

Letter to Shareholders

Swiss Life



Rentenanstalt



INTERIM
RESULTS
2001

DEAR Shareholders,



Andres F. Leuenberger

Despite a difficult environment, Swiss Life/Rentenanstalt was able to expand its business volume in the first half of 2001 and also reach important operational targets.

As expected, **semi-annual profit** at CHF 253 million in the first half year is below the corresponding previous year's figure, which amounted to CHF 372 million according to the old accounting standards.

Developments on those stock markets which are important for Swiss Life/Rentenanstalt only allowed for a limited amount of profits.

At CHF 11.1 billion, **gross written premiums** amounted to about 58% of previous year's total figure.

Assets under management currently equal CHF 217.4 billion (CHF 214.4 billion at the end of 2000).

The **financial result** at the end of June 2001 amounted to CHF 3.1 billion, equalling 30% of previous year's total figure. Direct income developed as expected, whereas net realised and unrealised gains were well below expectations.

The **technical result** continues to be favourable. Operating expenses after six months equalled only about 45% of the entire previous year's period. This was reflected by a substantial improvement of the cost rate in life insurance business and a pleasing reduction of the combined ratio in non-life insurance business.

It is self-evident that the continuing negative stock market trend affected our financial performance. However, the operational results for the first half year show that our strategy of expanding our activities to include the entire long-term savings market is beginning to bear fruit. We will do our utmost to continue along this path to success.

KEY FIGURES

in CHF million (if not noted otherwise)

	6/30/2001*
Gross written premiums, policy fees, other related income and insurance deposits	11 141
Net investment income	2 847
Net realised and unrealised gains/losses	720
Assets under management	217 433
Semi-annual profit	253
Members of staff (number)	12 532

* Based on the transition to IAS (International Accounting Standards), it is not possible to compare these results with those of 6/30/2000.

I thank you kindly for the confidence you have shown in our company.

Sincerely yours,

Andres F. Leuenberger
Chairman of the Board of Directors

INTERVIEW WITH **MANFRED ZOBL** FROM A LIFE INSURER TO A FINANCIAL SERVICES PROVIDER – SWISS LIFE/RENTENANSTALT'S BUSINESS SYSTEM

The market in the fields of occupational and individual long-term savings is in upheaval and clients are increasingly demanding comprehensive long-term savings solutions. Swiss Life/Rentenanstalt took account of these developments by acquiring Banca del Gottardo and Schweizerische Treuhandgesellschaft STG. These acquisitions not only helped to provide the company with new client segments and new distribution channels, but also furnished existing clients with more comprehensive services (private banking, consulting). The development from a provider of insurance products to a provider of long-term savings solutions also affects Swiss Life/Rentenanstalt's business system.

Manfred Zobl, it is Swiss Life/Rentenanstalt's declared intention to move away from the image of a traditional life insurer and become a modern financial services company with a comprehensive range of products and services. Where does Swiss Life/Rentenanstalt stand today?

Manfred Zobl: We have already taken some important steps; however, this remains an ongoing process. In the past years, we have consistently pursued and continued to realise our strategy of expanding our core business as a life insurance company to include the broader long-term savings market. In particular, we significantly strengthened our competencies in asset management and risk management and have given proof of this as well. The acquisitions of Banca del Gottardo and STG contributed to this development.

We are thus able to satisfy clients' changing demands; our clients no longer only demand traditional life insurance products, but increasingly also comprehensive long-term savings solutions.

It is often said that Swiss Life/Rentenanstalt does not make sufficient use of the synergies that it could have achieved through these acquisitions.

When we speak of synergies, we usually mean savings. Savings can be obtained where there are overlaps. Synergies with regard to costs are seldom in the case of complementary businesses. However, these acquisitions have helped us to expand our range of services; they have strengthened our distribution and increased our client base. Furthermore, these newly acquired companies substantially

Photo: Sandi Meier

"In particular, we significantly strengthened our competencies in asset management and risk management."



Photo: Frank Nader

"We broadened our profit base and diversified our earnings."

increased our managed assets, thus broadening our profit base. Moreover, Swiss Life/Rentenanstalt was able to diversify its earnings. Banca del Gottardo and STG are already contributing at a rate of about 20% to Swiss Life/Rentenanstalt's result. Only a few weeks ago, Standard & Poor's confirmed Swiss Life/Rentenanstalt's "AA-" rating, emphasising not only our strong market position in Switzerland, but also stressing the company's increasing diversification, both in terms of geography and also in relation to business operations. In addition, our multi-channel distribution strategy and high standard of quality were also mentioned.

These are mostly entrepreneurial considerations. But how do clients profit from all this?

Well, with the exception of the fact that our shareholders are very much interested in the broadening of our profit base and thus in a healthy development of our company to a strong financial services provider, clients also profit directly from the business system which we developed based on our strategy. In order to provide our clients with solutions in the comprehensive field of long-term savings and protection, we work along three different "tracks", namely insurance business, investment management and private banking. Banca del Gottardo and STG now also allow us to offer clients services in private asset management, investment consulting and other types of consulting. In this way, our company becomes more attractive and client bonds are strength-

ened. The links between these three pillars are optimised through the joint "manufacturing" of products and investment solutions. Furthermore, we can now offer clients of Banca del Gottardo and STG all services from the insurance sector through one single provider.

In that case, Banca del Gottardo and STG are mainly distribution channels to interesting client segments?

Yes, but more than that. While the life insurance sector is mainly directed at retail clients, private banking is focussed at wealthy individuals. Institutional clients are the target segment for the investment management sector. Banca del Gottardo and STG, however, also operate differently than an insurance company in terms of distribution. Here, we have agents and distribution organisations covering the entire market, whereas financial institutes operate via individual bases.

Are you planning further acquisitions in the private banking sector?

We are always on the lookout for partner companies. However, acquisitions are strongly dependent on the available opportunities and are difficult to plan ahead of time. This also holds true for the insurance sector.



STATEMENT ON BUSINESS OPERATIONS IN THE FIRST HALF OF 2001

In the first half of 2001, written premiums increased and assets under management rose. This positive business expansion, however, was faced by a negative development on those stock markets that are important for the Group. By its very nature, this trend affects the result of a financial services provider, who also continues to be strongly dependent on investment income. At CHF 253 million, semi-annual profit was below the corresponding previous year's figure (CHF 372 million: determined by using the former ARR accounting standards).

LIFE INSURANCE SECTOR

Written premiums in the life sector reached CHF 10 billion in the first half year (about 58% of the entire previous year). About CHF 1.9 billion of this is attributable to individual insurance, approximately CHF 5.7 billion to group insurance, CHF 2.1 billion to insurance deposits and CHF 0.3 billion to indirect and other business.

The share of regular premiums in direct business (not including insurance deposits) remains equal to the previous year at approximately 56%. Assets under management increased to CHF 142 billion.

Despite a larger premium volume, costs were below the mark of the corresponding period of comparison.

A negative development in the investment field is also reflected by a reduction in profit contribution by the life sector (about CHF 345 million).

NON-LIFE INSURANCE SECTOR

Gross premiums almost reached CHF 1.2 billion. This equals about 54% of the total figure for the previous year, to which a positive development in Switzerland («La Suisse») contributed for the main part. Of these premiums from direct business, about 56% are attributable to accident and health insurance, 44% to other business.

Managed assets increased by approximately 10% to more than CHF 3 billion. Profit contribution equalled about CHF 19 million.

INVESTMENT MANAGEMENT SECTOR

As on June 30, 2001, Swiss Life/Rentenanstalt managed Group-wide assets in the amount of CHF 217.4 billion. Despite the stock market slump, these assets increased by CHF 3 billion or 1.4% compared to December 31, 2000. Off-balance sheet assets amounted to CHF 64.5 billion (+3.4% compared to the end of 2000).

Swiss Life/Rentenanstalt invests clients' assets in a diversified range of investment



vehicles. Apart from traditional investments such as shares, bonds, real estate or mortgages, assets are also invested in alternative financial vehicles. These are mainly hedge funds and private equity.

The preparatory activities which began last year already bore fruit in the first half year of 2001. The company was able to gain a variety of significant asset management mandates. This allowed Swiss Life/Rentenanstalt not only to markedly expand its position as an asset manager, but also to further diversify its earnings. This sector alone recorded a total net inflow of new funds of over CHF 5 billion in the first half year.

FOREIGN CURRENCY TRANSLATION

	in CHF	
	6/30/2001	12/31/2000
1 EUR	1.5207	1.5216
1 GBP	2.5330	2.4460
1 USD	1.7980	1.6370



Photo: gellyone stone

As per June 30, 2001, Swiss Life/Rentenanstalt managed assets in the amount of CHF 54.6 billion in the private banking sector. This equals an increase of CHF 0.9 billion. The continuing slump on the stock markets also affected this sector. However, the resulting decrease in the value of managed assets was compensated by a pleasing inflow of new funds.

The private banking segment contributed about CHF 94 million to profit in the first semester 2001. Staff costs in the private banking sector also rose significantly compared to the previous year. On the earnings side, Banca del Gottardo recorded a decrease in trade earnings compared to previous year's period.

BUSINESS OPERATIONS IN SWITZERLAND

Swiss Life/Rentenanstalt's Swiss Division generated gross written premiums in the life sector of about CHF 5.9 billion in the first semester. This is equal to almost two thirds of the total figure for the previous year, which indicates that premium income will be slightly higher than in the previous year. This rise is based on an increase in regular premiums, whereas single premiums were slightly below previous year's mark. This sector's influence on the interim result was also varied: while group business grew, individual life business experienced a decrease, which is reflected by a further reduction of single premiums (result of the stamp duty).

In general, it should be noted that the high, legally prescribed interest rate guar-

antees for occupational employee benefits (2nd pillar) are increasingly burdening profitability in this sector, in particular in view of declining stock markets. The growing significance of asset management in Swiss Life/Rentenanstalt's long-term savings market becomes evident against this background, because this is the only way to reduce dependency on traditional life insurance business.

Swiss Life Managed Portfolio, an innovative asset management product, was launched on the Swiss market at the beginning of the year. This product offers attractive fund saving with a high amount of security and has already substantially contributed to overall growth of 3.2% in asset gathering.

A decline in the development of benefits paid had a positive effect on the interim result. Targeted measures in group business served to curb previous year's negative trend concerning surrenders and premature contract cancellations. Moreover, other insurance benefits were also significantly lower than in the first semester 2000.

On the cost side, Swiss business operations recorded a slight increase that remained within expectations. This is based on investments in call centre and workflow systems aimed at efficiency increases and improved client services; measures that are connected with the Swiss Division's strategic reorientation.

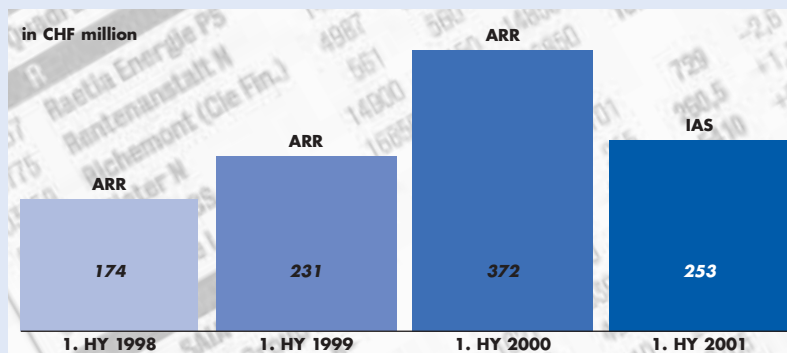
This also includes Swiss Life Direct, which is mainly active in fund business and was formally integrated into Swiss Life/Rentenanstalt in the spring of 2001.

In the first semester of 2001, the investment management sector contributed CHF 51 million to profit. Staff costs increased strongly in the first half year. This increase is mainly the result of the establishment and expansion of capacities for the management of third parties' funds.

PRIVATE BANKING SECTOR

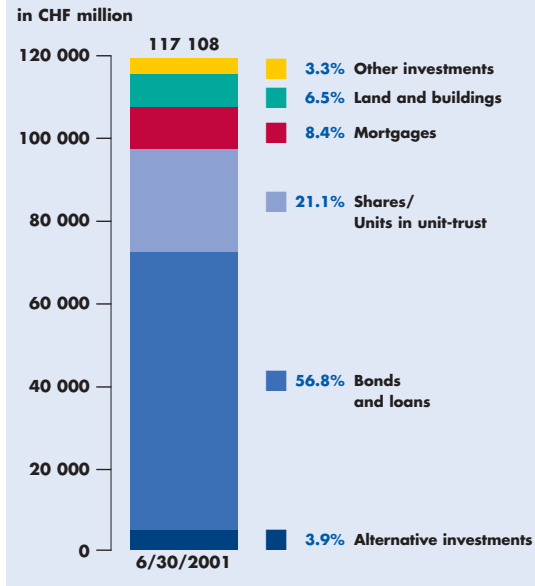
In the recent past, Swiss Life/Rentenanstalt established itself in the private banking sector with renowned companies. These include Banca del Gottardo and Schweizerische Treuhandgesellschaft (STG).

PROFIT DEVELOPMENT 6/30/1998-6/30/2001



ARR = Accounting and Reporting Recommendations (Swiss GAAP)
IAS = International Accounting Standards

ASSET ALLOCATION INSURANCE PORTFOLIO



This allowed for additional synergies in the private individual sector. As expected, Swiss Life Direct's result suffered from the weak stock exchange in the first semester 2001: funds experienced a marked decline compared to previous year's period. Single premiums, however, increased strongly, thanks to good collaboration with the company's distribution partner, Zürcher Kantonalbank. Business operations of «La Suisse», also belonging to the Swiss Division, were positive, in particular due to premium growth in the non-life sector. However, life business practically remained unchanged on previous year's mark. The claims ratio was

favourable overall, falling well below previous year's level.

BUSINESS OPERATIONS EUROPE

Gross written premiums (including insurance deposits) amounted to more than CHF 5 billion at the end of the first semester; however, they were slightly lower than the corresponding previous year's figure. Nevertheless, a substantial increase in written premiums is expected for the year 2001. A central element will continue to be the supervision of

costs. The cost ratio compared to the first semester 2000 has already decreased slightly. Claims and insurance benefits paid were comparable to previous year's period.

At most of the branch offices and subsidiaries, the transition to the Euro will take place during the second semester. Main activities include product design, marketing as well as the transition of asset and insurance administration systems.

Germany

Written premiums in the first semester of 2001 reached 48% of the corresponding figure for all of last year. The development during the last months, however, has shown that the branch office should at least be able to catch up by the end of the year. Single premiums in individual insurance continue to remain on a low level. A relatively new unit-linked product as well as a "working incapacity supplementary insurance" (BUZ), however, show a promising development. These products serve to complement the reduced benefits of the state occupational employee benefits institution.

France

Written premiums in the life insurance sector in the reporting period decreased compared to the first semester 2000. A decline in unit-linked business as a result of a collapse of the CAC 40 (-11.83%) was partially absorbed by traditional business operations. Health

Photo: Imagebank

Photo: Imagebank





and accident insurance premiums stayed slightly below the level of previous year's corresponding period.

Netherlands

Written premiums as per June 30, 2001 reached 50% of the entire previous year or 56% of the 2001 annual budget. This is also a result of the tax reform enforced on January 1, 2001, which led to a substantial number of new conclusions in the year 2000 that could only be processed in the year under review.

Belgium

Premiums in life insurance business reached 52% of previous year's figure in the first semester 2001. This positive development is due to a newly launched unit-linked product in the group insurance sector and in particular to an increase in the sale of traditional products in individual insurance. Here, universal life products showed the best performance. In individual insurance, however, the sale of unit-linked products declined.

Great Britain

Written premiums reached 56% of the total figure for the previous year. This is mainly the result of a favourable development in the pure risk sector. In the field of managed funds, however, a negative

development on the European stock markets was felt.

Spain

The premium budget for the entire year 2001 was already surpassed by 10% after only six months. This continues to be the result, in particular, of so-called "exteriorización". Furthermore, individual insurance also recorded a rise in premiums. Owing to the fact that "exteriorización" can be expected to lead to another extraordinary increase in the second semester, budget targets were increased to 150% of the figure attained in 2000.

Luxembourg

Written premiums increased compared to the first semester 2000. As a result of an extraordinary single premium in the second half of 2000, premium growth is expected to be significantly lower at the end of 2001.

Italy

Written premiums in individual insurance are within expectations. Thus, an increase of 16% should be achieved in the 2001 financial year. This favourable development was attained with the help of a new product line that is distributed by way of a new distribution partner called «La Fenice». In group insurance, however, a decline in premiums was recorded.

SWISS LIFE NETWORK

Aiming at serving clients even more individually, Swiss Life transferred standardised product packages into a system of innovative modular solutions. This new modular range of products was welcomed by clients. This was reflected during the first semester of the year 2001 by over 50 new international contracts with multinational companies. The modular system allows clients to choose a combination of coverages that best takes account of the specific company profile and the corresponding requirements. Thus, it provides international clients with as much flexibility as possible.

The Swiss Life Network remains world market leader in the field of tailor-made employee benefits solutions for its multinational clientele. Based on many years of experience and the ability to forecast future trends in the employee benefit market, it will continue to retain its leading position in this dynamic and promising sector.

PERSONNEL MATTERS

CHANGES ON THE BOARD

ELECTION

Henri B. Meier, financial expert and former CFO of the Roche Group in Basel, was newly elected to the Board of Directors. Among other mandates, Henri Meier is Chairman of the Board of Directors of Givaudan AG and a member of the Board of Directors of Roche Holding AG, Basel.

RE-ELECTIONS

The mandates of **Maria Luisa Garzoni**, Director and Member of the Board of Directors of Garzoni SA, Lugano, and of **Andres F. Leuenberger**, Chairman of Swiss Life/Rentenanstalt's Board of Directors, expired in 2001. Both individuals were re-elected by the general meeting for another term of three years.

RETIREMENTS

Riccardo Jagmetti and **Erwin Reinhardt** reached the regular age limit at the general meeting on June 15, 2001 and thus retired as Members of the Board of Directors. Riccardo Jagmetti was appointed to the Supervisory Board of the former mutual society in 1987. He was on the Supervisory Committee for 6 years and continued in this function after the company changed its legal form to a public limited company. Erwin Reinhardt was a Member of the Supervisory Board and Board of Directors for 13 years. He was appointed to the Supervisory Committee in 1991. The Board of Directors thanks the retiring individuals for having used their skills and personality in making an important contribution to Swiss Life/Rentenanstalt's further development.

CONSOLIDATED BALANCE SHEET

in CHF million

Assets

	6/30/2001	12/31/2000
Investments		
Held to maturity fixed maturities	7 139	6 001
Available for sale fixed maturities and equity securities	82 432	82 354
Trading account assets	2 532	2 597
Property	8 366	8 286
Loans	25 038	25 839
Investments in associates, partnerships and joint ventures	260	257
Other invested assets	3 655	4 212
Total investments	129 422	129 546
Other assets		
Cash and cash equivalents	7 870	7 319
Insurance and other receivables	4 059	2 632
Accrued income	1 677	1 914
Reinsurance assets	1 449	1 340
Deferred policy acquisition costs	2 688	2 367
Property held for own use and fixed assets	1 471	1 186
Goodwill and other intangible assets	2 601	2 500
Deferred income tax assets	886	799
Other assets	708	824
Separate account (unit-linked) assets	15 198	15 630
Total other assets	38 607	36 511
Total assets	168 029	166 057

in CHF million

Liabilities and shareholders' equity

	6/30/2001	12/31/2000
Liabilities		
Trading account liabilities	1 672	1 145
Policyholder investment contracts, client deposits and other funds on deposit	25 968	24 706
Insurance policy and claim reserves	100 940	98 900
Borrowings	7 245	8 646
Deferred income tax liabilities	2 233	2 432
Accrued expenses and other liabilities	8 009	6 719
Separate account (unit-linked) liabilities	15 261	15 661
Total liabilities	161 328	158 209
Minority interests	188	183
Shareholders' equity		
Retained earnings	3 159	2 343
Unrealised gains/losses not yet recorded in income statement, net of taxes	1 372	3 295
Common shares	587	587
Share premium	1 815	1 839
Less: treasury shares	- 420	- 399
Total shareholders' equity	6 513	7 665
Total liabilities and shareholders' equity	168 029	166 057

Total core capital for capital adequacy purposes

	6/30/2001	12/31/2000
Total shareholders' equity	6 513	7 665
Minority interests	188	183
Hybrid capital instruments	1 278	1 279
Subordinated debt	98	94
Deferred Group related funds	2 211	4 037
Total core capital	10 288	13 258

CONSOLIDATED STATEMENT OF INCOME

No comparability with the results as on 6/30/2000 based on the transition to IAS
(International Accounting Standards).

in CHF million

	6/30/2001
Revenues	
Investment income, net	2 847
Realised and unrealised gains/losses, net	720
Trading account income, net	- 463
Investment management, banking and other fee income	299
Insurance premiums, policy fees and other related income ¹⁾	8 646
Other income	47
Total revenues	12 096
Benefits, losses and interest expenses	
Interest credited to policyholder account balances and deposits	- 367
Interest on borrowings	- 239
Provisions for insurance reserves and benefits paid	- 9 112
Policyholder dividends and participation in profit	- 567
Total benefits, losses and interest expenses	- 10 285
Operating expenses	
Investment management, banking and other operating expenses	- 347
Insurance underwriting, policy acquisition costs and other operating expenses	- 810
Corporate, other operating and administration expenses	- 387
Total operating expenses	- 1 544
Operating income, gross	267
Amortisation of goodwill and other intangibles	- 71
Foreign currency translation gains/losses	222
Operating income before tax	418
Income tax expenses	- 147
Net income after tax	271
Extraordinary items, net of income tax	-
Net semi-annual profit before minority interests	271
Net income applicable to minority interests	- 18
Net semi-annual profit	253
¹⁾ Under the newly adopted accounting principles, deposits from policyholder investment contracts are not included in premium income:	
Insurance premiums, policy fees and other related income as reported	8 646
Deposits from policyholder investment contracts	2 118
Insurance premiums, policy fees, other related income and deposits	10 764

OUR SHARE

In the first half of 2001, the Swiss stock exchange recorded its worst semester since 1973. Accordingly, Swiss Life/Rentenanstalt's share was also subject to a decline in price of 14.2%. Nevertheless, our share increased 19% when compared over the entire twelve months.

The world-wide cyclical downswing with the corresponding profit warnings from entrepreneurs took its toll on the capital markets during the first semester 2001. The blue chip barometer called the Swiss Market Index (SMI) declined 11%, while the broader Swiss Performance Index (SPI) decreased 10.9% and the SPI Insurance fell 20.5%. Swiss Life/Rentenanstalt's share was also affected by these developments. At -14.2%, our share figured in the mid-field of high capitalised securities. Nevertheless, based on the full twelve months



Photo: Imagebank

SHARE STATISTICS

	Amounts in CHF (if not noted otherwise)	
	6/30/01	12/31/00
Number of shares (weighted average)	11 256 012	11 336 876
Profit per share	22.5	81.5
Shareholders' equity per share	578.6	676.1
Stock exchange price ¹⁾	1 160	1 352
Market capitalisation	13 626 520 000	15 881 944 000
Price/shareholders' equity (ratio)	2.0	2.0
Security code (SWX)	802 678	802 678

¹⁾ Annual high/low: 1 404.- (2/14/2001) / 1 132.- (6/21/2001)

(7/1/2000-6/30/2001), our share achieved an above-average market profit of 19% (SMI: -6.7%; SPI: -5.4%; SPI Insurance: -2.9%). Market capitalisation as per June 30, 2001 reached CHF 13.6 billion. The slump on the most significant stock markets continued into the second se-

mester. This also affected Swiss Life/Rentenanstalt's share; the share price has continued to decline sharply since June 30, 2001.

The group of shareholders has not been subject to any significant changes compared to the end of 2000.

PRICE DEVELOPMENT SWISS LIFE/RENTENANSTALT SHARE 2000/2001



OUTLOOK ON THE ANNUAL RESULTS

Further growth is expected for the second semester. The development of costs in the first semester indicates that the cost ratio will decrease compared to the previous year, despite special expenses in connection with the transition to the Euro. Direct investment income is expected to

develop in line with investments. Thus, direct return will change only insignificantly. Based on the volatile stock markets, it is currently difficult to make an estimation on the profits to be expected.

The slump on the stock markets has worsened since the balance sheet date (6/30/2001) and in particular following the occurrences in the US. The Swiss franc is currently slightly stronger than other currencies that are important for Swiss Life/Rentenanstalt. Due to the fact that Swiss Life/Rentenanstalt determines its results according to IAS, fluctuations on the asset side of the balance sheet can no longer be absorbed by the fluctuation reserves that were formerly accrued for this purpose. For this reason, it is difficult to make an estimation on the profits to be expected at present.

However, in confirming past statements it must be said that previous year's result will no longer be achieved, in particular in view of the unfavourable environment. A positive cost development shows that

the operational measures which Swiss Life/Rentenanstalt decided on in the past two years are beginning to bear fruit.

Sincerely yours,



Andres F. Leuenberger
Chairman of the Board of Directors



Manfred Zobl
President of the Corporate Executive Board

September 26, 2001

AGENDA 2001/2002

- ▶ **As of September 26, 2001**
Online transmission of the interim conference on the website
- ▶ **April 11, 2002**
Analyst information at the head office
- ▶ **April 11, 2002**
Press conference at the head office
- ▶ **May 24, 2002**
General meeting in Zurich
- ▶ **May 29, 2002**
Payment of dividend

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All those interested have the possibility of viewing the recordings of the analyst information and press conference on our website <http://www.swisslife.com> (Investor Relations).


Official Partner

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