Medien-Information
Communiqué de presse
Comunicato stampa
Press Release

Zurich, 10 September 2003

Swiss Life Group turns in a profit for first half of 2003

In the first half of 2003 the Swiss Life Group generated a net profit of CHF 66 million (loss in first half-year 2002: CHF 587 million). Operating improvements in all business areas and positive trends on the financial markets were factors in this result.

At the same time, the capital base was strengthened. Equity has risen by 11% since the beginning of the year, to stand at CHF 4.6 billion. Goodwill declined by CHF 252 million, while additional impairments amounting to CHF 274 million were made. Swiss Life/Rentenanstalt's solvency margin improved from 180% to 199% in the first half of 2003.

Strategy implementation is proceeding according to plan. With CHF 319 million in cost savings as of 30 June 2003, the goal of bringing down costs by a total of CHF 515 million by the end of 2004 has been more than 60% achieved. Appropriate solutions have been found in recent months for the units in Spain and the United Kingdom, which do not form part of the core business, as well as for STG Schweizerische Treuhandgesellschaft. The decision with regard to «La Suisse» was confirmed: «La Suisse» will not be counted as part of the core business and should therefore be sold.

The first six months of 2003 were marked by a sluggish economy and historically low interest rates. In this challenging environment the Swiss Life Group managed to return to the profit zone. In the words of Rolf Dörig, Chief Executive Officer: "Operational improvements in all business areas contributed to this result. The strategic and operational measures introduced are proving to have the desired

www.swisslife.com

Information
Media Relations Tel.: +41 1 284 77 77
media.relations@swisslife.ch

Investor Relations Tel.: +41 1 284 52 76
investor.relations@swisslife.ch
General-Guisan-Quai 40, CH8022 Zurich

impact, and we are better able to direct these processes with the newly defined control systems. This progress strengthens our conviction that we are on the right path."

Premium volume and technical insurance expenses rose slightly.

Gross written premiums rose by 2% to CHF 9.9 billion, compared to the first half of 2002. Deposits under policyholder investment contracts declined slightly compared to the previous year, while the overall premium volume grew 1% to CHF 11.8 billion. In its core business the Swiss Life Group recorded a growth in premium volume of 3%, to CHF 10.1 billion. Compared to the previous year, technical insurance expenses rose by 2% to CHF 10.6 billion. Insurance benefits paid and the changes in insurance reserves fell by 1% to CHF 10.1 billion. The decrease was set against a considerable rise in outflows for policyholder bonuses and participation in surplus (policy dividends), which were up 155% to CHF 448 million; this reflected the fact that, while guarantees were lowered, in markets outside Switzerland the bonuses were increased. Contributions reserved for payment of future policyholder dividends (bonuses) went up by 24% to CHF 5.5 billion. This figure also includes the policyholders' statutory participation in the capital appreciation on investments, under the laws in force in certain countries (legal quota).

Low interest and asset impairments adversely affect the financial result

The financial result of CHF 2.9 billion was 11% lower than the result for the first half of 2002. Owing to markedly lower interest rate levels and declining dividend income resulting from the large reduction in the Group's equity exposure, direct investment income contracted by 5%. The realised and unrealised net gains on investments plus trading income resulted in a positive balance of CHF 226 million (previous year: CHF 440 million). This figure includes the loss of CHF 105 million on the sale of STG to the LGT Group and impairments totalling CHF 274 million (gross). CHF 103 million of these impairments were attributable to the private equity portfolio. In addition, the sale of participations in the hedge funds segment (RMF and Swiss Life Hedge Fund Partners) and the reduction in the stake held in SGS had a positive overall impact amounting to CHF 554 million on the financial result for the corresponding 2002 period.

Efficiency drive proceeding according to plan

Operating expenses were successfully reduced by 12% to CHF 1.4 billion compared with the same period in the previous year. In the life core segment operating expenses fell by 10% to CHF 926 million. The measures to boost efficiency proceeded according to plan. In addition to the savings of CHF 212 million on operating costs achieved in 2002 and the 724 positions already shed, the first six months of 2003 saw further cost economies totalling CHF 107 million and a headcount reduction of 488 positions. Thus, at the mid-point of 2003, 80% of the headcount reductions planned for the end of 2004 and more than 60% of the targeted cost reductions had been achieved. On 30 June 2003 the Swiss Life Group employed 10 726 members of staff (full-time equivalents).

Core capital reinforced - solvency at 199%

Since the turn of the year shareholder's equity has increased 11%, expanding from CHF 4.2 billion to CHF 4.6 billion. Alongside the net profit of CHF 66 million, the increase in unrealised gains on investments and positive currency effects were contributing factors. Core capital for capital adequacy purposes, which also includes liabilities with equity features, came to CHF 9.0 billion on 30 June 2003 representing an increase of 19% over the reporting period. The solvency of the original parent company, Swiss Life/Rentenanstalt, which encompasses 70% of the premium volume and around 90% of the Group's mathematical reserves, climbed from 180% at the beginning of the year to 199%. This figure does not include the additional funds raised by Swiss Life Holding's capital increase at the end of 2002. Group solvency as calculated in accordance with the method applied by the French regulator went up from 138% to 147% in the first half of 2003 (including Banca del Gottardo). The French supervisory authority is responsible for the Swiss Life Group within the EU.

Increase in assets under management

Assets under management have gone up 3% since the end of 2002 to CHF 188.6 billion. The removal from the books of the approximately CHF 5 billion in assets under management by STG was more than made up for by the inflow of new funds and the positive financial market trend in the second quarter of 2003. CHF 136.1 billion, or 72% of the assets under management, were attributable to core business as of 30 June 2003.

Progress in divestments and risk reduction

Appropriate solutions were found for STG and the units in Spain and the United Kingdom, in spite of the difficult market conditions for divestments, thus freeing up risk capital and management capacity which we will be employed in the core business. The reduction of goodwill by CHF 252 million and impairment adjustments of CHF 274 million (gross) produced a further reduction of the risks. The portion of these impairments attributable to the private equity portfolio amounted to CHF 103 million. A particularly important tool for reinforcing the enterprise's financial strength and reducing the economic risk on the balance sheet is the systematic management of assets and liabilities. Hence, a new asset and liability management concept has been defined. The aim is to achieve better congruence between the time frames for promised benefits and the maturities of expected investment returns (cash flow matching). Since the average remaining term of commitments on the liabilities side considerably exceeds the average life of the investments on the assets side, investment maturities have been lengthened. These measures have freed up risk capital amounting to around CHF 1 billion.

Delisting of the Swiss/Life Rentenanstalt share (RAN)

As already announced, Swiss Life/Rentenanstalt shares will be delisted. The last day of trading is 17 September 2003. From 18 September to 17 October 2003, Banca del Gottardo will maintain an over-the-counter market in these shares. After that date market trading of Swiss Life/Rentenanstalt shares can no longer be assured, but the rights of shareholders will not be affected by the delisting.

Results by segment

In the **life core segment** (Switzerland, France, Germany, the Netherlands, Belgium/Luxembourg), gross premium volume, including deposits under policyholder investment contracts, grew by 3% to CHF 10.1 billion. In group life business premium income totalled CHF 6.1 billion, equivalent to growth of 19%, thanks in particular to a newly concluded contract in the Netherlands which brought in allocations of around EUR 600 million. In individual insurance gross written premiums declined by 20% to CHF 2.1 billion, This contraction was chiefly caused by the economic environment and low interest rate levels. At CHF 2.5 billion, the financial result was 7% lower than in the previous year. Technical insurance expenses increased by 4% to CHF 9.3 billion. The rise was produced by higher insurance benefits paid (up 31% to CHF 7.4 billion) a lower allocation of CHF 1.4 billion to the insurance reserves (down 53%) and a doubling of the outlay for policyholder bonuses and participation in surplus to CHF 414 million. The 10% reduction in operating expenses led to a segment result of CHF 93 million. This means the result of the corresponding prior-year period was upheld, in spite of the substantially lower financial result.

Premium volume in the **life, non-core segment** («La Suisse» Vie, UK, Italy and Spain) decreased by 14% to CHF 1.1 billion. The substantial CHF 3 million improvement in the segment result, bringing it to CHF 80 million, was above all owing to one-off impacts.

In the **non-life segment** (property insurance in Belgium and France, non-life operations at «La Suisse») gross written premiums totalled CHF 676 million, thus remaining at the prior-year level. Despite the marked improvement from 117% to 107%, the combined ratio is still not adequate and the measures to make business profitable will be resolutely pursued. Following the loss of CHF 16 million in the year-earlier period, this segment reported a profit of CHF 17 million for the first half of 2003.

The **private banking segment** achieved an operating profit of CHF 39 million for the first six months of 2003. The loss realised on the sale of STG to the LGT Group, which was completed as of 25 June 2003, led to a segment loss of CHF 66 million (profit for the first half of 2002: CHF 74 million).

In the **investment management segment** the Swiss Life Group generated a profit of CHF 60 million in the first half of 2003 (first-half 2002 profit: CHF 120 million). In the previous year, the sale of Swiss Life Hedge Fund Partners Ltd had a positive impact on the segment result.

Medium-term goals confirmed

The second half of the year will see the Swiss Life Group continuing to concentrate on core business and core markets in line with its defined goals. This also means it will stick to the decision that «La Suisse» does not form part of its core business and should therefore be sold. Carrying out the efficiency drive and reducing complexity within the enterprise remain top priorities. As far as risk management operations are concerned, the newly defined approach to asset and liability management stands in the foreground. By achieving greater congruence between the asset and liability sides of the balance sheet, the economic risks should be further reduced, thus increasing security.

The Swiss Life Group assumes there will be a slight dip in premium volume for the 2003 financial year, in view of the economic environment and the business priorities. The targets set for the efficiency drive will again be achieved in 2003. Provided there is no significant change in market conditions, the Swiss Life Group expects to report a profit for 2003. Rolf Dörig on the future of the Swiss Life Group: "We are adhering to our medium-term goals and intend to have completed the realignment in the year 2005, or 2006 at the latest, and be generating a return on equity of 10%."

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 http://www.swisslife.com. All additional documentation concerning the half-year results can likewise be found there.

Swiss Life

The Swiss Life Group is one of Europe's leading providers of life insurance and long-term savings and protection. 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.

Swiss Life Holding, 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 enterprise employs around 11 000 people worldwide.

CONSOLIDATED STATEMENT OF INCOME (unaudited)

Consolidated statement of income. In CHF million	**2003 HY**	2002 HY
	6 months	6 months
Revenue		
Net investment income	**2 690**	2 834
Net realised and unrealised gains/losses on investments	**505**	–380
Net trading income	**–279**	820
Investment management, banking and other fee income	**262**	307
Insurance premiums and policy fees[1]	**9 547**	9 379
Other income	**32**	70
Total revenue	**12 757**	13 030
Benefits, losses and interest expenses		
Interest credited to investment contracts, customer deposits and other funds on deposit	**–380**	–464
Interest on borrowings	**–105**	–210
Other interest expenses	**–30**	–53
Benefits paid and changes in insurance reserves	**–10 140**	–10 241
Policyholder bonuses and participation in surplus	**–448**	–176
Total benefits, losses and interest expenses	**–11 103**	–11 144
Operating expenses		
Investment management and banking expenses	**–338**	–389
Insurance-underwriting and policy-acquisition costs	**–742**	–872
Other operating and administrative expenses	**–367**	–382
Total operating expenses	**–1 447**	–1 643
Operating result	**207**	243
Amortisation of goodwill	**–45**	–703
Net result before tax and minority interests	**162**	–460
Income tax expenses	**–80**	–107
Net result before minority interests	**82**	–567
Minority interests	**–16**	–20
Net result	**66**	–587
Basic earnings per share (in CHF)	**3.07**	–37.54
Diluted earnings per share (in CHF)	**3.00**	–37.54

[1] Under the accounting principles adopted, deposits under investment contracts are not recognised as income:

Insurance premiums and policy fees as reported	**9 547**	9 379
Deposits under investment contracts	**1 893**	1 925
Insurance premiums, policy fees and deposits	**11 440**	11 304

CONSOLIDATED BALANCE SHEET (unaudited)

Consolidated balance sheet. In CHF million	**30.6.2003**	31.12.2002
Assets		
Investments		
Held-to-maturity securities	**4 364**	4 416
Available-for-sale securities	**89 477**	80 821
Financial assets held for trading	**3 239**	3 552
Investment property	**10 870**	10 770
Loans originated by the enterprise	**27 118**	31 650
Investments in associates	**202**	181
Other investments	**946**	1 003
Total investments	**136 216**	132 393
Other assets		
Cash and cash equivalents	**7 285**	4 217
Insurance and other receivables	**4 982**	4 259
Reinsurance assets	**1 608**	1 533
Deferred acquisition costs	**2 686**	2 576
Property and equipment	**1 679**	1 625
Goodwill and other intangible assets	**1 131**	1 386
Deferred tax assets	**1 518**	1 721
Other assets	**735**	1 075
Separate account (unit-linked) assets	**9 263**	8 781
Total other assets	**30 887**	27 173
Total assets	**167 103**	159 566
Liabilities and equity		
Liabilities		
Financial liabilities held for trading	**1 669**	1 585
Investment contracts, customer deposits and other funds on deposit	**29 283**	28 086
Insurance reserves	**105 789**	100 638
Borrowings	**7 541**	6 534
Deferred tax liabilities	**2 410**	2 516
Insurance and other payables	**4 082**	3 793
Other liabilities	**1 818**	3 001
Separate account (unit-linked) liabilities	**9 344**	8 738
Total liabilities	**161 936**	154 891
Minority interests	**547**	505
Equity		
Share capital	**1 172**	1 172
Share premium	**1 711**	1 716
Treasury shares	**– 24**	– 36
Gains/losses recognised directly in equity, net of taxes	**851**	537
Foreign currency translation differences	**– 111**	– 174
Retained earnings	**1 021**	955
Total equity	**4 620**	4 170
Total liabilities and equity	**167 103**	159 566