



**Helvea Swiss Equities Conference 2010**  
**Managing for value at Swiss Life**

Thomas Buess, Group CFO  
Bad Ragaz, 14 January 2010

# Swiss Life Group at a glance

**France**

- GWP: CHF 2 524 m
- Niche player in life focusing on affluent customer segment with private insurer strategy
- Top health (#2 in individual segment) and risk insurer

**AWD**

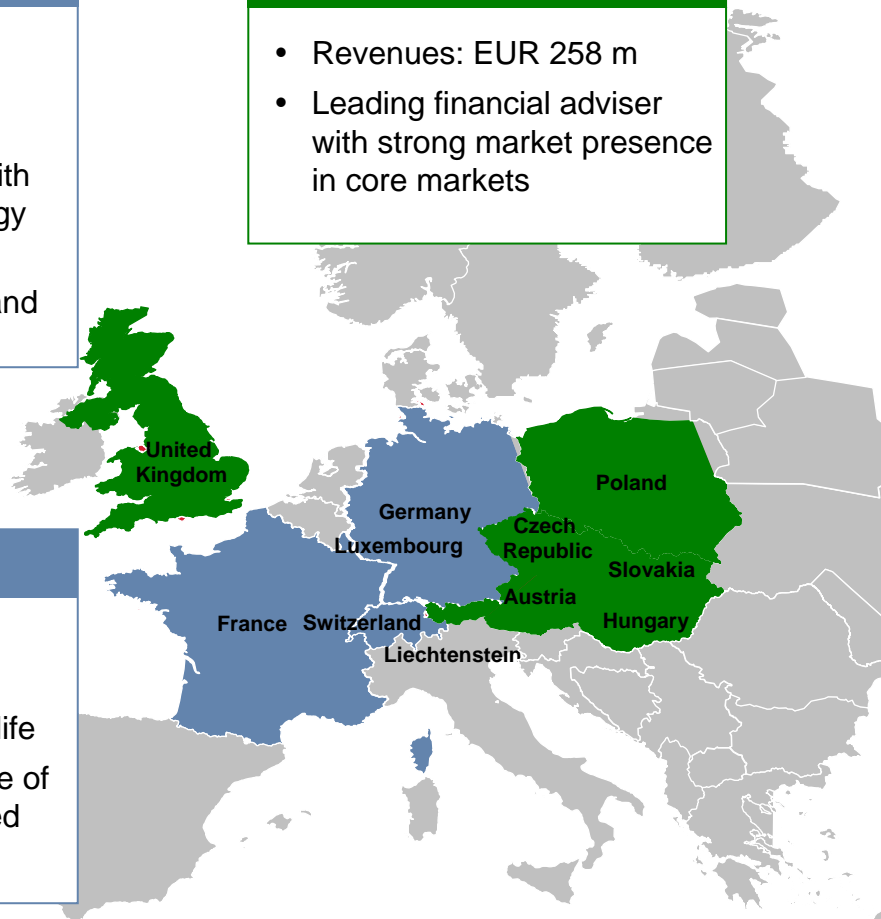
- Revenues: EUR 258 m
- Leading financial adviser with strong market presence in core markets

**Germany**

- GWP: CHF 971 m
- Strong expertise in disability solutions and employee benefits
- Brand well recognised by brokers

**Switzerland**

- GWP: CHF 5 334 m
- Leading position in individual and group life
- Strong customer base of about 1 million insured persons



**Transnational businesses**

- GWP: CHF 1 573 m<sup>1)</sup>
- PPLI: Leading in providing structured life insurance solutions around the globe
- Corporate Solutions: Leading provider of comprehensive employee benefit solutions for multinationals

1) Segment "Insurance Other" which includes PPLI, Corporate Solutions, Swiss Life Products and PPI  
Swiss Life figures: HY 2009

# Key figures of half-year results 2009

Net profit (cont. operations)	➔ CHF 172 m	+ 13%
Result from operations	➔ CHF 251 m	+ 11%
New business margin (% PVNBP)	➔ 1.2%	+ 0.1 ppts <sup>1)</sup>
GWP incl. PHD, adjusted <sup>2)</sup>	➔ CHF 10 387 m	+ 7%
Shareholders' equity	➔ CHF 6 752 m	+ 2%
Group solvency	➔ 155 %	- 3 ppts

1) FY 2008

2) For details with regards to adjustments see slide 12 in the HY09 presentation

# Swiss Life is on the right track but there is still much to be done



## Transformation successfully launched in 2009...

Solid capital position

Accelerating growth momentum

New products successfully launched

A steadily growing share of products sold through AWD

Successfully implemented about half of the substantial cost reductions

Launched turnaround programme at AWD with return to positive underlying profit

Renewed and strengthened leadership team

... and to be continued with:

**MILESTONE  
programme**





# MILESTONE enables Swiss Life to enhance its profitability and competitiveness



MILESTONE	Objectives		
1 Enhance customer value & new business profitability	<ul style="list-style-type: none"> <li>• Margin management focus: VNB and NBM</li> <li>• Drive shift to non-traditional products &amp; promote risk products</li> </ul>	<p><i>“We are growing – but not at the expense of value”</i></p>	5 Drive disciplined execution
2 Increase distribution quality and power	<ul style="list-style-type: none"> <li>• Optimise distribution channel mix</li> <li>• Capture full potential of AWD</li> </ul>	<p><i>“We are increasing growth in 3rd party channels and AWD”</i></p>	
3 Improve operational efficiency	<ul style="list-style-type: none"> <li>• Plan with clear accountabilities to achieve 2012 cost target</li> <li>• Eliminate negative cost result and move to continuous improvement</li> </ul>	<p><i>“We are managing our cost base rigorously and continuously”</i></p>	
4 Strengthen the balance sheet	<ul style="list-style-type: none"> <li>• Initiatives to optimise profit stream from in-force business and risk capital usage</li> </ul>	<p><i>“We are actively managing our capital and in-force business”</i></p>	

# MILESTONE covers entire group and drives execution of specific levers for each business unit

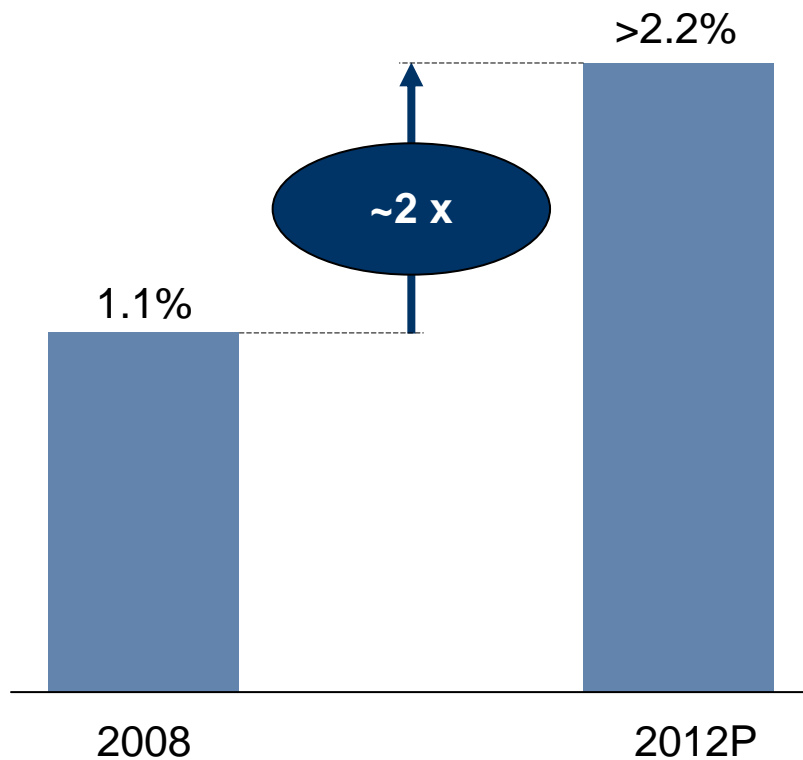


		Implementation responsibility			
MILESTONE programme: momentum, consistency, discipline		 Switzerland	 France	 Germany	 AWD Ihr persönlicher Finanzoptimierer
<b>1</b>	Enhance customer value & new business profitability	Introduce new, non-traditional and risk products to systematically increase profitability			<ul style="list-style-type: none"> <li>• Launch additional SL products in CH and DE</li> <li>• Focus in CEE</li> </ul>
<b>2</b>	Increase distribution quality and power	<ul style="list-style-type: none"> <li>• Improve sales force productivity</li> <li>• Fully capture AWD and broker potential</li> </ul>	<ul style="list-style-type: none"> <li>• Improve efficiency of prop. channels</li> <li>• Grow in 3<sup>rd</sup> party channels</li> <li>• Leverage SL Banque Privée</li> </ul>	<ul style="list-style-type: none"> <li>• Implement banking channel</li> <li>• Fully capture AWD potential</li> </ul>	<ul style="list-style-type: none"> <li>• Increase retention of agents</li> <li>• Increase Swiss Life share in CH, DE</li> </ul>
<b>3</b>	Improve operational efficiency	Streamline cost base to eliminate negative administrative cost result in all business units			Streamline Holding & achieve high admin efficiency
<b>4</b>	Strengthen the balance sheet	Increase in-force business profitability & organic capital build up and optimise legal structure (mainly in France and Germany)			
<b>5</b>	Drive disciplined execution	Manage performance using a consistent set of KPIs and conduct regular performance reviews based on mid-term plans			

# New business margin to improve across all business units



## New business margin development



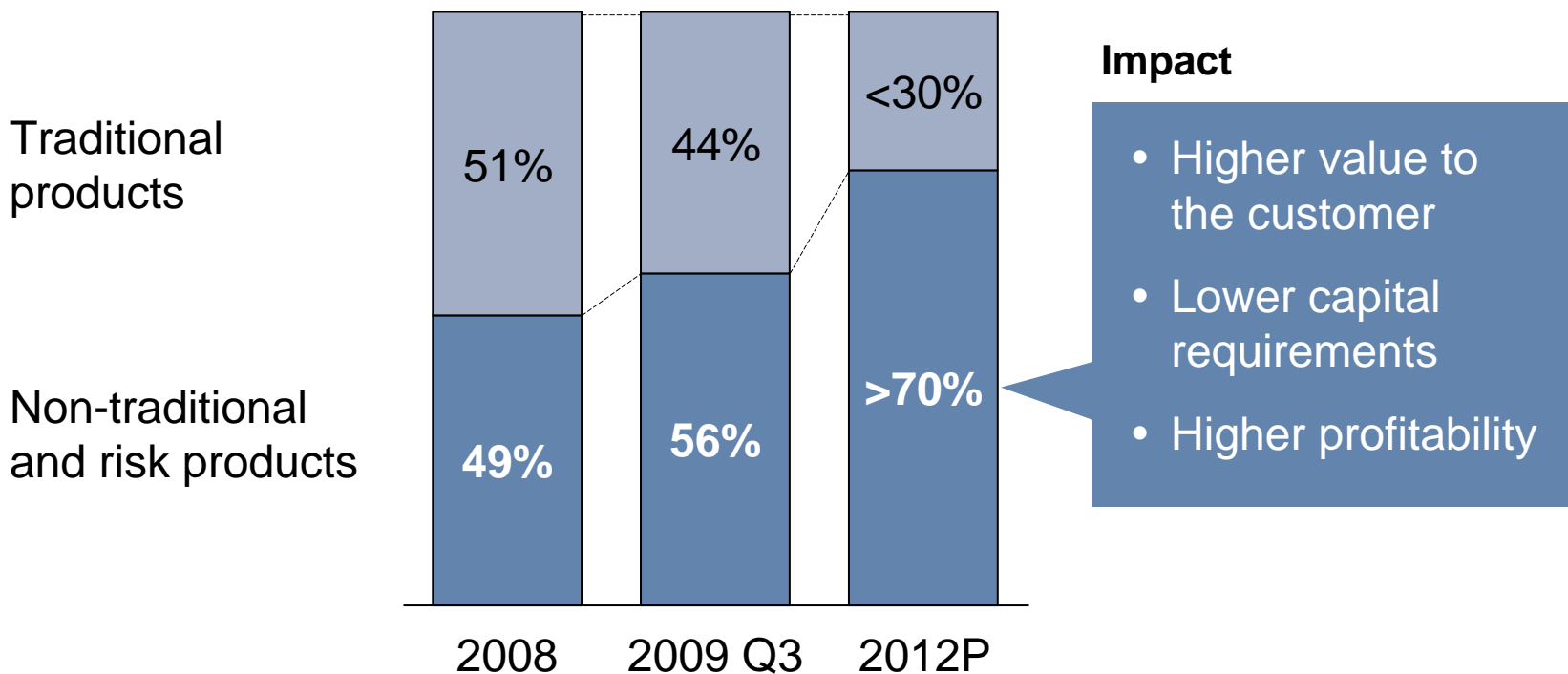
## Key levers

- Implementation of improved margin management process
- Introduction of new non-traditional and risk products
- Substantial reduction of cost base

# Non-traditional and risk products to reach a relative share of over 70%

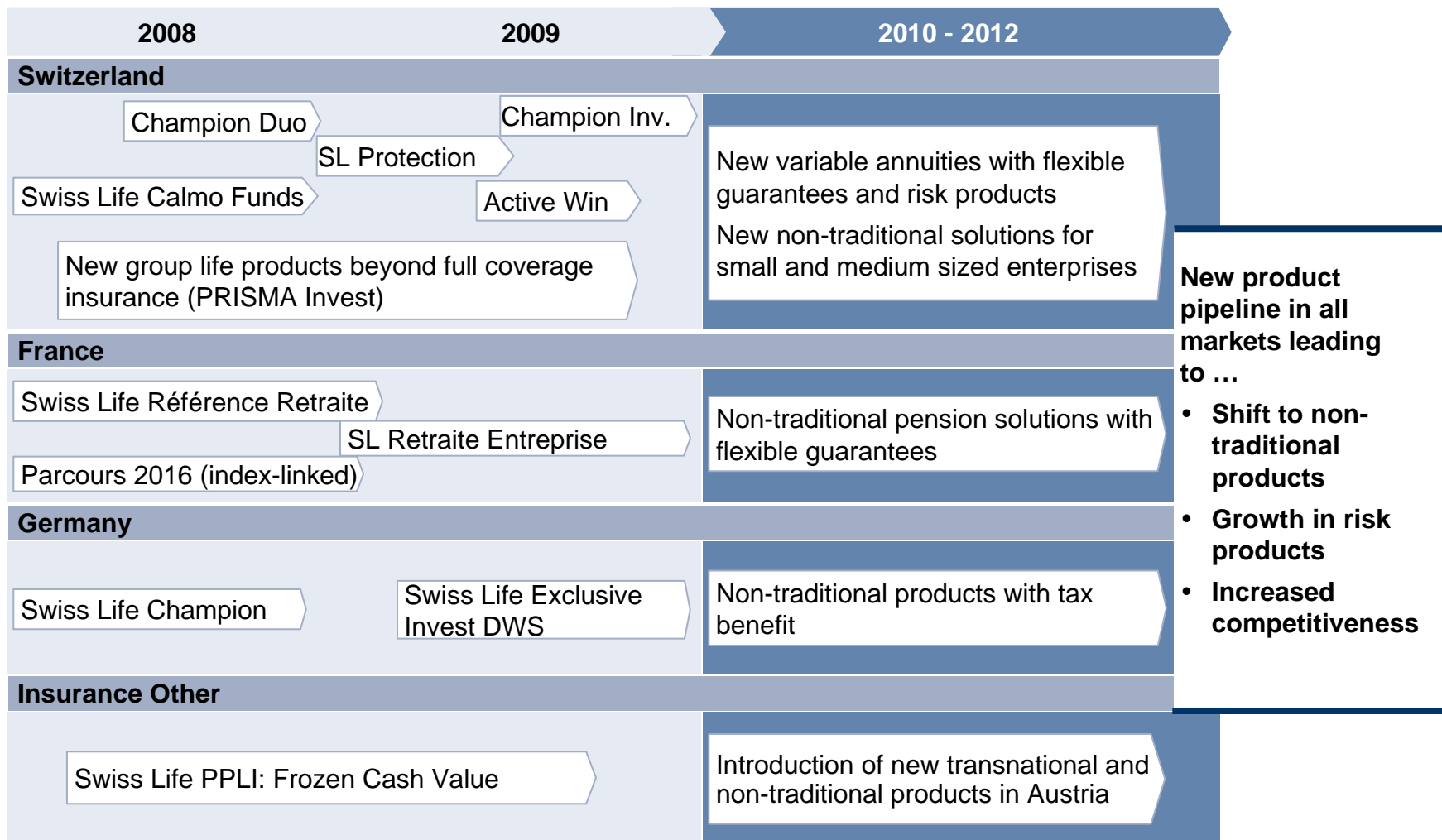
New business production Swiss Life Group

## New business mix





# Attractive new products support shift to non-traditional



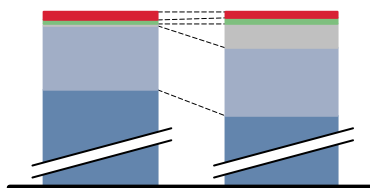
# Broader multi-channel approach will strengthen distribution

New business production Swiss Life Group, in %

## Swiss Life channel development

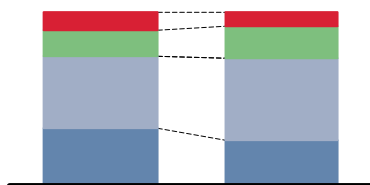
## Distribution priorities

### Switzerland



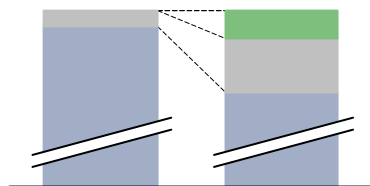
- Further increase productivity of strong tied agent force
- Leverage already successful partnership with AWD to reach ambitious targets
- Build stronger footprint in broker channel

### France



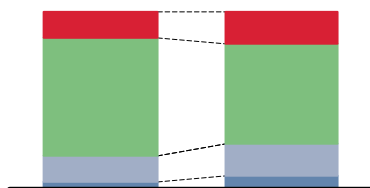
- More than double number of active IFAs by 2012
- Position Swiss Life as preferred provider for private banks
- Increase effectiveness of proprietary channels

### Germany



- Further develop growth through well established AWD channel
- Launch banking channel and develop affluent brokers
- Increase share of wallet with existing brokers

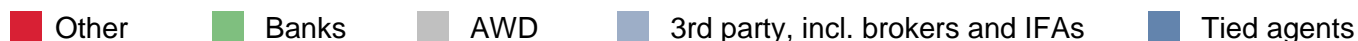
### Transnational businesses (PPLI, Corporate Solutions)



- Enter strategic cooperation with brokers, e.g. Latin America
- Recruit experienced professionals to grow volumes across main European markets

2008

2012P



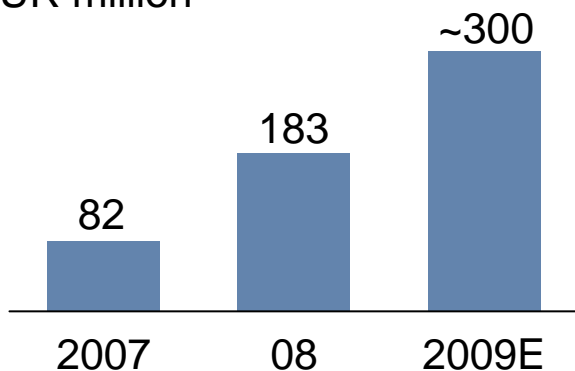
# AWD with continuously increasing sales of Swiss Life products



New business production

## Germany

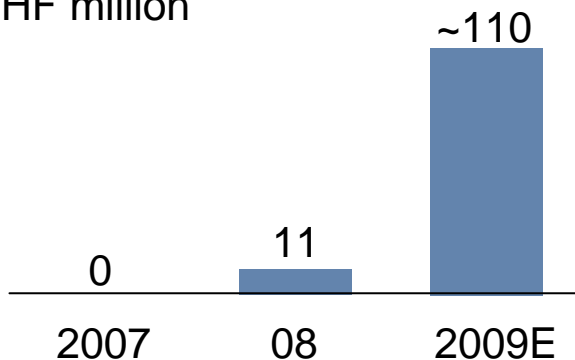
EUR million



- Swiss Life Germany established as a “best select” provider for AWD in several product categories
- Strong sales of risk protection and state-supported pension plans
- Additional pension plan products to be launched in 2010 to leverage distribution power

## Switzerland

CHF million



- Swiss Life Switzerland is a new “best select” provider for AWD
- Swiss Life Champion Duo with strong sales
- New annuity product was launched in Q3/2009
- Focus on private pension plans to use full scope of distribution power

# MILESTONE with clear initiatives to drive profitability and growth at AWD



## Top initiatives and priorities per country

Germany/ Headquarters	<ul style="list-style-type: none"> <li>• Substantial reduction in holding expenditure</li> <li>• Back office consolidation between AWD GmbH and Horbach</li> <li>• Further initiatives to enhance recruiting and to increase retention of new advisers</li> </ul>
Switzerland	<ul style="list-style-type: none"> <li>• Achieve substantial growth through Swiss Life products</li> <li>• Reduce churn rate and stabilise sales force</li> <li>• Keep good fixed cost discipline</li> </ul>
AT/CEE	<ul style="list-style-type: none"> <li>• Continue to rebuild reputation in Austria by adapting advisory model</li> <li>• Stabilise number of active advisers and trainees</li> <li>• Focus on CEE units with high growth potential</li> <li>• Finalise fixed cost reduction in 2010</li> </ul>
UK	<ul style="list-style-type: none"> <li>• Refocus on core business segments (advisory business)</li> <li>• Integrate consulting in wealth management to realise synergies</li> <li>• Adjust remuneration model and training to changed regulatory requirements</li> </ul>

EUR m

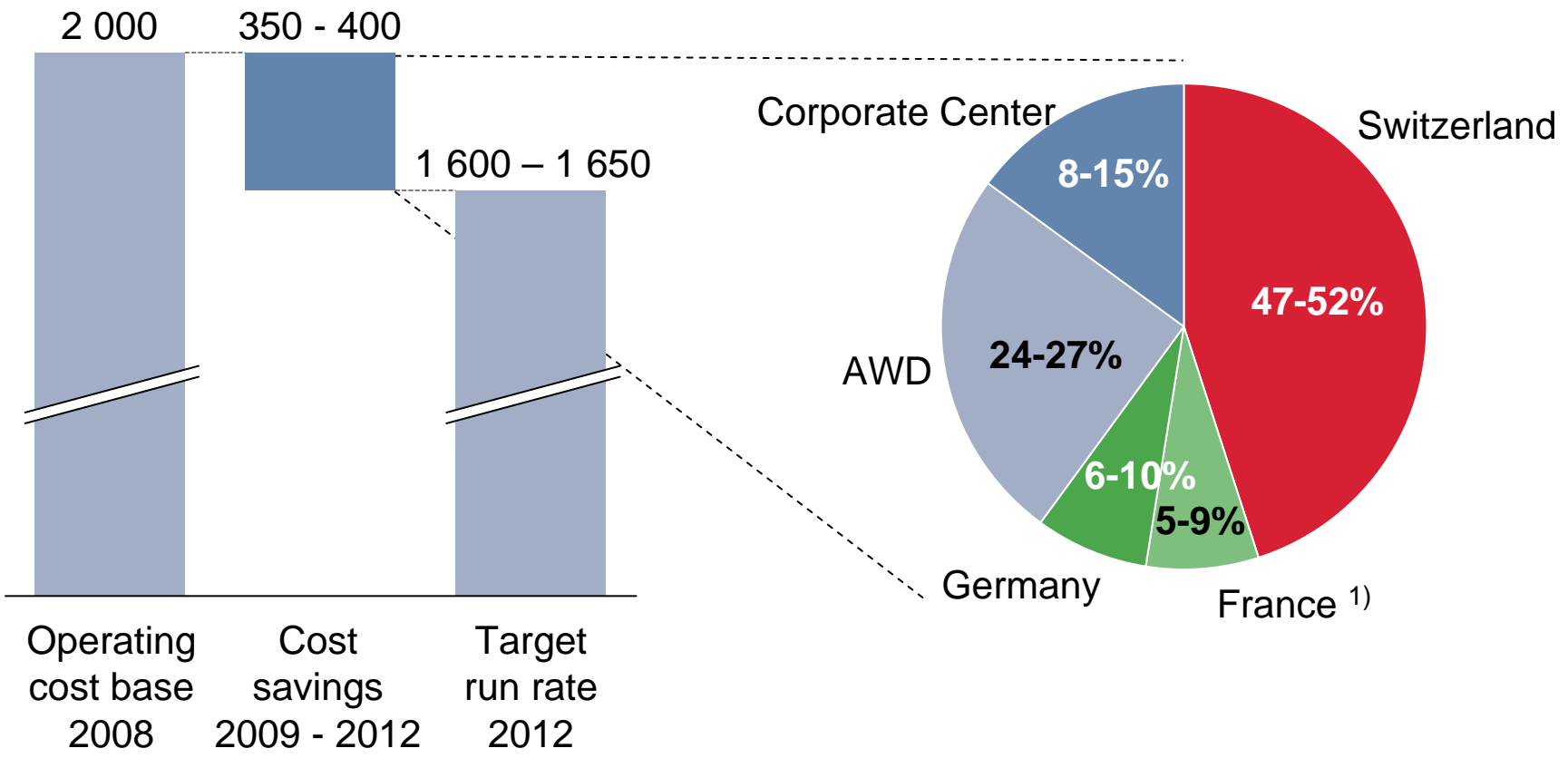
<b>Revenue</b>	530 – 540	560 – 580	670 – 690
<b>EBIT <sup>1)</sup></b>	~5 – 10	40 – 50	80 – 100
	2009E	2010P	2012P

1) EBIT 2009 excluding one-off and restructuring costs



# All business units are contributing to our cost savings target of CHF 350-400 million

CHF million



1) Economic effect of an improved cost/revenue ratio

# Cost savings will not be at the expense of profitable growth

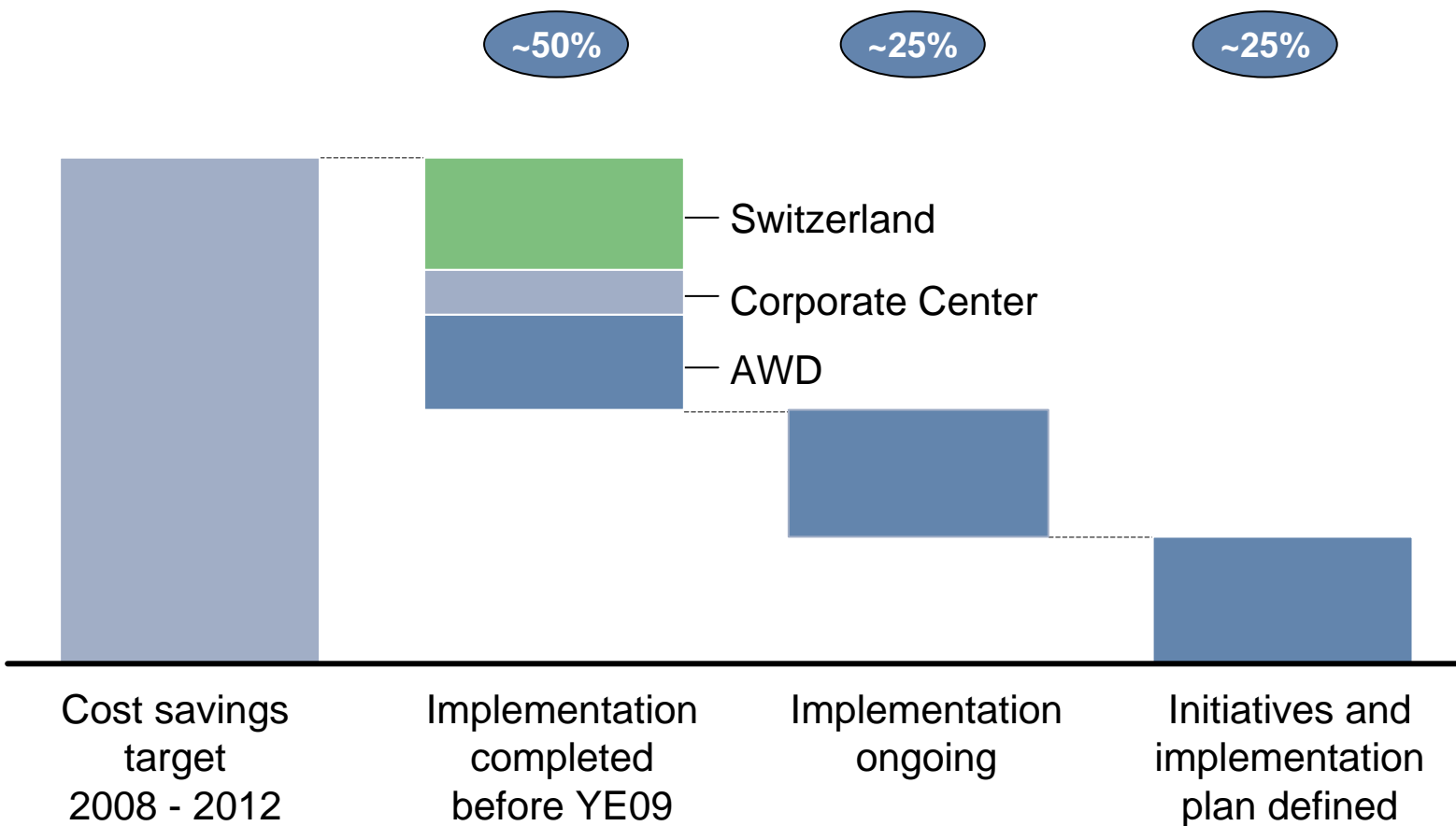
Value chain	Contribution	Levers
Support services	~40%	<ul style="list-style-type: none"> <li>Substantial savings potential in corporate center and AWD</li> </ul>
Policy administration & back office	~35%	<ul style="list-style-type: none"> <li>Redefining of processes and reduction of IT systems</li> <li>Investments in growth and margin improvements by launch of new products</li> </ul>
Product development & marketing		
Asset management	~15%	<ul style="list-style-type: none"> <li>Reduction of manual activities and introduction of integrated solution</li> </ul>
Distribution support	~10%	<ul style="list-style-type: none"> <li>Higher admin efficiency</li> </ul>
Distribution		<ul style="list-style-type: none"> <li>Investments in frontline sales and quality</li> </ul>



# Per FY 2009, ~75% of cost initiatives are in implementation or even completed

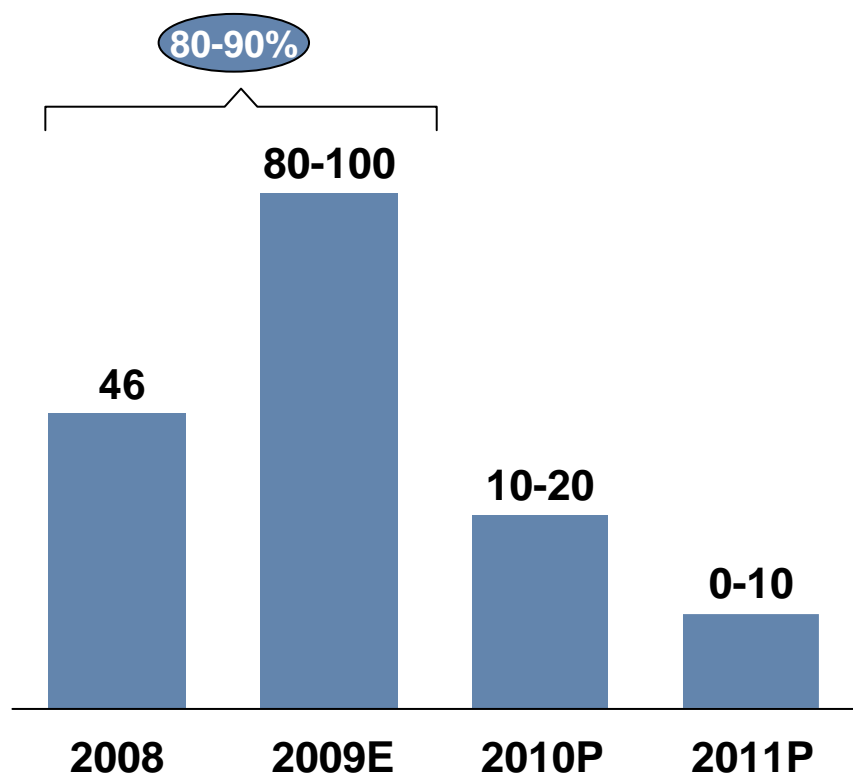
CHF million

## Status of implementation of cost saving initiatives 2009 - 2012



# 80-90% of restructuring charges to be booked before end of 2009

Restructuring charges, CHF million



- Major restructuring cost categories are
  - Outplacements and personnel advisory
  - Non-compensation expenses for restructuring, e.g., IT investments and consulting
  - AWD, e.g., restructuring of Holding and back office redimensioning
- 50-60% of restructuring charges will have a direct impact on pre-tax profit



# Balance sheet strengthening addressed by IM, in-force profitability levers and capital management



SwissLife

## Investment management

- Regained risk capacity allows cautious increase in investment risks, while keeping them low overall
- Our strategic asset allocation for 2010 aims to mitigate the potential downside of adverse market developments

## Liabilities

- Key initiatives to increase profits from the in-force business and to release risk capital
- Shift to non-traditional products reduces capital requirements of new business

## Capital management

- Each business is managed against value creation return on capital targets
- Swiss Life has no debt refinancing need until 2014
- Dividend payout in the range of 20–40% to allow for organic capital build-up and to support our aim of regaining A-rating

# On the liability side, initiatives to increase profits and release risk capital are being implemented



Levers to manage value of in-force business

Increase profit

Interest rates

Cost result

Risk result

Other effects

Release risk capital and optimise profit streams

## Selected initiatives per country

Switzerland



- **Reduce guaranteed interest rate dependency in Group Life business** – Align guarantees on non-mandatory part and push semi-autonomous business
- **Optimise risk capital consumption** – Adapt asset allocation according to PH / SH split
- **Align tariffs for policy changes** – Apply actual conditions for contract changes on in-force business

France



- **Prevoyance** – Active development of death & disability portfolio
- **Cantonnement** – Separate and optimise asset allocation per individual product clusters
- **Active shift** of existing components of traditional contracts **to unit-linked** policies

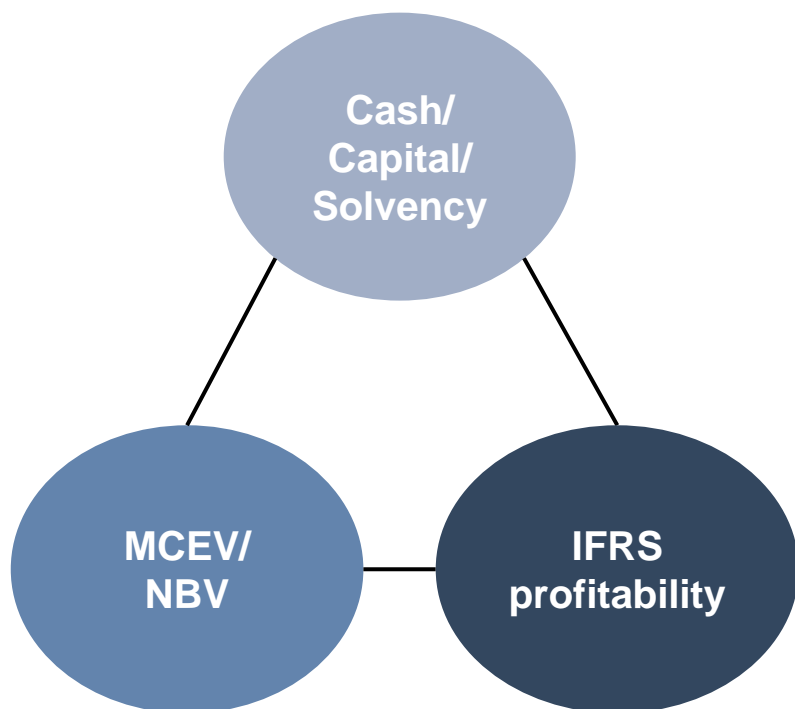
Germany



- **Optimise legal structure** – Eliminate inefficiencies in legal structure
- **Align reinsurance** – Enhance risk / return profiles with adequate reinsurance schemes
- **Manage lapses** – Active promotion of alternatives for risk capital consuming in-force business

# Disciplined execution is ensured along three performance dimensions

We drive our performance along 3 dimensions...



...supported by clear execution principles

- Always keep the right balance between capital requirements, profitability and value, especially of new business, by managing trade-offs consciously
- Maintain regular and rigid performance management cycle which includes each dimension
- Uphold transparency and continuously communicate proof points to internal and external stakeholders





# Each business is managed against return on capital targets

	Units						Swiss Life Group
	Switzerland	France	Germany	Insurance Other	AWD	IM	
Capital at charge <sup>1)</sup>	50%	~20%	8%	7%	~15%	n/a	100%
Target return	Equivalent to 10 - 12% RoE at Group level						

1) Most constrained measure of absorbed capital by a specific business unit in all relevant dimensions (IFRS/local statutory solvency I, SST, allocated capital)

## Earnings quality to be improved

2009 estimates, rounded figures/ranges in %

<b>Profit by source, net of policyholder participation (PHP)</b>	<b>2009E</b>	<b>Ambition for change by 2012</b>
Investment income	80-85%	 Reduce relative importance
Risk result	45-50%	
Cost result	-15 to -20%	 Eliminate negative admin. cost result
<b>Total insurance businesses (net of PHP)</b>	<b>~110%</b>	
Fee businesses (AWD, IM/TPAM, PPLI)	~ -5%	 Significantly increase profits
Other incl. SLPL, Corporate Solutions	~ -5%	
<b>Total fee businesses and other</b>	<b>~ -10%</b>	
<b>Total operating profit</b>	<b>100%</b>	

# New processes and tools support disciplined execution

<b>Quarterly performance review</b>	Review of business performance based on a set of new metrics per unit and additional specific topics	
<b>Plan contingency assessment</b>	Monthly IFRS profit forecast steering with focus on risk assessment and contingency planning	<b>Trigger points and contingency plans are defined</b>
<b>MILESTONE tracking</b>	Reporting on implementation of initiatives	
<b>My MILESTONE</b>	MbO system reflecting MILESTONE targets	

# MILESTONE generates adequate return on capital and achieves profitable growth

MILESTONE	Expected impact 2012
<b>1</b> Enhance customer value & new business profitability	<ul style="list-style-type: none"> <li>• New business margin &gt; 2.2%</li> <li>• &gt; 70% of NBP from non-traditional and risk products</li> </ul>
<b>2</b> Increase distribution quality and power	<ul style="list-style-type: none"> <li>• 20 - 25% share of Swiss Life products in relevant product categories of AWD</li> </ul>
<b>3</b> Improve operational efficiency	<ul style="list-style-type: none"> <li>• CHF 350 - 400 m reduced cost base versus 2008</li> </ul>
<b>4</b> Strengthen the balance sheet	<ul style="list-style-type: none"> <li>• RoE 10 - 12%</li> <li>• Dividend payout ratio 20 - 40%</li> </ul>

**5** Drive disciplined execution

Reporting on achievements, challenges, and actions on ongoing basis

# Cautionary statement regarding forward-looking information



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# Contact details and financial calendar

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## Financial calendar

Full-year results 2009	30 March 2010
Interim statement Q1 2010	4 May 2010
Annual General Meeting	6 May 2010

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