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

FY 2011

Swiss Life Group – Facts and figures	Business units as of 1.1.2013	Strong market positions	Strategic focus point
▪ 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	Switzerland	- Individual Life: No 1 - Group Life: No 2 - Swiss Life Select: Largest IFA	Develops from a pure life insurer to a comprehensive life and pensions and financial solutions provider
	France	- Individual Health: No 2[1)] - Life: No 14[2)]; focus on HNWI and affluent	Expands its strong position as a "private and personal insurer"
	Germany	- BUZ[3)]: a market leader - BAV[4)]: No 7 - IFA network: No 3	Becomes a financial advisory and insurance company under one roof
	International	- PPLI: No 2 globally[5)] - Swiss Life Network: No 1 - Leading IFA in UK and AT	Provides protection, financial solutions and advice in selected markets
	Asset Managers	- Leading insurance asset manager in CH with large portfolios in FR & DE	Grows its business with external customers

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

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Swiss Life 2015: The way forward

Wrap-up

Improved profitability due to operational progress and a strong investment result

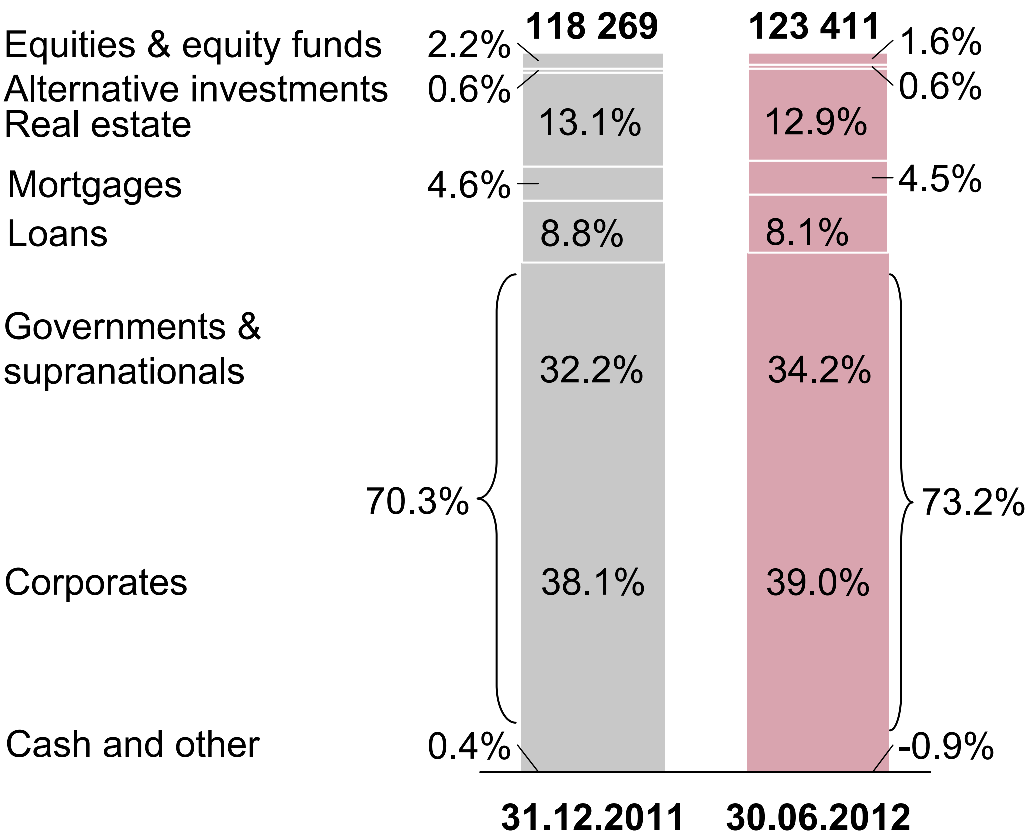
HY 2012 vs HY 2011

Profit from operations	CHF 528 m	+17%
Net profit (adjusted)	CHF 369 m	+15%
New business margin (% PVNBP)	1.0%	-0.6 ppts
GWP incl. PHD (in local currency)	CHF 9.8 bn	+1%
Net investment result	2.7%	+0.8 ppts
Shareholders' equity	CHF 9.8 bn	+8%[1)]
Return on equity (annualised)	7.7%	-1.0 ppts
Group solvency	224%	+11 ppts

1) HY 2012 vs FY 2011

Well-diversified Investment portfolio

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



Net equity exposure 1.1% 0.6%

Exposure to sovereigns under observation in CHF million[1)]

	FY 2011	HY 2012	
	Fair Value	Fair Value	Amortised cost value
Portugal	78	57	84
Italy	81	121	129
Ireland	177	191	211
Greece	11	0	0
Spain	189	127	153
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

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Opportunities

- Demographic developments and increasing security needs
- Changed customer needs
- Effective multichannel management to exploit customer and market segments
- High quality advice remains scares
- 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

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1 **Customer promise**

2 **Offering**

3 **Distribution**

Swiss Life will continue to manage the new business for value

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

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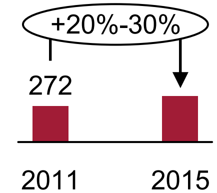
Focus on growth

Focus on efficiency

Consolidate and prepare for growth

Asset Managers

- Increase fee volume at stable cost/income ratios

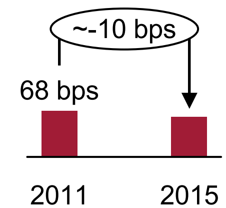


Fee income growth

Net fee income, CHF

France

- Overall cost discipline, allowing for investments in distribution
- Improve loss ratios in health and P&C



Efficiency gains

Life efficiency ratio
% of techn. reserves

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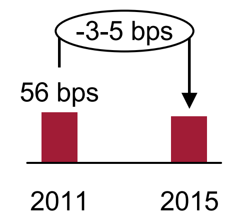
- Overall cost discipline, allowing for investments to enlarge fee business
- Focus on margin management in individual life

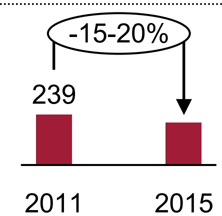


Efficiency gains

Life efficiency ratio
% of techn. reserves

Germany

- New set up in Germany enabling significant cost reduction
- Important contribution to profit diversification

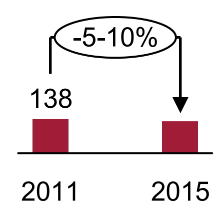


Cost reduction

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

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)



Cost reduction

Operating expenses excl. restructuring costs & one-offs, CHF

Driving profit source diversification

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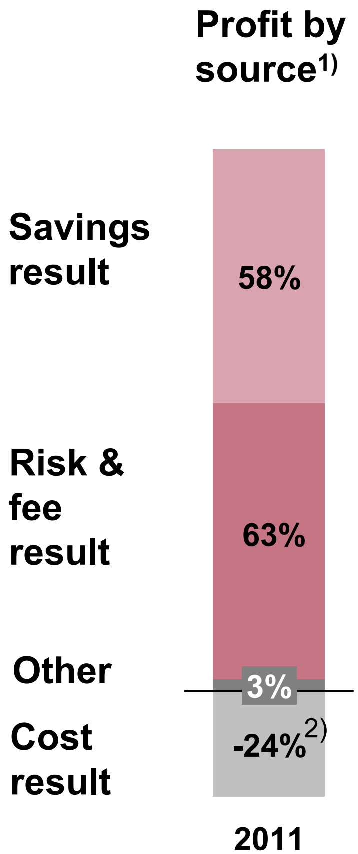

Targets 2015

- Stable savings result despite low interest rates
- Continue disciplined Asset Liability Management

<50%

- Grow fee business
- Defend risk result in highly competitive environment

60-70%

- Continue efficiency measures
- Achieve a sustainable positive administration cost result

Administration cost result: **>0%**

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%

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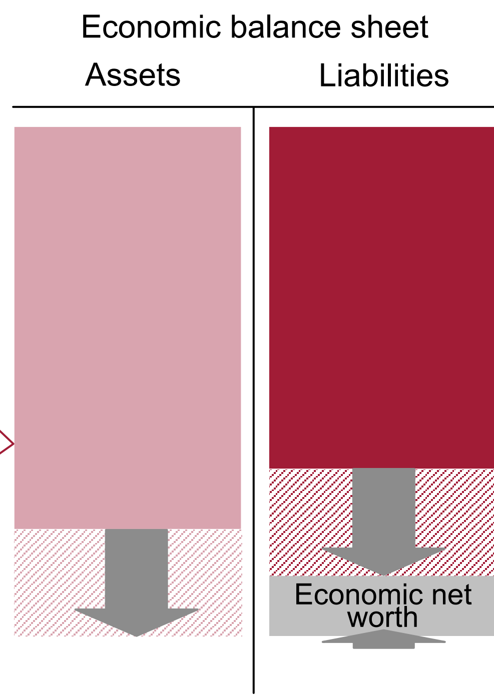
ALM concept in a nutshell

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

Impact of falling rates

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

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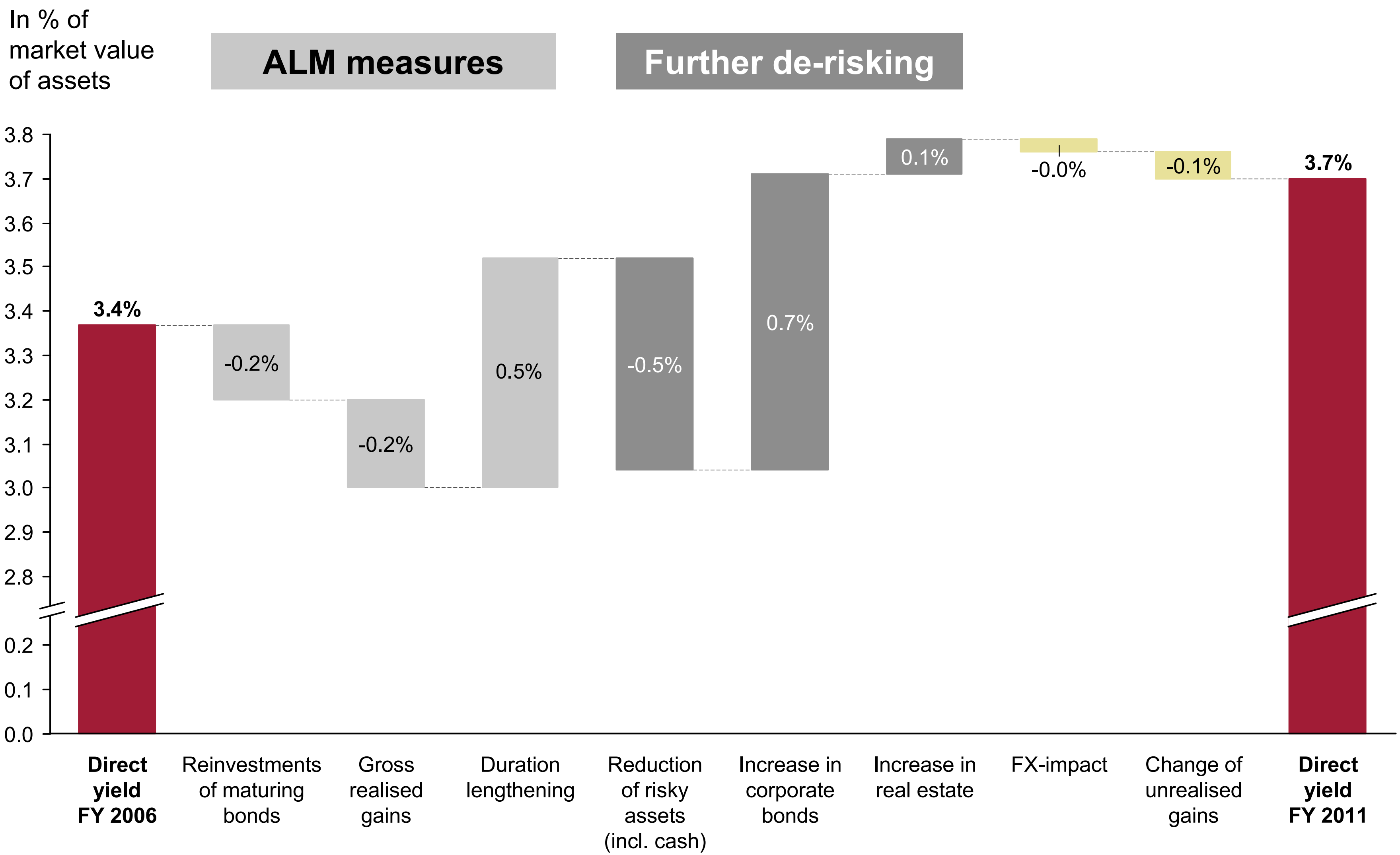
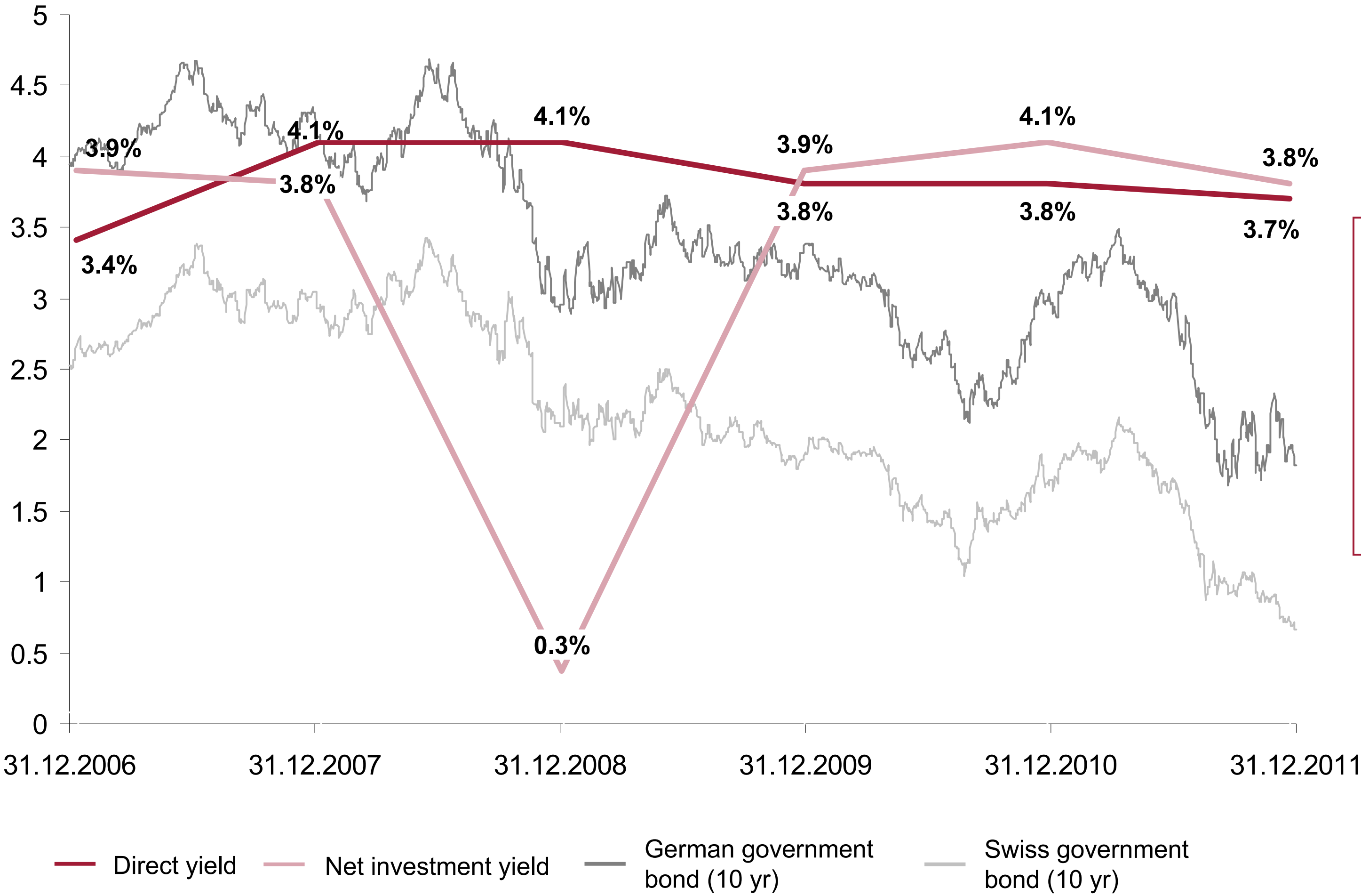


Stable and strong returns despite decreasing interest rates

IFRS basis, in %



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

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

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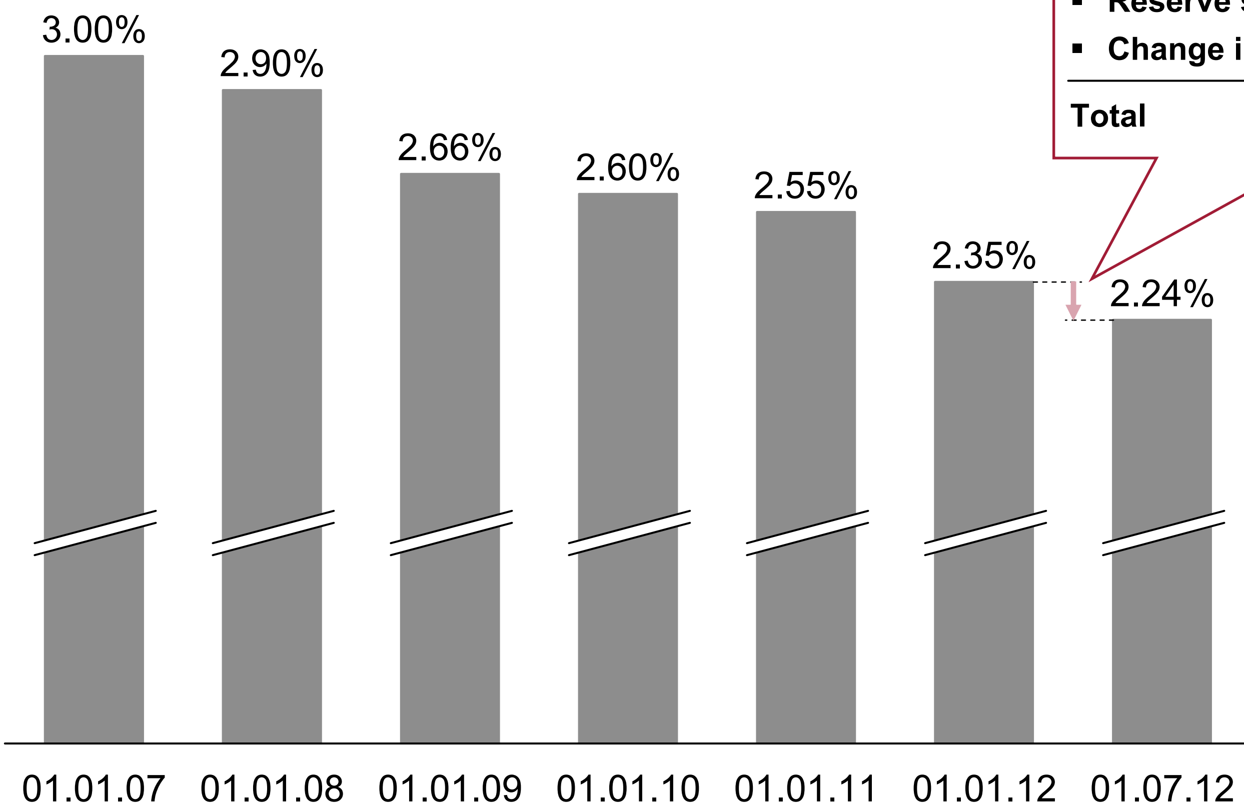
Statutory basis



▪ **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

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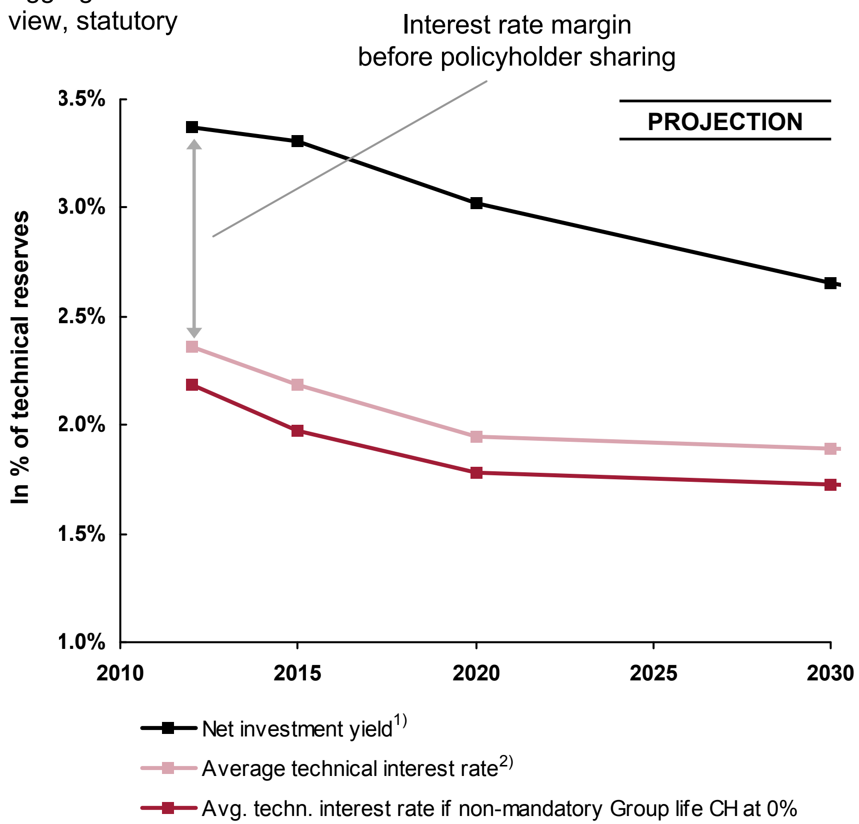
Aggregated view, statutory



Structurally healthy interest rate margin

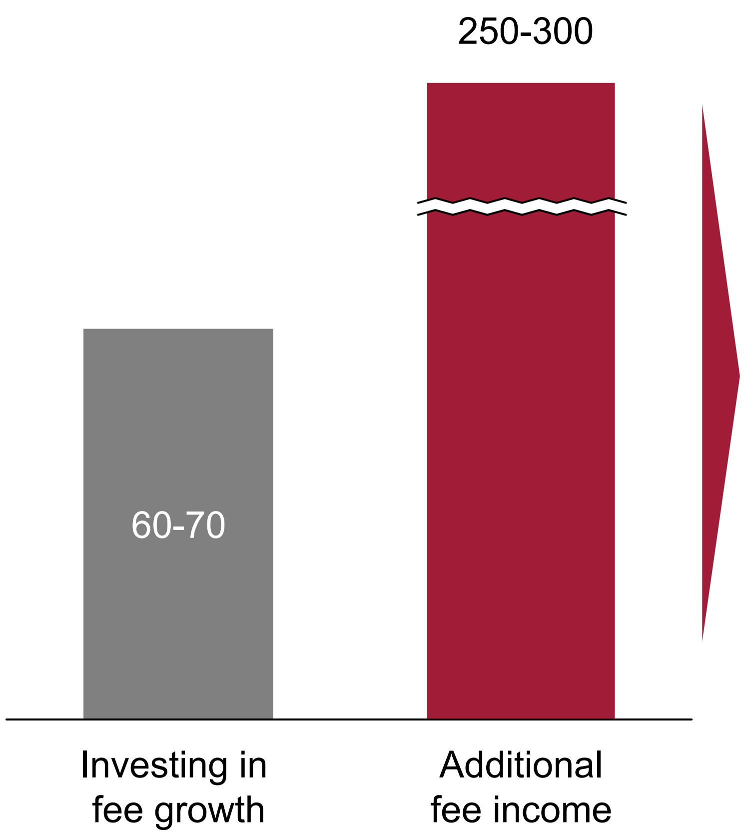
- Interest rate margin resilient for more than two decades even if rates stay low
- Policy adjustments in non-mandatory Group life could further extend this period
- Reserve strengthening has an additional positive impact on resilience against low interest rates

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

Investments in growth initiatives will generate additional fee income



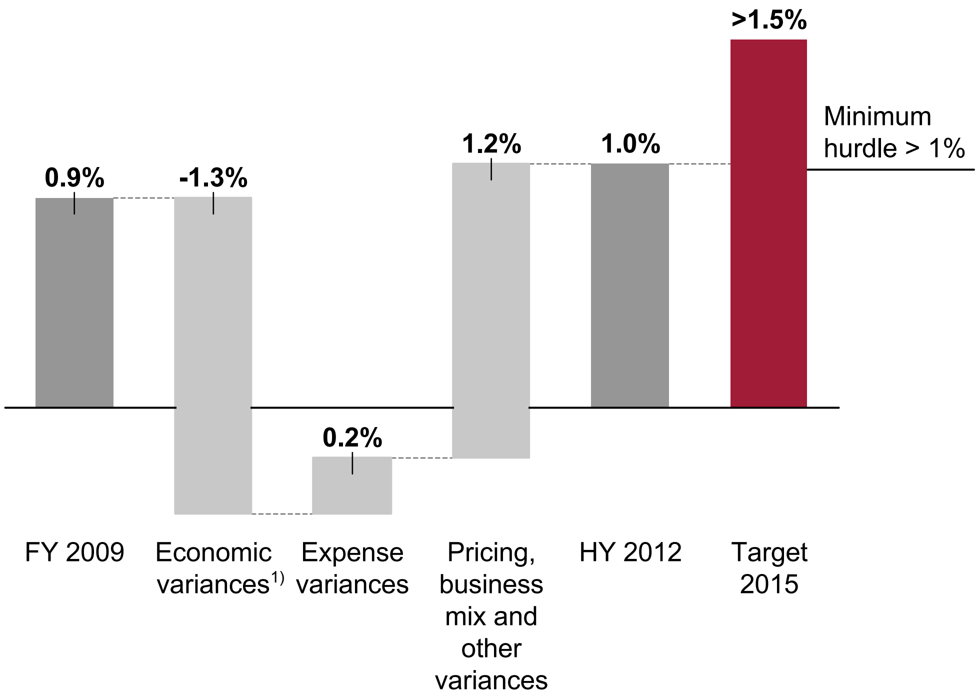
Initiatives supporting fee result

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

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

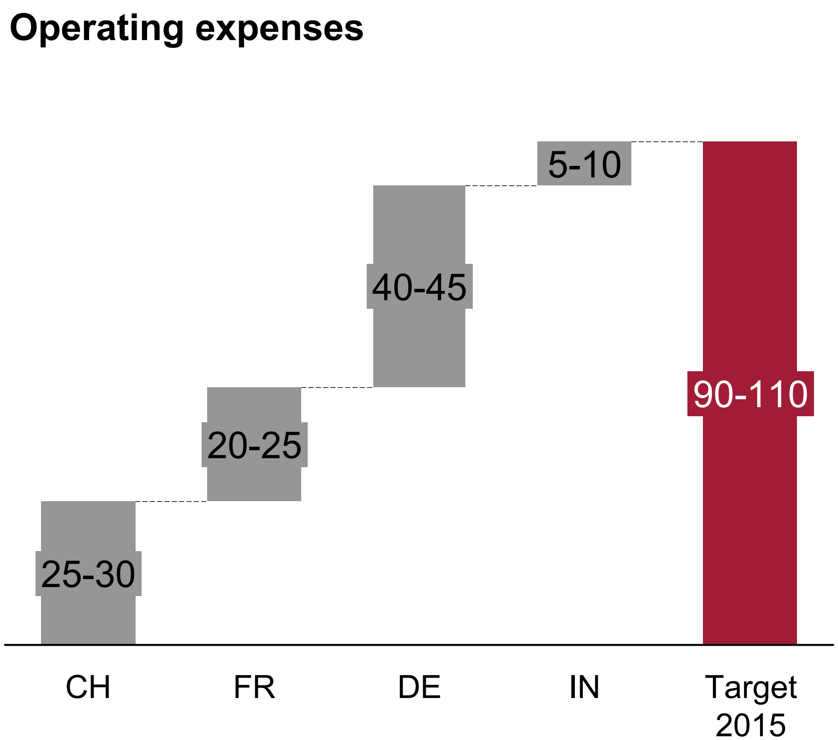
Hurdle rates for new business margin increased

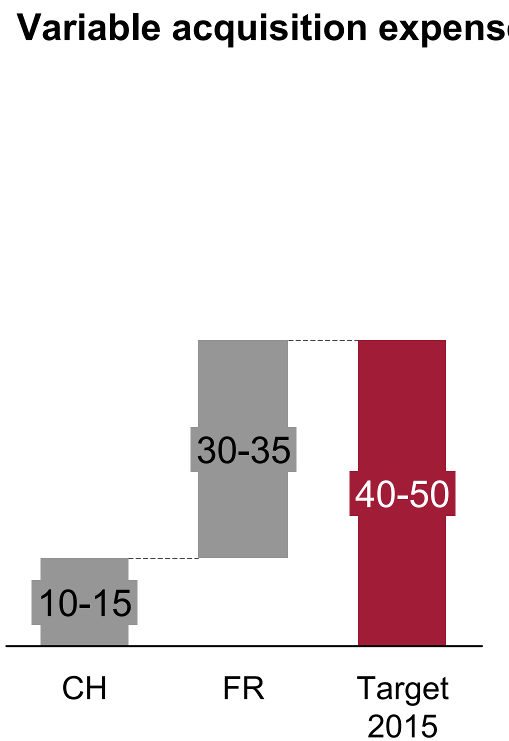
1) Includes effects from introduction of liquidity premiums

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

Project view

In CHF m, vs. FY 2011





- 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

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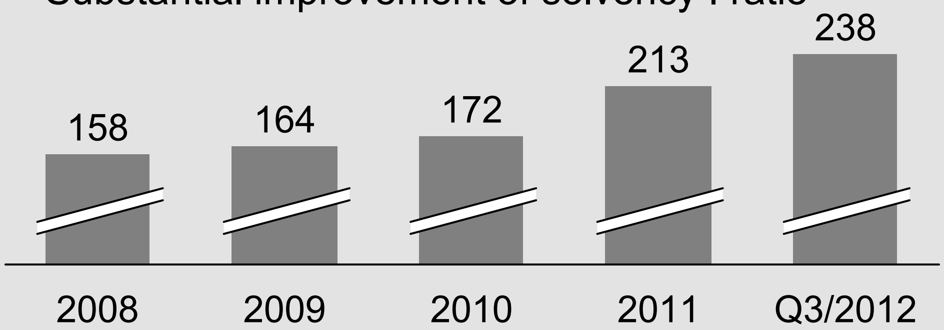
Group Solvency I (based on IFRS equity, in %)

- Substantial improvement of solvency I ratio



2008	2009	2010	2011	Q3/2012	
161	161	166	183	191	excl. unrealised gains/losses on bonds

Capital adequacy

- 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)]

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

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

Profit by source:

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

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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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