SwissLife

**Letter to Shareholders** | First Half 2009

## Dear Shareholders

Swiss Life generated a profit from continuing operations of CHF 172 million (+13%) in the first half of 2009. Earnings per share from continuing operations thus increased by 22% to CHF 5.62. Adjusted for extraordinary impacts and currency effects, we generated a premium growth of CHF 10.4 billion, up 7% on the prior-year level. The Group improved its result from operations by 11% and reduced its operating expenses by 3%. We achieved a net profit of CHF 139 million. In view of the challenging market environment, we can thus look back on a satisfactory first half.

The strategy implemented proved its worth, despite the financial crisis and the correspondingly unpleasant market environment.

**CONFIRMATION OF STRATEGY – FOCUS ON PROFITABLE GROWTH** | The strategy embarked upon last year proved its worth, despite the financial crisis and the correspondingly unpleasant market environment. We will continue to focus on the life and pensions market, the exploitation of growth opportunities and the achievement of functional and operational excellence. However, at present, both our cost base and our dependence on the financial result due to the emphasis on traditional business are impeding our capacity to act. To remain competitive in the closely-fought life and pensions market and to enhance our ability to compete, we must focus more strongly on client needs and product profitability and further reduce our cost base.

We have introduced initiatives to boost client orientation, efficiency and profitability.

Swiss Life has thus introduced initiatives in all its markets to boost client orientation, efficiency and profitability. The efficiency increases, which will run into 2012, will cut costs by around CHF 350 to 400 million, compared to 2008. CHF 90 million of the cost savings were already announced in November 2008 as part of the process to streamline the Group's head office. A large share will be realised in the Swiss division (CHF 188 million) and at AWD (CHF 95 million). Against this background, there will be around 520 job reductions in Switzerland by 2012. 480 will take place in the Swiss division: 220 through releases and around 200 through natural fluctuation; 60 vacancies have been deliberately left open in recent months. The job reductions will primarily affect areas which are not directly involved in advising and delivering services to clients. In connection with the job reduction process, Swiss Life is implementing a programme of measures which were agreed on with the social partners and which have been in force since 2004.

**GREAT PROGRESS AT SWISS DIVISION** | We have launched a series of initiatives in Switzerland to expand our position going forward and to implement our client-oriented growth strategy. We are thus strengthening the sales force with the aim of generating substantial premium growth. To achieve this, we will optimise our distribution organisation by January 2010. Besides lowering the number of general agencies from 58 to 42, the new organisation will enable us to intensify market development and the delivery of client services. In the future, 50 sales managers will support insurance consultants with their advisory and sales activities so that we can further improve the high quality of our advisory services to clients. We are also investing in a highly productive sales force infrastructure and in training. As part of our group insurance strategy, we are extending the product portfolio towards becoming a "full-range provider", in addition to offering our full insurance model. This will enable us to further strengthen our position in the area of autonomous pension fund solutions. We are also intensifying our partnership with AWD and aim to write around 10% to 15% of new business in individual insurance through this distribution channel up into 2012.

**EFFICIENCY ENHANCEMENT PROGRAMME AND RESTUCTURING MEASURES AT AWD** | Despite the short-term difficulties experienced, AWD remains an attractive business segment for us strategically. In implementing our strategy we have also made clear and measurable progress in this area in the first half of 2009. We have advanced in our ambition to become one of AWD's "best select partners", with numerous products in Germany and Switzerland already achieving this status. Our increased selling power with AWD clearly stood out in the first half in terms of concrete achievements: In Germany we increased the premium volume generated through AWD by over one third. Thanks to its proximity to clients, AWD provides us with market intelligence and an in-depth understanding of client needs, which is very valuable to us in product development. The successful market launch of our Champion Duo product, which we developed together with AWD in Switzerland, is an excellent example of this.

In Germany we increased the premium volume generated through AWD by over one third.

In view of the difficult market environment, AWD is introducing a series of measures to accelerate its efficiency enhancement programme. The holding functions will be downsized as a result. In the future, the management holding will concentrate on coordination and controlling activities for the AWD Group, while reducing marketing and administration costs. In addition, the back office functions of the distribution organisations in Germany will be gradually centralised and thus optimised. In Austria, AWD will be repositioned by adapting the distribution structure and costs to the diminished market potential brought on by the financial crisis. In the UK, the break-even result for the first half confirms AWD's objective of achieving a sustainable turnaround in this market in 2009. The initiatives implemented to further strengthen the brand position are a significant investment in the future of the AWD Group. All the measures in this programme will help return AWD to profitability and set the course for future growth.

Dear Shareholders, we have positioned the company in recent months for the persistently challenging economic environment and tougher competitive climate. With the measures to boost competitiveness, we are laying the foundations for Swiss Life to grow profitably and to exploit its business opportunities in the international life and pensions market.

We have positioned the company for the persistently challenging economic environment and tougher competitive climate.

**ROLF DÖRIG**
Chairman of the Board of Directors

**BRUNO PFISTER**
Group Chief Executive Officer

The Swiss Life Group generated a profit from continuing operations of CHF 172 million (+13%) in the first half of the year. The net profit totalled CHF 139 million. This was impacted by a charge of CHF 33 million in connection with the sale of Banca del Gottardo. The prior-year figure of CHF 1.6 billion included CHF 1.5 billion in extraordinary gains from the disposals of the Dutch and Belgian insurance business and Banca del Gottardo.

**POSITIVE RESULT IN DIFFICULT MARKET ENVIRONMENT** | The profit from operations came to CHF 251 million (+11%), to which insurance contributed CHF 280 million (+28%).

A profit was achieved again in Switzerland after the loss recorded in 2008 for the full financial year. Thanks to cost savings and the substantial improvement in the financial result, this profit – at CHF 193 million – was 61% above the comparable first-half 2008 figure, despite higher bonus allocations. The segment result in Germany was also increased to CHF 31 million (+63%), while the segment result in France came in 30% lower than the prior-year figure, at CHF 70 million. The result for the Insurance Other segment (CHF –14 million; +33%) was an improvement over the prior-year figure, reflecting the investments in the growth markets for cross-border business.

The Investment Management segment result decreased to CHF 35 million (–27%), primarily due to lower commissions resulting from the decline in assets under management, but also due to project costs.

The AWD Group turned in a segment loss of CHF 28 million. With revenues lower in all markets and due to restructuring charges at holding company level and in Austria, the AWD Group reported an operating loss of EUR 10 million (EBIT HY08: EUR 27 million). The partnership between Swiss Life and AWD continued to develop well: The premium volume generated through AWD in Germany was increased by more than one third.

**POSITIVE PREMIUM GROWTH FOR NON-TRADITIONAL PRODUCTS** | The Swiss Life Group reported CHF 10.4 billion in gross written premiums, policy fees and deposits received under insurance and investment contracts. Adjusted for currency effects and extraordinary impacts, this corresponds to an increase of 7%. A major contributor was the positive growth in innovative life and pension products.

In Switzerland, Swiss Life's premium income decreased by 10% to CHF 5.3 billion. Adjusted for extraordinary impacts, the decline was only 2%, which was in line with the market. The decrease was recorded mainly in group business; individual insurance held the level of the prior-year period. In France, Swiss Life generated CHF 2.5 billion in premium income over the first six months, which corresponds to a decline of 1% in local currency after adjustment for extraordinary impacts. The decrease was mainly because Swiss Life, for profitability reasons, refrained from joining the competition on promised short-term interest rates. In the health insurance business, Swiss Life boosted its premium income by 5%. Premium volume increased in Germany by 7% to around CHF 971 million (+14% in local currency). Both the single and periodic premium businesses outperformed the market significantly, especially in occupational disability insurance. Thanks to the qualification as "best select partner" for AWD in a number of product groups, there was a strong rise in new business production. In the Insurance Other segment, premium was increased by 70% to CHF 1.6 billion in the first half. An important contribution came from the global business for high net worth individuals (Private Placement Life Insurance), which recorded a premium growth of 80% to CHF 1.4 billion.

The value of new business, as measured by MCEV, came to CHF 76 million at a margin of 1.2%.

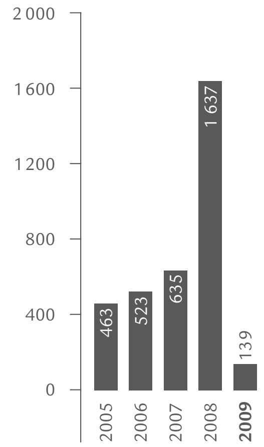
**INVESTMENT RESULT CLEARLY UP** | The alignment of the asset allocation to the changed market environment in the second half of 2008 and the reduction of balance sheet risks again paid off in the first half of 2009. Swiss Life achieved a direct investment income of 1.9% (HY 2008: 2.1%) in its insurance business in the period under review. Hedging costs and impairments led to a moderate net capital loss of CHF 49 million (HY 2008: CHF 1.2 billion). The net investment result for the insurance portfolio thus improved from the prior-year figure of 1.0% to 1.8%, despite the higher liquidity position.

**DECLINE IN OPERATING EXPENSES THANKS TO STRICT COST MANAGEMENT** | Benefits paid and changes in insurance reserves went down by 12% to CHF 7.4 billion. Policyholder participation was increased from CHF 77 million to CHF 651 million, on the strength of the substantial improvement in the financial result compared to the same period last year. Adjusted operating expenses were reduced by 3% to CHF 688 million, with Switzerland's progress in pushing down costs amounting to 8%.

**CAPITAL BASE AND SHAREHOLDERS' EQUITY STABLE** | Insurance reserves increased 4% (+3% in local currency) in the first half of the year to CHF 118 billion. As at 30 June 2009, assets under control at the Swiss Life Group stood at CHF 139 billion (+4%). Shareholders' equity also rose, going up 2% from its year-end position to stand at CHF 6.8 billion. At 155% the IFRS group solvency ratio on 30 June 2009 was in line with the prior-year figure (end 2008: 158%). The statutory solvency ratio increased to 190% from 176% at the end of 2008. Swiss Life's capital base thus remains solid.

## First half year net profit

**In CHF million**




**Period-on-period comparison Swiss Life Group**

| In CHF million (if not stated otherwise) | 2009 HY | 2008 HY | +/– |
|---|---|---|---|
| **Premium volume** | | | |
| Gross written premiums, policy fees and deposits received | **10 387** | 10 888 | –4.6% |
| **Figures from consolidated statement of income** | | | |
| Net earned premiums | **7 508** | 8 557 | –12.3% |
| Net earned policy fees | **111** | 126 | –11.9% |
| Financial result | **2 122** | 1 215 | 74.7% |
| **Total income** | **10 174** | 10 418 | –2.3% |
| Net insurance benefits and claims | **–7 446** | –8 459 | –12.0% |
| Policyholder participation | **–651** | –77 | n.m. |
| Operating expense | **–1 646** | –1 456 | 13.0% |
| **Total expenses** | **–9 923** | –10 191 | –2.6% |
| **Profit from operations** | **251** | 227 | 10.6% |
| **Net profit from continuing operations** | **172** | 152 | 13.2% |
| Net result from discontinued operations | **–33** | 1 485 | n.m. |
| **Net profit** | **139** | 1 637 | –91.5% |
| *Net profit attributable to* | | | |
| equity holders of Swiss Life Holding | **142** | 1 638 | –91.3% |
| non-controlling interests | **–3** | –1 | n.m. |
| **Further key figures** | | | |
| Annualised return on equity (in %) | **4.3** | 50.2 | –91.4% |
| **Share performance** | | | |
| Basic earnings per share (in CHF) | **4.58** | 49.71 | –90.8% |
| Diluted earnings per share (in CHF) | **4.56** | 49.06 | –90.7% |
| | | | |
| In CHF million (if not stated otherwise) | **30.06.2009** | 31.12.2008 | +/– |
| **Figures from consolidated balance sheet** | | | |
| Equity | **6 793** | 6 652 | 2.1% |
| Insurance reserves | **118 027** | 113 308 | 4.2% |
| Balance sheet total | **138 375** | 134 791 | 2.7% |
| **Further key figures** | | | |
| Assets under control | **139 356** | 134 326 | 3.7% |
| Value of new business (MCEV) | **76** | n.a. | n.a. |
| Number of employees (full-time equivalents) | **8 075** | 8 184 | –1.3% |

n.m.: not meaningful

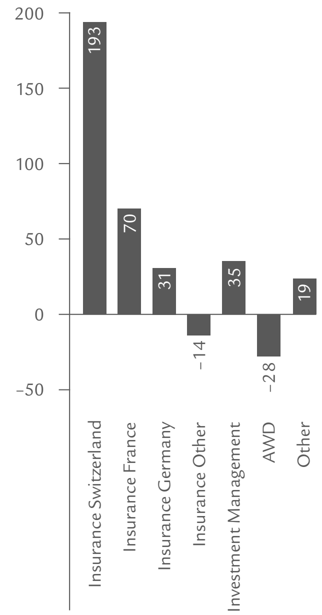
**Key figures by segment**

| In CHF million | 2009 HY | 2008 HY | +/– |
|---|---|---|---|
| **Insurance Switzerland** | | | |
| Gross written premiums, policy fees and deposits received | **5 334** | 5 907 | –9.7% |
| Segment result | **193** | 120 | 60.8% |
| **Insurance France** | | | |
| Gross written premiums, policy fees and deposits received | **2 524** | 3 168 | –20.3% |
| Segment result | **70** | 100 | –30.0% |
| **Insurance Germany** | | | |
| Gross written premiums, policy fees and deposits received | **971** | 908 | 6.9% |
| Segment result | **31** | 19 | 63.2% |
| **Insurance Other** | | | |
| Gross written premiums, policy fees and deposits received | **1 573** | 928 | 69.5% |
| Segment result | **–14** | –21 | 33.3% |
| **Investment Management** | | | |
| Commission income | **118** | 131 | –9.9% |
| Segment result | **35** | 48 | –27.1% |
| **AWD (consolidated since 19.03.2008)** | | | |
| Commission income | **383** | 253 | 51.4% |
| Segment result | **–28** | 5 | n.m. |
| **Other** | | | |
| Commission income | **4** | 5 | –20.0% |
| Segment result | **19** | 16 | 18.8% |

n.m.: not meaningful

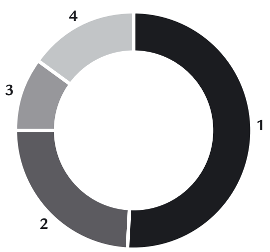
## First half year 2009 segment result

**In CHF million**




## First half year 2009 gross written premiums, policy fees and deposits received per insurance segment

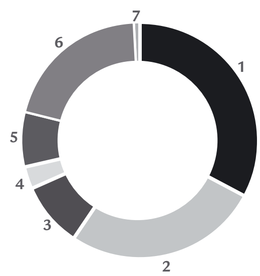
**Total: 100%**




**1** Switzerland 51%
**2** France 24%
**3** Germany 10%
**4** Other 15%

## Employees (full-time equivalents) by segment as at 30.06.2009

**Total 8075 full-time equivalents**




**1** Insurance Switzerland 2669
**2** Insurance France 2161
**3** Insurance Germany 736
**4** Insurance Other 242
**5** Investment Management 603
**6** AWD (internal services) 1661
**7** Other 3

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This Letter to Shareholders is also available in German, French and Italian. The German text is definitive.



## Important dates

**Interim Statement**
11 November 2009

**Investors' Day**
15 December 2009

**Annual General Meeting**
6 May 2010
Hallenstadion Zurich

## Financial publications

You can find all the Swiss Life Group financial publications on the internet at www.swisslife.com/report

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