



Helvea Swiss Equities Conference 2009
Maintaining momentum in
Private Placement Life insurance

Peter Huber, CEO Private Placement Life Insurance, Swiss Life
Bad Ragaz, 16 January 2009

Key messages



PPLI¹⁾ a key element of Swiss Life's strategic shift of business mix



Maintaining momentum in PPLI through global and harmonised expansion



PPLI contributing to Swiss Life's earnings diversification



Swiss Life Group with good financial and solvency situation, and with clear near-term priorities

1) PPLI = Private Placement Life Insurance

Agenda



1. Swiss Life Group strategy

2. Private Placement Life Insurance

3. Summary

Swiss Life: Our ambition - Pensions Leadership



Mission

We are committed to helping people create a financially secure future. For life

Ambition

We aim to become the leading international life and pensions specialist

Focus on retirement needs

- Address needs of corporate and individual customers, before and after retirement
- Offer innovative products and solutions of enhanced profitability
- Distribute through optimised market-specific channel mix

Focus on growth opportunities

- Expand cross-border businesses
- Realise inorganic opportunities in existing markets
- Tap into new high growth markets

Focus on functional excellence

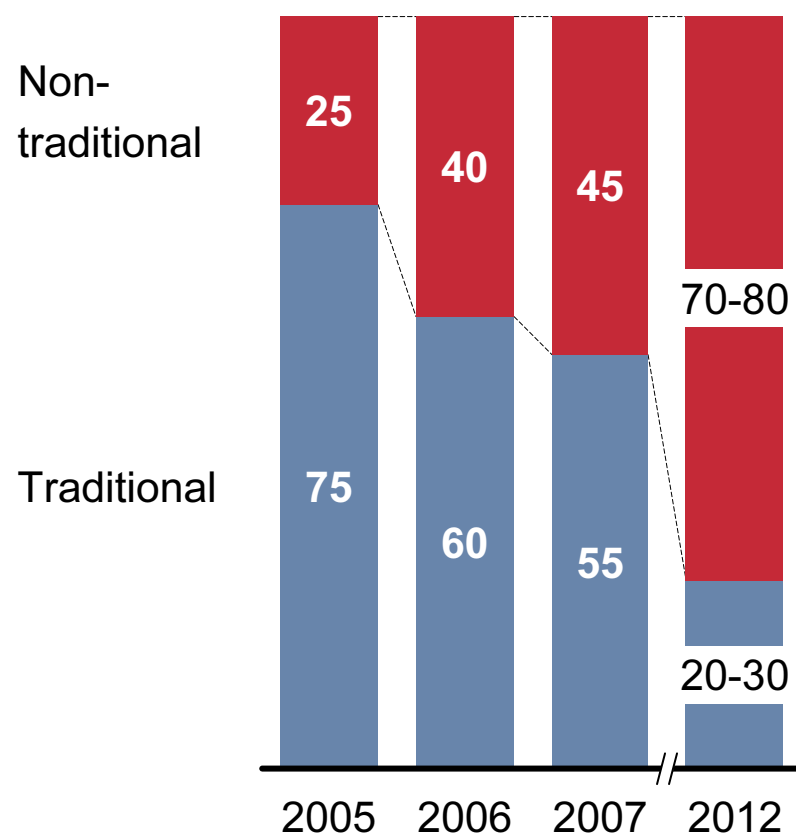
- Adapt Group governance, combining market proximity and best practice transfer
- Realise economies of scale and skills
- Strengthen performance management, and active capital management

Foster employee commitment

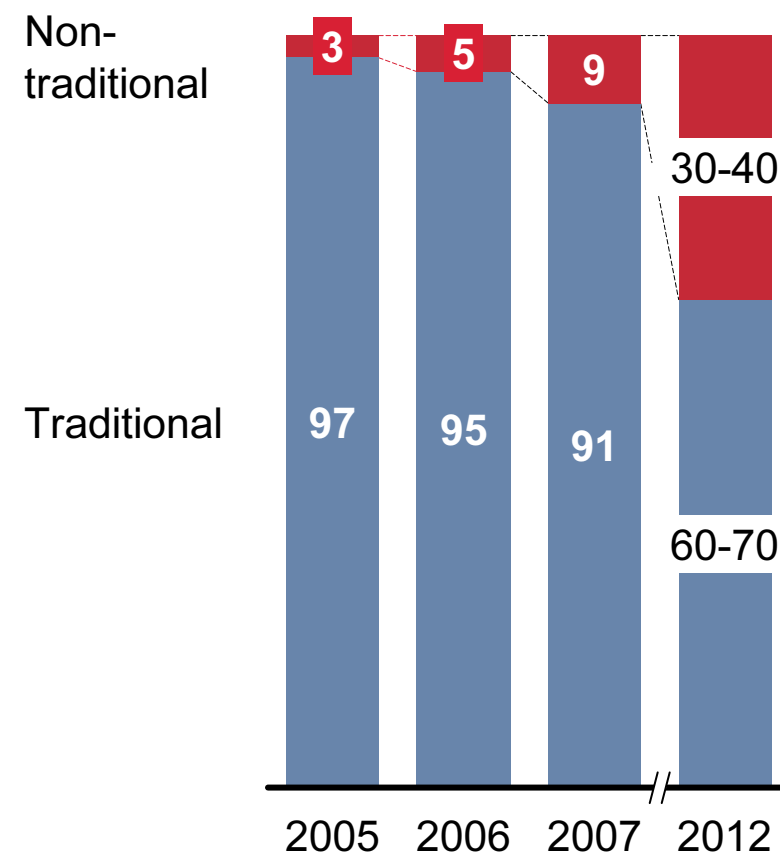
PPLI is contributing to Swiss Life's targeted shift of business mix



New business mix Swiss Life Group, %



Technical Reserves Swiss Life Group, %



Agenda



1. Swiss Life strategy

2. Private Placement Life Insurance

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Growing global wealth planning market with increasing demand for specialised products

“By 2017, there will be 12 countries with one million US\$ millionaire households”

Barclays Wealth Insights, 2008

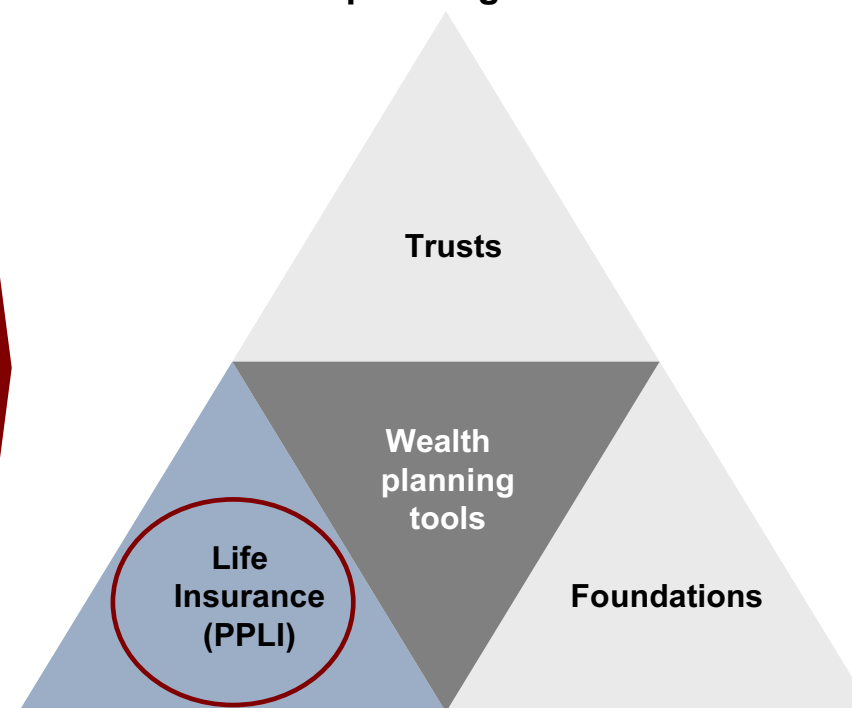
“Given HNW clients’ increasing demands for specialised products and services, ..., new dynamic, needs-based services are becoming essential”

Capgemini ML World Wealth Report 2007

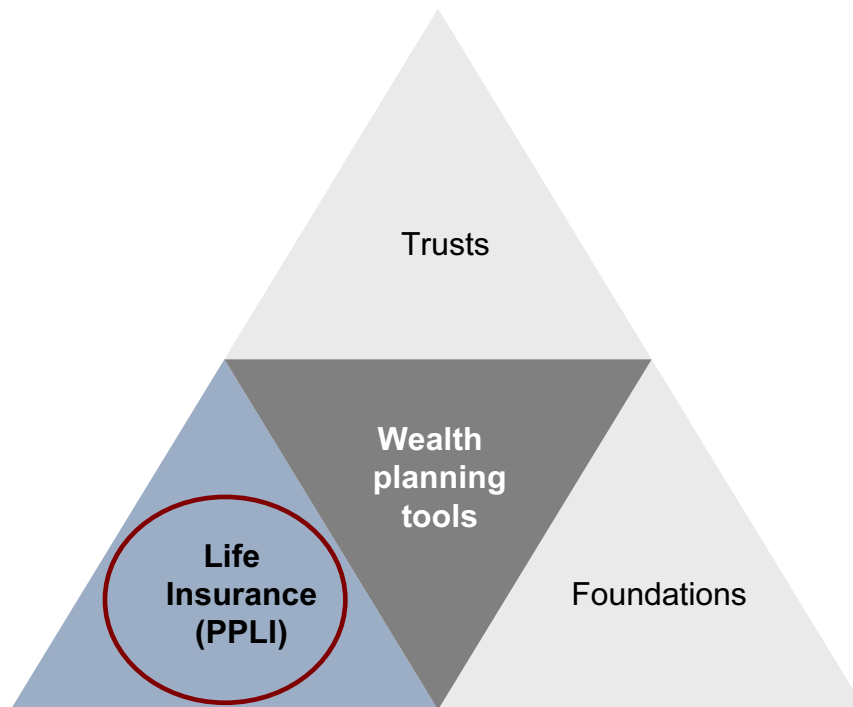
“Emerging markets, especially those in the Middle East and Latin America, scored the greatest regional HNW population gains”

Capgemini ML World Wealth Report 2008

Wealth planning solutions



Life insurance becoming important instrument in today's global wealth planning market



- Integrated wealth management with 'high-end life insurance'
- Worldwide recognised legal format
- Effective and compliant structure: demand for transparency and on-shore solutions
- Substitute or complement to traditional wealth planning instruments
- Still underpenetrated market

Strong demand for needs-based solutions based on life insurance (PPLI)

Private Placement Life Insurance gaining momentum through key design features



Needs being answered

- Tax optimisation and compliance
- Liquidity and flexibility
- Estate planning
- Asset protection

Attractive features included

- Asset-linked solutions
- Solutions compliant with respective country tax laws and regulations
- Risk covers: high or low death benefits, as well as annuities

Private Placement Life insurance

Optimal locations for issuing

- Bermuda
- Ireland
- Liechtenstein
- Luxemburg
- Singapore

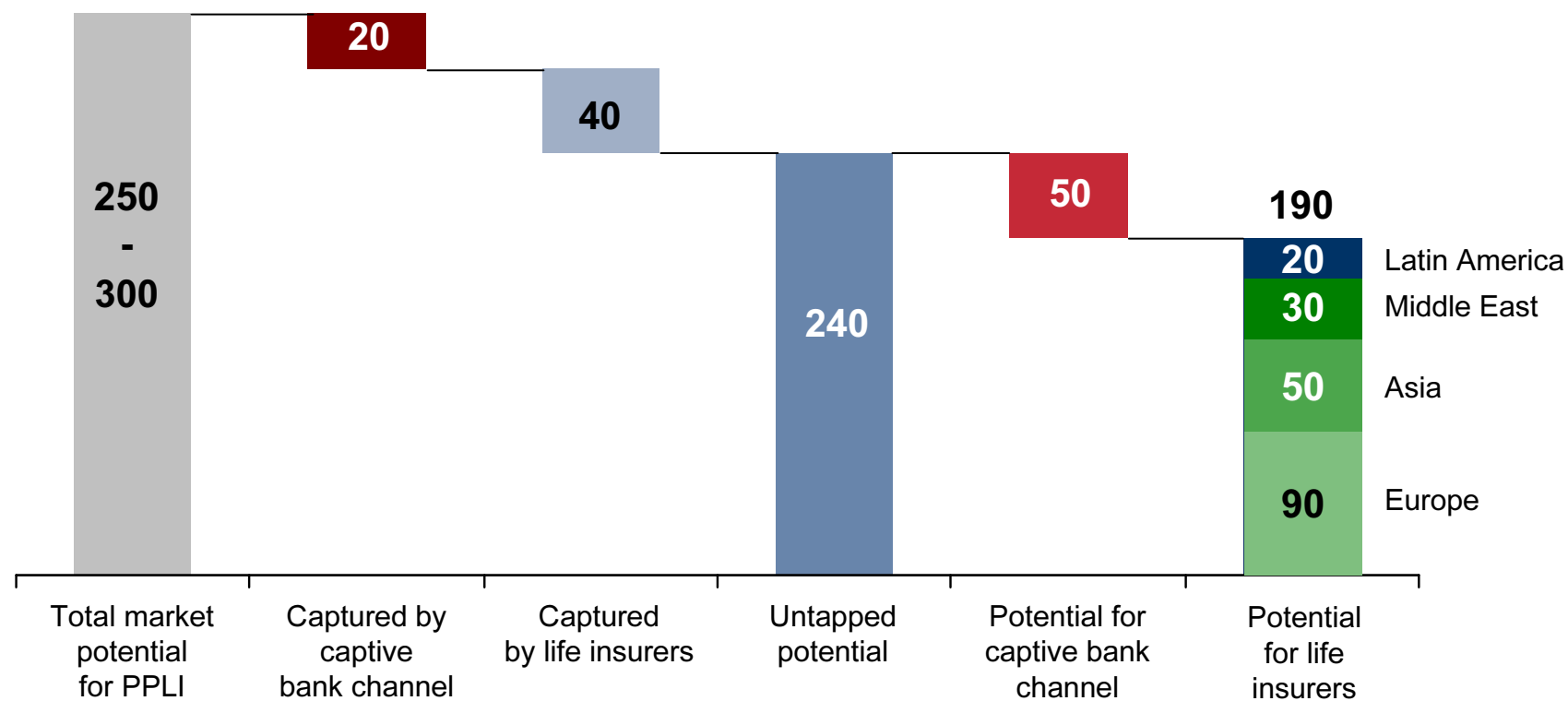
Focused B2B distribution

- Mainly through Private banks
- Specialised IFAs
- Family offices

Untapped potential for life insurance still huge

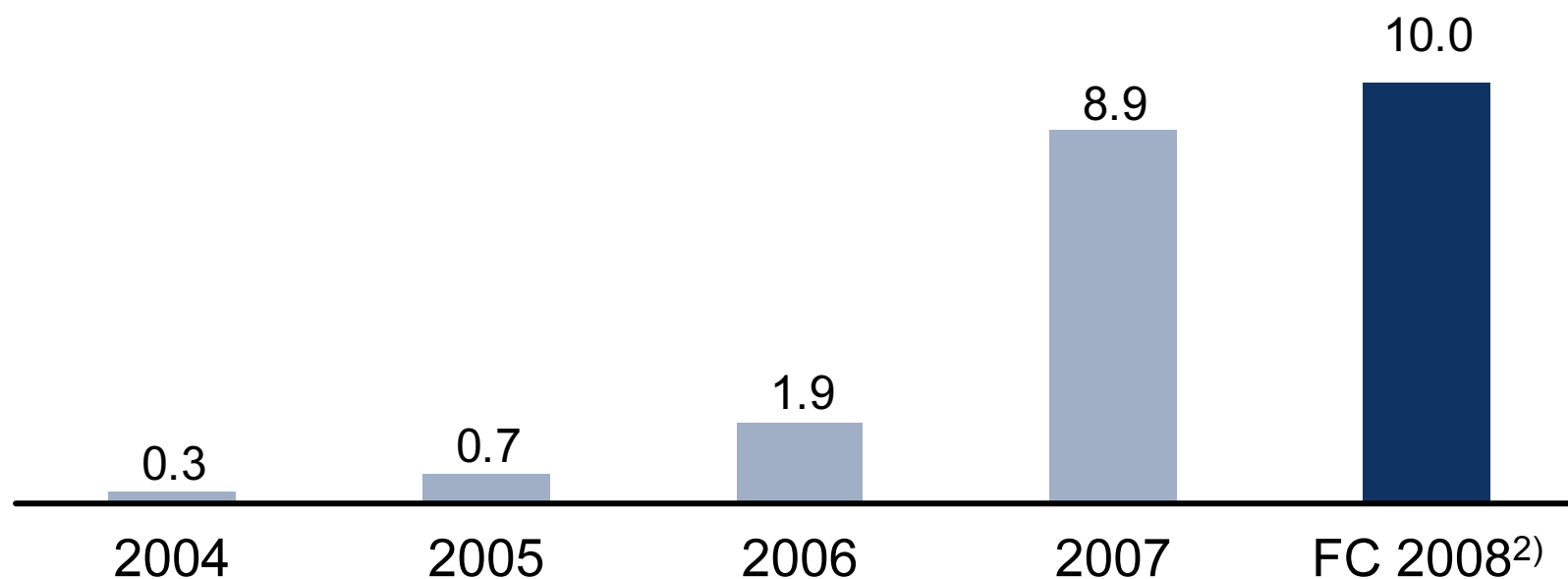


Estimates for market potential; CHF billion



PPLI with strong growth since 2003

Technical reserves ¹⁾, CHF bn



1) Swiss Life Liechtenstein and Singapore Branch, Swiss Life Luxembourg (PPLI only)

2) Forecast as of November 2008

Current challenges are being addressed

PPLI challenges/questions

Response: “PPLI mobilisation programme”

Continuous local tax and regulatory changes?

1. Focus on continuous product innovation

- ✓ Short time to market, ensuring first mover advantages
- ✓ Specific product features, e.g. high death benefits

Regulatory pressure increasing on typical off-shore centers?

2. Distribute through multiple locations

- ✓ Multiple booking centers and sales offices
- ✓ Strong focus on global sales and advisory capabilities

New entrants, with price competition as typical entry strategy?

3. Leverage existing operations

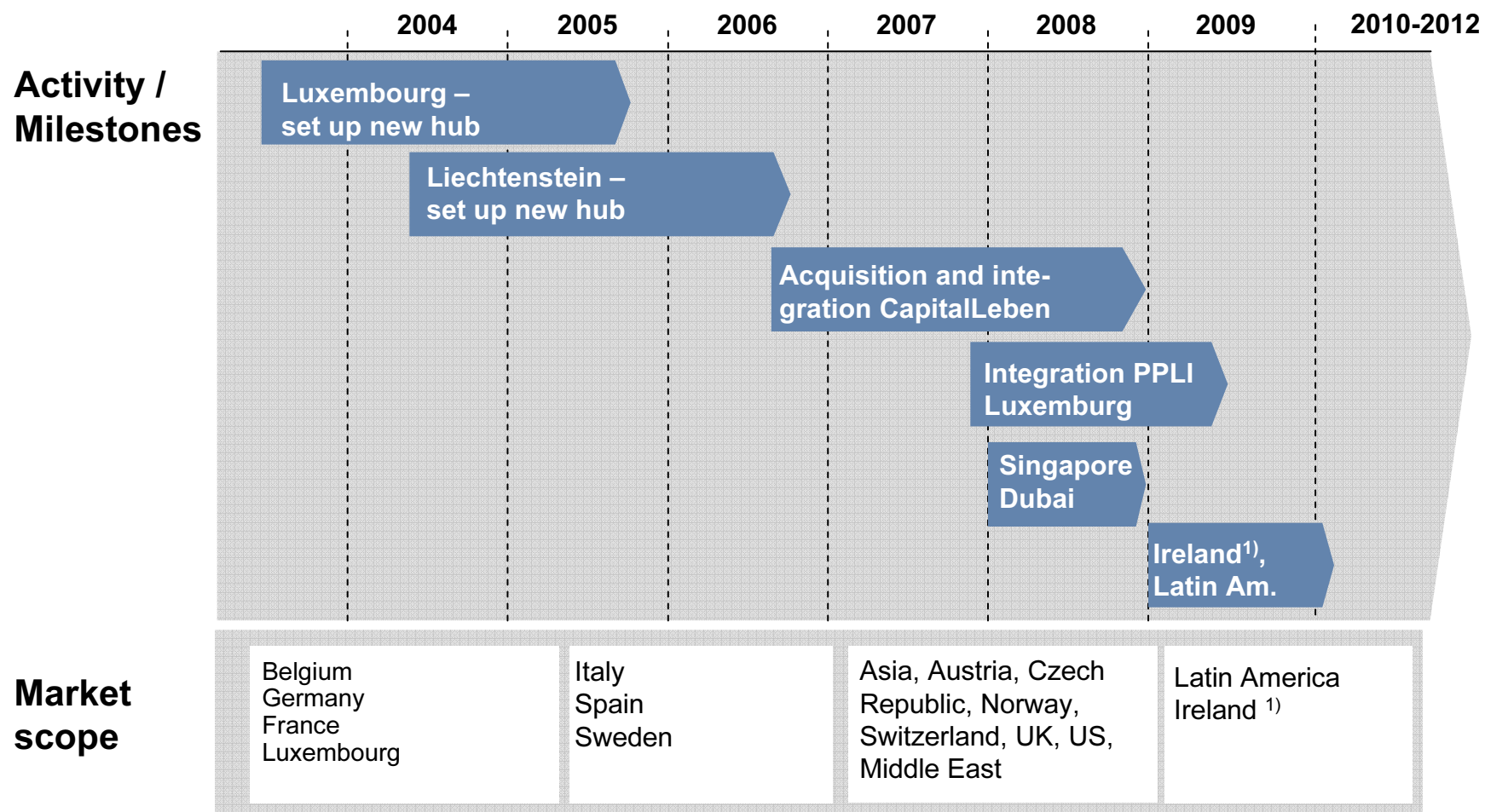
- ✓ Build on high service quality and harmonised IT
- ✓ Take “retail efficiency” to the HNWI space

High competition for talented and/or skilled sales people?

4. Motivate and integrate newly hired staff

- ✓ Attract employees by highly competitive, performance-based pay
- ✓ Ensure retention and motivation through entrepreneurial culture

Swiss Life maintaining momentum in PPLI



¹⁾ subject to IFSRA approval

Swiss Life PPLI with unique set of competences



Core competences

Unified operational structures

- Unified structures and functions, ensuring efficiency for partners and employees as well as allowing for “network effects”
- Harmonised product offering across all booking centres, leading to unique and unified customer experience

Flexibility and innovation capabilities

- Flexibility and variety of global solutions and strong innovation capabilities available to partners
- Underwriting capabilities for high death benefit configurations

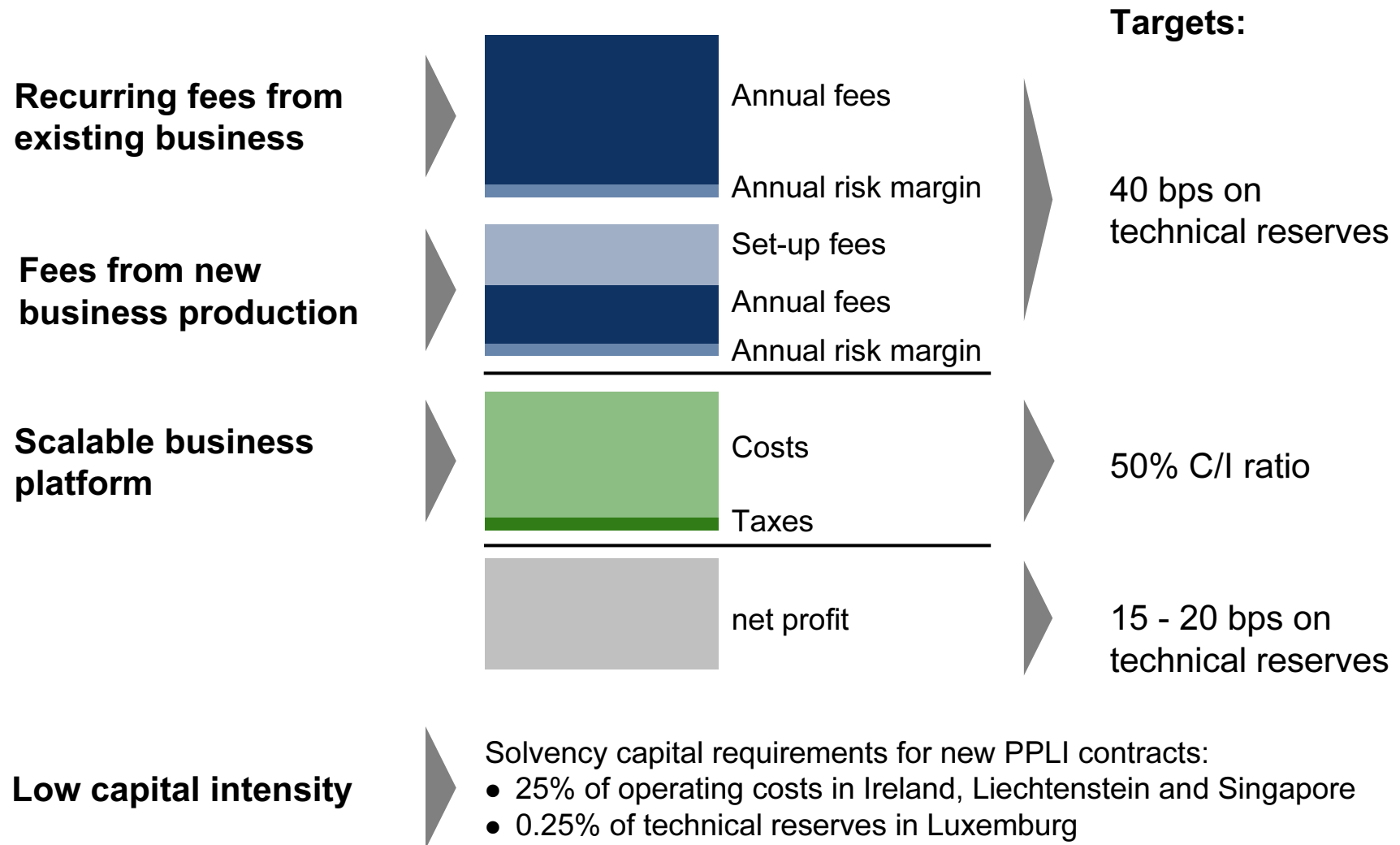
Brand recognition and reputation

- Strong brand and reputation of mother company
- “Swissness” in private banking remains a clear advantage
- Renowned business partners preferring to collaborate with reputable and well known insurance company

Strategic focus

- Swiss Life with strong strategic commitment on PPLI

PPLI with attractive revenue model and low capital requirement



Agenda



1. Swiss Life strategy
2. Private Placement Life Insurance
- 3. Summary**

Swiss Life's Private Placement Life Insurance uniquely positioned to deliver on targets



PPLI one of the key growth drivers of Swiss Life



Swiss Life is maintaining momentum in PPLI

- Market growth and market potential is attractive
- Swiss Life has become an important player
- Swiss Life has the ideal set-up for global solutions



PPLI contributing to Swiss Life's earnings and diversification

Swiss Life Group with good solvency situation – risks tightly managed



Measures taken with immediate impact on capitalisation metrics, as per October 2008



Balance sheet de-risked

- Duration gap nearly closed
- Net equity exposure reduced to well below 1%
- Hedge funds partly redeemed and proxy hedged
- Currency exposure in investment portfolio fully hedged



Reclassification of CHF 15 bn bonds under the position of loans



Dividend expectation reduced and share buyback stopped



Capital transfer to parent company

- Good capitalisation ensured
- Year-end capitalisation metrics expected to be close to target levels
- Further capital market movements with limited impact
- Measures to further mitigate exposure to near-term risks

Swiss Life Group with clear near-term priorities



Preserve solid financial position



- Protect balance sheet and stabilise investment returns
- Maintain good solvency situation
- Manage financial and operational risks

Continue to execute upon strategy



- Deliver on efficiency improvements
- Capture AWD upside
- Further strengthen market position

Resolve MLP situation



**FY 2008 results
and update on
financial targets
on March 24**



SwissLife

Prepared for the future.

Cautionary statement regarding forward-looking information



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Contact details and financial calendar



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Financial calendar

Full-year results 2008
Interim statement Q1 2009
Annual General Meeting

24 March 2009
5 May 2009
7 May 2009

Visit www.swisslife.com for up-to-date information

Appendix



1. Switzerland

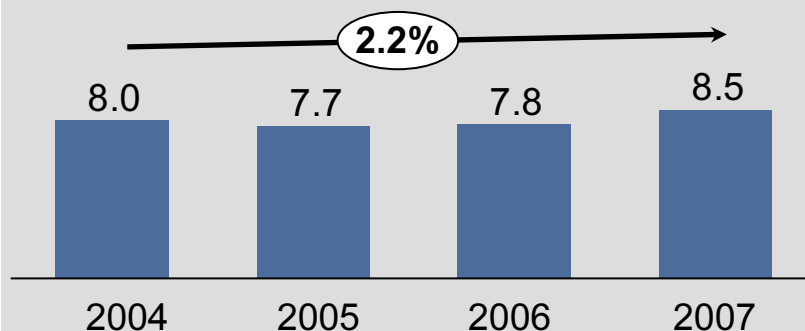
2. AWD

3. Capitalisation and Investments

Switzerland: Successful delivery on targets

Market leadership

Premiums, CHF bn

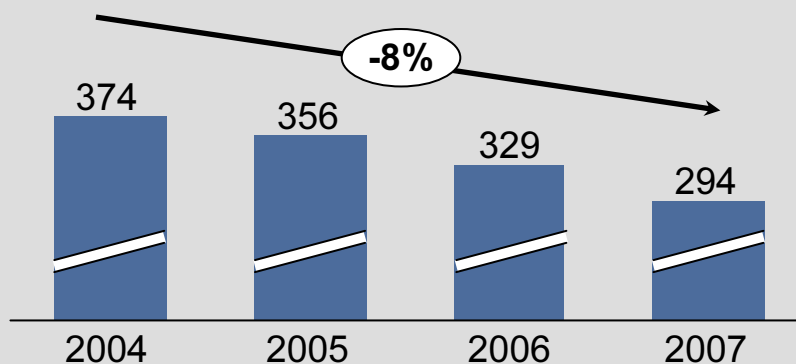


Product innovation

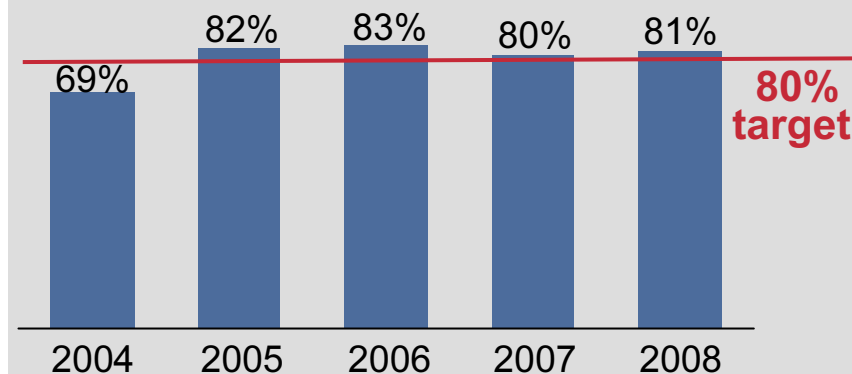


Efficiency increase

Costs, CHF m



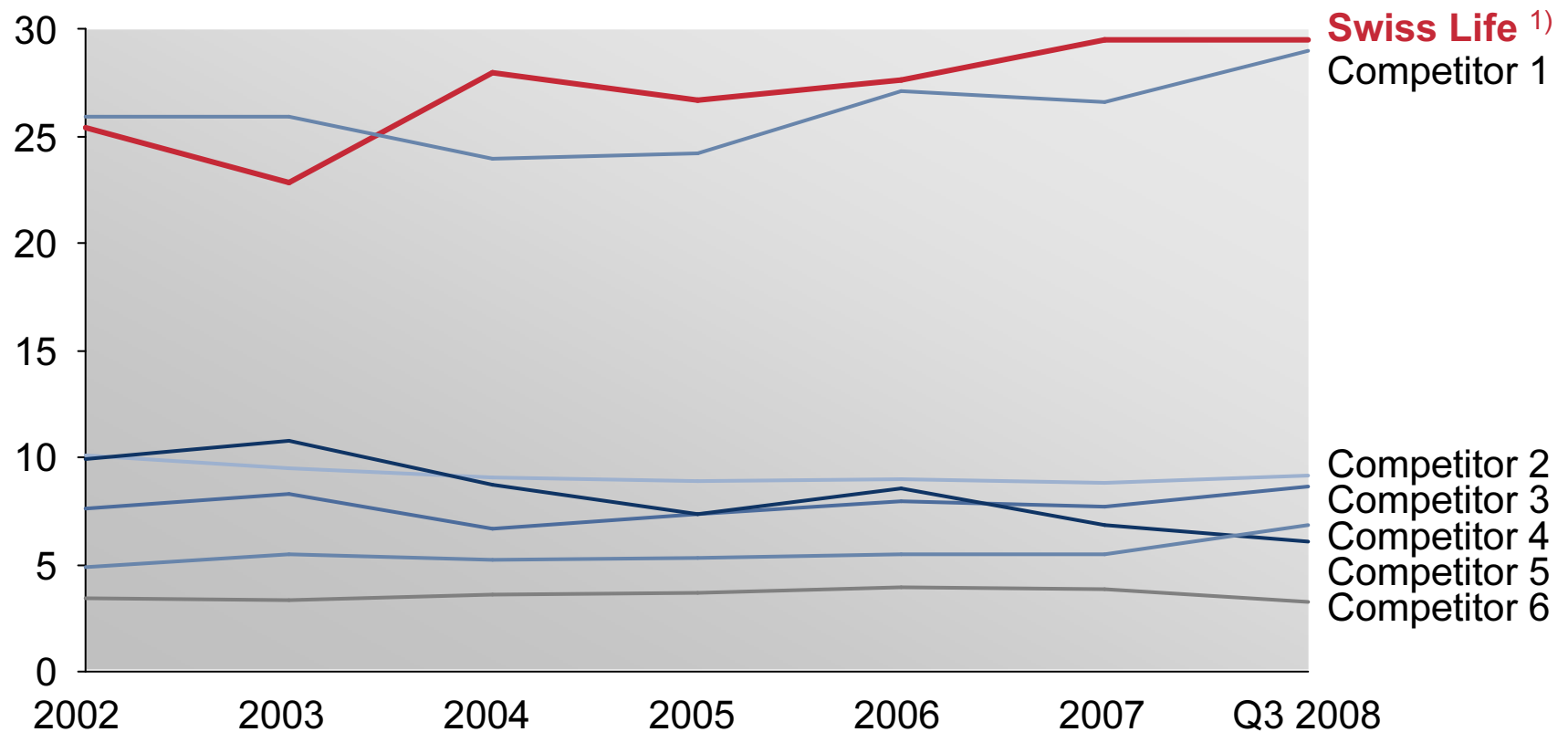
Employee commitment



Switzerland: Market leadership



Market share life insurance Switzerland

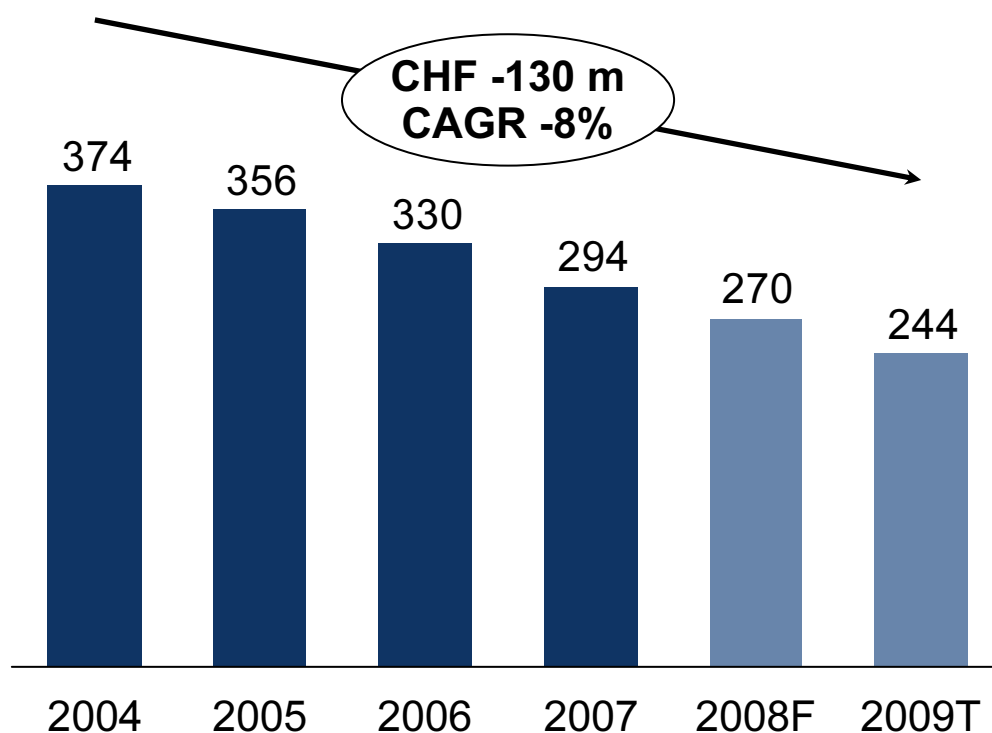


1) Before 2005 incl. La Suisse
Source: FOPI

Switzerland: Significant efficiency increases



Administration cost; IFRS basis; CHF million



Efficiency gains enabling competitive product pricing and profitable growth

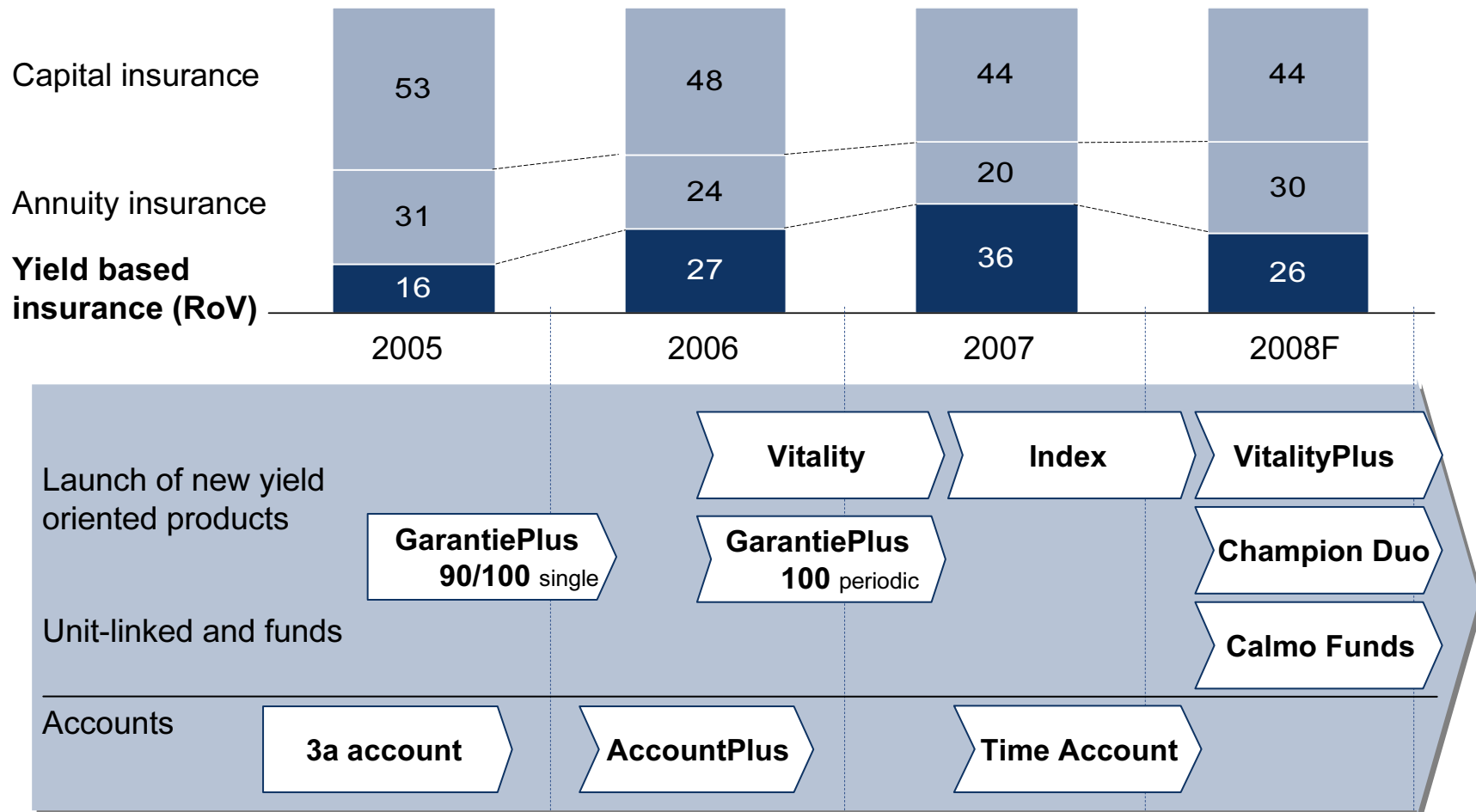
- Integration La Suisse
- New individual life platform
- Office staff centralisation for own sales force
- Operational and organisational excellence
- Process optimisation
- Downsizing and prioritisation of projects

CHF 130 m cost savings by 2009

Switzerland: Focus on product innovation – revival in traditional products in 2008



New business gross volumes of performance-oriented products, percent



Appendix



1. Switzerland

2. AWD

3. Capitalisation and Investments

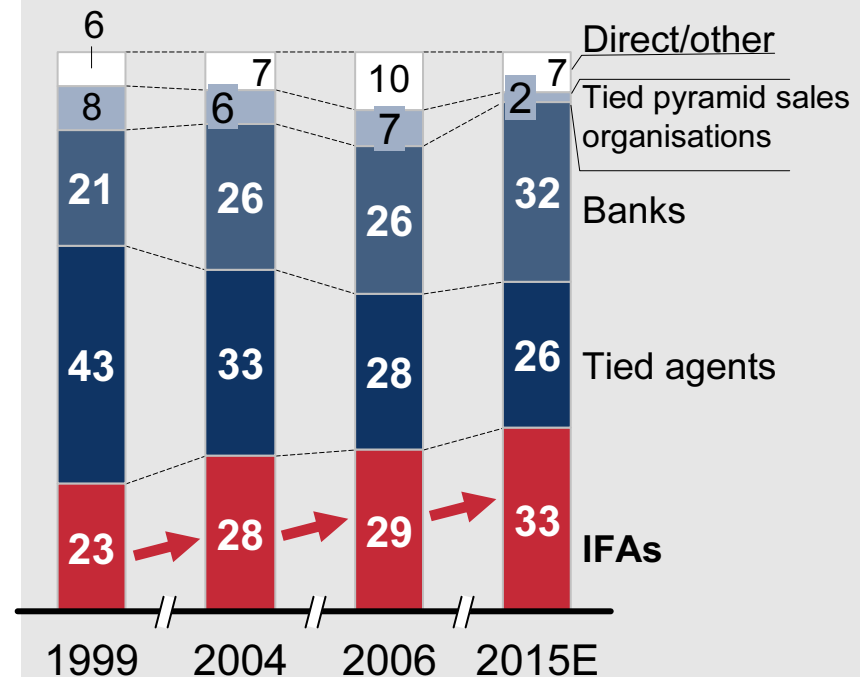
IFA business model structurally growing

Key growth drivers for IFA business model

- Growing share of IFAs
 - Customer demand for independent, holistic financial advice – further fuelled by financial crisis
 - Regulation, e.g. MIFID
 - Relative shift of value creation towards distribution
- Structural overall market growth
 - Increasing life expectancy and retirement needs
 - Underfunded pension systems

Example Germany

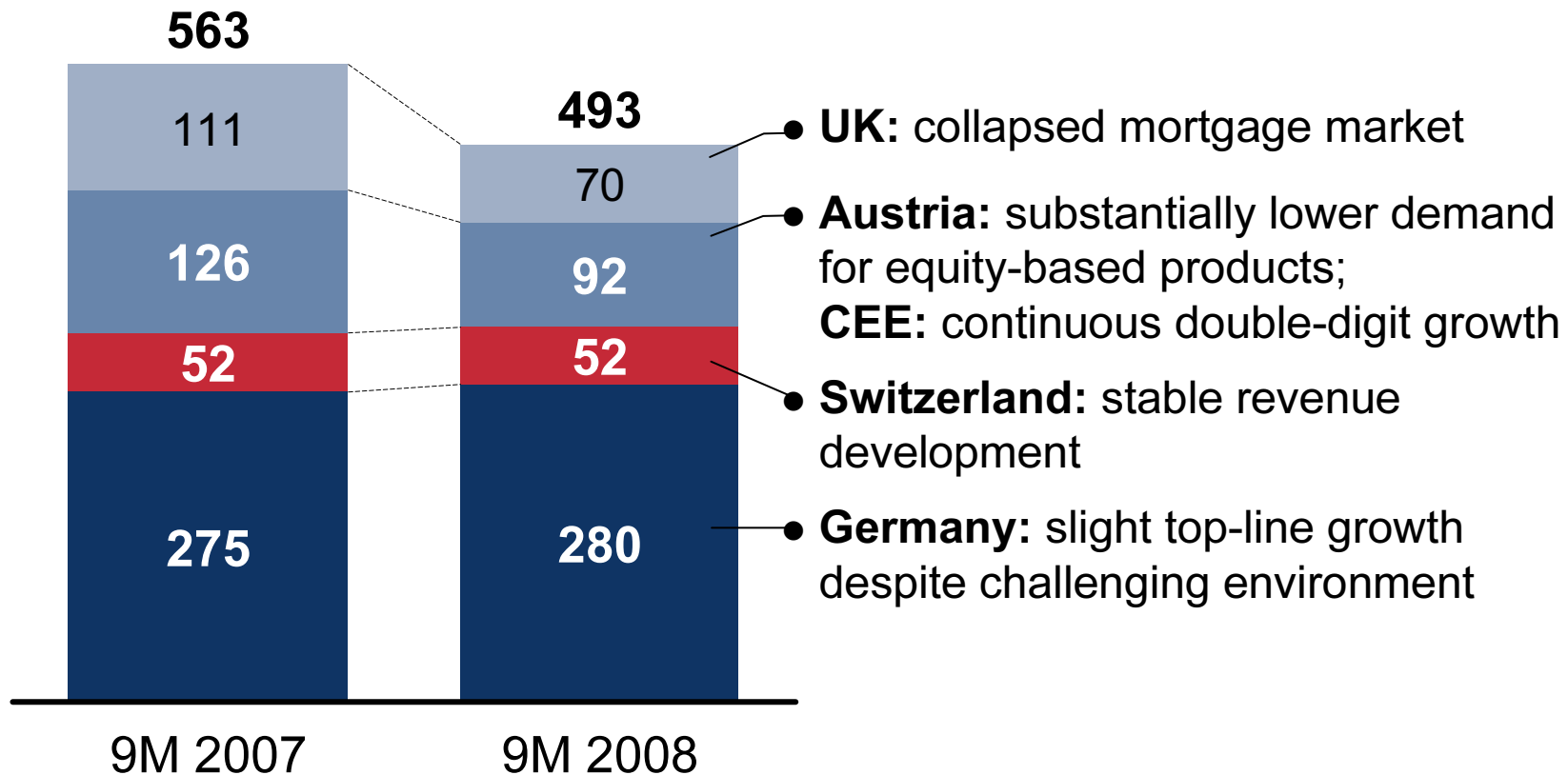
Life insurance distribution market share by APE, in percent



AWD with good momentum in Germany, Switzerland and CEE



AWD Group revenues, EUR m

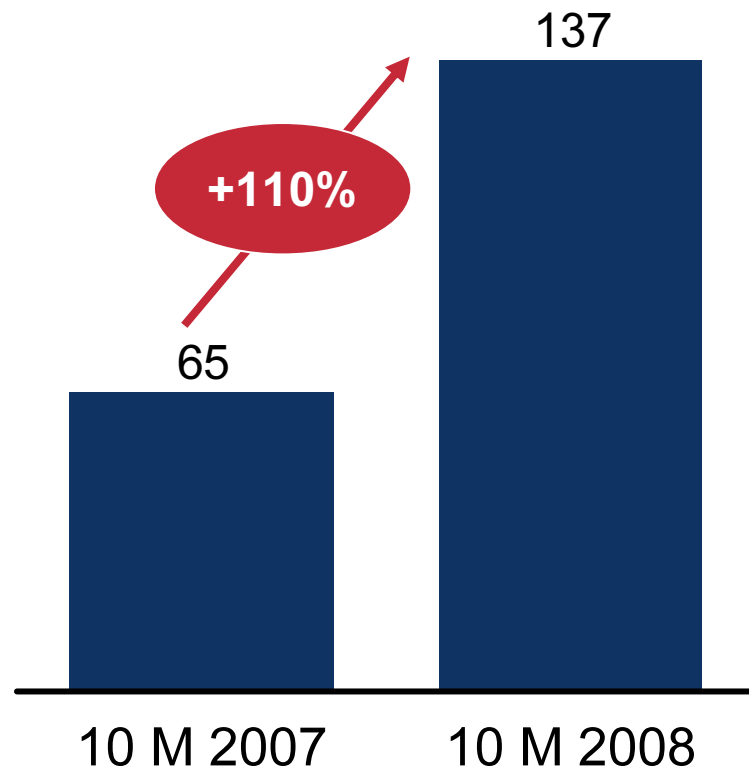


German partnership already successful, to be further leveraged in 2009



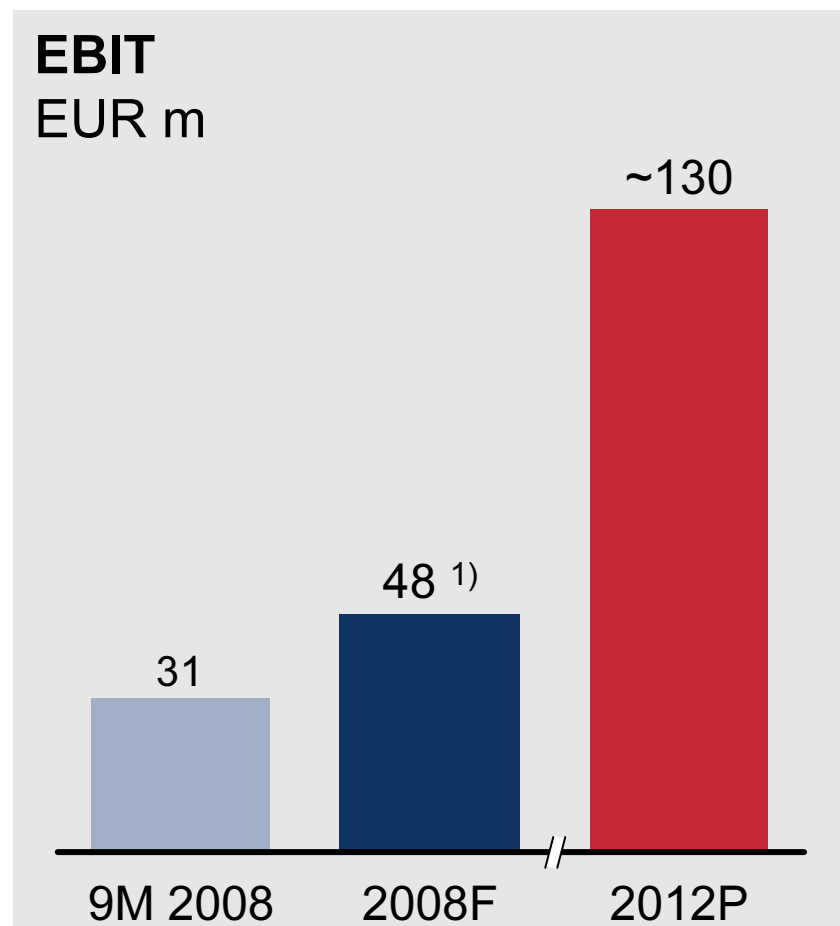
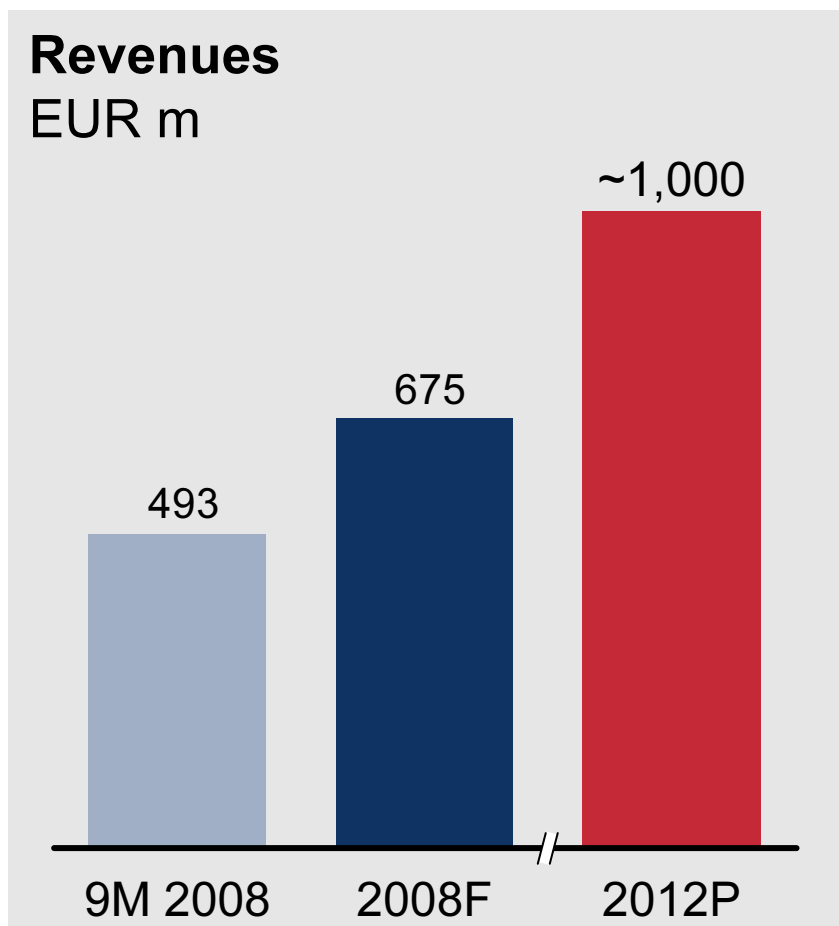
AWD sales of Swiss Life products

New business production, EUR m



- Swiss Life established as one of several “best select” providers for AWD in several product categories
- Fruitful exchange of market- and product information
- Launch of first VA-product from Swiss Life Luxemburg as of January 2009
- Additional, primarily tax-privileged products, in pipeline for 2009

Financial targets up to 2012 – ambitious but achievable



1) Excluding UK losses and restructuring

Appendix



1. Switzerland

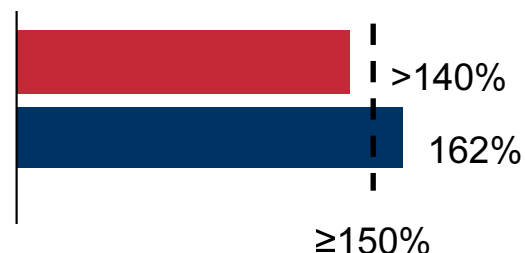
2. AWD

3. Capitalisation and Investments

Year-end capitalisation metrics expected to be close to targets

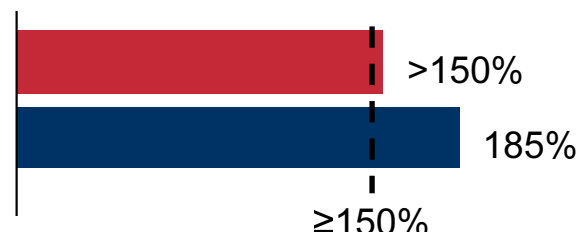


IFRS Solvency I Swiss Life Group



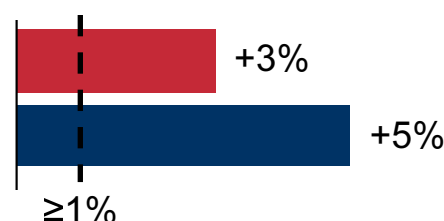
- Used by Swiss regulator as Group solvency assessment
- Internal trigger for actions stands at 125%

Solvency I Parent company



- Legally binding
- Parent company solvency maintained at comfortable level
- Internal trigger for actions stands at 150%

S&P capital model “A” rating level



- Parameter for the S&P rating category “capitalisation”
- In line with target capitalisation

Internal economic risk model

- Economic model shows adequate capitalisation
- SST requirement fulfilled

■ Forecast FY 2008 vs. ■ HY 2008 vs. — — Target levels

De-risking of investment portfolio accelerated in second half of 2008



As per October 2008



Net equity quota reduced to 0.4%
(30 June: 2.5%, YE07: 7.5%)



Cash quota increased to ~7%
(30 June: 4.7%, YE07: 2.6%)



Alternative investment quota reduced to ~4.0%
(30 June: 4.9% , YE07: 5.3%)



Duration gap kept below 1



Risk in corporate bonds increased,
but well diversified




Net FX risk in investment portfolio substantially reduced
to almost zero (30 June: 3.7 bn, YE07: 2.2 bn)

Exposure to equities significantly reduced



As per October 2008

Key measures taken – Equities

- **Net equity quota reduced to 0.4%**
(30 June: 2.5%)
 - **Gross equity quota reduced to 2.5%**
(30 June: 5.9%) through country-specific hedging
 - Switzerland: CHF 200 m in short futures on major indices
 - France: CHF 250 m short futures and CHF 100 m long put options
 - Germany: Net CHF 800 m put options
- 
- **Benchmarks outperformed** until October 2008
 - **Equity exposure reduced to close to zero** –
at present, minimal downside risk

Outlook

- Expected net equity quota for 2009 ~1%
- Rolling equity option programme in place with different strikes

Exposure to alternative investments significantly reduced



As per October 2008

Key measures taken – Hedge Funds

- **Hedge funds redeemed:** >CHF 500 m net redemptions until September 2008, further ~CHF 900 m by year end
- **Proxy hedging programme implemented** for remaining hedge fund exposure
- **Portfolio well diversified** across different management styles (mostly fund of funds)

Key measures taken – Private Equity

- **Private Equity exposure increased** through capital calls to CHF 250 m (30 June: CHF 166 m)
- **Allocation to distressed strategies increased**

Outlook

- Redemptions on fund of funds of CHF ~2 bn initiated
- Rebalancing of hedges planned
- Rebalancing of portfolio planned with lower exposure

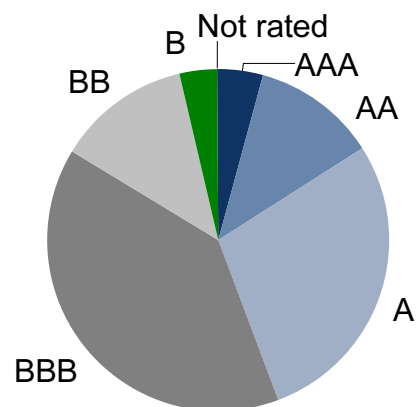
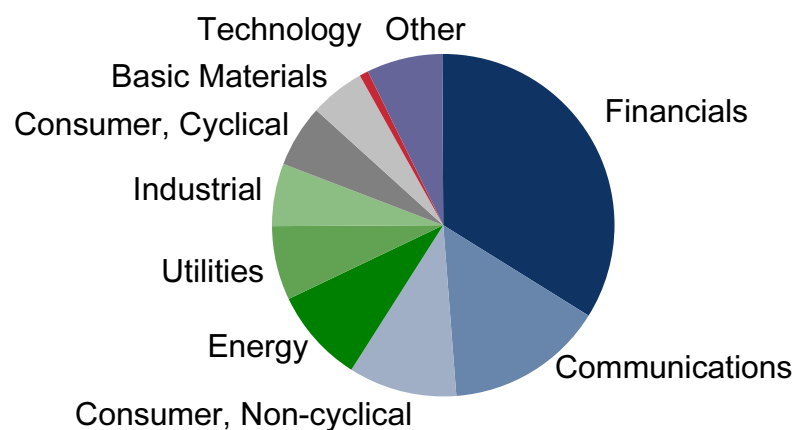
Outlook

- Additional net capital calls in 2009 of CHF 150 m expected
- Further focus on distressed strategies planned

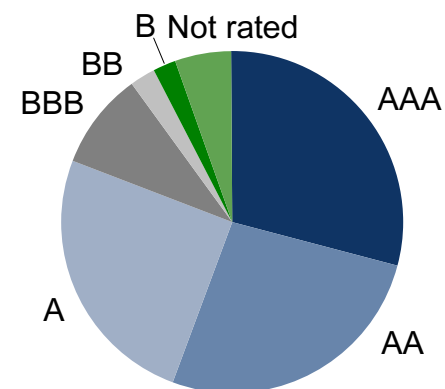
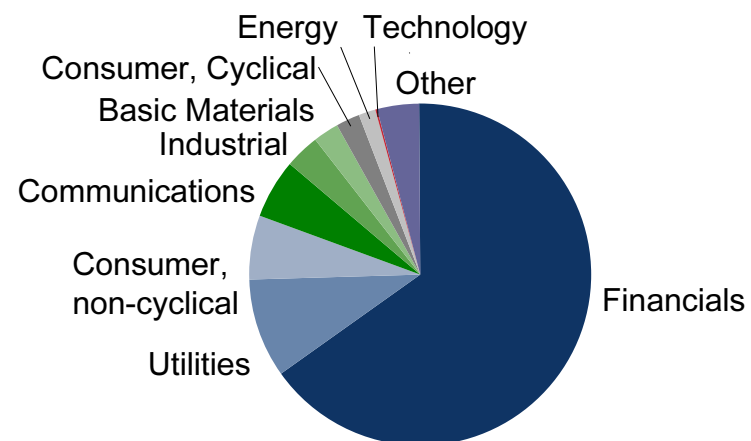
Characteristics of Credit Portfolio

Non-government bond portfolio, 31 October 2008

Loans and receivables (Duration: 5.7)



Available for sale (Duration: 5.3)



Credit portfolio optimised through several measures



As per October 2008

Key measures taken – credit portfolio

Credit portfolio further optimised

- Build up of investment-grade credit portfolio in H2 2008 by CHF ~1 bn by buying additional bonds
- Exposure to structured credit further reduced to CHF 0.5 bn (as of 31 October) – more than CHF 200 m matured in 2008
- Portfolio selectively hedged through single name CDS
- Reclassification of parts of the portfolio (~CHF 15 bn) to "loans and receivables"
- CDS protection of CHF ~0.5 bn bought, protection of CHF ~0.1 bn sold; exposure to monoliners <20 m

Stricter risk limits applied

- Risk limits, set by the Group Risk Committee, for below BBB counter parties further tightened since 2007
- Bonds below BBB standing at ~3% of total insurance portfolio

Impairments ~15bps of assets mainly due to defaults in 2008

Outlook

- Consideration of opportunities to selectively increase credit portfolio
- Ongoing risk management to take advantage of markets

Characteristics of remaining fixed income portfolio and cash



As per October 2008

Government bonds

- About half of the AAA bonds are AAA rated government bonds of our principal markets (CH, FR, DE)

Mortgages

- Switzerland: 85% residential, strict guidelines of max. 65% to 80% LTV¹⁾ depending on type of real estate
- Germany: 94% residential, max. 60% to 80% LTV¹⁾

Loans

- Switzerland: ~ 27% Swiss municipalities, ~25% to one AAA canton, ~20% other cantons or cantonal banks with cantonal guarantees, ~9% power stations, rest other, including Swiss private banks
- Germany: 55% in Pfandbriefe (AAA equivalent), 20% Länder or government debt (Germany, Austria), 25% German banks (public and private, the latter fully covered by deposit insurance)

Cash

- Cash held at several banks in Switzerland, Germany and France
- Most of cash holdings collateralised via reverse repo transactions
- Further cash investments including short term funding to the Swiss government, bills of the Swiss National Bank and investments in very high grade money market funds in France

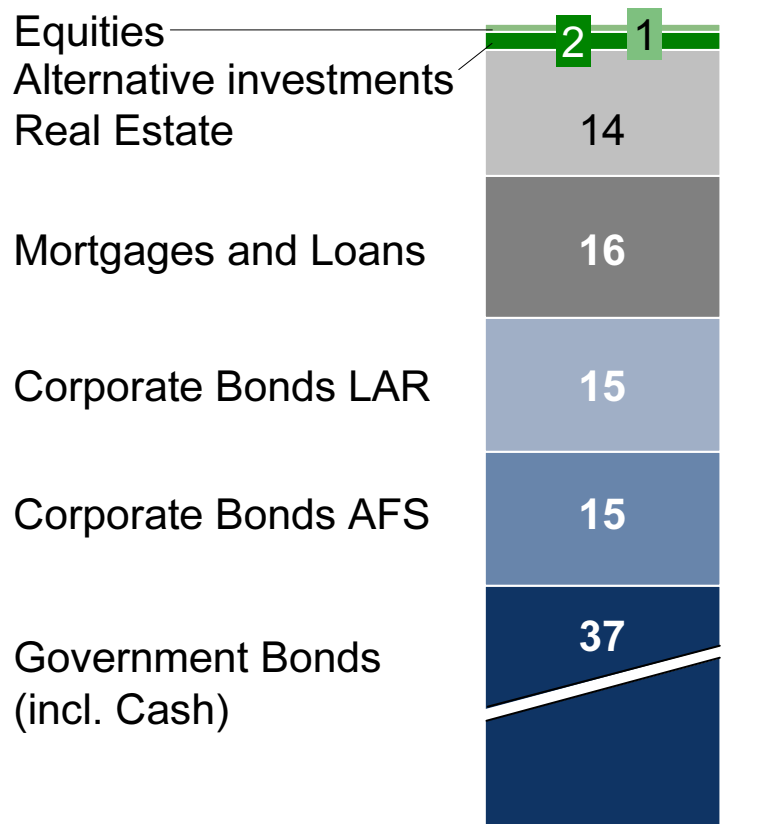
1) LTV: Loan-To-Value

On expected strategic asset allocation for 2009 lower and stabilised investment income assumed



SwissLife

Expected Asset Allocation for 2009, percent



Key assumptions for sensitivity analysis and stress tests

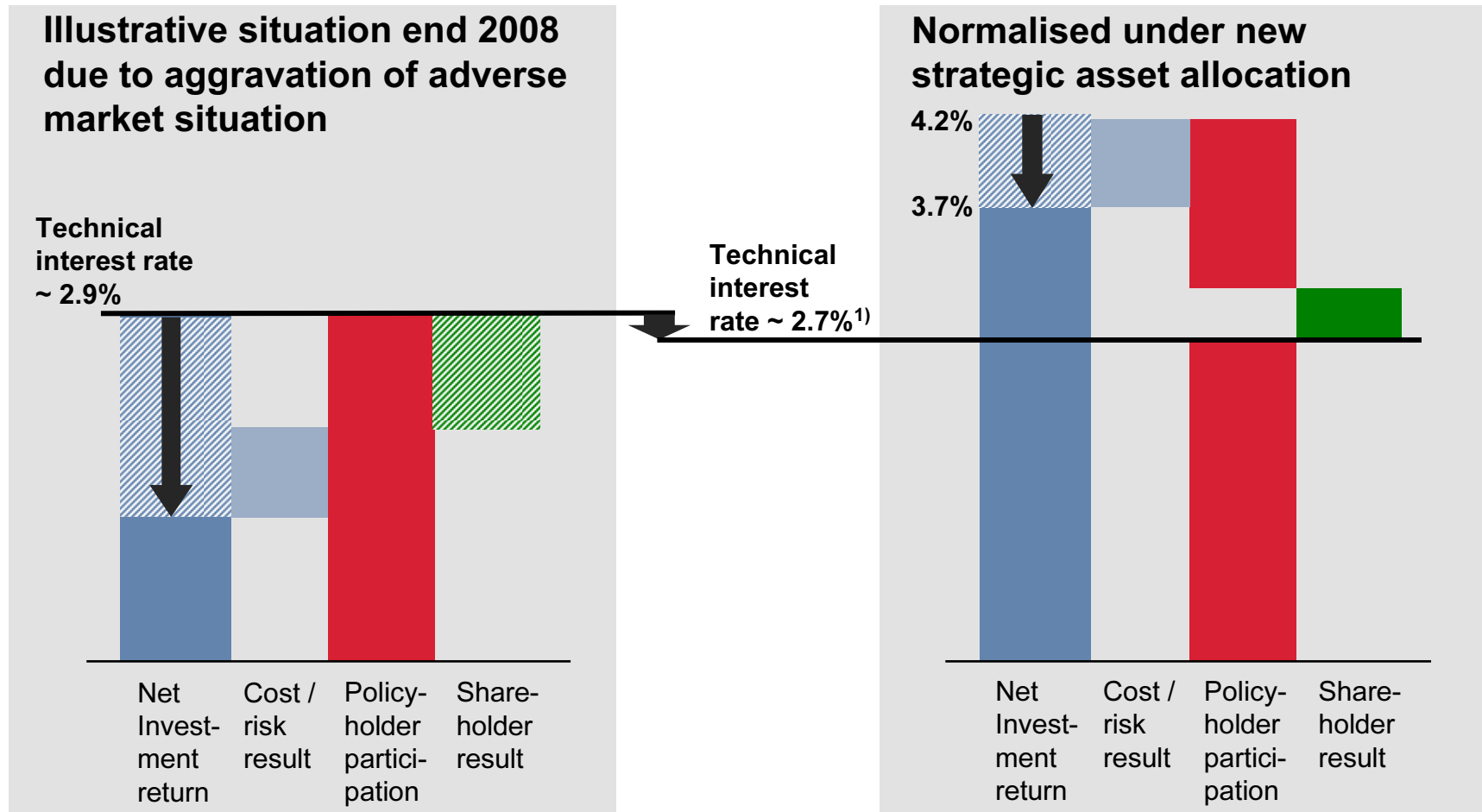
- **Overall asset returns** expected to be 3.7%
 - 50 bp lower than expectations for 2008
 - Annualised direct yield on our portfolio as at 31.10.2008 of 4.2% – FX hedging costs of about 50 bp to be deducted
- **Shareholder vs. policyholder split** of about 15/85
- **Guarantees** considered
- **Local tax rates** applied

Stress scenarios with limited impact on solvency capital - see appendix p 41-42

Outlook: Positive interest margin secured with lower investment return



- illustrative -



1) Forecast 2009

IFRS solvency with strong sensitivity to interest rate moves on government bonds

Sensitivity analysis (estimates, based on internal model)

Expected Asset Allocation 2009	Sensitivity			Impact on IFRS solvency Solvency points	Impact on Stat solvency Solvency points
Equities	1%	Prices	-10%p	-0.2%	-0.1%
Alternative Investments	2%	Prices	-10%p	-0.6%	-0.6%
Real Estate	14%	Index ¹⁾	-10%p	-3.3%	-4.0%
Mortgages and loans	16%	Prices	-1%p	0%	0%
Corporate Bonds	30%	Loss on defaults	+100 bp	-0.7%	-0.7%
• <i>Thereof LAR ²⁾</i>	15%	Spreads	+100 bp	0%	0%
• <i>Thereof AFS</i>	15%	Spreads	+100 bp	-14.1%	0%
Government Bonds (incl. cash)	37%	Interest rates	+100 bp	-49.7%	-0.1%

Conclusions

- Interest rate increases on government bonds as key risk to IFRS Solvency
- Credit spread widening of 100 bp on AFS bonds with significant impact on IFRS solvency
- Real estate index correction of 10% with noticeable impact
- Credit defaults as well as a 10% market correction of Alternative Investments and Equities with limited impact on solvency

1) Assumed sensitivity of real estate valuation to index decline of 1/3 in Switzerland

2) Loans and accounts receivables

Stress test 1 – same returns in 2009 as in 2008 with limited downside on solvency



**Stress test 1 – Same returns in 2009 as in 2008
(estimates, based on internal model)**

Expected Asset Allocation 2009		Stress test assumption		Impact on IFRS solvency Solvency points	Impact on Stat solvency Solvency points
Equities	1%	Prices	-46%p	-1.0%	-0.6%
Alternative Investments	2%	Prices	-23%p	-3.1%	-3.9%
Real Estate	14%	Index ¹⁾	0%p	0%	0%
Mortgages and loans	16%	Prices	0%p	0%	0%
Corporate Bonds	30%	Loss on defaults	50 bp	-0.4%	-0.3%
• <i>Thereof LAR ²⁾</i>	15%	Yields	280 bp	0%	0%
• <i>Thereof AFS</i>	15%	Yields	280 bp	-39.6%	0%
Government Bonds (incl. cash)	37%	Interest rates	-85 bp	38.3%	0%
Cumulative effect of stress test scenario				-3.2%	-6.8%

1) Assumed sensitivity of real estate valuation to index decline of 1/3 in Switzerland

2) Loans and accounts receivables

Stress test 2 – severe recession and deflation in 2009 with limited impact on statutory solvency



SwissLife

Stress test 2 – Severe recession and deflation in 2009
(estimates, based on internal model)

Expected Asset Allocation 2009		Stress test assumption		Impact on IFRS solvency Solvency points	Impact on Stat solvency Solvency points
Equities	1%	Prices	-30%p	-0.6%	-0.4%
Alternative Investments	2%	Prices	-10%p	-0.6%	-0.6%
Real Estate	14%	Index ¹⁾	-10%p	-3.3%	-4.0%
Mortgages and loans	16%	Prices	0%p	0%	0%
Corporate Bonds	30%	Loss on defaults	249 bp	-5.6%	-6.7%
• <i>Thereof LAR ²⁾</i>	15%	Yields	100 bp	0%	0%
• <i>Thereof AFS</i>	15%	Yields	100 bp	-14.1%	0%
Government Bonds (incl. cash)	37%	Interest rates	-100 bp	44.9%	-0.2%
Cumulative effect of stress test scenario				16.4%	-15.0%

1) Assumed sensitivity of real estate valuation to index decline of 1/3 in Switzerland

2) Loans and accounts receivables

Mid-term funding secured, and liquidity position comfortable



CHF m

Maturity	Instrument/Structure	Size	Issuer	Issue	Remark
2010	Senior Convertible Bond	43 ¹⁾	Swiss Life Holding	2004	
2011	Senior Syndicated Loan	306	Swiss Life Insurance Finance Ltd.	2008	Additionally, undrawn credit facility of EUR 300 m available
2021	Hybrid, Lower Tier 2, Private Placement	153	Swiss Life/Rentenanstalt	2001	First call date in 2011
Perpetual	Hybrid, Upper Tier 2, Private Placement issued in three tranches	840	Swiss Life/Rentenanstalt	1999	First call date in 2009. Partially bought back in 2005, partially refinanced in 2005 and 2007
Perpetual	Hybrid, Upper Tier 2, via fiduciary notes	536	Swiss Life/Rentenanstalt	2005	First call date in 2015
Perpetual	Hybrid, Tier 1, via ELM B.V. notes	1071	Swiss Life/Rentenanstalt	2007	First call date in 2017

Comfortable liquidity position of roughly 7% of invested assets as of 31 October 2008, with additional flexibility from repo agreements

1) CHF 61 m outstanding as of 30.06.2008