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Press Release

Zurich, 8 April 2003

Swiss Life Group Confirms Annual Results

The Swiss Life Group posted a loss of CHF 1.7 billion for the 2002 financial year, as announced on 6 March (previous year's loss: CHF 115 million). The result is primarily attributable to negative trends on the equity markets and the weak economic environment, which led to a financial result 18% below that of the previous year and extraordinary write-downs of goodwill amounting to CHF 832 million.

Gross written premiums (excluding deposits under policyholder investment contracts) rose 1% from the previous year to CHF 15.8 billion.

By the end of 2002, CHF 212 million of the CHF 515 million savings in operating costs aimed for by 2004 have already been achieved, i.e. over 40% of our overall target.

With shareholders' equity of CHF 4.2 billion and CHF 7.5 billion in core capital , the Swiss Life Group has sufficient financial strength to implement its new strategy.

Swiss Life/Rentenanstalt's solvency margin was a strong 182% on 31 December 2002.

With the inclusion of Volker Bremkamp (Chairman of the Board of Albingia Versicherungs AG for many years and until recently Member of the Board of Directors of AXA Colonia Versicherungs-Holding AG), the list of names to be put forward for election to the Board of Directors at the General Meeting of Shareholders on 27 May 2003 is complete.

In view of the loss, the Board of Directors will ask the General Meeting of Shareholders to forgo a dividend.

The pursual of the strategic realignment is proceeding according to plan. The Swiss Life Group expects to return to profitability in 2003, provided there is no further deterioration in market conditions.

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Slight growth in gross written premiums

Gross premium volume was 1% higher than the previous year at CHF 15.8 billion. Gross written premiums, including deposits under policyholder investment contracts (e.g. fund-linked products) decreased 3% in 2002 to CHF 19.5 billion. In the traditional insurance business premiums remained at the level of the previous year in the life segment at CHF 14.7 billion, while increasing 12% in the non-life segment to CHF 1.1 billion. The improvement in the non-life segment resulted from the transfer of the short-term disability benefits portfolio from Swiss Life/Rentenanstalt to «La Suisse» and the corresponding reclassification of this premium volume to the non-life segment.

Steep rise in disability benefits

Insurance benefits paid grew by 13% to CHF 12.9 billion. In addition to benefits paid in connection with expiring policies and job changes or staff cuts in companies with group insurance, disability benefits and policy surrenders increased for cyclical reasons. By contrast, the outlay on bonuses and dividends was around 50% lower at CHF 340 million. The amount reserved for payment of future bonuses came to CHF 4.4 billion (down by 14%).

Disappointing financial result

The financial result was down 18% at CHF 4.7 billion. Net investment income contracted to CHF 5.5 billion, a decline of 2%. Realised and unrealised net losses stemming from efforts to safeguard shareholders' equity by cutting the equity exposure of the investment portfolio amounted to CHF 2.3 billion (compared with CHF 141 million the previous year). Adjusted for hedging transactions, the profit from which has been included in net trading income, realised and unrealised losses amounted to CHF 800 million. The figure for these net losses includes capital gains of around CHF 330 million from the sale of participations in the hedge fund sector.

Expenses significantly reduced

Operating expenses were reduced by CHF 145 million to CHF 3.5 billion as a direct result of the cost-cutting programme which has been introduced. Operating expenses in insurance business declined 7% to CHF 2.8 billion. CHF 212 million of the CHF 515 million savings in operating costs aimed for by 2004 have already been achieved in 2002, i.e. more than 40% of the overall target. Of the 1,500 positions which are to be eliminated by 2004, 724 had been shed by the end of 2002. The number of employees (full-time equivalents) came to 11 541 at the end of 2002, a decline of 6%. As job cuts were only made in the second half of 2002, the impact of these measures will only become fully visible in the results for the current business year.

Valuation adjustments lead to high goodwill write-downs

Goodwill amortisation amounted to CHF 1.1 billion. CHF 832 million of this came from extraordinary write-downs, of which CHF 735 million were connected with Banca del Gottardo and CHF 87 million with Schweizerische Treuhandgesellschaft. Accordingly, the valuation of Banca del Gottardo in the Swiss Life Group consolidated balance sheet is still CHF 1.4 billion. For the current financial year the bank expects a profit in excess of CHF 80 million.

Equity of CHF 4.2 billion - solvency ratio a sound 182%

With the measures taken to strengthen the core capital in the fourth quarter of 2002, the Swiss Life Group raised additional shareholders' equity totalling CHF 1.1 billion, gross. As of 31 December 2002 total equity stood at CHF 4.2 billion. The organisation therefore has sufficient resources available to implement its strategy according to plan. The Group's core capital (shareholders' equity plus liabilities with equity features) fell slightly in the course of the year under review from CHF 7.7 billion to CHF 7.5 billion. The solvency margin of the original parent company, Swiss Life/Rentenanstalt, which encompasses 75% of the insurance business and round 90% of the mathematical reserve of the Group, was a solid 182% on 31 December 2002. This figure moreover does not include the additional funds raised by Swiss Life Holding's capital increase.

Decline in assets under management for third parties

Assets under management totalled CHF 183.2 billion on 31 December 2002. This corresponds to a decline of 5.7% compared with the previous year and is largely the consequence of the lower level of assets managed on behalf of third parties, resulting from negative developments on the stock markets.

Results by segment

In the **core life** segment (Switzerland, France, Germany, the Netherlands, Belgium/Luxembourg), gross written premiums grew by 1% to CHF 12.9 billion. Including deposits under policyholder investment contracts, which decreased by 9%, gross premiums came to CHF 16.4 billion, a decline of 1%. While premium income in individual insurance was 2% higher at CHF 7.3 billion, it was 4% lower in group life business. Benefits and claims paid increased by 4% to CHF 13.8 billion. Thanks to strict cost management, operating costs could be cut 16% to CHF 2.0 billion. Assets under management at the end of 2002 totalled CHF 121.8 billion.

At CHF 2.0 billion, premium volume in the **non-core life** business («La Suisse» Vie, UK, Spain, Italy) was 16% lower than the previous year's level. Premium income declined in both individual and group insurance. Insurance benefits paid dropped by 5%. Costs rose to CHF 363 million, affected by one-off impacts related to «La Suisse» (strengthening of pension fund reserves and an additional amortisation of deferred acquisition costs). Assets under management at the end of 2002 came to CHF 11.2 billion. («La Suisse» with its life business is still included in the non-core life segment in accordance with its original classification under the new strategy of September 2002. As announced earlier, the role of «La Suisse» will be re-examined in the coming months in the context of a general analysis of the positioning of the Swiss Life Group in the Swiss market.)

In the **non-life** segment (comprising property insurance business in Belgium and France, and the non-life segment of «La Suisse»), gross premiums expanded by 12% to CHF 1.1 billion, especially as a result of the transfer of the short-term disability benefit portfolio from Swiss Life/Rentenanstalt to «La Suisse». While the cost ratio could be trimmed by 3.2 percentage points to 34.2%, the claims ratio went up to 86.5%, owing to weather damage in Belgium and higher claims at «La Suisse».

The **private banking** segment (composed mainly of Banca del Gottardo and Schweizerische Treuhandgesellschaft) experienced a loss of CHF 109 million, mainly owing to extraordinary write-downs, valuation adjustments and the strengthening of provisions. Assets under management at the end of 2002 totalled CHF 41.5 billion.

The **investment management** segment generated a profit of CHF 105 million. Income was down 19% from the previous year at CHF 278 million. Operating expenses decreased by 16% to CHF 172 million.

Strategic realignment proceeding as planned

Implementation of the new strategy is proceeding according to schedule. The new management is resolutely pressing ahead with its focus on core business. Programmes to improve efficiency are under way in every area. The functional organisational structure modelled on the value chain has been put into practice in all the core markets. The divestments planned for 2003 (UK, Spain, and possibly Schweizerische Treuhandgesellschaft and Italy) are proceeding well, considering the difficult market environment.

Since 6 March 2002, when the Swiss Life Group presented a preview of its annual results for 2002, the following decisions were made, among others:

Profitline: Direct sales via Profitline are to be terminated. The investment fund business will be sold off separately. There will be no adverse consequences for the 50 000 customers involved.

Real estate investments: Swiss Life Property and Swiss Life Real Estate Partners (SWISSVILLE) will be merged. This will permit the streamlining of portfolio management structures in the real estate sector and eliminate duplication.

LIVIT: The role of LIVIT (a subsidiary in the business of managing real estate) within the Swiss Life Group and its strategic orientation were confirmed. Under the guidance of the newly installed Board of Directors, the programmes introduced to boost efficiency and improve quality are being implemented swiftly.

Delisting of Swiss Life/Rentenanstalt/share: Preparations have begun for the delisting of the Swiss Life/Rentenanstalt share (RAN). Delisting is expected to take place in autumn 2003.

Board of Directors is complete:

With the inclusion of Volker Bremkamp (Chairman of the Board of Albingia Versicherungs AG for many years and until recently Member of the Board of Directors of AXA Colonia Versicherungs-Holding AG), the list of names to be put forward for election to the Board of Directors at the General Meeting of Shareholders on 27 May 2003 is complete. The 59-year-old German national is an outstanding authority in the European insurance market and has a large network of contacts in this field.

Volatile and difficult conditions persist

The operating environment for the life insurance business has deteriorated even further in the current year. In particular, interest rates declined by 0.8 percentage points in the first quarter of 2003 compared with the average for the previous year.

Rolf Dörig, Chief Executive Officer, on the year in progress: "While policyholders and shareholders benefited from high returns in the 1990s, conditions on the market have changed dramatically in the course of the last two years. We are adapting our business model in view of these new circumstances. We are concentrating on our core business and have instituted cost-reduction programmes in all areas. We have streamlined our organisation and reduced investment and balance sheet risks. We are applying economic criteria with even greater consistency in setting premium rates. In our core markets Switzerland, France, Germany, the Netherlands and Belgium/Luxembourg, we are thus well placed to improve profitability and further enhance our strong market position. I therefore expect the Swiss Life Group to return to profitability in 2003, provided that market conditions do not deteriorate further."

Transmission of today's event and further documentation

Today's events scheduled for 08.00 (presentation to analysts and investors, in English) and 10.30 (presentation for the media, in German) will be transmitted via www.swisslife.com. All additional documentation concerning the annual results can likewise be found there.

Curriculum vitae of Volker Bremkamp on the following pages.

Swiss Life

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

The Swiss Life Group, registered in Zurich, was founded in 1857 as the Swiss Life Insurance and Pension Company. Shares of Swiss Life Holding are listed on the SWX Swiss Exchange (SLHN). The company employs around 12 000 persons.