SwissLife

Investors' Day 2012

Asset Liability Management

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Key messages

Swiss Life has safeguarded its interest rate margin in a prolonged period of low interest rates through disciplined Asset Liability Management (ALM)

ALM is a cornerstone for management decisions

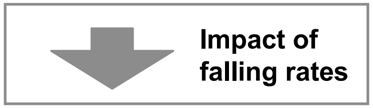
- Duration gap closely managed
- Efficient capital consumption ensured

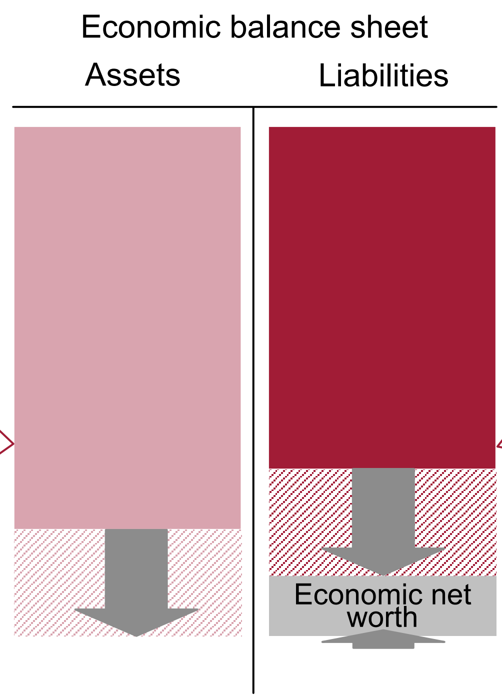
Interest rate margin secured for more than two decades by disciplined ALM

- Asset side: Direct yield improved and stability of net investment result increased
- Liability side: Technical interest rates and policyholder participations reduced and policyholder reserves strengthened

ALM concept in a nutshell

Integrated view of assets and liabilities key to protect economic net worth





Asset duration

- Measures sensitivity to moderate interest rate changes
- Steered by bonds/other fixed income instruments with their maturities and derivatives
- Varies **slightly** with rate changes for fixed income

Liability duration

- Measures sensitivity to moderate interest rate changes
- Driven by in-force product guarantees and options
- Varies **considerably** with rate changes

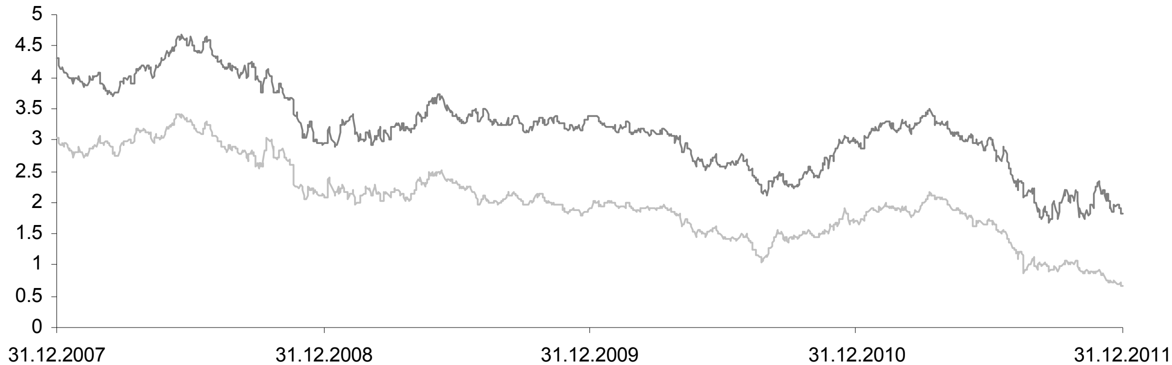
- **Liabilities increase more than assets when interest rates decrease (convexity)**
- **Dynamic ALM performed to mitigate impact of interest rate changes on capital position**
- **MCEV exaggerates current interest rate sensitivity as dynamic ALM is not incorporated**

Ongoing dynamic duration management to keep duration gap narrow

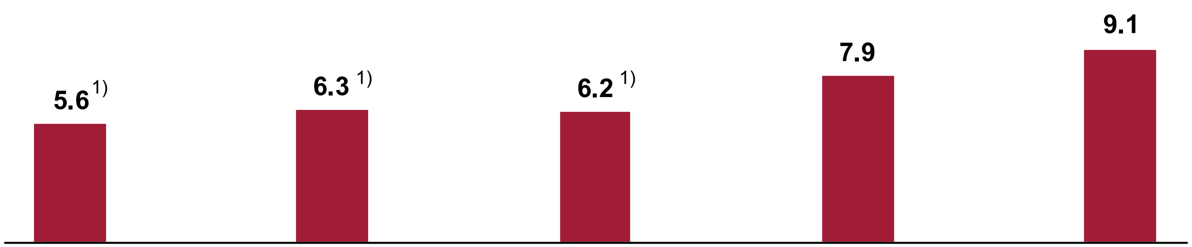
In %

German government bond yield (10 yr)

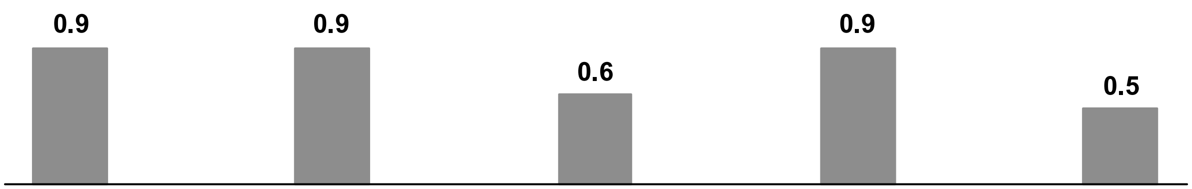
Swiss government bond yield (10 yr)



Asset duration



Total weighted duration gap



- Efficient capital consumption maintained
- Duration gap kept below 1 year
- Required substantial lengthening of asset duration

1) Excludes duration contribution of real estate which were modelled as interest rate sensitive assets until YE2009

Asset allocation adjusted to strengthen direct yield and reduce risk

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

Equities and alternative investments; reduced
- Capital intensive, no duration, unfavourable local statutory accounting treatment; alternatives are also illiquid, hardly hedgeable

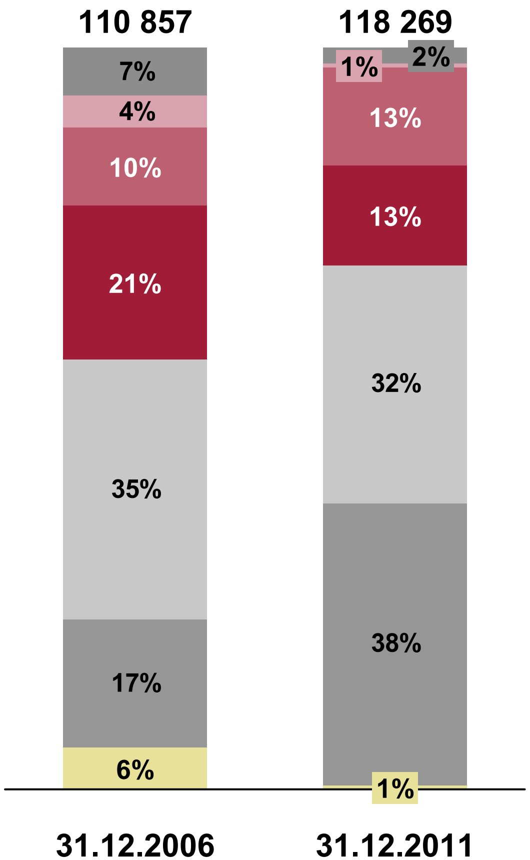
Real estate; increased
- Stable income, attractive risk-return profile despite having no duration under MCEV and SST

Mortgages and loans; reduced
- Add duration if long maturities available, direct income, favourable local statutory accounting treatment

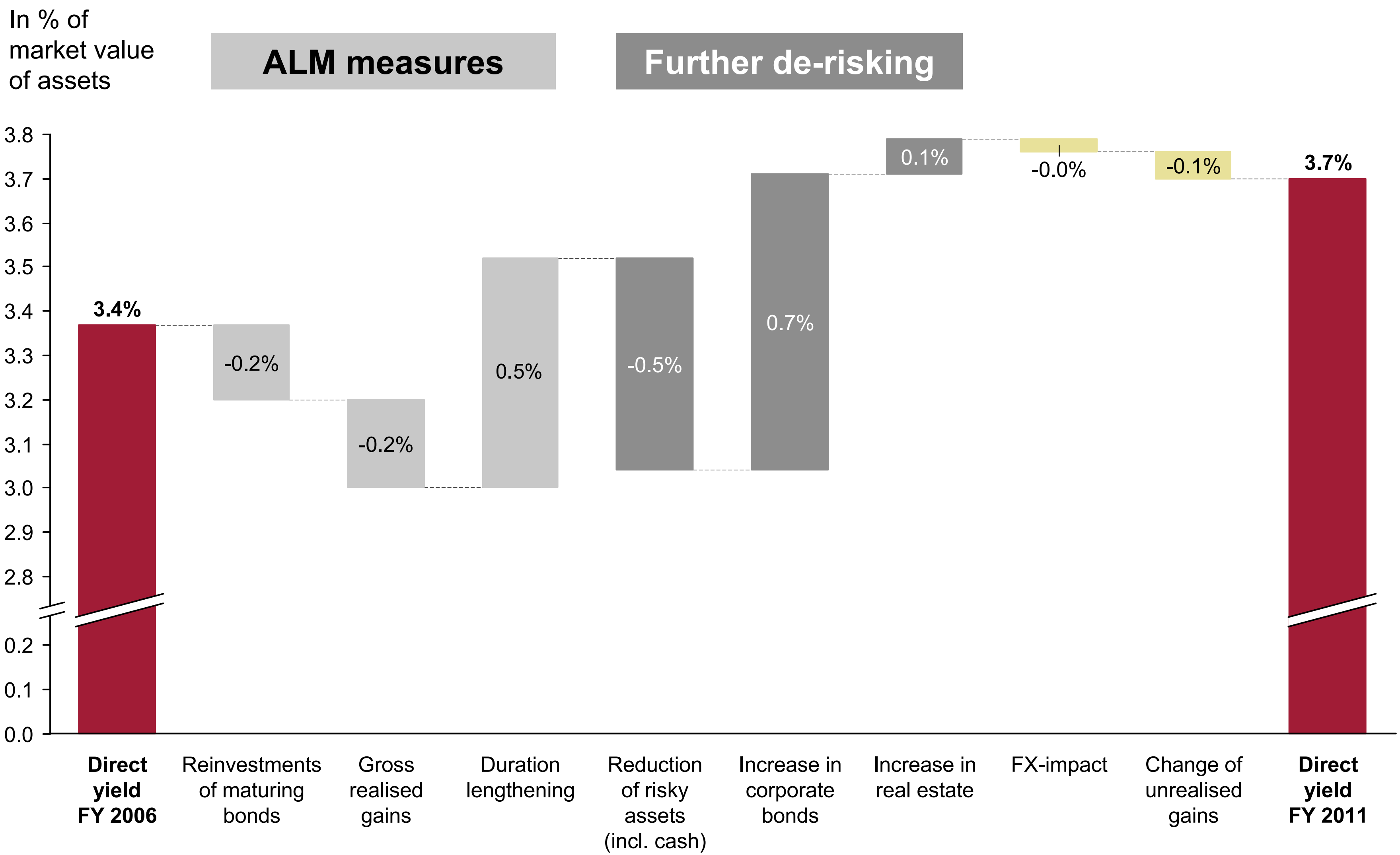
Government bonds of "safe" countries; reduced
- Add long duration, direct income, favourable local statutory accounting treatment, crisis resistant

Corporate bonds; increased
- Add duration, direct income, favourable local statutory accounting treatment, lower rated bonds as substitute for equities

Cash; reduced
- Capital inefficient: no duration and direct income; cash and liquidity efficiently managed with repos through SNB platform

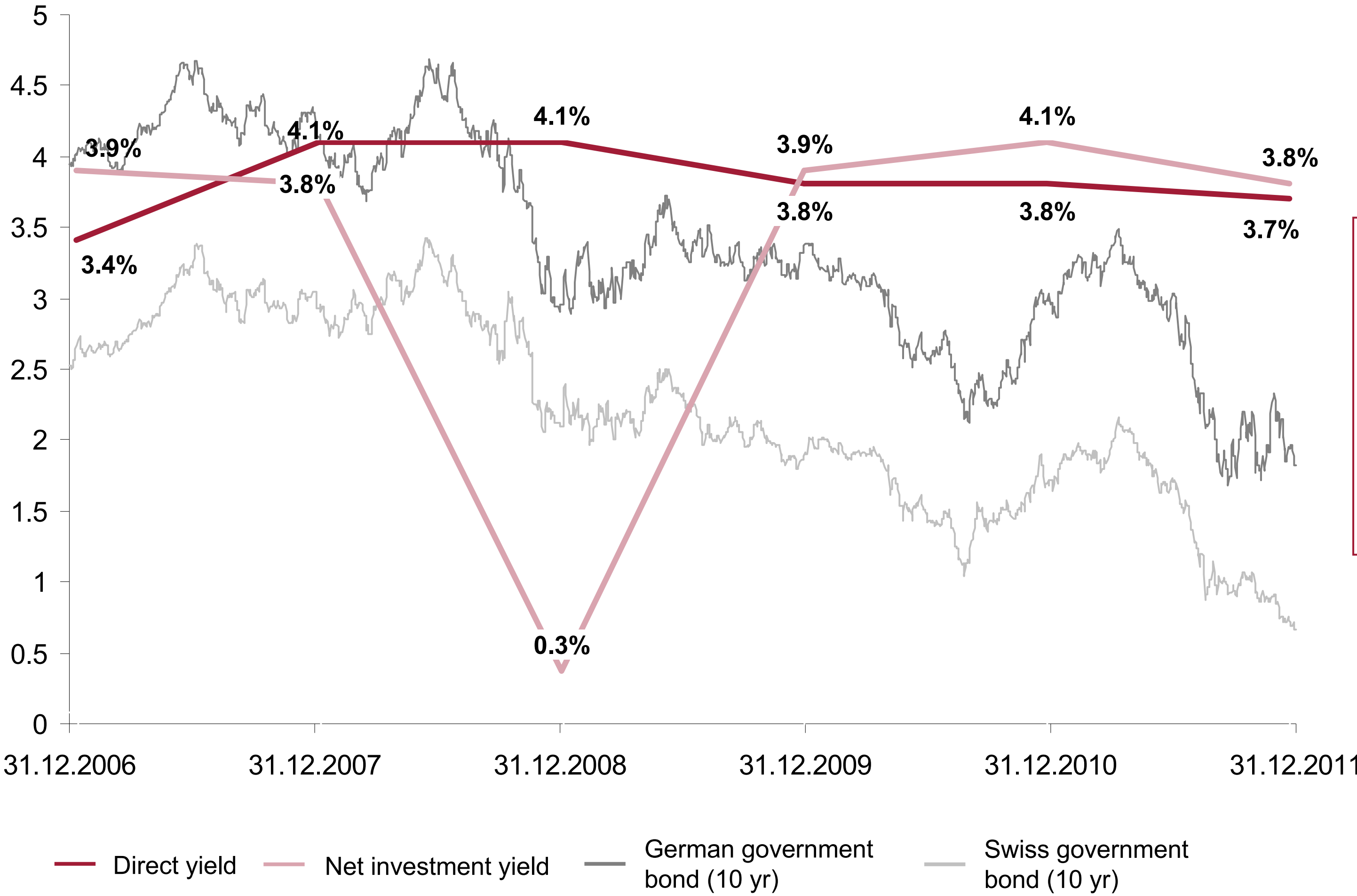


Asset duration measures and increase in corporate bonds strengthened direct yield



Stable and strong returns despite decreasing interest rates

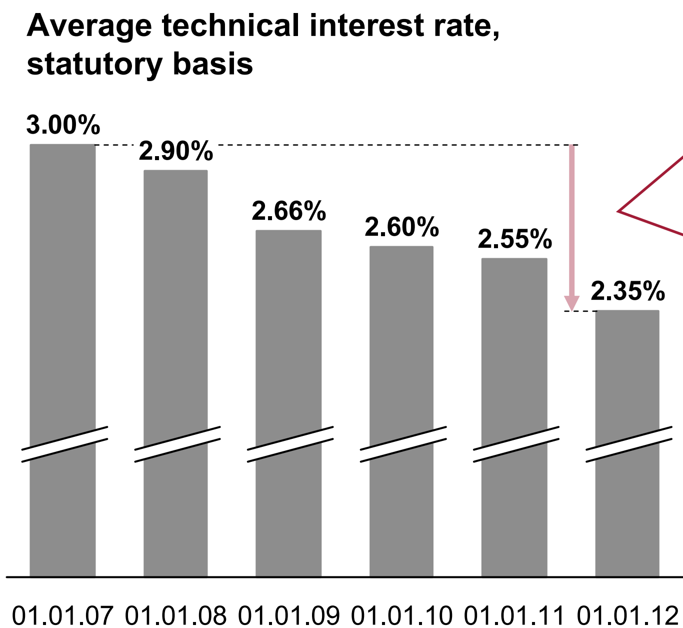
IFRS basis, in %



- Long asset duration supports yield over time
- Narrow duration gap protects interest rate margin

Substantial decrease of average technical interest rate achieved

Average technical interest rate reduced by business actions and regulatory decisions

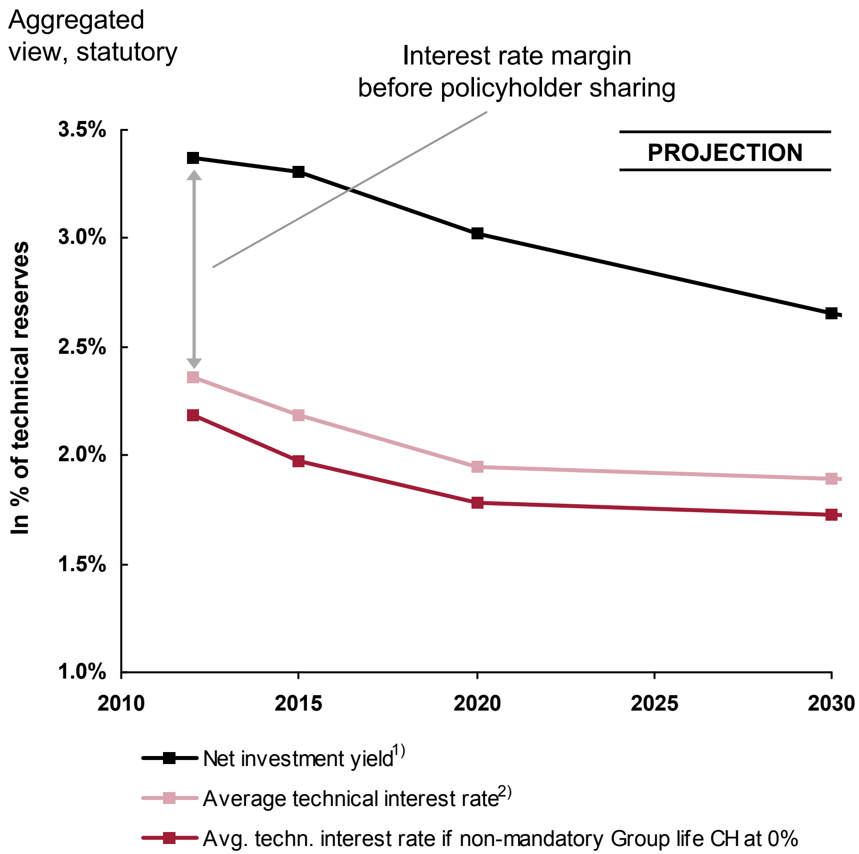


Mandatory Group life CH	
Reduction in minimum interest rate by 100 bps to 1.50% by Federal Council	-14 bps
Non-mandatory Group life CH	
Reduction in guaranteed rates by 100 bps to 1.25% by Swiss Life	-12 bps
Change in business mix	-25 bps
Reserve strengthening	-4 bps
Other effects	
Disposals and FX	-10 bps
Total	**-65 bps**

Additional liability measures

Policyholder participation reduced in Switzerland, France and Germany

Swiss Life Group's interest rate margin resilient in low interest rate environment



Structurally healthy interest rate margin

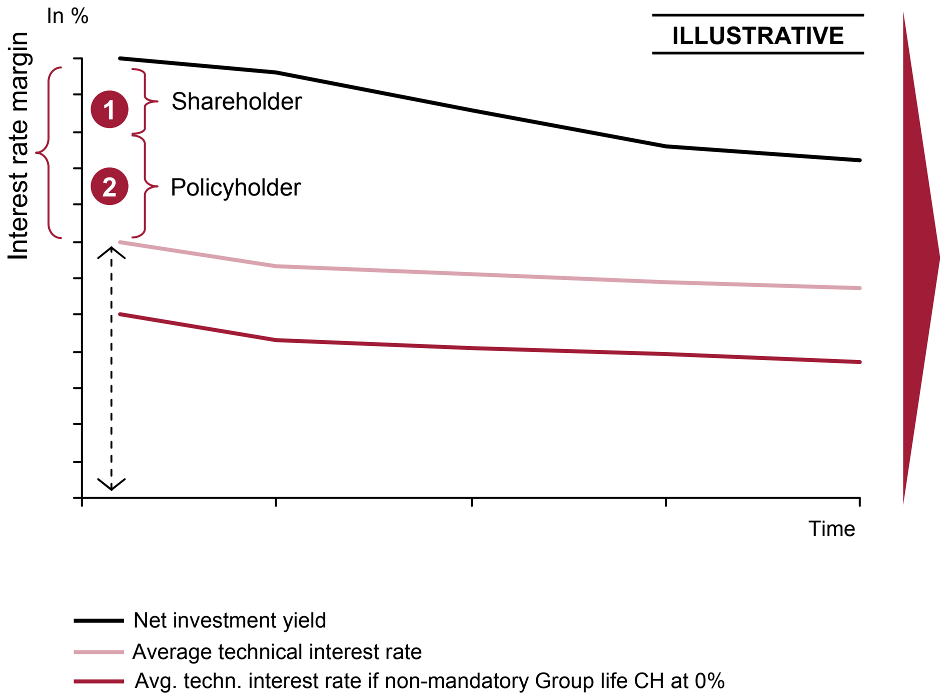
- Interest rate margin resilient for more than two decades even if rates stay low
- Policy adjustments in non-mandatory Group life could further extend this period
- Reserve strengthening has an additional positive impact on resilience against low interest rates

Analysis is based on conservative assumptions

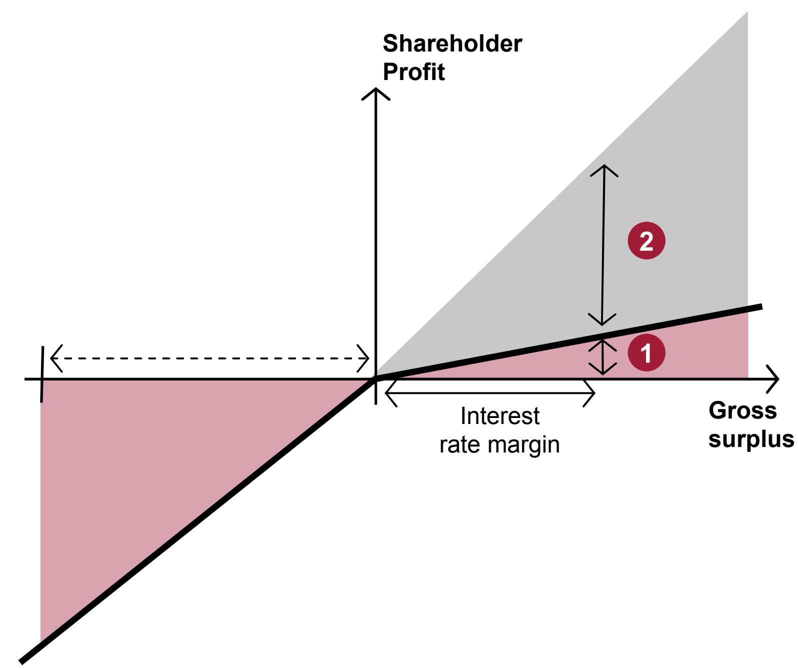
- No new business assumed beyond 2015, i.e. beneficial effect of new low-guarantee business not considered
- Reinvestment rates in this analysis are lower than effective ones; assumed are
  - Switzerland: 1.3%
  - France: 2.2%
  - Germany: 2.2%
- Risk and fee income are not considered

1) Net investment yield excl. gain realisations on fixed income investments
2) Includes further guarantees and quasi-guarantees

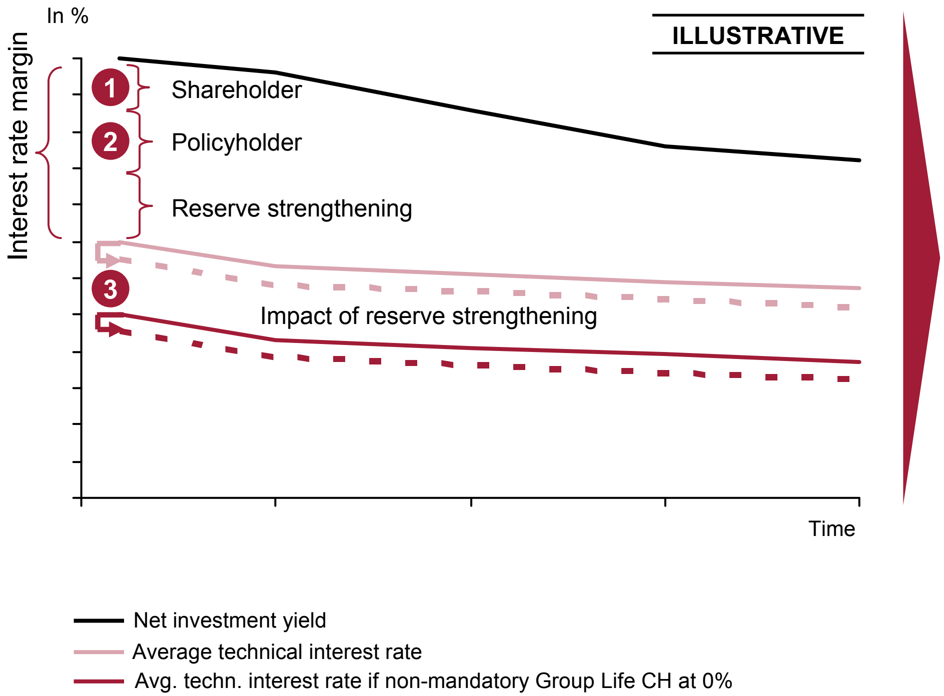
Solid interest rate margin is key in asymmetric policyholder sharing

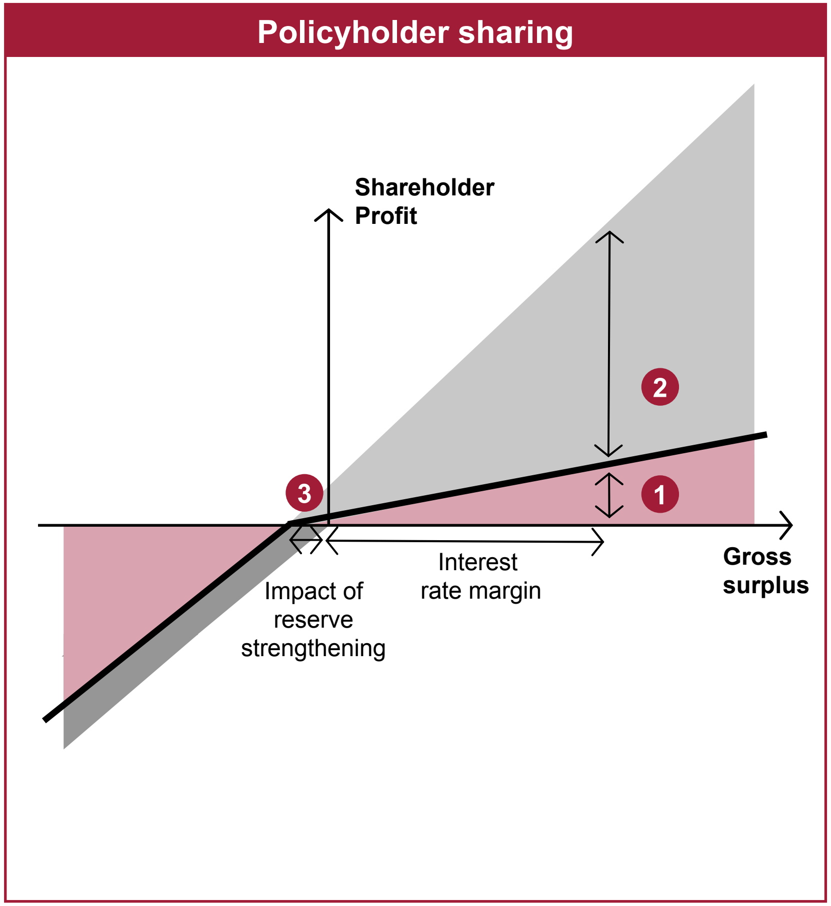


Policyholder sharing



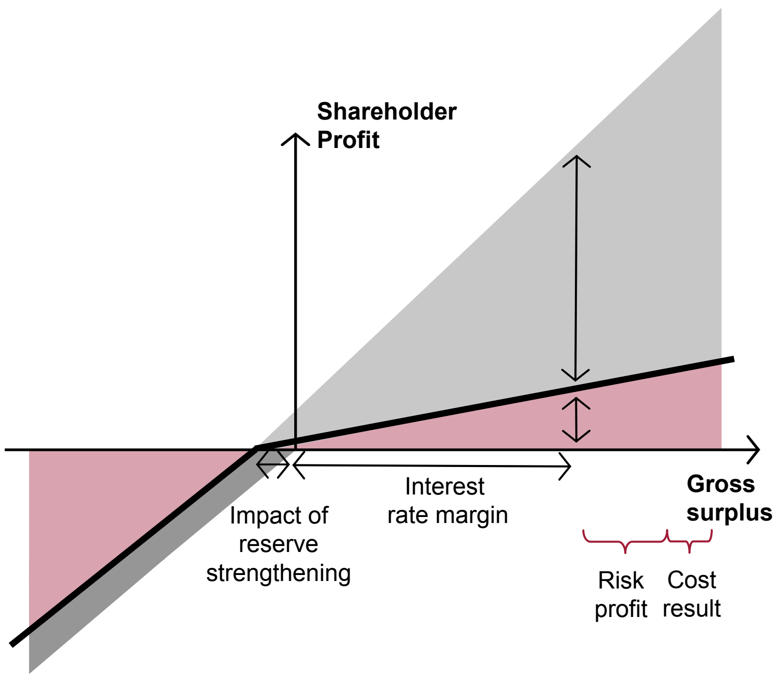
Reserve strengthening reduces technical guarantees





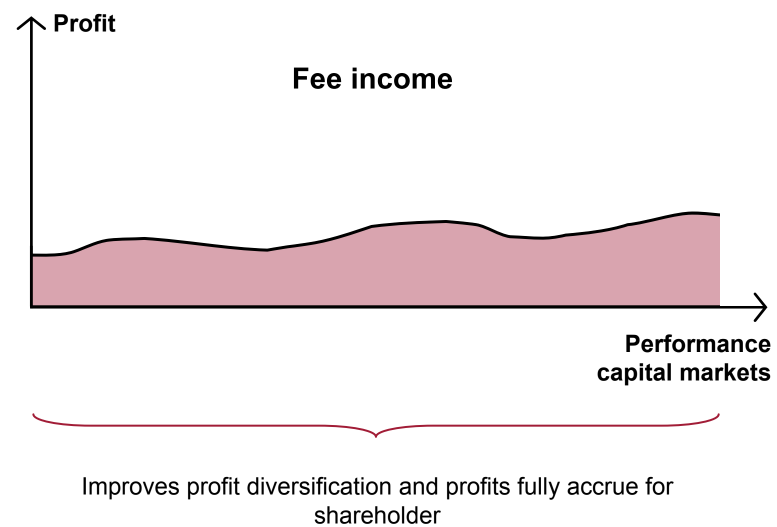
Interest rate margin is one of four sources of profits

Policyholder sharing



Risk profit and cost result further support shareholder profit

No policyholder sharing



Fee income without profit sharing

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Contact details and financial calendar

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Financial calendar

Full-year results 2012	27 February 2013
Publication of Annual Report 2012	18 March 2013
Annual General Meeting	23 April 2013
Interim Statement Q1 2013	23 May 2013

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