at fair values are translated at the exchange rate on the revaluation date.

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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, administration 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 are made up 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 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 deferred-acquisition-costs asset 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 a 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 available 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 liabilities for future life policy benefit reserves.

Liabilities for policyholder investment contracts and universal life contracts are not calculated actuarially; they move in line with the assets bought with premiums paid by the policyholders less expenses and mortality charges.

The reserve for unpaid losses and loss adjustment expenses is 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. It includes claims reported at the balance sheet date, claims incurred but not yet reported and claim settlement expenses. The reserve for losses and loss adjustment expenses is 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 IAS adjustments, which impact either the result or the revaluation reserve, an additional deferred bonus liability is accrued. In countries without legal or contractual requirements, such as Switzerland, 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 would be 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, administration 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 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 in 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 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 investments

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 deferred 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 with fixed maturities are carried at unpaid principal amounts, adjusted for any net deferred origination fees and related direct costs. These are amortised over the life of the loan as an adjustment to its yield using the effective interest method. 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 derivative 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 AA credit rating and/or 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 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 the acquisition.

Owner-occupied property and equipment

Owner-occupied property and equipment is 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 assets, 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 depreciated over its estimated useful life. The corresponding finance lease obligations are recorded as liabilities.

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 has been charged directly to equity. 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 in 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.

Measurement of impaired 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 its estimated recoverable amount and it is probable that an enterprise will not be able to collect all amounts due (principal and interest) according to the contractual terms. 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. Interest income is then recognised based on the rate of interest used to discount the future cash flows for the purpose of measuring the recoverable amount.

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.

The carrying amount of impaired assets is reduced to its estimated recoverable amount through the use of an allowance account and the amount of the loss is recognised in income.

If, in a subsequent reporting period, the amount of the impairment decreases and this is related to an event occurring after the impairment write-down, the amount concerned is reversed by adjusting the allowance account and is recognised in income.

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 on other assets are recognised in other operating and administrative expenses, reversals of impairment losses on other assets are recognised in other income and impairment losses and reversals on intangible assets are recognised in income as part of the amortisation of goodwill and other intangible assets.

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 stock options issued. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease earnings per share.

Employee benefits

The Parent and certain subsidiaries provide 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 obligation 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 obligation 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 obligation, 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

Debt is recorded at the unpaid principal amount. Debt issue costs are deferred and amortised over the life of the borrowings using the effective interest method.
Debt instruments with embedded conversion options on shares of the Group, are bifurcated into a debt and 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 to transfer economic benefits as a result of past events and a reliable estimate can be made at the balance sheet date. Contingent liabilities are disclosed in the Notes if the future obligation is probable and the amount cannot be reasonably estimated.

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. Those 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 their market value 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.

Effect of Changes in Accounting Policies

In March 1999, the International Accounting Standards Committee (IASC) issued IAS 39 Financial Instruments: Recognition and Measurement effective for all fiscal years, beginning on 1 January 2001. The standard specifies the accounting requirements for virtually all financial instruments and hedge accounting. Upon the adoption of IAS 39, certain embedded derivatives were remeasured to fair value with a corresponding decrease of CHF 45 million in retained earnings.
In May 2000, the International Accounting Standards Committee (IASC) issued IAS 40 Investment Property effective for all fiscal years, beginning on 1 January 2001. As of this date investment property is accounted for at fair value with the related changes recognised in income. With the adoption of IAS 40 as of 1 January 2001, CHF 893 million was transferred within equity from unrealised gains not recorded in income statement to retained earnings.

Significant Acquisitions, Mergers and Disposals of Subsidiaries

In May 2002, the Swiss Life Group carried out a reorganisation of its hedge fund and leveraged finance activities. The subsidiary Swiss Life Hedge Fund Partners Ltd., a joint enterprise with RMF, was fully integrated into RMF Investment Group. Total proceeds of the sale were CHF 100 million. Upon the sale of Swiss Life Hedge Fund Partners Ltd. to RMF an agreement was concluded concerning the withdrawal of Group funds managed by RMF. The original sales price of CHF 100 million shall be adjusted if a withdrawal occurs within 7 years. The adjustment is calculated based on how much term of the original 7 years is left and on the funds withdrawn. The maximum adjustment of the sales price is CHF 59 million. After Swiss Life decided not to offer its redsafe.com financial portal any longer, the Group sold it to an outside buyer in December 2002. The sales price was CHF 25 million. Two subsidiaries of Banca del Gottardo – Gesfid, Lugano, and Gesfid International, Nassau – were sold off in September 2002 for CHF 52.5 million in all. In 2002, a real estate company in Belgium was acquired. Total purchase consideration was CHF 5.5 million. The purchase of Long Term Strategy Ltd. for CHF 15 million from the members of the Corporate Executive Board is also included in the acquisitions.
In 2001, the Swiss Life Group acquired 100% of the voting shares of Oscar Weber Holding. The principal activities of the Oscar Weber Group are in investment management (investment properties). The purchase price cannot be disclosed owing to a confidentiality agreement between the parties. Oscar Weber Holding was merged in 2001 with Swissville Centers Holding.
In 2001, the Swiss Life Group acquired the Swiss subsidiary of Westdeutsche Landesbank for CHF 235.1 million. The principal activities of Westdeutsche Landesbank are in private banking. The Swiss subsidiary of Westdeutsche Landesbank was merged in 2001 with Banca del Gottardo.

Significant Acquisitions, Mergers and Disposals of Subsidiaries (continued)

Assets and liabilities of acquisitions, mergers and disposals. In CHF million	**2002**	2001	**2002**	2001
		(restated)		(restated)
	Acquisitions	Acquisitions	**Disposals**	Disposals
Investments	**6**	1 588	**113**	0
Cash and cash equivalents	**37**	169	**111**	0
Goodwill	**– 13**	177	**46**	2
Present value of profits of acquired insurance portfolios	**–**	–	**–**	–
Brand names and other intangible assets	**–**	0	**–**	–
Other assets	**0**	28	**25**	1
Insurance liabilities	**–**	–	**–**	–
Other liabilities	**– 9**	– 902	**– 166**	– 1
Minority shareholders	**–**	11	**– 8**	–
Unrealised gains/losses reclassified to the income statement	**–**	–	**0**	–
Net assets acquired/net assets disposed of	**21**	1 071	**121**	2
Currency translation differences	**–**	–	**0**	0
Profit/loss on disposals	**–**	–	**65**	– 2
Cash used for acquisitions / received from disposals	**21**	1 071	**186**	0
Total purchase consideration/disposal consideration	**21**	1 071	**186**	0
Less: Cash and cash equivalents acquired/disposed of	**– 37**	– 169	**– 111**	0
Non-cash consideration	**–**	–	**–**	–
Net cash used for acquisitions / received from disposals	**– 16**	902	**75**	0

Segment Information

The Swiss Life 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 area.

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 a refocus 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. As a consequence of the new strategy, private banking operations are regarded as non-core business.
- 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, Germany, France, Belgium, the Netherlands, the United Kingdom and Others.

The accounting policies for the segments are the same as those described in the summary of significant accounting policies. Business capital is allocated to divisions for internal reporting purposes and the return on the allocated business capital is used to measure the performance of each division. 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 Group does not allocate general corporate overheads to the segments. The balance sheet, income statement and footnote disclosure for the primary segments are given on the following pages:

Segment Information (continued)

Statement of income for the year ended 31 December 2002. In CHF million

	Life Core	Life Non-Core	Non-Life	Private Banking	Invest-ment Man-agement	Other	Elimi-nations	Total
Net investment income	4 895	403	94	387	5	90	– 369	5 505
Net realised and unrealised gains / losses on investments	– 2 210	– 93	– 8	– 148	89	66	0	– 2 304
Net trading income	1 497	5	2	51	– 44	1	0	1 512
Investment management, banking and other fee income	79	1	1	392	228	32	– 159	574
Insurance premiums and policy fees	12 661	1 592	1 004	–	–	–	8	15 265
Other income	57	16	15	29	1	22	– 36	104
Total revenue	**16 979**	**1 924**	**1 108**	**711**	**279**	**211**	**– 556**	**20 656**
of which inter-segment	*– 357*	*42*	*– 38*	*– 37*	*– 97*	*– 69*	*556*	*–*
Interest credited to deposits under policyholder contracts, customer deposits and other funds on deposit	– 787	– 30	– 2	– 131	–	– 2	6	– 946
Interest on borrowings	– 273	– 9	– 1	– 96	0	– 2	18	– 363
Other interest expenses	– 10	0	– 1	0	– 1	– 2	3	– 11
Benefits paid and changes in insurance reserves	– 13 805	– 1 657	– 868	–	–	–	1	– 16 329
Policyholder bonuses and participation in profits	– 349	– 20	25	–	–	–	4	– 340
Total benefits, losses and interest expenses	**– 15 224**	**– 1 716**	**– 847**	**– 227**	**– 1**	**– 6**	**32**	**– 17 989**
of which inter-segment	*84*	*– 66*	*5*	*4*	*0*	*5*	*– 32*	*–*
Investment management and banking expenses	– 223	– 6	– 2	– 582	– 170	– 48	114	– 917
Insurance-underwriting and policy-acquisition costs	– 1 244	– 230	– 221	–	–	– 3	18	– 1 680
Other operating and administrative expenses	– 578	– 127	– 123	– 6	– 2	– 63	41	– 858
Total operating expenses	**– 2 045**	**– 363**	**– 346**	**– 588**	**– 172**	**– 114**	**173**	**– 3 455**
of which inter-segment	*90*	*15*	*14*	*10*	*36*	*8*	*– 173*	*–*
Operating result	**– 290**	**– 155**	**– 85**	**– 104**	**106**	**91**	**– 351**	**– 788**
of which inter-segment	*– 183*	*– 9*	*– 19*	*– 23*	*– 61*	*– 56*	*351*	*–*
Amortisation of present value of future profits and intangible assets	– 2	– 2	– 6	0	– 1	– 2	–	– 13
of which inter-segment								–
Segment result before inter-segment dividend elimination	**– 292**	**– 157**	**– 91**	**– 104**	**105**	**89**	**– 351**	**– 801**
Inter-segment dividend received	– 269	–	– 4	– 5	–	– 73		
Segment result after inter-segment dividend elimination	**– 561**	**– 157**	**– 95**	**– 109**	**105**	**16**	**–**	**– 801**
Amortisation of goodwill								– 1 046
Income tax expenses								92
Net result before minority interests								**– 1 755**
Minority interests								61
Net result								**– 1 694**
Other disclosures:								
Profit/loss of associates, partnerships and joint ventures	152	–	–	– 5	– 3	1	–	145
Purchases of owner-occupied property, equipment and intangible assets	253	37	9	37	3	2	–	341
Expenses for depreciation and amortisation	338	105	32	67	3	7	–	552
Other non-cash expenses	1 965	371	90	– 1	– 3	6	0	2 428

Segment Information (continued)

Statement of income for the year ended 31 December 2001. In CHF million

	Life Core	Life Non-Core	Non-Life	Private Banking	Investment Management	Other	Elimi-nations	(restated) Total
Net investment income	4 678	396	96	526	7	60	– 137	5 626
Net realised and unrealised gains / losses on investments	– 108	– 19	29	– 20	16	–39	0	– 141
Net trading income	282	– 30	1	43	0	0	– 10	286
Investment management, banking and other fee income	86	1	5	447	309	30	– 214	664
Insurance premiums and policy fees	12 559	1 697	866	–	–	–	7	15 129
Other income	95	14	43	46	10	37	– 46	199
Total revenue	17 592	2 059	1 040	1 042	342	88	– 400	21 763
of which inter-segment	*– 47*	*– 65*	*– 68*	*– 30*	*– 169*	*– 21*	*400*	–
Interest credited to deposits under policyholder contracts, customer deposits and other funds on deposit	– 802	– 38	– 3	– 241	–	0	12	–1 072
Interest on borrowings	– 292	– 5	– 4	– 136	– 2	– 7	15	– 431
Other interest expenses	– 114	–	– 3	– 1	– 1	– 1	6	– 114
Benefits paid and changes in insurance reserves	–13 336	–1 744	– 704	–	–	–	1	–15 783
Policyholder bonuses and participation in profits	– 666	– 22	3	–	–	–	2	– 683
Total benefits, losses and interest expenses	– 15 210	– 1 809	– 711	– 378	– 3	– 8	36	– 18 083
of which inter-segment	*59*	*– 46*	*1*	*12*	*2*	*8*	*– 36*	–
Investment management and banking expenses	– 192	– 10	– 43	– 529	– 202	– 32	152	– 856
Insurance-underwriting and policy-acquisition costs	–1 477	– 127	– 223	–	–	– 3	25	–1 805
Other operating and administrative expenses	– 744	– 89	– 63	– 33	– 4	– 87	81	– 939
Total operating expenses	– 2 413	– 226	– 329	– 562	– 206	– 122	258	– 3 600
of which inter-segment	*174*	*14*	*9*	*1*	*41*	*19*	*– 258*	–
Operating result	– 31	24	0	102	133	– 42	– 106	80
of which inter-segment	*186*	*– 97*	*– 58*	*– 17*	*– 126*	*6*	*106*	–
Amortisation of present value of future profits and intangible assets	– 2	– 2	– 3	0	– 1	– 1	–	– 9
of which inter-segment								–
Segment result before inter-segment dividend elimination	– 33	22	– 3	102	132	– 43	– 106	71
Inter-segment dividend received	– 52	– 6	– 2	– 2	– 2	– 42		
Segment result after inter-segment dividend elimination	– 85	16	– 5	100	130	– 85	–	71
Amortisation of goodwill								– 174
Income tax expenses								20
Net result before minority interests								– 83
Minority interests								– 32
Net result								– 115
Other disclosures:								
Profit/loss of associates, partnerships and joint ventures	– 42	–	–	– 6	0	5	–	– 43
Purchases of owner-occupied property, equipment and intangible assets	344	62	– 31	80	– 6	42	–	491
Expenses for depreciation and amortisation	352	39	28	52	4	5	–	480
Other non-cash expenses	2 601	544	73	2	– 6	– 12	– 2	3 200

Segment Information (continued)

Balance sheet as of 31 December 2002. In CHF million

	Life Core	Life Non-Core	Non-Life	Private Banking	Investment Management	Other	Eliminations	Total
Assets								
Investments								
Held-to-maturity securities	3 721	–	529	167	–	5	– 6	4 416
Available-for-sale securities	70 970	6 264	1 347	2 130	49	82	– 21	80 821
Financial assets held for trading	1 091	400	0	2 035	64	–	– 38	3 552
Investment property	9 644	896	76	–	–	154	–	10 770
Loans originated by the enterprise	23 300	1 953	153	6 366	0	184	– 306	31 650
Investment in associates, partnerships and joint ventures	164	–	0	13	0	4	–	181
Other investments	876	21	–	106	0	–	0	1 003
Total investments	109 766	9 534	2 105	10 817	113	429	– 371	132 393
Other assets								
Cash and cash equivalents	1 675	573	45	1 230	142	631	– 79	4 217
Insurance and other receivables	1 842	226	298	170	181	82	– 480	2 319
Accrued income	1 653	154	44	84	3	2	0	1 940
Reinsurance assets	787	556	482	–	–	–	– 292	1 533
Deferred acquisition costs	2 349	166	61	–	–	–	–	2 576
Owner-occupied property and equipment	1 188	142	18	243	9	25	–	1 625
Present value of future profits and other intangible assets	9	16	6	0	0	2	–	33
Other assets	974	97	23	126	4	2	– 151	1 075
Separate account (unit-linked) assets	7 848	933	–	–	–	–	–	8 781
Total allocated other assets	18 325	2 863	977	1 853	339	744	–1 002	24 099
Total segment assets	128 091	12 397	3 082	12 670	452	1 173	– 1 373	156 492
Goodwill								1 353
Deferred tax assets								1 721
Total non-allocated assets								3 074
Total assets								159 566
Liabilities and equity								
Liabilities								
Financial liabilities held for trading	332	–	–	1 291	–	–	– 38	1 585
Deposits under policyholder contracts, customer deposits and other funds on deposit	20 339	983	98	6 934	–	–	– 268	28 086
Insurance reserves	89 268	9 388	2 125	–	–	–	– 143	100 638
Borrowings	3 783	185	7	2 761	11	20	– 233	6 534
Accrued expenses and other liabilities	5 494	302	426	768	216	279	– 691	6 794
Separate account (unit-linked) liabilities	7 806	932	–	–	–	–	–	8 738
Total allocated liabilities	127 022	11 790	2 656	11 754	227	299	–1 373	152 375
Deferred tax liabilities								2 516
Total liabilities								154 891
Minority interests								505
Equity								4 170
Total liabilities and equity								159 566

Segment Information (continued)

Balance sheet as of 31 December 2001. In CHF million

	Life Core	Life Non-Core	Non-Life	Private Banking	Investment Management	Other	Elimi-nations	(restated) Total
Assets								
Investments								
Held-to-maturity securities	4 080	–	576	350	–	–	– 6	5 000
Available-for-sale securities	70 793	5 862	1 277	3 051	66	193	– 22	81 220
Financial assets held for trading	423	483	–	1 529	1	–	– 25	2 411
Investment property	8 845	778	52	–	0	140	–	9 815
Loans originated by the enterprise	21 785	2 039	152	6 362	0	0	– 569	29 769
Investment in associates, partnerships and joint ventures	318	–	0	25	57	10	–	410
Other investments	971	20	–	100	0	–	– 21	1 070
Total investments	107 215	9 182	2 057	11 417	124	343	– 643	129 695
Other assets								
Cash and cash equivalents	3 232	359	86	2 714	63	23	– 103	6 374
Insurance and other receivables	2 496	252	762	130	194	37	– 395	3 476
Accrued income	1 549	138	45	88	10	4	– 4	1 830
Reinsurance assets	780	481	500	–	–	–	– 263	1 498
Deferred acquisition costs	2 437	318	60	–	–	–	–	2 815
Owner-occupied property and equipment	1 265	133	23	294	9	31	–	1 755
Present value of future profits and other intangible assets	24	21	12	0	0	17	–	74
Other assets	707	71	10	105	1	3	– 2	895
Separate account (unit-linked) assets	9 889	1 545	–	–	–	–	–	11 434
Total allocated other assets	22 379	3 318	1 498	3 331	277	115	– 767	30 151
Total segment assets	129 594	12 500	3 555	14 748	401	458	– 1 410	159 846
Goodwill								2 427
Deferred tax assets								1 006
Total non-allocated assets								3 433
Total assets								163 279
Liabilities and equity								
Liabilities								
Financial liabilities held for trading	230	0	–	1 124	–	–	– 9	1 345
Deposits under policyholder contracts, customer deposits and other funds on deposit	18 354	870	72	8 855	–	0	– 283	27 868
Insurance reserves	88 063	8 928	1 977	–	–	–	– 141	98 827
Borrowings	5 352	133	9	2 927	40	309	– 530	8 240
Accrued expenses and other liabilities	6 611	294	943	808	111	178	– 447	8 498
Separate account (unit-linked) liabilities	9 924	1 545	–	–	–	–	–	11 469
Total allocated liabilities	128 534	11 770	3 001	13 714	151	487	–1 410	156 247
Deferred tax liabilities								1 837
Total liabilities								158 084
Minority interests								213
Equity								4 982
Total liabilities and equity								163 279

Segment Information (continued)

Revenues, assets and purchases 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 location of the market or customer.

Geographical segment. In CHF million

	Segment revenues from external customers	Segment assets	Purchases of owner-occupied property, equipment and intangible assets
As of 31 December 2002			
Switzerland	**12 087**	**87 271**	**241**
Germany	**1 896**	**16 280**	**29**
France	**3 602**	**26 834**	**38**
Belgium	**357**	**3 299**	**2**
The Netherlands	**1 429**	**13 679**	**5**
United Kingdom	**666**	**3 670**	**10**
Other countries	**619**	**5 459**	**16**
Non-allocated deferred tax assets and goodwill	**–**	**3 074**	**–**
Total	**20 656**	**159 566**	**341**
As of 31 December 2001 as restated			
Switzerland	12 135	89 789	286
Germany	2 279	16 091	46
France	3 585	26 232	65
Belgium	489	3 425	23
The Netherlands	1 734	12 880	7
United Kingdom	606	4 084	43
Other countries	935	7 345	21
Non-allocated deferred tax assets and goodwill	–	3 433	–
Total	21 763	163 279	491

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. 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 treated as having been issued for no consideration. The earnings per share calculated for the years ended 31 December were as follows:

Earnings per share. Amounts in CHF	**2002**	2001 (restated)
Net result for the period	**– 1 693 503 186**	– 115 335 007
Elimination of interest expenses on convertible bonds, net of tax	**–**	–
Net result used to determine diluted earnings per share	**– 1 693 503 186**	– 115 335 007
Weighted average number of shares outstanding	**16 186 778**	15 421 051
Adjustments:		
Assumed conversion of convertible bonds	**–**	–
Share options	**–**	–
Mandatory convertible securities	**–**	n.a.
Weighted average number of shares for diluted earnings per share	**16 186 778**	15 421 051
Diluted earnings per share[1, 2]	**– 104.6**	– 7.5

[1] 2001 figures restated for rights issue in November 2002

[2] As the net results for the years 2002 and 2001 are negative, the effect of the additional potential shares is anti-dilutive, as their conversion would decrease loss per share. Therefore, basic earnings per share equals diluted earnings per share.

Details for Certain Items in the Income Statement

The components of certain income and expense items for the years ended 31 December were as follows:

Net investment income. In CHF million	2002	2001 (restated)
Interest income on debt securities	**3 260**	3 076
Dividend income on equity securities, investment fund units, private equity and hedge funds	**465**	569
Interest income on loans	**1 060**	1 120
Income on investment property	**498**	502
Income on investments in associates, partnerships and joint ventures	**– 73**	– 43
Income on other investments	**188**	228
Other	**107**	174
Total net investment income	**5 505**	5 626

Net realised and unrealised gains/losses on investments. In CHF million	2002	2001 (restated)
Sale of:		
Held-to-maturity securities	**–**	–
Available-for-sale securities	**– 1 352**	639
Investment property	**– 5**	5
Loans	**– 1**	2
Investments in associates, partnerships and joint ventures	**218**	0
Other investments	**166**	– 8
Net realised gains/losses	**– 974**	638
Fair value gains / losses on investment property	**96**	364
Foreign currency gains / losses on investments	**– 786**	– 383
Impairment losses on investments	**– 1 074**	– 781
Reversals of impairment losses on investments	**434**	21
Total net realised and unrealised gains/losses on investments	**– 2 304**	– 141

Net trading income. In CHF million	2002	2001 (restated)
Interest and dividend income	**85**	103
Fair value gains / losses – debt instruments	**109**	18
Fair value gains / losses – equity instruments, investment fund units and hedge funds	**449**	224
Fair value gains / losses – foreign currency instruments and other	**869**	– 59
Total net trading income	**1 512**	286

Investment management, banking and other fee income. In CHF million	2002	2001 (restated)
Fiduciary and portfolio management fees	**303**	349
Brokerage fees	**108**	118
Other service fees and commissions	**163**	197
Total investment management, banking and other fee income	**574**	664

Other income. In CHF million	2002	2001 (restated)
Realised gains / losses on sales of other assets	**1**	9
Other foreign currency gains / losses	**59**	58
Other	**44**	132
Total other income	**104**	199

The amount of foreign currency differences recognised in the income statement represented a loss of CHF 704.6 million for 2002 and a loss of CHF 324.4 million for 2001.

Details for Certain Items in the Income Statement (continued)

Interest credited to deposits under policyholder contracts, customer deposits and other funds on deposit. In CHF million	**2002**	2001 (restated)
Interest on customer deposits	**133**	234
Interest on deposits under policyholder contracts	**752**	787
Other	**61**	51
Total interest credited to deposits under policyholder contracts, customer deposits and other funds on deposit	**946**	1 072

Investment management and banking expenses. In CHF million	**2002**	2001 (restated)
Commission expenses – banking activity	**31**	37
Investment management expenses	**30**	45
Staff costs	**472**	441
Marketing and advertising	**17**	22
Depreciation	**87**	62
Impairment losses on property and equipment	**0**	2
Information technology and systems	**41**	15
Rental, maintenance and repair expenses	**68**	58
Other	**171**	174
Total investment management and banking expenses	**917**	856

Insurance-underwriting and policy-acquisition costs. In CHF million	Notes on page(s)	**2002**	2001 (restated)
Agent / broker commissions		**752**	841
Staff costs		**578**	523
Marketing and advertising		**47**	55
Depreciation		**50**	66
Impairment losses on property and equipment		**0**	0
Information technology and systems		**62**	65
Rental, maintenance and repair expenses		**41**	62
Other		**218**	391
Acquisition costs deferred	41	**– 361**	– 351
Assumed underwriting and acquisition expenses		**33**	2
Ceded underwriting and acquisition expenses		**– 97**	– 135
Retroceded underwriting and acquisition expenses		**0**	0
Net amortisation of DAC and premium deficiencies	41	**357**	286
Total insurance-underwriting and policy-acquisition costs		**1 680**	1 805

Other operating and administrative expenses. In CHF million	**2002**	2001 (restated)
Staff costs	**392**	354
Marketing and advertising	**36**	52
Depreciation	**39**	51
Impairment losses on property and equipment	**–**	4
Information technology and systems	**74**	87
Rental, maintenance and repair expenses	**25**	31
Other	**292**	360
Total other operating and administrative expenses	**858**	939

Held-to-Maturity Securities and Available-for-Sale Securities

Held-to-maturity securities. In CHF million	2002	2001	2002	2001	2002	2001
		(restated)		(restated)		(restated)
			Net unrealised	Net unrealised		
As of 31 December	**Amortised cost**	Amortised cost	**gains/losses**	gains/losses	**Fair value**	Fair value
Held-to-maturity securities	**4 416**	5 000	**280**	174	**4 696**	5 174
Total held-to-maturity securities, net of impairment losses	**4 416**	5 000	**280**	174	**4 696**	5 174

Impairment losses		
Balance at the beginning of the reporting period	**1**	1
Recognition of impairment losses	**–**	–
Reversal of impairment losses	**–**	–
Write-off due to disposals	**–**	–
Foreign currency translation differences	**0**	0
Total impairment losses at the end of the reporting period	**1**	1

Available-for-sale securities. In CHF million	2002	2001	2002	2001	2002	2001
		(restated)		(restated)		(restated)
			Net unrealised	Net unrealised		
As of 31 December	**Amortised cost**	Amortised cost	**gains/losses**	gains/losses	**Fair value**	Fair value
Debt securities	**64 648**	54 258	**3 376**	507	**68 024**	54 765
Equity securities	**5 832**	15 011	**–548**	775	**5 284**	15 786
Investment fund units – debt	**897**	615	**30**	10	**927**	625
Investment fund units – equity	**2 341**	4 927	**–401**	–229	**1 940**	4 698
Investment fund units – mixed	**853**	797	**–98**	–71	**755**	726
Private equity	**556**	635	**–155**	–30	**401**	605
Hedge funds	**3 729**	3 812	**–239**	203	**3 490**	4 015
Total available-for-sale securities, net of impairment losses	**78 856**	80 055	**1 965**	1 165	**80 821**	81 220

Impairment losses		
Balance at the beginning of the reporting period	**724**	24
Recognition of impairment losses	**928**	706
Reversal of impairment losses	**–371**	–6
Write-off due to disposals	**–265**	–
Foreign currency translation differences	**–2**	0
Total impairment losses at the end of the reporting period	**1 014**	724

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 1.1 billion. Debt securities with a fair value of CHF 1.7 billion had a BBB rating or lower at 31 December 2002.

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.

Financial Assets and Liabilities Held for Trading

The Group held the following positions in financial instruments for trading purposes as well as derivative financial instruments that do not qualify for hedge accounting. The net realised and unrealised trading gains and losses are shown in the following table for the years ended 31 December.

Financial assets held for trading. In CHF million		**2002**	2001
	Notes on page(s)		(restated)
		Fair value	Fair value
Debt securities		**1 105**	354
Equity securities		**279**	544
Investment fund units – debt		**–**	–
Investment fund units – equity		**2**	3
Investment fund units – mixed		**0**	0
Private equity		**64**	3
Hedge funds		**–**	–
Loans		**3**	4
Derivatives	37	**2 005**	1 403
Other		**94**	100
Total financial assets held for trading		**3 552**	2 411

Financial liabilities held for trading. In CHF million		**2002**	2001
	Notes on page(s)		(restated)
		Fair value	Fair value
Derivatives	37	**1 281**	1 246
Other		**304**	99
Total financial liabilities held for trading		**1 585**	1 345

Trading Account Assets and Liabilities by Type of Derivative

Derivative financial instruments not qualifying for hedge accounting were as follows as of 31 December:

Currency-related instruments. In CHF million	2002	2001	2002	2001
		(restated)		(restated)
	Contract/ notional amount	Contract/ notional amount	Fair value	Fair value
Currency forwards – assets	**19 632**	22 960	**901**	753
Currency forwards – liabilities	**9 478**	24 676	**606**	686
Currency swaps – assets	**–**	54	**–**	2
Currency swaps – liabilities	**–**	999	**–**	96
Currency futures – assets	**–**	–	**–**	–
Currency futures – liabilities	**–**	–	**–**	–
Currency options (over-the-counter) – assets	**955**	1 478	**20**	56
Currency options (over-the-counter) – liabilities	**1 223**	1 286	**20**	52
Currency options (exchange-traded) – assets	**–**	–	**–**	–
Currency options (exchange-traded) – liabilities	**–**	–	**–**	–
Other – assets	**–**	–	**–**	–
Other – liabilities	**–**	–	**–**	–
Total currency-related derivative instruments – assets	**20 587**	24 492	**921**	811
Total currency-related derivative instruments – liabilities	**10 701**	26 961	**626**	834

Interest-related instruments. In CHF million	2002	2001	2002	2001
		(restated)		(restated)
	Contract/ notional amount	Contract/ notional amount	Fair value	Fair value
Interest rate swaps – assets	**13 447**	3 395	**462**	147
Interest rate swaps – liabilities	**5 417**	1 363	**298**	23
Forward rate agreements – assets	**73**	–	**0**	–
Forward rate agreements – liabilities	**288**	–	**0**	–
Interest rate options (over-the-counter) – assets	**1 293**	–	**11**	–
Interest rate options (over-the-counter) – liabilities	**1 595**	–	**12**	–
Interest rate options (exchange-traded) – assets	**–**	–	**–**	–
Interest rate options (exchange-traded) – liabilities	**–**	–	**–**	–
Interest rate futures – assets	**74**	–	**0**	–
Interest rate futures – liabilities	**18**	–	**0**	–
Other – assets	**–**	2	**–**	8
Other – liabilities	**–**	–	**–**	–
Total interest-related derivative instruments – assets	**14 887**	3 397	**473**	155
Total interest-related derivative instruments – liabilities	**7 318**	1 363	**310**	23

Trading Account Assets and Liabilities by Type of Derivative (continued)

Equity and equity-index-related instruments. In CHF million	**2002**	2001	**2002**	2001
		(restated)		(restated)
	Contract/	Contract/		
As of 31 December	**notional amount**	notional amount	**Fair value**	Fair value
Forwards – assets	**113**	–	**5**	–
Forwards – liabilities	**–**	–	**–**	–
Futures – assets	**796**	–	**34**	–
Futures – liabilities	**–**	25	**–**	0
Options (over-the-counter) – assets	**1 320**	3 389	**290**	249
Options (over-the-counter) – liabilities	**2 981**	6 294	**212**	331
Options (exchange-traded) – assets	**1 068**	48	**197**	64
Options (exchange-traded) – liabilities	**1 425**	576	**126**	58
Other – assets	**–**	–	**–**	–
Other – liabilities	**–**	–	**–**	–
Total equity and equity-index-related derivative instruments – assets	**3 297**	3 437	**526**	313
Total equity and equity-index-related derivative instruments – liabilities	**4 406**	6 895	**338**	389

Precious-metal-related instruments. In CHF million	**2002**	2001	**2002**	2001
		(restated)		(restated)
	Contract/	Contract/		
As of 31 December	**notional amount**	notional amount	**Fair value**	Fair value
Forwards – assets	**23**	5	**2**	0
Forwards – liabilities	**83**	5	**6**	0
Futures – assets	**–**	–	**–**	–
Futures – liabilities	**–**	–	**–**	–
Options (over-the-counter) – assets	**14**	3	**0**	0
Options (over-the-counter) – liabilities	**10**	2	**1**	0
Options (exchange-traded) – assets	**–**	–	**–**	–
Options (exchange-traded) – liabilities	**–**	–	**–**	–
Other – assets	**–**	–	**–**	–
Other – liabilities	**–**	–	**–**	–
Total precious-metal-related derivative instruments – assets	**37**	8	**2**	0
Total precious-metal-related derivative instruments – liabilities	**93**	7	**7**	0

Other trading account assets and liabilities. In CHF million	**2002**	2001	**2002**	2001
		(restated)		(restated)
	Contract/	Contract/		
As of 31 December	**notional amount**	notional amount	**Fair value**	Fair value
Other derivative instruments – assets	**94**	125	**83**	124
Other derivative instruments – liabilities	**–**	–	**–**	–
Total derivatives – assets	**38 902**	31 459	**2 005**	1 403
Total derivatives – liabilities	**22 518**	35 226	**1 281**	1 246

The Group writes covered call options through various brokers. The underlying securities are placed in a blocked account. Both the options and underlying securities are exchange-traded. The options are typically written for a period of six to twenty-four 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.

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:

Investment property. In CHF million	Notes on page(s)	**2002**	2001 (restated)
Carrying value as of 1 January		**9 815**	8 286
Reclassification of property under construction (adoption of IAS 40)		**–**	– 277
Carrying value as of 1 January after reclassification		**9 815**	8 009
Additions		**642**	275
Additions arising from acquisitions		**6**	1 144
Capitalised subsequent expenditure		**57**	108
Disposals		**– 62**	– 20
Gains/losses from fair value adjustments		**96**	365
Transfers from/to owner-occupied property	42	**239**	– 29
Other movements		**0**	– 3
Foreign currency translation differences		**– 23**	– 34
Carrying value as of 31 December		**10 770**	9 815

Rental income from investment property was CHF 671.8 million and CHF 658.6 million for the periods ending 31 December 2002 and 2001, respectively. Operating expenses arising from investment property that generated rental income stood at CHF 173.5 million and CHF 149.0 million for the periods ending 31 December 2002 and 2001, respectively. Operating expenses arising from investment property that did not generate rental income during the period stood at CHF 0 million and CHF 7.2 million for the periods ended 31 December 2002 and 2001, respectively.

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

Future operating lease payments – lessor. In CHF million	**2002**	2001 (restated)
Not later than 1 year	**42**	29
Later than 1 year and not later than 5 years	**349**	64
Later than 5 years	**164**	31
Total	**555**	124

Loans Originated by the Enterprise

Loans originated by the Group consisted of the following as of 31 December (net of loan origination fees and expenses):

Loans originated by the enterprise. In CHF million	2002	2001	2002	2001	2002	2001	2002	2001
		(restated)		(restated)		(restated)		(restated)
	Receivables	Receivables	**Allowance for loan losses**	Allowance for loan losses	**Carrying value**	Carrying value	**Fair value**	Fair value
Mortgages	**11 524**	11 424	**– 95**	– 134	**11 429**	11 290	**11 576**	11 307
Policy loans	**1 822**	1 719	**–**	–	**1 822**	1 719	**1 833**	1 734
Other loans	**17 659**	15 793	**– 196**	– 190	**17 463**	15 603	**17 805**	15 602
Receivables under repurchase agreements	**936**	1 157	**–**	–	**936**	1 157	**936**	1 157
Total loans originated by the enterprise	**31 941**	30 093	**– 291**	– 324	**31 650**	29 769	**32 150**	29 800

The Group accepted securities at a fair value of CHF 1564 million as collateral under repurchase agreements which it is permitted to sell or repledge, CHF 724 million of which was either repledged or sold to third parties.
A specific allowance for individual 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 estimated recoverable amount, if lower. A general allowance is also established to cover losses that are known to be present in the loan portfolio at balance sheet date, but which cannot yet be ascribed to individual loans. This allowance is based on the internal credit ratings for borrowers, refined to reflect the economic environment in the markets in which the Group operates, as well as the historical experience of the Group.

Allowance for loans losses. In CHF million	2002	2001	2002	2001
		(restated)		(restated)
	Specific allowance	Specific allowance	**General allowance**	General allowance
Balance as of 1 January	**322**	358	**2**	8
Amounts recognised as expense	**2**	59	**18**	1
Write-offs	**– 50**	– 100	**– 3**	– 7
Recoveries	**–**	5	**–**	–
Foreign currency translation differences	**0**	0	**0**	–
Balance as of 31 December	**274**	322	**17**	2

Accrued interest of CHF 22.9 million and CHF 13.3 million on impaired loans was recognised at 31 December 2002 and 2001, respectively. Property acquired through foreclosure with the intent to sell in the near future is included in other assets and was CHF 13.1 million and CHF 3.2 million for the years ended 31 December 2002 and 2001. 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. It is the Group's policy to generally obtain a first mortgage on properties for which the loan-to-value ratio is less than 75%. The geographical risk concentrations correlate with the risks associated with the foreign currency risks (page 63).

Financial Lease Receivables

The Group leases assets to third parties under finance leases. These receivables are included in other loans. The finance lease receivables were as follows:

Gross investments in finance leases. In CHF million	**2002**	2001	**2002**	2001
		(restated)		(restated)
	Minimum lease payments	Minimum lease payments	**Present value of finance lease receivables**	Present value of finance lease receivables
Not later than 1 year	**174**	140	**159**	139
Later than 1 year and not later than 5 years	**310**	238	**291**	235
Later than 5 years	**14**	2	**14**	2
Total	**498**	380	**464**	376
Future finance income	***34***	*4*		

Investments in Associates, Partnerships and Joint Ventures

The summary of investments in associates, partnerships and joint ventures and related activities was as follows:

Investments in associates, partnerships and joint ventures. In CHF million	**2002**	2001
		(restated)
Balance as of 1 January	**410**	257
Purchases	**83**	225
Sales	**– 448**	– 20
Realised gains on sales	**243**	0
Realised losses on sales	**– 25**	0
Income including dividends	**– 80**	– 48
Impairment loss	**0**	– 1
Foreign currency translation differences	**– 2**	– 3
Balance as of 31 December, net of impairment losses	**181**	410
Impairment losses		
Impairment losses at the beginning of the reporting period	**1**	0
Recognition of impairment losses	**0**	1
Reversal of impairment losses	**0**	–
Impairment losses at the end of the reporting period	**1**	1

The realised gains on sales mainly related to the disposal of the investment in RMF. A listing of major investments in associates accounted for under the equity method is set out on pages 75 to 79.

Other Investments

Other investments stood as follows for the years ended 31 December:

Other Investments. In CHF million	2002	2001	2002	2001	2002	2001
		(restated)		(restated)		(restated)
	Amortised cost	Amortised cost	**Net unrealised gains/losses**	Net unrealised gains/losses	**Fair value**	Fair value
Other held-to-maturity investments						
Money market instruments	**84**	49	**0**	0	**84**	49
Purchased loans	**–**	–	**–**	–	**–**	–
Others	**1**	0	**–**	–	**1**	0
Total other held-to-maturity investments	**85**	49	**0**	0	**85**	49
Other available-for-sale investments						
Money market instruments	**27**	–	**0**	–	**27**	–
Purchased loans	**13**	14	**7**	6	**20**	20
Others	**925**	1 045	**– 54**	– 44	**871**	1 001
Total other available-for-sale investments	**965**	1 059	**– 47**	– 38	**918**	1 021
Total other investments, net of impairment losses	**1 050**	1 108	**– 47**	– 38	**1 003**	1 070

Impairment losses		
Balance at the beginning of the reporting period	**0**	1
Recognition of impairment losses	**63**	–
Reversal of impairment losses	**–**	– 1
Foreign currency translation differences	**–**	–
Total impairment losses at the end of the reporting period	**63**	0

Deferred Acquisition Costs

Deferred acquisition costs. In CHF million	Notes on page(s)	2002	2001 (restated)
Balance as of 1 January		**2 815**	2 367
Acquisition costs deferred		**361**	351
Amortisation and interest charged to income, including adjustments due to new actuarial assumptions		**– 355**	– 286
Decrease due to premium deficiencies		**– 2**	–
Increase / decrease due to unrealised gains / losses on investments	56	**– 208**	430
Decrease due to disposal of subsidiaries		**–**	–
Foreign currency translation differences		**– 35**	– 47
Balance as of 31 December		**2 576**	2 815

In accordance with new actuarial assumptions, the amortisation of deferred acquisition costs was increased by CHF 136 million and by CHF 62 million for the years ending 31 December 2002 and 31 December 2001 respectively.

Owner-Occupied Property and Equipment

 Owner-occupied property and equipment consisted of the following for the years ended 31 December:

Owner-occupied property and equipment. In CHF million			2002				2001 (restated)
	Land and buildings	**Buildings under construction**	**Furniture and fixtures**	**Hardware and software**	**Other equipment**	**Total**	Total
Cost							
Balance as of 1 January	**1 171**	**358**	**262**	**555**	**130**	**2 476**	1 788
Reclassification of property under construction	**–**	**–**	**–**	**–**	**–**	**–**	277
Additions	**53**	**163**	**25**	**71**	**28**	**340**	484
Additions arising from acquisitions	**–**	**–**	**0**	**–**	**–**	**0**	–
Disposals	**– 17**	**–**	**– 54**	**– 109**	**– 30**	**– 210**	– 82
Transfers from/to investment property	**– 13**	**– 226**	**–**	**–**	**–**	**– 239**	29
Other movements	**–**	**–**	**–**	**–**	**–**	**–**	–
Foreign currency translation differences	**– 9**	**0**	**– 1**	**– 7**	**– 2**	**– 19**	– 20
Balance as of 31 December	**1 185**	**295**	**232**	**510**	**126**	**2 348**	2 476
Accumulated depreciation							
Balance as of 1 January	**– 150**	**–**	**– 157**	**– 356**	**– 52**	**– 715**	– 601
Additions from acquisitions	**–**	**–**	**–**	**–**	**–**	**–**	– 1
Depreciation	**– 32**	**–**	**– 31**	**– 109**	**– 12**	**– 184**	– 187
Disposals	**4**	**–**	**52**	**104**	**17**	**177**	68
Foreign currency translation differences	**0**	**–**	**1**	**4**	**1**	**6**	6
Balance as of 31 December	**– 178**	**–**	**– 135**	**– 357**	**– 46**	**– 716**	– 715
Impairment losses							
Balance as of 1 January	**– 1**	**– 4**	**0**	**– 1**	**0**	**– 6**	– 1
Recognition of impairment losses	**0**	**–**	**– 1**	**0**	**–**	**– 1**	– 6
Reversal of impairment losses	**–**	**–**	**–**	**–**	**0**	**0**	1
Foreign currency translation differences	**0**	**–**	**–**	**–**	**0**	**0**	0
Balance as of 31 December	**– 1**	**– 4**	**– 1**	**– 1**	**0**	**– 7**	– 6
Total owner-occupied property and equipment	**1 006**	**291**	**96**	**152**	**80**	**1 625**	1 755
of which assets under finance leases					***56***	***56***	47

Goodwill and Other Intangible Assets

Changes in intangible assets are shown below:

Goodwill and other intangible assets. In CHF million	2002					2001
	Goodwill (positive)	Goodwill (negative)	Present value of future profits	Other intangible assets	Total	(restated) Total
Cost						
Balance as of 1 January	**2 977**	**– 44**	**72**	**40**	**3 045**	2 875
Additions	**–**	**–**	**–**	**1**	**1**	186
Additions from acquisitions	**17**	**– 18**	**–**	**–**	**– 1**	–
Internal developments	**–**	**–**	**–**	**–**	**–**	–
Disposals	**– 62**	**42**	**–4**	**– 25**	**– 49**	– 14
Foreign currency translation differences	**0**	**–**	**– 1**	**– 1**	**– 2**	– 2
Balance as of 31 December	**2 932**	**– 20**	**67**	**15**	**2 994**	3 045
Accumulated amortisation						
Balance as of 1 January	**– 515**	**9**	**– 29**	**– 9**	**– 544**	– 376
Amortisation	**–1 063**	**17**	**– 11**	**– 2**	**–1 059**	– 183
Disposals	**5**	**– 11**	**0**	**0**	**– 6**	14
Foreign currency translation differences	**– 1**	**–**	**2**	**0**	**1**	1
Balance as of 31 December	**–1 574**	**15**	**– 38**	**– 11**	**–1 608**	– 544
Total goodwill and other intangible assets	**1 358**	**– 5**	**29**	**4**	**1 386**	2 501
Impairment losses (included in the accumulated amortisation)						
Balance as of 1 January	**0**	**–**	**–**	**– 4**	**– 4**	– 3
Recognition of impairment losses	**–832**	**–**	**–**	**– 2**	**– 834**	– 1
Reversal of impairment losses	**–**	**–**	**–**	**3**	**3**	–
Foreign currency translation differences	**–**	**–**	**–**	**0**	**0**	0
Balance as of 31 December	**– 832**	**–**	**–**	**– 3**	**– 835**	– 4

A detailed review of the impairment policy of the group resulted in a considerable increase of impairment charges. Impairment losses on goodwill were estimated at CHF 832 million for the year under review, mainly related to the private banking business.

The carrying amount of positive goodwill of CHF 1358 million includes goodwill on the following acquisitions:

- Banca del Gottardo CHF 602 million
- Schweizerische Treuhandgesellschaft CHF 208 million
- Lloyd Continental CHF 468 million
- Other CHF 80 million

Valuation in respect of goodwill impairment is based on discounted cash flow projections (Banca del Gottardo and Schweizerische Treuhandgesellschaft) as well as on methods used for embedded value calculation (Lloyd Continental).

Annual amortisation charges on the present value of future profits totalling CHF 29 million are estimated as ranging from CHF 4.9 million to CHF 8.7 million for the years 2003 to 2007.

Separate Account (Unit-Linked) Assets

Investments for the benefit of life insurance policyholders who bear the investment risk consisted of the following as of 31 December:

Separate account (unit-linked) assets. In CHF million	**2002**	2001 (restated)
Debt securities	**2 306**	2 514
Equity securities	**5 367**	6 769
Derivative financial instruments	**0**	265
Investment property	**83**	601
Loans	**85**	424
Other investments	**449**	515
Cash and cash equivalents	**491**	346
Total separate account (unit-linked) assets	**8 781**	11 434

Deposits under Policyholder Contracts, Customer Deposits and Other Funds on Deposit

Liabilities from direct and assumed business consisted of the following amounts as of 31 December:

Deposits under policyholder contracts, customer deposits and other funds on deposit. In CHF million	**2002**	2001 (restated)
Investment-type, universal life and annuity contracts	**19 587**	17 519
Other policyholder deposits and bonus accumulations	**1 065**	1 004
Deposits held under reinsurance contracts	**567**	575
Demand deposits	**2 694**	3 045
Saving deposits	**145**	137
Time deposits	**4 028**	5 588
Total deposits under policyholder contracts, customer deposits and other funds on deposit	**28 086**	27 868

Total deposit assets and liabilities for those insurance and reinsurance contracts not transferring risk stood as follows:

Deposit assets and liabilities. In CHF million	**2002**	2001 (restated)
Deposit assets	**–**	–
Deposit liabilities	**41**	50

Deposits under Policyholder Contracts, Customer Deposits and Other Funds on Deposit (continued)

Changes in the recorded amounts of the deposits arising from insurance or reinsurance contracts that did not transfer significant underwriting risk were as follows:

Changes in the recorded amounts. In CHF million	2002	2001 (restated)	2002	2001 (restated)
	Deposit assets	Deposit assets	**Deposit liabilities**	Deposit liabilities
Balance as of 1 January	**0**	0	**–**	–
Additions	**–**	0	**–**	–
Reimbursements	**0**	–	**–**	–
Amortisation attributable to expired coverages	**–**	–	**–**	–
Adjustments				
Accrued interest	**–**	–	**–**	–
Present value of additional expected recoveries	**–**	–	**–**	–
Present value of reduction in expected recoveries	**–**	–	**–**	–
Foreign currency translation differences	**–**	–	**–**	–
Balance as of 31 December	**0**	0	**–**	–

Insurance Reserves

Insurance reserves consisted of the following as of 31 December:

Insurance reserves. In CHF million	Notes on page(s)	2002	2001 (restated)
Reserves for losses and loss adjustment expenses	46, 47	**9 330**	8 804
Reserves for unearned premiums	47	**386**	401
Reserves for future life policyholder benefits	46, 47	**86 516**	84 484
Reserves for guarantees		**–**	–
Reserves for policyholder dividends and other reserves	47	**4 406**	5 138
Total insurance reserves		**100 638**	98 827

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 reserve for unpaid losses and loss adjustment expenses is 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 reserve for losses and loss adjustment expenses for the year ended 31 December:

Movement in the reserve for losses and loss adjustment expenses. In CHF million	**2002**	2001
As of 1 January		(restated)
Gross reserves for losses and loss adjustment expenses	**8 804**	8 295
Less: Reinsurance recoverable on losses	**– 732**	– 642
Net reserves for losses and loss adjustment expenses	**8 072**	7 653
Losses and loss adjustment expenses incurred		
Reporting period	**2 383**	1 951
Prior reporting periods	**159**	38
Total losses and loss adjustment expenses incurred	**2 542**	1 989
Losses and loss adjustment expenses paid		
Reporting period	**– 1 213**	– 971
Prior reporting periods	**– 731**	– 521
Total losses and loss adjustment expenses paid	**– 1 944**	– 1 492
Acquisitions and disposals of companies and insurance business	**–**	–
Foreign currency translation differences	**– 77**	– 78
As of 31 December		
Reserves for losses and loss adjustment expenses	**8 593**	8 072
Plus: Reinsurance recoverable on losses	**737**	732
Total gross reserves for losses and loss adjustment expenses	**9 330**	8 804

Loss reserves in the amount of CHF 338 million were discounted at interest rates of 3.5% to 4%. Discounting had no material impact on the net result for the reporting periods presented.

Future life policyholder benefits

Long-duration contract liabilities included in future policy 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 0.8% to 7%.
- Experience adjustments relating to future policy 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 consisted of the following as of 31 December.

Future life policyholder benefits. In CHF million	**2002**	2001
		(restated)
Long-duration contracts	**86 049**	83 994
Short-duration contracts	**467**	490
Total future life policyholder benefits	**86 516**	84 484

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. Approximately 8% and 7% of life insurance in force was ceded at 31 December 2002 and 2001, respectively.

The effects of reinsurance on insurance premiums, policy fees and other related income is as follows for the years ended 31 December:

Written premiums, policy fees and other contributions. In CHF million	**2002**	2001	**2002**	2001
		(restated)		(restated)
	Short-duration contracts	Short-duration contracts	**Long-duration contracts**	Long-duration contracts
Direct	**2 710**	4 606	**12 623**	10 543
Assumed	**400**	446	**24**	35
Ceded	**– 378**	– 366	**– 116**	– 95
Net written premiums and policy fees	**2 732**	4 686	**12 531**	10 483

Earned premiums and policy fees. In CHF million	**2002**	2001	**2002**	2001
		(restated)		(restated)
	Short-duration contracts	Short-duration contracts	**Long-duration contracts**	Long-duration contracts
Direct	**2 736**	4 598	**12 598**	10 512
Assumed	**400**	450	**24**	32
Ceded	**– 377**	– 378	**– 116**	– 85
Net earned premiums and policy fees	**2 759**	4 670	**12 506**	10 459

The following is a summary of insurance liabilities and reinsurance assets as of 31 December:

Insurance liabilities and reinsurance assets. In CHF million		**2002**			2001	
						(restated)
	Gross	**Reinsurance assets**	**Net**	Gross	Reinsurance assets	Net
Reserve for losses and loss adjustment expenses	**9 330**	**737**	**8 593**	8 804	732	8 072
Reserve for unearned premiums	**386**	**16**	**370**	401	16	385
Reserve for future life policyholder benefits	**86 516**	**554**	**85 962**	84 484	524	83 960
Reserve for policyholder dividends and other reserves	**4 406**	**9**	**4 397**	5 138	6	5 132
Total insurance reserves	**100 638**	**1 316**	**99 322**	98 827	1 278	97 549
Premiums and insurance balances receivable		**102**			101	
Policyholder contract deposits and financial reinsurance deposits		**1**			24	
Funds held under reinsurance treaties		**114**			95	
Other reinsurance assets or prepayments		**–**			–	
Total reinsurance assets		**1 533**			1 498	
Of which accumulated impairment		***5***			*5*	

Reinsurance liabilities consisted of CHF 650.5 million and CHF 656.6 million as of 31 December 2002 and 2001, respectively.

Employee Benefits

The Group had approximately 11 541 and 12 265 full-time equivalents as of 31 December 2002 and 2001, respectively.

Defined benefit pension plans

Employees of the Parent and certain subsidiaries 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. The amounts recognised in the consolidated balance sheet were as follows:

Amounts recognised in the consolidated balance sheet. In CHF million	**2002**	2001
		(restated)
Present value of funded obligations	**– 2 898**	– 2 704
Fair value of plan assets	**2 294**	2 343
Present value of unfunded obligations	**– 193**	– 49
Unrecognised actuarial gains/losses	**488**	182
Unrecognised past service cost	**– 10**	– 11
Amounts not recognised as assets	**–**	– 7
Net asset/liability	**– 319**	– 246
The net asset/liability consists of		
Gross defined benefit liabilities	**– 517**	– 441
Gross defined benefit assets	**198**	195

The net asset/liability position does not incorporate any reimbursement rights. Plan assets included financial instruments issued by the Group with a fair value of CHF 33.3 million and CHF 111.2 million as of 31 December 2002 and 2001, respectively. Plan assets do not include any property occupied by the Group. The amounts recognised in the consolidated statement of income for the year ended 31 December were as follows:

Amounts recognised in the consolidated statement of income. In CHF million	**2002**	2001
		(restated)
Current service cost	**170**	132
Interest cost	**113**	99
Employer's contribution to purchases	**0**	– 7
Expected return on plan assets	**– 113**	– 115
Expected return on reimbursement rights	**–**	–
Net actuarial gains/losses	**50**	2
Past service cost	**3**	4
Change in amounts not recognised as assets	**–7**	6
Employee contributions	**– 24**	– 31
Effect of curtailments or settlements	**1**	–
Total defined benefit expense	**193**	90
Actual return on plan assets	***30***	*56*
Actual return on reimbursement rights	**–**	–

Employee Benefits (continued)

The change in the net asset/liability recognised in the balance sheet was composed of the following:

Change in net asset/liability. In CHF million	**2002**	2001 (restated)
As of 1 January	**–246**	–276
Total expense	**–193**	–90
Foreign currency translation differences	**5**	6
Assets/liabilities from acquisitions/disposals	**–**	–
Contributions	**115**	114
Net liability as of 31 December	**–319**	–246

Principal actuarial assumptions as of 31 December (weighted averages) were:

Principal actuarial assumptions.	**2002**	2001 (restated)
Discount rate	**4.0%**	4.2%
Expected rates of return on plan assets	**4.7%**	5.1%
Expected rates of return on reimbursement rights	**n.a.**	n.a.
Future salary increases	**2.2%**	2.2%
Future pension increases	**1.1%**	1.2%

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 7.9 million and CHF 17.7 million in 2002 and 2001, respectively.

Other long-term employee benefits

Other long-term employee benefits are considered as immaterial.

Termination benefits

Termination benefits totalling CHF 26.6 million arose as a result of early retirements and voluntary redundancies.

Equity compensation plan

Certain employees, subject to certain restrictions, are eligible to participate in the Group's equity compensation plan. Employees can purchase a certain amount of the Group's shares each year at a discount price, subject to limitations on disposal. In this income statement the Group recognises compensation at the measurement date as the difference between fair value and exercise price. The fair value per share at the grant date was CHF 378 in 2002. With regard to the plan in 2001, the allocation planned for 2001 was not carried out due to the development of the share price. Shares allocated under the plan are repurchased on the Swiss stock exchange and; as of 31 December 2002, the Group had reserved 33 625 shares under the plan.

Employee Benefits (continued)

Share options

The Group offers share options to directors and managers in Switzerland and abroad. 124 918 new shares under option were allocated in 2002. Due to the capital increase, the number and the exercise price of shares under options granted in prior years were adjusted using the Eurex R factor 0.718232. Movements in the number of share options outstanding were as follows:

Movements in the number of share options outstanding.	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
In CHF million (if not noted otherwise)		(restated)		(restated)		(restated)		(restated)
	Number of shares	Number of shares[1]	**Exercise date**	Exercise date	**Expiry date**	Expiry date	**Weighted average exercise price**	Weighted average exercise price[2]
As of 1 January	**276 999**	135 123	**–**	–	**–**	–	**876**	965
Granted/issued	**124 918**	141 876	**01.07.05**	01.06.04	**30.06.07**	31.05.06	**257**	790
Exercised	**–**	–	**–**	–	**–**	–	**–**	–
Lapsed	**– 6 544**	–	**–**	–	**–**	–	**908**	–
As of 31 December	**395 373**	276 999	**n.a.**	n.a.	**n.a.**	n.a.	**680**	876

[1] Number of shares adjusted (ratio changed from 1:1 to 1:1.39 shares per option) due to capital increase in accordance with Eurex rules
[2] Exercise price adjusted due to capital increase in accordance with Eurex rules

Other benefits

The Parent and certain subsidiaries maintain incentive programmes for certain management and other employees.
Related expenses in 2002 and 2001 were CHF 33.5 million and CHF 23.6 million, respectively.

Borrowings

Collateral provided under repurchase agreements was CHF 1 072.3 million and was not derecognised. Borrowings consisted of the following as of 31 December:

Borrowings. In CHF million		**2002**	2001
	Notes on page(s)		(restated)
Debentures and other loans			
GEMMS and convertible bond with "best of structure"	51	**1 185**	3 010
Subordinated debt		**213**	201
Hybrid debt	51	**1 384**	1 402
Other debentures and other loans		**1 032**	348
Debt convertible into own shares		**–**	–
Money market instruments		**76**	126
Bank loans and overdrafts		**1 234**	1 678
Borrowings under repurchase agreements		**1 223**	1 203
Finance lease obligations	52	**38**	42
Other		**149**	230
Total borrowings		**6 534**	8 240

On 15 May 1998, Swiss Life Finance Limited, British Virgin Islands, a wholly owned subsidiary of the Group, issued CHF 2.9 billion in Guaranteed Exchangeable Monetisations of Multiple Shares (GEMMS). On 5 July 2001, Swiss Life Finance Limited issued an international convertible bond denominated in euro with an aggregate face amount

Borrowings (continued)

equivalent to approximately CHF 500 million and a maturity of 5 years. The bond issue contained an innovative "best of structure" feature, which allowed investors to convert securities into shares of HSBC or Swiss Life/Rentenanstalt.

The Group repurchased outstanding GEMMS and, through a tender offer, the 0.5% Guaranteed Exchangeable bonds exchangeable into HSBC shares or Swiss Life/Rentenanstalt shares. The repurchased amounts were CHF 1.9 billion in total. The loss on the repurchased bonds (carrying amount) was CHF 84 million. The gain on the embedded conversion option was CHF 122 million.

GEMMS and convertible bond with "best of structure"

Principal/currency	Carrying amount 2002	2001	Interest rate	Maturity date	Final redemption price	Exchange ratio (face value/shares)	Designated company
USD 300 000 000	–	492	2.00%	20 May 2003			GlaxoSmithkline
USD 500 000 000	**279**	793	2.00%	20 May 2005	113.86%	USD 1 000 = 13.6141	Royal Dutch Petroleum
EUR 300 000 000	**285**	422	2.00%	20 May 2003	100.00%	EUR 1 000 = 9.9808	Unilever
CHF 500 000 000	**335**	450	0.75%	20 May 2005	100.00%	CHF 10 000 = 2.915451	Novartis/Syngenta
CHF 500 000 000	**286**	453	1.00%	20 May 2005	100.00%	CHF 10 000 = 86.95653	UBS AG
EUR 300 000 000	–	400	0.50%	5 July 2006			Swiss Life/Rentenanstalt HSBC
Total	**1 185**	3 010					

The Group privately placed a subordinated perpetual step-up loan on 31 March 1999 for approximately CHF 1.3 billion. It comprises three simultaneous advances: EUR 442.5 million; EUR 215 million and CHF 290 million. The rates of interest are equal to Euribor plus a margin of 1.05% (EUR 442.5), Libor plus a margin of 1.05% (CHF 290 million) and 5.3655% (EUR 215 million). Repayment is due as a whole on 31 March 2009 or at five-yearly intervals thereafter, upon notice.

On 12 December 2001, the Swiss Life Group issued another private placement of EUR 100 million. The subordinated debt issue has a life to maturity of 20 years and can be repaid by the Group after 10 years. The interest rate equals Euribor plus a margin of 1.75%.

Several of the agreements have restrictive covenants related to the total amount of debt, tangible assets and other matters. The Group was in compliance with all debt covenants as of 31 December 2002.

Total interest expense for all indebtedness aggregated CHF 363.4 million and CHF 430.5 million for the years ended 31 December 2002 and 2001, respectively. Debt issuance costs have been deducted from the proceeds and are being amortised over the term of the debt.

In February/March 2002, SWAFE B.V., a newly founded company in the Netherlands, issued the following notes backed by the respective mortgage portfolio originated by Zwitserse Maatschappij van Levensverzekering en Lijfrente:

- EUR 570 million floating rate Senior Class A1 Mortgage-Backed Notes 2002 due 2032
- EUR 200 million 5.32% Senior Class A2 Mortgage-Backed Notes 2002 due 2079
- EUR 23.5 million floating rate Mezzanine Class B Mortgage-Backed Notes 2002 due 2079
- EUR 6.5 million floating rate Junior Class C Mortgage-Backed Notes 2002 due 2079

The collateral for the notes amounted to EUR 707 million as of 31 December 2002. The mortgages are all first-ranking mortgages originated by ZwitserLeven. The Swiss Life Group holds a total stake of EUR 211 million (nominal value) in the above notes. The remaining amount outstanding is included in other debentures and other loans.

Borrowings (continued)

As already disclosed in the financial statements for 2001, in 2000 a transaction involving 220 000 treasury shares was recorded as a sale to an external party. In the light of new information which became available during 2001 with regard to the existence of a related call and put option agreement this transfer should have been accounted for as a secured borrowing of CHF 297 million. Adjustments have been made to the balance sheet as of 1 January 2001 and to the income statement to reflect the appropriate accounting treatment. The final agreement matured in May 2002.
The effects of the transaction were adjusted as of 1 January 2001 as follows:

Secured borrowing transaction. In CHF million	2001
	(restated)
Increase in treasury shares	239
Share premium (adjustment of gains/losses on treasury shares)	58
Borrowings under repurchase agreements	297
Interest on borrowings under repurchase agreements	14

Financial Lease Obligations – Lessee

The financial lease obligations were as follows as of 31 December:

Financial Lease Obligations – Lessee. In CHF million	**2002**	2001	**2002**	2001
		(restated)		(restated)
	Minimum lease payments	Minimum lease payments	**Present value of liabilities**	Present value of liabilities
Not later than 1 year	**8**	9	**7**	8
Later than 1 year and not later than 5 years	**31**	40	**28**	31
Later than 5 years	**3**	5	**3**	3
Total	**42**	54	**38**	42
Future finance charges	***4***	*12*		

Income Taxes

Major components of income tax expenses for the years ended 31 December:

Income tax expenses. In CHF million	**2002**	2001
		(restated)
Current taxes for the current period	**49**	144
Adjustments recognised in the period for current tax of prior periods	**1**	– 3
Tax benefits reducing current period tax expenses	**– 1**	0
Total current tax expenses	**49**	141
Deferred tax expenses arising from the current period	**– 141**	– 167
Deferred tax expenses arising from changes in tax rates	**0**	6
Total deferred tax expenses	**– 141**	– 161
Total income tax expenses	**– 92**	– 20

Income Taxes (continued)

The expected weighted-average tax rates for the Group were 24.22% and 27.47% in 2002 and 2001, respectively. 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 actual income tax expenses differ from the expected amount as shown below.

Actual tax expenses. In CHF million		**2002**	2001 (restated)
Expected tax expenses		**– 447**	– 29
Increase/reduction in taxes resulting from:	Tax-exempt interest	**2**	0
	Tax-exempt dividends	**– 23**	– 26
	Non-deductible expenses	**72**	22
	State and local income taxes	**26**	0
	Other non-taxable income	**– 49**	– 64
	Unrecognised tax losses	**256**	11
	Use of previously unrecognised tax losses	**– 17**	–
	Other	**88**	66
Actual tax expenses		**– 92**	– 20

Components of the net deferred income tax assets and liabilities as of 31 December:

Net deferred income tax assets and liabilities. In CHF million		**2002**	2001 (restated)
Deferred tax assets:	Adjustments to reserves for future policyholder benefits	**180**	244
	Adjustments to reserves for losses and loss adjustment expenses	**220**	125
	Deduction from unearned premium reserves	**18**	12
	Employee benefits	**74**	58
	Gains/losses on investments	**480**	91
	Net tax-loss carry forwards and tax credits	**348**	46
	Other	**413**	430
Total deferred tax assets, gross		**1 733**	1 006
Valuation allowance		**– 12**	–
Total deferred tax assets, net		**1 721**	1 006
Deferred tax liabilities:	Adjustments to reserves for future policyholder benefits	**93**	92
	Adjustments to reserves for losses and loss adjustment expenses	**24**	29
	Deferred acquisition costs	**319**	304
	Employee benefits	**48**	47
	Gains/losses on investments	**1 302**	258
	Depreciable and other amortisable assets	**7**	7
	Other	**723**	1 100
Total deferred tax liabilities		**2 516**	1 837

Income Taxes (continued)

Deferred tax assets are recognised for tax-loss carry forwards 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 carry forwards and tax credits, which will expire as follows, no deferred tax asset has been recognised as of 31 December 2002:

Tax-loss carry forwards and tax credits. In CHF million	
2003	**59**
2004	**–**
2005	**9**
2006	**6**
Thereafter	**994**
Total	**1 068**

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.

Other Assets, Accrued Expenses and Other Liabilities

Other assets. In CHF million		**2002**	2001
	Notes on page(s)		(restated)
Derivatives held for hedging purposes	61	**302**	91
Deferred charges and prepaid expenses		**396**	499
Current taxes		**162**	71
Pension assets	48	**198**	195
Sundry assets		**17**	39
Total other assets		**1 075**	895

Accrued expenses and other liabilities. In CHF million		**2002**	2001
	Notes on page(s)		(restated)
Derivatives held for hedging purposes	61	**144**	181
Accrued interest		**73**	91
Accrued expenses		**272**	763
Accounts payable		**192**	932
Current taxes		**156**	217
Pension liabilities	48	**517**	441
Deferred revenues		**339**	259
Provisions	59	**287**	147
Amounts due to agents and reinsurers		**2 749**	3 604
Sundry liabilities		**2 065**	1 863
Total accrued expenses and other liabilities		**6 794**	8 498

Equity

Swiss Life established a holding structure and established a company for this purpose as a wholly-owned subsidiary of Swiss Life/Rentenanstalt on 17 September 2002. This company, Swiss Life Holding, had a share capital of CHF 250 000 (5000 shares at a nominal value of CHF 50 per share) owned by Swiss Life/Rentenanstalt. On 23 September 2002, Swiss Life Holding launched an exchange offer to the holders of Swiss Life/Rentenanstalt shares (SL/RA shares) to exchange Swiss Life/Rentenanstalt shares for Swiss Life Holding shares (SLH shares). As of the end of the exchange offer period, a total of 10 834 704 Swiss Life/Rentenanstalt shares or 92.2% of the total Swiss Life/Rentenanstalt shares had been tendered. The 912 296 unexchanged SL/RA shares represent minority interests in the consolidated financial statements of the Swiss Life Group. In connection with the capital increase resolved by the Extraordinary General Meeting of Shareholders held on 18 November 2002 and its entry in the Register of Companies of the Canton of Zurich on 19 November 2002, the Swiss Life/Rentenanstalt shares were transferred to Swiss Life Holding by way of a contribution in kind in exchange for the issue to the tendering shareholders of 10 834 704 exchange offer shares. This translation resulted in a new share capital of Swiss Life Holding following the exchange offer of CHF 541 985 200.

Following the exchange offer, a rights issue of 10 839 704 new Swiss Life Holding shares with a nominal value of CHF 50 each was effected. The offer price was CHF 79 per share.

On 19 December 2002, the Group issued Mandatory Convertible Securities (MCS) totalling CHF 250 million, issued in denominations of CHF 1000 each. The MCS may at the option of the holder be converted into Swiss Life Holding shares at any time from 27 December 2002 to 19 December 2005. Holders exercising such early conversion rights are entitled to initially receive 7.07414 shares, subject to adjustment, for each security. The holders of the MCS are entitled to annual interest payments per security at 5.25% and certain payments in the event of any dividends or other cash distributions made by Swiss Life Holding to the holders of its shares. Unless previously converted, or purchased and cancelled, each security will be mandatorily converted on 19 December 2005 into such number of shares as is equal to a maturity conversion ratio (max. 8.96057 shares per MCS).

The MCS are accounted for as equity, as they represent a forward sale of Swiss Life Holding shares, except for the present value of the interest payments of 5.25% p.a. which are deferred and recognised as a liability.

Subsequent to the issue of the MCS, 1 768 535 shares equal to the minimum number required under the conversion ratio were created and are held as treasury shares acquired for no consideration.

As of 31 December 2002, Swiss Life Holding had 23 447 943 registered shares with a nominal value of CHF 50 per share. Conditional share capital was CHF 182.6 million.

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.

Equity (continued)

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

Gains/losses not recognised in the income statement. In CHF million	2002				2001
	Foreign currency translation gains/losses	**Unrealised gains/losses on investments**	**Unrealised gains/losses on cash flow hedges**	**Total**	(restated) Total
Effect of changes in accounting policies	–	–	–	–	– 1 340
Unrealised gains/losses arising during the period	– 140	– 1 470	– 24	– 1 634	– 4 744
Gains reclassified to the income statement[1]	–	– 1 619	– 3	– 1 622	– 1 437
Losses reclassified to the income statement[1]	–	3 275	–	3 275	748
Impairment write-downs	–	620	–	620	699
Net gains/losses included in the carrying amount of hedged assets and liabilities	–	–	–	–	–
Foreign currency translation differences	–	– 15	0	– 15	– 74
Total gains/losses for the reporting period, gross	**– 140**	**791**	**– 27**	**624**	– 6 148

[1] incl. foreign currency gains/losses

Gains/losses not recognised in the income statement. In CHF million	2002			2001
	Foreign currency translation gains/losses	**Unrealised gains/losses**	**Total**	(restated) Total
Total gains/losses for the reporting period, gross	**– 140**	**764**	**624**	– 6 148
Less changes in:				
Excess DAC amortisation	–	– 208	– 208	430
Policyholder bonuses and other policyholder liabilities	–	– 173	– 173	1 697
Deferred income tax	–	– 112	– 112	997
Minority interests	59	– 110	– 51	13
Total gains/losses for the reporting period, net of taxes and other applicable items	**– 81**	**161**	**80**	– 3 011
Reclassification to minority interests due to new structure	**– 7**	**29**	**22**	–
Total gains/losses for the reporting period, after reclassification	**– 88**	**190**	**102**	– 3 011

Gains/losses not recognised in the income statement. In CHF million	**2002**	2001 (restated)	**31.12.2002**	31.12.2001 (restated)
	Net change	Net change		
Foreign currency translation gains/losses	**– 140**	– 43	**– 201**	– 61
Unrealised gains/losses on investments	**791**	– 6 085	**1 918**	1 127
Unrealised gains/losses due to hedging	**– 27**	– 20	**– 32**	– 5
Gains/losses not recognised in the income statement, gross	**624**	– 6 148	**1 685**	1 061
Less amounts relating to:				
Excess DAC amortisation	**– 208**	430	**– 247**	– 39
Policyholder bonuses and other policyholder liabilities	**– 173**	1 697	**– 793**	– 620
Deferred income tax	**– 112**	997	**– 262**	– 150
Minority interests	**– 51**	13	**– 20**	31
Total gains/losses not recognised in the income statement, net of taxes and other applicable items	**80**	– 3 011	**363**	283
Reclassification to minority interests due to new structure	**22**			
Total gains/losses for the reporting period, after reclassification	**102**			

Reserves and appropriations

As of 31 December 2002 and 2001, Swiss Life/Rentenanstalt and its subsidiaries were in substantial compliance with all applicable regulatory capital adequacy requirements.

Total Core Capital for Capital Adequacy Purposes

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. Because of the importance of adequate capital levels, the Corporate Executive Board has set certain internal capital requirements which are both qualitative and quantitative in nature. For purposes of measuring capital adequacy, the defined Group core capital includes certain liabilities with equity characteristics 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 (deferred Group-related funds).

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	**2002**	2001 (restated)
Net investment income	**41**	17
Net realised and unrealised gains/losses on investments	**85**	1
Net trading income	**–**	0
Investment management, banking and other fee income	**–**	0
Insurance premiums, policy fees and other related income	**–**	–
Other income	**–**	0
Benefits, losses and interest expenses	**1**	1
Operating and other expenses	**3**	4

Consolidated balance sheet as of 31 December. In CHF million	**2002**	2001 (restated)
Investments	**488**	444
Other assets	**13**	60
Deposits under policyholder contracts, customer deposits and other funds on deposit	**28**	33
Borrowings	**11**	12
Other liabilities	**0**	14
Acquired shares of related parties/related institutions	**5**	10
Swiss Life Holding shares issued to key management under equity compensation plan (number)	**800**	–

In 2000, members of Swiss Life/Rentenanstalt's Corporate Executive Board were given the opportunity to participate in a co-investment arrangement by investing their own private funds in the shares of Long Term Strategy AG (LTS), an investment company founded by Swiss Life/Rentenanstalt in 1999 with a view to allowing members of management to participate in Swiss Life/Rentenanstalt's investment performance under a co-investment plan. LTS was in liquidation at the close of the year.

Related-Party Transactions (continued)

Between January 2001 and July 2002 the relevant members of the Corporate Executive Board sold their shares in LTS to Swiss Life/Rentenanstalt at the net asset value of those shares in accordance with the terms of a shareholder agreement concluded with Swiss Life/Rentenanstalt in connection with the LTS capital increases.
The repurchase of the shares was disclosed in the financial statements for the year 2001 (CHF 10 million disclosed as acquired shares from related parties/related institutions) and for the period under review CHF 5 million (see preceding page).

Assets under Management

The Group had the following assets under management as of 31 December:

On-balance-sheet assets. In CHF million	**2002**	2001
		(restated)
Held-to-maturity securities	**4 416**	5 000
Available-for-sale fixed maturity securities	**68 024**	54 765
Available-for-sale equity securities	**5 284**	15 786
Available-for-sale investment funds	**3 622**	6 049
Available-for-sale private equity securities	**401**	605
Available-for-sale hedge funds	**3 490**	4 015
Financial assets held for trading	**3 552**	2 411
Investment property	**10 770**	9 815
Loans originated by the enterprise	**31 650**	29 769
Investments in associates, partnerships and joint ventures	**181**	410
Other investments	**1 003**	1 070
Cash and cash equivalents	**4 217**	6 374
Total cash and investments	**136 610**	136 069
Separate account (unit-linked) assets	**8 781**	11 434
Total on-balance-sheet assets	**145 391**	147 503
minus		
externally managed on-balance-sheet assets		
Assets of unit-linked business	**– 4 612**	– 6 110
Externally managed alternative investments	**– 5 184**	– 1 100
Total on-balance-sheet assets managed by the enterprise	**135 595**	140 293
Third party off-balance-sheet assets	**47 638**	53 931
Total assets under management	**183 233**	194 224

The concept of assets under management has been redefined. Assets under management are now 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 insurance assets managed by third parties and alternative investments managed by third parties

Provisions, Commitments and Contingencies

The Group recorded the following provisions:

Provisions. In CHF million		2002		2001
				(restated)
	Restructuring	Other	Total	Total
As of 1 January	–	147	147	118
Additional amounts set aside in the reporting period	120	93	213	108
Amounts used in the reporting period	–7	–58	–65	–73
Unused amounts reversed during the reporting period	–	–7	–7	–5
Foreign currency translation differences	0	–1	–1	–1
As of 31 December	**113**	**174**	**287**	147

Restructuring Costs

Due to the new Group strategy and the fundamental reorganisation it entails for a number of operations, a provision for restructuring costs totalling CHF 113 million was recognised. The provision was mainly set up to cover costs arising from termination benefits for employees and closure of business locations in Switzerland, Germany, France and Belgium.

Credit-related commitments

The Group has provided guarantees and commitments to third parties, associates, partnerships and joint ventures. Guarantees represent irrevocable assurances that the Group will make payments in the event that a client cannot meet its obligations to third parties and carry the same credit risk as loans. However, cash requirements under guarantees are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees and letters of credit. With respect to credit risk, the Group is potentially exposed to losses amounting to the total outstanding commitments. However, the likely amount of loss, which is not easy to quantify, is considerably less than the total outstanding commitments, since these commitments are contingent upon clients maintaining certain credit standards and the Group monitors this exposure.

The following table indicates the contractual amount of the Group's off-balance-sheet financial instruments that commit it to extend credit or guarantees:

Contractual amount of off-balance-sheet financial instruments. In CHF million	2002	2001
		(restated)
Guarantees and standby letters of credit	760	531
Commercial letters of credit	54	42
Commitments to extend credit	411	466
Total	**1 225**	1 039

Other off-balance-sheet commitments

The Group has commitments to lend at fixed interest rates which expose it to interest rate risk. These commitments are entered into for restricted periods of time and monitored on a regular basis.

Capital commitments

In the normal course of investment operations, the Group undertakes to either purchase or sell securities at specified future dates and at specified prices or yields. The inability of counterparties to honour these commitments may result in either a higher or a lower replacement cost. Also, there is likely to be a change in the value of the securities underlying the commitments.

Unfunded private equity commitments

Unfunded commitments to purchase private equity investments at their fair value were CHF 623 million.

Assets pledged

Assets are pledged as collateral for liabilities under repurchase agreements, for security deposits relating to certain derivative financial instruments and for other liabilities. Assets pledged as security except for repurchase agreements amounted to CHF 920.4 million.

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 litigations 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 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.

Other commitments

Cash and short-term investments with a carrying value of CHF 29.4 million and CHF 27.2 million were deposited in accordance with regulatory requirements as of 31 December 2002 and 2001, respectively. Cash to the amount of CHF 37.0 million was restricted as to use and withdrawal.

Operating lease commitments – lessee

The Group has entered into various operating leases as a lessee. Rental expenses recognised in income for these items totalled CHF 80.0 million and CHF 89.9 million for the years ending 31 December 2002 and 2001, respectively. Of these amounts, minimum lease payments totalled CHF 79.9 million in 2002 and CHF 47.7 million in 2001, while contingent rents totalled CHF 0.1 million in 2002 and CHF 42.2 million in 2001.

Future net minimum lease payments under non-cancellable operating leases with terms in excess of one year were as follows:

Future net minimum lease payments under non-cancellable operating leases. In CHF million	**2002**	2001 (restated)
Not later than 1 year	**16**	8
Later than 1 year and not later than 5 years	**51**	44
Later than 5 years	**136**	138
Total	**203**	190

Risk Management Activities

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 held for hedging purposes by risk category as of 31 December:

Fair value hedges. In CHF million	Notes on page(s)	**2002** Contract/notional amount	2001 (restated) Contract/notional amount	**2002** Fair value	2001 (restated) Fair value
Interest-related instruments – assets	65	**–**	–	**–**	–
Interest-related instruments – liabilities	65	**–**	–	**–**	–
Currency-related instruments – assets	67	**696**	136	**28**	3
Currency-related instruments – liabilities	67	**–**	228	**–**	65
Market risk instruments – assets	69	**1 484**	28	**201**	15
Market risk instruments – liabilities	69	**750**	17	**24**	17
Others – assets		**–**	–	**–**	–
Others – liabilities		**–**	–	**–**	–
Total instruments held for fair value hedging purposes – assets		**2 180**	164	**229**	18
Total instruments held for fair value hedging purposes – liabilities		**750**	245	**24**	82

Cash flow hedges. In CHF million	Notes on page(s)	Contract/notional amount	Fair value assets	Fair value liabilities	Gains/losses on hedging instruments arising during the period	Gains/losses removed from equity and taken to income	Range of expected dates of underlying anticipated transactions	Date expected to affect income
31 December 2002								
Interest-related instruments	66	**5 107**	**73**	**120**	**– 24**	**–**	**2003–2012**	**2003–2012**
Currency-related instruments	68	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Market risk instruments	70	**59**	**–**	**0**	**–**	**– 3**	**2003**	**2003**
Others		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total instruments held for cash flow hedging purposes		**5 166**	**73**	**120**	**– 24**	**– 3**	**n.a.**	**n.a.**
31 December 2001 (restated)								
Interest-related instruments	66	9 366	55	90	– 22	–	2002–2012	2002–2012
Currency-related instruments	68	467	9	4	–	–	2002	2002
Market risk instruments	70	240	9	5	3	–	2002	2002
Others		–	–	–	–	–	–	–
Total instruments held for cash flow hedging purposes		10 073	73	99	– 19	–	n.a.	n.a.

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:

Interest rate risk. 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 2002					
Assets					
Fixed-rate financial instruments	**17 616**	**31 666**	**50 497**	**–**	**99 779**
Variable-rate financial instruments	**8 592**	**449**	**–**	**–**	**9 041**
Non-interest bearing financial instruments	**–**	**–**	**–**	**21 618**	**21 618**
Non-financial instruments	**–**	**–**	**–**	**20 347**	**20 347**
Separate account (unit-linked) assets	**–**	**–**	**–**	**8 781**	**8 781**
Total assets	**26 208**	**32 115**	**50 497**	**50 746**	**159 566**
Liabilities					
Fixed-rate financial instruments	**– 7 226**	**– 13 108**	**– 2 058**	**–**	**– 22 392**
Variable-rate financial instruments	**– 4 146**	**– 4 539**	**–**	**–**	**–8 685**
Non-interest bearing financial instruments	**–**	**–**	**–**	**– 10 510**	**– 10 510**
Non-financial instruments	**–**	**–**	**–**	**– 104 566**	**– 104 566**
Separate account (unit-linked) liabilities	**–**	**–**	**–**	**– 8 738**	**– 8 738**
Total liabilities	**– 11 372**	**– 17 647**	**– 2 058**	**– 123 814**	**– 154 891**
Balance sheet interest rate sensitivity gap	**14 836**	**14 468**	**48 439**	**–73 068**	**4 675**
Carrying value as of 31 December 2001 (restated)					
Total assets	26 757	28 799	39 851	67 872	163 279
Total liabilities	– 14 837	– 17 797	– 1 754	– 123 696	– 158 084
Balance sheet interest rate sensitivity gap	11 920	11 002	38 097	– 55 824	5 195

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.

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 2002							
Assets							
Held-to-maturity securities	58	4 322	–	36	–	–	4 416
Available-for-sale securities	25 224	47 113	2 076	6 071	141	196	80 821
Financial assets held for trading	1 575	982	511	468	7	9	3 552
Investment property	9 443	1 327	0	–	–	–	10 770
Loans originated by the enterprise	23 321	6 527	388	1 133	93	188	31 650
Investments in associates, partnerships and joint ventures	76	105	–	–	–	–	181
Other investments	264	83	22	634	–	–	1 003
Cash and cash equivalents	2 027	1 549	204	369	14	54	4 217
Receivables	741	1 440	134	3	–	1	2 319
Other	8 623	9 545	1 512	939	11	7	20 637
Total assets	**71 352**	**72 993**	**4 847**	**9 653**	**266**	**455**	**159 566**
Liabilities							
Financial liabilities held for trading	– 1 043	– 330	– 98	– 108	– 5	– 1	– 1 585
Deposits under policyholder contracts, customer deposits and other funds on deposit	– 5 323	– 20 697	– 332	– 1 586	– 51	– 97	– 28 086
Insurance reserves	– 62 492	– 36 059	– 1 985	– 102	–	0	– 100 638
Borrowings	– 3 286	– 2 801	– 1	– 383	– 34	– 29	– 6 534
Other	– 8 896	– 7 100	– 1 102	– 844	– 85	– 21	– 18 048
Total liabilities	**– 81 040**	**– 66 987**	**– 3 518**	**– 3 023**	**– 175**	**– 148**	**– 154 891**
Net balance sheet currency sensitivity gap	**– 9 688**	**6 006**	**1 329**	**6 630**	**91**	**307**	**4 675**
As of 31 December 2001 (restated)							
Total assets	67 980	73 536	6 312	13 949	683	819	163 279
Total liabilities	– 81 585	– 66 147	– 4 040	– 6 067	– 127	– 118	– 158 084
Net balance sheet currency sensitivity gap	– 13 605	7 389	2 272	7 882	556	701	5 195

Matching of assets and liabilities is utilised as the main method of hedging the foreign currency risks associated with insurance liabilities denominated in foreign currencies. To the extent this is not practicable, forward exchange and option contracts are used to hedge foreign-currency-denominated insurance liabilities and other foreign currency risks.

Liquidity risk

The Group has formal asset/liability matching practices and monitors liquidity on a regular basis. There are no options or 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.

Liquidity risk. 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 2002							
Assets							
Fixed-rate financial instruments	–	–	17 616	31 661	50 205	297	99 779
Variable-rate financial instruments	301	1 153	6 266	620	614	87	9 041
Non-interest bearing financial instruments	999	216	4 755	23	6	13 311	19 310
Derivative instruments	–	–	1 513	362	433	–	2 308
Non-financial assets	–	–	–	–	–	20 347	20 347
Separate account (unit-linked) assets	–	–	–	–	–	8 781	8 781
Total assets	**1 300**	**1 369**	**30 150**	**32 666**	**51 258**	**42 823**	**159 566**
Liabilities							
Fixed-rate financial instruments	–	–	– 7 226	– 13 108	– 2 058	–	– 22 392
Variable-rate financial instruments	– 1 614	– 597	– 332	– 4 406	– 1 729	– 7	– 8 685
Non-interest bearing financial instruments	– 1 478	– 2	– 1 886	– 1 528	– 1 422	– 2 769	– 9 085
Derivative instruments	–	–	– 1 169	– 10	– 246	–	– 1 425
Non-financial liabilities	–	–	–	–	–	– 104 566	– 104 566
Separate account (unit-linked) liabilities	–	–	–	–	–	– 8 738	– 8 738
Total liabilities	**– 3 092**	**– 599**	**– 10 613**	**– 19 052**	**– 5 455**	**– 116 080**	**– 154 891**
Balance sheet liquidity gap	**– 1 792**	**770**	**19 537**	**13 614**	**45 803**	**– 73 257**	**4 675**
31 December 2001 (restated)							
Total assets	1 576	1 760	26 441	28 212	40 114	65 176	163 279
Total liabilities	– 3 860	– 690	– 14 789	– 19 686	– 4 696	– 114 363	– 158 084
Balance sheet liquidity gap	– 2 284	1 070	11 652	8 526	35 418	– 49 187	5 195

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

Interest rate risk

In addition, the Group is exposed to the risk of prepayments 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 amounts of financial assets with variable interest rates were CHF 9 041.4 million and CHF 11 649.9 million as of 31 December 2002 and 2001, respectively. Financial liabilities with variable interest rates had carrying amounts of CHF 8 684.9 and CHF 9 670.9 million as of 31 December 2002 and 2001, respectively.

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.

Fair value hedges. In CHF million	**2002**	2001	**2002**	2001
		(restated)		(restated)
	Contract/ notional amount	Contract/ notional amount	**Fair value**	Fair value
Interest rate risk				
Interest rate swaps – assets	**–**	–	**–**	–
Interest rate swaps – liabilities	**–**	–	**–**	–
Forward rate agreements – assets	**–**	–	**–**	–
Forward rate agreements – liabilities	**–**	–	**–**	–
Interest rate options (over-the-counter) – assets	**–**	–	**–**	–
Interest rate options (over-the-counter) – liabilities	**–**	–	**–**	–
Interest rate options (exchange-traded) – assets	**–**	–	**–**	–
Interest rate options (exchange-traded) – liabilities	**–**	–	**–**	–
Interest rate futures – assets	**–**	–	**–**	–
Interest rate futures – liabilities	**–**	–	**–**	–
Other – assets	**–**	–	**–**	–
Other – liabilities	**–**	–	**–**	–
Total interest-related derivative instruments held for fair value hedging purposes – assets	**–**	–	**–**	–
Total interest-related derivative instruments held for fair value hedging purposes – liabilities	**–**	–	**–**	–

Cash flow hedges. In CHF million

Interest rate risk	Contract/ notional amount	Fair value assets	Fair value liabilities	Gains/losses on hedging instruments arising during the period	Gains/losses removed from equity and taken to income	Range of expected dates of underlying anticipated transactions	Date expected to affect income
31 December 2002							
Interest rate swaps	**5 092**	**70**	**120**	**– 24**	**–**	**2003**	**2003**
Forward rate agreements	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Interest rate options (over-the-counter)	**15**	**3**	**–**	**–**	**–**	**2003–2012**	**2003–2012**
Interest rate options (exchange-traded)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Interest rate futures	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total interest-related derivative instruments held for cash flow hedging purposes	**5 107**	**73**	**120**	**– 24**	**–**	**n.a.**	**n.a.**
31 December 2001 (restated)							
Interest rate swaps	5 629	48	86	– 22	–	2002–2009	2002–2009
Forward rate agreements	–	–	–	–	–	–	–
Interest rate options (over-the-counter)	3 721	7	4	–	–	2002–2012	2002–2012
Interest rate options (exchange-traded)	–	–	–	–	–	–	–
Interest rate futures	16	–	–	–	–	2002	2002
Other	–	–	–	–	–	–	–
Total interest-related derivative instruments held for cash flow hedging purposes	9 366	55	90	– 22	–	n.a.	n.a.

Currency risk

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. As of 31 December 2002 and 2001, respectively, a gain of CHF 166.5 million and a gain of CHF 3.6 million were recognised in income. The following foreign exchange instruments were in effect as of 31 December:

Fair value hedges. In CHF million	**2002**	2001 (restated)	**2002**	2001 (restated)
	Contract/ notional amount	Contract/ notional amount	**Fair value**	Fair value
Currency risk				
Currency forwards – assets	–	136	–	3
Currency forwards – liabilities	–	228	–	65
Currency swaps – assets	**696**	–	**28**	–
Currency swaps – liabilities	**–**	–	**–**	–
Currency futures – assets	**–**	–	**–**	–
Currency futures – liabilities	**–**	–	**–**	–
Currency options (over-the-counter) – assets	**–**	–	**–**	–
Currency options (over-the-counter) – liabilities	**–**	–	**–**	–
Currency options (exchange-traded) – assets	**–**	–	**–**	–
Currency options (exchange-traded) – liabilities	**–**	–	**–**	–
Other – assets	**–**	–	**–**	–
Other – liabilities	**–**	–	**–**	–
Total currency-related derivative instruments held for fair value hedging purposes – assets	**696**	136	**28**	3
Total currency-related derivative instruments held for fair value hedging purposes – liabilities	**–**	228	**–**	65

Cash flow hedges. In CHF million

	Contract/ notional amount	Fair value assets	Fair value liabilities	Gains/losses on hedging instruments arising during the period	Gains/losses removed from equity and taken to income	Range of expected dates of underlying anticipated transactions	Date expected to affect income
Currency risk							
31 December 2002							
Currency forwards	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Currency swaps	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Currency futures	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Currency options (over-the-counter)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Currency options (exchange-traded)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total currency-related derivative instruments held for cash flow hedging purposes	**–**	**–**	**–**	**–**	**–**	**n.a.**	**n.a.**
31 December 2001 (restated)							
Currency forwards	467	9	4	–	–	2002	2002
Currency swaps	–	–	–	–	–	–	–
Currency futures	–	–	–	–	–	–	–
Currency options (over-the-counter)	–	–	–	–	–	–	–
Currency options (exchange-traded)	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	–
Total currency-related derivative instruments held for cash flow hedging purposes	467	9	4	–	–	n.a.	n.a.

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 gains recognised on the derivatives designated as fair value hedges for the year ended 31 December 2002 were CHF 66.4 million and the realised losses on derivatives for the year ended 31 December 2001 were CHF 2.5 million.

Fair value hedges. In CHF million	**2002**	2001	**2002**	2001
		(restated)		(restated)
	Contract/ notional amount	Contract/ notional amount	**Fair value**	Fair value
Market risk				
Forwards – assets	**–**	–	**–**	–
Forwards – liabilities	**–**	–	**–**	–
Futures – assets	**–**	–	**–**	–
Futures – liabilities	**–**	–	**–**	–
Options (over-the-counter) – assets	**–**	13	**–**	0
Options (over-the-counter) – liabilities	**–**	–	**–**	–
Options (exchange-traded) – assets	**1 484**	15	**201**	15
Options (exchange-traded) – liabilities	**750**	17	**24**	17
Precious metal derivatives – assets	**–**	–	**–**	–
Precious metal derivatives – liabilities	**–**	–	**–**	–
Other – assets	**–**	–	**–**	–
Other – liabilities	**–**	–	**–**	–
Total market risk-related derivative instruments held for fair value hedging purposes – assets	**1 484**	28	**201**	15
Total market risk-related derivative instruments held for fair value hedging purposes – liabilities	**750**	17	**24**	17

Risk Management Activities (continued)

Cash flow hedges. In CHF million

Market risk	Contract/ notional amount	Fair value assets	Fair value liabilities	Gains/losses on hedging instruments arising during the period	Gains/losses removed from equity and taken to income	Range of expected dates of underlying anticipated transactions	Date expected to affect income
31 December 2002							
Forwards	**–**	**–**	**–**	**–**	**–3**	**–**	**–**
Futures	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Options (over-the-counter)	**59**	**–**	**0**	**–**	**–**	**2003**	**2003**
Options (exchange-traded)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total market risk-related derivative instruments held for cash flow hedging purposes	**59**	**–**	**0**	**–**	**–3**	**n.a.**	**n.a.**
31 December 2001 (restated)							
Forwards	7	7	–	3	–	2002	2002
Futures	–	–	–	–	–	–	–
Options (over-the-counter)	173	2	4	–	–	2002	2002
Options (exchange-traded)	–	–	–	–	–	–	–
Other	60	0	1	–	–	2002	2002
Total market risk-related derivative instruments held for cash flow hedging purposes	240	9	5	3	–	n.a.	n.a.

The Group has hedged the exposure on net investments in certain foreign entities as follows:

Exposure on net investments in certain foreign entities. In CHF million

	Contract/ notional amount	Period of fore-casted transaction	Fair value	Unrealised gains/ losses on designated hedging instruments
31 December 2002				
Currency forwards – assets	–	–	–	–
Currency forwards – liabilities	–	–	–	–
Currency options – assets	–	–	–	–
Currency options – liabilities	–	–	–	–
Other – assets	–	–	–	–
Other – liabilities	–	–	–	–
Total derivative instruments held for hedging net investments in foreign entities – assets	–	–	–	–
Total derivative instruments held for hedging net investments in foreign entities – liabilities	–	–	–	–
31 December 2001 (restated)				
Currency forwards – assets	–	–	–	–
Currency forwards – liabilities	–	–	–	–
Currency options – assets	–	–	–	–
Currency options – liabilities	–	–	–	–
Other – assets	–	–	–	–
Other – liabilities	–	–	–	–
Total derivative instruments held for hedging net investments in foreign entities – assets	–	–	–	–
Total derivative instruments held for hedging net investments in foreign entities – liabilities	–	–	–	–

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.

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:

Fair value of financial instruments. In CHF million	**2002**	2001	**2002**	2001
		(restated)		(restated)
	Carrying value	Carrying value	**Fair value**	Fair value
Held-to-maturity securities	**4 416**	5 000	**4 696**	5 174
Loans originated by the enterprise	**31 650**	29 769	**32 150**	29 800
Other held-to-maturity investments	**85**	49	**85**	49
Deposits held under financial reinsurance contracts	**1**	24	**1**	24
Liabilities under policyholder investment contracts, customer deposits and other funds on deposit	**28 086**	27 868	**28 009**	27 869
Borrowings	**6 534**	8 240	**6 536**	8 362
Other financial liabilities	**4 894**	6 260	**4 894**	6 276

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 included on pages 75 to 79.

Events after the Balance Sheet Date

On 7 April 2003 the Board of Directors approved the annual Financial Statements and authorised them for publication on 8 April 2003.
No significant events occurred after the close of the financial year.

Reclassification of Income Statement and Balance Sheet

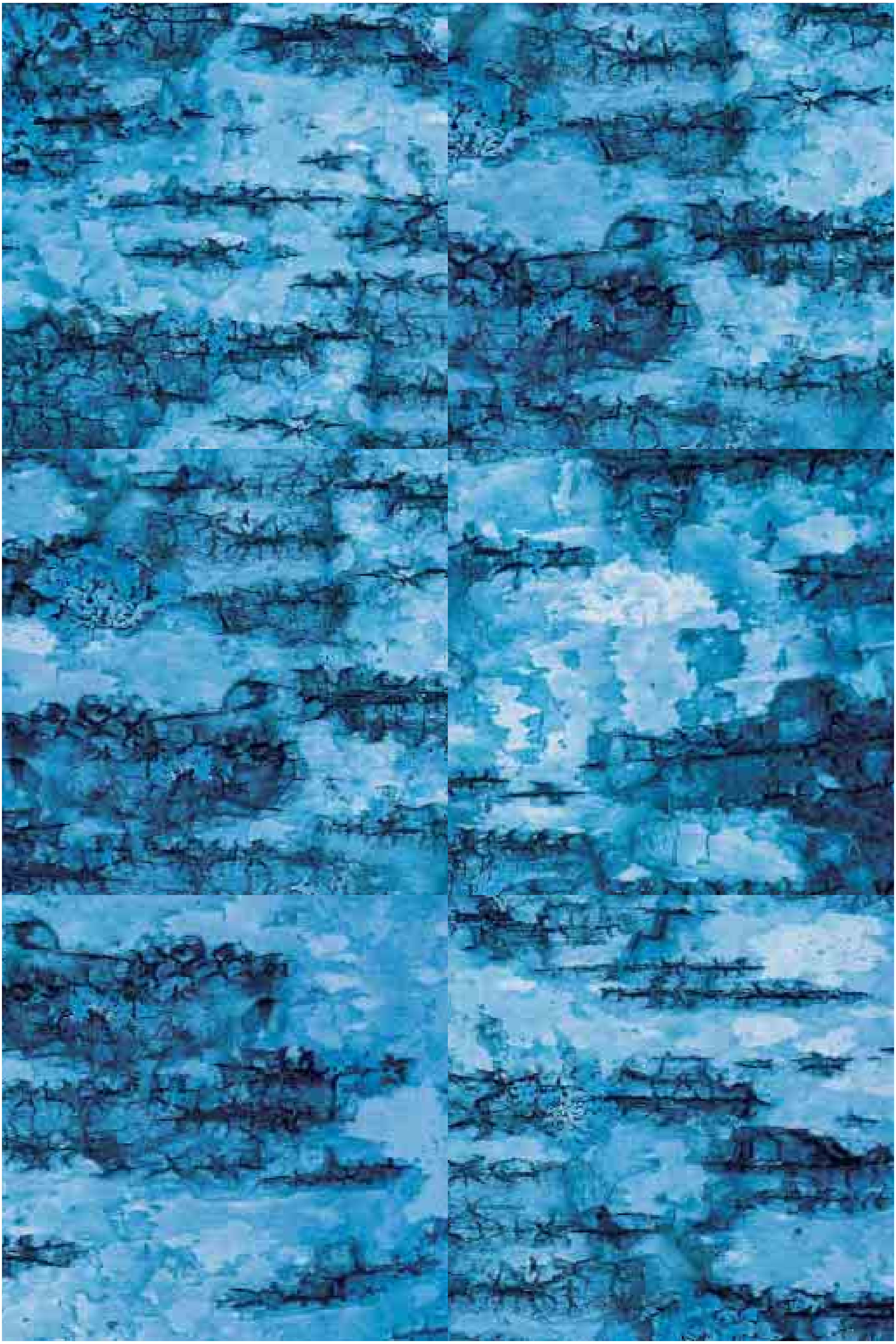
Foreign currency gains/losses totalling CHF 325 million which were previously shown separately in income and relate to investments have been reclassified as net realised and unrealised gains/losses and other income.
Fixed-term deposits of CHF 3585 million have been reclassified from other investments to originated loans. Purchased loans totalling CHF 20 million which were previously included in loans have been reclassified to other investments.

Restatement of Income Statement and Balance Sheet

Due to a misinterpretation in 2001, the change in fair value of CHF 316 million relating to equity securities classified as available-for-sale was included in net income (realised gains) instead of unrealised gains/losses. Adjustments of CHF 239 million (net of taxes) have been made to the balance sheet as of 31 December 2001 and to the income statement to reflect the appropriate accounting treatment.
The comparatives within the financial statements 2002 have been adjusted accordingly.

Reclassification and restatement of income statement. In CHF million	**2001**	**Reclassification**	**Restatement**	2001
	(as disclosed)			(as restated)
Net realised and unrealised gains/losses on investments	558	–383	–316	–141
Foreign currency gains/losses	–325	325	–	–
Other income	141	58	–	199
Income tax expenses	–57	–	77	20
Net result	124	–	–239	–115

Reclassification and restatement of balance sheet. In CHF million	**31.12.2001**	**Reclassification**	**Restatement**	31.12.2001
	(as disclosed)			(as restated)
Loans	26 204	3 565	–	29 769
Other investments	4 635	–3 565	–	1 070
Retained earnings	3 111	–	–239	2 872
Unrealised gains/losses not yet recorded in the income statement (net of taxes)	44	–	239	283



Scope of Consolidation

	Segment (IM = Investment Management, PB = Private Banking)	Core/ Non-Core	Consolidation Period (first consolidation)	Group Share	Direct Share	Method of Con- solidation	Cur- rency	Authorised Share Capital in thousand
Switzerland								
Adamant, Basel	IM	Core		47.0%	51.0%	full	CHF	250
Adamed, Basel	IM	Core	from 15.06.2001	67.2%	72.9%	full	CHF	23 018
Adroit Investment, Zürich	Life	Core		92.2%	100.0%	full	CHF	5 000
Adroit Private Equity, Zürich	Life	Core		92.2%	100.0%	full	CHF	5 000
Advisory Services Network, Zürich	Other	–	until 30.09.2002	–	–	full	CHF	8 000
AG für Fondsverwaltung, Zug	–	–	until 07.12.2001	–	–	equity	CHF	1 500
Alvetern, Pfäffikon	IM	Core	from 24.08.2001	92.2%	100.0%	full	CHF	100
Banca del Gottardo, Lugano	PB	Non-Core		91.9%	99.7%	full	CHF	170 000
Dreieck Equipment Leasing, Zürich	PB	Non-Core	from 11.12.2001	39.5%	43.0%	full	CHF	100
Dreieck Fiduciaria, Lugano	PB	Non-Core		91.9%	100.0%	full	CHF	500
Dreieck Leasing, Lausanne	PB	Non-Core		91.9%	100.0%	full	CHF	15 000
Eaux-Vives 2000, Zug	Life	Core	from 09.07.2001	92.2%	100.0%	full	CHF	1 000
Eaux-Vives Office, Zug	Life	Core	from 09.07.2001	92.2%	100.0%	full	CHF	100
Funlike, Zug	IM	–	until 28.12.2001	–	–	full	CHF	100
Geschäftshaus Spitalgasse, Bern	–	–		34.0%	40.0%	equity	CHF	1 500
Gesfid, Lugano	PB	–	until 16.10.2002	–	–	full	CHF	10 000
Jungfraubahn Holding, Interlaken	–	–	until 24.09.2002	–	–	equity	CHF	11 670
Kuhn & Seal, Nyon	Other	Core		55.3%	100.0%	full	CHF	100
Kuhn & Seal Services, Nyon	Other	Core		55.3%	100.0%	full	CHF	100
«La Suisse» Accidents, Lausanne	Non-Life	Non-Core		92.2%	100.0%	full	CHF	50 000
«La Suisse» Vie, Lausanne	Life	Non-Core		92.2%	100.0%	full	CHF	24 000
Livit, Zürich	IM	Core		92.2%	100.0%	full	CHF	3 000
Löwenschanze, Zürich	Life	–	until 30.06.2002	–	–	full	CHF	400
Long Term Strategy in liquidation, Zug	Other	Non-Core	from 01.01.2002	92.2%	100.0%	full	CHF	2 000
Neue Warenhaus AG, Zürich	Life	Core	from 23.07.2001	92.2%	100.0%	full	CHF	5 000
Oscar Weber AG, Zürich	Life	Core	from 23.07.2001	92.2%	100.0%	full	CHF	5 000
Pendia Associates, Zürich	Other	Core		55.3%	60.0%	full	CHF	500
Redsafe Bank, Zürich	Other	–	until 23.12.2002	–	–	full	CHF	30 000
Régie Schmid, Carouge	IM	–	until 29.06.2001	–	–	full	CHF	100
Rentenanstalt Holding, Zürich	Other	Core		92.2%	100.0%	full	CHF	25 000
Rentenanstalt/Swiss Life, Zürich	Life	Core		92.2%	92.2%	full	CHF	587 350
RMF, Pfäffikon	–	–	until 23.05.2002	–	–	equity	CHF	1 350
Schweizerische Treuhandgesellschaft, Zug	PB	Non-Core		92.2%	100.0%	full	CHF	12 000
STG Schweizerische Treuhandgesellschaft, Basel	PB	Non-Core	from 27.09.2001	92.2%	100.0%	full	CHF	8 000
STG Asset Management, Basel	PB	Non-Core		92.2%	100.0%	full	CHF	32 000
STG Holding, Basel	PB	–	until 27.09.2001	–	–	full	CHF	6 500
STG Management, Basel	PB	Non-Core	from 27.09.2001	92.2%	100.0%	full	CHF	250
STG Management Services, Basel	PB	Non-Core		92.2%	100.0%	full	CHF	250
Swiss Life Asset Management, Zürich	IM	Core		92.2%	100.0%	full	CHF	250
Swiss Life Capital Holding, Pfäffikon	IM	Core		92.2%	100.0%	full	CHF	5 514
Swiss Life Capital Partners, Pfäffikon	IM	Core	from 28.03.2001	92.2%	100.0%	full	CHF	100
Swiss Life Fund Master, Zürich	IM	Core		92.2%	100.0%	full	CHF	250
Swiss Life Funds, Zürich	PB	Core		100.0%	100.0%	full	CHF	10 000
Swiss Life General Partners, Pfäffikon	IM	Core		92.2%	100.0%	full	CHF	100
Swiss Life Hedge Fund Partners, Pfäffikon	IM	–	until 01.05.2002	–	–	full	CHF	1 500
Swiss Life Holding, Zürich	Other	Core	from 17.09.2002	–	–	full	CHF	1 172 397
Swiss Life Private Equity Partners, Zürich	IM	Core		92.2%	100.0%	full	CHF	250
Swiss Life Real Estate Partners, Zug	IM	Core		92.2%	100.0%	full	CHF	250
Swiss Life Selection, Zürich	Other	Core		92.2%	100.0%	full	CHF	250

Scope of Consolidation (continued)

	Segment (IM = Investment Management, PB = Private Banking)	Core/ Non-Core	Consolidation Period (first consolidation)	Group Share	Direct Share	Method of Con-solidation	Cur-rency	Authorised Share Capital in thousand
Switzerland (continued)								
Swissville Centers, Zug	Life	Core	from 15.02.2001	92.2%	100.0%	full	CHF	1 000
Swissville Centers Holding, Zug	Life	Core	from 23.07.2001	92.2%	100.0%	full	CHF	7 100
Swissville Commerce, Zug	Life	Core		92.2%	100.0%	full	CHF	150 900
Swissville Commerce Holding, Zug	Life	Core	from 28.03.2001	92.2%	100.0%	full	CHF	147 100
Swissville Europe Holding, Zug	Life	Core	from 28.12.2001	92.2%	100.0%	full	CHF	11 500
Swissville Private, Zug	Life	Core		92.2%	100.0%	full	CHF	50 000
Swissville Private Holding, Zug	Life	Core	from 28.12.2001	92.2%	100.0%	full	CHF	50 000
Technopark Immobilien, Zürich	–	–		30.7%	33.3%	equity	CHF	40 000
Tenium, Zürich	IM	Core	from 01.01.2001	92.2%	100.0%	full	CHF	100
Tuxedo Invest, Zug	–	–	from 09.07.2001	21.1%	22.9%	equity	CHF	162 995
Ultrafin, Lugano	PB	Non-Core		91.9%	100.0%	full	CHF	5 000
Liechtenstein								
LGT Swiss Life Non Traditional Advisers, Vaduz	IM	Core		53.5%	58.0%	full	CHF	1 000
Germany								
Münchner Tor, München	Life	Core		92.2%	100.0%	full	EUR	61 735
Schweizerische Rentenanstalt, München (branch)	Life	Core		–	–	full	–	–
Seko, München	Other	Core		83.0%	90.0%	full	EUR	30
Sepis, München	Life	Core		92.2%	100.0%	full	EUR	30
Schweizer Leben Pensions Management, München	Other	Core		92.2%	100.0%	full	EUR	150
Swiss Life Asset Management, München	IM	Core		92.2%	100.0%	full	EUR	5 250
Swiss Life Beteiligungs GmbH, München	Other	Core	from 18.10.2002	92.2%	100.0%	full	EUR	25
Swiss Life Grundstücksmanagement, München	Life	Core		92.2%	100.0%	full	EUR	26
Swiss Life Partner Service und Finanzvermittlung, München	Other	Core		92.2%	100.0%	full	EUR	1 800
Swiss Life Partner Vermittlung, München	Other	Core		69.2%	75.0%	full	EUR	3 500
Swiss Life Pensionsfonds, München	Life	Core	from 08.05.2002	92.2%	100.0%	full	EUR	3 000
Swiss Life Pensionskasse, München	Life	Core	from 08.05.2002	92.2%	100.0%	full	EUR	3 000
France								
AGAMI, Lille	Other	Non-Core		92.2%	100.0%	full	EUR	500
CEAT, Paris	Non-Life	Non-Core		92.1%	100.0%	full	EUR	2 400
CEGEMA, Villeneuve-Loubet	Other	Non-Core		46.7%	50.6%	full	EUR	300
Crédit et services financiers (CRESERFI), Paris	–	–		30.8%	33.4%	equity	EUR	56 406
Daunou Investissements, Paris	–	–	until 28.09.2002	–	–	equity	EUR	153
Domical Santé, Paris	Other	Non-Core		87.2%	95.1%	full	EUR	2 300
ERISA, Paris	Life	Core		46.1%	50.0%	full	EUR	65 000
ERISA IARD, Paris	Non-Life	Core		46.1%	50.0%	full	EUR	7 500
Garantie Assistance, Paris	Non-Life	Non-Core		91.7%	100.0%	full	EUR	1 850
Oudart, Paris	–	–		36.1%	39.3%	equity	EUR	5 000
Placement Financier du Midi, Paris	–	–	until 04.08.2002	–	–	equity	EUR	76
SA LABOR, Paris	Other	–	until 01.10.2002	–	–	full	EUR	39
SACAT, Paris	Other	Non-Core		92.1%	100.0%	full	EUR	50
SC Labor sur Saône, Roubaix	Other	–	until 20.11.2002	–	–	full	EUR	900
SCI Armengaud, Paris	Other	–	until 20.11.2002	–	–	full	EUR	16 769
SCI DYNAPIERRE, Paris	Other	Core		91.6%	100.0%	full	EUR	7 317
SCI ERISA IMMO 1, Paris	Other	Core		46.1%	100.0%	full	EUR	39 980
SCI Paris Dammartin, Roubaix	Other	Non-Core		91.5%	100.0%	full	EUR	15
SCI Uniphénix, Paris	Other	Core		91.6%	100.0%	full	EUR	11 095

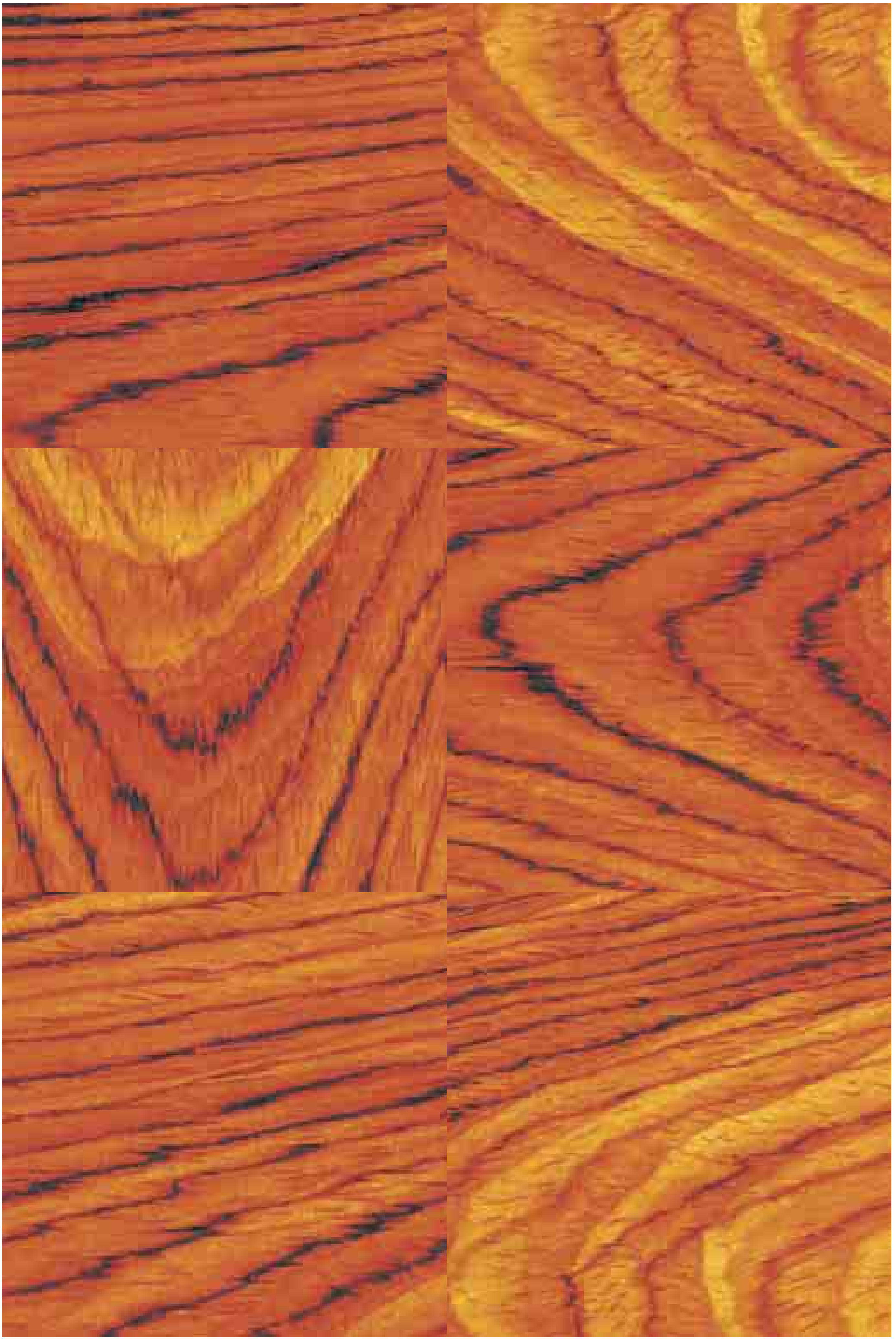
Scope of Consolidation (continued)	Segment (IM = Investment Management, PB = Private Banking)	Core/ Non-Core	Consolidation Period (first consolidation)	Group Share	Direct Share	Method of Con- solidation	Cur- rency	Authorised Share Capital in thousand
France (continued)								
Sociafrance, Lille	Non-Life	–	until 01.07.2002	–	–	full	EUR	8 400
Société financière de dépôts et de placements (SOFIDEP), Paris	PB	Non-Core	until 01.01.2002	–	–	full	EUR	8 000
Société suisse Accidents, Paris	Non-Life	Non-Core		92.1%	100.0%	full	EUR	135 000
Société suisse ADG, Paris	Life	Core		91.6%	99.7%	full	EUR	75 000
Société suisse Banque, Paris	PB	Non-Core		92.0%	100.0%	full	EUR	20 000
Société suisse de gestion financière, Paris	IM	Core		92.0%	100.0%	full	EUR	1 000
Société suisse de gestion immobilière, Paris	Other	Core		92.1%	100.0%	full	EUR	22 860
Société suisse de participations d'assurance, Paris	Other	Core		92.2%	100.0%	full	EUR	792 296
Société suisse santé, Paris	Life	Core		91.5%	99.2%	full	EUR	150 000
Société suisse vie, Paris (branch)	Life	Core		–	–	full	–	–
Swiss Life Asset Management (France), Paris	IM	Core	from 04.01.2001	92.2%	100.0%	full	EUR	4 950
Swiss Life Holding (France), Paris	Other	–	until 10.10.2002	–	–	full	EUR	37
The Netherlands								
Practis Holding, Gorinchem	–	–	from 05.09.2001	26.3%	28.5%	equity	EUR	29
Swiss Life Asset Management (Nederland), Amstelveen	IM	Core	from 26.04.2001	92.2%	100.0%	full	EUR	250
Zwitserleven, Amstelveen (branch)	Life	Core		–	–	full	–	–
Zwitserleven Ziekte- en Ongevallenverzekering, Amstelveen	Non-Life	Core		92.2%	100.0%	full	EUR	2 269
Belgium								
Crédit Agricole, Bruxelles	–	–		30.7%	33.3%	equity	EUR	191 259
European District Properties Three, Sint Stevens Woluwe	–	–	from 01.01.2002	46.1%	50.0%	equity	EUR	4 698
Swiss Life Asset Management (Belgium), Vilvoorde	IM	Core	from 19.04.2002	92.2%	100.0%	full	EUR	500
Swiss Life (Belgium), Bruxelles (branch)	Life	Core		–	–	full	–	–
Swiss Life Immo-Commerce (Belgium), Bruxelles	Other	Core		92.2%	100.0%	full	EUR	9 965
Swiss Life Immo-Cross Roads, Bruxelles	Other	Core	from 31.07.2002	92.2%	100.0%	full	EUR	64
Swiss Life Immo-Midi (Belgium), Bruxelles	Other	Core		92.2%	100.0%	full	EUR	2 200
Swiss Life Informations Systems, Sint-Genesius-Rode	Other	Core	from 22.01.2002	92.2%	100.0%	full	EUR	62
Swiss Life Invest (Belgium), Bruxelles	Other	Core		92.2%	100.0%	full	EUR	646
Swissville Europe (Belgium), Bruxelles	Life	Core		92.2%	100.0%	full	EUR	8 087
ZELIA, Bruxelles	Life/Non-Life	Core/Non-Core		92.2%	100.0%	full	EUR	32 227
Great Britain								
Alpine Holdings, Guernsey	PB	Non-Core		91.9%	100.0%	full	USD	600
Dom-James, Sevenoaks	Other	Non-Core		92.2%	100.0%	full	GBP	5 000
Swiss Life Asset Management (UK), London	IM	Core		92.2%	100.0%	full	GBP	10 000
Swiss Life (UK), Sevenoaks	Life	Non-Core		92.2%	100.0%	full	GBP	200 000
Swiss Life (UK) Group, Sevenoaks	Life	Non-Core		92.2%	100.0%	full	GBP	200 000
Swiss Life (UK) Services, Sevenoaks	Life	Non-Core		92.2%	100.0%	full	GBP	100
Spain								
Swiss Life Asset Management (España), Madrid	IM	Core	from 07.08.2002	92.2%	100.0%	full	EUR	2 110
Swiss Life (España), Madrid	Life	Non-Core		92.2%	100.0%	full	EUR	39 066
Swiss Life Gestion, Madrid	IM	Non-Core		92.2%	100.0%	full	EUR	751

Scope of Consolidation (continued)

	Segment (IM = Investment Management, PB = Private Banking)	Core/ Non-Core	Consolidation Period (first consolidation)	Group Share	Direct Share	Method of Con-solidation	Cur-rency	Authorised Share Capital in thousand
Luxembourg								
Apenso, Luxembourg	–	–	from 18.09.2001	46.1%	50.0%	equity	EUR	625
Banque du Gothard (Luxembourg), Luxembourg	PB	Non-Core		91.9%	100.0%	full	CHF	14 000
Esofac, Luxembourg	–	–		27.7%	30.0%	equity	EUR	125
Gottardo Equity Fund (Lux) Management, Luxembourg	PB	Non-Core		91.9%	100.0%	full	CHF	200
Gottardo Money Market Fund Management, Luxembourg	PB	Non-Core		91.9%	100.0%	full	CHF	200
Gottardo Strategy Fund Management, Luxembourg	PB	Non-Core		91.9%	100.0%	full	CHF	200
Gottardo Tower Fund Management, Luxembourg	PB	Non-Core		91.9%	100.0%	full	EUR	125
Heralux, Luxembourg	Non-Life	Non-Core		91.5%	100.0%	full	EUR	1 250
SB-Gotthard I Fund Management, Luxembourg	PB	Non-Core		91.9%	100.0%	full	CHF	650
SLGB Management, Luxembourg	Other	Core	from 17.01.2002	92.2%	100.0%	full	EUR	125
Swiss Life Asset Management Holding, Luxembourg	IM	Core		92.2%	100.0%	full	CHF	8 380
Swiss Life (Luxembourg), Luxembourg	Life	Core		92.2%	100.0%	full	EUR	15 000
Swiss Life Immo-Arlon, Strassen	Other	Core	from 25.10.2001	92.2%	100.0%	full	EUR	1 000
Swiss Life Investment Advisers, Luxembourg	IM	Core		92.2%	100.0%	full	EUR	75
Swiss Life Multi Funds (Luxembourg) Management, Luxembourg	PB	Non-Core		91.9%	100.0%	full	CHF	200
Italy								
Banca del Gottardo Italia, Bergamo	PB	Non-Core		68.9%	75.0%	full	EUR	25 000
Swiss Life (Italia), Milano	Life	Non-Core		92.2%	100.0%	full	EUR	5 170
Swiss Life (Italia) Infortuni e Malattie, Milano	Non-Life	Non-Core		92.2%	100.0%	full	EUR	2 500
Ireland								
Swiss Life Investment Management, Dublin	IM	Core	until 19.12.2002	–	–	full	IEP	10 000
Austria								
Gottardo Asset Management, Wien	PB	Non-Core		91.9%	100.0%	full	EUR	363
Bahamas								
Gesfid International, Nassau	PB	–	until 16.10.2002	–	–	full	USD	10 000
Gottardo Trust Company, Nassau	PB	Non-Core		91.9%	100.0%	full	USD	3 000
Gotthardfin, Nassau	PB	Non-Core		91.9%	100.0%	full	CHF	10 000
MFT Multifin Transactions, Nassau	PB	Non-Core		91.9%	100.0%	full	CHF	1 000
British Virgin Islands								
Swiss Life Finance, Tortola	Life	Core		92.2%	100.0%	full	USD	50
Swiss Life International Finance, Tortola	IM	Core		92.2%	100.0%	full	USD	10
Cayman Islands								
Adamed Investments, George Town	IM	Core	from 01.01.2002	67.2%	100.0%	full	USD	0
Adroit Investment Offshore (AIO), Grand Cayman	Life	Non-Core	from 13.08.2001	92.2%	100.0%	full	EUR CHF	0 0
Adroit Private Equity Offshore (APEO), Grand Cayman	Life	Non-Core	from 13.08.2001	92.2%	100.0%	full	CHF USD	0 0
SL Absolute Return Strategies I, Grand Cayman	IM	–	until 01.05.2002	–	–	full	USD	50

Scope of Consolidation (continued)

	Segment (IM = Investment Management, PB = Private Banking)	Core/ Non-Core	Consolidation Period (first consolidation)	Group Share	Direct Share	Method of Con-solidation	Cur-rency	Authorised Share Capital in thousand
Cayman Islands (continued)								
Swiss Life Cayman Finance, Grand Cayman	IM	Core	from 12.09.2002	100.0%	100.0%	full	CHF	0
							USD	50
Swiss Life Credo Fund I, Grand Cayman	IM	–	until 01.05.2002	–	–	full	USD	50
Swiss Life Flex, Grand Cayman	IM	–	until 01.05.2002	–	–	full	EUR	49
							USD	99
Swiss Life High Yield Strategies, Grand Cayman	IM	–	until 01.05.2002	–	–	full	USD	50
Swiss Life Investment Strategies, Grand Cayman	IM	–	until 01.05.2002	–	–	full	USD	55
Swiss Life Private Equity Partners (Cayman) Grand Cayman	IM	Core	from 27.03.2001	92.2%	100.0%	full	CHF	60
SL PEP CI, Grand Cayman	IM	Core	from 06.06.2001	92.2%	100.0%	full	CHF	50
Greece								
Gottardo A.E.P.E.Y, Athens	PB	Non-Core	from 15.05.2002	87.1%	94.8%	full	EUR	1 500
Mettagottardo, Ano Glyfada	PB	–	until 15.11.2002	–	–	full	EUR	586
Hong Kong								
Gottardo Asset Management (H.K.), Hong Kong	PB	Non-Core		91.9%	100.0%	full	HKD	5 000
Gottardo Forex (H.K.), Hong Kong	PB	–	until 26.03.2002	–	–	full	HKD	30 000
Monaco								
Banque du Gothard, Monaco	PB	Non-Core		91.9%	100.0%	full	EUR	40 000
Financial Strategy (Sam), Monaco	–	–		18.4%	20.0%	equity	EUR	750
Gothard Gestion, Monaco	PB	Non-Core		91.9%	100.0%	full	EUR	160
Gottim Sam, Monaco	PB	Non-Core		91.9%	100.0%	full	EUR	150
Netherlands Antilles								
N.V. Pensioen ESC, Willemstad	Life	Core		92.2%	100.0%	full	ANG	1 000
Uruguay								
CAASU, Montevideo	PB	Non-Core		92.2%	100.0%	full	UYP	1 000



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 5 to 79) of the Swiss Life Group for the year ended 31 December 2002.

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 Brand Enrico Strozzi

Zurich, 7 April 2003

Swiss Life Holding was established on 17 September 2002 with CHF 250 000 in share capital and commenced its intended operations on 15 November 2002 after acquiring the shares of Swiss Life Insurance and Pension Company. Swiss Life Holding's Financial Statements thus cover a period of roughly 1½ months.

The result for the period ending 31 December 2002 was a loss of around CHF 2.2 million. The loss was essentially due to a valuation allowance for loans denominated in foreign currencies to Group companies.

Profit and Loss Account Swiss Life Holding

Profit and loss account Swiss Life Holding. In CHF million	**17 September to 31 December 2002**
Investment income	**0.5**
Foreign currency loss	**–2.1**
Net investment income	**–1.6**
Operating expenses	**–0.4**
Other charges	**–0.2**
Net result for the year	**–2.2**

Balance Sheet Swiss Life Holding

Assets as of 31 Dezember. In CHF million	**2002**
Liquid funds	**2.2**
Time deposits and similar investments	**536.6**
Receivables from group companies	**3.6**
Other receivables	**0.3**
Prepayments and accrued income	**0.8**
Current assets	**543.5**
Participations	**729.2**
Loans to group companies	**473.5**
Non-current assets	**1 202.7**
Total assets	**1 746.2**

Equity and liabilities as of 31 Dezember. In CHF million	**2002**
Payables to group companies	**72.7**
Other payables	**2.8**
Total short-term liabilities	**75.5**
Total liabilities	**75.5**
Corporate capital	**1 172.4**
General reserves	***464.7***
Reserve for own shares	***35.8***
Legal reserves	**500.5**
Free reserves	**–**
Balance carried forward from previous year	***–***
Net result for the year	***–2.2***
Result shown in the balance sheet	**–2.2**
Equity capital	**1 670.7**
Total equity and liabilities	**1 746.2**

Accounting Rules

Assets and liabilities are stated in the balance sheet in accordance with the provisions of the Swiss Code of Obligations (OR). Since Swiss Life Holding was only founded in 2002 there are no prior-year figures for comparison. The figures in the profit and loss account reflect the period from 17 September 2002 to 31 December 2002.

Explanations on the Balance Sheet and Profit and Loss Account

Participations. In CHF million

	Carrying value	Direct share
Rentenanstalt/Swiss Life, Zurich	703.4	92.234%
Swiss Life Funds AG, Zurich	15.7	100.000%
Swiss Life Cayman Finance Ltd., Cayman Islands	10.1	100.000%
Participations	729.2	

Major shareholders

	Shares (entered in the share register)	% of voting rights
Premafin Group (Italy)	2 356 112	10.048%
CS Group (Switzerland)	1 345 283	5.737%

Share capital, capital increase

In accordance with the agreement dated 15 November 2002 concerning contributions in kind, Swiss Life Holding acquired 10 822 084 shares of Swiss Life Insurance and Pension Company, Zurich, at a par value of CHF 50 each. 10 834 704 Swiss Life Holding registered shares were issued in return. Thus, 10 839 704 registered shares were issued prior to the capital increase. The company's ordinary share capital came to CHF 1 083 970 400 (21 679 408 shares) following the capital increase. Conditional capital in existence at this point in time came to an aggregate par value of CHF 270 992 600 (5 419 852 shares). On 19 December 2002 Swiss Life Cayman Finance Ltd., Cayman Islands, issued mandatory convertible securities to the amount of CHF 250 million. Swiss Life Finance then converted the minimum number of deliverable securities. Ordinary share capital amounted to CHF 1 172 397 150 (23 447 943 shares) following this transaction, and the conditional share capital came to CHF 182 565 850 (3 651 317 shares). The creation of a new holding structure for the Group and the capital increase are described in detail on pages 16 and 17 of the Annual Report. The following table shows the composition of Swiss Life Holding's equity.

Total equity. In CHF	
Corporate capital	
Swiss Life Holding shares at inception	250 000
Converted Swiss Life/Rentenanstalt shares	541 735 200
Issue of shares	541 985 200
Issue of mandatory convertible securities	88 426 750
Total corporate capital	1 172 397 150
Legal reserves	
Contribution in kind of Swiss Life/Rentenanstalt	161 700 260
Issue of shares	314 351 416
Issue of mandatory convertible securities	90 471 735
Equity transaction cost	– 66 047 596
Total legal reserves	500 475 815
Net result for the year	– 2 188 276
Total equity	1 670 684 689

Own shares

In the final quarter of the year under review the companies in the Swiss Life Group purchased a total of 308 795 Swiss Life shares at an average price of CHF 138. In the same period, they sold 246 555 shares at an average price of CHF 156.

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 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 1 383.7 million at the balance sheet date.

Allocation of Net Result Swiss Life Holding

Net Result and Allocation of Result

The withdrawal of CHF 225 479 735 from the legal reserve, to be set off against the loss of CHF 2 188 276 shown in the balance sheet, and the allocation of CHF 223 291 459 to the free reserve will be placed before the General Meeting of Shareholders by the Board of Directors.

The result is allocated as per the following table:

Allocation of result. In CHF	**2002**
Withdrawal from legal reserve	**– 225 479 735**
Addition to free reserve	**223 291 459**
Balance carried forward to next financial year	**–**
Result shown in the balance sheet	**– 2 188 276**

Zurich, 7 April 2003

For Swiss Life Holding's
Board of Directors

A. Leuenberger R. Rossi

Report of the Statutory Auditors Swiss Life Holding

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 first Financial Statements (profit and loss account, balance sheet and notes to the financial statements, pages 84 to 87) of Swiss Life Holding for the first accounting period from 17 September 2002 to 31 December 2002, and the year then ended.

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 allocation of 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 Brand Enrico Strozzi

Zurich, 7 April 2003

Both Swiss Life/Rentenanstalt's net result (incl. subsidiaries) and the result for the Swiss Life Group were hit by negative trends in investment income. The ensuing loss amounted to CHF 1.7 billion. Various extraordinary charges contributed to this outcome, including write-downs totalling CHF 1.0 billion on stakes in other companies, together with restructuring expenses (incl. reserves) of approximately CHF 120 million. On the income side, the relaxation of accounting standards by the supervisory authorities in individual countries led to the release of hidden reserves. The impact of the measures in question can be seen on page 98 of the Financial Statements. Accounting guidelines in individual areas of activity can deviate markedly from the stipulations contained in the Swiss Code of Obligations. In particular, as well as increasing the need for amortisation and depreciation, Swiss regulations had the side effect of swelling the total hidden reserves for the company's own investments by more than CHF 1 billion to over CHF 4.7 billion.

As parent company, Swiss Life/Rentenanstalt had previously occupied a position at the head of the Group. Following the introduction of a holding structure, it now reports as a subsidiary of Swiss Life Holding, but otherwise on the same basis as before. This comprises financial reporting for Swiss Life/Rentenanstalt in Switzerland and the results of the branches in Germany, France, the Netherlands and Belgium. In the previous year the termination of a large separate account contract on the Swiss side of the business had a considerable impact on both balance sheet and income statement. In the year under review, the result was mainly influenced by extraordinary write-downs on direct investment positions and expenses and reserves for the ongoing restructuring of the company, along with realised losses resulting from the mitigate of the equity exposure in the portfolio.

The 2002 financial year

The year under review closed with a *loss* of CHF 1.7 billion. The contribution to income from the branches was, on the whole, positive, although it must be pointed out that they benefited from the relaxation in accounting standards granted by the local supervisory authorities. On the Swiss side of the business, fixed-income securities have to be reported on the balance sheet at amortised cost. Consequently, added value of over CHF 1.2 billion on this portfolio could not be used to mitigate the losses incurred as a result of the reduction of the equity exposure.

Gross written premiums increased by 2%, adjusted for currency movements. France (up 31% in currency-adjusted terms) and Belgium (with a currency-adjusted rise of 6%) showed clear advances, while a slight drop was noted in the other regions.

Compared with the previous year's adjusted figure, *insurance benefits paid* were around 15% higher. In group insurance, benefits paid to people leaving service increased even more than in the previous year (13.5% compared to 5.8%). Individual insurance witnessed a sharp rise in amounts surrendered (+25.3%).

Dramatic growth in the number of disability claims had an impact on *claims experience*.

There was a clear drop from CHF 1.6 billion in *insurance operating expenses* to CHF 1.2 billion. Adjusted to take into account two one-off impacts (amortisation of acquisition costs and restructuring expenses) these savings amounted to approximately CHF 295 million.

The company's own *investment income* increased by 5.2% in the year under review. However, realised and unrealised net losses led to a decline of 46.9% in overall investment income.

The *provision for policyholder bonuses* still came to CHF 1.8 billion at the end of the year under review.

Profit and Loss Account Swiss Life/Rentenanstalt

Profit and loss account Swiss Life/Rentenanstalt. In CHF million	**2002**	2001	+/– in %
Gross premiums	**13 246.0**	13 022.3	+ 1.7
Reinsurers' share	**– 207.8**	– 217.0	– 4.2
Change in provisions for unearned gross premiums	**13.3**	6.4	+ 107.8
Reinsurers' share	**0.7**	0.6	+ 16.7
Earned premiums	**13 052.2**	12 812.3	+ 1.9
Other technical income	**386.8**	162.9	+ 137.4
Benefits paid	**– 10 950.8**	– 12 698.6	– 13.8
Reinsurers' share	**123.1**	107.9	+ 14.1
Change in provisions for claims outstanding	**– 163.4**	– 47.7	+ 242.6
Reinsurers' share	**5.0**	4.3	+ 16.3
Claims incurred	**– 10 986.1**	– 12 634.1	– 13.0
Change in life insurance provisions	**– 3 622.9**	– 1 797.5	+ 101.6
Reinsurers' share	**14.8**	40.9	– 63.8
Change in other technical provisions	**50.8**	573.8	– 91.1
Reinsurers' share	**–**	–	
Change in equalisation reserves	**– 0.4**	5.2	n.a.
Change in technical provisions	**– 3 557.7**	– 1 177.6	+ 202.1
Acquisition expenses	**– 549.5**	– 582.7	– 5.7
Change in deferred acquisition expenses	**186.3**	111.0	+ 67.8
Personnel expenses	**– 459.8**	– 450.4	+ 2.1
Depreciation	**– 48.3**	– 86.1	– 43.9
Other administrative expenses	**– 425.0**	– 600.0	– 29.2
Commissions and profit participation received	**59.8**	49.2	+ 21.5
Operating expenses	**– 1 236.5**	– 1 559.0	– 20.7
Other technical expenses	**– 383.4**	– 210.4	+ 82.2
Expenses for policyholder bonuses	**– 203.6**	– 2 085.6	– 90.2
Balance carried forward to page 93	**– 2 928.3**	– 4 691.5	– 37.6

Profit and loss account Swiss Life/Rentenanstalt. In CHF million	**2002**	2001	+/– in %
Balance carried forward from page 92	**–2 928.3**	–4 691.5	–37.6
Investment income	**4 264.3**	4 055.4	+5.2
Realised gains	**3 233.7**	2 418.3	+33.7
Realised losses	**–2 483.2**	–1 697.2	+46.3
Appreciations	**898.1**	743.1	+20.9
Depreciations	**–3 969.3**	–1 861.7	+113.2
Return on investments	**1 943.6**	3 657.9	–46.9
Investment income	**151.7**	233.6	–35.1
Realised gains	**270.6**	1 697.2	–84.1
Realised losses	**–53.9**	–48.4	+11.4
Appreciations	**132.0**	130.3	+1.3
Depreciations	**–899.5**	–484.9	+85.5
Return on investments for unit-linked contracts	**–399.1**	1 527.8	n.a.
Interest paid	**–106.6**	–109.6	–2.7
Charges for real estate	**–140.2**	–149.3	–6.1
Charges for other investments	**–109.7**	–124.6	–12.0
Investment charges	**–356.5**	–383.5	–7.0
Net investment income	**1 188.0**	4 802.2	–75.3
Other income	**104.5**	60.7	+72.2
Other charges	**–4.4**	–0.8	+450.0
Other taxes, fees and fiscal charges	**–23.5**	–38.0	–38.2
Result prior to taxes on corporate income and capital	**–1 663.7**	132.6	n.a.
Taxes on corporate income and capital	**–35.3**	–47.7	–26.0
Net result for the year	**–1 699.0**	84.9	n.a.

Balance Sheet Swiss Life/Rentenanstalt

Assets as of 31 December. In CHF million	**2002**	2001	+/– in %
Intangible assets	**81.6**	63.2	+ 29.1
Land and buildings	**7 057.5**	6 304.2	+ 11.9
Participations	**4 693.8**	5 722.1	– 18.0
Shares	**3 051.3**	10 578.8	– 71.2
Own shares	**–**	167.8	– 100.0
Bonds and loans	**51 615.6**	42 177.7	+ 22.4
Mortgages	**8 075.3**	9 121.7	– 11.5
Investment fund units	**7 327.5**	10 383.5	– 29.4
Time deposits and similar investments	**4 352.1**	2 613.1	+ 66.5
Other investments	**6 639.0**	6 580.0	+ 0.9
Deposits	**172.7**	171.6	+ 0.6
Investments	**92 984.8**	93 820.5	– 0.9
Land and buildings	**62.5**	467.2	– 86.6
Shares	**732.1**	883.8	– 17.2
Bonds and loans	**1 812.0**	1 841.9	– 1.6
Mortgages	**36.8**	343.7	– 89.3
Investment fund units	**3 287.1**	3 532.2	– 6.9
Time deposits and similar investments	**172.4**	136.2	+ 26.6
Other investments	**152.9**	75.6	+ 102.2
Investments for unit-linked contracts	**6 255.8**	7 280.6	– 14.1
Accounts receivable from policyholders	**952.6**	1 467.7	– 35.1
Accounts receivable from agents and brokers	**36.6**	44.2	– 17.2
Accounts receivable from insurance companies	**10.8**	87.4	– 87.6
Other accounts receivable	**776.1**	877.7	– 11.6
Amounts receivable	**1 776.1**	2 477.0	– 28.3
Fixed and sundries assets	**77.9**	46.8	+ 66.5
Cash and cash equivalents	**860.0**	812.7	+ 5.8
Prepayments and accrued income	**1 777.0**	2 147.4	– 17.2
Total assets	**103 813.2**	106 648.2	– 2.7

Equity and liabilities as of 31 December. In CHF million	**2002**	2001	+/– in %
Corporate capital	**587.4**	587.4	0.0
General reserves	***145.0***	*135.0*	*+7.4*
Share premium	***1570.1***	*1220.7*	*+28.6*
Reserve for own shares	**–**	*349.4*	*–100.0*
Legal reserves	**1715.1**	1705.1	+0.6
Free reserves	**721.5**	657.4	+9.8
Balance carried forward from previous year	***2.1***	*2.2*	*–4.5*
Net result for the year	***–1699.0***	*84.9*	*n.a.*
Result shown in the balance sheet	**–1696.9**	87.1	n.a.
Equity capital	**1327.1**	3037.0	–56.3
Hybrid debt and subordinated liabilities	**1827.9**	1853.8	–1.4
Provisions for unearned premiums	**805.3**	826.3	–2.5
Life insurance provisions	**82559.0**	79786.3	+3.5
Provisions for claims outstanding	**1120.7**	1023.8	+9.5
Other technical provisions	**2139.9**	2197.6	–2.6
Equalisation reserves	**248.8**	280.4	–11.3
Bonuses credited to policyholders	**839.1**	817.5	+2.6
Reinsurers' share	**–514.8**	–501.5	+2.7
Technical provisions	**87198.0**	84430.4	+3.3
Technical provisions for unit-linked contracts	**6766.9**	6479.2	+4.4
Provisions for policyholder bonuses	**1978.9**	4246.1	–53.4
Deposits	**492.9**	516.1	–4.5
Provisions for employee benefits	**57.1**	43.4	+31.6
Provisions for taxes	**236.8**	286.0	–17.2
Other provisions	**217.9**	355.2	–38.7
Non-technical provisions	**511.8**	684.6	–25.2
Other long-term liabilities	**359.5**	513.9	–30.0
Other short-term liabilities	**3110.3**	4066.4	–23.5
Accruals and deferred income	**239.9**	820.7	–70.8
Total equity and liabilities	**103813.2**	106648.2	–2.7

Accounting Rules

The balance sheet and profit and loss account include the figures for the Swiss business and for the operations of the branches in Germany, France, the Netherlands and Belgium. Foreign currencies are uniformly translated at the exchange mid-rate applicable on 31 December of the year under review or the preceding year.

Assets

Strict statutory provisions govern the valuation of assets in all areas of operation, although they vary from one country to another. Within this legal framework, the following valuation principles are applied to the investment categories concerned: Real estate is stated at acquisition cost, augmented by investments that increase the value where applicable and reduced by the depreciation permitted by the fiscal authorities. Debt register claims, bonds and mortgage bonds are reported in Germany at no higher than their nominal value; in other countries, these items are reported at their amortised cost. Shares are valued at the lower of cost or market; France and Belgium stipulate that the purchase price must be used. A legal provision was applied in Germany that permits shares and equity funds to be carried in the balance sheet at more than their fair value. The valuation of shares in Switzerland has been based on netting of mark-to-market valuation gains/losses within blocks of similar securities before applying the lower of cost or market principle to the portfolio as a whole. All other fixed-interest investments, including mortgages, are carried at nominal value at most. The alternative investments listed under other investments are capitalised at no higher than their fair value. Direct investments in private equity companies are recorded at net asset value.

If the current value or capitalised earnings value of individual investments is impaired, appropriate provisions are set aside.

The item for deferred acquisition costs has been adapted to IAS/IFRS practice in the Netherlands.

The financial implications of all changes in accounting principles are set out in the Notes on page 98.

For the Swiss business, the dividends declared by Swiss Life Insurance and Pension Company Holding Ltd and Swiss Life Capital Holding Ltd to the amount of CHF 150 million were already included in the figures for the year under review.

The portfolio of unit-linked insurance contracts is not uniformly valued; however this does not affect the result, since the higher or lower returns are passed through fully to the policyholders in question.

Liabilities

The mathematical reserves are calculated on the actuarial basis approved by the Swiss and foreign regulatory authorities.

Explanations on the Balance Sheet and Profit and Loss Account

Holdings

A list of branch offices, subsidiaries and holdings belonging to the Swiss Life/Rentenanstalt Group is provided on pages 75 to 79.

Accounts receivable from or payable to related parties. In CHF million	**31.12.2002**	31.12.2001
Bonds	**90.3**	17.6
Mortgages	**62.1**	15.0
Loans	**1 132.4**	1 228.0
Reinsurance receivables	**89.4**	103.9
Other accounts receivable	**525.4**	393.2
Accounts payable	**515.2**	455.3

Equity capital statement. In CHF million

	Equity capital 31.12.2001	Appropriation of profit	Exchange rate difference	Result for the year	**Equity capital 31.12.2002**
Share capital	587.4	–	–	–	**587.4**
General reserves	*135.0*	*10.0*	–	–	***145.0***
Share premium	*1 220.7*	–	–	*349.4*	***1 570.1***
Reserve for own shares	*349.4*	–	–	*–349.4*	**–**
Legal reserves	1 705.1	10.0	–	–	**1 715.1**
Free reserves	657.4	75.0	–10.9	–	**721.5**
Balance carried forward from previous year	*2.2*	*–0.1*	–	–	***2.1***
Net result for the year	*84.9*	*–84.9*	–	*–1 699.0*	***–1 699.0***
Result shown in the balance sheet	87.1	–85.0	–	–1 699.0	**–1 696.9**
Equity capital	3 037.0	–	–10.9	–1 699.0	**1 327.1**

Portfolio of own shares. In CHF million (if not noted otherwise)

	Number of securities	**Reserve for own shares***
Portfolio on 31.12.2001	394 289	192.1
2002 additions	1 305 344	345.4
2002 disposals	–1 699 633	–537.5
Portfolio on 31.12.2002	**–**	**–**
Average purchase price of additions	CHF 265	
Average selling price of disposals	CHF 290	

* There was an additional repurchase agreement (put) in respect of 220 000 own shares.
Additional reserves for own shares in the amount of CHF 157.3 million were formed for these shares.

Hybrid debt and subordinated liabilities. In CHF million	**31.12.2002**	31.12.2001
Hybrid debt*	**1 383.7**	1 401.6
Subordinated loan of Swiss Life Finance (British Virgin Islands) to branch in France	**444.2**	452.2
Hybrid debt and subordinated liabilities	**1 827.9**	1 853.8

* Detailed information on raising hybrid capital is provided on page 51.

Other Information on the Annual Financial Statements

Financial obligations. In CHF million	**31.12.2002**	31.12.2001
Guarantees, indemnity liabilities and pledges in favour of third parties	**364.3**	128.8
Pledged or assigned assets required to secure the Company's own liabilities	**–**	–
Liabilities from leasing obligations not included in the balance sheet	**16.7**	16.8
Liabilities to employee benefits institutions	**121.9**	130.1

In addition to the above-mentioned obligations, Swiss Life / Rentenanstalt also acts as warrantor for all liabilities on the part of its Swiss Life Finance subsidiary and therefore guarantees the outstanding amounts of the international convertible bond issued by the latter in the equivalent value of approximately CHF 1.2 billion.

Fire insurance values. In CHF million	**31.12.2002**	31.12.2001
Land and buildings	**8 517.4**	8 277.7
Other tangible assets	**221.8**	233.4

Shareholders

In accordance with documents at Swiss Life / Rentenanstalt's disposal, the following shareholders or shareholder groups held more than 5% of the total share capital:

Swiss Life Holding	10 834 704 shares (entered in the share register)	92.234% of voting rights
Premafin Group (Italy)	603 414 shares (entered in the share register)	5.137% of voting rights

Effects of modified accounting principles and release of hidden reserves

Measures in connection with the closing of accounts and adaptation of the presentation of accounts in accordance with IAS / IFRS resulted in the figures for real estate and movable property in the Swiss business being revalued upwards to the amount of CHF 232 million. The restatement for properties constituted recoveries of amounts depreciated in the past. Moreover, hidden reserves in hedge funds amounting to CHF 238 million were reversed. In the accounts for the branch in Germany, depreciation equivalent to CHF 220 million, which would have been required under the lower of cost or market principle, was omitted in accordance with Art. 341B cl. 1 of the German Code (HGB). Rentenanstalt / Swiss Life's hidden reserves for own account still increased by to more than CHF 1 billion despite these special measures.
Deferred acquisition costs in the accounts of the Netherlands branch were adapted to IAS / IFRS treatment with the approval of the supervisory authority. This had a positive impact on the profit and loss account amounting to CHF 146 million in all.

Post balance sheet events

No significant events occurred after the close of the financial year.

Allocation of Net Result Swiss Life/Rentenanstalt

Net Result and Allocation of Result

Net result shown in the balance sheet. In CHF	**2002**
Profit carried forward from previous year	**2 052 375**
Net result for the year	**– 1 698 964 908**
Result shown in the balance sheet	**– 1 696 912 533**

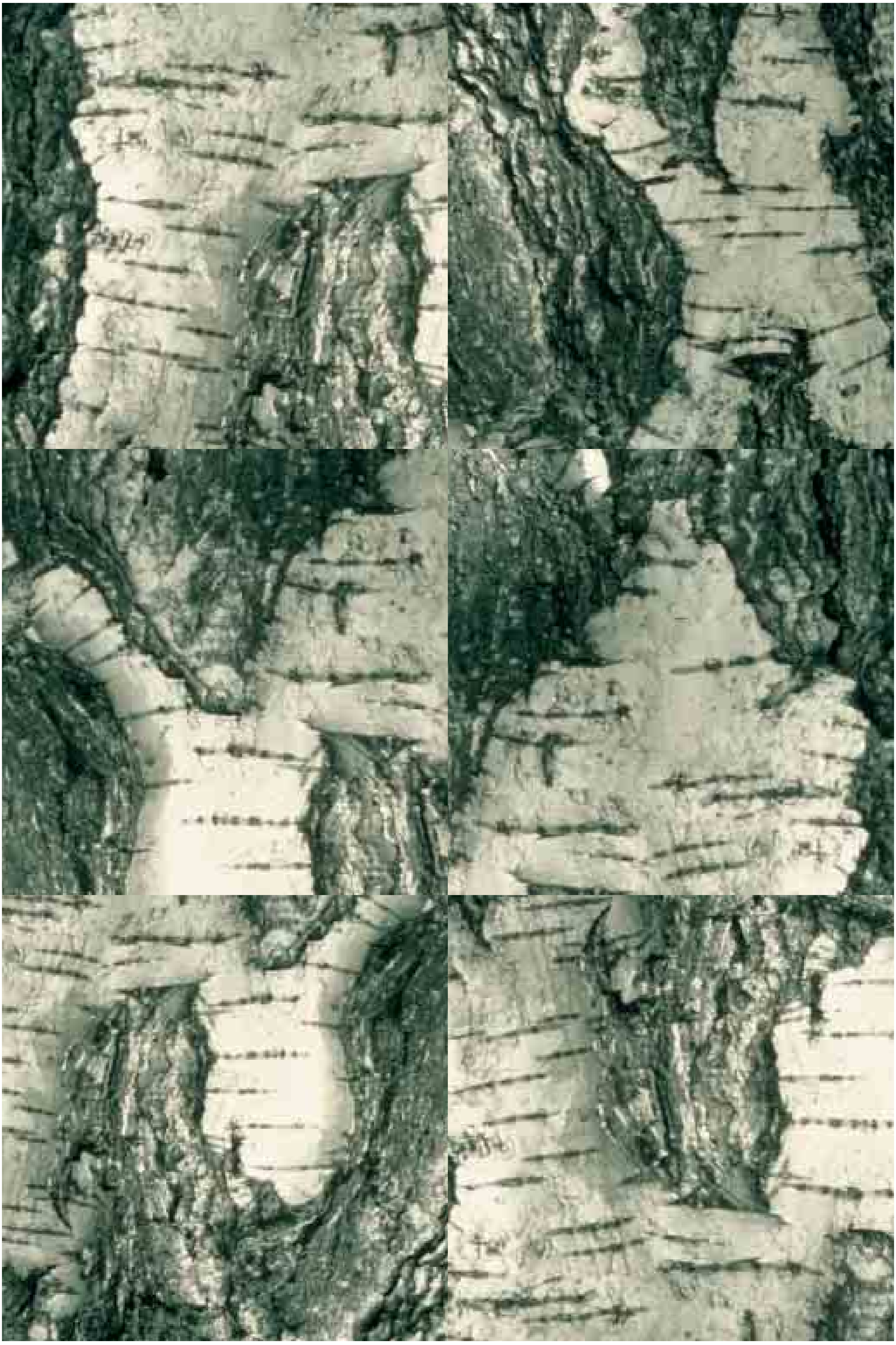
The loss shown in the balance sheet for the year equals CHF 1 696 912 533. The Board of Directors shall apply to the General Meeting of Shareholders for a dividend renunciation. The net loss is allocated as per the following table:

Allocation of result. In CHF	**2002**
Withdrawal from legal reserve	**– 1 421 431 117**
Withdrawal from free reserve	**– 275 481 416**
Balance carried forward to new account	**–**
Result shown in the balance sheet	**– 1 696 912 533**

Zurich, 7 April 2003

For Swiss Life/Rentenanstalt's
Board of Directors

A. Leuenberger R. Rossi



Report of the Statutory Auditors Swiss Life/Rentenanstalt

Report of the Statutory Auditors
to the General Meeting of
Swiss Life Insurance and Pension Company,
Zurich

As statutory auditors, we have audited the accounting records and the Financial Statements (profit and loss account, balance sheet and notes to the financial statements, pages 92 to 98) of Swiss Life Insurance and Pension Company for the year ended 31 December 2002.

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 allocation of 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 Brand Enrico Strozzi

Zurich, 7 April 2003

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Important Dates

Annual General Meeting
27 May 2003 (Hallenstadion Zurich)

Presentation of half-year figures
10 September 2003

Press Conference and Analyst Information
on the Annual Results
30 March 2004