

Zurich, 6 September 2006

## **Swiss Life raises net profit by 13% in first half of 2006 to CHF 523 million**

The Swiss Life Group again achieved a good half-year result in the first half of 2006. It increased net profit by 13% to CHF 523 million compared to the same period last year and achieved an annualised return on equity of 14.3%. The improvement in operating performance is also reflected in the profit from operations, which advanced by 22% to CHF 660 million. The gross written premiums of CHF 12.7 billion represent a growth of 9%. Operating expenses went down 4% to CHF 1.5 billion. Although interest rates moved significantly higher in the period under review, shareholders' equity receded by only 6% to CHF 7.2 billion. The Group's embedded value climbed by 13% to CHF 10.1 billion, thanks to the good course of business and the better market environment; this corresponds to a value per share of CHF 298.

In the words of CEO Rolf Dörig: "The implementation of our strategy is proceeding according to plan. The good result proves the further progress the Swiss Life Group has made. Our measures to strengthen distribution efficiency and increase profitability are paying off."

### **Continuous improvement in results**

The Swiss Life Group improved its net profit in the first half of 2006 to CHF 523 million, an increase of 13% compared to the prior-year period. After allowing CHF 12 million for minority interest, a 14% higher profit of CHF 511 million is attributable to the shareholders of Swiss Life Holding. This translates into (diluted) earnings per share of CHF 14.72 (+14%) and an annualised return on equity of 14.3% (prior-year period: 13.4%).

As in the previous year, a special tax situation had a positive impact on the result. No longer required tax provisions of CHF 124 million were written back in the period under review. However, the total tax expense was up by CHF 78 million over the corresponding period of the previous year. The result also includes a gain of CHF 50 million from the sale of Banca del Gottardo (Monaco) and Dreieck Industrie Leasing Ltd. Restructuring costs in Germany and Belgium and one-off expenses relating to the strategic realignment of Banca del Gottardo had an adverse impact amounting to CHF 56 million. Profit from operations improved by 22% to CHF 660 million. The insurance business made the biggest contribution, with a result of CHF 573 million (+24%). Banking contributed another CHF 98 million (+29%). In Investment Management, Swiss Life generated a segment result of CHF 17 million (-23%).

### **Strong premium growth of 20% in international markets**

Gross premium income including deposits under investment contracts amounted to CHF 12.7 billion. This represents an increase of 9% compared to the same period last year, or 7% when one-off effects and exchange rate influences are excluded. Gross premium income in the international markets advanced 20% to CHF 7.2 billion; the organic growth came in at 15%. International business accounted for 57% of total first-half premium volume. In Switzerland, Swiss Life increased its gross premium income in the life business by 3% to CHF 5.5 billion. Due to the disposal of the non-life business, Swiss Life's reported premium income was down 2% in Switzerland. The Swiss Life Group's total income rose 3% from the figure for the first six months of 2005, to stand at CHF 12.2 billion. The increase was largely driven by the 3% growth in net earned premiums to CHF 8.6 billion. It was also fuelled by a 7% rise in policy fees to CHF 217 million and a 15% rise in commissions from banking and asset management activities to CHF 246 million.

### **Direct return on investments stable at 1.9% (not annualised)**

The financial result of CHF 3.0 billion on investments held at own risk was up 2% from the first half of last year. The direct return on insurance portfolio investments amounted to 1.9% (not annualised). Due to the strong rise in interest rates in the first half and the loss in value of the bond portfolio which this entailed, the total investment performance came to -1.0%. Swiss Life shortened the duration of its bond portfolio in the period under review from 7.8 to 5.7 years. The negative impact of the rise in interest rates was reduced by the partial hedging of the bond holdings. The equity exposure of 6.2% at

the end of March was lowered once again in April and stood at 2.8% at the end of June.

### **Operating expenses reduced another 4%**

Insurance benefits kept pace with the increase in premium volumes with a rise of 3%, to CHF 8.8 billion. Operating expenses were reduced by 4% to CHF 1474 million. Swiss Life reduced the adjusted operating expenses in its Swiss business by 7% from the corresponding prior-year period. Expressed as full-time equivalents, the Swiss Life Group's workforce numbered 8817 on 30 June 2006. This corresponds to a reduction of 162 full-time positions since the end of 2005, primarily due to the disposal of Banca del Gottardo (Monaco) and Dreieck Industrie Leasing Ltd.

### **Shareholders' equity at a solid CHF 7.2 billion**

The balance sheet performed as expected against the background of a clear uptrend in the interest level and the associated reduction in revaluation reserves for bond holdings. Shareholders' equity receded by only 6% to CHF 7.2 billion in the first six months of 2006. Core capital for capital adequacy purposes went down by CHF 3.4 billion from the end-of-year figure to CHF 13.2 billion, with reserves for deferred policyholder bonuses making up CHF 2.2 billion of this decline in connection with the upturn in interest rates. The solvency margin of the Swiss Life Group came to 155% as per 30 June 2006 (end of 2005: 211%) and remains at a comfortable level.

### **Embedded value up 13% to more than CHF 10 billion**

The Swiss Life Group's embedded value rose by 13% to CHF 10.1 billion in the first half of the year, which corresponds to a value per share of CHF 298 as of 30 June 2006. This substantial increase is a result of the improved operating performance, the growth and the better market environment. The statutory investment return was clearly above expectations for the first half of 2006 and, in view of recent interest rate developments, the projected return on bond investments has been revised upward. The value of new business contributed CHF 78 million to the increase in embedded value.

## **Transmission of today's events and further documentation**

Today's events will be transmitted at 9.00 a.m. (presentation for analysts and investors in English) and 11.15 a.m. (presentation for media in German) at [www.swisslife.com](http://www.swisslife.com).

All additional documentation concerning the annual results can likewise be found there.

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## **Swiss Life**

The Swiss Life Group is one of Europe's leading providers of pension and life insurance products. The Swiss Life Group offers individuals and companies comprehensive advice across 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 60 countries and regions. With Banca del Gottardo, the Swiss Life Group is also a provider of private banking services. The bank, with its head office in Lugano, has an extended national and international network and around CHF 34 billion in customer assets under management.

Swiss Life Holding, registered in Zurich, dates back to the Schweizerische Rentenanstalt founded in 1857. Shares of Swiss Life Holding are listed on the SWX Swiss Exchange (SLHN). The Swiss Life Group employs a staff of around 9000.

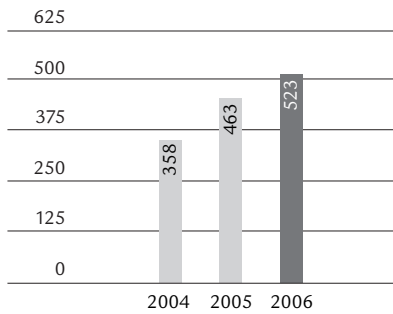
## **Cautionary statement regarding forward-looking information**

This publication contains specific forward-looking statements, e.g. statements including terms like "believe", "assume", "expect" or similar expressions. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may result in a substantial divergence between the actual results, financial situation, development or performance of the company and those explicitly or implicitly presumed in these statements. Against the background of these uncertainties readers should not place undue reliance on forward-looking statements. The company assumes no responsibility to update forward-looking statements or to adapt them to future events or developments.

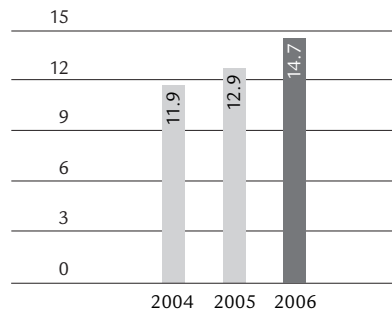
## Key Figures

(unaudited)

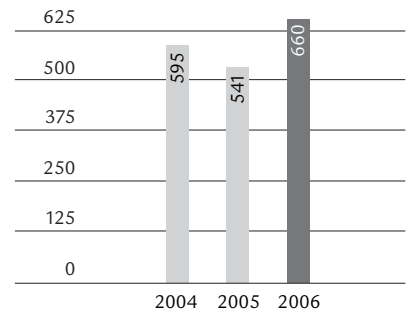
Net profit as at 30.6. CHF million



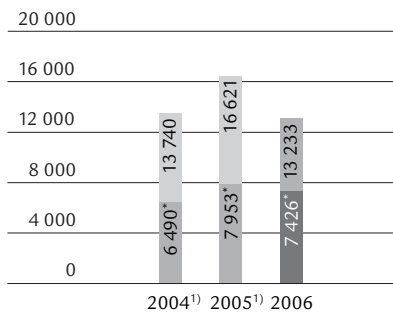
Diluted earnings per share as at 30.6. CHF



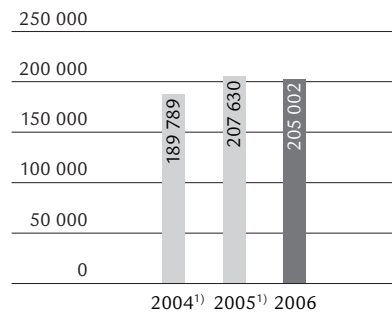
Profit from operations as at 30.6. CHF million



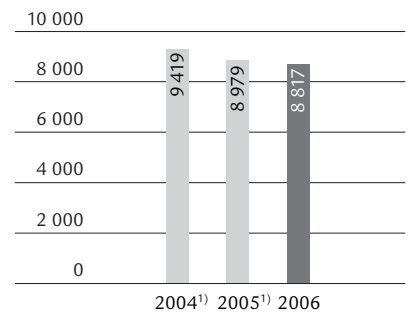
Core capital CHF million



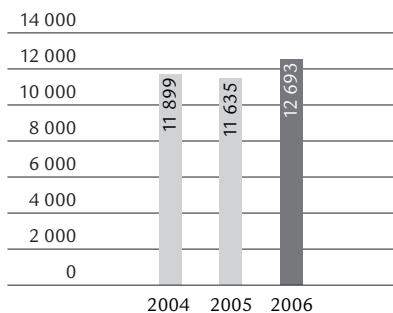
Assets under management CHF million



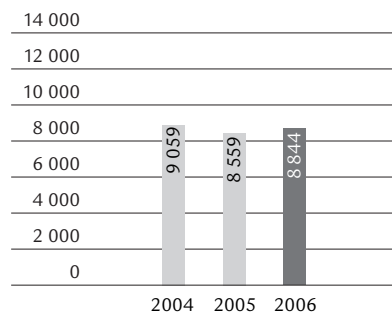
Employees (full-time equivalents)



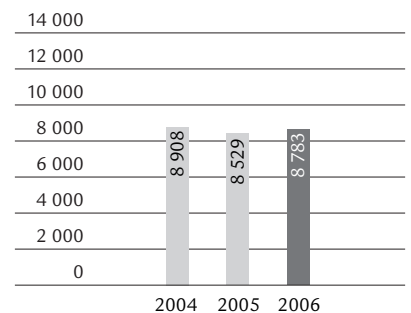
Gross written premiums, policy fees and deposits received as at 30.6. CHF million



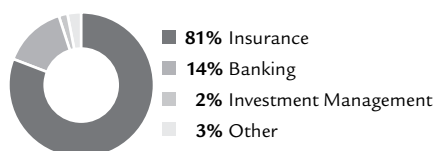
Net earned premiums and policy fees as at 30.6. CHF million



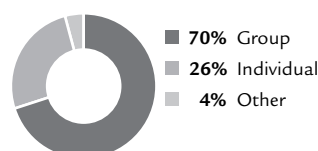
Net insurance benefits and claims as at 30.6. CHF million



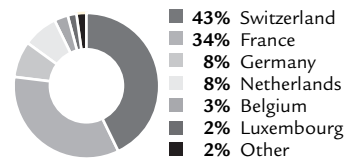
Segment result as at 30.6.



Direct written premiums by type of insurance as at 30.6.



Gross written premiums, policy fees and deposits received by country as at 30.6.



1) As at 31.12.  
\* Equity

## Consolidated Statement of Income

### Consolidated statement of income for the half-years ended 30 June (unaudited)

In CHF million	2006 HY	2005 HY
<b>Income</b>		
Premiums earned on insurance contracts	8 677	8 244
Premiums earned on investment contracts with discretionary participation	69	225
Premiums ceded to reinsurers	-119	-113
Net earned premiums	8 627	8 356
Policy fees earned on insurance contracts	63	73
Policy fees earned on investment and unit-linked contracts	154	130
Policy fees earned	217	203
Asset management and other commission income	246	214
Investment income	2 652	2 572
Net gains/losses on financial assets	177	1 128
Net gains/losses on financial instruments at fair value through profit or loss	105	-667
Net gains/losses on investment property	69	-23
Other income	122	70
<b>Total income</b>	<b>12 215</b>	<b>11 853</b>
<b>Expenses</b>		
Benefits and claims under insurance contracts	-8 779	-8 358
Benefits and claims under investment contracts with discretionary participation	-73	-226
Benefits and claims recovered from reinsurers	69	55
Net insurance benefits and claims	-8 783	-8 529
Policyholder participation	-869	-870
Interest expense	-429	-385
Commission expense	-558	-509
Employee benefits expense	-585	-652
Depreciation and amortisation expense	-203	-295
Impairment of property and equipment and intangible assets	0	0
Acquisition and origination costs deferred	252	273
Other expenses	-380	-345
<b>Total expenses</b>	<b>-11 555</b>	<b>-11 312</b>
<b>Profit from operations</b>	<b>660</b>	<b>541</b>
Borrowing costs	-80	-95
Share of results of associates	8	4
<b>Profit before income tax</b>	<b>588</b>	<b>450</b>
Income tax expense	-65	13
<b>Net profit</b>	<b>523</b>	<b>463</b>
<i>Net profit attributable to</i>		
equity holders of Swiss Life Holding	511	447
minority interest	12	16
<b>Net profit</b>	<b>523</b>	<b>463</b>
Basic earnings per share for the profit attributable to equity holders of Swiss Life Holding (in CHF)	15.26	13.35
Diluted earnings per share for the profit attributable to equity holders of Swiss Life Holding (in CHF)	14.72	12.93

## Consolidated Balance Sheet

### Consolidated balance sheet (unaudited)

In CHF million	30.06.2006	31.12.2005
<b>Assets</b>		
Cash and cash equivalents	12 566	14 170
Insurance receivables and other receivables	4 651	4 175
Derivatives	1 578	777
Financial assets at fair value through profit or loss	27 062	23 653
Financial assets available for sale	83 149	80 031
Loans	27 874	30 280
Financial assets held to maturity	4 253	4 256
Financial assets pledged as collateral	35	1 232
Investment property	11 642	11 439
Investments in associates	82	76
Reinsurance assets	960	923
Property and equipment	1 140	1 263
Intangible assets including intangible insurance assets	3 518	3 075
Current income tax assets	16	53
Deferred income tax assets	101	79
Assets held for sale	13	1 409
Other assets	583	706
<b>Total assets</b>	<b>179 223</b>	<b>177 597</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Insurance payables and other payables	4 126	4 455
Derivatives	1 666	1 881
Financial liabilities at fair value through profit or loss	7 593	6 830
Investment contracts	26 712	24 629
Deposits	7 518	6 419
Borrowings	5 267	4 388
Insurance liabilities	108 854	106 541
Policyholder participation liabilities	5 716	8 082
Employee benefit liabilities	2 559	2 576
Current income tax liabilities	241	273
Deferred income tax liabilities	836	1 136
Provisions	226	212
Liabilities associated with assets held for sale	–	1 734
Other liabilities	483	488
<b>Total liabilities</b>	<b>171 797</b>	<b>169 644</b>
<b>Equity</b>		
Share capital	1 554	1 554
Share premium	2 441	2 467
Treasury shares	–55	–42
Foreign currency translation differences	1	–11
Gains/losses recognised directly in equity, net	218	1 185
Retained earnings	3 013	2 502
<b>Total shareholders' equity</b>	<b>7 172</b>	<b>7 655</b>
Minority interest	254	298
<b>Total equity</b>	<b>7 426</b>	<b>7 953</b>
<b>Total liabilities and equity</b>	<b>179 223</b>	<b>177 597</b>