

**Kepler Capital Markets - Swiss Seminar 2011**  
**Swiss Life from a Group and Swiss market unit perspective**

Ivo Furrer, CEO Switzerland  
Zurich, 23 March 2011

# Agenda

→ **Swiss Life Group:  
Key performance metrics further improved**

Swiss Life Switzerland:  
Strategy execution on track

Summary



SwissLife

# 2010 results

FY 2010 vs FY 2009

Net profit	➔	CHF 560 m	+102%
Profit from operations	➔	CHF 694 m	+23%
New business margin (% PVNBP)	➔	1.4%	+0.5 pts
GWP incl. PHD	➔	CHF 20.2 bn	+4% <sup>1)</sup>
Shareholders' equity	➔	CHF 7.4 bn	+3%
Return on equity	➔	7.6%	+3.6 pts
Group solvency	➔	172%	+8 pts
Dividend (proposed)	➔	CHF 4.50	+88%

1) Local currency



# Swiss Life Group at a glance

Key figures as per FY10

## Switzerland

- Life GWP: CHF 7.6 bn
- Segment result: CHF 488 m
- Leading position in group life and individual life
- About 1 million insureds (client relationships)

## AWD

- Revenues: EUR 547 m
- EBIT: EUR 49 m
- Leading financial adviser with strong market presence in core markets

## Germany

- Life GWP: EUR 1.5 bn
- Segment result: EUR 74 m
- Leading provider of occupational pension schemes and disability insurance
- Excellent reputation in broker market

## France

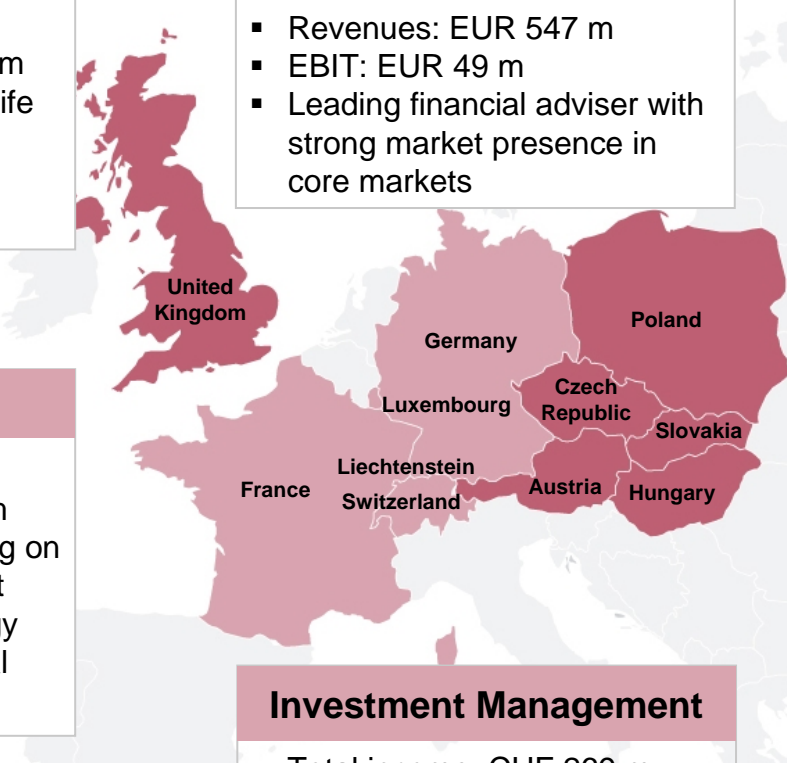
- GWP: EUR 3.8 bn
- Segment result: EUR 59 m
- Niche player in life focusing on affluent customer segment with private insurer strategy
- Top health (#2 in individual segment) and risk insurer

## International businesses<sup>1)</sup>

- Life GWP: CHF 5.2 bn
- Segment result: CHF -35 m
- PPLI: Leading in providing structured life insurance solutions around the globe
- Corporate solutions: Leading provider of comprehensive employee benefit solutions for multinationals

## Investment Management

- Total income: CHF 269 m
- Segment result: CHF 103 m
- Swiss Life's proprietary and third party asset manager



1) International businesses (Insurance Other) consist of Private Placement Life Insurance (with locations in Liechtenstein, Luxembourg, Singapore and Dubai), Corporate Solutions Luxembourg, Swiss Life Products, Payment Protection Insurance and Swiss Life Austria



# Update on MILESTONE programme

Workstream	Objectives	
<b>1 Enhance customer value &amp; new business profitability</b>	<ul style="list-style-type: none"><li>▪ Margin management focus: VNB and NBM</li><li>▪ Drive shift to modern products &amp; promote risk products</li></ul>	“We are growing – but not at the expense of value”
<b>2 Increase distribution quality and power</b>	<ul style="list-style-type: none"><li>▪ Optimise distribution channel mix</li><li>▪ Capture full potential of AWD</li></ul>	“We are increasing growth in 3rd party channels and AWD”
<b>3 Improve operational excellence</b>	<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>	“We are managing our cost base rigorously and continuously”
<b>4 Preserve the balance sheet &amp; optimise in-force business</b>	<ul style="list-style-type: none"><li>▪ Initiatives to optimise profit stream from in-force business and risk capital usage</li></ul>	“We are actively managing our capital and in-force business”

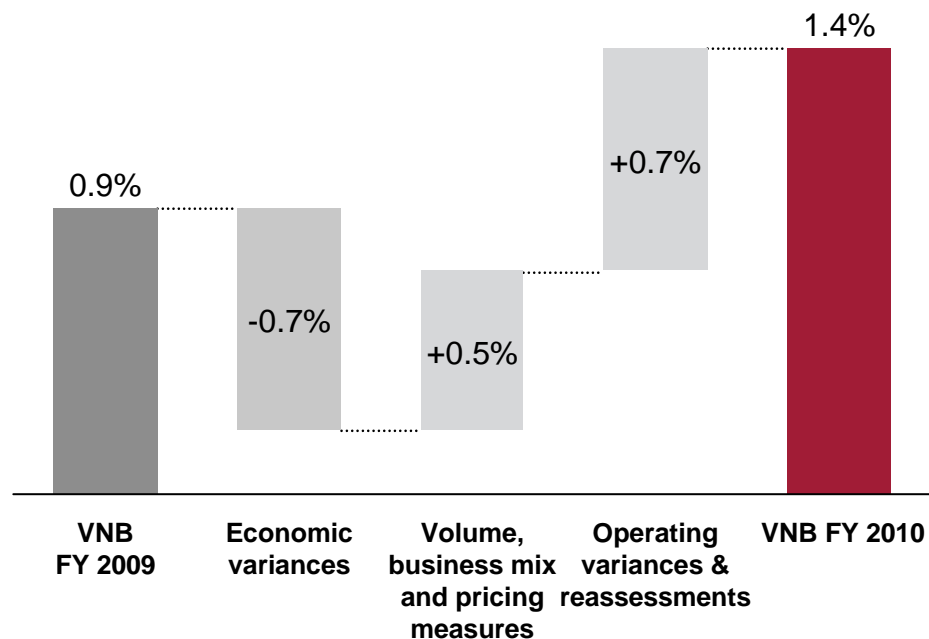
**5 Drive disciplined execution**

## 1. New business profitability

# Margin management counteracted capital market movements



New business margin development  
(VNB as % of PVNBP)



### Volume, business mix, and pricing measures

- Higher sales volumes and related scale effects: mainly in FR, DE and PPLI
- Repricing: CH, PPLI
- Changes in business mix
  - CH: Assumed reinsurance
  - FR: Increased share of UL within Life
  - DE: Higher share of risk products

### Operating variances and reassessments

- Group-wide cost saving initiatives
- Experience driven changes to biometric assumptions across markets
- Changes to profit sharing approach: CH, FR, DE

### Economic variances

- Low interest rates, high interest rate volatilities
- Weaker Euro

FY 2009 vs FY 2010, in CHF m

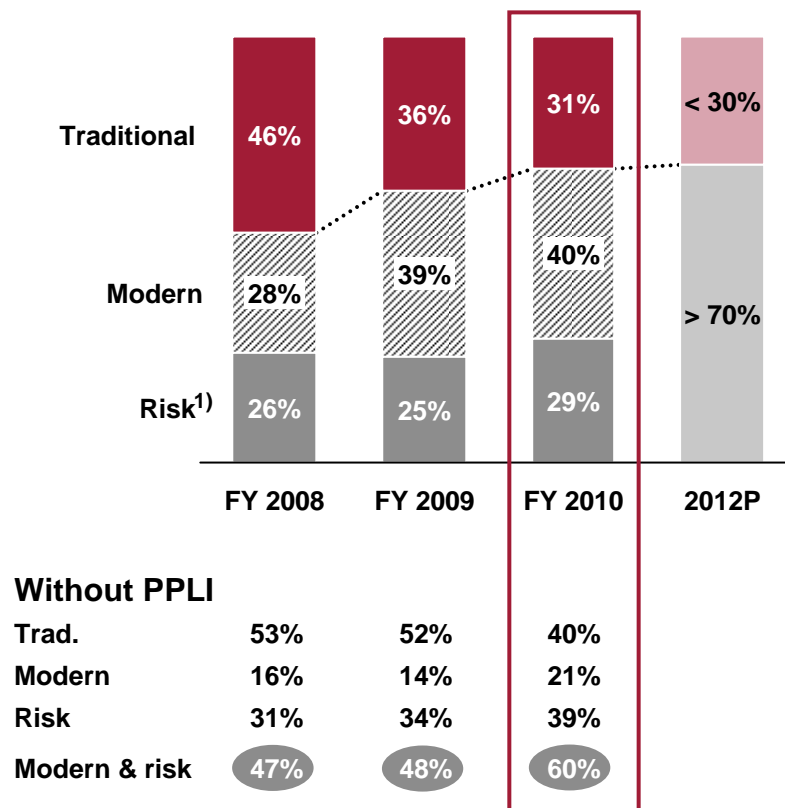
PVNBP	14 390	14 607
APE	1 493	1 486
VNB	123	209
NBM (APE)	8.2%	14.0%

## 1. New business profitability

# Risk and health business strongly contributed to targeted business mix



New business product mix (based on NBP)



### 2012 shift target already met

- CH: Successful new product launches (e.g. SL Premium Select, SL Premium Junior Plan, SL Champion Timeplan)
- FR: New health & risk product lines (e.g. Ma formule, SL Prévoyance Indépendant, SL Garantie Emprunteur)
- DE: Continuing growth in disability products
- PPLI: Life Asset Portfolio product line still with great demand

### Further product modifications/ improvements already put in place

- DE: Launch of Champion Riester in January 2011
- CH, FR & DE: Modifications in unit-linked fund offering

1) Incl. health

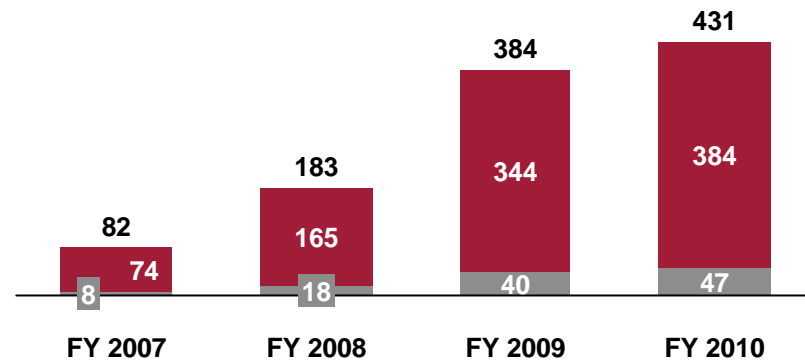
## 2. Distribution

# Sales through AWD distribution channel increased by 9%<sup>1)</sup>



### Swiss Life in Germany – AWD channel

NBP<sup>2)</sup> in EUR million



#### Reasons for development in 2010

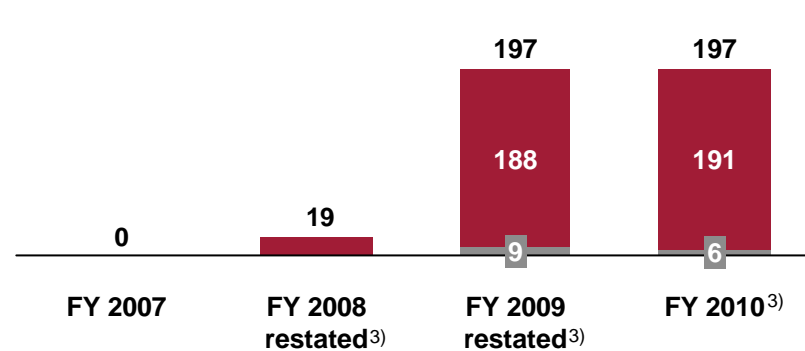
- Very successful sale of modern products e.g. disability insurance "Selbständige BU" & Champion products

#### Action points 2011

- Continually improve product development process to meet AWD "best select" requirements
  - Introduction of new and innovative products within the sales programme and referral lists of AWD
  - Further increase growth through modern Riester product

### Swiss Life in Switzerland – AWD channel

NBP<sup>2)</sup> in CHF million



#### Reasons for development in 2010

- Successful launch of "SL Premium Select" in Q3
- Very good sales in 2<sup>nd</sup> HY of exclusive product package "SL Champion Duo Package" for AWD channel and "SL Champion Timeplan"

#### Action points 2011

- Annuity & variable annuity product to be launched in Q1
- Joint development of further product packages to specific target groups

1) Currency adjusted

2) New business production

3) Calculation on effective contract duration per product line

■ Modern or risk products  
■ Traditional products

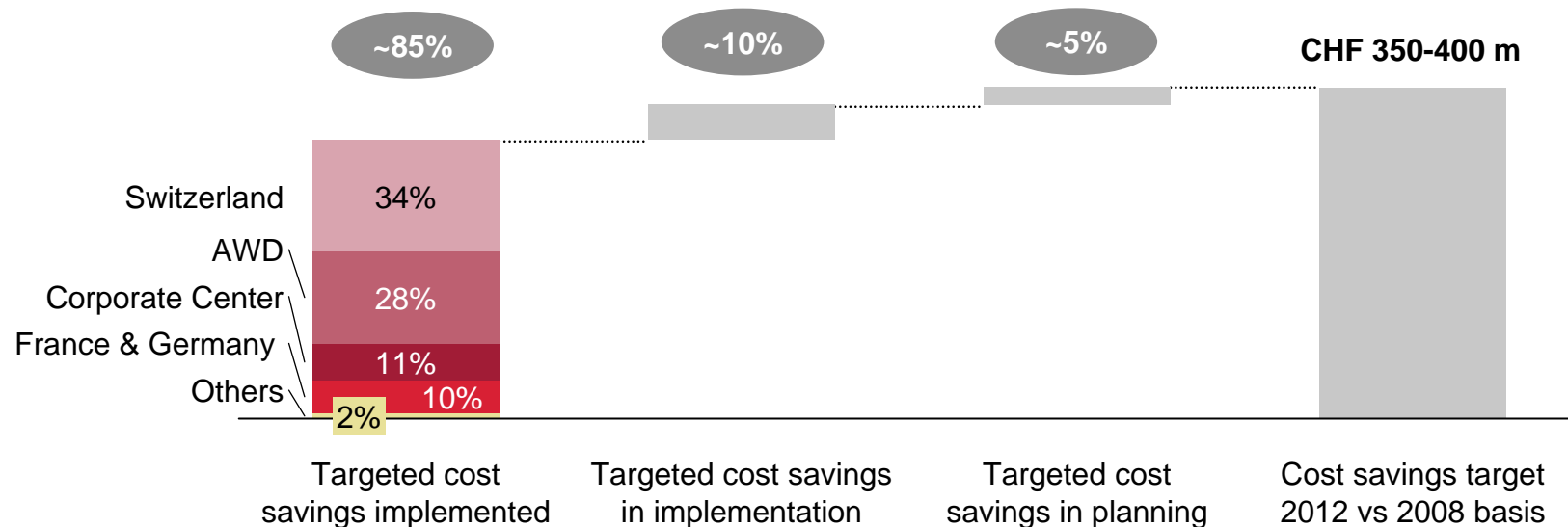


### 3. Operational excellence

# Major progress in implementing targeted cost savings in last quarter



Status of targeted cost savings implemented as per FY 2010 – project view



#### Major achievements

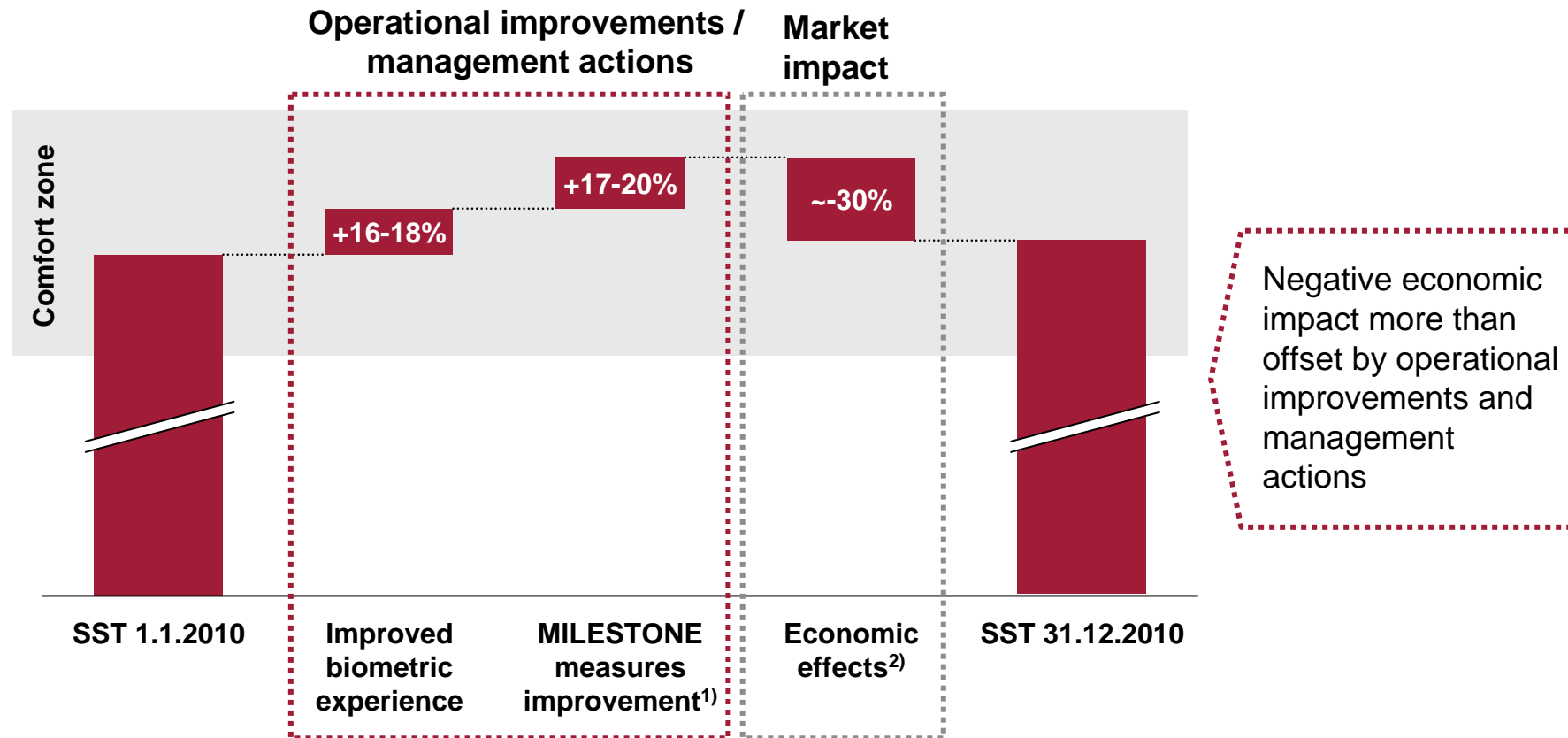
- CH: Support functions & sales organisation further adjusted and internal processes, services and project portfolio optimised
- FR: Efficiency initiatives of Swiss Life Banque Privée completed and administration costs decreased
- DE: Second part “Betriebsübergang” of occupational pensions – bAV initiative finished, lean and reorganisation initiatives successfully established
- AWD: Cost savings target achieved; Corporate Centre: Initiatives almost fully implemented
- Restructuring costs 2008-2010: CHF 162 m; planned restructuring costs 2011-2012: CHF 10-15 m

## 4. Balance sheet & in-force business

# Based on its internal model, Swiss Life meets SST requirements



SST ratio Swiss Life AG, estimate based on internal model



1) Incl. expense reductions and ALM measures

2) Incl. interest rates, volatility and currency effects

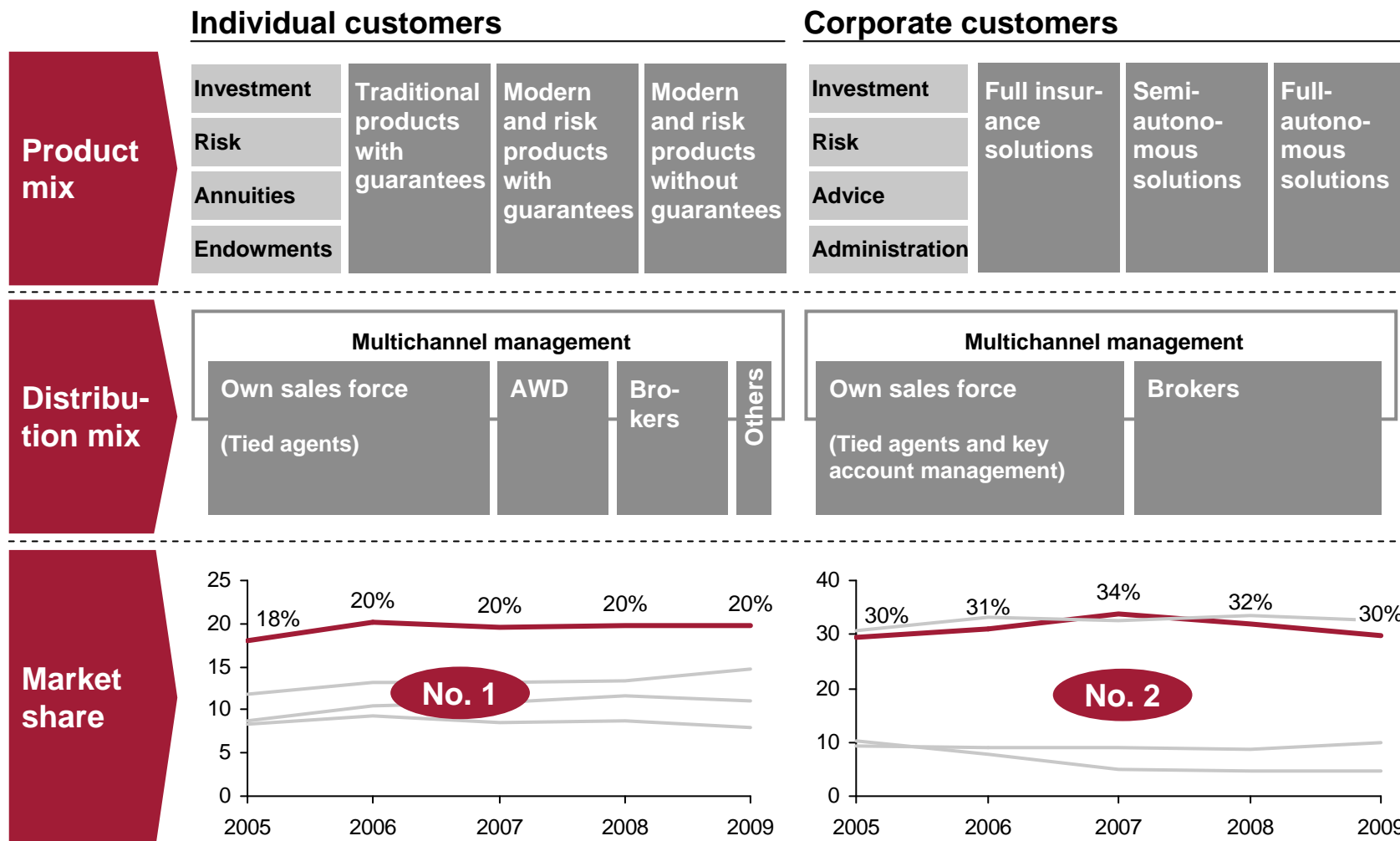
# Agenda

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Key performance metrics further improved

→ **Swiss Life Switzerland:  
Strategy execution on track**

Summary

# Swiss Life CH with a leading market position in Switzerland





# Business review Insurance Switzerland

CHF million (IFRS basis, MCEV)

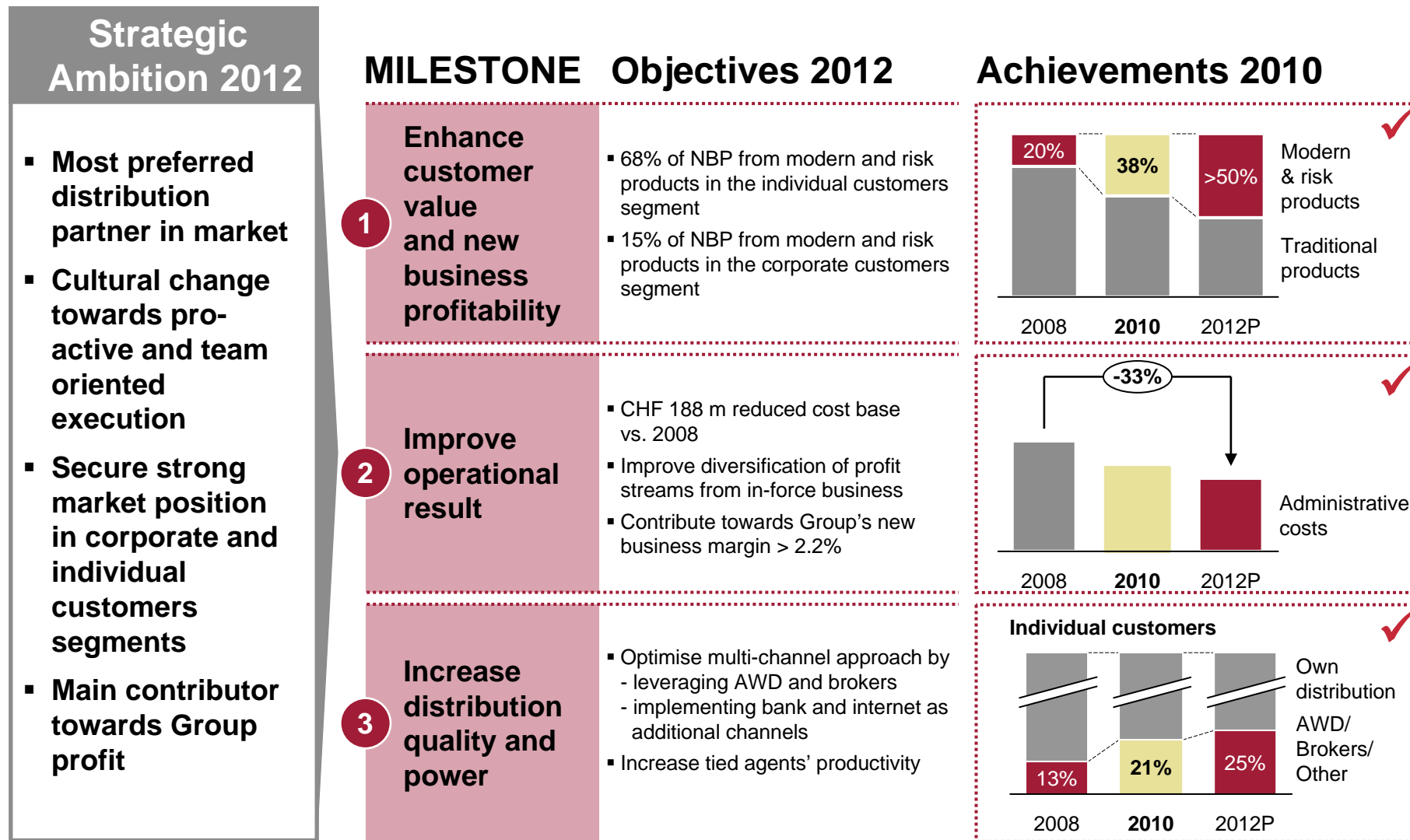
	FY 2009	FY 2010	Change	
GWP incl. PHD	7 518	7 631	+2%	<ul style="list-style-type: none"> <li>GL: +4%, slightly below market, periodic &amp; single premiums up due to good new business and lower lapses</li> <li>IL: -7%, below market, effect of focus on margins</li> </ul>
Operating expense adjusted <sup>1)</sup>	-464	-426	-8%	<ul style="list-style-type: none"> <li>Impact of cost saving initiatives</li> </ul>
Segment result	467	488	+4%	<ul style="list-style-type: none"> <li>Cost savings, good investment result and stable risk result</li> </ul>
New business volume (PVNBP)	3 396	3 819	+12%	<ul style="list-style-type: none"> <li>Strong increase due inclusion of reinsurance</li> </ul>
New business margin (% PVNBP)	0.3%	0.8%	+0.5 pts	<ul style="list-style-type: none"> <li>Margin management actions counteracted economic impacts; positive impact from assumed reinsurance</li> </ul>
MCEV	1 513	2 212	+46%	<ul style="list-style-type: none"> <li>Results of MILESTONE and favourable biometric experience</li> </ul>

1) Excluding unallocated corporate costs



# Right strategy in place

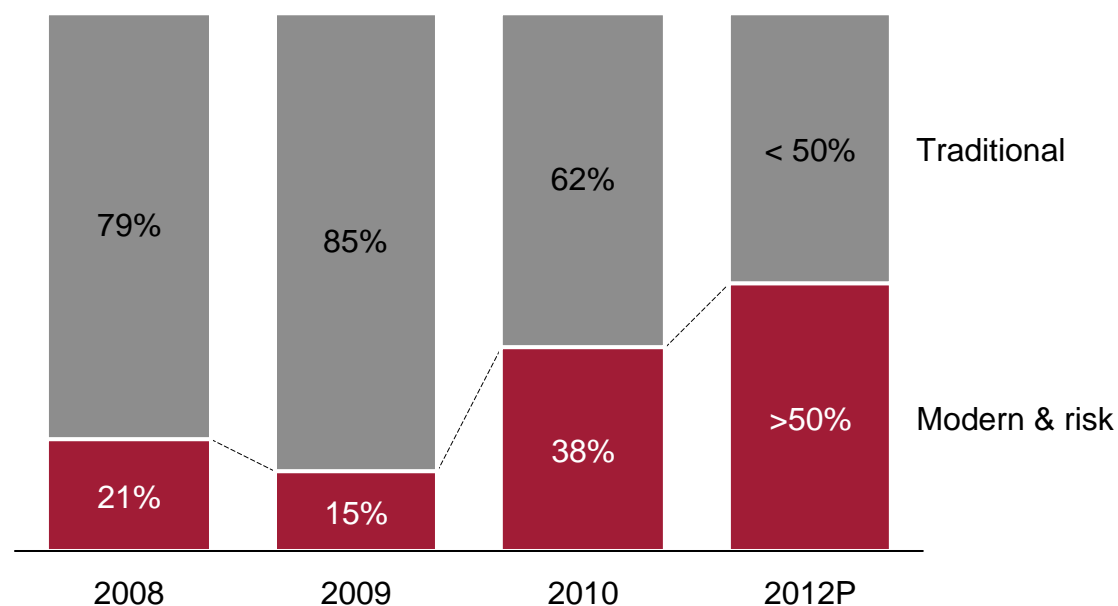
## Targets for 2010 achieved



# Switzerland: Shift to modern products successfully initiated and will continue



New Business Production development  
Switzerland, Individual & Group Life



**Continue the shift to modern and risk products for individual and corporate customers**

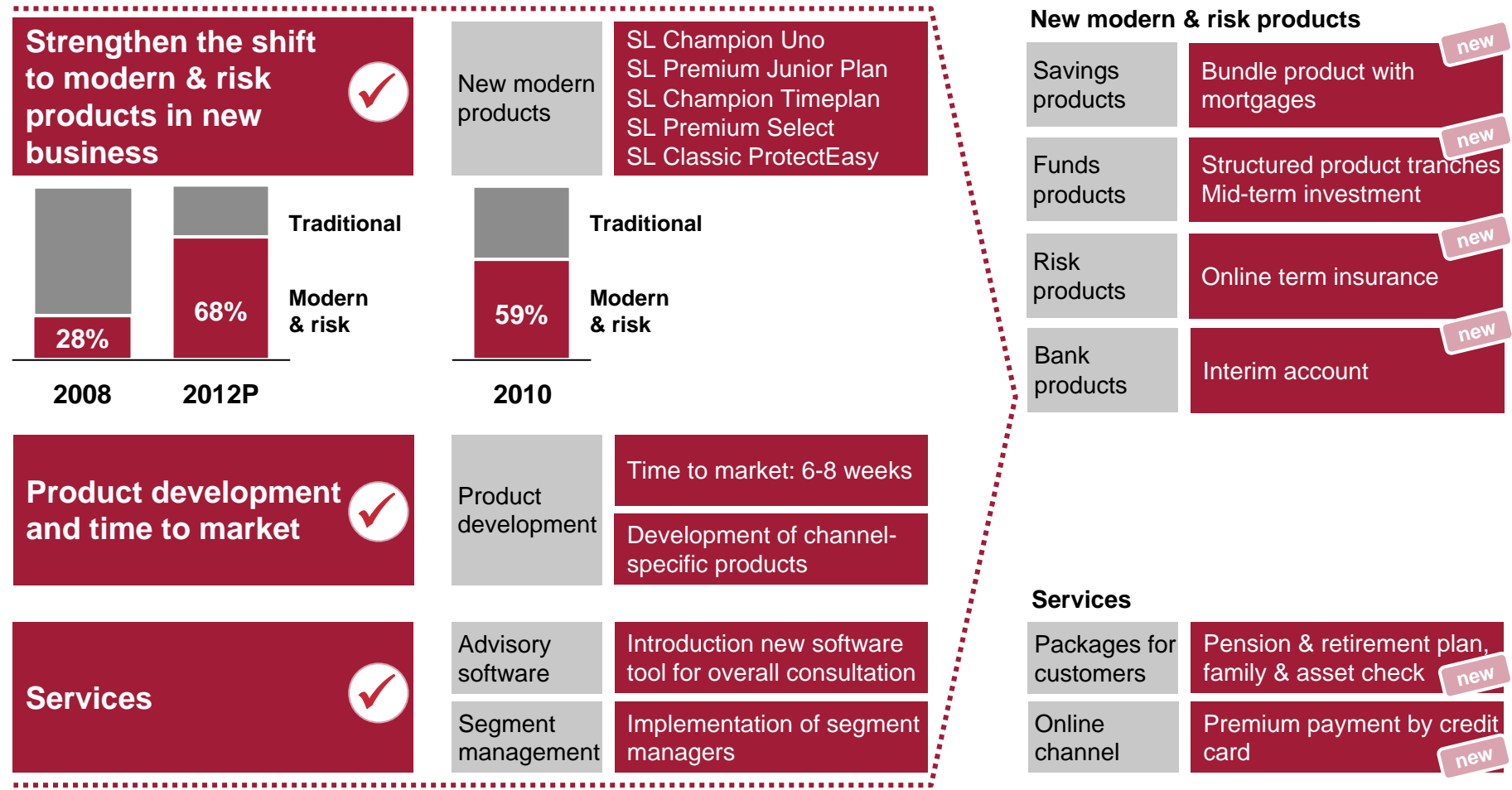
# Individual customers: Continuous introduction of modern products



## MILESTONE

## Achievements 2010

## Outlook 2011





# Corporate customers: Expansion of product and services portfolio



## MILESTONE

## Achievements 2010

<b>Expansion of the SME product portfolio by launching semi- autonomous solutions</b>	Investment	<b>Full insurance solutions</b>	<b>Business Invest</b> (semi-autonomous standard)	<b>Prisma Invest</b> (semi-autonomous customised)
	Risk			
	Advice			
	Administration			
<b>Development of services for large-scale enterprises and (semi-) autonomous pension funds</b>	Investment	<b>Investment advisory services</b>		
	Risk			
	Advice	<b>Pension fund services advice</b>		
	Administration			
<b>Modernise and optimise IT and the system landscape</b>	<ul style="list-style-type: none"> <li>▪ Launch of new offer system, web-based platform in April 2010</li> <li>▪ Efficient contract management</li> <li>▪ Ready for multichannel approach</li> </ul>			
<b>Introduction of variable rate vested benefit policies</b>	<ul style="list-style-type: none"> <li>▪ Introduction of variable rate benefit policies without fixed interest guarantees</li> </ul>			

## Outlook 2011

### Full-coverage provider

- Offer full-coverage for corporate customers

### Semi-autonomous solution

- Support shift to off-balance
- Semi-autonomous solutions for corporate customers with higher risk capability

### SL Pension Services

- All market services (investment, risk, advice, execution, governance) covered by SLPS experts

### IT system updates

- New SME portfolio administration system (migration to new system)

### Market cultivation

- New market development model with clear functions, interfaces to customer, and which increases customer retention

# Operational result: Disciplined execution of cost and balance sheet measures

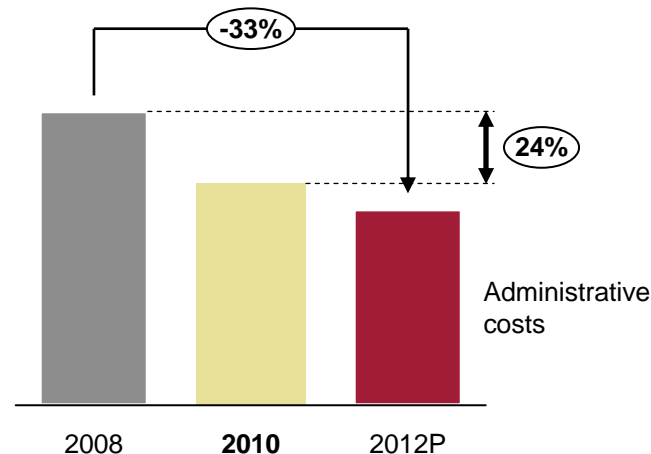


### MILESTONE

### Achievements 2010

### Outlook 2011

✓  
**Improve operational excellence**



✓  
**Preserve the balance sheet and optimise in-force business**

- Crediting policy and asset allocation optimised
- Profit contribution from operational result further increased
- Low interest rate effects on margins compensated

- Continuous execution of cost-saving measures
- Increase efficiency
- Operational excellence
- Focused investments enabling future growth

- Optimise profit streams
- Disciplined crediting policy
- Capital preserving business mix and asset allocation

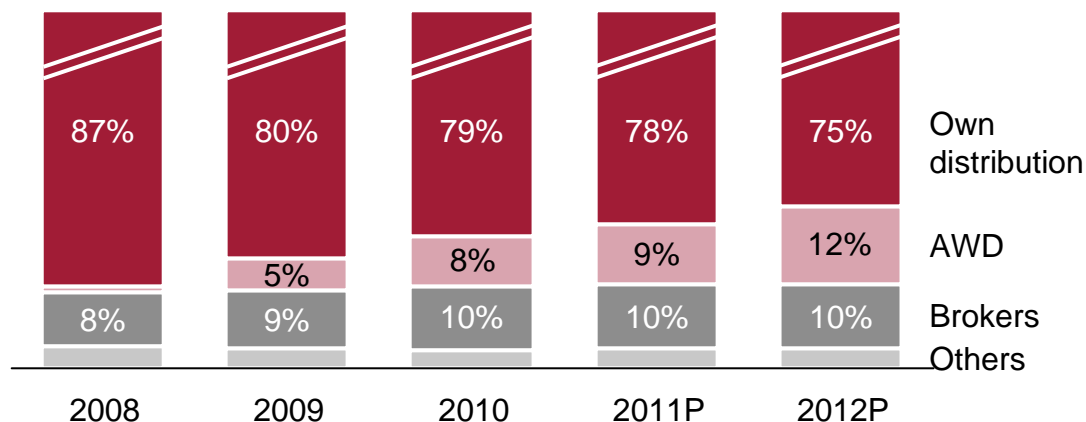
### 3. Distribution quality and power

# Own distribution still the most important sales channel, now and in the future

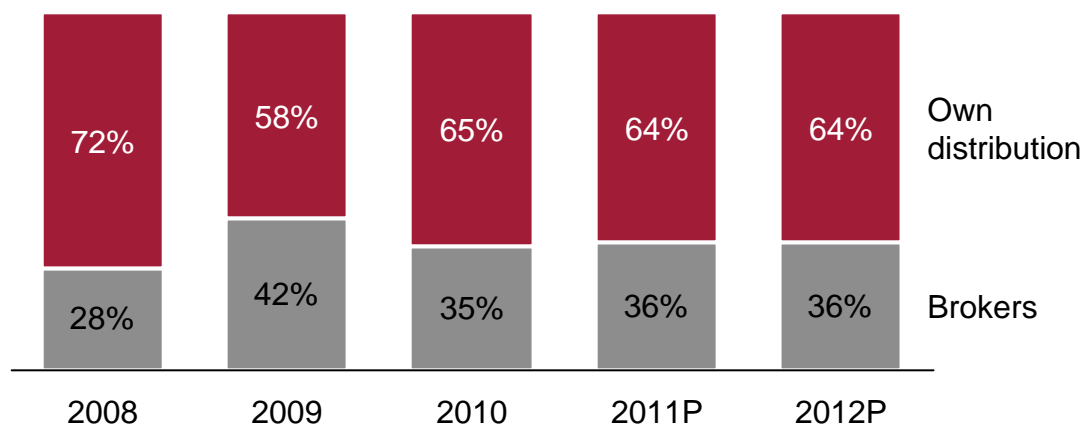


**Business area**    **New business production split**

**Individual customers**



**Corporate customers**






# Multichanneling: Expand distribution channels and strengthen own distribution



## Topic

## Achievements 2010

Own sales distribution (tied agents) 	Sales efficiency programme	Decrease churn rate from 23% to 16%
	Successful shift	Increase NBP of modern and risk products from 34% to 52%
	Restructured sales structure	Reduce infrastructure costs by 16%
Brokers 	Assessment & segmentation of brokers	Modern product share increase more than doubled (>200%)
	Competitive commission system	New launch unit-linked payout plan (SL Timeplan) with over CHF 18 m NBP
AWD 	Packaged solution	Packaged solution (products and services) successfully implemented
	Customised incentive program	AWD share in Swiss Life NBP in individual life increased from 7% (2009) to 9% (2010)
	Direct debit procedure	
Partners	Increase partner production	Progress in production > 20% with 3 of 4 cooperation partners
Bank		
Online		

## Outlook 2011

### Own sales distribution

- Continue sales efficiency programme
- Enhance advisory services & quality
- Continuous reduction of infrastructure costs

### Brokers

- Focus on high rated brokers
- Segment-specific advisory & products

### AWD

- Increase share of wallet of AWD
- Increase service level
- Joint product development

### Partners

- Strengthen existing cooperation

### Bank

- Exclusive bank cooperation
- Bank-specific products with guarantees

### Online

- End-to-end online selling process through new online risk products

# Agenda

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→ **Summary**

# Summary: Managing for value at Swiss Life Group



Workstream	Objectives	Status
1 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 modern and risk products</li> </ul>	 
2 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>	
3 Improve operational excellence	<ul style="list-style-type: none"> <li>CHF 350–400 m reduced cost base vs 2008</li> </ul>	
4 Preserve the balance sheet & optimise in-force business	<ul style="list-style-type: none"> <li>ROE 10–12%</li> <li>Dividend payout ratio 20–40%</li> <li>Comply with SST requirements</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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## Supplementary information

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Summary

→ **Contact details and financial calendar**



# Contact details and financial calendar

## Contact

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## Financial calendar

Interim statement Q1	3 May 2011
Annual General Meeting 2011	5 May 2011
Half-year Results 2011	17 August 2011
Interim statement Q3	15 November 2011

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