Key messages

Swiss Life has safeguarded its interest rate margin in a prolonged period of low interest rates through disciplined Asset Liability Management (ALM)

ALM is a cornerstone for management decisions
- Duration gap closely managed
- Efficient capital consumption ensured

Interest rate margin secured for more than two decades by disciplined ALM
- Asset side: Direct yield improved and stability of net investment result increased
- Liability side: Technical interest rates and policyholder participations reduced and policyholder reserves strengthened
ALM concept in a nutshell

**Integrated view of assets and liabilities key to protect economic net worth**

**Asset duration**
- Measures sensitivity to moderate interest rate changes
- Steered by bonds/other fixed income instruments with their maturities and derivatives
- Varies slightly with rate changes for fixed income

**Liability duration**
- Measures sensitivity to moderate interest rate changes
- Driven by in-force product guarantees and options
- Varies considerably with rate changes

- Liabilities increase more than assets when interest rates decrease (convexity)
- Dynamic ALM performed to mitigate impact of interest rate changes on capital position
- MCEV exaggerates current interest rate sensitivity as dynamic ALM is not incorporated
Ongoing dynamic duration management to keep duration gap narrow

In %

- Efficient capital consumption maintained
- Duration gap kept below 1 year
- Required substantial lengthening of asset duration

1) Excludes duration contribution of real estate which were modelled as interest rate sensitive assets until YE2009

<table>
<thead>
<tr>
<th>Date</th>
<th>German Gov't Bond Yield (10 yr)</th>
<th>Swiss Gov't Bond Yield (10 yr)</th>
<th>Asset Duration</th>
<th>Total Weighted Duration Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2007</td>
<td>5.6 1)</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
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<tr>
<td>31.12.2008</td>
<td>6.3 1)</td>
<td>0.9</td>
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<td>31.12.2009</td>
<td>6.2 1)</td>
<td>0.6</td>
<td>0.9</td>
<td>0.9</td>
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<tr>
<td>31.12.2010</td>
<td></td>
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<td>0.9</td>
<td>0.5</td>
</tr>
<tr>
<td>31.12.2011</td>
<td></td>
<td></td>
<td>9.1</td>
<td></td>
</tr>
</tbody>
</table>

1) Excludes duration contribution of real estate which were modelled as interest rate sensitive assets until YE2009
Asset allocation adjusted to strengthen direct yield and reduce risk

CHF million (fair value basis), insurance portfolio for own risk

- Equities and alternative investments; reduced
  - Capital intensive, no duration, unfavourable local statutory accounting treatment; alternatives are also illiquid, hardly hedgeable

- Real estate; increased
  - Stable income, attractive risk-return profile despite having no duration under MCEV and SST

- Mortgages and loans; reduced
  - Add duration if long maturities available, direct income, favourable local statutory accounting treatment

- Government bonds of “safe” countries; reduced
  - Add long duration, direct income, favourable local statutory accounting treatment, crisis resistant

- Corporate bonds; increased
  - Add duration, direct income, favourable local statutory accounting treatment, lower rated bonds as substitute for equities

- Cash; reduced
  - Capital inefficient: no duration and direct income; cash and liquidity efficiently managed with repos through SNB platform
Asset duration measures and increase in corporate bonds strengthened direct yield

<table>
<thead>
<tr>
<th>ALM measures</th>
<th>Further de-risking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct yield FY 2006</td>
<td>3.4%</td>
</tr>
<tr>
<td>Reinvestments of maturing bonds</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Gross realised gains</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Duration lengthening</td>
<td>0.5%</td>
</tr>
<tr>
<td>Reduction of risky assets (incl. cash)</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Increase in corporate bonds</td>
<td>0.7%</td>
</tr>
<tr>
<td>Increase in real estate</td>
<td>0.1%</td>
</tr>
<tr>
<td>FX-impact</td>
<td>-0.0%</td>
</tr>
<tr>
<td>Change of unrealised gains</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Direct yield FY 2011</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

In % of market value of assets
Stable and strong returns despite decreasing interest rates

IFRS basis, in %

- Long asset duration supports yield over time
- Narrow duration gap protects interest rate margin

<table>
<thead>
<tr>
<th>Date</th>
<th>Direct yield</th>
<th>Net investment yield</th>
<th>German government bond (10 yr)</th>
<th>Swiss government bond (10 yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2006</td>
<td>3.9%</td>
<td>3.8%</td>
<td>3.9%</td>
<td>3.8%</td>
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<tr>
<td>31.12.2007</td>
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<td>3.8%</td>
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</table>
Substantial decrease of average technical interest rate achieved

Average technical interest rate reduced by business actions and regulatory decisions

Mandatory Group life CH
Reduction in minimum interest rate by 100 bps to 1.50% by Federal Council -14 bps

Non-mandatory Group life CH
Reduction in guaranteed rates by 100 bps to 1.25% by Swiss Life -12 bps

Change in business mix -25 bps
Reserve strengthening -4 bps
Other effects Disposals and FX -10 bps
Total -65 bps

Additional liability measures
Policyholder participation reduced in Switzerland, France and Germany
Swiss Life Group’s interest rate margin resilient in low interest rate environment

Structurally healthy interest rate margin
- Interest rate margin resilient for more than two decades even if rates stay low
- Policy adjustments in non-mandatory Group life could further extend this period
- Reserve strengthening has an additional positive impact on resilience against low interest rates

Analysis is based on conservative assumptions
- No new business assumed beyond 2015, i.e. beneficial effect of new low-guarantee business not considered
- Reinvestment rates in this analysis are lower than effective ones; assumed are
  - Switzerland: 1.3%
  - France: 2.2%
  - Germany: 2.2%
- Risk and fee income are not considered

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1) Net investment yield excl. gain realisations on fixed income investments
2) Includes further guarantees and quasi-guarantees
Solid interest rate margin is key in asymmetric policyholder sharing
Reserve strengthening reduces technical guarantees

![Diagram showing the impact of reserve strengthening on interest rate margin, shareholder profit, and gross surplus. The diagram illustrates how reserve strengthening affects net investment yield, average technical interest rate, and average technical interest rate if non-mandatory Group Life CH at 0%.]

- **Shareholder**
- **Policyholder**
- **Reserve strengthening**

**ILLUSTRATIVE**

- **Impact of reserve strengthening**

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**Policyholder sharing**

- **Shareholder Profit**
- **Interest rate margin**
- **Gross surplus**

Net investment yield
- Average technical interest rate
- Avg. techn. interest rate if non-mandatory Group Life CH at 0%
Interest rate margin is one of four sources of profits

Risk profit and cost result further support shareholder profit

Fee income without profit sharing

Improves profit diversification and profits fully accrue for shareholder
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Financial calendar

Full-year results 2012 27 February 2013
Publication of Annual Report 2012 18 March 2013
Annual General Meeting 23 April 2013
Interim Statement Q1 2013 23 May 2013

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