Investors’ Day 2012
Swiss Life 2015 – Driving performance

Thomas Bues, Group CFO
Zurich, 28 November 2012
Agenda

Key messages
Diversify profit sources and deliver earnings growth
Manage new business for value
Improve cost efficiency and effectiveness
Protect the balance sheet and optimise the in-force business
Conclusion
Swiss Life’s main performance drivers over the next years

1. Customer promise

2. Offering
   - Swiss Life will continue to manage the new business for value

3. Distribution

4. Efficiency and quality
   - Swiss Life will further improve cost efficiency and effectiveness

5. Financial strength
   - Swiss Life will keep optimising the in-force business and protect the balance sheet

Swiss Life will deliver earnings growth while diversifying its profit sources
Key financial targets 2015

Profit by source

- Savings result: <50%
- Fee & risk result: 60-70%
- Admin cost result: >0%

New business margin (NBM)

>1.5%

Cost savings

CHF 130-160 m

Return on equity (RoE)

8-10%
(adjusted^{2})

1) Numbers do not add up to 100% as acquisition costs result expected to remain negative
2) Excl. unrealised gains and losses on bonds
Focus areas by market unit

**Asset Managers**
- Increase fee volume at stable cost/income ratios

**France**
- Overall cost discipline, allowing for investments in distribution
- Improve loss ratios in health and P&C

**Switzerland**
- Overall cost discipline, allowing for investments to enlarge fee business
- Focus on margin management in individual life

**Germany**
- New set up in Germany enabling significant cost reduction
- Important contribution to profit diversification

**International**
- Reduction of complexity and costs by focus on 2 carriers for new business
- Further develop Swiss Life Select (AT, CEE) and Chase de Vere (UK)
Agenda

Key messages

Diversify profit sources and deliver earnings growth
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Conclusion
Driving profit source diversification

**Profit by source**

- **Savings result**
  - Profit by source: 58%
  - Targets 2015: <50%
  - Stable savings result despite low interest rates
  - Continue disciplined Asset Liability Management

- **Risk & fee result**
  - Profit by source: 63%
  - Targets 2015: 60-70%
  - Grow fee business
  - Defend risk result in highly competitive environment

- **Other**
  - Profit by source: 3%
  - 2011: -24%
  - Targets 2015: >0%
  - Continue efficiency measures
  - Achieve a sustainable positive administration cost result

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1) Profit by source (PbS) based on adjusted segment results; PbS restated due to model improvements
2) Thereof admin cost result before policyholder participation: -2%

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Investors’ Day 2012
Disciplined ALM safeguards sustainable savings result

Savings result

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

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

Projected development of interest rate margin:
- Target: <50%
- Interest margin before policyholder sharing
Defending the risk result in a competitive environment

**Risk & fee result**

- **CH** Group Life
  - Further develop full range product and services offering in the group life business
  - Launch of new protection coverage and open up new distribution channels to develop risk product offering
  - Reinsurance: Further expand mortality and longevity business

- **FR** Health
  - Further develop death and disability products
  - Improve loss ratio in health and P&C
  - New innovative health solutions

- **DE** Disability
  - Maintain leading position in disability
  - Development of new long-term care products

- **IN** Corporate customers
  - Corporate customers: Extension of group life risk products to Asian market

Major sources

**Target:** 60-70%

2011

44%
Fee result as major contributor to profit source diversification

Initiatives supporting fee result

Major sources

- **Asset Managers**
  - Leverage existing expertise to increase distribution of real estate products

- **Distribution**
  - DE: Leverage shared services and exploit synergies with insurance units
  - DE: Align distribution channels to segment-specific value propositions
  - IN: Further develop Swiss Life Select (AT, CEE) and Chase de Vere (UK) operations

- **Unit-linked**
  - FR: Continue to push unit-linked products
  - IN: Offering for estate planning and asset protection in selected geographies out of two carriers

- **Other**
  - CH: Further strengthen partnerships for non-life offerings (e.g. Swissquote, Sanitas, Mobiliar)
  - CH: Real estate offering for private customers
  - CH: Expansion of advisory services offering
  - FR: Further develop affluent HNWI offering (e.g. private banking) and real estate offering
Investments in growth initiatives will generate additional fee income

- Supporting fee growth of CHF 250 – 300 m
- Main contributions from Asset Management and Distribution
Disciplined expense management to support earnings growth

Cost result

-24%\(^1\)

2011

Target: admin cost result >0%

Initiatives supporting cost result

Reducing costs
- Costs savings mainly in Germany and Switzerland

Improving efficiency
- Significant improvement in efficiency ratios and expense ratios in France (Life, health and P&C) and Switzerland

Distribution cost savings
- Distribution cost savings in France and Switzerland

\(^1\) Thereof admin cost result before policyholder participation: -2%

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Key messages

Diversify profit sources and deliver earnings growth

Manage new business for value

Improve cost efficiency and effectiveness

Protect the balance sheet and optimise the in-force business

Conclusion
Introducing new product category to address low interest rate environment

→ Manage new business for value

1. Reduction of interest rate guarantee
   - CH IL: FlexSave - Long-term interest rate guarantee below technical interest rate reference of regulator
   - France: Swiss Life Libérté - Only capital preservation guarantee on bond part net of associated charges

2. Readjustment of surplus system
   - CH IL: FlexSave - Possibility to switch surplus system from bonus to accumulation / accrual
   - France: Swiss Life Stratégic net - Reassessed profit sharing - net served rate re-designed to support UL

3. Guarantee design reduces the products’ implied market risk
   - CH IL: FlexSave - Financial impact of Index-Participation is borne by external partner
   - France: Swiss Life Expert - Capital preservation guarantee only on Euro Fund part

- Decreased economic solvency capital requirement
- Broad applicability even under stressed market circumstances
New alternative guarantee products lead to an improved product mix

→ Manage new business for value

**New Business Production (NBP), in %**

<table>
<thead>
<tr>
<th>Year</th>
<th>Risk &amp; Health</th>
<th>Modern</th>
<th>Modern-traditional</th>
<th>Traditional</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2008</td>
<td>46%</td>
<td>28%</td>
<td>30%</td>
<td>26%</td>
</tr>
<tr>
<td>FY 2011</td>
<td>30%</td>
<td>28%</td>
<td>42%</td>
<td>46%</td>
</tr>
<tr>
<td>FY 2011 revised</td>
<td>21%</td>
<td>40%</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>2015P</td>
<td>~15%</td>
<td>~20%</td>
<td>~30%</td>
<td>~35%</td>
</tr>
</tbody>
</table>

### New alternative guarantee products introduced
- Moderate interest rate guarantee
- Option to readjust surplus system
- Selectable guarantee design reduces market risk
- Decreased economic solvency capital requirements

**Reduce traditional share to about 15%**

**Reduce solvency capital intensity of new business**
Increase new business profitability to more than 1.5% through margin management

Manage new business for value

New business margin development (VNB as % of PVNBP)

Disciplined value management activities
- Introducing alternative guarantee concepts
- Launch new biometric risk products
- Tap into new fee propositions
- Continuously improve in-force and new business profitability

Huddle rates for new business margin increased

1) Includes effects from introduction of liquidity premiums
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Key messages
Diversify profit sources and deliver earnings growth
Manage new business for value
**Improve cost efficiency and effectiveness**
Protect the balance sheet and optimise the in-force business
Conclusion
Additional cost savings of CHF 130-160 m on top of MILESTONE

In CHF m, vs. FY 2011

→ Improve cost efficiency and effectiveness

Operating expenses

Variable acquisition expenses

Savings programme results in reduction of approximately 300 – 400 FTEs (DE and CH)
Cost savings to enhance competitiveness

Operating expenses, in CHF m, vs. FY 2011

- Improve cost efficiency and effectiveness

Cost savings: 90-110
Activity growth: -30 to -40
Net savings: 60-70

Net cost savings (~50% subject to legal quote) to enhance competitiveness of Swiss Life
Total restructuring costs of around CHF 80-100 m

Total restructuring costs for Swiss Life 2015

~ CHF 80-100 m

Restructuring costs by unit (in CHF m)

- DE: 40-45
- CH: 10-15
- IN: 0-5
- FR: 30-35

Restructuring costs over time (in CHF m)

- 2012: 35-40
- 2013: 45-50
- 2014: 0-5
- 2015: 0-5

Improve cost efficiency and effectiveness
Substantial improvement of efficiency ratio

Life efficiency ratio
(currency adjusted)

- 2008: 100 bps
- 2011: 79 bps
- Target 2015: -10 to -15 bps

→ Improve cost efficiency and effectiveness
Agenda

Key messages
Diversify profit sources and deliver earnings growth
Manage new business for value
Increase cost efficiency and effectiveness

Protect the balance sheet and optimise the in-force business

Conclusion
### Continuous balance sheet strengthening

#### Asset measures
- Substantially de-risked by reducing alternatives and high yield
- Reduced overall sovereign exposure to the euro-zone
- Focused investments on corporate bonds and real estate
- Impairment on intangible assets (Goodwill)

#### Liability measures
- Reduced policyholder bonuses
- Added new business with lower or no guarantees
- Strengthened reserves
- Early refinancing of 2014 hybrid
- Optimised debt structure
- Retained earnings strengthened capital base

- Resilient and sustainable interest margin
- Improved solvency position
Write-off AWD intangible assets

Goodwill impairment test
- Test based on new plans
- Overall impairment of CHF 576 m

Profit from operations adjusted of more than CHF 850 m expected
- Swiss Life expects an adjusted profit from operations of more than CHF 850 m for 2012
- Swiss Life forecasts a positive net profit in the double digit CHF m

Solvency and cash flow not affected by impairment
- The impairment of AWD book value has no impact on cash flow, tied assets of insured persons or solvency

Board of Directors will propose unchanged dividend
- For the year 2012, the Board of Directors will propose an unchanged dividend of CHF 4.50 per share at the Annual General Meeting

<table>
<thead>
<tr>
<th>In CHF m</th>
<th>Impairment write-offs¹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>94</td>
</tr>
<tr>
<td>Customer relationship asset</td>
<td>96</td>
</tr>
<tr>
<td>Goodwill</td>
<td>386</td>
</tr>
<tr>
<td><strong>Total impairment write-offs</strong></td>
<td><strong>576</strong></td>
</tr>
<tr>
<td>/./ tax effects</td>
<td>-48</td>
</tr>
<tr>
<td><strong>Total impact after taxes</strong></td>
<td><strong>528</strong></td>
</tr>
</tbody>
</table>

¹) Subject to rounding and foreign currency translation
Reallocation of AWD intangible assets to the new segments

### Allocation of AWD intangible assets to current segments

**Total:** CHF 1,341 m

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Brand</th>
<th>Customer relationship asset</th>
</tr>
</thead>
<tbody>
<tr>
<td>AWD</td>
<td>1,002 m</td>
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<tr>
<td>Insurance</td>
<td></td>
<td>134 m</td>
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<tr>
<td>Germany</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Switzerland</td>
<td></td>
<td>94 m</td>
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<td></td>
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<td>774 m</td>
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</tbody>
</table>

### Allocation of AWD intangible assets to new segments

**Total:** CHF 765 m

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Brand</th>
<th>Customer relationship asset</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>29 m</td>
<td>522 m</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>9 m</td>
<td>162 m</td>
<td></td>
</tr>
<tr>
<td>International</td>
<td></td>
<td>81 m</td>
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<tr>
<td></td>
<td>258 m</td>
<td>493 m</td>
<td></td>
</tr>
</tbody>
</table>

1) pro forma as of 31.12.2012, subject to rounding and foreign currency translation
Early refinancing to be successfully concluded by end November

Objectives
- Keep capital structure in line with target
- Increase proportion of CHF-denominated hybrids to reduce FX sensitivity

Liability management
Proactive refinancing of the subordinated hybrid loan issued in 1999
- Extend call dates, denomination in CHF

Step 1
Successful issuance of a CHF 300 m hybrid bond in October 2012. Proceeds used for cash consideration in step 2

Step 2
Exchange offer launched and accepted; settlement on 30 November 2012. Lenders to exchange their loan against a combination of cash (25%) and a new subordinated loan (75%)

HY 2012, nominal value, in CHF m

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>840</td>
<td>411</td>
<td>500</td>
<td>709</td>
<td>300</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Further strengthening solvency cushion through retained earnings

### Appropriation of Swiss Life profit

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Range</th>
</tr>
</thead>
</table>
| **Payout**                        | Dividends to shareholders  
  - Ensure attractive payout to shareholders | 20-40%  |
| **Reinvestment**                  | Business financing  
  - New business financing and disciplined investment in future growth     | 20%     |
| **Capital strengthening**         | Capital build-up  
  - Protect the balance sheet by strengthening capital "buffer"             | 40-60%  |
Good solvency positions

<table>
<thead>
<tr>
<th>Group Solvency I (based on IFRS equity, in %)</th>
<th>Substantial improvement of solvency I ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008: 158</td>
<td></td>
</tr>
<tr>
<td>2009: 164</td>
<td></td>
</tr>
<tr>
<td>2010: 172</td>
<td></td>
</tr>
<tr>
<td>2011: 213</td>
<td></td>
</tr>
<tr>
<td>Q3/2012: 238</td>
<td></td>
</tr>
<tr>
<td>2009: 161</td>
<td></td>
</tr>
<tr>
<td>2010: 166</td>
<td></td>
</tr>
<tr>
<td>2011: 183</td>
<td></td>
</tr>
<tr>
<td>Q3/2012: 191</td>
<td>excl. unrealised gains/losses on bonds</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital adequacy</th>
<th>S&amp;P capital model at AA rating level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Swiss Life’s rating raised to A- in May 2012</td>
</tr>
</tbody>
</table>

| Swiss Solvency Test (SST) | SST in the green based on internal model\(^1\) |

\(^1\) Model not yet approved by FINMA
Future reporting

**FY 2012** (27 February 2013)
- Disclosure in current segment reporting format

**Q1 2013** (23 May 2013)
- Restatement of HY 2012 and FY 2012 results in new segment reporting format
- IAS 19 restatement of HY 2012 and FY 2012

**HY 2013** (14 August 2013)
- Disclosure in new segment reporting format

Quarterly progress report of “Swiss Life 2015” starting in Q1 2013
Agenda

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Diversify profit sources and deliver earnings growth
Manage new business for value
Increase cost efficiency and effectiveness
Protect the balance sheet and optimise the in-force business

Conclusion
<table>
<thead>
<tr>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Swiss Life main financial focus until 2015</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Swiss Life will deliver earnings growth while diversifying its profit sources</strong></td>
</tr>
<tr>
<td>- Earnings growth driven by increasing fee income and additional cost savings</td>
</tr>
<tr>
<td>- Various initiatives to protect risk and saving result in a challenging environment</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Swiss Life will continue to manage the new business for value</strong></td>
</tr>
<tr>
<td>- Products with modern guarantee concepts and reduced capital intensity introduced</td>
</tr>
<tr>
<td>- Minimum hurdle rate for new business margin increased</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Swiss Life will further improve cost efficiency and effectiveness</strong></td>
</tr>
<tr>
<td>- Improve efficiency ratio by additional cost savings of CHF 130–160 m</td>
</tr>
<tr>
<td>- Further investments in growth initiatives</td>
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<tr>
<td></td>
</tr>
<tr>
<td><strong>Swiss Life will keep optimising the in-force business and protect the balance sheet</strong></td>
</tr>
<tr>
<td>- Resilient interest rate margin through disciplined ALM</td>
</tr>
<tr>
<td>- SST in the green based on internal model(^1)</td>
</tr>
<tr>
<td>- Successful refinancing of hybrid capital</td>
</tr>
</tbody>
</table>

\(^1\) Model not yet approved by FINMA
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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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www.swisslife.com