BofAML Banking & Insurance CEO Conference 2014
Swiss Life: Increased profitability and quality of earnings in a challenging environment

Patrick Frost, Group CEO
London, 1 October 2014
Agenda

→ **Swiss Life Group at a glance:** Attractive business portfolio and operational progress

Swiss Life 2015:
Increase resilience and improve quality of earnings

Wrap-up:
Successfully operating in a challenging environment
Swiss Life Group is a leading provider of life and pensions and financial solutions...

FY 2013

Swiss Life Group – Facts and figures

- GWP incl. PHD: CHF 18.0 bn
- Net profit: CHF 784 m
- Adjusted profit from operations: CHF 1 143 m
- Asset under Management: CHF 155.1 bn
- Shareholders’ equity: CHF 8.9 bn
- Group MCEV: CHF 11.4 bn
- FTEs: 7 000
- Certified financial advisors: 4 500
- S&P financial strength rating of Swiss Life Ltd: A- / positive

Business units
... with an attractive and diversified business portfolio based on strong market positions

FY 2013, in CHF (IFRS basis)

<table>
<thead>
<tr>
<th>Business segments</th>
<th>Market position</th>
<th>Insurance reserves</th>
<th>GWP &amp; PHD</th>
<th>Fee &amp; commission income&lt;sup&gt;8)&lt;/sup&gt;</th>
<th>Adjusted profit from operations&lt;sup&gt;8)&lt;/sup&gt;</th>
</tr>
</thead>
</table>
| **Switzerland**   | - Individual Life: No 2<sup>1)</sup>  
- Group Life: No 1<sup>1)</sup>  
- Swiss Life Select: Largest IFA | 55% | 49% | 14% | 57% |
| **France**        | - Individual Health: No 2<sup>2)</sup>  
- Life: No 13; focus on HNWI and affluent | 17% | 26% | 22% | 17% |
| **Germany**       | - BU<sup>3)</sup>: A market leader  
- BAV<sup>4)</sup>: No 8  
- IFA network: No 3 | 13% | 10% | 33% | 11% |
| **International** | - PPLI: No 2<sup>5)</sup>  
- SL Network: Market leader<sup>6)</sup>  
- Leading IFA in UK and AT | 15% | 15% | 20% | 1% |
| **Asset Managers** | - Leading insurance asset manager in CH with large portfolios in FR & DE | 155.1 bn<sup>7)</sup> | n.a. | 32% | 15% |

1) HY 2014  
2) Excl. mutuals  
3) Disability insurance  
4) Occupational pension scheme  
5) Providers with global exposure (Europe and Asia)  
6) Among non-reinsurance networks  
7) AuM  
8) Percentage figures do not sum up to 100% mainly due to elimination effects (fee & comm. income) and unallocated corp. costs (adj. profit from operations)
**HY 2014 result: Further operational progress**

**HY 2014 vs. HY 2013**

<table>
<thead>
<tr>
<th>Category</th>
<th>2014 (CHF)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted profit from operations</td>
<td>680 m</td>
<td>+7%</td>
</tr>
<tr>
<td>Net profit</td>
<td>487 m</td>
<td>+3%</td>
</tr>
<tr>
<td>GWP incl. PHD (in local currency)</td>
<td>10.8 bn</td>
<td>+5%</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>587 m</td>
<td>+7%</td>
</tr>
<tr>
<td>New business margin (% PVNBP)</td>
<td>2.4%</td>
<td>+0.4 ppts</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>10.9 bn</td>
<td>+22%1)</td>
</tr>
<tr>
<td>Return on equity2) (annualised)</td>
<td>11.9%</td>
<td>-0.8 ppts</td>
</tr>
<tr>
<td>Group solvency</td>
<td>243%</td>
<td>+33 ppts1)</td>
</tr>
</tbody>
</table>

1) HY 2014 vs. FY 2013
2) Equity excl. unrealised gains/losses on bonds
Agenda

Swiss Life Group at a glance:
Attractive business portfolio and operational progress

➔ Swiss Life 2015:
Increase resilience and improve quality of earnings

Wrap-up:
Successfully operating in a challenging environment
Continue on successful path of MILESTONE to further strengthen the business model

**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 (adjusted)
**Swiss Life 2015: Strategic thrusts**

<table>
<thead>
<tr>
<th><strong>Customer promise</strong></th>
<th>Increase quality and quantity of touch points with customers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Offering</strong></td>
<td>Focus own solutions on profitable and flexible products and expand 3rd party offering</td>
</tr>
<tr>
<td><strong>Distribution</strong></td>
<td>Strengthen advisory expertise and manage production and distribution organisations in each market under one roof</td>
</tr>
<tr>
<td><strong>Efficiency and quality</strong></td>
<td>Continue to strengthen operational effectiveness</td>
</tr>
<tr>
<td><strong>Financial strength</strong></td>
<td>Enhance financial strength and resilience of business model</td>
</tr>
</tbody>
</table>

**Opportunities**
- Customers with increasing needs for security and advice
- Effective multichannel management to exploit customer and market segments
- Extend business model by adding products and service outside the existing life offering
- Very low interest rates on bank deposits
- Persisting low interest rates combined with business model’s dependence on savings result

**Challenges**
- Customers with increasing needs for security and advice
- Effective multichannel management to exploit customer and market segments
- Extend business model by adding products and service outside the existing life offering
- Very low interest rates on bank deposits
- Persisting low interest rates combined with business model’s dependence on savings result
- High pace of regulatory changes and pension reforms
- Regulatory capital requirements (SST, S2)
Working on right levers to increase profitability and quality of earnings

<table>
<thead>
<tr>
<th>Measure</th>
<th>Ambition</th>
<th>Levers</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-force: Disciplined Asset and Liability</td>
<td>Safeguard interest rate margin in a prolonged period of low interest rates</td>
<td>▪ Increase resilience of investment result in respect to low interest rates and volatile financial markets</td>
</tr>
<tr>
<td>Management (ALM)</td>
<td></td>
<td>▪ Reduce average technical interest rates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Reduce policyholder bonuses and increase buffers</td>
</tr>
<tr>
<td>Earnings: Further increase quality of earnings</td>
<td>Reduce dependency on savings result by strengthening other profit sources</td>
<td>▪ Improve cost efficiency</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Defend risk result</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Grow fee business</td>
</tr>
<tr>
<td>New business: Profitability before growth</td>
<td>Continue to manage new business for value</td>
<td>▪ Shift new business mix towards risk, modern and modern-traditional products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Continuous margin management of new business</td>
</tr>
</tbody>
</table>
Asset allocation adjusted to strengthen direct yield and reduce risk in an ALM context

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

![Bar chart showing asset allocation]

**SAA adjustments**
- Share of corporate bonds and real estate increased at the expense of equities, hedge funds and loans
- Cash position reduced through improved liquidity management via repo transactions
- Asset duration lengthened and duration gap kept below 1 since 2007
- FX and equity hedging in place

<table>
<thead>
<tr>
<th></th>
<th>31.12.06</th>
<th>30.06.14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>112 658</td>
<td>138 119</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>7%</td>
<td>1%</td>
</tr>
<tr>
<td>Real estate</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Mortgages and loans</td>
<td>21%</td>
<td>12%</td>
</tr>
<tr>
<td>Governments and supranationalss</td>
<td>35%</td>
<td>29%</td>
</tr>
<tr>
<td>Corporates</td>
<td>17%</td>
<td>40%</td>
</tr>
<tr>
<td>Cash and others</td>
<td>6%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Net equity exposure
- 31.12.06: 7.0%
- 30.06.14: 1.8%
Continued strong investment incomes and results despite decreasing interest rates

Direct and net investment yield (IFRS basis)

- **Direct investment yield**
- **Net investment yield**
- **German Government bond (10 years)**
- **Swiss Government bond (10 years)**

**HY14 (not annualised)**
- 1.9%
- 1.7%

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Average technical interest rate substantially lowered

Statutory basis

- **Mandatory Group life CH**
  - Reduction in minimum interest rate by 75 bps to 1.75% by Federal Council: -10 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**: -39 bps

- **Reserve strengthening**: -30 bps

- **Disposals and FX**: -10 bps

- **Total**: -101 bps
2 Substantial cost savings and efficiency improvements achieved

CHF million (IFRS basis)

Operating expense adjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1,945</td>
<td>1,602</td>
<td>1,392</td>
<td>1,384</td>
<td>1,390</td>
<td>1,378</td>
</tr>
</tbody>
</table>

Efficiency ratio\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2015P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>0.99%</td>
<td>0.92%</td>
<td>0.84%</td>
<td>0.78%</td>
<td>0.72%</td>
<td>0.68%</td>
<td>0.68% - 0.63%</td>
</tr>
</tbody>
</table>

MILESTONE

- Cost base lowered by more than CHF 400 m through cost savings; efficiency ratios improved significantly

Swiss Life 2015

- Additional cost savings in implementation which lead to further efficiency improvements
- Cost savings partly reinvested in fee initiatives

► Business growth and ongoing transformation of business model financed without increasing overall cost base

1) Owned IFAs expense excluded
Fee result with growth while risk result remained stable operationally

CHF million

Fee result

- Asset Managers: Higher AuM driven by strong NNA in external customers business and strong performance in insurance mandates
- France: Increased UL share
- International: Substantial cost savings and higher AuM

Risk result

- Operationally, risk result remained stable in 2013; decrease is due to reserve strengthening in Switzerland
- All market units with an higher operational risk result in 2013 compared to 2010
Product offering revamped and new business mix shifted away from traditional products

New business production (NBP)

Risk, health and P&C
Opportunities to keep an attractive contribution from risk products and risk riders in competitive environment are being exploited

Modern
Modern product offering continuously adjusted to market requirements in order to support the business mix in terms of reduced capital intensity

Modern-traditional
The development of new modern-traditional concepts requiring less economic solvency capital consequently pursued

Traditional
Traditional products significantly reduced leaving attractive Swiss group life business as most important product category

Shift excl. traditional CH GL
FY08 FY11 HY14 2015P
59% 85% 90%
Disciplined margin management: Higher margins and VnB despite lower interest rates

New business margin vs. interest rate development

<table>
<thead>
<tr>
<th>Year</th>
<th>New business margin in % of PVNBP</th>
<th>Value of new business in CHF m</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY08</td>
<td>119</td>
<td>76</td>
</tr>
<tr>
<td>FY09</td>
<td>123</td>
<td>71</td>
</tr>
<tr>
<td>FY10</td>
<td>209</td>
<td>104</td>
</tr>
<tr>
<td>FY11</td>
<td>150</td>
<td>59</td>
</tr>
<tr>
<td>FY12</td>
<td>158</td>
<td>141</td>
</tr>
<tr>
<td>FY13</td>
<td>289</td>
<td>185</td>
</tr>
</tbody>
</table>

1) Excl. liquidity premium

1) German government bond (10 years)

Swiss government bond (10 years)

New business margin
Right measures implemented to successfully operate in a low interest rate environment

<table>
<thead>
<tr>
<th>Measure</th>
<th>Achievements</th>
</tr>
</thead>
</table>
| In-force: Disciplined Asset and Liability Management (ALM) | Asset side  
▪ Direct yield strengthened, stability of net investment result increased, economic interest rate sensitivity substantially lowered  
Liability side  
▪ Technical interest rates and policyholder bonuses reduced and policyholder reserves strengthened  
► Interest rate margin secured for several decades |
| Earnings: Further increase quality of earnings |  
▪ Cost base significantly reduced and efficiency ratio continuously improved  
▪ Risk result defended in a competitive environment  
▪ Fee result strengthened  
► Quality of earnings improved |
| New business: Profitability before growth |  
▪ Product offering revamped and new business mix shifted away from traditional products  
▪ Ongoing disciplined margin management  
► New business value substantially increased |

Resilience of business model increased and quality of earnings improved
Development of key figures demonstrates progress of our strategy

CHF million (IFRS basis)

Insurance reserves (w/o policyholder participation liabilities)

Operating expense adjusted

Net investment result

Net profit

1) Continuing operations  2) Adjusted for impairments at owned IFAs and IN of total CHF 543 m (post tax)
Agenda

Swiss Life Group at a glance:
Attractive business portfolio and operational progress

Swiss Life 2015:
Increase resilience and improve quality of earnings

Wrap-up:
Successfully operating in a challenging environment
Swiss Life 2015 well on track

<table>
<thead>
<tr>
<th>Strategic thrust</th>
<th>Target</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Offering</strong></td>
<td>▪ New business margin: &gt;1.5%</td>
<td>▪ At 2.4% as per HY 2014</td>
</tr>
<tr>
<td></td>
<td>▪ New business shift: ~85% of NBP from risk, modern and modern-traditional products</td>
<td>▪ 82% of NBP from risk, modern and modern-traditional products as per HY 2014</td>
</tr>
<tr>
<td><strong>Distribution</strong></td>
<td>▪ Fee and commission income: Increase by 20-25%</td>
<td>▪ Up by 7% as per HY 2014 vs. HY 2013</td>
</tr>
<tr>
<td><strong>Efficiency and quality</strong></td>
<td>▪ Cost savings: CHF 130-160 m (project view)</td>
<td>▪ ~85% of overall targeted cost savings implemented as per HY 2014</td>
</tr>
<tr>
<td></td>
<td>▪ Efficiency: Improve efficiency ratios</td>
<td>▪ Efficiency ratio at 0.32% as per HY 2014 (HY 2013: 0.33%)</td>
</tr>
<tr>
<td><strong>Financial strength</strong></td>
<td>▪ Adjusted RoE: 8-10%</td>
<td>▪ At 11.9% as per HY 2014 (annualised)</td>
</tr>
<tr>
<td></td>
<td>▪ Dividend payout ratio: 20-40%</td>
<td>▪ At 23% as per FY 2013</td>
</tr>
<tr>
<td></td>
<td>▪ Profit by source (PbS):</td>
<td>▪ PbS as per FY 2013; savings result 69%, fee &amp; risk result 38% and cost result -12% (admin cost result +6%)</td>
</tr>
<tr>
<td></td>
<td>- Savings result &lt;50%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Fee &amp; risk result 60-70%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Admin cost result &gt;0%</td>
<td></td>
</tr>
</tbody>
</table>

Increase quality and quantity of touch points with customers

Customer promise

At 2.4% as per HY 2014
82% of NBP from risk, modern and modern-traditional products as per HY 2014
Up by 7% as per HY 2014 vs. HY 2013
~85% of overall targeted cost savings implemented as per HY 2014
Efficiency ratio at 0.32% as per HY 2014 (HY 2013: 0.33%)
At 11.9% as per HY 2014 (annualised)
At 23% as per FY 2013
PbS as per FY 2013; savings result 69%, fee & risk result 38% and cost result -12% (admin cost result +6%)
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Financial calendar

Interim statement Q3 12 November 2014
Full-Year results 2014 27 February 2015
Annual General Meeting 27 April 2015

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