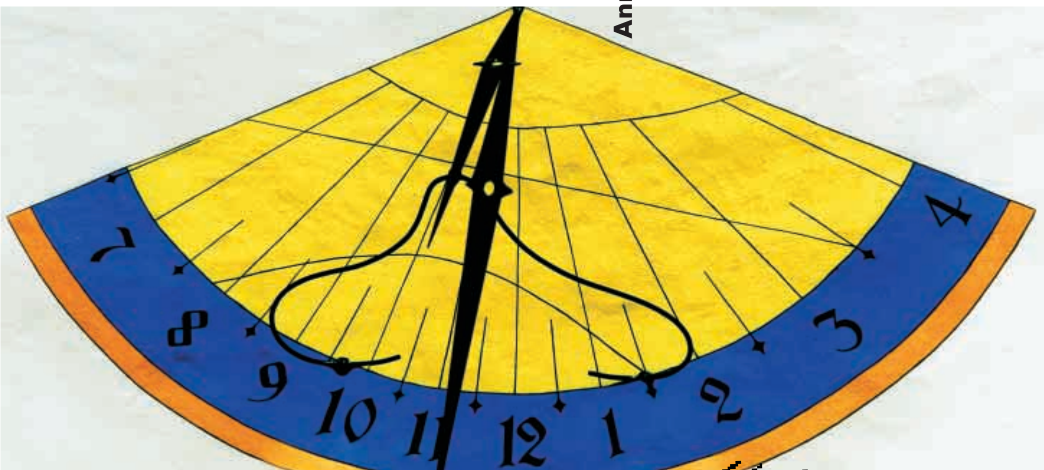
Swiss Life/Rentenanstalt Annual Report 1998

Swiss Life

Rentenanstalt

Annual Report 1998



Making every second count.

Shaping our future now.

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KEY FIGURES

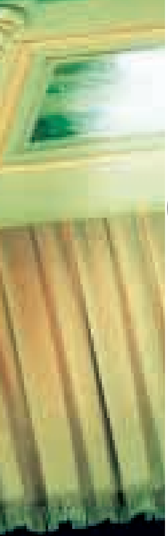
Swiss Life/Rentenanstalt Group Key Figures — **in million CHF (if not noted otherwise)**

	Life		Non-life		Total	
	1998	1997	**1998**	1997	**1998**	1997
Gross premiums	**15 217.5**	15 319.0	**1 541.5**	1 349.8	**16 759.0**	16 668.8
	– 0.7%		+ 14.2%		+ 0.5%	
Claims paid (gross)	**– 8 239.8**	– 7 265.8	**– 1 090.7**	– 873.4	**– 9 330.5**	– 8 139.2
	+ 13.4%		+ 24.9%		+ 14.6%	
Indemnity factor (gross)	**n/a**	n/a	**70.8%**	64.7%	**n/a**	n/a
Operating expenses	**– 1 473.5**	– 1 373.6	**– 362.9**	– 346.4	**– 1 836.4**	–1 720.0
	+ 7.3%		+ 4.8%		+ 6.8%	
Cost factor (gross)	**9.7%**	9.0%	**23.5%**	25.7%	**n/a**	n/a
Investment income (net)	**6 464.1**	5 529.5	**182.2**	111.7	**6 646.3**	5 641.2
	+ 16.9%		+ 63.1%		+ 17.8%	
Investments					**111 516.3**	97 088.0
					+ 14.9%	
Technical provisions					**95 950.0**	85 136.9
					+ 12.7%	
Total assets					**117 504.2**	102 282.8
					+ 14.9%	
Consolidated profit for the year					**273.4**	152.5
					+ 79.3%	
Members of staff (number)					**8 616**	7 946
					+ 8.4%	

Annual Report 1998

Swiss Life/Rentenanstalt

CHAIRMEN'S STATEMENT



CHAIRMEN'S STATEMENT

The 1998 financial year was a year of reorientation for Swiss Life/Rentenanstalt, a still young public limited company. A new strategy was defined in the year under review. This strategy emphasises growth in a rapidly-expanding long-term savings' market. It lays down that core competencies in asset gathering and asset management will be strengthened considerably. A convertible bond issued by Swiss Life/Rentenanstalt with a volume of more than CHF 3 billion was awarded the "Equity-linked Deal of the Year" in 1998 by various international financial publications.

This report covers Swiss Life/Rentenanstalt's first full financial year as a public limited company. 1998 was an extremely important period in the company's history, characterised by significant internal and external factors. Internally, all employees at all levels were challenged by the consequences of the company's change to a new legal status. Externally, a series of events impacted the company favourably:

A convertible bond issued by Swiss Life/Rentenanstalt with a volume of more than CHF 3 billion was acclaimed by investors. The issue was considered extremely innovative and awarded the "Equity-linked Deal of the Year" by various international financial publications. Swiss Life/Rentenanstalt's bearer share was included in the Swiss Market Index (SMI) in July 1998. We applied for a formal rating of our company through Standard & Poor's in autumn 1998. The agency rated Swiss Life/Rentenanstalt AA–, thereby emphasising the company's exceptional financial resources and the appropriate amount of equity capital at its disposal.

Record premiums achieved in 1997 as a result of the change in the company's legal status were slightly surpassed in the year under review. This was despite the fact that premiums in Switzerland declined slightly following a one-time increase of 40% in the previous year. Expansion of the Asian financial crisis to Russia and Brazil negatively impacted western markets. Nevertheless, we can report an attractive overall result for 1998.

Our company took first steps towards the realisation of its new business strategy at the beginning of 1999. The cooperation between Swiss Life/Rentenanstalt and UBS Ltd was terminated by mutual agreement as increasingly the two companies were becoming competitors. It was decided to transfer UBS's

25% holding in our company to various domestic and foreign investors. Swiss Life/Rentenanstalt emphasised its reorientation by acquiring Lugano-based Banca del Gottardo and Lloyd Continental of France.

Our management and employees in Switzerland and abroad again demonstrated strong motivation and achieved an exceptional performance in the year under review. They share the high goals that the company has set itself, thereby guaranteeing the group's future success.

The Board of Directors and the Corporate Executive Board take this opportunity to express to all Swiss Life/Rentenanstalt's employees both thanks and recognition.

Many thanks also go to our clients for their loyalty to our company. To shareholders, we can say that we will do our utmost to fulfil all expectations.

Ernst Rüesch Chairman of the Board of Directors	Manfred Zobl President of the Corporate Executive Board

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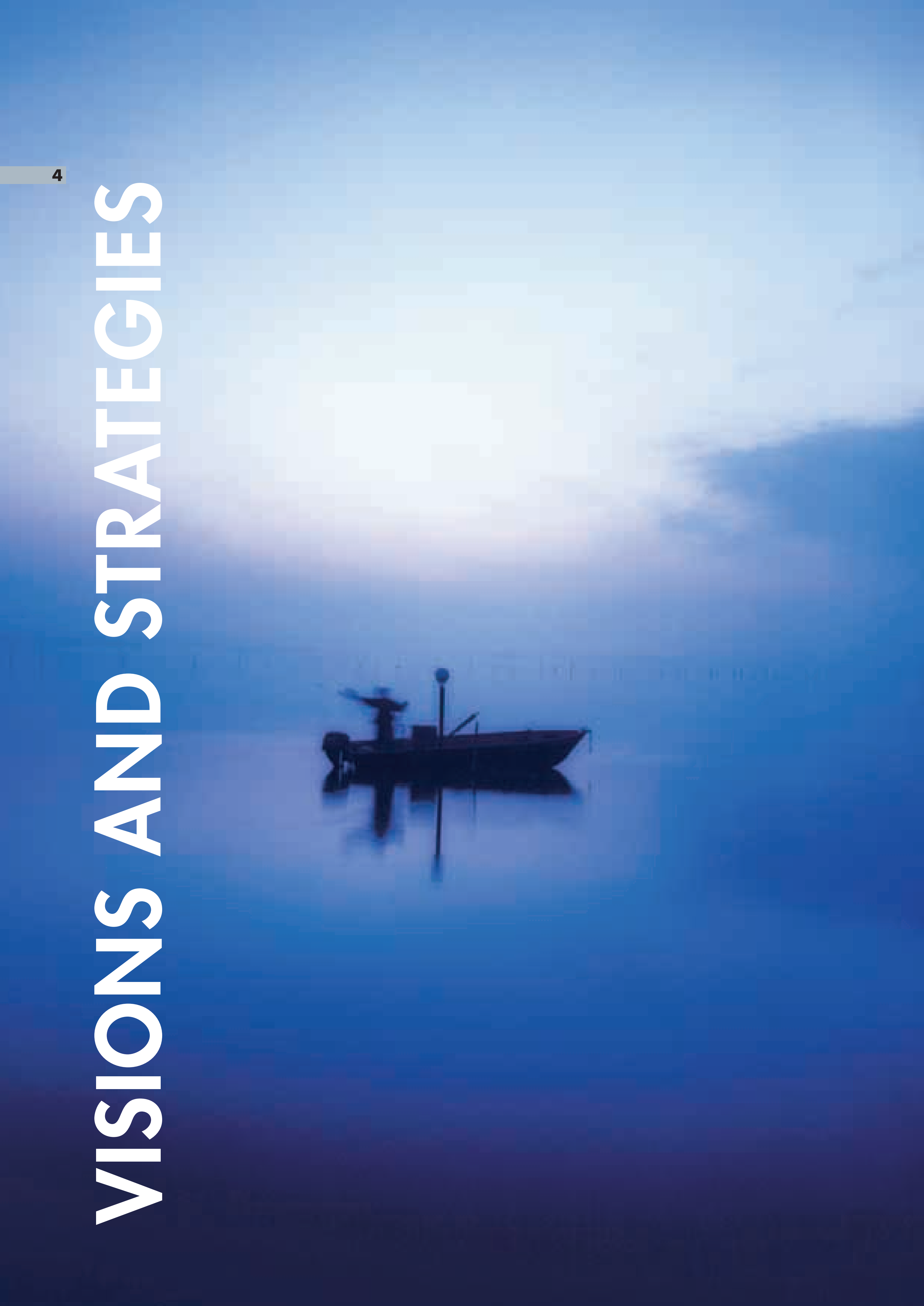
VISIONS AND STRATEGIES



VISIONS AND STRATEGIES

Swiss Life/Rentenanstalt is expanding its personal insurance core business to include the growing and significantly larger long-term savings market. Our vision: "To be a leading independent provider of attractive solutions – focused in Europe – in the areas of long-term savings and protection, with competencies in asset management and risk management."

The life insurance industry in Europe is going through a period of fundamental change. Deregulated markets and the growing importance of personal retirement plans are offering Swiss Life/Rentenanstalt both opportunities and challenges.

Building on Strengths

Swiss Life/Rentenanstalt is one of the largest personal insurance companies in Europe with an extremely strong position in its domestic market. The company has a wide range of distribution channels; and it has been most successful in the demanding fields of investment management and personal retirement plans. Swiss Life/Rentenanstalt is building on these strengths.

A new corporate vision and business strategy was adopted at a group level in the fall of 1998. This new strategy equips the group for future challenges. Swiss Life/Rentenanstalt's new strategy reads as follows: "To be a leading independent provider of attractive solutions – focused in Europe – in the areas of long-term savings and protection, with competencies in asset management and risk management."

Core Business and Success Factors

Within its newly defined core business strategy of developing and marketing attractive long-term savings solutions, Swiss Life/Rentenanstalt will focus consistently on the special requirements of its broad client base. In the future, individual and group clients will profit from time-tested investment vehicles as well as new activities in providing comprehensive financial planning and advice. In addition, Swiss Life/Rentenanstalt increasingly offers large corporations tailor-made asset management. Key success factors include closeness to the client and skilled asset management. Distribution channels must be geared toward both products and clients on the one hand; and professional, risk-conscious management of assets on the other hand. These success factors are strong priorities at Swiss Life/Rentenanstalt. In view of rising performance expectations on the part of both private and corporate clients, an expansion of asset management activities is of paramount importance. Continuing globalisation of the investment industry makes this expansion even more urgent.

Priority is Europe

Many of the group's branch offices and subsidiaries hold leading positions among foreign insurance companies in many countries. These subsidiaries gain from a long presence and a record of quality service in their national markets. However, their market share is relatively small measured against the total volume and potential of the respective countries. Therefore, international activities will be expanded, particularly in Europe where the aim is a considerably strengthened market position. At the same time, Swiss Life will continue to grow in Switzerland, its domestic market.

Our Targets

To attain a leading European position in the growth area of personal retirement plans, Swiss Life/Rentenanstalt intends to increase market capitalisation, investments under management and premium volume. As a result, group management continually examines possible partnerships and acquisitions that will contribute to an achievement of these goals.

Swiss Life/Rentenanstalt believes that success is based on retaining its strong capital base while consistently improving profitability and financial transparency.

ORGANISATION

ORGANISATION

No significant changes took place in Swiss Life/Rentenanstalt's management in 1998.

Corporate Executive Board

Hannes A. Meyer Ernst Schneebeli Karl Mühlebach Roland Chlapowski
Dominique P. Morax Manfred Zobl Markus Weisskopf Christopher G. Ide

Board of Directors

Messrs Jean Guinand and Gilbert Tschumi resigned from the Board of Directors as of the general shareholders' meeting on June 10, 1998. Swiss Life/Rentenanstalt thanks them for their many years of commitment to the company.

The general meeting elected Mr. Andres F. Leuenberger as a new member of the Board of Directors. The mandates of Mr. Ernst Rüesch, President, Mrs. Marisa Luisa Garzoni and Messrs Heinz Allenspach, Riccardo Jagmetti and Erwin Reinhardt were renewed after they expired on June 10, 1998.

In Memoriam

In 1998 and at the beginning of 1999, Swiss Life/Rentenanstalt learned that Mr. Ernst Reber (June 1998) and Mr. Kurt Rutz (January 1999), its former Presidents of the Executive Board, Mr. Ernst Wehrle (February 1999), its former Member of the Executive Board, as well as Mr. Fritz Honegger (March 1999), former Federal Councillor, Honorary Chairman and former President of the Supervisory Board, had passed away. Swiss Life/Rentenanstalt will hold the memory of these individuals as persons and executives in great respect.

BOARD OF DIRECTORS

Board of Directors

Fritz Honegger
Former Federal Councillor, Ruschlikon
Honorary Chairman
Deceased 3/4/1999

Ernst Rüesch
Former member of the Council of States, former State Councillor, St. Gall
Chairman
Term of office until 2000

Rino Rossi
President and Delegate of the Board of Directors of V-Zug Ltd, Zug
First Vice Chairman
Term of office until 2000

Ulrich Oppikofer
Seltisberg
Second Vice Chairman
Term of office until 1999

Heinz Allenspach
Former National Councillor, Fallanden
Term of office until 2000

Christine Beerli-Kopp
Lawyer, member of the Council of States, Bienne
Term of office until 2000

Jean-Jacques Cevey
Former National Councillor, Montreux
Term of office until 1999

Pierre de Chastonay
Lawyer, Notary Public, former National Councillor, Sierre
Term of office until 1999

Gilbert Coutau
Economics consultant, former member of the Council of States, President of the Geneva Chamber of Commerce and Industry, Geneva
Term of office until 1999

Albert Eggli
Former National Councillor, Winterthur
Term of office until 2000

Marisa Luisa Garzoni-Barberi
Garzoni SA, General contractors, Lugano
Term of office until 2001

Jean Guinand
State Councillor, Neuchâtel
Retired as per 6/10/1998

Riccardo Jagmetti
Former member of the Council of States, President of the Swiss Insurance Association, Zurich
Term of office until 2001

Josef Kühne
Farmer, National Councillor, President of the Swiss Central Dairy Association, Benken SG
Term of office until 1999

Andres F. Leuenberger
Vice Chairman of the Board of Directors of Roche Holding Ltd, Chairman of Vorort, Riehen
Since 6/10/1998
Term of office until 2001

Georges Muller
Chairman of the Board of Directors of «La Suisse», Lausanne
Term of office until 2000

Erwin Reinhardt
Lawyer, Chairmann of the Board of Directors of Sihl + Eika Papier Ltd, Muri BE
Term of office until 2001

Argante Righetti
Lawyer, former State Councillor, Bellinzona
Term of office until 1999

Urs B. Rinderknecht
Co-President of UBS Ltd, Ennetbaden
Term of office until 1999

Gilbert Tschumi
Former National Secretary of the Swiss Metal Workers and Watchmakers Union SMUV, Bienne
Retired as per 6/10/1998

Board of Directors' Committee

Ernst Rüesch
Chairman

Rino Rossi
First Vice Chairman

Ulrich Oppikofer
Second Vice Chairman

Pierre de Chastonay

Riccardo Jagmetti

Andres F. Leuenberger
Since 7/1/1998

Erwin Reinhardt

Urs B. Rinderknecht

Finance Committee

Ernst Rüesch
Chairman

Heinz Allenspach

Dominique P. Morax

Rino Rossi

Ernst Schneebeli

Manfred Zobl

Group Auditors and Statutory Auditors

PricewaterhouseCoopers

CORPORATE EXECUTIVE BOARD

Corporate Executive Board

Manfred Zobl
Chairman of the Corporate Executive Board, President,
1946, with the Swiss Life/Rentenanstalt Group since 1992

Roland Chlapowski
Co-President and Head of «La Suisse»,
1951, with the Swiss Life/Rentenanstalt Group since 1995

Christopher G. Ide
Co-President,
1950, with the Swiss Life/Rentenanstalt Group since 1973

Hannes Anton Meyer
Co-President,
1943, with the Swiss Life/Rentenanstalt Group since 1985

Dominique P. Morax
Co-President
1948, with the Swiss Life/Rentenanstalt Group since 1997

Karl Mühlebach
Co-President,
1943, with the Swiss Life/Rentenanstalt Group since 1970

Ernst Schneebeli
Co-President, Chief Actuary
1945, with the Swiss Life/Rentenanstalt Group since 1972

Markus Weisskopf
Co-President,
1944, with the Swiss Life/Rentenanstalt Group since 1977

ORGANIGRAM

Chairman Board of Directors
Ernst Rüesch

Chairman Corporate Executive Board
Manfred Zobl

Corporate Services Divisions

Presidential Functions
Manfred Zobl

Finances
Dominique P. Morax

Actuarial Services/ Accounting
Ernst Schneebeli

Management Services
Hannes A. Meyer

Divisions

Switzerland
Markus Weisskopf

Europe
Christopher G. Ide

International
Karl Mühlebach

«La Suisse»
Roland Chlapowski

Branch Offices and Subsidiaries

UBS Swiss Life Ltd
Hansueli Edelmann

Pendia Ltd
Esther Sager

Livit Ltd
Georges Klumpp a.i.

Vermögens-verwaltung Ltd
Fred Siegrist

Germany
Jürgen Strauss

France
Jean-Antoine Chabannes

The Netherlands
René van der Smeede

Belgium
Louis Durieux

Great Britain
Steve Burnett

Spain
Alberto Ferrando

Luxembourg
Jacques Clerc († 4/8/1999)

Italy
Italo Maffei

Advisory Services Network (ASN) Ltd
Pascal Fanti

Glória – Swiss Life Budapest
Stefan Ottrubay

«La Suisse» Vie
«La Suisse» Accidents
Roland Chlapowski

As on 4/1/1999

COURSE OF BUSINESS

BUSINESS ON GROUP LEVEL

The group's profit for the year of CHF 273 million (+ 79%) was well above expectations. The parent company (+ 68%) as well as subsidiaries contributed to this extremely good result. Shareholders' equity increased slightly in comparison with the previous year to surpass CHF 7 billion. Revaluation reserves remained at the previous year's level. There were high realised gains on investments in the first half of the year; but this was followed by the negative impact of stock exchange turbulence in the second half.

Swiss Life/Rentenanstalt's consolidated financial statements are based on the ARR recommendations for annual accounts and consolidated accounts of insurance undertakings. Valuation of investments is at current value (detailed valuation principles can be found on pages 9 through 11 of the financial report). The difference between current value and purchase price is included in revaluation reserves. Treatment of latent taxes is explained on page 11 of the financial report.

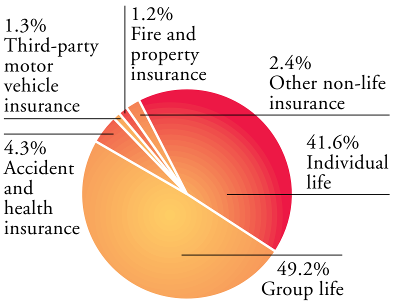
1998 financial year

The first full financial year after the company's change in legal status was extremely successful. Reported profit for the year increased significantly compared to the previous year (+ 79%). Subsidiaries also contributed substantially to this gratifying 1998 result. Swiss Life Finance warrants a particular mention as the international convertible bond issue of April 6, 1998, is being handled over this company. Despite a goodwill charge of around CHF 32 million, group profit was significantly above that of the parent company. For the group's main regions, translation of local currencies into the Swiss francs affected results in different ways. The weaker US dollar and British pound were compensated practically by a counter development in other main currencies.

Contrary to expectations, **gross premiums** surpassed those of 1997, a year favoured by special circumstances. An expected decrease in the parent company's domestic business was almost compensated by an extraordinary increase at UBS Swiss Life. The share of foreign business in total premium volume increased slightly, reaching 36%.

Group	in million CHF	
	1998	1997
Regular premiums	**7 243.4**	6 532.0
Single premiums	**7 974.1**	8 787.0
Life business	**15 217.5**	15 319.0
Non-life business	**1 541.5**	1 349.8
Total gross premiums	**16 759.0**	16 668.8

Breakdown of 1998 gross premiums



Internal turnover has not been eliminated in the following detailed information on gross premiums.

Claims paid rose by almost 15%. A substantial increase was expected. The parent company's domestic operations were responsible for this major rise. Premature contract terminations in 1997 were on an extraordinarily low level due to the change in the company's legal status. As a result, the 1998 financial year suffered in comparison. The group's risk profile showed no significant change compared to the previous year. It was satisfactory, except for the disability sector.

CHF 9.4 billion were allocated to **technical reserves** (CHF 11.1 billion in the previous year). The decrease is mainly a result of an increase in insurance benefits that became payable.

Operating expenses rose by 7%. A number of extraordinary factors had a marked affect on this figure. They included acquisition projects, introduction of the Euro on January 1, 1999, and preparations for the turn of the millennium (refer to pages 45 to 47).

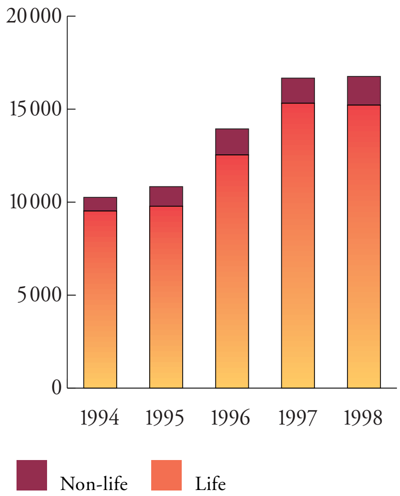
Net investment income again increased markedly at almost 18%. This was despite the fact that the increase in direct income (interest and dividends) was below that of the underlining investments. In spite of the stock exchange turbulence during the second half of 1998, net gains (realised and non-realised profits/losses) on investments for the company's own account increased by over 35%.

Change in revaluation reserves on investments that did not affect the operating result amounted to CHF 6.7 billion (CHF 6.4 billion in 1997) prior to deducting latent taxes. This result was achieved despite realised gains on investments for the company's own account of CHF 2.1 billion (CHF 1 billion in 1997).

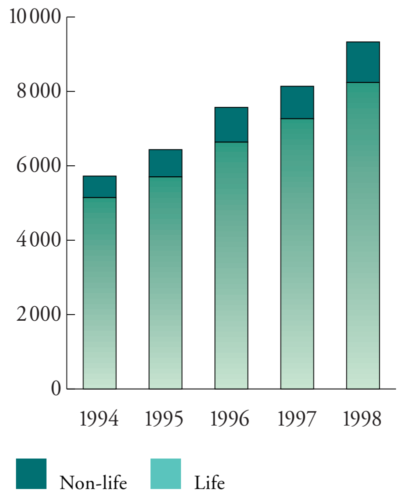
Policyholders' share of the **surplus** surpassed the two-billion-franc-mark for the first time in the year under review. (CHF 2.4 compared to almost CHF 2 billion in the previous year).

Consolidated net profit for the year amounted to CHF 273 million. This figure is well above expectations thanks to favourable business conditions.

Gross premiums
in million CHF



Claims paid
in million CHF



BUSINESS IN SWITZERLAND

Business in Switzerland continued to develop most positively in the year under review. Business operations in Switzerland include the Swiss operations of Swiss Life/Rentenanstalt, «La Suisse» and UBS Swiss Life.

The economic environment in the year under review was characterised by contrasting factors. There was a modest revival in economic activity and a considerable number of new companies founded as well as a major decrease in the unemployment rate. At the same time, however, wide-spread corporate restructuring continued, marked by mergers, outsourcing, industrial reorganisation and even shutdowns.

Against this background, wages increased only marginally, with the exception of some specialised areas. This affected wage-related group business.

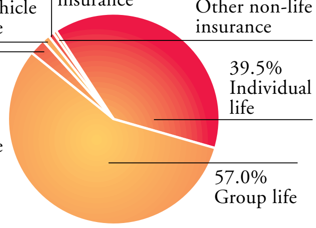
Discussions on how to improve the deficit federal budget and on how to fund social security instigated disputes on the type and scope of measures required. The introduction of a stamp duty on single life policies not only affected the insurance industry, but all persons who were forced to accept fiscal limitations on their private long-term savings' plans. As expected, single premiums experienced a significant decrease after the introduction of this stamp duty on April 1, 1998.

In spite of a difficult economic environment, the company seized chances the market offered so that the group's businesses in Switzerland can report a satisfactory result.

	1998	1997
Inflation	**0.10%**	0.40%
Unemployment	**3.40%**	5.00%
Return on government bond issues	**2.52%**	3.29%
GDP	**2.10%**	0.60%

Switzerland	in million CHF	
	1998	1997
Regular premiums	**3 811.1**	3 563.5
Single premiums	**6 659.1**	7 188.1
Life business	**10 470.2**	10 751.6
Non-life business	**385.7**	385.8
Total gross premiums	**10 855.9**	11 137.4

Breakdown of 1998 gross premiums



Swiss Life/Rentenanstalt

In the year under review Swiss Life/ Rentenanstalt surpassed most of the record figures achieved in 1997, the year of the company's transition to a public limited company. Although premium income decreased, premium volume in excess of CHF 8.6 billion is a gratifying result. Premium growth compared to more normal operations in 1996 amounted to almost 33%.

Swiss Life/Rentenanstalt's total premium volume in Switzerland amounted to more than CHF 8.6 billion. This was a decrease of 6.7% compared to 1997, a record year. Regular premiums rose by a satisfactory 7% to over CHF 3.4 billion. Although single premiums decreased by 14.2%, volume remained above the 5-billion-franc-mark. Reasons for the decrease in single premiums were the above-average previous year's results as well as new fiscal charges on single premiums in the individual insurance sector.

Benefits matched business volume

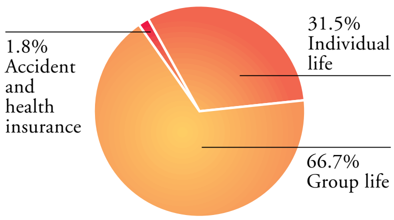
Benefits paid increased by almost 20%. This corresponds to a strong growth – with a certain delay in time – in business volume over recent years. In addition, there was an increasing number of surrenders in both individual and group insurance. The claims profile deteriorated compared to the previous year, particularly in the disability sector.

Low cost factor continues

Operating expenses amounted in total to CHF 650 million. This is a reduction of 3.6% compared to the previous year. Direct business-related expenses were around 16% less than in the previous year owing to a decrease in premiums. However, indirect expenses rose by 4.8%. This was due to a growth-related increase in personnel as well as significant investment and project costs. Investment and project costs were written off completely in their year of origin. The total cost ratio rose only slightly.

SL/RA Switzerland in million CHF		
	1998	1997
Regular premiums	**3 431.1**	3 206.1
Single premiums	**5 050.0**	5 888.2
Life business	**8 481.1**	9 094.3
Non-life business	**151.0**	154.1
Total gross premiums	**8 632.1**	9 248.4

Breakdown of 1998 gross premiums



Low interest rates continue

Surplus payments were somewhat below those of the previous year (– 2.9%). Low interest rates, which were compensated only in part by net capital gains on stocks, only affected surplus payments to a limited extent in the year under review.

The legal BVG interest rate of 4% and the pension conversion rate of 7.2% no longer concur with the current situation in the capital market and urgently require correction.

Deregulated market

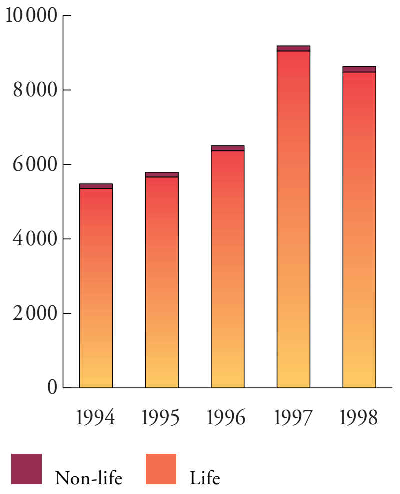
A trend toward deregulation continued in the year under review. This required considerable structural flexibility; but it also opened up new possibilities for product innovation and for a creative market approach. Working with partners, Swiss Life/Rentenanstalt will use opportunities emerging from deregulation in a focused way.

Distribution

Swiss Life/Rentenanstalt's goal is to cover all regions within the Swiss market. In doing this, each client group is served according to its particular requirements through individual solutions and the use of suitable distribution channels. Diversification of distribution was strengthened in the year under review.

The dominant channel within the "multi-channel distribution" system continues to be the field service. It comprises a total of 1102 staff spread throughout the whole of Switzerland of which 807 are employee-benefits' consultants. In 1998, these consultants provided 80% of new business from private individual clients and a significant share of new business from small and medium-sized companies. Field service employees guarantee professional consultancy services through their client orientation and profound knowledge. The field service is the contact office for clients in all areas of long-term savings and security, both for private individual customers and companies.

Gross premiums
in million CHF



Specialised management consultants at head office provide consultancy and other services to medium-sized and large companies. They offer comprehensive services in regard to occupational employee benefits and group indemnity insurance. In addition, they draw up solutions geared to each individual company's needs.

Within the diversified distribution system, the significance of brokers increased in both the private individual client and group sectors. In order to optimally serve brokers, organisational structures were again strengthened in the year under review. In the private-client sector, the Insurance Advice Department at the head office in Zurich opened a branch in Lausanne. In this way, brokers located in the French-speaking part of Switzerland are served on the spot. Brokers advising companies are now served by Zurich as well as Lausanne and Lugano.

Another step in the diversification of distribution took place for the first time in the field of direct sales. Under the name of "Swiss Life Direct" interested individuals are offered a range of Swiss Life/Rentenanstalt's products over the telephone. This new distribution channel is to be expanded step by step.

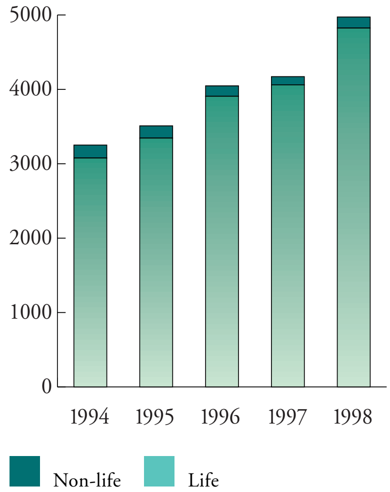
The distribution of insurance products via banking partners continued to grow. Another important channel is Internet, which is still limited to being used as an information and contact medium. Swiss Life/Rentenanstalt is keeping a close eye on this development as new and alternative distribution channels are part of its distribution strategy.

Private individual business

The private individual business sector served approximately 475 000 clients with a total of 630 000 policies. The resulting premium volume of CHF 2.7 billion was a decline of 20% compared to the 1997 record year. However, when compared to 1996, there was a significant increase of 30%.

Premium income in the year under review was affected significantly by the introduction of a stamp duty on single premiums on April 1, 1998. Prior to the introduction, single premiums boomed. After the stamp duty came into force, demand for products affected by this fiscal measure decreased substantially. As a result, single premiums for full-year 1998 declined one-third compared to the previous year.

Claims paid
in million CHF



The single premium product called "Swiss Life First Harvest" fulfilled expectations only in part, although it has an extremely attractive yield. One reason for this was a general insecurity on the part of clients due to the introduction of new restrictions in the fiscal treatment of single premiums in the pillar 3b.

Regular premium business showed real growth, although an increase of 2% is minimal. Tax assessment gaps as a result of tax harmonisation in certain cantons have had a somewhat negative effect. Through the launch of the "life pensions" line as well as a unit-linked life insurance during the first half of 1999, stimulation is expected in the private-client sector.

Claims paid developed unremarkably with the exception of surrenders, where an increase of 65% was reported compared to the previous year. This is mainly due to both economic reasons and also to an overhang from the previous year.

In administration, various measures were realised to improve client services.

Group business

Premium income

Premiums in the group-business sector unexpectedly surpassed 1997, a year in which the company's change in legal status brought record results. Group premium income in 1998 was in excess of CHF 5.8 billion. This was a 1.8% increase over the record result achieved in 1997 when volume surged 30% compared to 1996.

Regular premiums increased 9.4% to CHF 2.2 billion. Single premiums declined 2.5% to CHF 3.6 billion.

Insurance benefits

Insurance benefits increased by a significant 17.4% in the year under review. The reasons for this increase varied. On the one hand, payments – albeit with a certain delay – matched a recent rise in business and the growing savings balance of those insured. On the other hand, there was an increase in disability benefits and in the surrender of vested benefit policies. Service withdrawals as a result of higher personnel fluctuations increased strongly; as did benefits for the promotion of home ownership. The rise in contract terminations was a result of company shut-downs and loss of certain employee-benefit institutions.

Administration

Productivity within Swiss Life/Rentenanstalt's administration was again increased, allowing the cost ratio to remain stable. This was despite substantial special charges for projects, such as the turn of the millennium.

Client services

The creation of new administration units in Lausanne and Lugano was another step towards improving regional client services and market coverage. Through this move an efficient group-business structure based on regions and client segments was installed.

Business units

The transfer of business to the new client services' units in Lausanne and Lugano means that 1998 premium volumes of the individual business units cannot be directly compared to the previous year.

The business unit responsible for small companies with up to 20 employees in the German-speaking part of Switzerland earned a premium volume of CHF 848 million in 1998. Regular premiums contributed a share of CHF 398 million while single premiums contributed CHF 450 million. Client services and market coverage for this client segment is the responsibility of the local field service.

The segment including medium-sized companies with up to 500 employees generated in 1998 a premium volume of CHF 1.25 billion. Regular premiums and single premiums contributed around one-half each. In the course of 1999, a new product called "Swiss Life Pension Invest" will be offered. This product will give medium-sized companies a say in investment decisions.

In the field of large companies, corporations and associations, the previous year's extraordinary growth in premiums was surpassed in 1998 by 2.4%. As a result, the 3-billion-franc-mark was reached. Single premiums continue to dominate compared to annual regular premiums in this segment. Success in serving large clients is a result of using a general-contractor concept as well as offering special financial services. Special services include Assurinvest and asset liability management for large pension funds.

The business unit for the French-speaking and Italian-speaking areas of Switzerland, which was established in 1998, generated a premium volume of CHF 445 million. While Swiss Life/Rentenanstalt's market position in the Italian-speaking part is traditionally strong, the new business unit is doing all in its power to strengthen its position in the French-speaking area.

A separate business unit manages the occupational employee benefits' foundations taken over from UBS that now are known as "Swiss Life Occupational Employee Benefits Foundations". It contributed a business volume of around CHF 550 million in 1998, despite the assigning of several smaller contracts to Swiss Life/Rentenanstalt. The foundations' savings are not included in Swiss Life/Rentenanstalt's premium volume. Smaller contracts – so-called account clients – will continue to be integrated in Swiss Life/Rentenanstalt's regular business. The foundations will concentrate on employee benefit products that are close to bank products in being based on individual or collective investment in securities.

The group indemnity insurance business unit continued its positive development. The sale of a coordination product for occupational employee benefits called "Swiss Life Connect" was promoted. Subscription policies continued to grow at a qualitatively high level. In addition, active claims management was practised. Premium income rose 3.4% to CHF 133 million. Insurance benefits declined by 4.1%.

«La Suisse»

Ten years after its integration into the Swiss Life/Rentenanstalt Group, «La Suisse» Insurance, Lausanne, looks back on an excellent financial year. It reports CHF 952.6 million in total premiums and doubled its profit. During the next few months, a far-reaching project will define a basic strategy for the «La Suisse» Insurance of tomorrow.

Total premium income for «La Suisse» life and «La Suisse» non-life amounted to CHF 952.6 million in 1998. A positive performance in the life sector was due to both an increase in group business and in regular premiums. A decrease in single premiums resulted from a company decision to refrain from selling certain products that have generated unsatisfactory profits since 1997 due to low interest rates. Despite hard competition, «La Suisse's» non-life business sectors have held their ground. In spite of the autumn stock exchange turbulence, 1998 was an excellent year for financial investments. In addition, «La Suisse» was able to reduce its cost factor during the year under review.

Strategy realisation

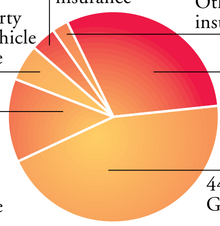
«La Suisse» has created «added value» for its clients thanks to comprehensive consultancy services in the fields of individual and wealth insurance; as well as through simplified administration procedures. The company is a complementary subsidiary of Swiss Life/Rentenanstalt and an exclusive partner in the non-life sector of the group in Switzerland. A 1997 cooperation agreement between Swiss Life/Rentenanstalt's and «La Suisse's» distribution channels in the non-life sector was continued and intensified during the year under review.

A reorganisation in the claims sector showed first results in 1998. «La Suisse's» ultimate goal is to simplify client contacts as much as possible. Pyramida, a new method for the standard analysis of clients' comprehensive insurance requirements, has been extremely successful. «La Suisse» was once again granted in 1998 the ISO Quality 9001 certification in the group life insurance sector. In addition, «La Suisse» was able to inform its clients at the end of December 1998 that all information technology applications are ready to take on the challenges of the turn of the millennium.

In 1998, «La Suisse» started a large project which is aimed at drawing up a basic strategy for the «La Suisse» Insurance of tomorrow. Client services are to be organised in an increasingly simple and flexible way. At the same time, costs will be reduced. In addition, new technology instruments are to be used to make work processes more efficient.

«La Suisse»	in million CHF	
	1998	1997
Regular premiums	**378.2**	355.6
Single premiums	**339.7**	433.6
Life business	**717.9**	789.2
Non-life business	**234.7**	231.7
Total gross premiums	**952.6**	1 020.9

Breakdown of 1998 gross premiums



UBS Swiss Life Ltd

UBS Swiss Life increased its premium volume by 46% to CHF 1.27 billion in 1998 compared to the previous year. This exceptional growth is mainly the result of strong demand for single premiums prior to the introduction of a stamp duty in Switzerland on April 1, 1998. As expected, there was a significant decrease in demand after the new law came into force. Profitline, a phone sales channel, reached the billion-franc mark since its implementation.

Premium volume reached CHF 1271.2 million, CHF 403.1 million – or 46% – more than the previous year's volume of CHF 868.1 million. The most popular product remained Classic by UBS Swiss Life with a volume of CHF 538.5 million, or 42.4% of total premiums.

Established in 1996, UBS Swiss Life's direct phone channel continued its successful build up in 1998. At CHF 523.8 million, it contributed a share of 40% to UBS Swiss Life's total premium volume. Profitline has reached already the billion-franc-mark in premiums sold since starting operations. The product range was successfully expanded by introducing Profitline Top, a unit-linked life insurance with a single premium and regular premiums. The product is clearly positioned; serving – in contrast to Profitline Flex – clients who seek a higher return in accepting more risk and less flexibility. The regular premium component of Profitline Top gives a wider public the possibility of saving through unit-linked insurance.

Funds by UBS Swiss Life generated CHF 103 million, representing a growth rate of 119%. This was a satisfactory result. Because of low interest rates and extremely high volatilities, there was no possibility in 1998 of issuing an index tranche with a reasonable yield.

Sales via brokers were extremely successful. Special information and training programmes strengthened already close contacts to UBS Swiss Life's main brokers in Switzerland. This distribution channel generated in 1998 a premium volume of CHF 174 million, a 14% share of total premium volume. This result was considerably above the company's target.

The stock exchange slump in the third quarter of 1998 also affected UBS Swiss Life. Although stock exchange activities picked up somewhat toward the end of the year, it was too late to realise gains. As a result, the company's target for financial earnings could not be reached. Its leadership position with regard to its cost structure was strengthened in the year under review with a cost factor of 2.9%.

UBS Swiss Life	in million CHF	
	1998	1997
Regular premiums	**1.8**	1.8
Single premiums	**1 269.4**	866.3
Life business	**1 271.2**	868.1
Non-life business	**–**	–
Total gross premiums	**1 271.2**	868.1

«EUROPEAN» AND «INTERNATIONAL» BUSINESS

Premium income abroad increased in 1998 by a total of 7% to almost CHF 6 billion. A reduction in single premiums and a trend toward index- and unit-linked products were noted.

Consolidation in the European market for financial services continued in 1998. At the beginning of 1999, Swiss Life/Rentenanstalt was able to significantly expand its operations in the French market by acquiring Lloyd Continental. The recent acquisition of Banca del Gottardo also created added value for business operations in Europe.

Cooperation between Swiss Life/Rentenanstalt's branch offices and subsidiaries in Europe was intensified. The development of joint products, systems and solutions was actively promoted.

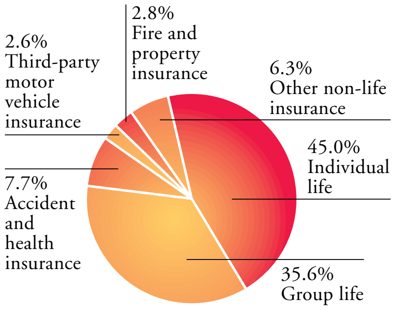
In 1998, falling interest rates affected the yield and surplus participation on traditional life insurance products throughout Europe. As a result of low interest rates, a trend toward unit-linked solutions (index- and unit-linked products) will continue to grow in most European countries. Zelia, the Belgian subsidiary, is an example of this: its fund business tripled during the year under review.

Single premium business was also less attractive in 1998 than in the previous year because of declining interest rates. Single premiums fell 18% last year compared to 1997. On the other hand, regular premiums grew very satisfactorily; and, as a result, premium income from European business operations rose by a total of 7%. At the same time, profitability remained unchanged.

Under the management of the International Division, Swiss Life/Rentenanstalt also carries out business operations in Eastern Europe as well as in the Asia-Pacific region. The group is represented by one subsidiary in Hungary, two representative offices in China and one sales office in Australia.

Europe / International	in million CHF	
	1998	1997
Regular premiums	**3 510.0**	3 016.5
Single premiums	**1 315.0**	1 598.9
Life business	**4 825.0**	4 615.4
Non-life business	**1 164.4**	980.9
Total gross premiums	**5 989.4**	5 596.3

Breakdown of 1998 gross premiums



Germany

1998 was an above-average year for the German branch office. Premium income increased by 9% to DEM 1.8 billion. The volume of new insurance business rose approximately 20%.

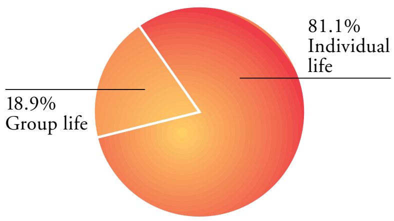
A new federal government took office in the autumn of 1998. Its goal is to significantly decrease unemployment as well as to make fundamental changes to the fiscal and social systems. Significant tax increases are planned for the insurance industry. The effects of these policies will be noticeable in a few years time. Leading specialists currently are voicing their doubts about the effectiveness of the measures planned.
The concentration process in the financial services sector continues to gain momentum. On the provider side, multinational insurance companies and national financial service companies are changing the competitive climate by merging or entering into strategic partnerships. Several insurance groups increasingly compete with banks and investment companies by enlarging their core business to include asset management services for clients.

1998 financial year in Germany
Premium income rose by more than 9% to DEM 1.8 billion. Sums insured generated by new business increased by around 20%. Thus, the German branch office surpassed the average performance of the industry, in part quite significantly. The average interest rate on financial investments was maintained at 7.6%, despite a continually decreasing capital market return. This result was achieved mainly through sizeable realised gains. Nevertheless, it was possible to increase revaluation reserves by almost 50%.
Technical reserves were again strengthened in view of higher life expectancy ratios and increased risks in the disability sector. In 1998, substantial investments were made in staff development and information technology projects. The main target of these projects is to further improve service quality. The company's contribution to overall group profit increased once again.

	1998	1997
Inflation	**0.97%**	1.10%
Unemployment	**10.70%**	11.80%
Return on government bond issues	**3.87%**	5.37%
GDP	**2.59%**	2.30%
Exchange rate	**82.32**	81.25

Germany in million DEM	1998	1997
Regular premiums	**1 293.4**	1 241.4
Single premiums	**514.6**	412.5
Life business	**1 808.0**	1 653.9
Non-life business	**–**	–
Total gross premiums	**1 808.0**	1 653.9

Breakdown of 1998 gross premiums



France

1998 was an extraordinary year for the French branch office. It celebrated the 100th anniversary of business operations in France. Taking into account its holding companies, 1998 premium income surpassed the 10-billion-franc-mark for the first time. In addition, Groupe Société suisse continued a dynamic expansion by acquiring the French Bâloise Group and Assurances du Griffon.

	1998	1997
Inflation	**0.57%**	1.10%
Unemployment	**11.50%**	12.20%
Return on government bond issues	**3.89%**	5.34%
GDP	**3.20%**	3.10%
Exchange rate	**24.54**	24.21

From an economic viewpoint, 1998 was one of the decade's best years. Increased investment boosted economic activity. This positive environment resulted in the creation of 350 000 new jobs. France's budget deficit was reduced to 2.9% of GDP.

On the capital market long-term interest rates continued to fall. The 10-year interest rate equalled 3.89% at the end of 1998. Short-term interest rates remained stable up to mid-December 1998, but decreased as a consequence of the introduction of a single European currency. The stock exchange reported another historic record in 1998 with the CAC 40 rising by 31.47%. Restructuring in the French insurance sector continued during 1998.

The French life and capitalisation sectors experienced a reduction of 15% in 1998. The reasons for this are, first of all, a limitation of tax advantages in the life insurance sector; and second, a shift from savings to consumption combined with an upturn in the real estate market. This decrease affected bancassureurs the most.

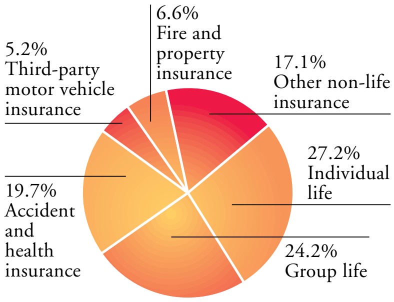
Premium income in France stagnated in the health insurance, long-term savings and property insurance sectors.

1998 financial year in France

1998 was an extraordinary year for the French branch office which celebrated 100 years of operating in France. The financial year was characterised by external growth through the acquisition of the French Bâloise Group and the takeover of Assurances du Griffon. 1998 premium income rose 17.5% to FRF 8.852 billion. Together with premiums from its holding companies, Groupe Société suisse surpassed the 10-billion-franc-mark for the first time in 1998.

France	in million FRF	
	1998	1997
Regular premiums	**3 444.2**	2 665.6
Single premiums	**1 089.8**	1 220.1
Life business	**4 534.0**	3 885.7
Non-life business	**4 317.9**	3 643.0
Total gross premiums	**8 851.9**	7 528.7

Breakdown of 1998 gross premiums



Further expansion

Negotiations to acquire Lloyd Continental were started at the end of 1998 and successfully concluded at the beginning of 1999. The transaction was finalised in February 1999.

The Netherlands

The branch office earned gross premiums of NLG 1.4 billion. Thus record earnings of the previous year were practically matched. Jan Rus, head of Zwitserleven, retired after 38 years of service to the company. His successor is René van der Smeede.

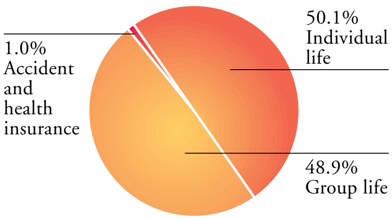
	1998	1997
Inflation	**1.98%**	2.30%
Unemployment	**3.80%**	4.90%
Return on govern-ment bond issues	**3.95%**	5.31%
GDP	**3.70%**	3.00%
Exchange rate	**73.06**	71.97

The 1998 election year brought about an overwhelming victory for the existing coalition of socialists and liberals. The booming economy in the Netherlands continued in 1998. Interest rates reached a new low while the share index increased to an all-time high.
As in 1997, the life insurance market was again characterised by strong demand for savings products. Competition – particularly in the single-premium sector – was extremely strong.
Persistently low capital market interest rates prompted the Dutch insurance regulator to prescribe new rates of interest for life insurers. The technical interest rate for new business must be decreased from currently 4% to a maximum of 3% by August 1, 1999 at the latest.

1998 financial year in the Netherlands
Zwitserleven continued its good performance after a record year in 1997. Overall, gross premiums in 1998 were maintained around the previous year's level. An increase in the share of regular premiums is gratifying. Despite stock market gains on portfolio investments, profit growth remained within bounds as a result of investments in preparation for the Euro and the year 2000.
The organisational structure established in 1997 – business unit operations with four direct client-oriented main areas – was strengthened during the year under review. The first year in the new administration building passed without any problems. The implementation of a new financial planning concept for the training and support of brokers was a great success; and an advisory office was integrated into the organisation in 1998.
A neutral survey among brokers confirmed that Zwitserleven has achieved significant quality improvements in all areas. Various products, particularly unit-linked, were launched successfully. The popular and well-regarded advertising concept entitled "Het Zwitserleven Gevoel" ("The Swiss Life Feeling") celebrated its 15th anniversary.
Zwitserleven will continue to focus on life insurance as its core business in 1999. However, as it wants to provide a range of products and services, it will search increasingly for strategic alliances. It already has an alliance in the mortgage sector.

The Netherlands	in million NLG	
	1998	1997
Regular premiums	**1 112.0**	989.0
Single premiums	**292.0**	432.1
Life business	**1 404.0**	1 421.1
Non-life business	**14.7**	10.7
Total gross premiums	**1 418.7**	1 431.8

Breakdown of 1998 gross premiums



Change in management
Jan Rus retired from Zwitserleven at the end of October 1998. He worked for Zwitserleven for a total of 38 years and headed the company for more than eleven years. His successor is René van der Smeede, who was member of the Corporate Executive Board of a Dutch insurance company for many years.

Belgium

Swiss Life (Belgium) generated a premium volume of BEF 12.7 billion in 1998. In the group life sector, a substantial increase in new business was written. Low interest rates and a strong stock exchange stimulated demand for unit-linked products. Distribution via banking channels is growing fast.

	1998	1997
Inflation	**0.96%**	1.15%
Unemployment	**8.70%**	9.00%
Return on government bond issues	**4.07%**	5.44%
GDP	**3.22%**	2.50%
Exchange rate	**3.99**	3.94

The economic environment was extremely favourable in Belgium in 1998 as it was in the previous year. Growth in gross domestic product exceeded that of 1997, despite an annual inflation rate that dropped below 1%. Furthermore, the 1998 budget deficit was reduced to an historic low of 1.3% of GDP.

Favourable economic conditions caused the number of unemployed to fall by 40 000 to 411 575 (8.7% of the working population). Standardised state wage regulations continue to curb business in the group insurance sector. Furthermore, employers can grant their employees only a limited number of additional benefits.

The greatest change in the Belgian life insurance market is without a doubt a reduction in the guaranteed technical interest rate. Low financial market interest rates forced insurance companies to adjust the technical rate of interest. Most companies decided to use a technical interest rate of 3.25% as of January 1, 1999.

1998 financial year in Belgium

Private savings are moving increasingly into shares, SIVAC and unit-linked insurance products. This development is accelerated by a continuing decrease in short- and long-term interest rates as stock exchanges report record gains.

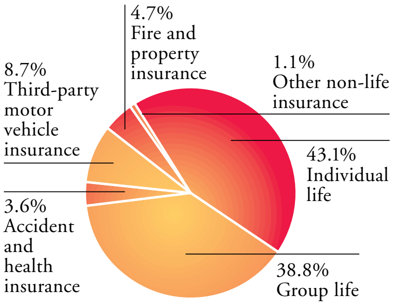
The announcement of a decrease in the technical interest rate to 3.25% from 4.75% as of January 1, 1999, resulted in an increased demand for classic insurance products. Premium income stemming from such products rose by 27.9%. The entire Belgium market reported a similar development.

The Belgian group's premium volume grew by 18.4%. The biggest contribution to this growth was made by Swiss Life (Belgium), thanks to SwingSave, a "universal life" product, which has generated more than BEF 400 million in premiums. The funds ZELIA Pharma and ZELIA Small Caps – which are linked respectively to shares in the pharmaceutical industry and to the stock of smaller European companies – also contributed to a good result. Swiss Life (Belgium) continued to expand its strong position in group insurance through its offering of business driven solutions.

Furthermore, the collaboration with Crédit Agricole had a very positive effect on new business.

Belgium	in million BEF	
	1998	1997
Regular premiums	**7 127.1**	4 835.5
Single premiums	**3 306.8**	3 669.1
Life business	**10 433.9**	8 504.6
Non-life business	**2 296.4**	2 250.4
Total gross premiums	**12 730.3**	10 755.0

Breakdown of 1998 gross premiums



Great Britain

Premium volume reached GBP 217.8 million in 1998. Premium income from regular business rose markedly. The second best ever year was reported for new group business since the company was founded. Investments in personnel and technical infrastructure are beginning to pay off.

	1998	1997
Inflation	**2.66%**	3.60%
Unemployment	**4.60%**	5.00%
Return on government bond issues	**4.36%**	6.30%
GDP	**2.32%**	3.10%
Exchange rate	**2.29**	2.40

1998 was a year of mixed messages for the life insurance industry as the labour government completed its first year in office. Having established a firm grip on public finances and achieved its inflation target, the government also turned its attention to the issues of pensions and long-term savings.

Following a significant move to eliminate the large fiscal advantage enjoyed by pension fund investment, a Green Paper has now been issued which signposts the future of stakeholder pensions which could reshape the industry over the next few years.

With phase one of the pension mis-selling review now complete, the industry is better placed to partner the government in the objective of encouraging self-provision of the British working population.

1998 financial year in Great Britain

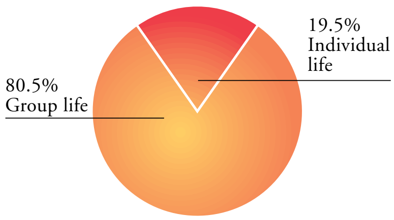
Swiss Life (UK's) regular premium income rose by 16% to GBP 169 million during the year. This improvement in regular premium income has been achieved in a very competitive market place where pressure on margins is increasing as consolidation takes place. However, single premium income fell substantially as a result of the withdrawal of the High Income Bond which was sold in 1997 in order to boost the company's market profile.

Efforts in recent years to build up a share of the individual risk market finally came to fruition in 1998 with an increase in new business to GBP 10 million, from GBP 3 million in 1997. Alongside this growth in individual business, the company has maintained its position as one of the top providers in the group risk market following its second best ever year for new group business and its continued excellent retention rate since its foundation.

The company's growing reputation for product innovation is creating its own opportunities for joint ventures with other organisations who can deliver alternative forms of distribution. This will continue to offer opportunities for growth over the next few years.

Great Britain	in million GBP	
	1998	1997
Regular premiums	**169.1**	145.7
Single premiums	**48.7**	94.7
Life business	**217.8**	240.4
Non-life business	**–**	–
Total gross premiums	**217.8**	240.4

Breakdown of 1998 gross premiums



1998 was an exceptionally good year for the Spanish subsidiary. This is particularly gratifying as in 1998 savings tended to flow into funds for tax reasons.

Swiss Life (Luxembourg) can look back on a good business year in 1998. Although premium income decreased slightly, profit remained at the previous year's level.

Spain

	1998	1997
Inflation	**1.84%**	2.00%
Unemployment	**10.91%**	12.82%
Return on government bond issues	**3.98%**	5.60%
GDP	**3.79%**	3.60%
Exchange rate	**0.97**	0.96

Luxembourg

	1998	1997
Inflation	**0.96%**	1.50%
Unemployment	**3.10%**	3.40%
Return on government bond issues*		
GDP	**4.40%**	3.50%
Exchange rate	**3.99**	3.94

* no government bond issues outstanding

Spain

Spain's economic outlook is excellent. After a trouble-free entry into the European Monetary Union, Spain's key economic figures continue to draw closer to those of the EU's core countries. At the same time, Spain's economic growth continues at a high level. GDP grew by 3.8% in 1998. The OECD anticipates GDP growth of 3.6% in Spain in 1999. This constitutes one of the highest growth rates in Europe. As a result of this economic activity, the hope is that the country's high unemployment rate will fall.

1998 financial year in Spain
A boom on the Spanish insurance market was broken because savings in 1998 were invested primarily in funds (Fondos de Inversión Mobiliaria). This shift occurred because of tax advantages granted to these funds. In addition, the trend towards fund investment was boosted by the strength of the stock market, particularly in the first half of the year.
Although Swiss Life (España) was negatively affected by this development, premium income increased by 12.8% in the 1998 financial year. However, the comparison with the previous year does not include an extraordinary single premium of ESP 17 billion written in 1997. The performance of Swiss Life (España) is well above the average market growth rate in Spain.

Spain	in million ESP	
	1998	1997
Regular premiums	**6 232.1**	6 094.0
Single premiums	**3 893.9**	19 880.0
Life business	**10 126.0**	25 974.0
Non-life business	–	–
Total gross premiums	**10 126.0**	25 974.0

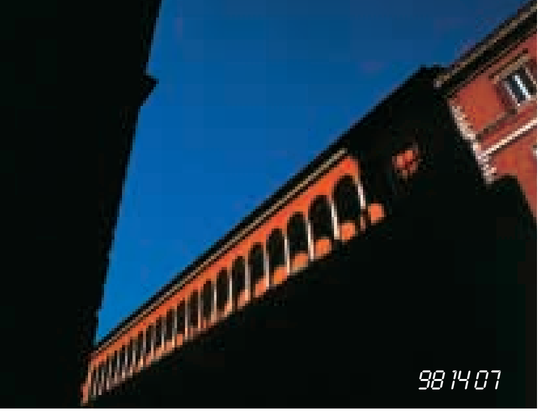
Luxembourg

1998 was the best year since 1994 for the Luxembourg economy. Each economic sector increased real net output significantly.
The Luxembourg insurance supervisory office improved framework conditions for the group insurance business. As a result, unit-linked group insurance in particular is given greater room for growth.

1998 financial year in Luxembourg
Premium income decreased by 6.2% to LUF 2.234 billion. The reasons for this were the reduction of the technical interest rate to 3.5% on July 1, 1998 for traditional life insurance products, and a general shift in demand to unit-linked products. Reported profit for the year was slightly increased. As in 1997, reserves to cover higher life expectancy were strengthened substantially in the year under review.

Luxembourg	in million LUF	
	1998	1997
Regular premiums	**564.9**	632.2
Single premiums	**1 669.1**	1 749.9
Life business	**2 234.0**	2 382.1
Non-life business	–	–
Total gross premiums	**2 234.0**	2 382.1

In memoriam
We learned of the sudden passing away of Mr. Jacques Clerc on April 8, 1999. Mr. Clerc managed Swiss Life (Luxembourg) with great success and commitment. We shall remember the deceased with profound gratitude.



Swiss Life (Italia) recorded an increase in premium income of 10.8% to ITL 65 billion. As one of the first insurance companies in Italy, it has finally been granted a permit for an "open pension fund".

Glória – Swiss Life increased its premium income in Hungary by 38% to HUF 1.58 billion. It continued to rank 9th among Hungarian life insurance companies.

Italy

	1998	1997
Inflation	**1.90%**	1.50%
Unemployment	**12.50%**	12.40%
Return on government bond issues	**4.03%**	5.64%
GDP	**1.61%**	1.50%
Exchange rate	**0.08**	0.08

Hungary

	1998	1997
Inflation	**14.24%**	18.40%
Unemployment	**9.10%**	10.40%
Return on government bond issues*		
GDP	**5.10%**	4.60%
Exchange rate	**0.64**	0.72

* no similar bond issues outstanding

Italy

After fulfilling convergence criteria for the Maastricht Treaty and participating in the single European currency, Italy is now trying to boost economic growth and to reduce unemployment.
A fundamental change took place in Italy with the launch of the first pension fund under the country's new legislation. In doing so, Italy laid the foundation for a so-called three pillar principle. It is expected that one of four employees will belong to a pension fund by the year 2001.
In the year under review, for the first time the volume of life insurance premiums was higher than that of non-life premiums.

1998 financial year in Italy

In the life insurance business, Swiss Life (Italia)'s core activity, premium volume grew by 11.5%. This was lower than the previous year's growth rate of 50%. The reason for this was a stagnation in pension insurance. For the management of employee benefit contributions under Italy's new legislation, Swiss Life (Italia) was granted a permit for what is called an "open pension fund". Premium volume for accident and health insurance stagnated owing to a selective business policy. The volume of separated assets under management rose by more than ITL 40 billion to ITL 182 billion.

Italy	in million ITL	
	1998	1997
Regular premiums	**31 388.3**	25 930.4
Single premiums	**32 831.4**	31 644.4
Life business	**64 219.7**	57 574.8
Non-life business	**1 140.5**	1 389.1
Total gross premiums	**65 360.2**	58 963.9

Hungary

Hungary experienced a further economic upswing in 1998. GDP grew by 5.1%. Inflation was reduced to an annual average of 14.2%.
The newly elected government did not implement a proposal to reduce or remove annual tax advantages for life insurance. The life insurance industry benefited from this government decision and recorded unhampered growth. In real terms, the overall premium increase amounted to 25%, allowing further providers to access the market.

1998 financial year in Hungary

Premium income rose by an overall 38% to HUF 1.58 billion in 1998. This was the result of improved quality in sales and client services. Glória – Swiss Life ranked 9th in the Hungarian life insurance market.

Hungary	in million HUF	
	1998	1997
Regular premiums	**1 268.5**	876.2
Single premiums	**70.3**	59.0
Life business	**1 338.8**	935.2
Non-life business	**238.0**	207.6
Total gross premiums	**1 576.8**	1 142.8

Change in Glória – Swiss Life's management

The company is now managed by Stefan Ottrubay, who joined Glória – Swiss Life at the beginning of 1999.

Asia/Pacific

Swiss Life/Rentenanstalt is pushing ahead comprehensive business operations in China. The company has two representative offices, in Beijing and Guangzhou, in this market of the future.

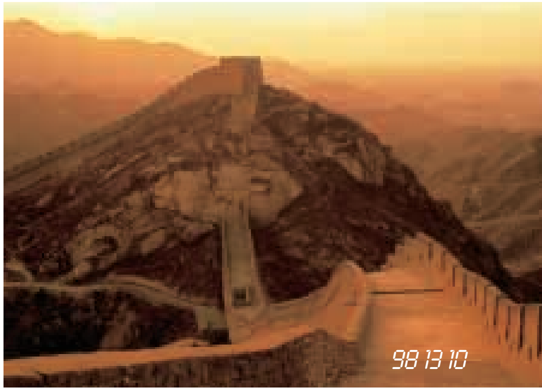
China

Financial experts differ in opinion to the timing of Asia's economic recovery, but nearly everyone agrees: the Asian markets will revive and are not to be ignored. After years of double-digit growth, China is still enjoying an expanding economy in times when most countries are experiencing negative growth. As for the development of China's social security system, the government will need the support of the insurance industry to provide a vehicle for its occupational and private savings target levels.

In the insurance sector, companies have recorded a sharp rise in premium income and expect this trend to continue. Insurance is beginning to play an increasingly important role in Chinese families as the government encourages them to save for their retirement. More Chinese see the advantage of investing in insurance, especially in light of the current volatility in the financial markets. In 1998, life insurance premium income increased by 23% over 1997 to CNY 68 billion, representing more than 55% of the total market.

In 1988, Swiss Life continued its strategy of strengthening business ties and executing various market research activities through its representative offices in Beijing and Guangzhou. In addition, in summer 1998, Swiss Life was the first foreign company to respond to the flood catastrophes that swept through China, by contributing CNY 500 000 to the government.

Despite Swiss Life's steps toward establishing a full operation in China, however, the country remains restrictive with respect to the granting of licenses to sell insurance. The fact that the list of insurance companies waiting for a license remains long, is further proof of the market's attractiveness.



Australia

Swiss Life International Services (SLIS) Asia Pacific is located in Sydney, Australia. The country offers a stable political and economic environment, which makes it the ideal base for SLIS's sales activities. SLIS Asia Pacific advises clients in the Asia Pacific region with regard to questions on benefit plans, and provides the Swiss Life Network's local insurers in the region with sales support.

THE SWISS LIFE NETWORK

Swiss Life, the pioneer of international employee benefits networks, is the leading provider of occupational group insurance products in the international market. Together with over 50 partners in 44 countries, the Swiss Life Network offers the highest level of service and sophisticated products to meet the needs of its demanding multinational clients.

In today's globalised economy, competitiveness is the key to maintaining growth. This also applies to remuneration and employee benefits, decisive factors in attracting and keeping quality staff and highly skilled employees. Furthermore, as governments around the world are shifting an increasing level of financial responsibility for social benefits to employers, corporations are seeking ways to manage those costs yet offer attractive, innovative insurance plans to employees. The Swiss Life Network assists corporations to face these challenges. Its world-wide team of Network Partners strives to support multinational corporations in all areas of occupational employee benefits. The Network is formed of companies belonging to the Swiss Life Group and leading local life insurers in countries where Swiss Life is not directly active.

The Swiss Life Network provides international clients with cost-effective, flexible employee benefit plans and services. Swiss Life's international insurance programmes include detailed analyses of plans placed with insurers in the Network, which enable clients to manage their employee benefit costs effectively. In addition, significant savings are paid out to clients in the form of international dividends, a system pioneered by Swiss Life in the 60's and known as international experience rating. Last but not least, Swiss Life offers innovative captive, self-insured solutions, as well as a range of expatriate programmes to cover the increasing number of mobile employees.

True to its mission to accompany clients world-wide, Swiss Life has established a regional sales office in Sydney, Australia and representative offices in Beijing and Guangzhou, People's Republic of China, for client support in the Asian Pacific region. Clients in the United States and South America may rely on the first-class, timely advice and assistance from independent sales representatives located across the USA.

▲ Direct Operations

Head Office and Network Center

Switzerland	Swiss Life/Rentenanstalt
Belgium	Swiss Life (Belgium)
France	Société suisse (France)
Germany	Schweizerische Renten-anstalt (Swiss Life)
Great Britain	Swiss Life (UK)
Hungary	Glória – Swiss Life
Italy	Swiss Life (Italia)
Luxembourg	Swiss Life (Luxembourg)
Spain	Swiss Life (España)
The Nether-lands	Zwitserleven (Swiss Life)

■ Regional Representative Offices and Sales Offices

Australia	Swiss Life International Services Asia Pacific
China	Swiss Life Beijing Representative Office
	Swiss Life Guangzhou Representative Office

* Health insurance company for international clients of the Swiss Life Network

● Network Partners

Argentina	Royal & SunAlliance
Australia	Hannover Life Re
Austria	Wiener Städtische
Brazil	Icatu Hartford
Canada	Canada Life
Chile	Euroamérica Seguros
Colombia	Seguros Bolívar
Czech Republic	Česká Kooperativa
Denmark	Danica, PFA Pension, IHI*
Finland	Ilmarinen, Pohjola Life (both Pohjola-Group)
Greece	Aspis Pronia
Guatemala	Seguros de Occidente
Hong Kong	CMG Asia Life
Indonesia	Lippo Life
Ireland	Irish Life
Japan	Meiji Life, Yasuda Life
Korea	Korea Life
Malaysia	Hong Leong
Mexico	Seguros Comercial America
New Zealand	Hannover Life Re
Norway	Vital Forsikring ASA
Panama	Aseguradora Mundial
Philippines	First Guarantee Life
Poland	PZU Life
Portugal	Império
Russia	Rosgosstrakh
Singapore	NTUC Income
Slovakia	Kooperativa
South Africa	Momentum Employee Benefits
Switzerland	«La Suisse»
Taiwan	Kuo Hua Life
Thailand	Bangkok Life
USA	Hartford Life, Swiss International Services, Inc.
Venezuela	Seguros Comerciales Bolívar

FINANCIAL BUSINESS

FINANCIAL BUSINESS

Swiss Life/Rentenanstalt earned CHF 6.6 billion through financial investments in the year under review. This amounted to 18% more than in the previous year. A new group strategy, approved in 1998, placed emphasis not only on risk protection, but also on asset gathering and asset management.

1998 was an extraordinary year in international corporate history. Deregulation and globalisation in the financial services sector, technological change and new forms of distribution intensified competition in various markets. These factors are reflected in substantially increased requirements for investments in the technology field. Against this background, a global trend towards greater size through mergers, acquisitions and alliances is easily understood. In 1998, the attempt to gain from economies of scale through such transactions in the industrial and financial services sectors reached a new climax. Providing clients with comprehensive and individual solutions continues to be a top priority in the services sector. The trend is therefore towards a consolidation of risk and investment management. Industries that used to be clearly separated, such as banking and insurance, now find themselves increasingly in a competitive situation. The range of products in the field of long-term savings, with or without risk components, covers a growing need for financial security and independence when people reach retirement age. This development is influenced by insecurity as to the future funding of state social insurance programs. In addition, ageing populations in industrialised countries create an increasing need for private asset formation.

Geared for client needs

A trend toward individualisation means that clients increasingly wish to participate actively in determining their risk protection and asset formation. Through taking into account each client's willingness and capability to accept risk, a tailor-made solution can be found. Strong stock exchanges have supported this trend in the recent past. Experience shows that clients increasingly are willing to carry a portion of investment risk themselves if this allows them to participate in investment performance. Strong demand for index- and unit-linked products confirm this trend.

Swiss Life/Rentenanstalt's strategy

Swiss Life/Rentenanstalt reacts to changes in the corporate and social environment with a focused strategy that targets client segments. This strategy is based on competence in the field of asset management and risk protection. It emphasises asset gathering and asset management. In addition to risk protection and asset management skills, access to clients via several distribution channels is a success factor within this strategy. In serving multinational clients, equally central is an international network.

Extremely volatile financial markets

Capital market developments in the first half seemed to indicate that the Asian financial crisis would not spread to western economies. A significant improvement in unemployment figures led to an increase in private consumption. It could be assumed that global economic growth, following a temporary slowdown, would pick up rapidly. Against this environment, yields on long-term bonds decreased only slightly. At the same time, the interest rate difference between Switzerland and the main European currency countries declined.

Preparations for the Euro unfolded without problems. In May, it was decided to fix the number of initial participants at eleven countries.

However, in the middle of the year, a financial crisis in Russia took investors by surprise. Because of difficulties in collecting outstanding taxes, the government was unable to fulfil its obligations. Although Russia's share of the global economy is relatively small, the crisis had a sustained psychological effect. Share markets were subjected to significant corrections. In particular, the share prices of companies with a high exposure to crisis countries decreased substantially.

Western central banks counteracted a global credit shortage with a massive release of liquidity.

Investors resorted to conservative investments, which resulted in another decrease in yield on government bond issues in western industrialised countries. At the end of the year, the average yield on Swiss federal bonds was 2.4%, which is a historic low.

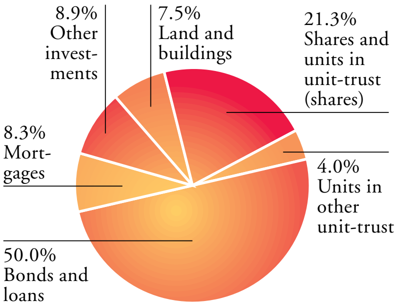
The main stock markets were relieved by the central banks' clear action, particularly that of the US reserve bank. The Swiss Performance Index was able to regain most of its 37% decline from the year's high. For full-year 1998, the SPI recorded a rise of 15.4%.

1998 investments by category

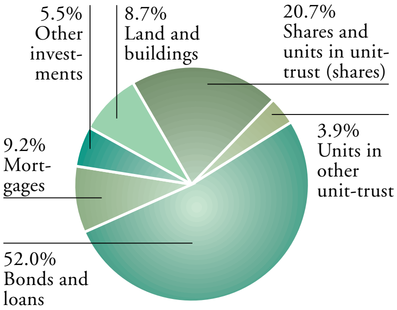
Swiss Life/Rentenanstalt's investments are organised by country. Within the framework of predetermined guidelines, the individual branch offices and subsidiaries are responsible for asset allocation. Guidelines take into account the type of product and liability as well as the investment regulations of each country. Coordination of investment strategy and risk management takes place on a group level.

The fundamental thrust of investment allocation remained unchanged in the year under review. Strategy continued to be based on criteria such as security, a long-term investment span and earnings' power. Top-quality borrowers' fixed-interest bonds and loans continued to make up the main portion of investments at 50%. However, their share is slightly on the decline. Investments in shares and equity funds ranked 2nd with a share of more than 21%. This percent remained on the previous year's level despite the realisation of substantial capital gains as a result of good stock market conditions. Money market investments were primarily responsible for an increase in other investments to 9%.

1998 investments by category

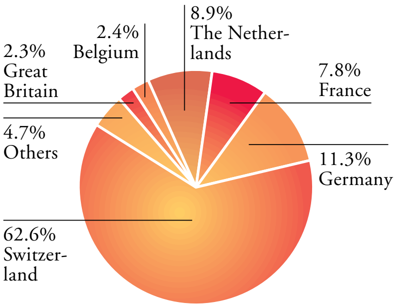


1997 investments by category



A comparison of the volume of investments made by Swiss Life/Rentenanstalt's business units in the individual countries shows Switzerland's dominant position. With a share of 63% of total investments, it contributes the main portion, followed by Germany with 11%.

1998 investments by country

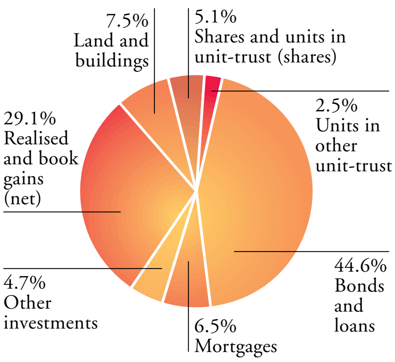


Financial result

Net income from investments for which Swiss Life/Rentenanstalt carries the risk together with that from unit-linked contracts increased 18% to over CHF 6.6 billion compared to the previous year. Income from investments rose more strongly than the financial investments themselves. Earnings from interest and dividends grew under-proportionally in comparison with the underlining portfolio. This was a result of decreasing interest rates in Europe. Realised gains contributed in particular to an overall favourable financial result. These realised gains on investments for which Swiss Life/Rentenanstalt carries the investment risk reached CHF 2.6 billion, more than double that of the previous year (CHF 1.1 billion).

The individual investment classes contributed to the 1998 financial results as follows:

1998 investment income by category

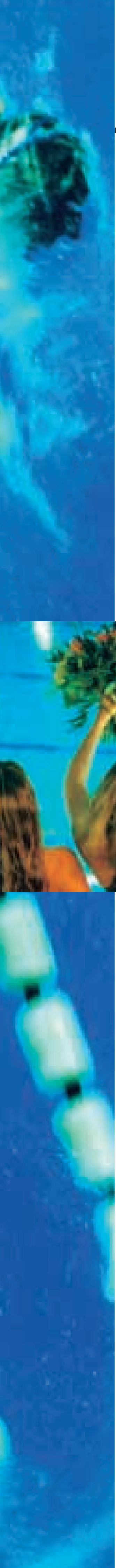


Revaluation reserves prior to the deduction of latent taxes could be slightly augmented. This was despite a considerable contribution from realised and non-realised gains to the 1998 financial result.

Convertible bond issue

In the spring of 1998, Swiss Life/Rentenanstalt made a convertible bond issue in three currencies with a total volume in excess of CHF 3 billion. There was an extremely positive reaction to the issue from the financial market. The bonds can be converted into shares of one of a total of six leading blue-chip companies. This transaction was one of the largest of its kind. A number of international publications praised the innovative character, the scope of the transaction and the short period of time required for preparation and issuance. It was awarded such titles as "the equity-linked transaction of 1998" or "one of the most remarkable financial transactions of 1998".

SHARE



THE SWISS LIFE/ RENTENANSTALT SHARE

Swiss Life/Rentenanstalt's bearer share performed well as a newcomer to the Swiss Market Index. With a market capitalisation of approximately CHF 12 billion, it ranked 11th at the end of 1998.

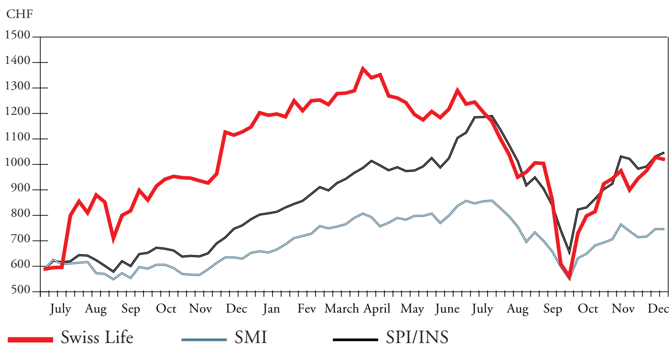
Swiss Life/Rentenanstalt's bearer share was included in the Swiss Market Index (SMI) on July 1, 1998. It ranked 11th from a total of 22 stocks at the end of the year with a market capitalisation of around CHF 12 billion.
In line with other Swiss financial securities, Swiss Life/Rentenanstalt's share price suffered from investors' insecurity in late summer. In addition, profit taking on the part of institutional investors made itself felt. This was compensated for by the end of the year after Swiss Life/Rentenanstalt produced an excellent interim report and stock markets recovered. The interim result was acknowledged in numerous positive analysts' ratings.

Share Statistics	amounts in CHF (if not noted otherwise)	
	12/31/1997	**12/31/1998**
Number of shares issued[1]	11 747 000	11 747 000
Profit per share	13	23
Shareholder's equity[2] per share	587	608
Stock exchange price[3]	1 147	1 020
Market capitalisation	13 473 809 000	11 981 940 000
Security code (SWX)	623 098	623 098
Price/earnings	88.20	44.30
Price/shareholder's equity[2]	1.95	1.68
Dividend	4.–[4]	9.–

[1] The exchangeable bond issued in April 1998 is not related to Swiss Life/Rentenanstalt bearer shares and, in case of stock subscription rights exercised, does not affect the number of securities issued. No convertible bonds or bonds with warrants attached on Swiss Life/Rentenanstalt bearer shares were outstanding as per 12/31/98.
[2] consolidated [3] annual high/low: 1425.– (04/14/1998)/520.– (10/02/1998) [4] semi-annual dividend

Significant Shareholders
(with a share of 5% or more of equity capital/as on: 12/31/98)

- UBS Ltd: 25%
- Swiss Life's Collective BVG Foundation: 8.3% holding (in accordance with its purpose, this parity collective foundation manages mandatory occupational benefit plans according to BVG for the employees of affiliated companies. Each employer has his own employee benefits institution. Any matters pertaining to the above-mentioned employee benefits institution are handled by an administrative committee made up of employer and employee representatives).



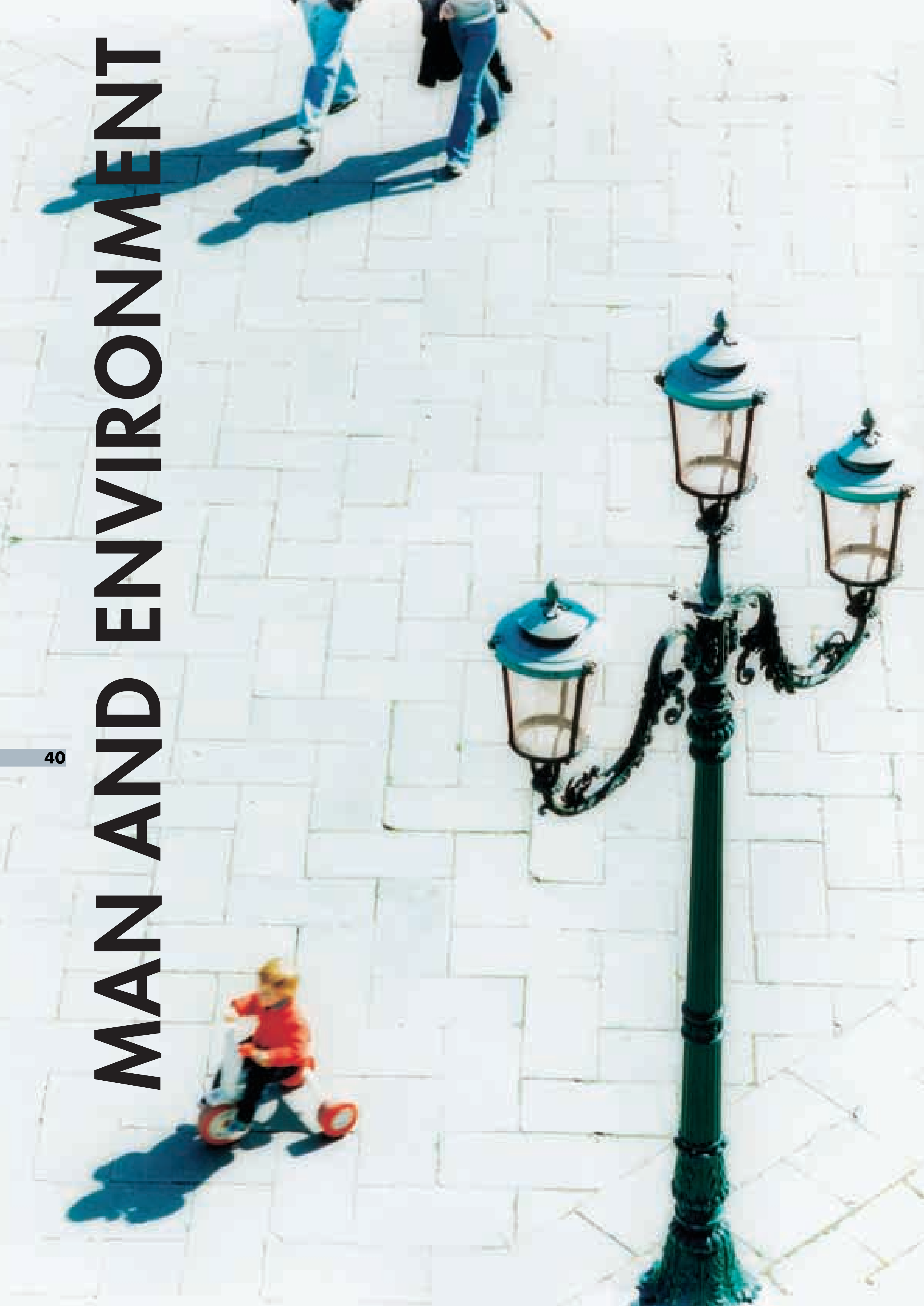
Indices adjusted/Source: Datastream

Price Development as per 12/31/1998
(Closing price SL/RA: 1020.–)
Since listing (07/03/97)
RA/SL: + 73.2%
SMI: + 23.4%
SPI/INS: + 73.1%

1998 (12/31/97–12/31/98)
RA/SL: – 11.1%
SMI: + 14.3%
SPI/INS: + 33.2%

Ticker symbols:
Reuters = RA.S
Bloomberg = RA SW
Dow Jones Telerate = ZRA

MAN AND ENVIRONMENT



MAN AND ENVIRONMENT

For Swiss Life/Rentenanstalt, environmental protection is not a catchword; it is the obligation to consciously implement ecologically-friendly business growth on all levels. This awareness has been anchored in the company for a long time. As early as the late 1980s, Swiss Life/Rentenanstalt created and realised a programme to protect the environment based on recycling and on ecologically-friendly waste disposal.

By ratifying the United Nations Environment Programme, Swiss Life/Rentenanstalt publicly manifested its commitment to the environment and began to integrate systematically environmental protection in corporate policies.
Up to date, approximately 75 insurance companies from over 25 countries world-wide have signed the UNEP Charter. With its participation, Swiss Life/Rentenanstalt showed its willingness to incorporate environmental thinking at all levels of its business activities. Furthermore, Swiss Life/Rentenanstalt is a founding member of the association known as the "Insurance Industry Initiative." Members of the initiative support an active and systematic realisation of the UNEP Charter; and they promote the Charter's principles outside the association. Swiss Life/Rentenanstalt recently adopted a corporate environmental policy that fulfills the UNEP Charter and coordinates the realisation of all environmental issues within the group.

Environmental Policies

By formulating a comprehensive environmental policy, Swiss Life/Rentenanstalt stresses the ecological responsibility that it, as an international company, assumes towards present and future generations. In concrete terms, the company's policy is to expand its coordinated organisation of environmental protection within the group. Emphasis is placed on ecologically-efficient management of real estate activities. In addition, attention is given to ecological issues when investing. The company also wishes to clearly communicate its environmental position, both internally and externally.
Swiss Life/Rentenanstalt's Corporate Executive Board is the organ in charge of environmental policies. A specialised office located within the Management Services Division ensures that the realisation of policies is coordinated and supported on a group-wide basis. In view of the legal and cultural differences in the individual countries where Swiss Life/Rentenanstalt has branch offices and subsidiaries, on-the-ground realisation is the responsibility of the individual business units. The basic principle guiding group policy is that not only business and social responsibilities must be safeguarded at all corporate levels, but ecological responsibility as well.

As a company providing services only, Swiss Life/Rentenanstalt sees a main responsibility in efficiently managing its use of energy and office materials so that consumption can be continually reduced. In the real estate sector, an increasing number of ecological aspects will be incorporated in the planning and realisation of new buildings and in renovating established buildings. This is a great challenge, especially in Switzerland where Swiss Life/Rentenanstalt is the largest private real estate owner.

Corporate Eco-Efficiency

In Switzerland, particularly at the head office in Zurich, there are a number of examples that illustrate ecological efficiency in the use of available resources:

When the head office in Zurich was renovated, various air-conditioning systems were examined. This was necessary because of the growth in office installations and the ensuing increase in warm air emissions. For ecological, as well as economic reasons, it was finally decided to choose a cooling system using water from the Lake of Zurich. The company accepted the investment costs – which were almost twice as high as those of alternative systems – because it expected operating savings of 50%. This expectation has been fulfilled.

The lake water is collected in approximately the middle of the lower basin of the Lake of Zurich at a depth of 15 m. It is then led through plastic lines to the cooling headquarters located in a basement, which was built specifically for this purpose. “Cold” is then transferred to secondary hydrologic cycles by way of heat exchangers. These serve to initially cool the EDP systems in the computer centre and in the decentralised server rooms. At the same time, the ceilings in the offices are cooled down to provide attractive air conditioning. The resulting warm lake water is pumped back into the lake at a depth of 10 m, where a temperature increase of no more than 4 °C must be observed.

In addition, existing, conventional cooling machines are not cooled by means of the usual re-cooling towers, but also through lake water. The resulting heat from the machines is recovered and used in providing hot water and heating. These conventional machines are used during the summer months, when air conditioning provided by the lake water cooling system is insufficient.

Since the renovation at head office, temperature can be regulated individually in each room. This technology allows for day-light-dependant light control as well as room temperature control. Staff members can adjust light and temperature according to comfort. Shutters also are regulated individually in each room, allowing for an optimal control of the consumption of energy, heat and cooling.

Optimal ecological efficiency was also a major consideration in the construction of Binz 2000, the office building Swiss Life/Rentenanstalt will move into at the end of 1999. For example, a rainwater collector with a reservoir of 140 m^3 was constructed. This water is used to flush most of the toilettes. The rainwater collected is also used to water the garden.

Energy Model Zurich

Swiss Life/Rentenanstalt is a member of the Energy Model Zurich. This Swiss project is supported by 12 companies from the trade, industry and service sector, whose head offices are located in the canton or city of Zurich. In their position as bulk consumers, the group has signed an agreement with the canton and city to increase energy efficiency. This is the first time in Switzerland that bulk consumers of electricity and fossil fuels have pledged to improve their energy efficiency by a total of 15% within 10 years. The decisive point is that the entire group must reach the defined goal. In return, the participating companies are no longer obliged to comply with certain provisions of energy legislation.

Membership in Energy Model Zurich allows for a significant transfer of experience and know-how among members. In addition, as a group members have a stronger position when facing energy and technology market providers. Furthermore, through this commitment Swiss Life/Rentenanstalt underlines its active role in environmental protection issues.

The Energy Model Zurich agreement shows how business and the state can collaborate successfully. By working together, progress is best made towards achieving the desired target of continually decreasing energy consumption.

Ethics

An increasing number of investors are no longer only interested in a company's performance, but also in its ethical behaviour. As well as environmental protection, ethics also include social aspects; in other words, a company's behaviour toward society and also toward its own employees. Within the framework of its business environment, Swiss Life/Rentenanstalt is willing to take on its social responsibility.

The company wants to be an attractive employer when compared to industry competitors. Group corporate culture is to be performance-oriented, but also marked by partnership and mutual respect. The company offers staff challenging opportunities, a remuneration system based on the market and individual performance, as well as career-development possibilities. It promotes and supports its employees in both personal and professional terms.

Participation in Shares

The Corporate Executive Board plans an employee share-participation plan. The company wants to promote employees' interest in Swiss Life/Rentenanstalt's performance, and strengthen the identification of the individual with the company, while offering staff an interesting opportunity for capital formation. The plan is based on a participation in share capital, which is not dependent on any predetermined performance goals. Employees will be entitled to purchase a certain number of shares per year according to their position at a special price. In an initial phase, this share participation plan is to be introduced on a limited trial basis in Switzerland. The possibility of expanding the plan to include all employees of branch offices and subsidiaries in Switzerland and abroad will be examined in 1999.

THE YEAR 2000

THE YEAR 2000

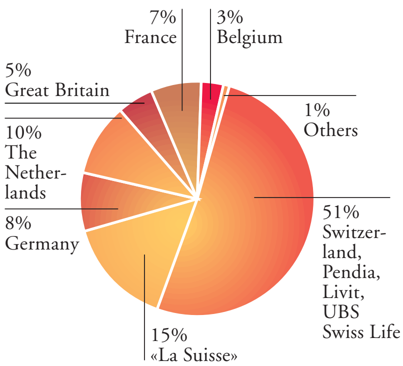
Finding solutions for computer problems presented by the year 2000 is an absolute priority for Swiss Life/Rentenanstalt. A company project entitled Y2K is underway that will guarantee the year 2000 compatibility of all information technology systems and operational procedures. Swiss Life/Rentenanstalt is spending approximately CHF 69 million in order to ensure smooth business operations beyond the year 2000.

In contrast to other projects where a task is handled in one location and the solution is then put at the disposal of the whole company, the Y2K project must be treated in a different way. This is so because the year 2000 problem individually concerns the existing infrastructure and methods of procedure of each company, both of which have evolved over many years. Infrastructure and methods of procedure vary, particularly in regard to scope and complexity. Therefore, each Swiss Life/Rentenanstalt branch office and subsidiary has created a project organisation which has responsibility for handling its particular Y2K problem.

Group-wide organisation

The various projects and a breakdown of estimated costs in percent of the total expenditure of CHF 69 million is shown in the following diagram.

Breakdown of evaluated costs



What all Swiss Life/Rentenanstalt Y2K projects have in common are binding framework standards laid down by the Corporate Executive Board:

- A general standard has emerged for the handling of each project that has validity for the entire group.
- Projects are organised under the direct responsibility of the Corporate Executive Board, respectively the CEO in charge.
- The Corporate Executive Board is informed on a regular basis on the progress of each project.
- Y2K projects have priority over all other projects and plans.
- No projects may be implemented and no release changes may take place during the critical phase before and after the turn of the millennium.
- Projects are checked by internal and external audits.
- Emergency scenarios are to be drawn up in case problems arise despite all diligence.

Method of procedure

Tasks faced by the individual Y2K project groups are divided into four fields:

- Drawing up of an inventory of all potentially Y2K relevant systems and components.
- Finding compatible solutions for all non-Y2K compatible parts.
- Testing of all of Swiss Life/Rentenanstalt's inventory for functionality under year 2000 conditions.
- Emergency planning to bridge operational disturbances during the first few months of the year 2000.

An inventory was taken not only of internally-developed software systems, but also of all components purchased in the past and still used today. Internal and external interfaces (i.e. internally between user systems or externally to/from clients) were systematically registered.

The Swiss Division (UB CH), the largest single project by far, took an inventory of more than 400 purchased or licensed products and around 7000 internally-developed programmes. They had a total of 7 million programme lines and over 500 interfaces.

The next step was to examine whether all the items included in the inventory were relevant to the Y2K problem. In case of products purchased on the market, this was only possible in close collaboration with providers. On the other hand, the judgement of internal specialists and staff in charge of the individual systems was decisive for all internally-developed software.

Components that turned out not to be Y2K compatible were examined more closely through an analysis of affected elements. The goal was to find out which units in programmes and files worked with inadmissible date notations and, accordingly, which elements were affected. This extremely difficult and time-consuming task was computer-supported.

Swiss Life/Rentenanstalt (UB CH) used the most time-consuming but by far the safest method for the actual implementation of measures to ensure a smooth year 2000 transition. This involved the complete replacement of all two-digit indications of a year by four digits. Following detailed tests under conditions of the 20th century, all systems were reintegrated in real-time operations.

Tasks related to the transition and to reintegration into all important business operations were concluded in the autumn of 1998. Swiss Life/Rentenanstalt (UB CH) is now fully Y2K compatible, on the condition of course that all critical cases were registered in their entirety and transformed without errors. In order to examine this and, if required, carry out any necessary corrections, simulation tests (also called travelling through time) have been carried out since October 1998. According to the project schedule, these tests are to be concluded by mid 1999. They include Swiss Life/Rentenanstalt's (UB CH) entire system portfolio, irrespective of whether a system was listed as being Y2K compatible at the beginning of the project or not. In this way possible misinterpretations of Y2K compatibility can be detected and corrected in time. In addition, interfaces between systems can be tested in their entirety.

When a simulation test is carried out, the system is examined under 1999/2000 conditions and tested for its behaviour in the 21st century. Because the situation has not yet arisen in real terms (i.e. in 1999), in a first step a time-consuming procedure is employed to put forward all the user dates of a system as well as a computer's internal date. Only after this has happened are the actual tests carried out. Both of these procedures take place in an isolated Y2K environment. The environment is a reflection of the entire production system with a 1:1 copy of programmes and data, as well as IT infrastructure in designated locations.

When a simulation test is successfully completed, the system goes through a formal procedure whereby it obtains a certification of Y2K compatibility. During the simulation test, the system remains productive, continuing to perform its normal tasks.

The period of time between the certification of a system and the turn of the year 1999/2000 may be more than 12 months, so it is possible that further changes or enlargements must be made during this time frame. In this case, the certified system and the operating system would not be identical at the turn of the year. For this reason, regression tests will be carried out and the certification process repeated. This guarantees that the transition to the year 2000 will be made with a matching certification.

The Y2K project is entirely covered by the procedure explained above, starting with inventories and ending with regression tests. However, it cannot be said with absolute certainty that interruptions or disturbances will not occur after the turn of the year. For this reason, another important aspect of the project is the drawing up of a contingency plan and the realisation of measures determined therein. The following points must be considered:

- Swiss Life/Rentenanstalt's most important payable benefits that can be planned ahead of time (i.e. pensions) must be payable for the first few months without any IT-user systems. This measure is being prepared during 1999.
- Temporary solutions must be created for those benefits which cannot be planned ahead (i.e. death benefits, surrenders, loans).
- Minimal IT support must be possible at selected work stations.
- Basic client information must be available in paper form.
- A communication concept will guarantee efficient internal and external communication in an emergency.

The Y2K project does not involve only

the Swiss Life/Rentenanstalt company. External relationships which are relevant for the project are another important task. In regard to clients, these relationships are governed by two aspects. On the one hand, interfaces are examined and revised in regard to their Y2K compatibility. This applies to all clients. On the other hand, clients and other business partners have varying degrees of relevance for the Y2K project. In this case, project managers are responsible for communicating all information required.

Cooperation with providers is mainly limited to clarification of the Y2K compatibility of products used by Swiss Life/Rentenanstalt.

Project teams also engage in an intense exchange of information with other companies and interested groups.

Project management

Y2K is an intra-departmental project involving many business units, managers and employees who are working towards its successful fulfilment. Most of those involved have other management or specialist responsibilities alongside their project tasks. Therefore, it was not possible to create a classic project team.

For this reason, part-time projects were established for the most important fields of work, with project managers carrying organisational responsibility. Y2K project management along with the part-time project groups form the project team, which is in charge of operational management. The body responsible for making decisions and drawing up reports is the project committee, whose members come from top management. The Corporate Executive Board carries full responsibility for the Y2K project, but it delegates the running of the project to the project committee.

Within this structure, steps are taken according to standard and transparent criteria. There is sufficient room in the operational field for the use of individual and time-tested methods and processes.

Critical factors for success

The strategic framework of the project is built on a number of critical factors. They are as follows:

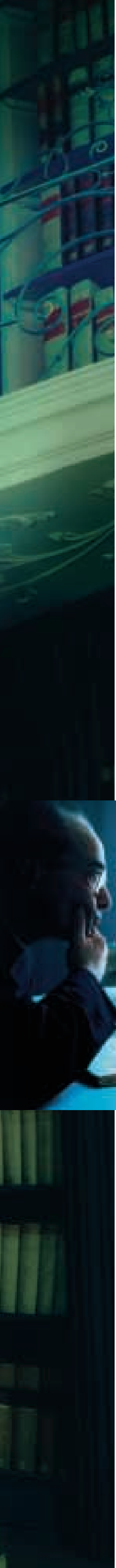
- Incorporation and identification of management with the project. The project must be viewed as a whole. Y2K is more than an information technology maintenance project. It concerns the entire company and must be treated as such.
- Procedure model must be adequate to the problem. Project management must take account of the specifics of the Y2K project. This concerns in particular its intra-departmental character and the fact that it concerns already existing systems.
- Active schedule management. The deadline for Y2K is predetermined for external reasons and irreversible. The scope of the project cannot be diminished. For this reason, almost all means to accelerate schedule control have strategic importance.
- Degree of coverage of simulation tests. Time travel represents a novelty in the project. The number of hits in relation to the remaining errors reflects the quality of the simulation tests.

Evaluation of the current situation

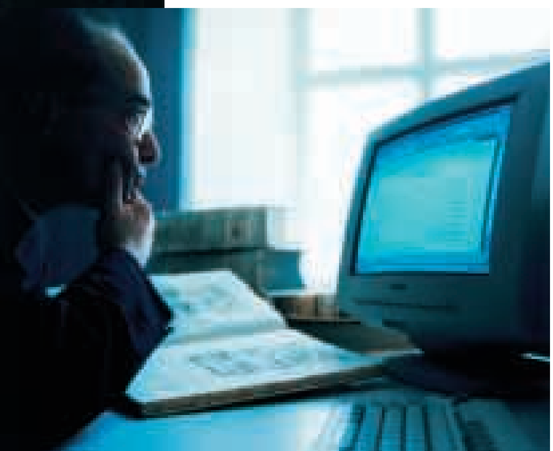
- The Y2K project is in-line with all important goals.
- No problems were encountered with regard to transition and reintegration in productive operation under 20th century conditions.
- Simulation tests are proceeding as planned. Typical Y2K errors are encountered.
- Some statements on the part of providers regarding Y2K compatibility have turned out to be false. Simulation tests are providing important information in this regard.
- Critical factors for success are taken into account in the project.

FURTHER INFORMATION

GLOSSARY



That which seems clear to the specialist, is not always understandable for the reader. For this reason some of these technical terms are defined in more detail on this page.



Gross / Net premiums
The first insurance business carried out by the insurer as well as accepted reinsurance are reported under gross premiums. If one subtracts the ceded reinsurance business from the gross premiums, the result is the net premiums (premiums for own account) of an insurer.

Life insurance provisions
The life insurance provisions show the expected future liabilities which will result from existing insurance contracts (payments to policyholders). These provisions usually form the most significant item of all technical provisions of a life and health insurance company. In a material sense, life insurance provisions are composed of accumulated, interest-bearing savings premiums and the required amounts in order to cover technical risks. In an actuarial sense, this concerns the discounted cash value on the balance sheet keydate of all future liabilities minus the cash value of future premium income.

First insurance business
The term first insurance business (direct business) applies to the classic service of an insurance company, in other words the granting of contractually determined insurance coverage for a certain period of time. The business partners, the insurance company on the one hand and the policyholders on the other, stand in a direct contractual relationship to one another.

Investment income
Investment income shows the running income stemming from investments (interest, dividends) as well as the realised and book (not yet realised) gains and losses on investment items.

Group accounts
The group accounts are a summary of the most significant companies held by the corporation. It shows the financial position, the results of operations and the cash flows of all group companies in a single account, as if the group were one company.

Reinsurance
Depending on the size of the company and type of business activities, insurance companies transfer a portion of the accepted risks to other insurance companies. This transfer is called reinsurance or "the insurance for insurance companies".
If an insurance company transfers a portion of its business to another insurance company, this is then called ceded reinsurance. The same business for the partner is called accepted reinsurance.

Collected / Earned premiums
Collected premiums are those premiums which were taken in during one business year. The duration of the insurance contracts is not taken into account.
Earned premiums are those premiums taken in from running contracts in one business year. Accruals and deferrals between collected and earned premiums are termed unearned premiums on the balance sheet.

Claims paid
Claims paid include payments granted to the insured during the business year. These are composed of capital and pension payments as well as surrender values in the life business and indemnity and pension payments in the non-life business.

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Layout
Compostella,Werbung, Zurich

Photos
Patrick Rohner, Zurich
Beatrice Künzi, Zurich
pages: 25, 26, 28, 30, 31, archives

Print
NZZ Fretz AG, Schlieren ZH
Paper bleached without chlorine.

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Important Dates

Annual General Meeting
June 17, 1999 (Hallenstadion Zurich)

Payment of dividend
June 22, 1999

Interim Report
September 29, 1999

Press Conference and Analyst Information
on the Annual Results
May 9, 2000