Investors’ Day 2006
International strategy and sustainability of growth
Bruno Pfister, CEO International
Zurich, 5 December 2006
Agenda

1. Demographic development

2. Strategic positioning
   - Growth
   - Efficiency
   - Leadership

3. Outlook
Strong financial pressure on 1\textsuperscript{st} pillar accelerates shift to 2\textsuperscript{nd} and 3\textsuperscript{rd} pillar

**Old-age dependency ratio**
Population aged 65+ as % of population aged 15-64

- Demographic development in EU is characterised by rising life expectancy and low birth rates
- The proportion of pensioners is expected to increase strongly in the next decades

**Public pension ratio**
Public pension expenditure as % of GDP

- Public pension expenditure is projected to increase in the next decades
- Increasing pressure on 1\textsuperscript{st} pillar will increase people’s awareness of the need for private savings

Source: Eurostat
Agenda

1. Demographic development

2. Strategic positioning
   - Growth
   - Efficiency
   - Leadership

3. Outlook
## International strategy focuses on profitable growth

<table>
<thead>
<tr>
<th>Group strategic directions</th>
<th>International objectives</th>
<th>International priorities</th>
</tr>
</thead>
</table>
| **Growth**                | - Top 10 / within niches top 5 position in each market  
- Focus on HNWI, upper retail affluent, SME, large corporate clients  
- High-performing, profitable, long-term savings products | - Develop Group-wide business model for individual life  
- Expand profitable pension products and services  
- Leverage existing skills in distribution and product development |
| Focus on "pensions" related value proposition | - Multi-channel distribution  
- Above average sales effectiveness and service quality | - Be present in growing distribution channels  
- Reinforce / develop partnerships with banks |
| Develop own and third-party channels | - Increase risk margin  
- Attractive investment performance | - Further decrease cost ratio  
- Increase risk cover in new business  
- Further develop risk management including underwriting |
| **Efficiency**            | - Elimination of cost overrun | - Pursue operational excellence  
- Search for synergies in IT, operations, sourcing and investment management |
| Increase basic insurance profitability substantially | - Lverage existing know-how and coordinate efforts through best practice sharing and cross-border initiatives | - Provide high service quality  
- Improve brand, image and reputation |
| Reduce complexity at all stages of the value chain | - Reach commitment of 80 index points (out of 100) | - Strengthen performance culture  
- Improve coordination and internal communication |
| **Leadership**           | - Develop Group-wide business model for individual life  
- Expand profitable pension products and services  
- Leverage existing skills in distribution and product development |
| Enhance entrepreneurial responsibility and steering | - Be present in growing distribution channels  
- Reinforce / develop partnerships with banks |
| Develop integrated human capital portfolio | - Pursue operational excellence  
- Search for synergies in IT, operations, sourcing and investment management |
| - Increase risk margin  
- Attractive investment performance | - Further decrease cost ratio  
- Increase risk cover in new business  
- Further develop risk management including underwriting |
| - Top 10 / within niches top 5 position in each market  
- Focus on HNWI, upper retail affluent, SME, large corporate clients  
- High-performing, profitable, long-term savings products | - Be present in growing distribution channels  
- Reinforce / develop partnerships with banks |
Growth: Attractive and sustainable position with further growth potential in group life

Swiss Life with relatively strong focus on group life business

Group life vs individual life 2005

Swiss Life International

<table>
<thead>
<tr>
<th>Market share in %</th>
<th>SL market share in %</th>
<th>Market CAGR 02/05 in %</th>
<th>SL CAGR 02/05 in %</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>FR</td>
<td>9.3</td>
<td>3.5%</td>
<td>8.1</td>
<td>-0.3%</td>
</tr>
<tr>
<td>DE</td>
<td>7.3</td>
<td>3.2%</td>
<td>6.7</td>
<td>9.2%</td>
</tr>
<tr>
<td>NL</td>
<td>4.0</td>
<td>7.2%</td>
<td></td>
<td>19.3%</td>
</tr>
<tr>
<td>BE</td>
<td>0.2</td>
<td>3.8%</td>
<td>6.9</td>
<td>0.8%</td>
</tr>
<tr>
<td>LU</td>
<td>0.2</td>
<td>32.3%</td>
<td>14.8</td>
<td>21.0%</td>
</tr>
</tbody>
</table>

Source: Country analysis, insurance associations
Growth: Non-traditional products with strong growth in all market units
Non-traditional premiums; EUR million

Swiss Life successfully launched initiatives for performance-oriented products, offering variety of interesting investment opportunities.
Growth: Innovative products developed to meet changing customer needs (1/2)

<table>
<thead>
<tr>
<th>Customer needs</th>
<th>Client segment</th>
<th>Product description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain downside protection and achieve upside flexibility with higher returns</td>
<td>Individual customers (affluent and HNWI)</td>
<td>Multi-support</td>
</tr>
<tr>
<td></td>
<td>Institutional clients and possibly private customers</td>
<td>Fund of inflation-linked bonds</td>
</tr>
<tr>
<td>Participation in financial markets with downside protection (also feasible for second pillar)</td>
<td>Retail and affluent clients</td>
<td>SL Auro: Index-linked product with capital guarantee</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SL Synchro: Hybrid product, combining traditional and unit-linked product</td>
</tr>
<tr>
<td>Customers demand comprehensive, transparent and fast / convenient products</td>
<td>SME</td>
<td>I-Pensioen: Web-based standardised product line with self-service, allowing lower costs and better information for customers. Brokers selling I-Pensioen can manage policyholder information using the extranet platform “my workplace”</td>
</tr>
<tr>
<td>Make use of revised fiscal advantages</td>
<td>Private</td>
<td>Introduction of ‘Levensloop’, savings product with a risk insurance element</td>
</tr>
</tbody>
</table>

- **France**
- **Germany**
- **Netherlands**
Growth: Innovative products developed to meet changing customer needs (2/2)

<table>
<thead>
<tr>
<th>Customer needs</th>
<th>Client segment</th>
<th>Product description</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Security</td>
<td>• Affluent clients, self</td>
<td>• New traditional product range</td>
</tr>
<tr>
<td>• Flexibility &amp; high return</td>
<td>employed</td>
<td>• Unit-linked dedicated funds, deposit with withdrawals</td>
</tr>
<tr>
<td>• POS/brokers and customers</td>
<td>• Above-average individuals</td>
<td>• “My workplace” products in group business</td>
</tr>
<tr>
<td>online (achieve fully</td>
<td></td>
<td></td>
</tr>
<tr>
<td>integrated e-sales)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Luxembourg</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Tax optimisation of assets</td>
<td>• Upper middle class and</td>
<td>• ModuLife Universal product with mix of mutual, dedicated and with guaranteed funds</td>
</tr>
<tr>
<td>• Secure generational transfer</td>
<td>HNWI, as well as legal</td>
<td>• Pure savings product without insurance</td>
</tr>
<tr>
<td>of assets / estate planning</td>
<td>entities within the EU</td>
<td>• Investment product in unlisted shares / real estate</td>
</tr>
<tr>
<td>Luxembourg</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liechtenstein</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Tax optimisation of assets</td>
<td>• HNWI worldwide</td>
<td>• LAP (life asset portfolio) Universal / Germany / Italy / Sweden / Norway</td>
</tr>
<tr>
<td>• Secure generational transfer</td>
<td>• HNWI with links to the US</td>
<td>• DVA - USA (deferred variable annuity)</td>
</tr>
<tr>
<td>of assets / estate planning</td>
<td>• Targeting Asian offshore</td>
<td>• VUL - Asia (variable universal life)</td>
</tr>
<tr>
<td>• US-compliant rules</td>
<td>HNWI customers</td>
<td></td>
</tr>
<tr>
<td>• Estate planning needs and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>access to attractive BdG</td>
<td></td>
<td></td>
</tr>
<tr>
<td>investments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Growth: Implement strong multi-channel distribution in all countries

Distribution mix (SL/market) in 2005

<table>
<thead>
<tr>
<th>Market</th>
<th>Swiss Life</th>
<th>Main achievements</th>
</tr>
</thead>
</table>
| FR     |            | ● Further development of modern distribution channels such as internet, IFAs and Private Banking  
|        |            | ● Distribution agreements with selected banks e.g. UBS, CS, Rothschild |
| DE     |            | ● Direct sales with SLP AG  
|        |            | ● MetallRente (largest voluntary pension plan in DE)  
|        |            | ● SLIS AG (Credit life business and consumer credits) |
| NL     |            | ● Direct sales via internet and call center  
|        |            | ● Franchising pilot by 2 advice lounges  
|        |            | ● Participation in distribution parties |
| BE\(^1\) |            | ● Convert ex-agent into pension experts and develop new channel (internet)  
|        |            | ● New points of sale: insurance brokers and independent bank brokers |
| LU     |            | ● Expand bank partnerships  
|        |            | ● Further development of IFAs and Family Offices |
| FL\(^2\) |            | ● Leverage synergies with BdG  
|        |            | ● Develop distribution channels with private banks and brokers |

1) FY 2004 for the market  
2) HY 2006 figures, best estimate for market
**Growth and efficiency: Paradigm shift in the individual life product architecture**

**Current situation**

<table>
<thead>
<tr>
<th>Product</th>
<th>A</th>
<th>Product</th>
<th>B</th>
<th>Product</th>
<th>n</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tariff</td>
<td>A</td>
<td>Tariff</td>
<td>B</td>
<td>Tariff</td>
<td>n</td>
</tr>
<tr>
<td>In-/Exkasso</td>
<td>A</td>
<td>In-/Exkasso</td>
<td>B</td>
<td>In-/Exkasso</td>
<td>n</td>
</tr>
<tr>
<td>Commission</td>
<td>A</td>
<td>Commission</td>
<td>B</td>
<td>Commission</td>
<td>n</td>
</tr>
<tr>
<td>Surrender</td>
<td>A</td>
<td>Surrender</td>
<td>B</td>
<td>Surrender</td>
<td>n</td>
</tr>
<tr>
<td>Reserving</td>
<td>A</td>
<td>Reserving</td>
<td>B</td>
<td>Reserving</td>
<td>n</td>
</tr>
<tr>
<td>Client</td>
<td>A</td>
<td>Client</td>
<td>B</td>
<td>Client</td>
<td>n</td>
</tr>
<tr>
<td>Mutations</td>
<td>A</td>
<td>Mutations</td>
<td>B</td>
<td>Mutations</td>
<td>n</td>
</tr>
<tr>
<td>General ledger</td>
<td>A</td>
<td>General ledger</td>
<td>B</td>
<td>General ledger</td>
<td>n</td>
</tr>
</tbody>
</table>

- Reinventing the wheel for each new product
- Different definitions and therefore multiplication of identical components
- High costs, not only in development but also in maintenance
- Complex, unclear documentation obstructing know-how transfer

**New business model**

**Product architecture**

- Tariff
- In-/Exkasso
- Surrender
- Reserving
- Mutations
- Commission
- General ledger

**Customer information**

- Modular products with standard components
- Global product architecture enabling local specialities and innovation
- Low costs & short time-to-market
- Leverage cross-border know-how
- Flexibility to outsource modules
### Efficiency: Projects in progress in all countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Project...</th>
<th>...initiatives...</th>
<th>....to deliver</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>Lean Six Sigma</td>
<td>Improve client service while maintaining cost levels despite growth</td>
<td>Unchanged costs with 30% increase in business</td>
</tr>
<tr>
<td>Germany</td>
<td>Opus</td>
<td>Streamline structure, Optimise processes through more automation</td>
<td>Reduce costs by 12%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Lean Six Sigma</td>
<td>Improve and automate processes</td>
<td>Improve productivity by almost 20%</td>
</tr>
<tr>
<td>Belgium</td>
<td>Technical profitability committee, Lean Six Sigma, E-business project</td>
<td>Reengineer business processes and implement integrated web based platform</td>
<td>Reduce costs by 11%</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Lean Six Sigma</td>
<td>Improve efficiency and quality of business processes, Speed-up product development (time-to-market)</td>
<td>Almost double productivity</td>
</tr>
<tr>
<td>Liechtenstein</td>
<td>E-BAO</td>
<td>Leveraging the existing tools</td>
<td>More than double productivity</td>
</tr>
</tbody>
</table>

Significant improvement in efficiency
Efficiency: Pursue coordinated operational excellence initiatives

Lean Six Sigma: Combination of “Lean” and “Six Sigma”

“Lean” to improve efficiency

1. Overproduction
2. Waiting
3. Transportation
4. Over-processing
5. Inventory
6. Rework
7. Motion

Potential waste of time and money

“Six Sigma” to improve quality

Reduce process variability
Reduce error rate

“Lean” service delivery to
- Reduce process time
- Reduce cycle time

"Six Sigma" service delivery to
- Reduce process variability
- Reduce error rate
Leadership: Strong recognition with awards in all countries

Zwitserleven first insurer in the Netherlands to receive SAS 70 (Type I) certification

SL BE 2005: Best campaign
SL BE 2006: Innovation prize for MyWorkplace

Number of awards received

- 2004: 6
- 2005: 19
- 2006: 17

No. 1 award
Within top 3
Agenda

1. Demographic development

2. Strategic positioning
   - Growth
   - Efficiency
   - Leadership

3. Outlook
Pensions Leadership strategy with concrete actions and proven success

**Growth**
- Develop innovative products to satisfy changing customer needs
- Strengthen multi-distribution channels to support growth
- Invest in internet as a rapidly growing support channel

**Efficiency**
- Continue projects to achieve operational excellence
- Promote cross-border projects to increase efficiency
- Look for add-on acquisitions to reach competitive cost levels

**Leadership**
- Capitalise on strong Swiss quality brand
- Reinforce international cooperation
- Aspire to Pensions Leadership
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