

**Kepler Swiss Seminar 2013**  
**Swiss Life**

**Thomas Buess, Group CFO**  
**Zurich, 3 April 2013**

# Agenda

## → **Swiss Life at a glance**

Overview of FY 2012 results

Swiss Life 2015: The way forward

Wrap-up

# Swiss Life Group offers an attractive business portfolio with strong market positions



FY 2012

Swiss Life Group – Facts and figures	Business units as of 1.1.2013	Strong market positions
<ul style="list-style-type: none"> <li>▪ Leading provider of comprehensive life and pensions and financial solutions</li> <li>▪ GWP incl. PHD: CHF 17.0 bn</li> <li>▪ Net profit: CHF 93 m</li> <li>▪ Adjusted profit from operations: CHF 993 m</li> <li>▪ Shareholders' equity: CHF 10.3 bn</li> <li>▪ Asset under Mgmt: CHF 148 bn</li> <li>▪ Group MCEV: CHF 9.6 bn</li> <li>▪ FTEs: 7 046</li> </ul>	<p>Switzerland</p> <p>France</p> <p>Germany</p> <p>International</p> <p>Asset Managers</p>	<ul style="list-style-type: none"> <li>- Individual Life: No 1</li> <li>- Group Life: No 2</li> <li>- Swiss Life Select: Largest IFA</li> </ul> <ul style="list-style-type: none"> <li>- Individual Health: No 2<sup>1)</sup></li> <li>- Life: No 13<sup>2)</sup>; focus on HNWI and affluent</li> </ul> <ul style="list-style-type: none"> <li>- BUZ<sup>3)</sup>: a market leader</li> <li>- BAV<sup>4)</sup>: No 9</li> <li>- IFA network: No 3</li> </ul> <ul style="list-style-type: none"> <li>- PPLI: No 2 globally<sup>5)</sup></li> <li>- Swiss Life Network: No 1</li> <li>- Leading IFA in UK and AT</li> </ul> <ul style="list-style-type: none"> <li>- Leading insurance asset manager in CH with large portfolios in FR &amp; DE</li> </ul>

1) Excl. mutuals 2) Estimate for 2012 3) BUZ: supplementary occupational disability insurance 4) BAV: occupational pension scheme 5) Providers with global exposure

# Agenda

Swiss Life at a glance

→ **Overview of FY 2012 results**

Swiss Life 2015: The way forward

Wrap-up

# Highlights FY 2012 results

FY 2012 vs. FY 2011

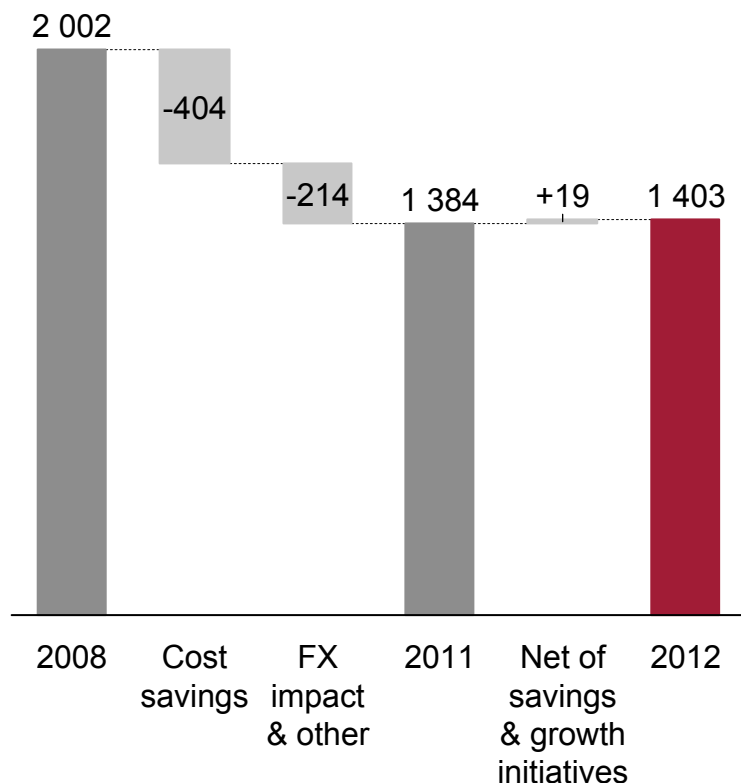
- Adjusted profit from operations improved 26% to CHF 993 m
- Net profit declined by 85% to CHF 93 m due to impairments at AWD
- Premium income of CHF 17.0 bn remained stable in local currency
- Resilient direct yield of 3.6% and very strong net investment yield of 4.8%
- Cost base under control with further improved efficiency ratios
- New business margin increased to 1.4% from 1.2% and VNB went up to CHF 158 m from CHF 150 m
- Return on equity at 0.9%; at 8.6%<sup>1)</sup> when profit adjusted for major one-offs
- Group solvency rose to 242% (FY 2011: 213%); SST in the green based on our internal model<sup>2)</sup>

1) Equity excluding unrealised gains/losses on bonds 2) Model is still being reviewed by FINMA

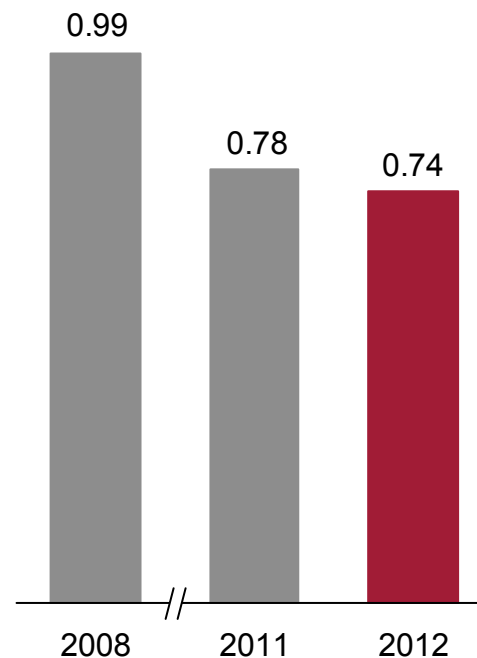
# Cost discipline and growth led to improved efficiency ratios in FY 2012

CHF million (IFRS basis)

**Development of operating expense adj. between 2008 - 2012**



**Total Insurance Operating expense adj. in % of average technical reserves (excl. deferred PHP)<sup>1)</sup>**



- Significant cost savings of > CHF 400 m achieved since FY 2008
- Costs under control despite selected investments into growth initiatives in 2012
- Cost discipline and a growing back-book led to improved efficiency ratios

1) Currency adjusted

# Well diversified investment portfolio

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

Equities & equity funds  
Alternative investments  
Real estate

Mortgages

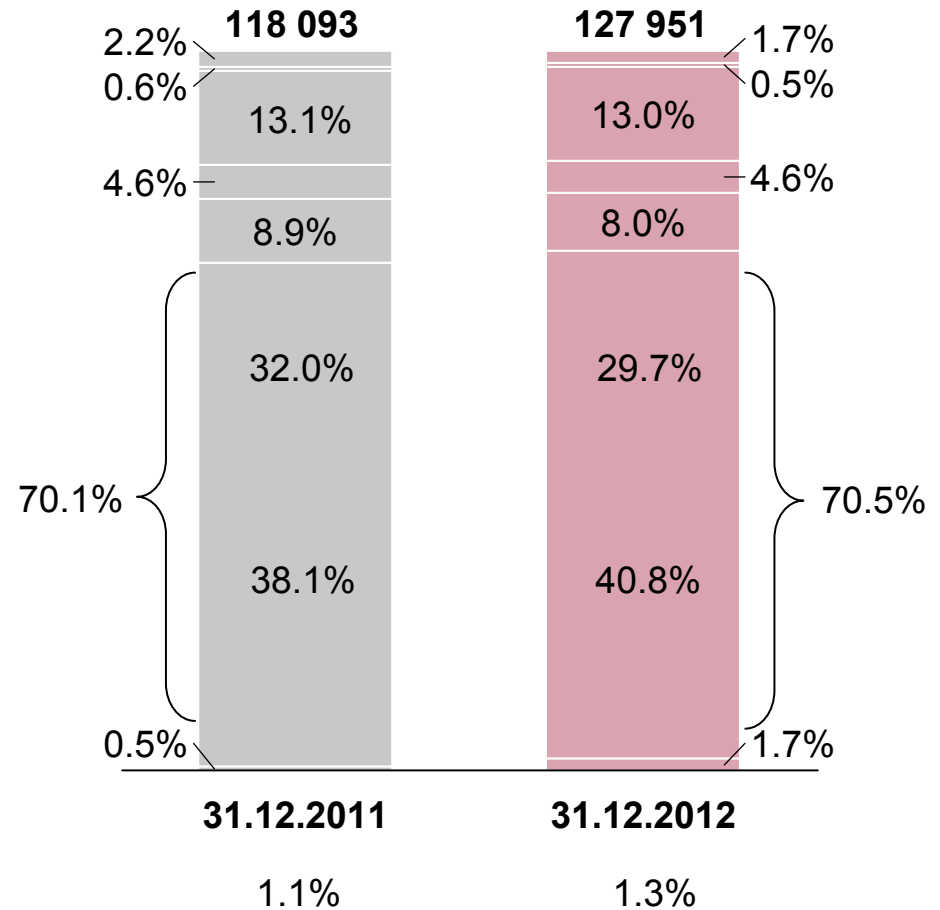
Loans

Governments & supranationals

Corporates

Cash and other

Net equity exposure



# Resilient direct yield and very strong net investment yield

CHF million (IFRS basis), insurance portfolio for own risk

	FY 2011	FY 2012
Direct investment income	4 182	4 269
Direct investment income in %	3.7%	3.6%
Expense	-231	-242
Net capital gains/losses on investments and impairments <sup>1)</sup>	312	1 702
Net investment result	4 263	5 729
Net investment result in %	3.8%	4.8%
Changes in unrealised gains/losses on investments	3 348	3 998
Total investment result	7 611	9 727
Total investment result in %	6.7%	8.1%
Average net investments	113 183	120 237
Total investment performance (fair value) in %	7.5%	8.5%

1) Including FX gains on hybrid (FY11 CHF 51 m; FY12 CHF 15 m)



# Realised gains from asset de-risking largely used for reserve strengthening

## 1<sup>st</sup> HY 2012 – Reduction of euro exposure

- **Pro-active risk management**
  - Reassessment of situation around the euro and related risk-return considerations resulted in a substantial reduction of the overall euro-zone sovereign exposure on the Swiss balance sheet
- **Action taken**
  - Particularly German, French and Dutch sovereign bonds with a market value of CHF 7.8 bn sold in May/June which generated realised gains of CHF 0.9 bn
  - Proceeds mainly invested in US Treasuries

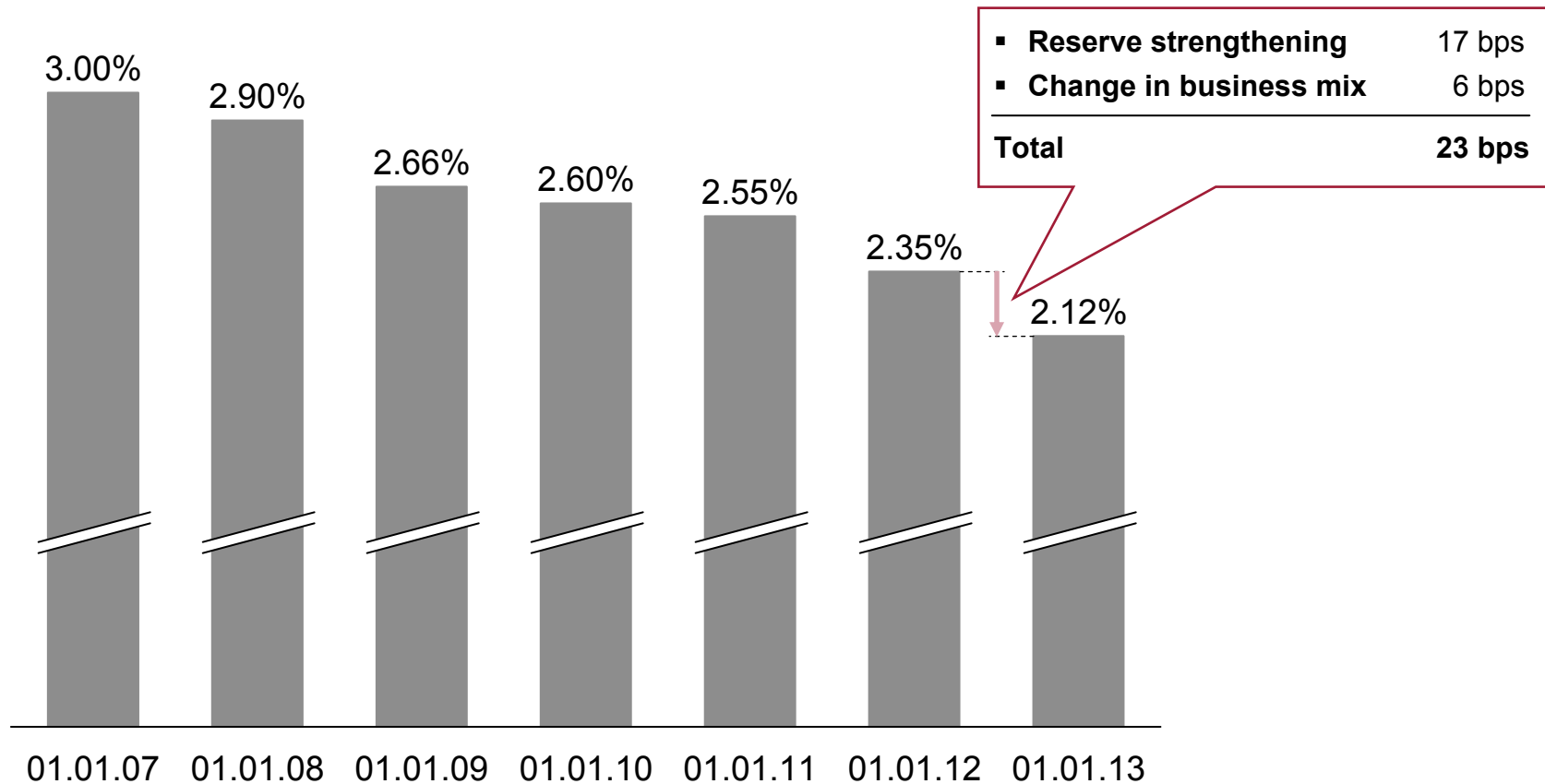
## 2<sup>nd</sup> HY 2012 – Reduction of US Treasuries and high-yield bonds

- **Pro-active risk management**
  - On the basis of diversification and risk-return considerations exposure in US Treasuries and high-yield bonds on Swiss balance sheet reduced
  - Continued duration management
- **Action taken**
  - Proceeds including realised gains mainly reinvested in Swiss government and investment grade corporate bonds on Swiss balance sheet
  - Part of the loan portfolio in Germany switched to longer dated corporate bonds

- 
- **Excess investment result used for further reserve strengthening**
  - **Protects interest rate margin**

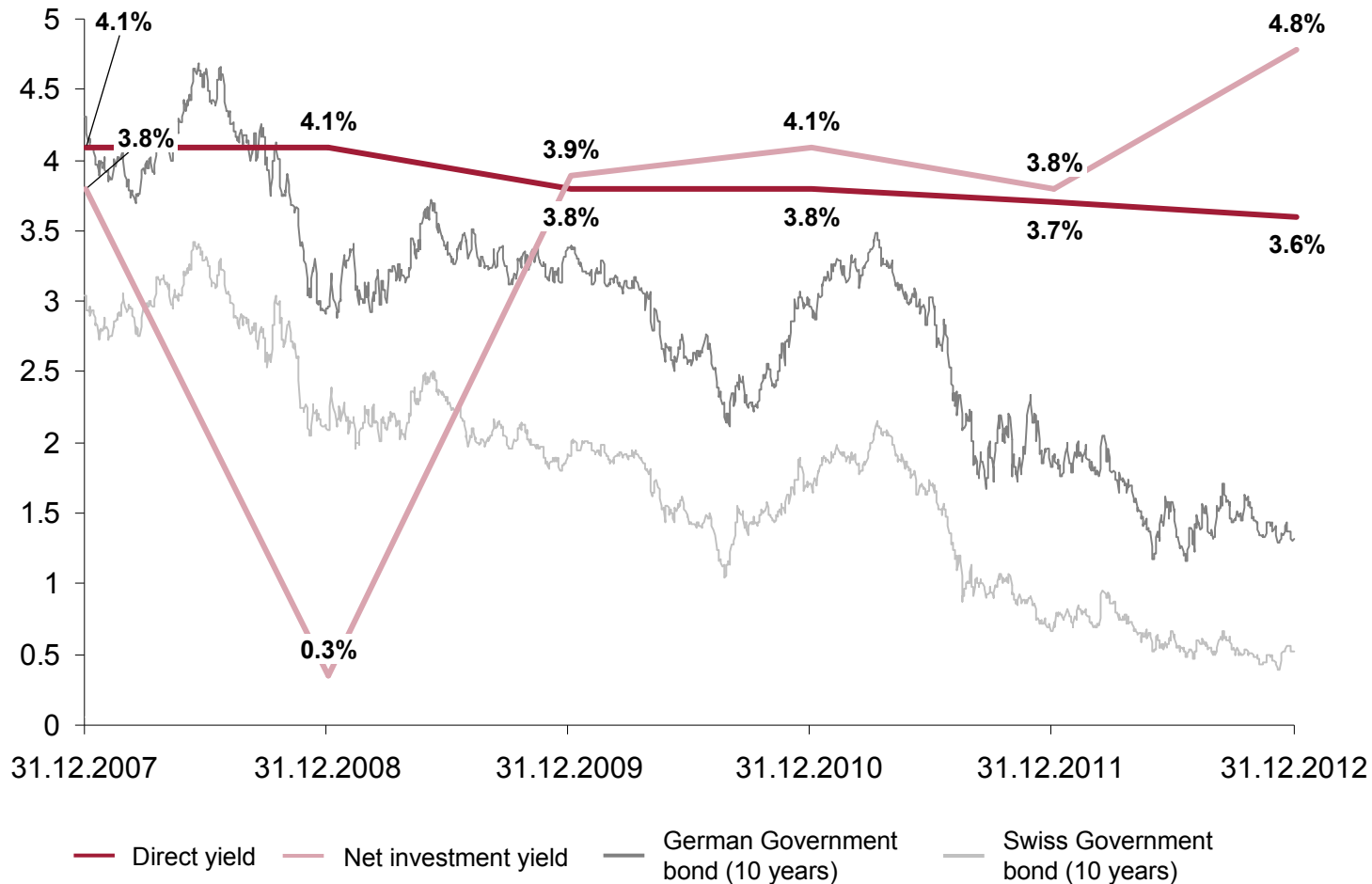
# Reserve strengthening and change in business mix lowers average technical interest rate

Statutory basis



# Continued strong returns despite decreasing interest rates

IFRS basis



# Agenda

Swiss Life at a glance

Overview of FY 2012 results

→ **Swiss Life 2015: The way forward**

Wrap-up

# Swiss Life 2015: Continue on the successful path of MILESTONE



## MILESTONE

- Balance sheet significantly strengthened
- Cost savings of > CHF 400 m realised
- New business margin substantially improved
- New business mix shifted to < 30% traditional
- Disciplined ALM keeps duration gap low and protects interest rate margin
- Regained A- rating

## Swiss Life 2015

- Diversify profit sources
- Cost savings of CHF 130 – 160 m
- Achieve new business margin > 1.5%
- Further improve new business mix
- Strengthen solvency through retained earnings
- Achieve 8 – 10% RoE

2009 – 2012

2013 – 2015

# Swiss Life continues to transform business model based on a multi-local approach



<b>Switzerland</b>	Develops from a pure life insurer to a comprehensive life and pensions and financial solutions provider
<b>Germany</b>	Becomes a financial advisory and insurance company under one roof
<b>France</b>	Expands its strong position as a "private and personal insurer"
<b>International</b>	Provides protection, financial solutions and advice in selected markets
<b>Asset Managers</b>	Grows its business with external customers



SwissLife

# Focus areas by market unit

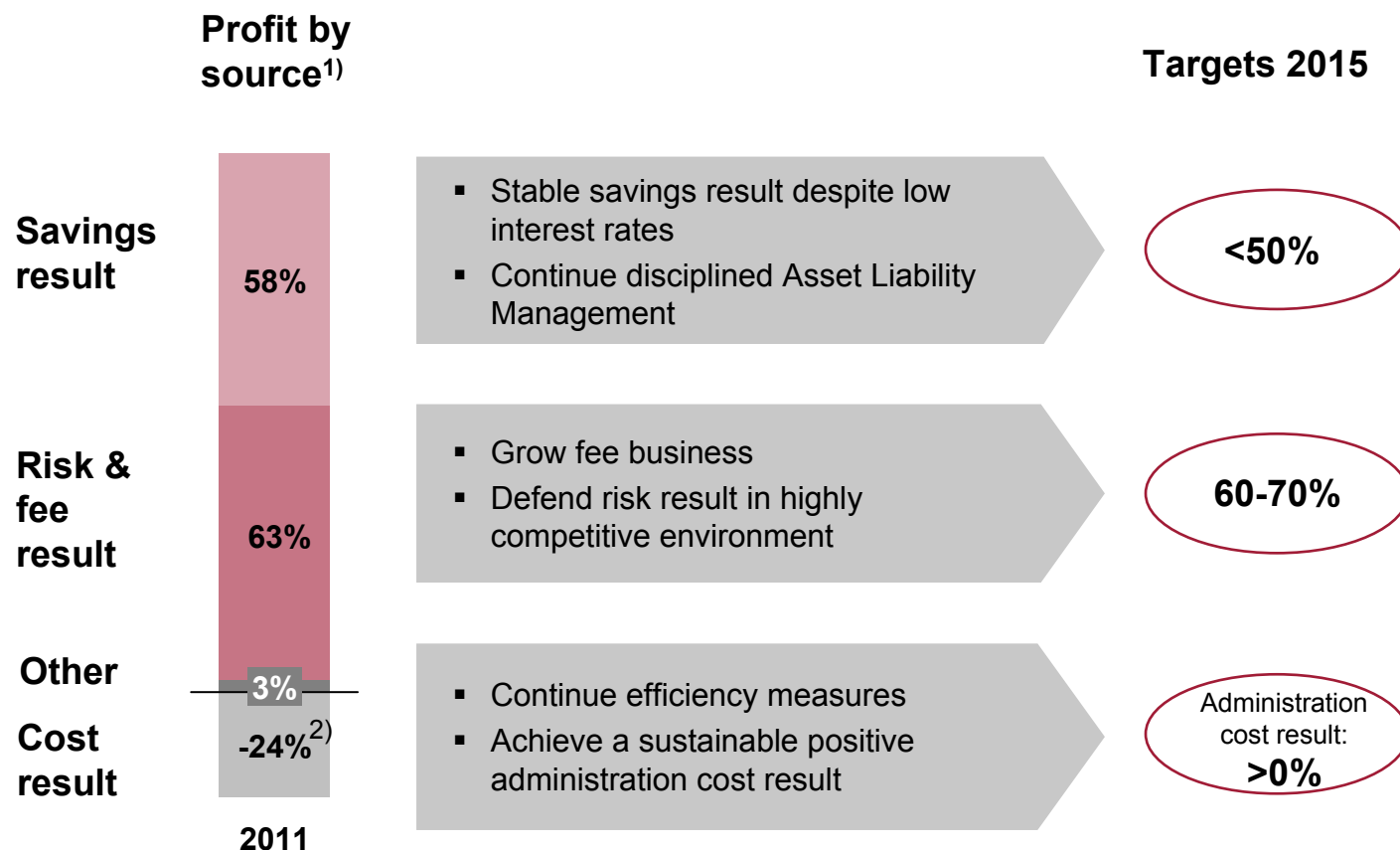
Focus on growth

Focus on efficiency

Consolidate and prepare for growth

<p><b>Asset Managers</b></p>	<ul style="list-style-type: none"> <li>▪ Increase fee volume at stable cost/income ratios</li> </ul>	<p>272      272</p> <p>2011      2015</p> <p>+20%-30%</p>	<p>Fee income growth</p> <p>Net fee income, CHF</p>
<p><b>France</b></p>	<ul style="list-style-type: none"> <li>▪ Overall cost discipline, allowing for investments in distribution</li> <li>▪ Improve loss ratios in health and P&amp;C</li> </ul>	<p>68 bps      58 bps</p> <p>2011      2015</p> <p>~ -10 bps</p>	<p>Efficiency gains</p> <p>Life efficiency ratio % of techn. reserves</p>
<p><b>Switzerland</b></p>	<ul style="list-style-type: none"> <li>▪ Overall cost discipline, allowing for investments to enlarge fee business</li> <li>▪ Focus on margin management in individual life</li> </ul>	<p>56 bps      53 bps</p> <p>2011      2015</p> <p>-3-5 bps</p>	<p>Efficiency gains</p> <p>Life efficiency ratio % of techn. reserves</p>
<p><b>Germany</b></p>	<ul style="list-style-type: none"> <li>▪ New set up in Germany enabling significant cost reduction</li> <li>▪ Important contribution to profit diversification</li> </ul>	<p>239      200</p> <p>2011      2015</p> <p>-15-20%</p>	<p>Cost reduction</p> <p>Operating expenses excl. restructuring costs &amp; one-offs, EUR</p>
<p><b>International</b></p>	<ul style="list-style-type: none"> <li>▪ Reduction of complexity and costs by focus on 2 carriers for new business</li> <li>▪ Further develop Swiss Life Select (AT, CEE) and Chase de Vere (UK)</li> </ul>	<p>138      125</p> <p>2011      2015</p> <p>-5-10%</p>	<p>Cost reduction</p> <p>Operating expenses excl. restructuring costs &amp; one-offs, CHF</p>

# Driving profit source diversification



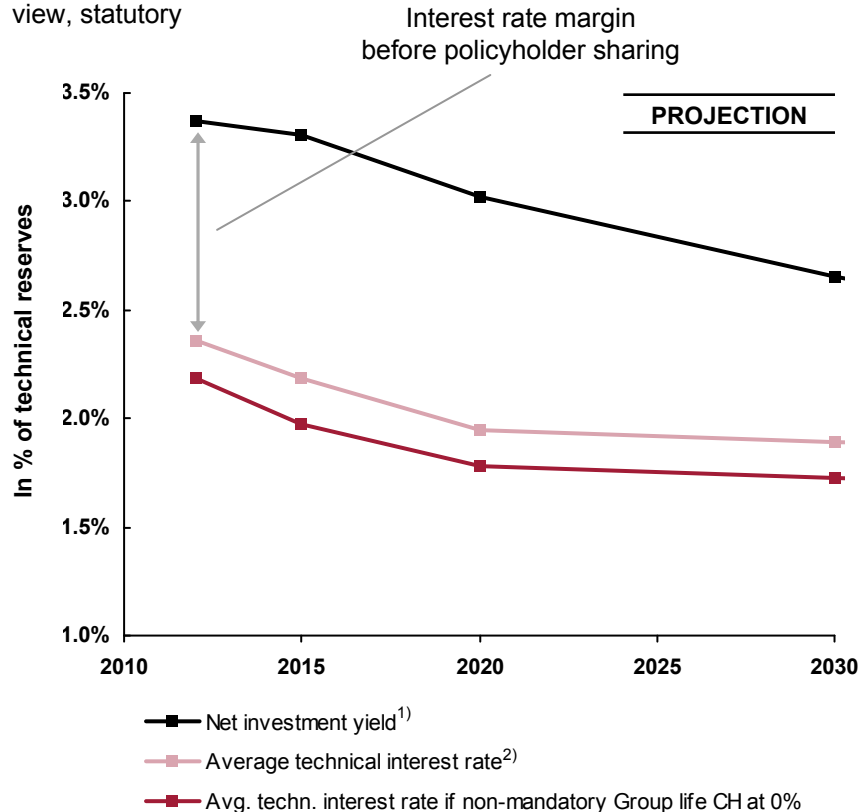
1) Profit by source (PbS) based on adjusted segment results; PbS restated due to model improvements

2) Thereof admin cost result before policyholder participation: -2%



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

Aggregated view, statutory



## 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

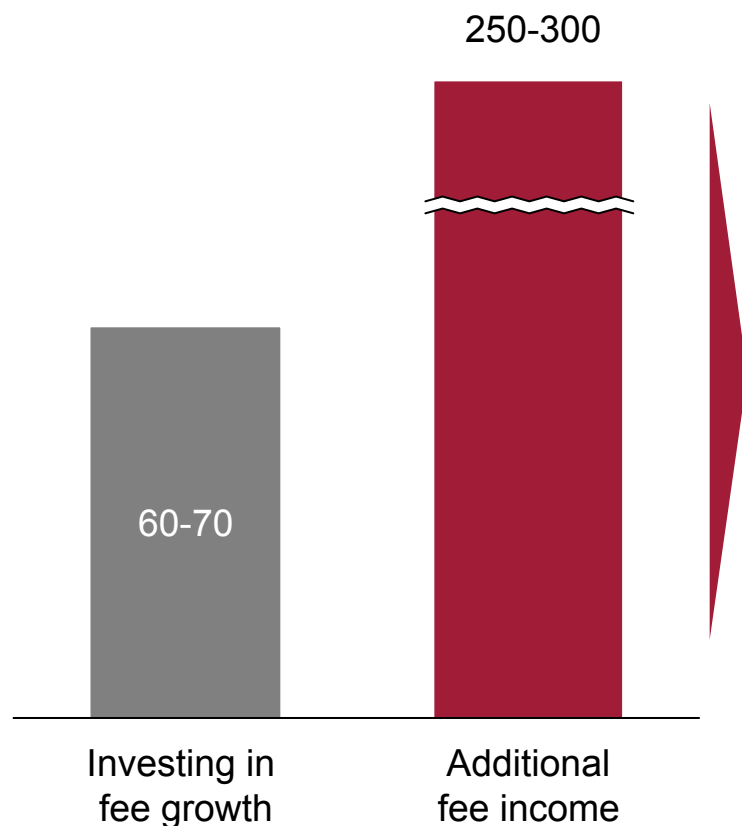
1) Net investment yield excl. gain realisations on fixed income investments

2) Includes further guarantees and quasi-guarantees

# Defending the risk result in a competitive environment

	Major sources	Initiatives supporting risk result
Switzerland	Group Life	<ul style="list-style-type: none"> <li>▪ Further develop full range product and services offering in the group life business</li> <li>▪ Launch of new protection coverage and open up new distribution channels to develop risk product offering</li> <li>▪ Reinsurance: Further expand mortality and longevity business</li> </ul>
France	Health	<ul style="list-style-type: none"> <li>▪ Further develop death and disability products</li> <li>▪ Improve loss ratio in health and P&amp;C</li> <li>▪ New innovative health solutions</li> </ul>
Germany	Disability	<ul style="list-style-type: none"> <li>▪ Maintain leading position in disability</li> <li>▪ Development of new long-term care products</li> </ul>
International	Corporate customers	<ul style="list-style-type: none"> <li>▪ Corporate customers: Extension of group life risk products to Asian market</li> </ul>

# Investments in growth initiatives will generate additional fee income



## 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

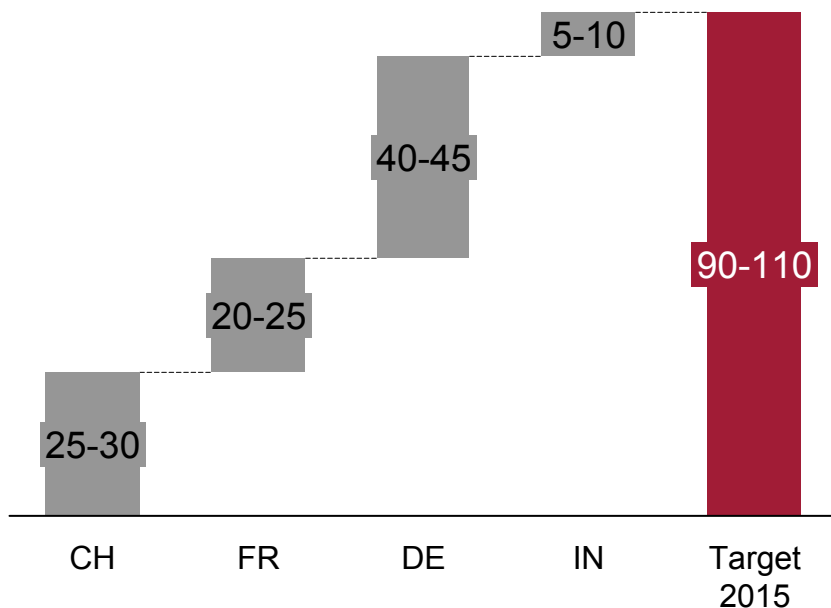
- CH: Further strengthen partnerships for non-life offerings (e.g. Swissquote, Sanitas, Mobiliar)
- CH: Real estate offering for private customers
- CH: Expansion of advisory services offering
- FR: Further develop affluent HNWI offering (e.g. private banking) and real estate offering

# Additional cost savings of CHF 130-160 m on top of MILESTONE

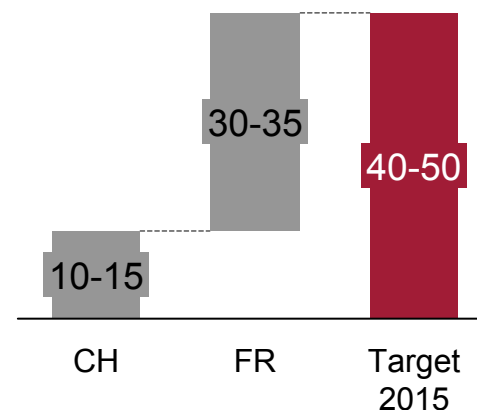
In CHF m, vs. FY 2011

Project view

## Operating expenses



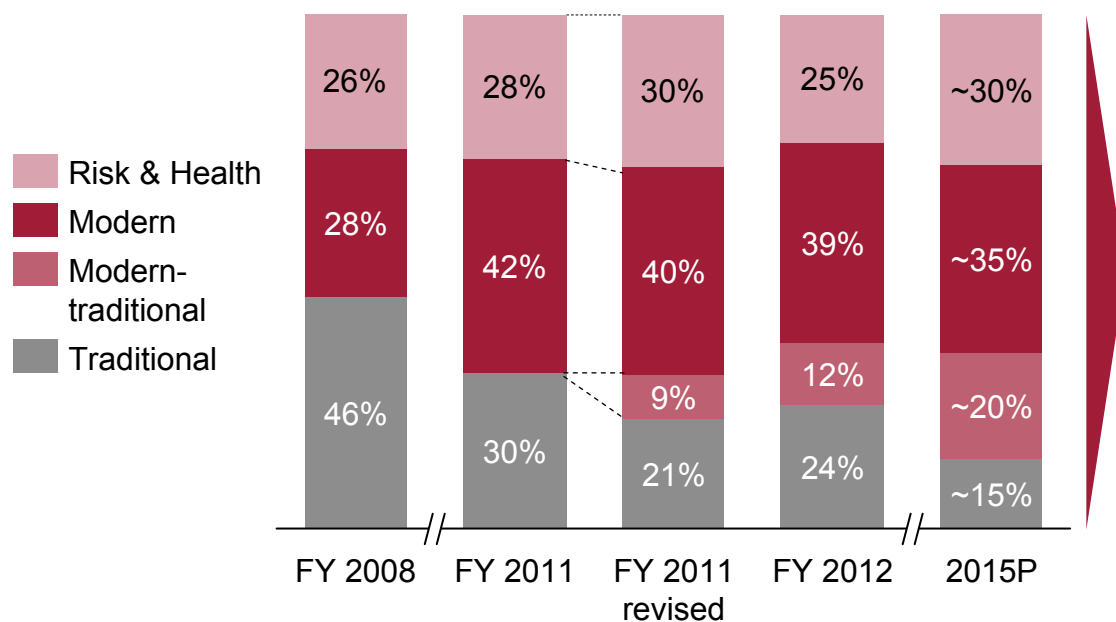
## Variable acquisition expenses



- Savings programme results in reduction of approximately 300 – 400 FTEs (DE and CH)
- Total restructuring costs of around CHF 80-100 m; of which CHF 80-90m in 2012/2013

# New alternative guarantee products lead to an improved product mix

New Business Production (NBP), in %



## New alternative guarantee products introduced

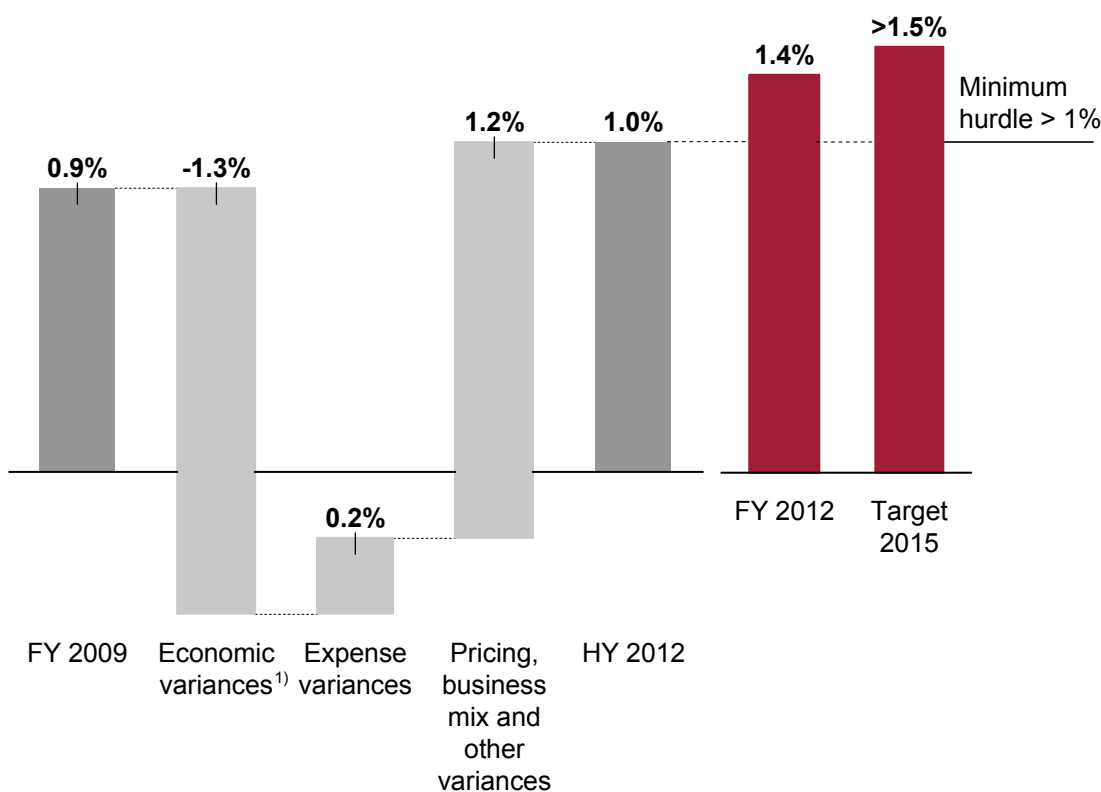
- Moderate interest rate guarantee
- Option to readjust surplus system
- Selectable guarantee design reduces market risk
- Decreased economic solvency capital requirements

**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

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

## Hurdle rates for new business margin increased

1) Includes effects from introduction of liquidity premiums

# Agenda

Swiss Life at a glance

Overview of FY 2012 results

Swiss Life 2015: The way forward

→ **Wrap-up**

# Swiss Life 2015: Increase earnings and improve resilience through disciplined execution



Strategic thrust	Objective	Target	Profit by source:	
<b>Customer promise</b>  <b>1</b> Increase quality and quantity of touch points with customers	<b>2 Offering</b>	Focus own solutions on profitable and flexible products and expand third-party offering	<ul style="list-style-type: none"> <li>▪ <b>New business margin: &gt;1.5%</b></li> <li>▪ New business shift: ~85% of NBP from risk, modern and modern-traditional products</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Savings result &lt;50%</b></li> <li>▪ <b>Fee and risk result 60-70%</b></li> <li>▪ <b>Admin cost result &gt;0%</b></li> </ul>
	<b>3 Distribution</b>	Strengthen advisory expertise and manage production & distribution organisations in each market under one roof	<ul style="list-style-type: none"> <li>▪ <b>Fee income:</b> Increase by 20-25%</li> </ul>	
	<b>4 Efficiency and quality</b>	Continue to strengthen operational effectiveness	<ul style="list-style-type: none"> <li>▪ <b>Cost savings: CHF 130-160 m (project view)</b></li> <li>▪ <b>Efficiency:</b> Improve efficiency ratios</li> </ul>	
	<b>5 Financial strength</b>	Enhance financial strength and the resilience of the business model	<ul style="list-style-type: none"> <li>▪ <b>Adjusted RoE: 8-10%</b></li> <li>▪ <b>Dividend payout ratio: 20-40 %</b></li> </ul>	



# Cautionary statement regarding forward-looking information



This presentation is made by Swiss Life and may not be copied, altered, offered, sold or otherwise distributed to any other person by any recipient without the consent of Swiss Life. Although all reasonable effort has been made to ensure the facts stated herein are accurate and that the opinions contained herein are fair and reasonable, this document is selective in nature and is intended to provide an introduction to, and overview of, the business of Swiss Life. Where any information and statistics are quoted from any external source, such information or statistics should not be interpreted as having been adopted or endorsed by Swiss Life as being accurate. Neither Swiss Life nor any of its directors, officers, employees and advisors nor any other person shall have any liability whatsoever for loss howsoever arising, directly or indirectly, from any use of this information. The facts and information contained herein are as up to date as is reasonably possible and may be subject to revision in the future. Neither Swiss Life nor any of its directors, officers, employees or advisors nor any other person makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this presentation. Neither Swiss Life nor any of its directors, officers, employees and advisors nor any other person shall have any liability whatsoever for loss howsoever arising, directly or indirectly, from any use of this presentation. This presentation may contain projections or other forward-looking statements related to Swiss Life that involve risks and uncertainties. Readers are cautioned that these statements are only projections and may differ materially from actual future results or events. All forward-looking statements are based on information available to Swiss Life on the date of its posting and Swiss Life assumes no obligation to update such statements unless otherwise required by applicable law. This presentation does not constitute an offer or invitation to subscribe for, or purchase, any shares of Swiss Life.

# Contact details and financial calendar

## Contact

Robert Moser Head of Investor Relations	Phone E-mail	+41 (43) 284 67 67 <a href="mailto:robert.moser@swisslife.ch">robert.moser@swisslife.ch</a>
Rolf Winter Senior Investor Relations Manager	Phone E-mail	+41 (43) 284 49 19 <a href="mailto:rolf.winter@swisslife.ch">rolf.winter@swisslife.ch</a>

## Financial calendar

Annual General Meeting	23 April 2013
Interim Statement Q1 2013	23 May 2013
Half-year Results 2013	14 August 2013

Visit our website for up-to-date information

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



**The future starts here.**