

# Letter to Shareholders

Financial Year 2011

## Dear Shareholders



Bruno Pfister and Rolf Dörig

Swiss Life was not alone in finding 2011 a challenging year. Natural catastrophes such as the one which triggered the Fukushima reactor disaster, the Arab Spring, the legacy of which has yet to emerge, plus the debt crisis and the resulting fall in the euro sent jitters through the global economy. The unforeseeable, or even the unthinkable, has shown many areas in a new light. Security and financial stability cannot be taken for granted – as was harshly demonstrated by the many events of 2011.

Swiss Life successfully negotiated a tough market environment and can look back on a very good year, due in no small measure to the successful implementation of the MILESTONE programme. Our operational improvements enabled us to increase our net profit from CHF 560 million in the previous year to CHF 606 million. We also

improved the quality of our premium income – especially in terms of profitability and the composition of our sources of income. Thanks to our strong asset and liability management and the high intrinsic value of our investment portfolio, we achieved an excellent investment result. We were particularly pleased to see Swiss Life grow in strategically important business areas.

Growth in Swiss corporate client business in particular shows demand for full insurance solutions, which can only be provided by private insurers. These solutions are very important in economic terms, as they make a major contribution to the stability of the Swiss pension system. It is precisely when many Vorsorgewerks (employee benefits units) are experiencing a funding shortfall that customers come to seek a safe haven in Swiss Life and its

solutions. This customer confidence is both an honour and a commitment. We will make every effort, going forward, to ensure the regulatory framework conditions continue to permit these solutions.

Our solid performance in the 2011 financial year comes on the back of our MILESTONE programme, which was launched in 2009 and set the foundations on which we were able to build a more resilient business model. We had already achieved most of our targets by the end of 2011, one year ahead of schedule.

Many ambitious measures launched under MILESTONE helped us to offset the adverse effects of the financial market crisis during the year under review. For instance we increased the share of modern risk and pension products in new business to 70%. We also strengthened our balance sheet, protected our new business margin and increased sales of Swiss Life products through AWD. Our cost discipline also proved a great success. By the end of 2011, Swiss Life had already made the planned savings of CHF 350-400 million announced in 2009. Costs were brought down by over CHF 400 million compared to 2008.

We see the key to doing business successfully as never losing sight of our goal and our responsibility: the loyalty and security of our customers are the compass that we consistently turn to for guidance. Our insurance solutions are gaining in importance. There are two major trends making our work both relevant and demanding: firstly, people are living longer, which means their pension provision also has to last longer. Secondly, countries are finding it more of a strain financing their pension commitments due to their financial situation. The financial market turbulence and historically low interest rates are also preventing assets from appreciating naturally. In fact, it will actually become harder in future to preserve the value of our personal assets and ensure adequate pension provision. Swiss Life's loyal customers, committed

employees, financial solidity, expertise and prominent brand place it in an excellent position to exploit the opportunities of a growing, but also very competitive, pensions market.

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2012 will be a year of consolidation for Swiss Life. We will conclude MILESTONE and present our new plans for the coming years at our Investors' Day on 28 November 2012. We don't anticipate any marked improvement in market conditions. Nevertheless, Swiss Life is in an excellent position to meet the challenges posed by the market, even if operating conditions remain difficult over the longer term.

We are very grateful for your support, as shareholders, for Swiss Life as it pursues this path. We look forward to continuing to work with you towards a successful future for Swiss Life.



Rolf Dörig  
Chairman of the Board of Directors



Bruno Pfister  
CEO

## SWISS LIFE GROUP HISTORICAL COMPARISON

In CHF million (if not stated otherwise)

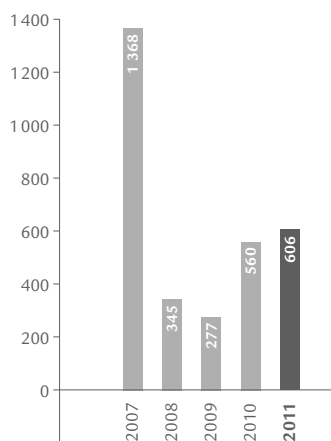
	2011	2010	2009	2008	2007
<b>PREMIUM VOLUME</b>					
Gross written premiums, policy fees and deposits received	17 143	20 191	20 219	18 515	21 213
<b>FIGURES FROM CONSOLIDATED STATEMENT OF INCOME</b>					
Net earned premiums	11 599	11 753	11 867	13 254	13 316
Net earned policy fees	295	298	268	260	389
Financial result (without share of results of associates)	4 459	4 368	4 588	600	4 923
<b>TOTAL INCOME</b>	<b>17 291</b>	<b>17 844</b>	<b>17 816</b>	<b>15 356</b>	<b>18 971</b>
Net insurance benefits and claims	-12 614	-12 704	-11 884	-12 915	-13 268
Policyholder participation	-791	-1 073	-1 539	429	-1 746
Operating expense	-2 913	-3 062	-3 478	-3 319	-2 489
<b>TOTAL EXPENSE</b>	<b>-16 592</b>	<b>-17 150</b>	<b>-17 254</b>	<b>-16 198</b>	<b>-17 958</b>
<b>RESULT FROM OPERATIONS</b>	<b>699</b>	<b>694</b>	<b>562</b>	<b>-842</b>	<b>1 013</b>
Net result from continuing operations	606	560	324	-1 143	726
Net result from discontinued operations	-	-	-47	1 488	642 <sup>1</sup>
<b>NET PROFIT</b>	<b>606</b>	<b>560</b>	<b>277</b>	<b>345</b>	<b>1 368</b>
Net profit attributable to					
Equity holders of Swiss Life Holding	605	557	278	350	1 345
Non-controlling interests	1	3	-1	-5	23
<b>FIGURES FROM CONSOLIDATED BALANCE SHEET</b>					
Equity	9 162	7 437	7 245	6 652	7 334
Insurance reserves	128 089	122 279	122 616	113 308	121 829
<b>Balance sheet total</b>	<b>151 875</b>	<b>147 203</b>	<b>143 948</b>	<b>134 791</b>	<b>179 757</b>
<b>FURTHER KEY FIGURES</b>					
Return on equity (in %)	7.3	7.6	4.0	5.0	18.1
Assets under control	164 604	149 899	148 186	134 326	138 946
Year-end embedded value <sup>2</sup>	7 728	7 595	6 877	8 457	12 837
Value of new business <sup>2</sup>	150	209	123	78	118
Number of employees (full-time equivalents)	7 168	7 483	7 820	8 291	8 556

<sup>1</sup> Including reserve release of CHF 304 million due to change in Dutch law.

<sup>2</sup> Up to 2008, traditional embedded value methodology used; from 2009, market consistent embedded value methodology applied.

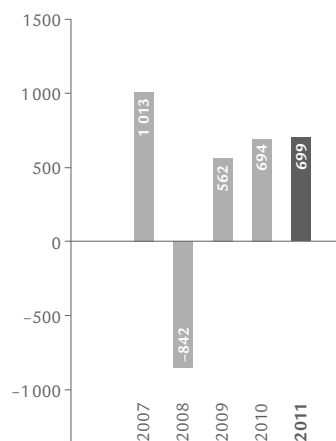
## Net profit

In CHF million



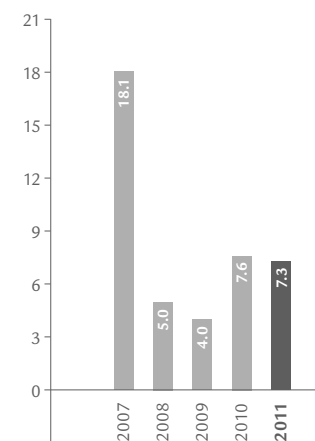
## Result from operations

In CHF million



## Return on equity

In %



## SHARE PERFORMANCE

Amounts in CHF

	as at 2011	2011	2010	2009	2008	2007
Number of shares	31.12.	32 081 054	32 081 054	32 081 054	35 084 554	34 960 439
Annual high	08.02.	164.50	152.70	140.20	298.66	326.00
Annual low	19.12.	83.65	100.30	43.00	63.90	266.50
Year-end price	30.12.	86.40	135.20	132.00	72.40	283.00
Performance Swiss Life (in %)		-36	+2	+82	-74	-5
Swiss Market Index (SMI)	30.12.	5 936	6 436	6 546	5 535	8 484
Performance Swiss Market Index (SMI) (in %)		-8	-2	+18	-35	-3
Dow Jones STOXX 600 Insurance Index (in EUR)	30.12.	133.25	154.45	152.08	134.68	252.21
Performance Dow Jones STOXX 600 Insurance Index (in %)		-14	+2	+13	-47	-12
Average trading volume		140 620	220 061	264 910	377 109	327 843
Market capitalisation (in CHF million)	30.12.	2 772	4 337	4 235	2 540	9 894
Basic earnings per share		18.97	17.46	8.86	10.88	40.76
Diluted earnings per share		18.87	17.37	8.83	10.88	39.60
Dividend paid per share <sup>1</sup>	28.07.	4.50	2.40	5.00	17.00	7.00
Total dividend payout to shareholders (in CHF million)	28.07.	144	77	160	596	245
Dividend yield on year-end price (in %)	30.12.	5.21	1.78	3.79	23.48	2.47

Source: Bloomberg

<sup>1</sup> For the 2011 financial year, the Board of Directors proposes a dividend of CHF 4.50 per share.

## SWISS LIFE SHARE DETAILS

Swiss security number	1 485 278
ISIN	CH 001 485 278 1
Ticker symbol SIX	SLHN
Reuters	SLHN.VX
Bloomberg	SLHN VX

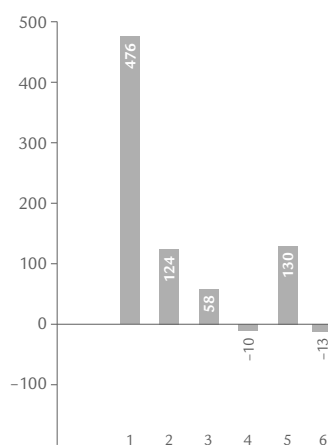
## KEY FIGURES FOR INSURANCE

In CHF million

	2011	2010	+/-
<b>SWITZERLAND</b>			
Gross written premiums, policy fees and deposits received	8 123	7 631	6.4%
Segment result	476	491	-3.1%
<b>FRANCE</b>			
Gross written premiums, policy fees and deposits received	4 379	5 307	-17.5%
Segment result	124	82	51.2%
<b>GERMANY</b>			
Gross written premiums, policy fees and deposits received	1 739	2 073	-16.1%
Segment result	58	102	-43.1%
<b>INTERNATIONAL</b>			
Gross written premiums, policy fees and deposits received	3 033	5 159	-41.2%
Segment result	-10	-27	63.0%

## Segment result

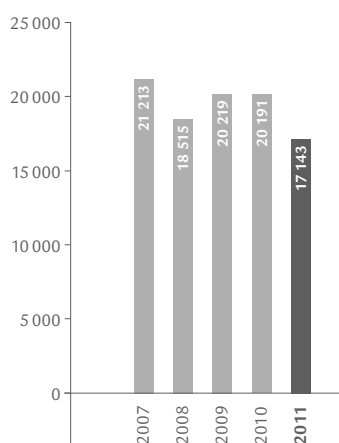
In CHF million



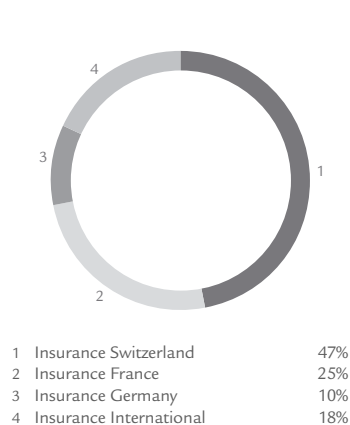
- 1 Insurance Switzerland
- 2 Insurance France
- 3 Insurance Germany
- 4 Insurance International
- 5 Investment Management
- 6 AWD

## Gross written premiums, policy fees and deposits received

In CHF million



## Gross written premiums, policy fees and deposits received by segment



- 1 Insurance Switzerland 47%
- 2 Insurance France 25%
- 3 Insurance Germany 10%
- 4 Insurance International 18%

**IMPORTANT DATES****ANNUAL GENERAL MEETING 2012**

19 April 2012, Hallenstadion Zurich

**INTERIM STATEMENT Q1 2012**

8 May 2012

**HALF-YEAR RESULTS 2012**

17 August 2012

**INVESTORS' DAY**

28 November 2012

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This **Letter to Shareholders** is also available in German, French and Italian.

The German text is definitive.

**ANNUAL REPORT 2011**

The Business Review and the Financial Statements for 2011 can be found at:

[www.swisslife.com/report](http://www.swisslife.com/report)

**CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

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