

1999

THE INTERIM REPORT




LADIES AND GENTLEMEN

The Swiss Life/Rentenanstalt Group increased its profit considerably during the first half of 1999. Consolidated net profit rose 33% to CHF 231.4 million. Total equity declined from CHF 8.4 billion to CHF 7.7 billion as a result of a decrease in revaluation reserves. After deferred income taxes, revaluation reserves of CHF 4.9 billion fell below the previous year's figure due to lower share prices. Total assets increased 17% to CHF 140 billion. The major share of this increase is attributable to the consolidation of Banca del Gottardo and Lloyd Continental. All business units contributed to a most successful first half of 1999. Assets under management rose 29% to more than CHF 145 billion.

Interim Report

Swiss Life/Rentenanstalt's **consolidated net profit** after taxes and minority interests totalled CHF 231.4 million in the first half of 1999. **Gross premiums** were well below the previous year's level (-8.2%). This decrease is the result mainly of the introduction of a stamp duty on single premiums in individual insurance in Switzerland. Results in the previous year profited from a surge in single premiums up to the implementation of the stamp duty on April 1, 1998. Abroad, Swiss Life/Rentenanstalt recorded a strong premium increase of +24%, in part resulting from the consolidation of new companies in the group.

The previous year's **net investment income** was affected significantly by extraordinary realised net gains of CHF 1.6 billion. Direct investment earnings continued to rise, increasing by approximately 3% in the first half. Realised net profits at CHF 1.1 billion

were well above 1997, but below the level of first-half 1998.

Provisions for policyholders' participation in profits were again allocated more than CHF 1 billion. By successfully placing "hybrid capital" – a subordinated loan with equity-like characteristics – for a total of CHF 1.34 billion, the company was able to strengthen its **equity capital base**. Revaluation reserves after deferred income taxes at CHF 4.9 billion fell below the corresponding previous year's figure. This resulted from a decline in share prices. Furthermore, in 1998 there was a substantial rise in revaluation reserves of approximately CHF 2.3 billion. **Total assets** increased by around 17% to almost CHF 140 billion. The first-time consolidation of Banca del Gottardo and Lloyd Continental significantly affected this figure. An increase in the **number of employees** is almost exclusively the result of the enlarged scope of consolidation.

Swiss Life/Rentenanstalt Group Figures

in million CHF (if not noted otherwise)

	Life		Non-Life		Total	
	6/30/99	6/30/98	6/30/99	6/30/98	6/30/99	6/30/98
Gross premiums	8 129.0	9 322.6	1 208.4	848.4	9 337.4	10 171.0
Claims paid (gross)	5 191.7	4 171.4	737.5	463.7	5 929.2	4 635.1
Operating expenses					1 136.5	886.7
Investment income (net)					3 678.8	4 559.4
Assets under management					145 637.5	112 717.6
Equity capital					7 740.5	8 358.6
Technical provisions (total)					100 998.6	95 291.0
Total assets					139 335.0	118 824.6
Consolidated semi-annual profit					231.4	174.0
Members of staff					10 616	8 475

Consolidated Profit and Loss Account from January 1st to June 30th

	Insurance business			
	Life		Non-Life	
	1999	1998	1999	1998
Gross premiums	8 129.0	9 322.6	1 208.4	848.4
Reinsurers' share	- 67.4	- 54.7	- 127.6	- 95.6
Change in provisions for unearned premiums (net)	- 1 141.8	- 1 065.2	- 99.4	- 96.9
Earned premiums	6 919.8	8 202.7	981.4	655.9
Other technical income	68.4	34.0	3.7	1.7
Investment income	3 236.6	3 609.0	159.5	136.7
Investment income for unit-linked contracts	463.7	979.1	-	-
Investment charges	- 152.8	- 136.6	- 30.8	- 28.8
Investment income (net)	3 547.5	4 451.5	128.7	107.9
Non-realised profit on investments for unit-linked contracts (net)	- 601.8	206.7	-	-
Income from banking operations	-	-	-	-
Total income	9 933.9	12 894.9	1 113.8	765.5
Claims paid	- 5 191.7	- 4 171.4	- 737.5	- 463.7
Reinsurer's share	27.6	26.5	94.0	42.1
Change in provisions for claims outstanding (net)	23.2	128.1	- 55.7	- 63.7
Claims incurred	- 5 140.9	- 4 016.8	- 699.2	- 485.3
Change in technical provisions	- 2 705.9	- 6 910.3	5.1	- 1.0
Operating expenses	- 746.4	- 695.2	- 327.1	- 191.5
Other technical expenses	- 74.5	- 61.6	- 4.1	- 2.4
Expenses for policyholders' participation in surplus	- 1 008.8	- 1 057.7	- 15.8	- 14.5
Gross profit	257.4	153.3	72.7	70.8

in million CHF

Insurance business		Banking operations		Group total		Change 1999/1998	
Total							
1999	1998	1999	1998	1999	1998	in absol. fig.	in %
9 337.4	10 171.0	-	-	9 337.4	10 171.0	- 833.6	- 8.2
- 195.0	- 150.3	-	-	- 195.0	- 150.3	- 44.7	+ 29.7
- 1 241.2	- 1 162.1	-	-	- 1 241.2	- 1 162.1	- 79.1	+ 6.8
7 901.2	8 858.6	-	-	7 901.2	8 858.6	- 957.4	- 10.8
72.1	35.7	-	-	72.1	35.7	+ 36.4	+ 102.0
3 396.1	3 745.7	3.5	-	3 399.6	3 745.7	- 346.1	- 9.2
463.7	979.1	-	-	463.7	979.1	- 515.4	- 52.6
- 183.6	- 165.4	- 0.9	-	- 184.5	- 165.4	- 19.1	+ 11.5
3 676.2	4 559.4	2.6	-	3 678.8	4 559.4	- 880.6	- 19.3
- 601.8	206.7	-	-	- 601.8	206.7	- 808.5	
-	-	126.7	-	126.7	-	+ 126.7	
11 047.7	13 660.4	129.3	-	11 177.0	13 660.4	- 2 483.4	- 18.2
- 5 929.2	- 4 635.1	-	-	- 5 929.2	- 4 635.1	- 1 294.1	+ 27.9
121.6	68.6	-	-	121.6	68.6	+ 53.0	+ 77.3
- 32.5	64.4	-	-	- 32.5	64.4	- 96.9	
- 5 840.1	- 4 502.1	-	-	- 5 840.1	- 4 502.1	- 1 338.0	+ 29.7
- 2 700.8	- 6 911.3	-	-	- 2 700.8	- 6 911.3	+ 4 210.5	- 60.9
- 1 073.5	- 886.7	- 63.0	-	- 1 136.5	- 886.7	- 249.8	+ 28.2
- 78.6	- 64.0	-	-	- 78.6	- 64.0	- 14.6	+ 22.8
- 1 024.6	- 1 072.2	-	-	- 1 024.6	- 1 072.2	+ 47.6	- 4.4
330.1	224.1	66.3	-	396.4	224.1	+ 172.3	+ 76.9
Other taxes, fees and fiscal charges				- 8.9	- 7.0	- 1.9	+ 27.1
Other income				58.6	61.4	- 2.8	- 4.6
Other charges				- 64.0	- 55.9	- 8.1	+ 14.5
Depreciation on goodwill				- 57.2	- 16.0	- 41.2	+ 257.5
Profit prior to tax on corporate income and capital				324.9	206.6	+ 118.3	+ 57.3
Tax on corporate income and capital				- 91.1	- 40.9	- 50.2	+ 122.7
Minority interests				- 2.4	8.3	- 10.7	
Consolidated semi-annual profit				231.4	174.0	+ 57.4	+ 33.0

Consolidated Balance Sheet as on June 30th

in million CHF

Assets	1999	Share in %	1998	Share in %	+/- in %
Intangible assets	2 192.4		306.0		+ 616.5
Land and buildings	8 116.2	7.6	7 652.7	7.7	+ 6.1
Non-consolidated participations	179.9	0.2	311.9	0.3	- 42.3
Loans to affiliates	9.3	0.0	3.3	0.0	+ 181.8
Shares and units in unit-trust (shares)	21 103.3	19.9	20 985.4	21.1	+ 0.6
Units in unit-trust (others)	5 023.6	4.7	5 065.9	5.1	- 0.8
Own shares	172.6	0.2	108.8	0.1	+ 58.6
Bonds and loans	53 738.9	50.6	50 064.3	50.2	+ 7.3
Mortgages	10 060.3	9.5	8 726.5	8.8	+ 15.3
Time deposits and similar investments	3 685.5	3.5	5 157.1	5.2	- 28.5
Other investments	3 773.3	3.6	1 253.6	1.2	+ 201.0
Deposits	232.6	0.2	289.0	0.3	- 19.5
Investments	106 095.5	100.0	99 618.5	100.0	+ 6.5
Investments for unit-linked contracts	13 220.1		13 099.1		+ 0.9
Investments from banking operations	203.8		-		
Debtors	11 363.8		2 647.0		+ 329.3
Tangible assets, liquid means and other assets	3 716.0		574.2		+ 547.2
Accruals and deferrals	2 543.4		2 579.8		- 1.4
Total assets	139 335.0		118 824.6		+ 17.3
Liabilities	1999		1998		+/- in %
Corporate capital	587.4		587.4		0.0
Reserve capital	1 392.6		1 491.6		- 6.6
Reserve for own shares	177.5		108.8		+ 63.1
Profit reserves	426.3		242.1		+ 76.1
Revaluation reserves	4 925.3		5 754.7		- 14.4
Consolidated semi-annual profit	231.4		174.0		+ 33.0
Equity capital	7 740.5		8 358.6		- 7.4
Minority interests	95.9		32.3		+ 196.9
Hybrid capital, subordinated liabilities	1 470.6		-		
Debenture loan and cash bonds	3 608.8		3 103.5		+ 16.3
Technical provisions	88 446.1		82 854.1		+ 6.7
Technical provisions for unit-linked contracts	12 552.5		12 436.9		+ 0.9
Provisions for policyholders' participation in surplus	3 630.4		3 100.5		+ 17.1
Non-technical (financial) provisions	3 120.2		3 594.8		- 13.2
Other long-term liabilities	286.3		6.2		
Deposit liabilities	183.7		116.5		+ 57.7
Other short-term liabilities	17 309.0		4 857.5		+ 256.3
Accruals and deferrals	891.0		363.7		+ 145.0
Total liabilities	139 335.0		118 824.6		+ 17.3

BUSINESS

DURING THE FIRST HALF OF 1999

The acquisition of Banca del Gottardo and the French insurer Lloyd Continental had a very positive effect on the first half of 1999. Assets under management rose to more than CHF 145 billion. Group profit at CHF 231.4 million was well above the previous year's figure (+ 33%).

Banca del Gottardo, Lloyd Continental and Assurance du Griffon were newly consolidated, enlarging the **scope of consolidation** compared to the first half of 1998. **Operating expenses** rose by 28%, influenced strongly by the consolidation of these companies. Excluding these acquisitions, the increase would have been 7%.

A substantial decrease in **allocations to technical provisions** was due to declining single premiums, a rise in insurance benefits and lower income from investments. Book losses on investments for unit-linked contracts were another negative factor.

Translation of Foreign Currencies

	6/30/1999	6/30/1998
1 EUR	1.60	-
100 DEM	-	84.14
100 FRF	-	25.07
100 NLG	-	74.55
100 BEF	-	4.06
100 ESP	-	0.99
100 LUF	-	4.06
100 ITL	-	0.09
100 HUF	0.64	0.69
1 GBP	2.44	2.53
1 IEP	-	2.0789
1 USD	1.55	1.52

Investments

Financial markets were volatile in the first half of 1999. Interest rates in Switzerland stabilised, although tending to rise slightly. In North America, however, interest rates rose significantly. Opposing trends characterised share markets. The SMI tended to decline while a number of other European and global share indices experienced double-digit growth. Despite this difficult environment, and thanks to a long-term strategy, Swiss Life/Rentenanstalt achieved a very satisfactory investment performance once again. Taking into account the consolidation of Banca del

Gottardo, the investment portfolio for own risk rose 7% during the period under review. At the beginning of the year, it was decided that less realised gains would be taken in the first half. This strategy affected income from investments which fell 9% to CHF 3.4 billion, compared to the record result achieved in the first half of 1998. The mix for own risk investments showed no significant change in the first half of 1999. At 56%, fixed-interest investments in top-quality securities continued as the mainstay of the company's investments, followed by investments in shares at about 20%.

The investment volume for the benefit of clients who bear the investment risk rose 1%; corresponding net investment income, however, dropped sharply.

Business in Switzerland

Domestic insurance operations include those of Swiss Life/Rentenanstalt, «La Suisse Vie» and «La Suisse Accidents» as well as UBS Swiss Life, a 100% subsidiary of the company since 1999.

Overall, premiums in the **life sector** decreased by 20%. Regular premiums surpassed the same last-year period slightly; single premiums, on the other hand, fell almost 35%. The decrease at UBS Swiss Life was particularly striking and resulted from the introduction of a stamp duty on single premiums. The first half of last year still benefited from high pre-tax demand for single premium insurance as the stamp duty was not introduced until April 1, 1998. As assessment gaps resulting from tax harmonisation differ from one canton to another, they have varying effects on the production of tax-ductible pension plan products.

Swiss Life Calmo, a new pension product launched in spring, was well received by the market. The life sector is expected to benefit further from new unit-linked

insurance products which were launched at mid-year 1999.

Contrary to a decline in premiums, insurance benefit payments increased substantially, particularly in regard to occupational employee benefits and disability. Both the group indemnity insurance managed by Swiss Life/Rentenanstalt and the **non-life sector** of «La Suisse Accidents» recorded premium growth. However, their growth in payment of insurance benefits was above that of written premiums, resulting in an increase in the claims ratio of almost 5%.

Costs were below the same last-year period. Indeed, the cost of writing insurance dropped significantly as a result of production. Administration costs were also below last year's figure.

Business in Europe

Swiss Life/Rentenanstalt achieved a very gratifying result in Europe in the first half of 1999. Despite difficult business conditions, operations in all countries were expanded. This resulted in 62% of the company's premium targets for the year being achieved in the first six months. Overall, gross premiums increased 24%, compared to the corresponding previous-year period. Almost

half of this rise is due to premiums stemming from the non-life insurance sector. Increases were generated by the recently-acquired French Lloyd Continental, which contributed a total of CHF 374 million to premium income. Group business stagnated in the life sector, while individual insurance achieved an increase of 32%.

In Germany, an imminent new tax in the life sector led to an extraordinary rise of 12% in premium income. France achieved a growth rate of 43%, influenced by the consolidation of Assurances du Griffon and Lloyd Continental. Belgium and the Netherlands reported strong increases, particularly in unit-linked insurance. Individual life annuities insurance in the Netherlands also recorded significant growth. In the United Kingdom, the success of the "Solutions" product line, launched in 1998, continued this year. This success accounts for a large portion of the UK's premium growth of 17%. In other business sectors, large group single premiums were written.

In addition to the acquisitions mentioned above, a collaboration with Bank Crédit Commercial de France (CCF) in the "bancassurance" sector was strengthened. Swiss Life/Rentenanstalt

is a majority shareholder of CCF's two insurance companies Erisa Vie and Erisa IARD since July 1, 1999.

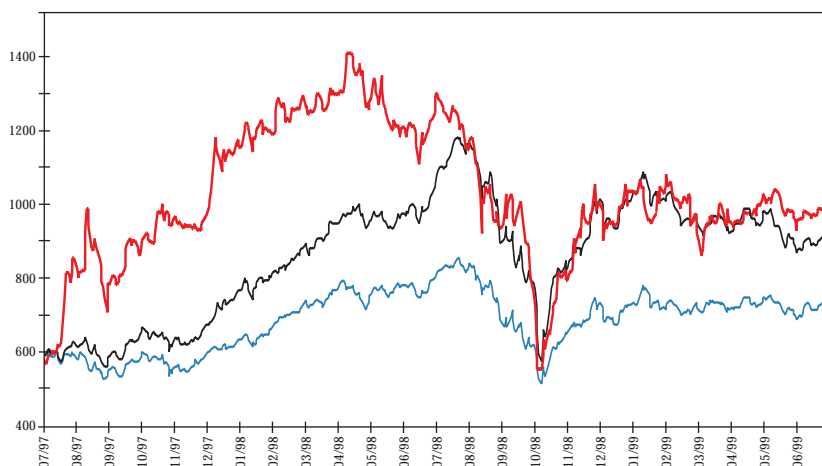
Claims in the first six months were at a satisfactory level. No extraordinary claims were reported, neither in the life nor in the non-life sectors. Costs were also in line with budget expectations.

Swiss Life/Rentenanstalt adjusted smoothly to the introduction of the Euro on January 1, 1999, in all countries where it has business operations. Preparations for the turn of the millennium are progressing as planned.

Clients' expectations and demands continue to grow. Swiss Life/Rentenanstalt is meeting this challenge both in Switzerland and in Europe by developing attractive solutions for its clients, and by reacting quickly and flexibly to changing business conditions.

Swiss Life/Rentenanstalt's main concern is the continued expansion of its position in Europe. In following this objective, it is utilising synergies within the group. Wherever possible, development of EDP systems is carried out jointly and product know-how exchanged between countries. Thereby, common goals can be achieved throughout the group. These goals include an emphasis on con-

CHF



Price Development as per 06/30/1999

Since listing (07/03/97)

RA/SL: + 59.8%

SMI: + 19.0%

SPI: + 50.3%

Since beginning of year (12/30/98)

RA/SL: - 7.7%

SMI: - 3.5%

SPI: - 13.2%

— RA/SL
— SMI (adjusted)
— SPI-Insurances (adjusted)

sistent satisfaction of clients' needs, as well as cost-consciousness and efficiency. Accordingly, the English "Dread Disease" product (capital insurance in the case of a serious illness) was adjusted for the German market, and launched successfully in the spring of 1999.

Global Activities

Swiss Life/Rentenanstalt's International Division – in collaboration with the Swiss Life Network, which operates in 45 countries – is responsible for recruiting and advising multinational companies. For over 30 years the Swiss Life Network has been the market leader in supplying international employee benefit solutions, as well as services for third country nationals and expatriates. In addition to these activities, Swiss Life took further steps in accessing the Chinese market.

Board Changes

Board of Directors

On March 4, 1999, Swiss Life/Rentenanstalt learned with great regret of the passing away of its honorary Chairman of the Board of Directors, Fritz Honegger. At the 1999 general meeting, Urs B. Rinderknecht resigned from the Board of Directors after Swiss Life/Rentenanstalt terminated its strategic alliance with UBS. The general meeting renewed the mandates which expired on June 17, 1999, of Gilbert Coutau, Pierre de Chastonay, Josef Kühne, Ulrich Oppikofer, Jean-Jacques Cevey and Argante Righetti.

Adjustment of the Corporate Structure

Swiss Life/Rentenanstalt is expanding its personal insurance core business to include the growing and significantly larger long-term savings market. This strategic reorientation, along with acquisitions at the beginning of 1999, as well as taking over companies formerly managed together with UBS, gave rise to a number of new opportunities. In order to optimally use these opportunities, an adjustment of the company's internal structure was of utmost importance.

Organisational Reorientation

To clearly separate market responsibility and to improve prerequisites for further growth in Europe, Swiss Life/Rentenanstalt's Board of Directors decided the following in July 1999: the entire domestic business of Swiss Life/Rentenanstalt, «La Suisse» and UBS Swiss Life will be managed as one single division by **Roland Chlapowski** as per September 1, 1999. Chlapowski is «La Suisse's» former CEO.

The former head of Swiss Life/Rentenanstalt's Swiss Division, **Markus Weiskopf**, will be responsible for a newly created division called Europe II as of

January 1, 2000. This division will include the branch offices and subsidiaries in Germany, France, Spain, Italy and Hungary. **Christopher G. Ide** will take on the function of head of Europe I, encompassing Great Britain, the Netherlands, Belgium and Luxembourg. It was decided to create two divisions in view of Swiss Life/Rentenanstalt's expansion strategy in Europe.

The new corporate strategy also takes into account the increasing importance of banking and asset management in the company's activities by creating a new division called "**Banking and Investment Management**". This division will be headed by **Dominique P. Morax**.

Furthermore, the company is examining an adjustment of functions required to **manage** the group. This includes an examination of today's **Corporate Services Divisions** as emphasis is put on achieving the largest possible amount of decentralisation. The goal is to implement the new organisational structure as quickly as possible, but **no later than January 1, 2000**.

Outlook

Gross premiums in the second semester will be influenced positively by the first full consolidation of Erisa Vie and Erisa IARD. Nevertheless, a slight decline is to be expected compared to the previous year.

The outlook for **net realised investment income** mainly depends on future economic developments, in particular on inflation expectations in the US with their effect on global interest rates and stock exchanges.

The second half of 1999 will be dedicated to consolidation and taking advantage of synergies within the Swiss Life/Rentenanstalt Group. The annual financial statements will be marked by an expansion of our business operations in Europe.

On the condition that no significant turbulence occurs on the stock and foreign exchange markets, total investment income is expected to be very gratifying; and **consolidated profit for**

the year should be significantly higher than in the previous year.

Yours sincerely,



Ernst Ruesch
Chairman of
the Board
of Directors

Manfred Zobl
President of
the Corporate
Executive Board

Agenda

May 9, 2000	8.00 h	Analyst Information at the Head Office
May 9, 2000	10.30 h	Press Conference at Head Office
June 8, 2000	14.00 h	Annual General Meeting of Shareholders in Zurich

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The Interim Report is also available on Internet <http://www.swisslife.com> (investor relations).