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

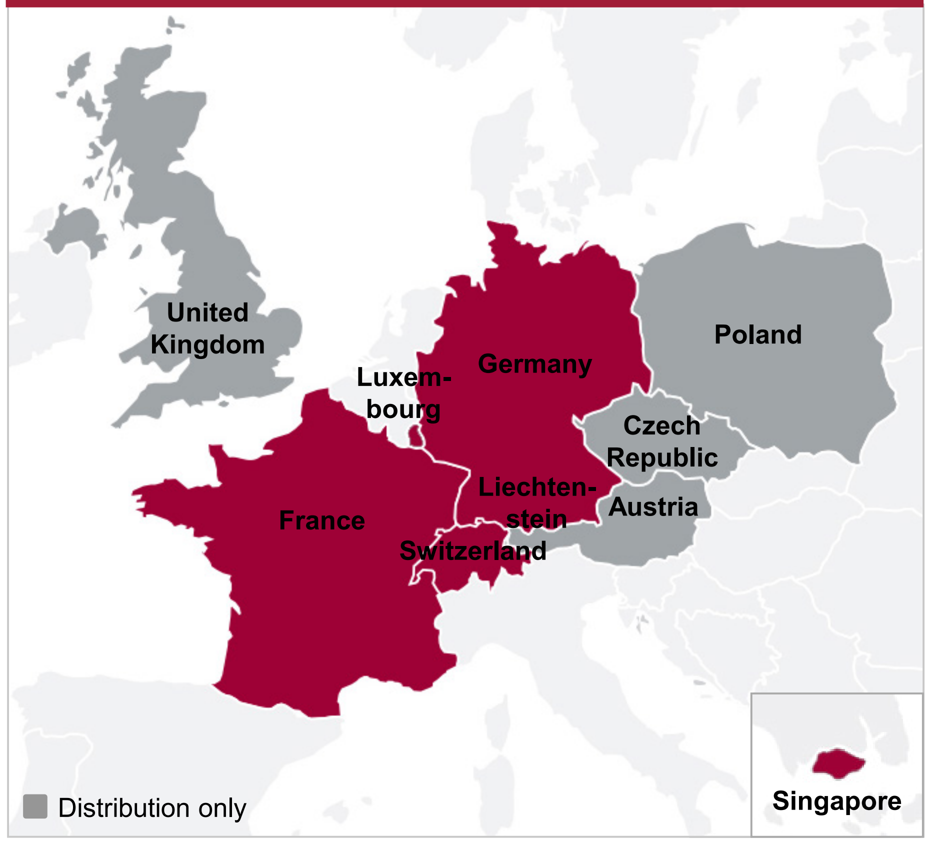
Swiss Life Group is a leading provider of life and pensions and financial solutions…

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)

Business segments	Market position	Insurance reserves	GWP & PHD	Fee & commission income[8]	Adjusted profit from operations[8]
		137.0 bn	18.0 bn	1 157 m	1 143 m
Switzerland	- Individual Life: No 2[1] - Group Life: No 1[1] - Swiss Life Select: Largest IFA	55%	49%	14%	57%
France	- Individual Health: No 2[2] - Life: No 13; focus on HNWI and affluent	17%	26%	22%	17%
Germany	- BU[3]: A market leader - BAV[4]: No 8 - IFA network: No 3	13%	10%	33%	11%
International	- PPLI: No 2[5] - SL Network: Market leader[6] - 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[7]	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

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HY 2014 vs. HY 2013

Adjusted profit from operations	CHF 680 m	+7%
Net profit	CHF 487 m	+3%
GWP incl. PHD (in local currency)	CHF 10.8 bn	+5%
Fee and commission income	CHF 587 m	+7%
New business margin (% PVNBP)	2.4%	+0.4 ppts
Shareholders' equity	CHF10.9 bn	+22%[1)]
Return on equity[2)] (annualised)	11.9%	-0.8 ppts
Group solvency	243%	+33 ppts[1)]

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

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Continue on successful path of MILESTONE to further strengthen the business model

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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

2009 – 2012

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)

2013 – 2015

With Swiss Life 2015 to exploit opportunities and address challenges

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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

Challenges

- 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)

Swiss Life 2015: Strategic thrusts

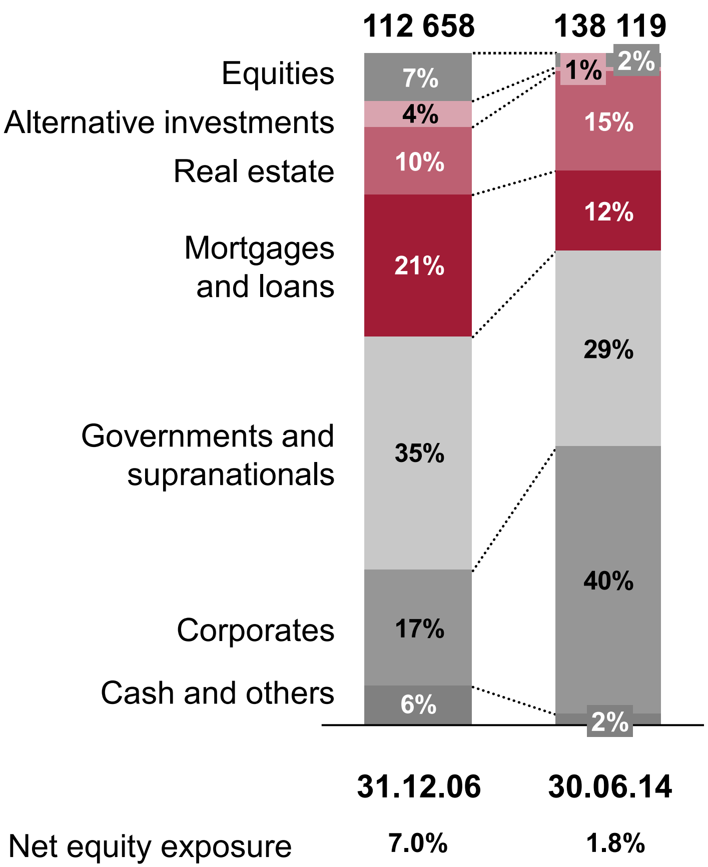
1. **Customer promise** – Increase quality and quantity of touch points with customers
2. **Offering** – Focus own solutions on profitable and flexible products and expand 3rd party offering
3. **Distribution** – Strengthen advisory expertise and manage production and distribution organisations in each market under one roof
4. **Efficiency and quality** – Continue to strengthen operational effectiveness
5. **Financial strength** – Enhance financial strength and resilience of business model

Working on right levers to increase profitability and quality of earnings

Measure	Ambition	Levers	
In-force: Disciplined Asset and Liability Management (ALM)	Safeguard interest rate margin in a prolonged period of low interest rates	▪ Increase resilience of investment result in respect to low interest rates and volatile financial markets ▪ Reduce average technical interest rates ▪ Reduce policyholder bonuses and increase buffers	1
Earnings: Further increase quality of earnings	Reduce dependency on savings result by strengthening other profit sources	▪ Improve cost efficiency ▪ Defend risk result ▪ Grow fee business	2
New business: Profitability before growth	Continue to manage new business for value	▪ Shift new business mix towards risk, modern and modern-traditional products ▪ Continuous margin management of new business	3

1 Asset allocation adjusted to strengthen direct yield and reduce risk in an ALM context

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

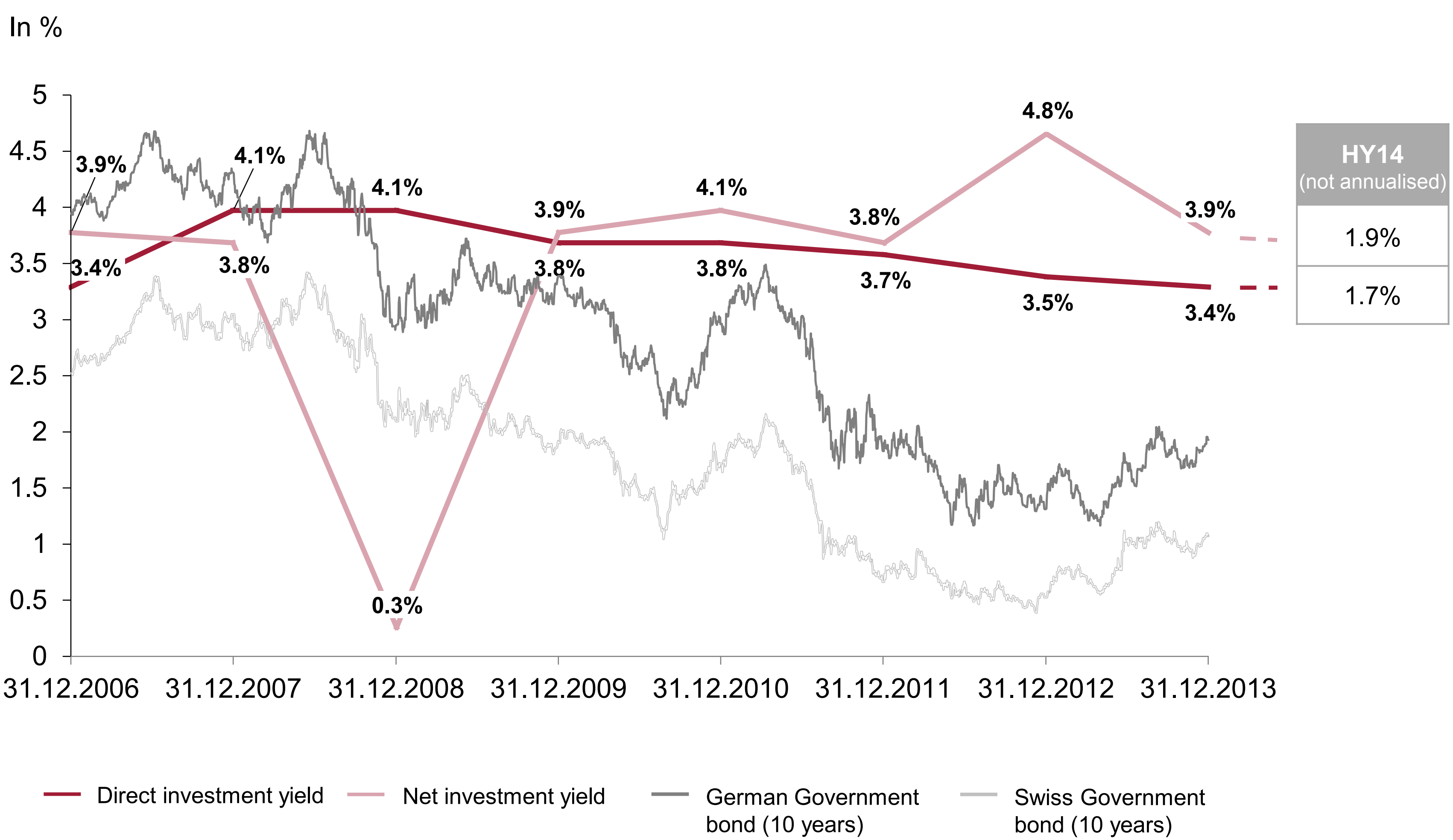


SAA adjustments

- 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

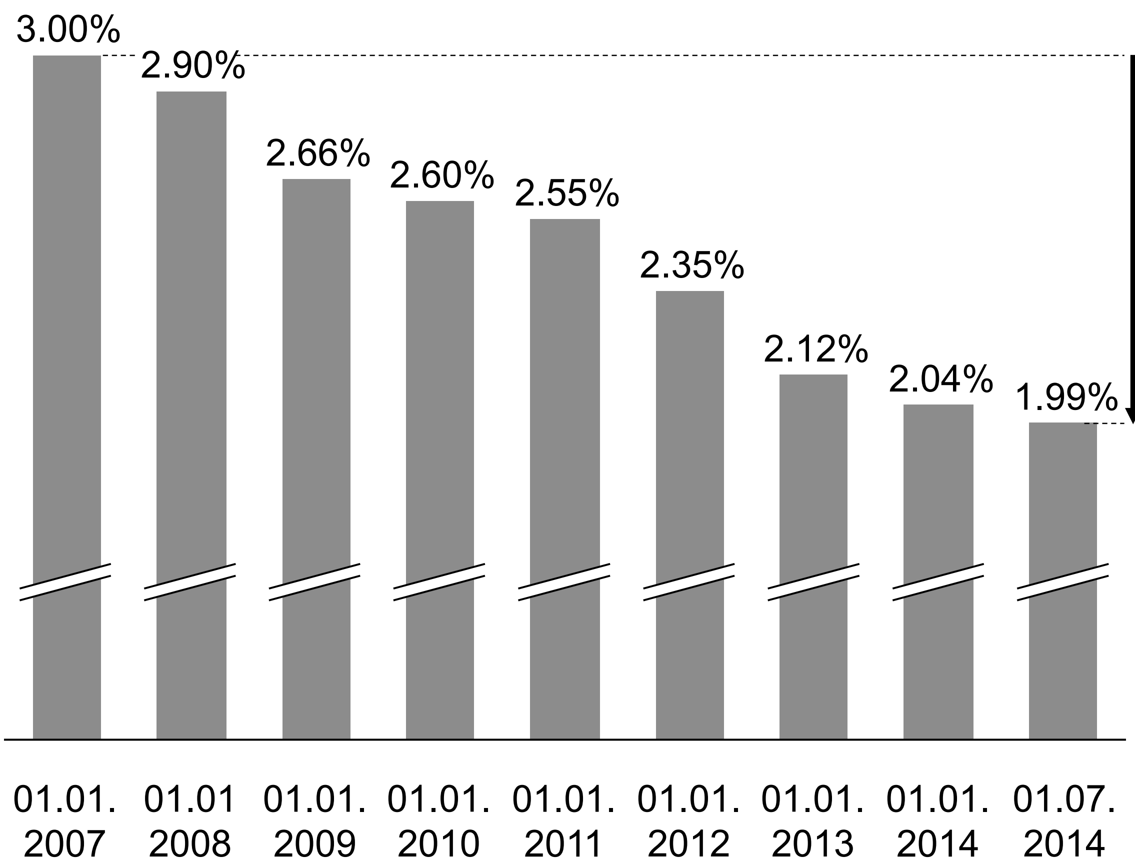
1 Continued strong investment incomes and results despite decreasing interest rates

Direct and net investment yield (IFRS basis)



1 Average technical interest rate substantially lowered

Statutory basis

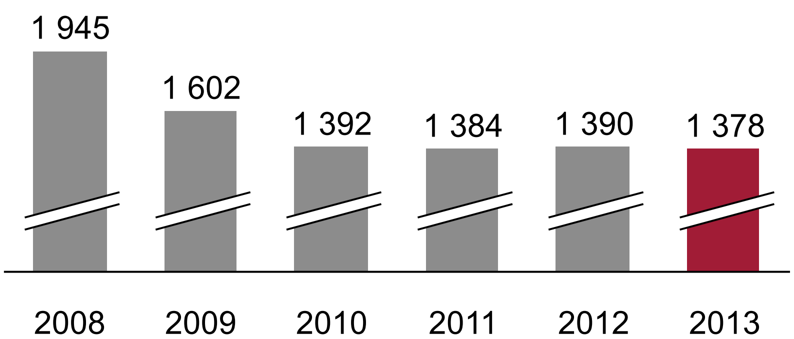


Mandatory Group life CH	
▪ Reduction in minimum interest rate by 75 bps to 1.75% by Federal Council	-10 bps
Non-mandatory Group life CH	
▪ Reduction in guaranteed rates by 100 bps to 1.25% by Swiss Life	-12 bps
Change in business mix	-39 bps
Reserve strengthening	-30 bps
Disposals and FX	-10 bps
Total	**-101 bps**

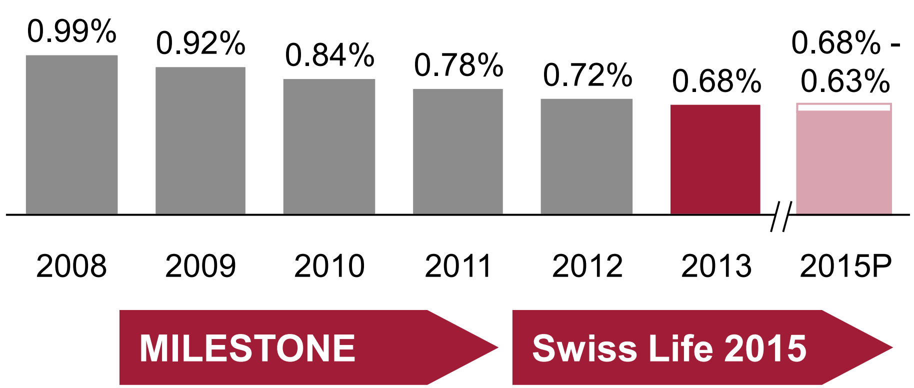
2 Substantial cost savings and efficiency improvements achieved

CHF million (IFRS basis)

Operating expense adjusted



Efficiency ratio[1)]



MILESTONE

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

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

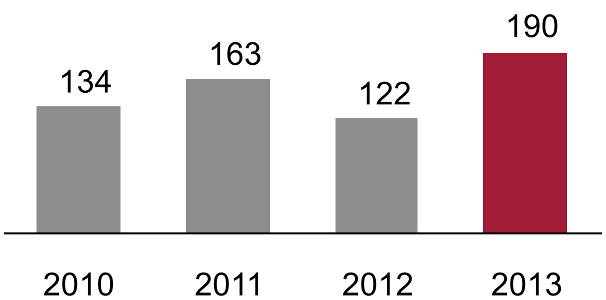
► **Business growth and ongoing transformation of business model financed without increasing overall cost base**

1) Owned IFAs expense excluded

2 Fee result with growth while risk result remained stable operationally

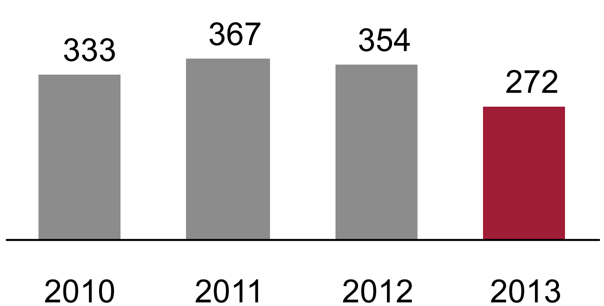
CHF million

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

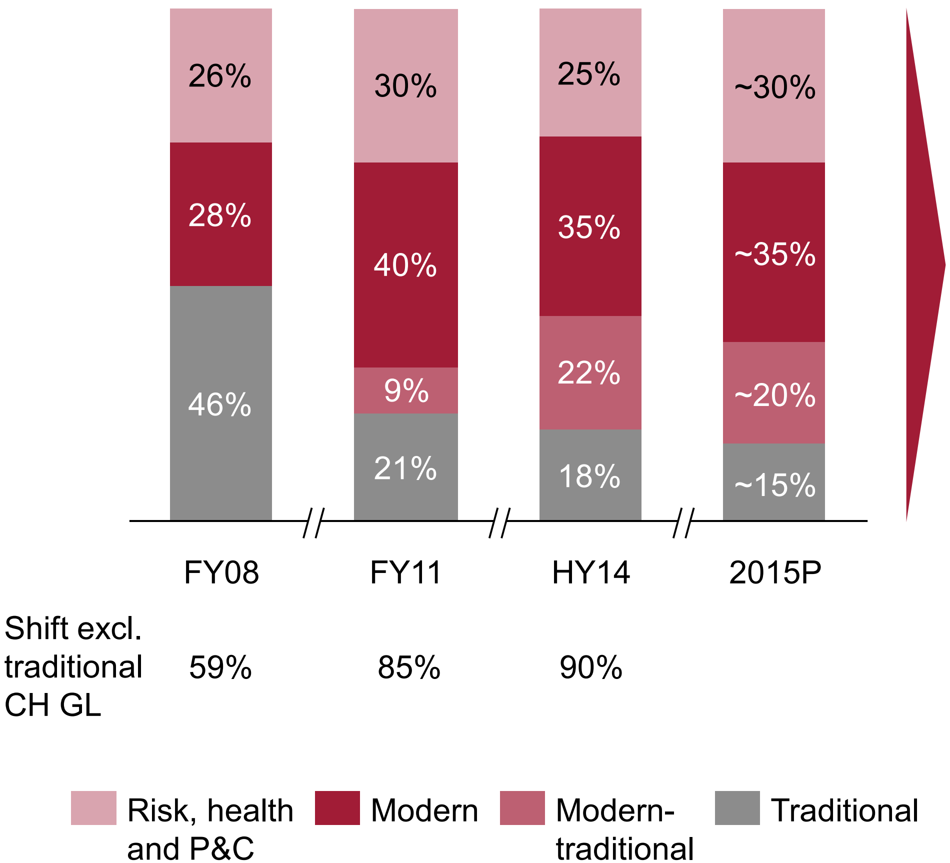
Risk result



- 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

3 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

3 Disciplined margin management: Higher margins and VnB despite lower interest rates

New business margin vs. interest rate development

119		123		209		150		158		289		Value of new business in CHF m
	76		71		104		59		141		185	

1) Excl. liquidity premium

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

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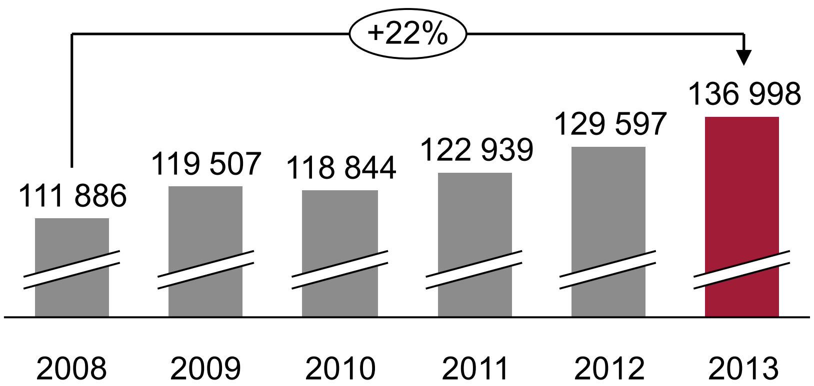
Measure	Achievements
1 **In-force: Disciplined Asset and Liability Management (ALM)**	Asset side ▪ Direct yield strengthened, stability of net investment result increased, economic interest rate sensitivity substantially lowered Liability side ▪ Technical interest rates and policyholder bonuses reduced and policyholder reserves strengthened ► **Interest rate margin secured for several decades**
2 **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**
3 **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

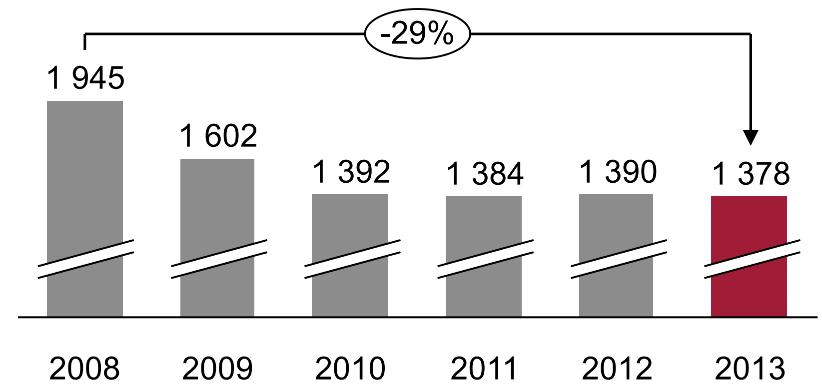
Development of key figures demonstrates progress of our strategy

CHF million (IFRS basis)

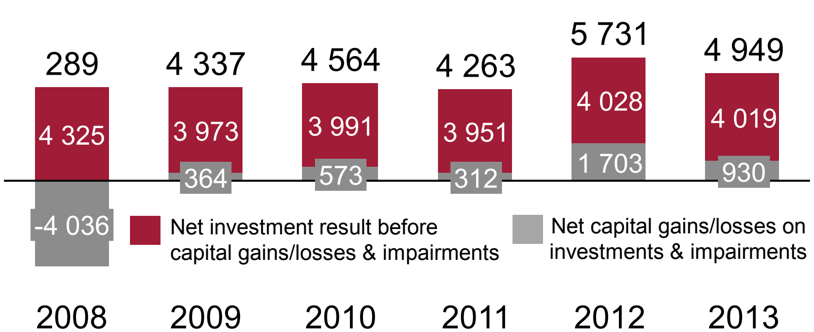
Insurance reserves
(w/o policyholder participation liabilities)



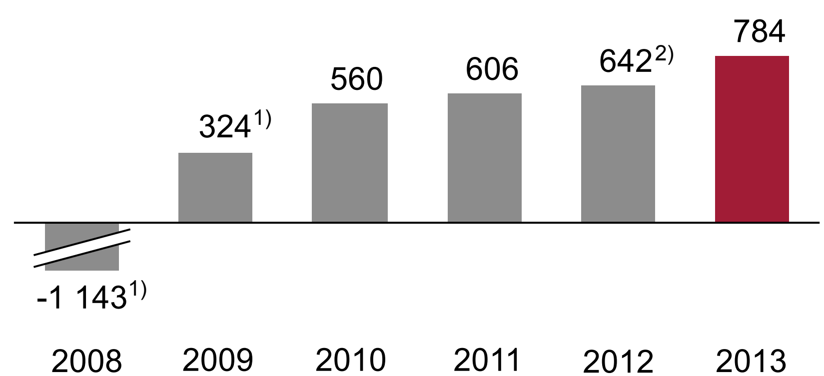
Operating expense adjusted



Net investment result



Net profit



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

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Swiss Life 2015 well on track

Strategic thrust		Target	Status
1 Customer promise Increase quality and quantity of touch points with customers	2 Offering	▪ New business margin: >1.5% ▪ New business shift: ~85% of NBP from risk, modern and modern-traditional products	▪ At 2.4% as per HY 2014 ▪ 82% of NBP from risk, modern and modern-traditional products as per HY 2014
	3 Distribution	▪ Fee and commission income: Increase by 20-25%	▪ Up by 7% as per HY 2014 vs. HY 2013
	4 Efficiency and quality	▪ Cost savings: CHF 130-160 m (project view) ▪ Efficiency: Improve efficiency ratios	▪ ~85% of overall targeted cost savings implemented as per HY 2014 ▪ Efficiency ratio at 0.32% as per HY 2014 (HY 2013: 0.33%)
	5 Financial strength	▪ Adjusted RoE: 8-10% ▪ Dividend payout ratio: 20-40% ▪ Profit by source (PbS): – Savings result <50% – Fee & risk result 60-70% – Admin cost result >0%	▪ 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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