Helvea Swiss Equities Conference 2013
Swiss Life

Thomas Buess, Group CFO
Bad Ragaz, 17 January 2013
Agenda

→ Swiss Life at a glance
  Overview of HY 2012 results
  Swiss Life 2015: The way forward
  Wrap-up
Swiss Life Group offers an attractive business portfolio with strong market positions

### Swiss Life Group – Facts and figures

- **Leading provider of comprehensive life and pensions and financial solutions**
- GWP incl. PHD: CHF 17.1 bn
- Net profit: CHF 606 m
- Shareholders’ equity: CHF 9.1 bn
- Asset under Mgmt: CHF 118 bn
- Group MCEV: CHF 7.7 bn
- FTEs: 7,168

### Business units as of 1.1.2013

#### Switzerland
- Individual Life: No 1
- Group Life: No 2
- Swiss Life Select: Largest IFA

#### France
- Individual Health: No 2
- Life: No 14; focus on HNWI and affluent

#### Germany
- BUZ\(^3\): a market leader
- BAV\(^4\): No 7
- IFA network: No 3

#### International
- PPLI: No 2 globally\(^5\)
- Swiss Life Network: No 1
- Leading IFA in UK and AT

#### Asset Managers
- Leading insurance asset manager in CH with large portfolios in FR & DE

### Strong market positions

#### Switzerland
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#### Asset Managers
- Leading insurance asset manager in CH with large portfolios in FR & DE

### Strategic focus point

- Develops from a pure life insurer to a comprehensive life and pensions and financial solutions provider
- Expands its strong position as a “private and personal insurer”
- Becomes a financial advisory and insurance company under one roof
- Provides protection, financial solutions and advice in selected markets
- Grows its business with external customers

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1) Excl. mutuals 2) Estimate for 2011 3) BUZ: supplementary occupational disability insurance 4) BAV: occupational pension scheme 5) Providers with global exposure
Agenda

Swiss Life at a glance

→ **Overview of HY 2012 results**

Swiss Life 2015: The way forward

Wrap-up
## Improved profitability due to operational progress and a strong investment result

### HY 2012 vs HY 2011

<table>
<thead>
<tr>
<th>Metric</th>
<th>HY 2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit from operations</td>
<td>CHF 528 m</td>
<td>+17%</td>
</tr>
<tr>
<td>Net profit (adjusted)</td>
<td>CHF 369 m</td>
<td>+15%</td>
</tr>
<tr>
<td>New business margin (% PVNBP)</td>
<td>1.0%</td>
<td>-0.6 ppts</td>
</tr>
<tr>
<td>GWP incl. PHD (in local currency)</td>
<td>CHF 9.8 bn</td>
<td>+1%</td>
</tr>
<tr>
<td>Net investment result</td>
<td>2.7%</td>
<td>+0.8 ppts</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>CHF 9.8 bn</td>
<td>+8%</td>
</tr>
<tr>
<td>Return on equity (annualised)</td>
<td>7.7%</td>
<td>-1.0 ppts</td>
</tr>
<tr>
<td>Group solvency</td>
<td>224%</td>
<td>+11 ppts</td>
</tr>
</tbody>
</table>

1) HY 2012 vs FY 2011
Well-diversified Investment portfolio

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities &amp; equity funds</td>
<td>118 269</td>
<td>123 411</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>2.2%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Real estate</td>
<td>0.6%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Mortgages</td>
<td>8.8%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Loans</td>
<td>4.6%</td>
<td>-4.5%</td>
</tr>
<tr>
<td>Governments &amp; supranationals</td>
<td>32.2%</td>
<td>34.2%</td>
</tr>
<tr>
<td>Corporates</td>
<td>38.1%</td>
<td>39.0%</td>
</tr>
<tr>
<td>Cash and other</td>
<td>0.4%</td>
<td>-0.9%</td>
</tr>
</tbody>
</table>

Net equity exposure

1.1% 0.6%

Exposure to sovereigns under observation in CHF million

<table>
<thead>
<tr>
<th>Country</th>
<th>FY 2011 Fair Value</th>
<th>HY 2012 Fair Value</th>
<th>Amortised cost value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portugal</td>
<td>78</td>
<td>57</td>
<td>84</td>
</tr>
<tr>
<td>Italy</td>
<td>81</td>
<td>121</td>
<td>129</td>
</tr>
<tr>
<td>Ireland</td>
<td>177</td>
<td>191</td>
<td>211</td>
</tr>
<tr>
<td>Greece</td>
<td>11</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Spain</td>
<td>189</td>
<td>127</td>
<td>153</td>
</tr>
</tbody>
</table>

Total 536 496 577

1) Before policyholder/shareholder split and tax
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Wrap-up
Opportunities and challenges exploited and addressed by Swiss Life 2015

Opportunities
- Demographic developments and increasing security needs
- Changed customer needs
- Effective multichannel management to exploit customer and market segments
- High quality advice remains scarce
- Crisis of state pension schemes

Challenges
- Persisting low interest rate environment
- High volatilities and uncertainty in capital markets
- Increased competitive pressure
- Stronger regulation and consumer protection
- Increased capital requirement
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
Focus areas by market unit

**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)

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

**Efficiency gains**
- Life efficiency ratio % of techn. reserves

**Fee income growth**
- Net fee income, CHF

**Cost reduction**
- Operating expenses excl. restructuring costs & one-offs, EUR

**Cost reduction**
- Operating expenses excl. restructuring costs & one-offs, CHF
Driving profit source diversification

Profit by source

<table>
<thead>
<tr>
<th>Source</th>
<th>2011</th>
<th>Targets 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings result</td>
<td>58%</td>
<td>&lt;50%</td>
</tr>
<tr>
<td>Risk &amp; fee result</td>
<td>63%</td>
<td>60-70%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
<td>Administration cost result: &gt;0%</td>
</tr>
</tbody>
</table>

- Stable savings result despite low interest rates
- Continue disciplined Asset Liability Management
- Grow fee business
- Defend risk result in highly competitive environment
- Continue efficiency measures
- Achieve a sustainable positive administration cost result

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%
ALM concept in a nutshell

Integrated view of assets and liabilities key to protect economic net worth

**Asset duration**
- Measures sensitivity to moderate interest rate changes
- Steered by bonds/other fixed income instruments with their maturities and derivatives
- Varies slightly with rate changes for fixed income

**Liability duration**
- Measures sensitivity to moderate interest rate changes
- Driven by in-force product guarantees and options
- Varies considerably with rate changes

Liabilities increase more than assets when interest rates decrease (convexity)
Dynamic ALM performed to mitigate impact of interest rate changes on capital position
MCEV exaggerates current interest rate sensitivity as dynamic ALM is not incorporated
Asset duration measures and increase in corporate bonds strengthened direct yield

In % of market value of assets

ALM measures

Direct yield FY 2006
Reinvestments of maturing bonds
Gross realised gains
Duration lengthening
Reduction of risky assets (incl. cash)
Increase in corporate bonds
Increase in real estate
FX-impact
Change of unrealised gains
Direct yield FY 2011

Further de-risking

→ Savings result

3.4%
-0.2%
-0.2%
0.5%
-0.5%
0.7%
0.1%
-0.0%
-0.1%
3.7%
Stable and strong returns despite decreasing interest rates

IFRS basis, in %

- Long asset duration supports yield over time
- Narrow duration gap protects interest rate margin

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

Statutory basis

- Reserve strengthening: ~8 bps
- Change in business mix: ~3 bps

Total: 11 bps
Swiss Life Group’s interest rate margin resilient in low interest rate environment

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
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 |
Manage new business for value

Increase new business profitability to more than 1.5% through margin management

New business margin development
(VNB as % of PVNBP)

<table>
<thead>
<tr>
<th></th>
<th>FY 2009</th>
<th>Economic variances</th>
<th>Expense variances</th>
<th>Pricing, business mix and other variances</th>
<th>HY 2012</th>
<th>Target 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.9%</td>
<td>-1.3%</td>
<td>0.2%</td>
<td>1.2%</td>
<td>1.0%</td>
<td>&gt;1.5%</td>
<td>Minimum hurdle &gt; 1%</td>
</tr>
</tbody>
</table>

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

In CHF m, vs. FY 2011

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
**Good solvency positions and active capital management**

### Group Solvency I (based on IFRS equity, in %)

- Substantial improvement of solvency I ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Q3/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>158</td>
<td>164</td>
<td>172</td>
<td>213</td>
<td>238</td>
</tr>
</tbody>
</table>

- S&P capital model at AA rating level
- Swiss Life’s rating raised to A- in May 2012

### Swiss Solvency Test (SST)

- SST in the green based on internal model
  
1) Model not yet approved by FINMA

### Capital Management

- Proactive refinancing of subordinated hybrid loan issued in 1999, successfully concluded by end of November 2012
  - Call dates extended; proportion of CHF-denominated hybrids increased

1) Model not yet approved by FINMA
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→ Wrap-up
Excellent operational result largely offset by AWD write-off

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

Goodwill impairment test
- Test based on new plans
- Overall impairment of CHF 576 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
**Swiss Life 2015: Increase earnings and improve resilience through disciplined execution**

<table>
<thead>
<tr>
<th>Strategic thrust</th>
<th>Objective</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Customer promise</strong></td>
<td>Increase quality and quantity of touch points with customers</td>
<td></td>
</tr>
<tr>
<td><strong>2 Offering</strong></td>
<td>Focus own solutions on profitable and flexible products and expand third-party offering</td>
<td>▪ New business margin: &gt;1.5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ New business shift: ~85% of NBP from risk, modern and modern-traditional products</td>
</tr>
<tr>
<td><strong>3 Distribution</strong></td>
<td>Strengthen advisory expertise and manage production &amp; distribution organisations in each market under one roof</td>
<td>▪ Fee income: Increase by 20-25%</td>
</tr>
<tr>
<td><strong>4 Efficiency and quality</strong></td>
<td>Continue to strengthen operational effectiveness</td>
<td>▪ Cost savings: CHF 130-160 m (project view)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Efficiency: Improve efficiency ratios</td>
</tr>
<tr>
<td><strong>5 Financial strength</strong></td>
<td>Enhance financial strength and the resilience of the business model</td>
<td>▪ Adjusted RoE: 8-10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Dividend payout ratio: 20-40 %</td>
</tr>
</tbody>
</table>

**Profit by source:**
- Savings result <50%
- Fee and risk result 60-70%
- Admin cost result >0%

→ Wrap-up
Cautionary statement regarding forward-looking information

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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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