Morgan Stanley
European Financials CEO Conference
MILESTONE: Managing for value at Swiss Life

Bruno Pfister, Group CEO
London, 31 March 2011
Agenda

→ Swiss Life Group and FY 2010 results at a glance
   MILESTONE execution on track
   Wrap-up
Swiss Life Group at a glance

Key figures as per FY 2010

Switzerland
- Life GWP: CHF 7.6 bn
- Segment result: CHF 488 m
- Leading position in group life and individual life
- About 1 million clients insured

AWD
- Revenues: EUR 547 m
- EBIT: EUR 49 m
- Leading European financial advisor with strong market presence in core markets

Germany
- Life GWP: EUR 1.5 bn
- Segment result: EUR 74 m
- Leading provider of supplementary disability insurance and occupational pension schemes
- Excellent reputation in broker market

France
- GWP: EUR 3.8 bn
- Segment result: EUR 59 m
- Niche player in life focusing on affluent customer segment with private insurer strategy
- Top health insurer

Transnational businesses
- Life GWP: CHF 5.2 bn
- Segment result: CHF -35 m
- PPLI: Leading in providing structured life insurance solutions around the globe
- Corporate solutions: Leading provider of comprehensive employee benefit solutions for multinationals

Investment Management
- Total income: CHF 269 m
- Segment result: CHF 103 m
- Swiss Life’s proprietary and third party asset manager

1) Transnational businesses (Insurance Other) consist of Private Placement Life Insurance (PPLI with locations in Liechtenstein, Luxembourg, Singapore and Dubai), Corporate Solutions Luxembourg, Swiss Life Products, Payment Protection Insurance and Swiss Life Austria.
Swiss Life with strong market positions in relevant business segments

**FY 2010**

<table>
<thead>
<tr>
<th>Swiss Life</th>
<th>Market position</th>
<th>Opportunities</th>
</tr>
</thead>
</table>
| Switzerland | Individual Life: No 1  
Group Life: No 2 | ▪ Inherent growth in Group Life |
| France     | Individual Health: No 2  
Life: No 14 | ▪ Private individual health: a growing need for individuals |
| Germany    | BUZ\(^3\): a market leader  
BAV\(^4\): No 7 | ▪ Substantial growth potential in BUZ and BAV remaining |
| Insurance Other | PPLI: No 1 in Europe  
Swiss Life Network: No 1 | ▪ Enlarge geographical and target segment footprint |

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1) Excl. mutuals  
2) Estimate for 2010  
3) BUZ: supplementary occupational disability insurance  
4) BAV: occupational pension scheme
## 2010 results: Key performance metrics further improved

### FY 2010 vs FY 2009

<table>
<thead>
<tr>
<th>Metric</th>
<th>FY 2010</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit</td>
<td>CHF 560 m</td>
<td>+102%</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>CHF 694 m</td>
<td>+23%</td>
</tr>
<tr>
<td>New business margin (% PVNBP)</td>
<td>1.4%</td>
<td>+0.5 ppts</td>
</tr>
<tr>
<td>GWP incl. PHD</td>
<td>CHF 20.2 bn</td>
<td>+4%¹)</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>CHF 7.4 bn</td>
<td>+3%</td>
</tr>
<tr>
<td>Return on equity</td>
<td>7.6%</td>
<td>+3.6 ppts</td>
</tr>
<tr>
<td>Group solvency</td>
<td>172%</td>
<td>+8 ppts</td>
</tr>
<tr>
<td>Dividend (proposed)</td>
<td>CHF 4.50</td>
<td>+88%</td>
</tr>
</tbody>
</table>

¹) Local currency
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Swiss Life Group and FY 2010 results at a glance

→ **MILESTONE execution on track**

Wrap-up
## MILESTONE programme

<table>
<thead>
<tr>
<th>Workstream</th>
<th>Objectives</th>
<th>Objectives</th>
</tr>
</thead>
</table>
| 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” |
| Increase distribution quality and power | - Optimise distribution channel mix  
- Capture full potential of AWD | “We are increasing growth in 3rd party channels and AWD” |
| 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” |
| 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” |

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“Drive disciplined execution”
Major opportunities addressed and challenges exploited by MILESTONE

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

**Industry challenges**
- Low interest rate environment
- Increased competitive pressure
- Higher consumer protection
- Risk-based capital requirement

**Swiss Life specific challenges and opportunities**
- High dependency on capital markets
- Further improve cost competitiveness
- Leverage AWD

**Enhance customer value & new business profitability**

**Increase distribution quality and power**

**Enhance customer value & new business profitability**

**Improve operational efficiency**

**Strengthen the balance sheet**
Execution of MILESTONE will lead to increased earnings at reduced volatility

<table>
<thead>
<tr>
<th>Insurance business (net PHP)</th>
<th>Ambition for change by 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>Reduce relative importance</td>
</tr>
<tr>
<td>Risk result</td>
<td>Maintain good risk result</td>
</tr>
<tr>
<td>Cost result</td>
<td>Eliminate negative admin. cost result</td>
</tr>
<tr>
<td>Fee business and other sources</td>
<td>Significantly increase profits</td>
</tr>
<tr>
<td>Total operating profit</td>
<td></td>
</tr>
</tbody>
</table>

Mid term ambition: Investment income < 50%

→ Strengthening profit sources
1. **New business profitability**

**Margin management counteracted capital market movements**

New business margin development
(VNB as % of PVNBP)

### Volume, business mix, and pricing measures

- Higher sales volumes and related scale effects: mainly in FR, DE and PPLI
- Repricing: CH, PPLI
- Changes in business mix
  - CH: Assumed reinsurance
  - FR: Increased share of UL within Life
  - DE: Higher share of risk products

### Operating variances and reassessments

- Group-wide cost saving initiatives
- Experience driven changes to biometric assumptions across markets
- Changes to profit sharing approach: CH, FR, DE

### Economic variances

- Low interest rates, high interest rate volatilities
- Weaker Euro

**FY 2009 vs FY 2010, in CHF m**

<table>
<thead>
<tr>
<th></th>
<th>FY 2009</th>
<th>FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>PVNBP</td>
<td>14,390</td>
<td>14,607</td>
</tr>
<tr>
<td>APE</td>
<td>1,493</td>
<td>1,486</td>
</tr>
<tr>
<td>VNB</td>
<td>123</td>
<td>209</td>
</tr>
<tr>
<td>NBM (APE)</td>
<td>8.2%</td>
<td>14.0%</td>
</tr>
</tbody>
</table>
# New business profitability

Risk and health business strongly contributed to targeted business mix

New business product mix (based on NBP)

<table>
<thead>
<tr>
<th></th>
<th>FY 2008</th>
<th>FY 2009</th>
<th>FY 2010</th>
<th>2012P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional</td>
<td>46%</td>
<td>36%</td>
<td>31%</td>
<td>&lt;30%</td>
</tr>
<tr>
<td>Modern</td>
<td>28%</td>
<td>39%</td>
<td>40%</td>
<td>&gt;70%</td>
</tr>
<tr>
<td>Risk</td>
<td>26%</td>
<td>25%</td>
<td>29%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Without PPLI</th>
<th>Trad.</th>
<th>Modern</th>
<th>Risk</th>
<th>Modern &amp; risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2008</td>
<td>53%</td>
<td>16%</td>
<td>31%</td>
<td>47%</td>
</tr>
<tr>
<td>FY 2009</td>
<td>52%</td>
<td>14%</td>
<td>34%</td>
<td>48%</td>
</tr>
<tr>
<td>FY 2010</td>
<td>40%</td>
<td>21%</td>
<td>39%</td>
<td>60%</td>
</tr>
</tbody>
</table>

## 2012 shift target already met
- **CH**: Successful new product launches (e.g. SL Premium Select, SL Premium Junior Plan, SL Champion Timeplan)
- **FR**: New health & risk product lines (e.g. Ma formule, SL Prévoyance Indépendant, SL Garantie Emprunteur)
- **DE**: Continuing growth in disability products
- **PPLI**: Life Asset Portfolio product line still with great demand

### Further product modifications/improvements already put in place
- **DE**: Launch of Champion Riester in January 2011
- **CH, FR & DE**: Modifications in unit-linked fund offering

1) Incl. health
2. Distribution

Sales through AWD distribution channel increased by 9%\(^1\)

Swiss Life in Germany – AWD channel

NBP\(^2\) in EUR million

<table>
<thead>
<tr>
<th>Year</th>
<th>Modern or risk products</th>
<th>Traditional products</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2007</td>
<td>82</td>
<td>74</td>
</tr>
<tr>
<td>FY 2008</td>
<td>183</td>
<td>165</td>
</tr>
<tr>
<td>FY 2009</td>
<td>344</td>
<td>40</td>
</tr>
<tr>
<td>FY 2010</td>
<td>384</td>
<td>47</td>
</tr>
</tbody>
</table>

Reasons for development in 2010

- Very successful sale of modern products e.g. disability insurance "Selbständige BU" & Champion products

Action points 2011

- Continually improve product development process to meet AWD "best select" requirements
  - Introduction of new and innovative products within the sales programme and referral lists of AWD
  - Further increase growth through modern Riester product

Swiss Life in Switzerland – AWD channel

NBP\(^2\) in CHF million

<table>
<thead>
<tr>
<th>Year</th>
<th>Modern or risk products</th>
<th>Traditional products</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2007</td>
<td>0</td>
<td>19</td>
</tr>
<tr>
<td>FY 2008</td>
<td>restated(^3)</td>
<td>197</td>
</tr>
<tr>
<td>FY 2009</td>
<td>restated(^3)</td>
<td>188</td>
</tr>
<tr>
<td>FY 2010</td>
<td>restated(^3)</td>
<td>191</td>
</tr>
</tbody>
</table>

Reasons for development in 2010

- Successful launch of “SL Premium Select” in Q3
- Very good sales in 2nd HY of exclusive product package “SL Champion Duo Package” for AWD channel and “SL Champion Timeplan”

Action points 2011

- Annuity & variable annuity product to be launched in Q1
- Joint development of further product packages to specific target groups

1) Currency adjusted
2) New business production
3) Calculation on effective contract duration per product line
3. Operational excellence

Major progress in implementing targeted cost savings in last quarter

Status of targeted cost savings implemented as per FY 2010 – project view

Major achievements
- CH: Support functions & sales organisation further adjusted and internal processes, services and project portfolio optimised
- FR: Efficiency initiatives of Swiss Life Banque Privée completed and administration costs decreased
- DE: Second part “Betriebsübergang" of occupational pensions – bAV initiative finished, lean and reorganisation initiatives successfully established
- AWD: Cost savings target achieved; Corporate Centre: Initiatives almost fully implemented
- Restructuring costs 2008-2010: CHF 162 m; planned restructuring costs 2011-2012: CHF 10-15 m
Based on its internal model, Swiss Life meets SST requirements

SST ratio Swiss Life AG, estimate based on internal model

- Improved biometric experience: +16-18%
- MILESTONE measures improvement: +17-20%
- Economic effects: ~-30%

Negative economic impact more than offset by operational improvements and management actions

1) Incl. expense reductions and ALM measures
2) Incl. interest rates, volatility and currency effects
### Change analysis of profit from operations

Segment results adjusted\(^1\) - continuing; CHF million (IFRS basis)

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY 2009 adjusted</th>
<th>FY 2010 adjusted</th>
<th>Change</th>
<th>Driven by operating improvements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Insurance businesses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>403</td>
<td>466</td>
<td>+140</td>
<td>&gt;70%</td>
</tr>
<tr>
<td>France</td>
<td>129</td>
<td>162</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>58</td>
<td>102</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fee businesses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Management</td>
<td>77</td>
<td>103</td>
<td>+84</td>
<td>100%</td>
</tr>
<tr>
<td>AWD</td>
<td>-10</td>
<td>43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance other</td>
<td>-40</td>
<td>-35</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Unallocated corp. costs and others</strong></td>
<td>-79</td>
<td>-60</td>
<td>+19</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Profit from operations</strong></td>
<td>538</td>
<td>781</td>
<td>+243</td>
<td>&gt;80%</td>
</tr>
</tbody>
</table>

Profit improvement mainly due to operational progress in line with MILESTONE execution

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\(^1\) Adjusted for major one-off and EUR/CHF FX effects
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→ Wrap-up
### MILESTONE: Managing for value at Swiss Life

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<th>Objectives 2012</th>
<th>Status</th>
</tr>
</thead>
</table>
| Enhance customer value & new business profitability | - New business margin > 2.2%  
- > 70% of NBP from modern and risk products | ![mm] |
| Increase distribution quality and power          | - 20–25% share of Swiss Life products in relevant product categories of AWD | ![mm] |
| Improve operational excellence                   | - CHF 350–400 m reduced cost base vs 2008                                    | ![mm] |
| Preserve the balance sheet & optimise in-force business | - ROE 10–12%  
- Dividend payout ratio 20–40%  
- Comply with SST requirements | ![mm] |

#### Drive disciplined execution

- Reporting on achievements, challenges, and actions on ongoing basis
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Additional information on FY 2010 results:

Contact details and financial calendar
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Financial calendar

Interim statement Q1  
Annual General Meeting 2011  
Half-year Results 2011  
Interim statement Q3  
3 May 2011  
5 May 2011  
17 August 2011  
15 November 2011

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