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Concentration on life insurance sector

Capital increase planned

Swiss Life/Rentenanstalt's result for the first half of 2002 was unsatisfactory on the whole, bearing the mark of extraordinary amortisation charges. At the same time some crucial improvements were achieved. Despite the difficult operating environment, the company produced a clear increase in its financial result, expanded its business volume and lowered its operating expenses. Gross operating income rose from CHF 158 million (adjusted) to CHF 500 million. Due to the extraordinary amortisation of goodwill, the first half of the year closed with a loss of CHF 386 million.
Swiss Life/Rentenanstalt will concentrate on its life insurance business for the future. The management structure is being streamlined and core units organised into functional groups in order to boost efficiency. This will entail trimming another 700 positions within the Group as a whole by the end of 2004.
Swiss Life/Rentenanstalt plans to introduce a holding company structure at its parent company in conjunction with a capital increase. An extraordinary general meeting is scheduled for 23 October 2002 for this purpose.

Gross operating income rose from CHF 158 million (adjusted prior-year figure) to **CHF 500 million**. As a consequence of extraordinary write-downs of goodwill (CHF 624 million) there was a **half-year loss of CHF 386 million** after taxes, minority interests and goodwill. These extraordinary amortisation charges mainly relate to the equity stake in Banca del Gottardo, which was written down by CHF 537 million. The **financial result** totalled **CHF 3.53 billion** and exceeded the result for the same period in the previous year by more than half a billion Swiss francs. Nevertheless,

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equity capital decreased by CHF 1.1 billion to CHF 3.9 billion as a result of the substantially lower market value of the investments concerned. **Assets under management** fell by around 2.5% to approximately **CHF 198 billion**.

Life sector

Gross premiums in the life business totalled about CHF 10.4 billion (a rise of 6% after adjusting for currency effects). Policyholder deposits recorded a clear decline of 9% from the corresponding period of the previous year. On the other hand, premiums on pure insurance business expanded by more than 9% after adjustment for currency effects. Gains realised on the trading portfolio had a strongly positive impact on the life insurance result for the period under report, bringing it up to CHF 384 million (prior-year figure CHF 14 million, adjusted).

Non-life sector

Gross premiums advanced more than 14% on a currency-adjusted basis. This clear rise reflects the transfer of our daily sickness benefit business to «La Suisse» (thus removing it from the Swiss Life/Rentenanstalt Swiss Division's portfolio where it formed part of the life segment). Costs remained at practically the same level as the prior-year figure in spite of this transfer of business. The non-life result is notably lower than the corresponding figure for the previous year, but remains positive at CHF 11 million.

Private banking sector

The profit figure for the first half of 2002 came to CHF 74.9 million. Income equalled CHF 459.4 million for the period, against expenses of CHF 384.5 million. Banca del Gottardo experienced a drop of 10.1% in income from commission business and 5.4% in income from interest business. Trading income, in contrast, showed an increase of CHF 23 million to stand at CHF 32 million. The private banking sector held assets under management amounting to CHF 38.1 billion as of 30 June 2002.

Investment management sector

The investment management sector's statement of income closed the first half of the year with a profit before taxes of CHF 111.5 million. Income totalled CHF 181.9 million for the period. This includes the net proceeds on the sale of Swiss Life Hedge Fund Partners AG. Assets under management for third parties (off-balance sheet assets) came to CHF 14.7 billion at mid-year.

Concentration on life insurance business

The strategic review conducted in spring of this year concluded that Swiss Life/ Rentenanstalt should focus on its core business of life insurance. This is a market where it can use its strong brand identity, substantial product expertise and an established distribution network to maximum advantage.
The geographic focus is on the domestic market in Switzerland and the core European markets of France, Germany, the Netherlands and Belgium/ Luxembourg. In all these countries, Swiss Life/Rentenanstalt enjoys a good market position, a uniform management orientation and a common potential for synergies, together with sustainable earnings prospects and growth opportunities.
The markets UK, Italy and Spain as well as our non-life activities in France and Belgium are now considered to be peripheral to our core business. Moreover, «La Suisse», Banca del Gottardo and STG are no longer counted among our core units. The non-core units are profitable and represent significant value. These units will be managed with a view to creating additional value until better market conditions prevail.

Streamlined structure

The new Swiss Life/Rentenanstalt Group will have uniform governance. It is converting from a diverse group of autonomous financial service companies to an integrated life insurance group. The core competencies - distribution, products, operations/IT and investments - will be reinforced across borders. This should create greater transparency and allow skills and resources to be utilised groupwide.

New business model

The financial business model is oriented toward achieving sustainable profitability based on lower investment risks. Its core elements are greater efficiency, a clear reduction in complexity and streamlined processes and structures. This will involve trimming another 500 positions in Switzerland and 200 positions abroad by the end of 2004. The staff cuts will be achieved not only by exploiting natural turnover but will also involve redundancies. A redundancy programme has been drawn up.

Changing the legal structure and stocking up on equity capital

In parallel to the introduction of the new business model Swiss Life/Rentenanstalt is planning a transition from a parent company structure to a holding company structure. To this end, the company will first establish a subsidiary called "**Swiss Life Holding"**, which will later become the holding company. This company will tender an exchange offer for all Swiss Life/Rentenanstalt shares. As soon as the exchange has been carried out, Swiss Life Holding will raise additional equity capital of between CHF 0.9 billion and CHF 1.2 billion, in particular by conducting a capital increase. The additional capital will safeguard the realisation of the new strategy - and thereby the restructuring of the company - and enable a divestment process to take place without undue time pressure. Resolutions aimed at implementing a new holding company structure and the capital increase will be put before an extraordinary general meeting planned for 23 October 2002.

Outlook for the annual results

The equity markets experienced further setbacks in July and August. The Swiss Life/Rentenanstalt Group made allowances for this and reduced its positions in shares and equity funds. The current portfolio in equities is under 3%. Further risks in the half-year results were reduced by impairments and additional amortisation of goodwill from Banca del Gottardo and the STG Group.

Up to the end of 2002 all efforts will be focused on strengthening the equity base and increasing operational excellence. The planned capital increase is an essential component of this. In addition, the cost reduction programme introduced in the spring is continuing to demonstrate positive results. The operational measures are beginning to take effect. However, it is not possible in the current environment to pass comment on the annual results.

Personnel Matters

At his own request, Dominique P. Morax is stepping down as the Chief Investment Officer of Swiss Life/Rentenanstalt on 1 October 2002. His departure follows in the wake of our new strategic focus on the life insurance business and new investment strategy with, among other things, its noticeably reduced equity component. Dominique P. Morax will retain his position on the Board of Directors of Banca del Gottardo and STG.

Hannes A. Meyer, hitherto a member of the Corporate Executive Board, will also be leaving the company at his own request following 17 years of service.

The Board of Directors and the Corporate Executive Board would like to thank Mr Morax and Mr Meyer for their contribution to Swiss Life/Rentenanstalt.

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