BoAML Banking & Insurance CEO Conference 2012
Swiss Life: Building value through disciplined execution

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London, 26 September 2012

Agenda

→ **Swiss Life Group:**
Attractive business portfolio

HY 2012 results:
Improved profitability

MILESTONE:
Increased resilience of business model

Outlook:
Diversification of profit sources to be continued

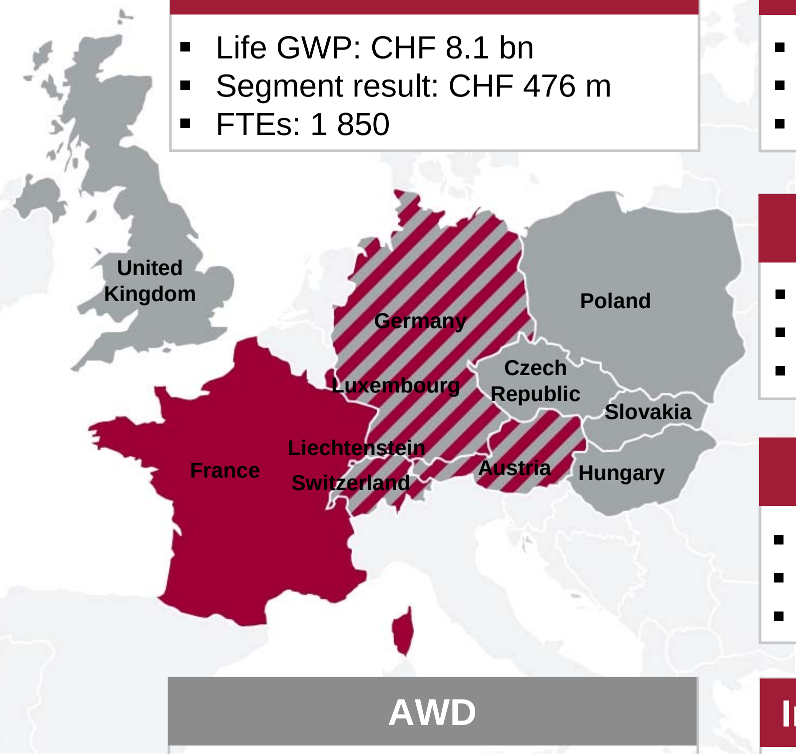
Swiss Life Group offers an attractive business portfolio…

FY 2011

Segment view

Group view

- Leading provider of protection, savings and pension solutions
- GWP incl. PHD: CHF 17.1 bn
- Net profit: CHF 606 m
- Shareholders' equity: CHF 9.1 bn
- AuM: CHF 118 bn
- Group MCEV: CHF 7.7 bn
- FTEs: 7 168[1)]



Switzerland

- Life GWP: CHF 8.1 bn
- Segment result: CHF 476 m
- FTEs: 1 850

France

- GWP: CHF 4.4 bn
- Segment result: CHF 124 m
- FTEs: 2 075

Germany

- Life GWP: CHF 1.7 bn
- Segment result: CHF 58 m
- FTEs: 715

International[2)]

- Life GWP: CHF 3.0 bn
- Segment result: CHF -10 m
- FTEs: 286

AWD

- Revenues: CHF 692 m
- EBIT (excl. one-offs): CHF 67 m[3)]
- FTEs: 1 452

Investment Management

- Total income: CHF 302 m
- Segment result: CHF 130 m
- FTEs: 610

1) Incl. 180 FTEs in Corporate Centre and other
2) Insurance International consists of Private Placement Life Insurance, Corporate Solutions Luxembourg, Swiss Life Products and Swiss Life Austria
3) EBIT (including one-offs): CHF 9 m

…with strong market positions in its target segments

SwissLife

FY 2011

	Market position	Opportunities
Switzerland	Individual Life: No 1 Group Life: No 2	▪ Inherent growth in Group Life
France	Individual Health: No 2[1)] Life: No 14[2)]	▪ Growing needs of target customer segment (affluent & SMEs)
Germany	BUZ[3)]: a market leader BAV[4)]: No 7	▪ Still substantial growth potential in BUZ and BAV
International	PPLI : No 2 globally[5)] Swiss Life Network: No 1	▪ Growing international wealth structuring and private pension needs
AWD	One of the leading IFAs in Europe	▪ Convincing IFA model ▪ Market intelligence for Swiss Life

1) Excl. mutuals 2) Estimate for 2011 3) BUZ: supplementary occupational disability insurance 4) BAV: occupational pension scheme 5) Providers with global exposure

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Improved profitability due to operational progress and a strong investment result

SwissLife

HY 2012 vs HY 2011

Profit from operations	CHF 528 m	+17%
Net profit (adjusted)	CHF 369 m	+15%
New business margin (% PVNBP)	1.0%	-0.6 ppts
GWP incl. PHD (in local currency)	CHF 9.8 bn	+1%
Net investment result	2.7%	+0.8 ppts
Shareholders' equity	CHF 9.8 bn	+8%[1)]
Return on equity (annualised)	7.7%	-1.0 ppts
Group solvency	224%	+11 ppts

1) HY 2012 vs FY 2011

Balance sheet further de-risked in view of euro crisis

SwissLife

- **Proactive risk management:**
  - Swiss Life’s continuous management of its sovereign exposure to the euro-zone has led to a reduction of its European peripheral sovereign debt to less than 0.4% of invested assets
  - Furthermore, recent reassessment of situation around the euro resulted in a substantial reduction of the overall sovereign exposure to the euro-zone on the Swiss balance sheet
- **Risk-return considerations relating to euro-zone sovereign bonds:**
  - Currency redenomination risks for bonds issued under national law in case of partial euro break-up
  - Risk of debt mutualisation putting pressure on “safe” bonds
  - Extreme rally of “safe” bonds in second quarter 2012
- **Action taken:**
  - Euro-zone sovereign bonds with a market value of CHF 7.8 bn sold in May/June which generated realised gains of CHF 0.9 bn
  - Proceeds mainly invested in US Treasuries

→Excess investment result used for further balance sheet strengthening

De-risking led to lower exposures to euro-zone sovereign bonds

Government and supranational bond portfolio (fair value basis)

	% of total government and supranational bond portfolio FY 2011[1)]	HY 2012[2)]
Switzerland	25%	26%
France	16%	8%
UK	7%	7%
Germany	12%	4%
Netherlands	5%	3%
Austria	3%	3%
Sovereigns under observation	1%	1%
Supranationals	4%	4%
Other	10%	10%
Europe	**82%**	**65%**
USA	2%	18%
Canada	9%	10%
Supranationals	2%	2%
Other	5%	5%
Rest of the world	**18%**	**35%**
Total	**100%**	**100%**

In CHF million[3)]

	FY 2011	HY 2012	
	Fair value	Fair value	Amortised cost value
Portugal	78	57	84
Italy	81	121	129
Ireland	177	191	211
Greece	11	0	0
Spain	189	127	153
Total	**536**	**496**	**577**

1) 32.1% of insurance portfolio (CHF 38.0 bn) 2) 34.2% of insurance portfolio (CHF 42.2 bn) 3) Before policyholder/shareholder split and tax

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Opportunities and challenges exploited and addressed by MILESTONE

Opportunities

- Demographic developments and increasing security needs
- Changed customer needs
- Effective multichannel management to exploit customer and market segments

Challenges

- Persisting low interest rate environment
- High volatilities and uncertainty in capital markets
- Increased competitive pressure
- Higher consumer protection and regulation of distribution models
- Risk-based capital requirement

1. **Enhance customer value & new business profitability**
2. **Increase distribution quality and power**
3. **Improve operational excellence**
4. **Preserve the balance sheet & optimise in-force business**

With MILESTONE working on right levers and managing for value

SwissLife

Workstream	Objectives		
1 Enhance customer value & new business profitability	▪ Margin management focus: VNB and NBM ▪ Drive shift to modern products & promote risk products	"We are growing – but not at the expense of value"	5 Drive disciplined execution
2 Increase distribution quality and power	▪ Optimise distribution channel mix ▪ Capture full potential of AWD	"We are increasing growth in 3rd party channels and AWD"	
3 Improve operational excellence	▪ Plan with clear accountabilities to achieve 2012 cost target ▪ Eliminate negative cost result and move to continuous improvement	"We are managing our cost base rigorously and continuously"	
4 Preserve the balance sheet & optimise in-force business	▪ Initiatives to optimise profit stream from in-force business and risk capital usage	"We are actively managing our capital and in-force business"	

Margin pressure due to adverse capital market environment largely contained

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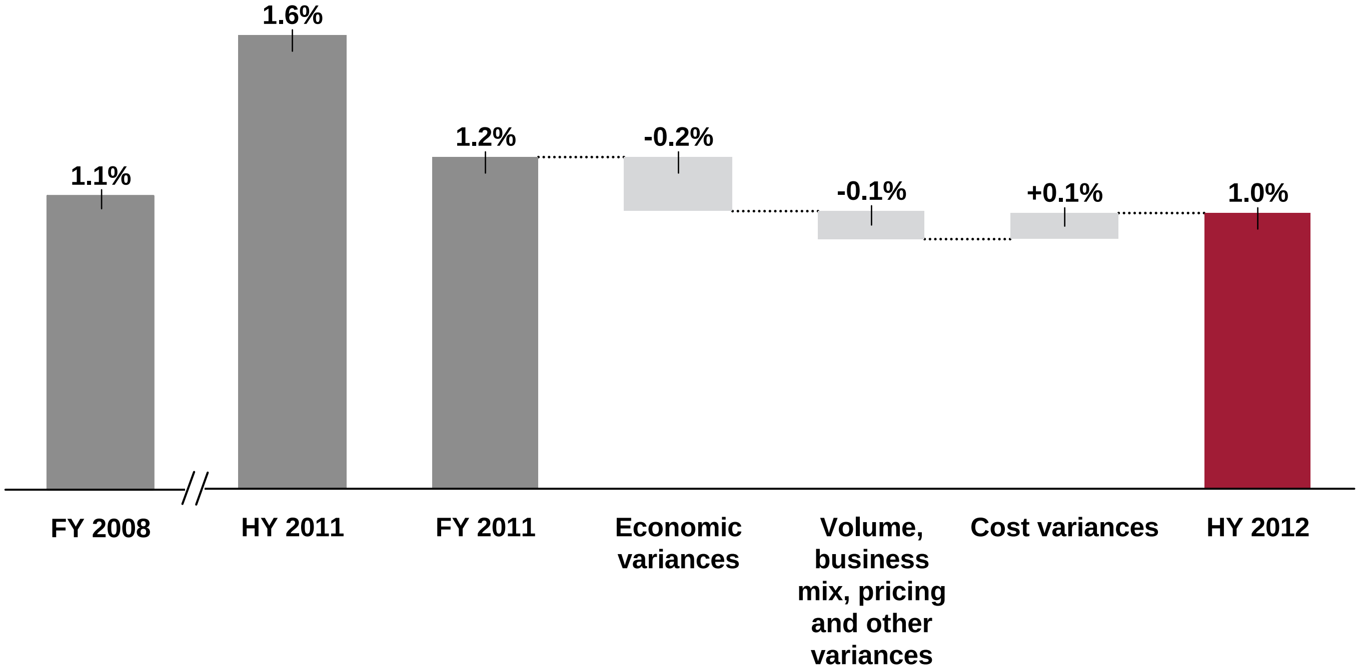
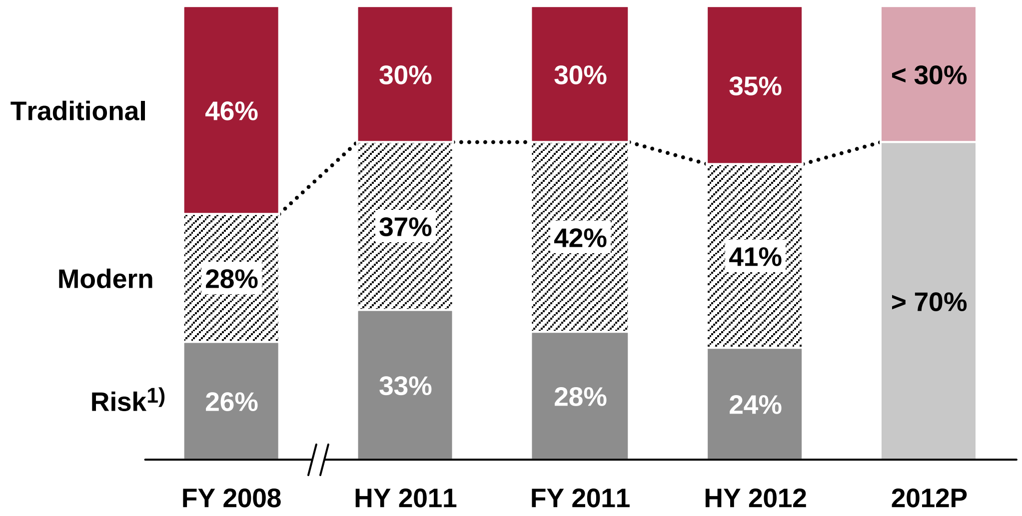
New business margin development
(VNB as % of PVNBP)



	HY 2011	FY 2011	HY 2012
PVNBP	6 364	12 914	6 102
APE	638	1 269	605
VNB	104	150	59
NBM (APE)	16.2%	11.9%	9.7%

Overall, share of modern and risk products increased

New business product mix (based on new business production)



Without PPLI

	FY 2008	HY 2011	FY 2011	HY 2012
Traditional	53%	36%	37%	42%
Modern	16%	25%	28%	28%
Risk[1]	31%	39%	35%	30%
Modern & risk	47%	64%	63%	58%

1) Including health

Strengthened distribution through broadened multi-channel approach

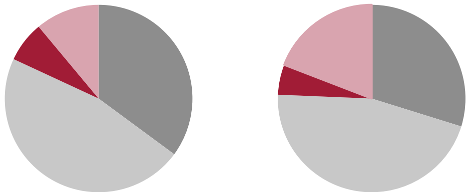
Distribution split based on new business production

2008 2011

Switzerland

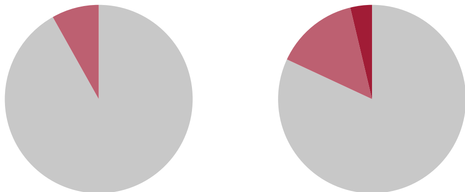
- Focus on multi-channel management
- Strong own sales force and broker distribution
- AWD established as an important channel for individual life products

France



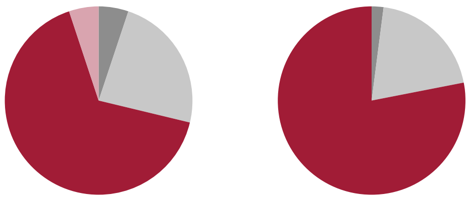
- Multi-channel distribution strategy in all lines of business
- Development of alternative proprietary distribution networks

Germany



- Excellent reputation in broker market
- AWD cooperation well-established
- Further development of banking channel

International (PPLI, Corpo-rate Solutions)



- HNWI products: Distribution through banks and brokers
- Corporate products: Sold through own sales force

Own sales force / tied agents | 3rd party incl. brokers / IFAs | AWD | Banks | Others

Cost savings and growth led to improved efficiency ratios

Adjusted IFRS basis; in local currency

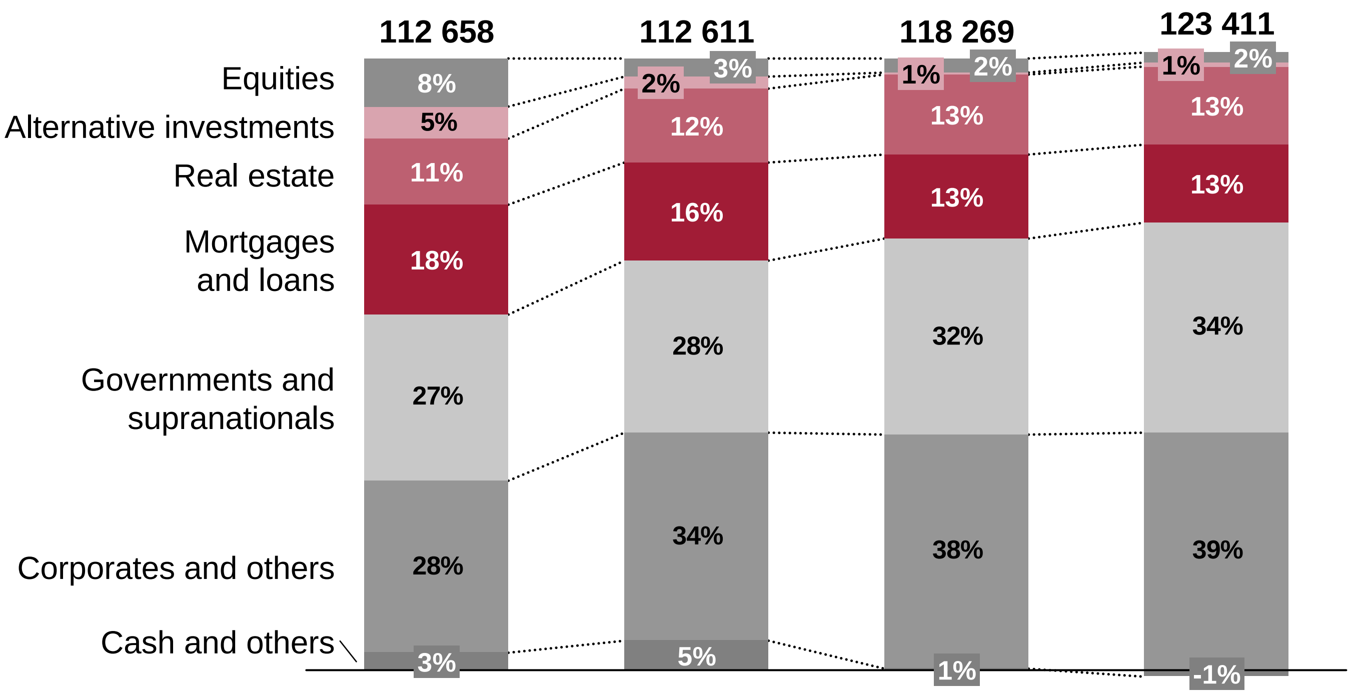
Operating expense in % of average technical reserves (excl. deferred PHP)
HY 2011 and HY 2012 not annualised

	FY2008	FY2011	HY2011	HY2012
Insurance Switzerland	0.81%	0.56%	0.26%	0.26%
Insurance France	1.96%	1.64%	0.83%	0.80%
France Life	*0.79%*	*0.68%*	*0.36%*	*0.35%*
Insurance Germany	0.88%	0.84%	0.39%	0.38%
Insurance International	0.91%	0.49%	0.25%	0.23%
Total Insurance	**1.00%**	**0.78%**	**0.38%**	**0.36%**

- Since FY 2008, cost savings of around CHF 400 million realised
- This corresponds to more than 20% of the FY 2008 operating expense base

Assets de-risked…

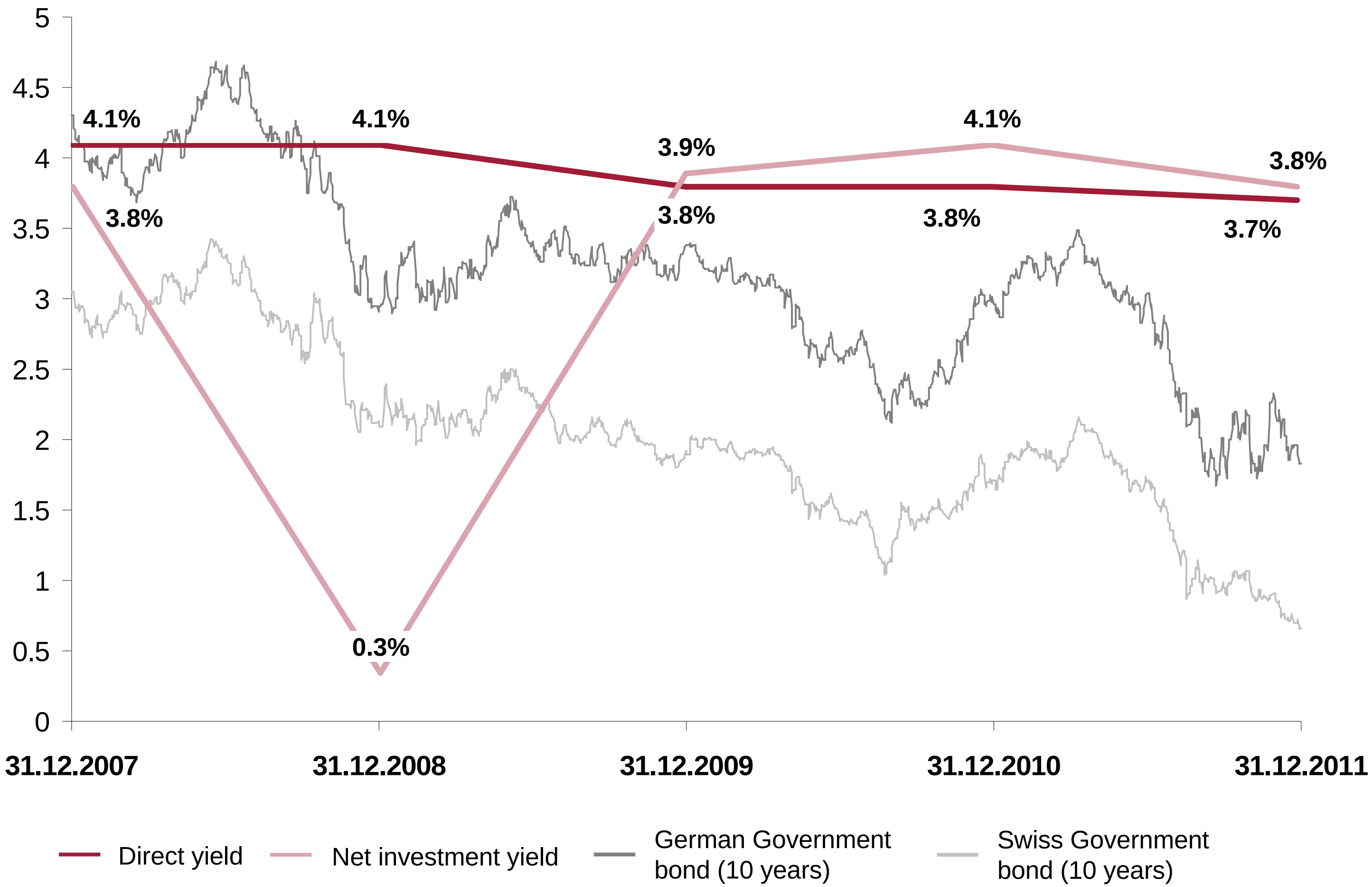
CHF million (fair value basis), insurance portfolio for own risk



	31.12.07	31.12.09	31.12.11	30.06.12
Net equity exposure	7.5%	1.8%	1.1%	0.6%
Duration gap	0.9%	0.6%	0.5%	0.4%

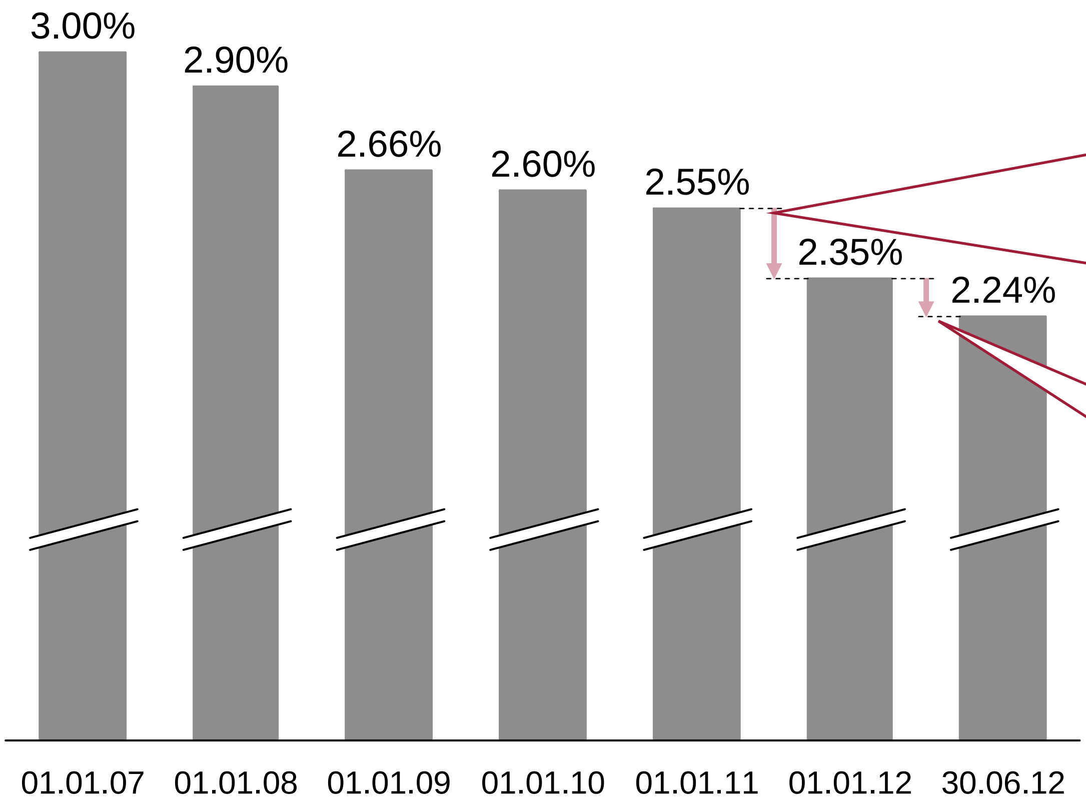
… leading to strong yields despite falling interest rates

IFRS basis



Average technical interest rate reduced by management actions and regulatory decisions

Statutory basis



▪ **Mandatory group life CH:** Reduction in minimum interest rate by 50 bps to 1.50% by Federal Council	~7 bps
▪ **Non-mandatory group life CH:** Reduction in guaranteed rates by 25 bps to 1.25% by Swiss Life	~3 bps
▪ **Reserve strengthening**	~4 bps
▪ **Change of business mix**	~6 bps
Total	**20 bps**

▪ **Reserve strengthening**	~8 bps
▪ **Change in business mix**	~3 bps
Total	**11 bps**

Profit by source demonstrates reduced dependency on investment result

CHF million; IFRS basis

	FY 2010 adjusted		FY 2011 adjusted	
Savings result	545	68%	477	56%
Risk result	333	42%	382	45%
Cost result	-192	-24%	-200	-23%
- Thereof admin cost result gross[1)]	*-9*	*-1%*	29	*3%*
Fee result	134	17%	164	19%
Others & eliminations	-21	-3%	24	3%
Segment result	**799**	**100%**	**847**	**100%**
- Unallocated corporate costs	-48		-54	
Profit from operations	**751**		**793**	

1) gross = before policyholder participation

Successful execution has increased resilience of business model

Comprehensive set of measures implemented since December 2009:

Measures		
Asset side ▪ Enhance sustainable investment returns ▪ Preserve investment margin	▪ Solid and proven ALM: Duration gap kept below 1 year and significantly reduced interest rate sensitivity ▪ SAA adjusted: Share of bonds and real estate in-creased at the expense of equities and hedge funds ▪ FX and equity hedging in place ➔ **Maintain direct yield**	**Increased resilience of business model**
Liability side ▪ Strengthen technical results ▪ Build up policyholder buffers	▪ In-force: Policyholder participation reduced ▪ Cost base significantly reduced ▪ Policyholder buffers and reserves strengthened ▪ New business: Pricing discipline maintained ➔ **Improve technical margins**	
Other ▪ Reduce dependency on investment income	▪ Fee income increased ▪ Successful shift towards modern products ➔ **Diversify profit sources towards fee business**	

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Diversification of profit sources to be continued

Outlook

SwissLife

- New plan to be presented at Investors' Day on 28 November 2012
- Focus on diversifying profit sources by increasing share of fee and risk businesses
  - ➔ Reinforce our customer centricity
  - ➔ Provide comprehensive financial services
  - ➔ Improve market management by better leveraging our distribution channels
  - ➔ Achieve further operational progress

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Contact details and financial calendar

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Financial calendar

Interim statement Q3	13 November 2012
Investors' Day	28 November 2012
Full-year results 2012	27 February 2013

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