



## **Vontobel SMI Conference**

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Iris M. Welten, Head Investor Relations  
Frankfurt, 8 May 2006

## 1. Market environment and position

### 2. Group strategy

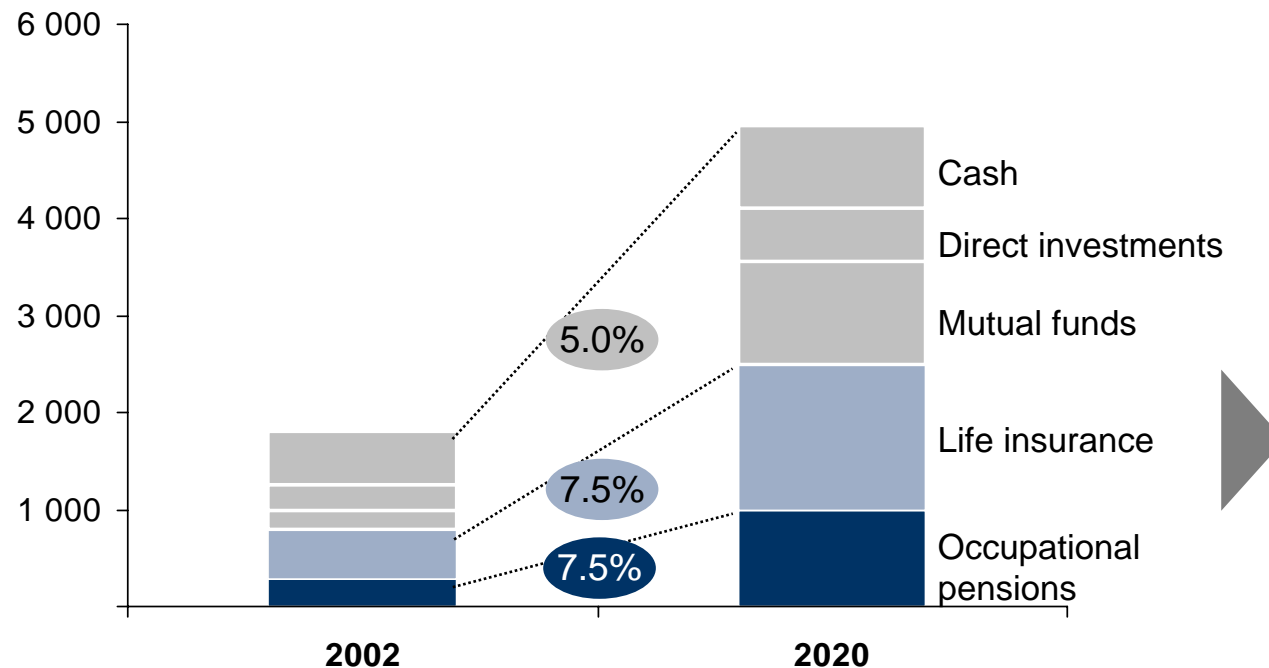
- Growth
- Efficiency
- Leadership

### 3. Financial results

### 4. Summary and outlook

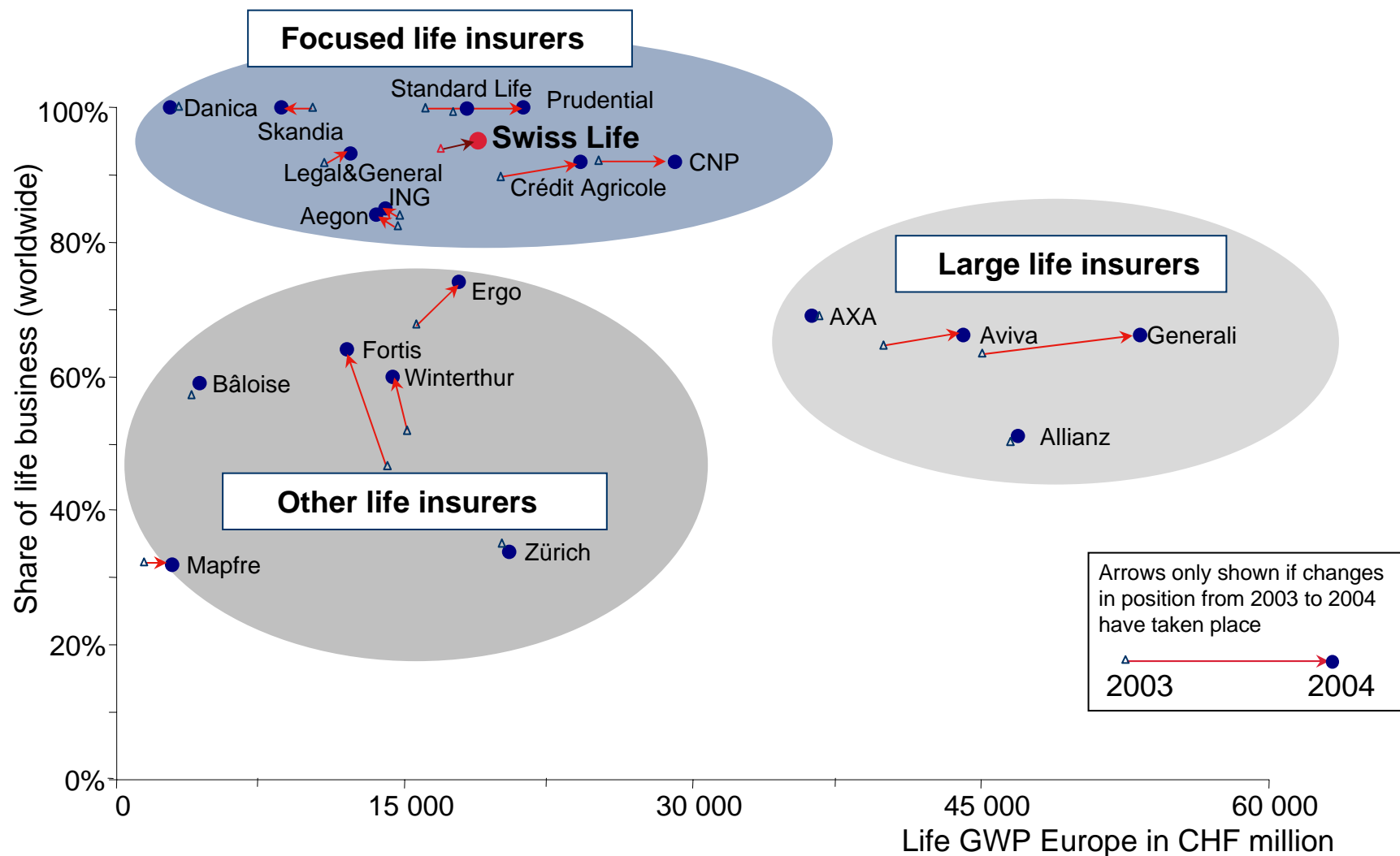
# Long-term savings in Europe: Attractive long-term growth potential for life insurance

Total expected gross inflows into European savings (EUR billion)



- Life and pensions in Europe expected to grow by 7.5% p.a. up to 2020
- Long-term security and additional customer benefits as key competitive advantage for life insurance

# Well-positioned with strong focus on life



**Significant peers move towards life insurance**

# Continuing pressure on first pillar supports shift to private and occupational provision

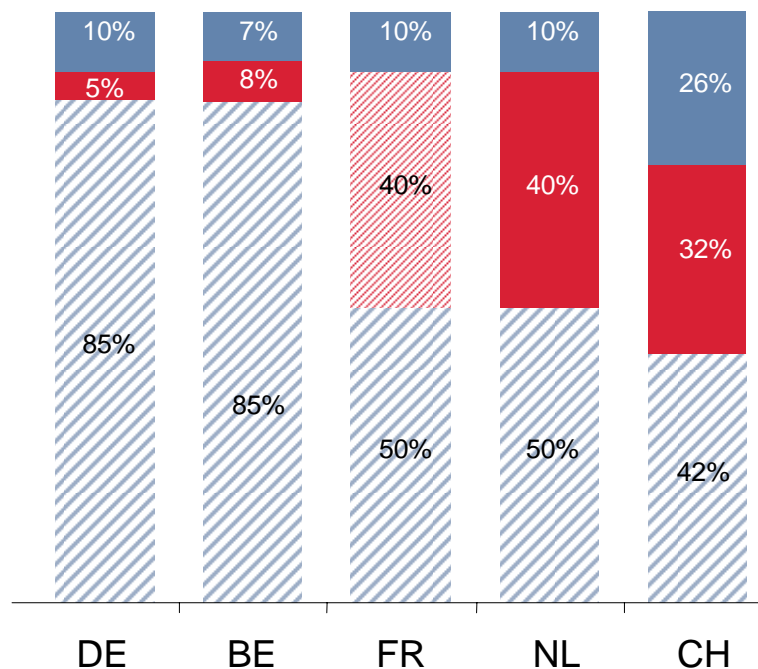
Retirees' income sources

(shaded areas: pay-as-you-go system; other areas: funded systems)

Private provision

Occupational provision

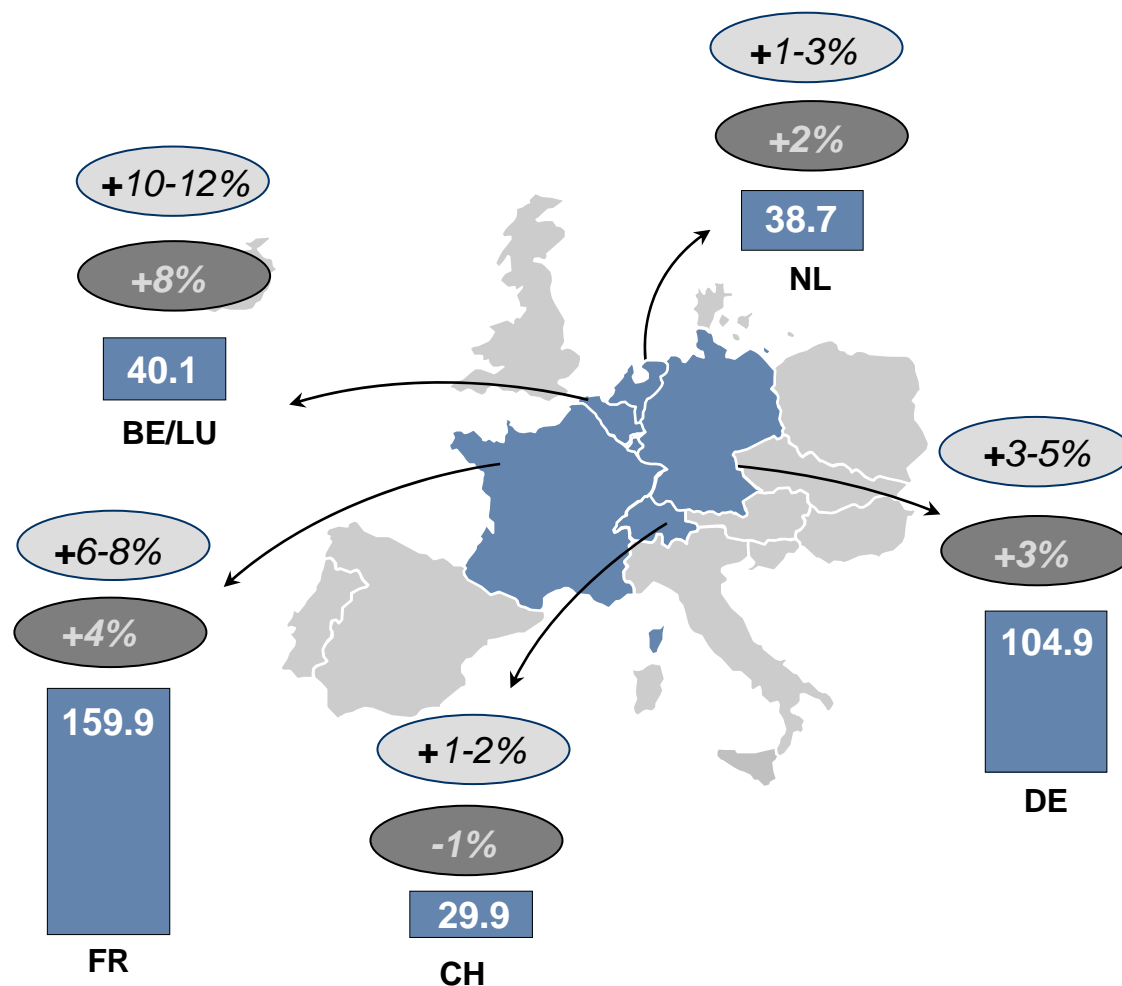
Public provision



- Countries with higher proportion of unfunded systems will come under heavy pressure
- Resulting in long-term and sustainable growth potential for life insurers

# European life markets with growth potential

Life premiums in CHF billion 2004



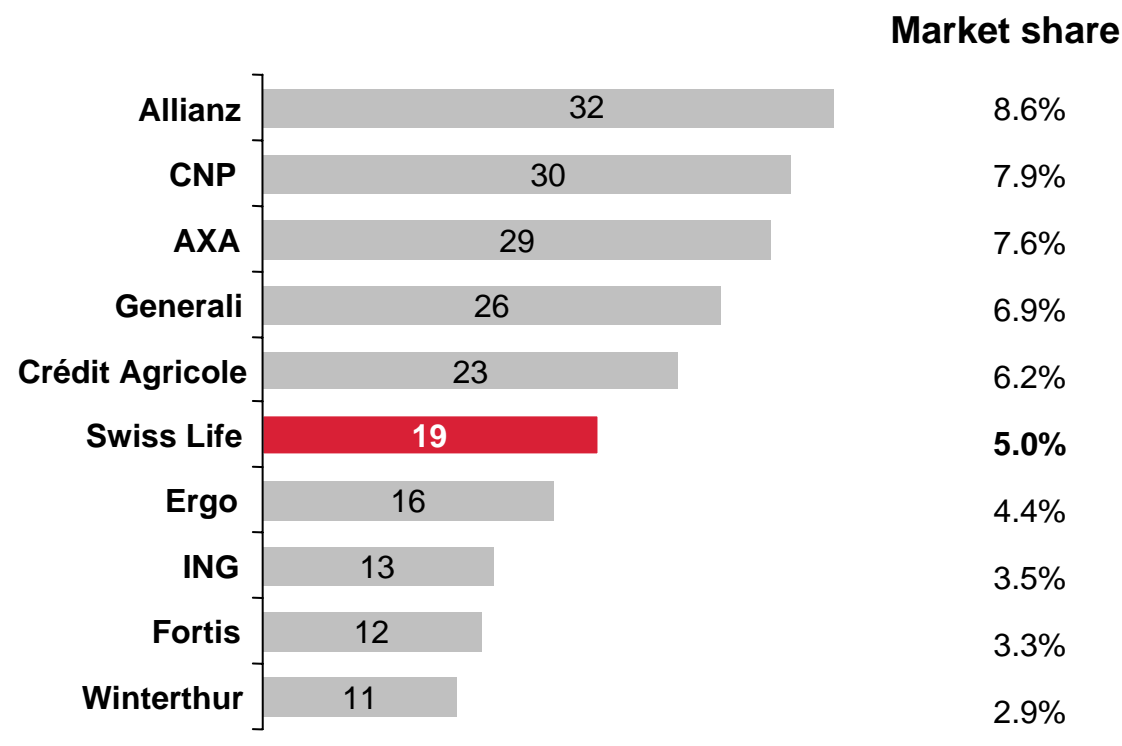
- Attractive market potential in all life markets
- Ageing population as main growth driver

Market growth per annum

<i>Expected</i>	<i>Historic</i>
2005-2008	2000-2004

# Strong position in chosen markets

GWP in SL markets <sup>1)</sup> 2004; CHF billion



- Swiss Life is the only focused, international provider of life insurance among top peers <sup>2)</sup>
- SL markets <sup>1)</sup>
  - Number 6 life insurer
  - Number 2 group life provider
- European market:
  - Number 9 life insurer

<sup>1)</sup> CH, FR, DE, NL, BE, LU

<sup>2)</sup> Other top competitors are composite insurers (Allianz, AXA, Generali) or solely active in its domestic market (CNP, Crédit Agricole, Ergo)

Source: ISIS Database, company annual reports

# Agenda

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# Our ambition: “Pensions Leadership”

## Ambition

**Swiss Life Group wants to achieve Pensions Leadership and generate net profit of CHF 1 billion by 2008, and a sustainable ROE > 10%**

## Mission

**“Committed to helping people create a financially secure future. For life”**

# Three strategic directions for achieving our ambition

## Growth

Focus on “pensions”-related value proposition...



... to answer and satisfy clients' growing pension needs

Develop own and third-party channels...



... to reduce single channel dependency

## Efficiency

Increase basic insurance profitability substantially...



... to become less dependent on financial result

Reduce complexity at all stages of the value chain...



... to improve process efficiency and lower costs

## Leadership

Enhance entrepreneurial responsibility and steering...



... to allow flexible and close-to-market decision making

Develop integrated human capital portfolio...



... to anchor our leadership culture

# Growth: Targets underpinned by concrete actions

## Key actions in Europe

- Focus on organic growth
- Focus on products and services with profitable growth
  - Launch new products in pensions with tailored advice
- Increase distribution capacity
  - Set up new distribution partnerships to increase sales capacity

**SL growth 2005-2008: 23%**  
**vs. market expectation of 19%**

## Key actions in Switzerland

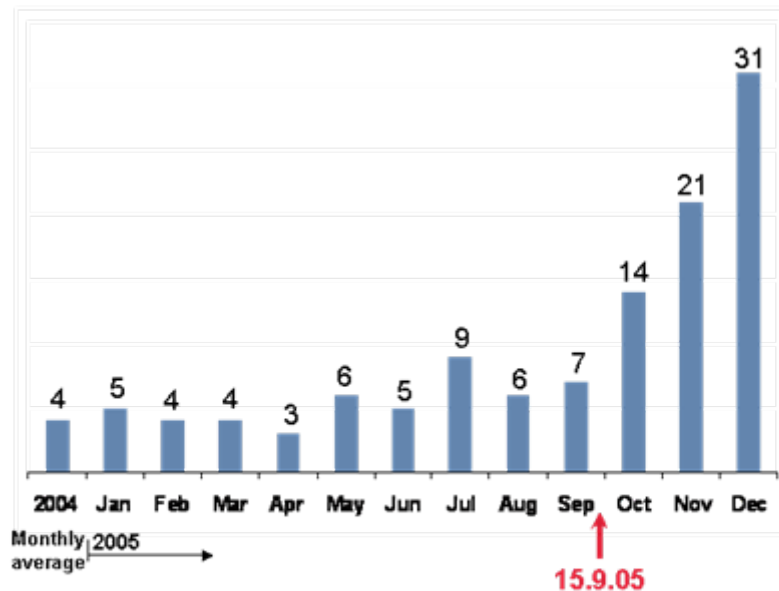
- Launch new products and less interest rate sensitive products
- Increase sales effectiveness of own sales force
- Develop relationships with brokers, banks and strategic partners

**SL growth 2005-2008: 8%**  
**vs. market expectation of 5%**

# Growth: Successful launch of new products and distribution partnerships in Switzerland

## Products

Unit-linked & funds; CHF million



Quick wins,  
enhanced sales  
training

Launch of  
capital-protected  
unit-linked  
products <sup>1)</sup>

## Distribution

**Die Mobiliar**  
*Versicherungen & Vorsorge*

#1 Swiss property  
insurer

**HELSANA**

#1 Swiss health  
insurer

**sanitas**

#7 Swiss health  
insurer

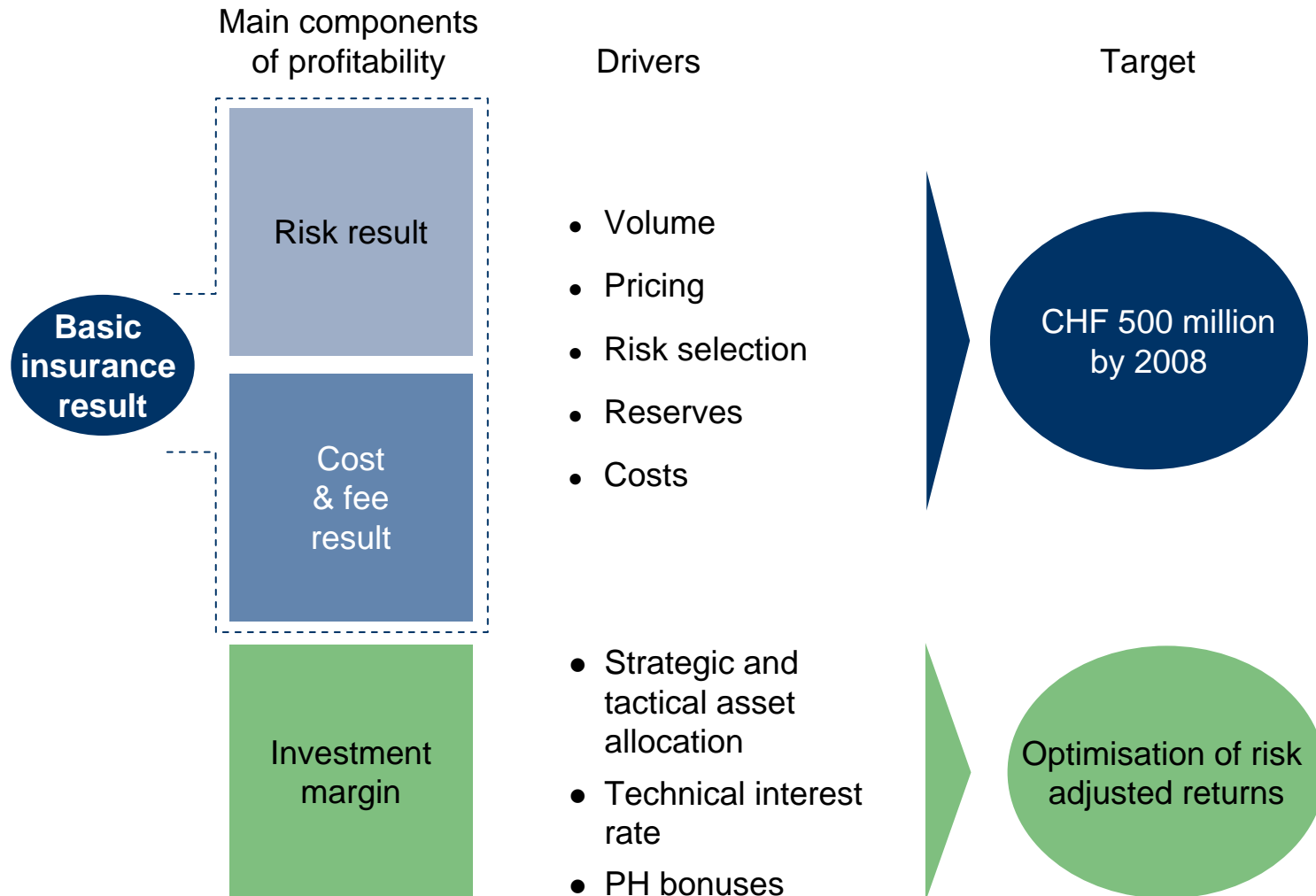
**VAUDOISE**  
ASSURANCES  
VERSICHERUNGEN  
ASSICURAZIONI

#9 Swiss non-life  
insurer

1) GarantiePlus 100 (100% capital protection) and GarantiePlus 90 (90% capital protection)

2) Including pending applications


# Efficiency: Basic insurance result best reflects operational performance



# Efficiency: Continue increase in efficiency on all levels

## Key actions in Europe


- Continue efficiency improvement on all levels
  - Only marginal fixed-cost increase despite increasing premium volume
- Exit from unprofitable products or particularly price-sensitive areas



**Contribution to basic insurance  
result by 2008: CHF 350 million**

## Key actions in Switzerland

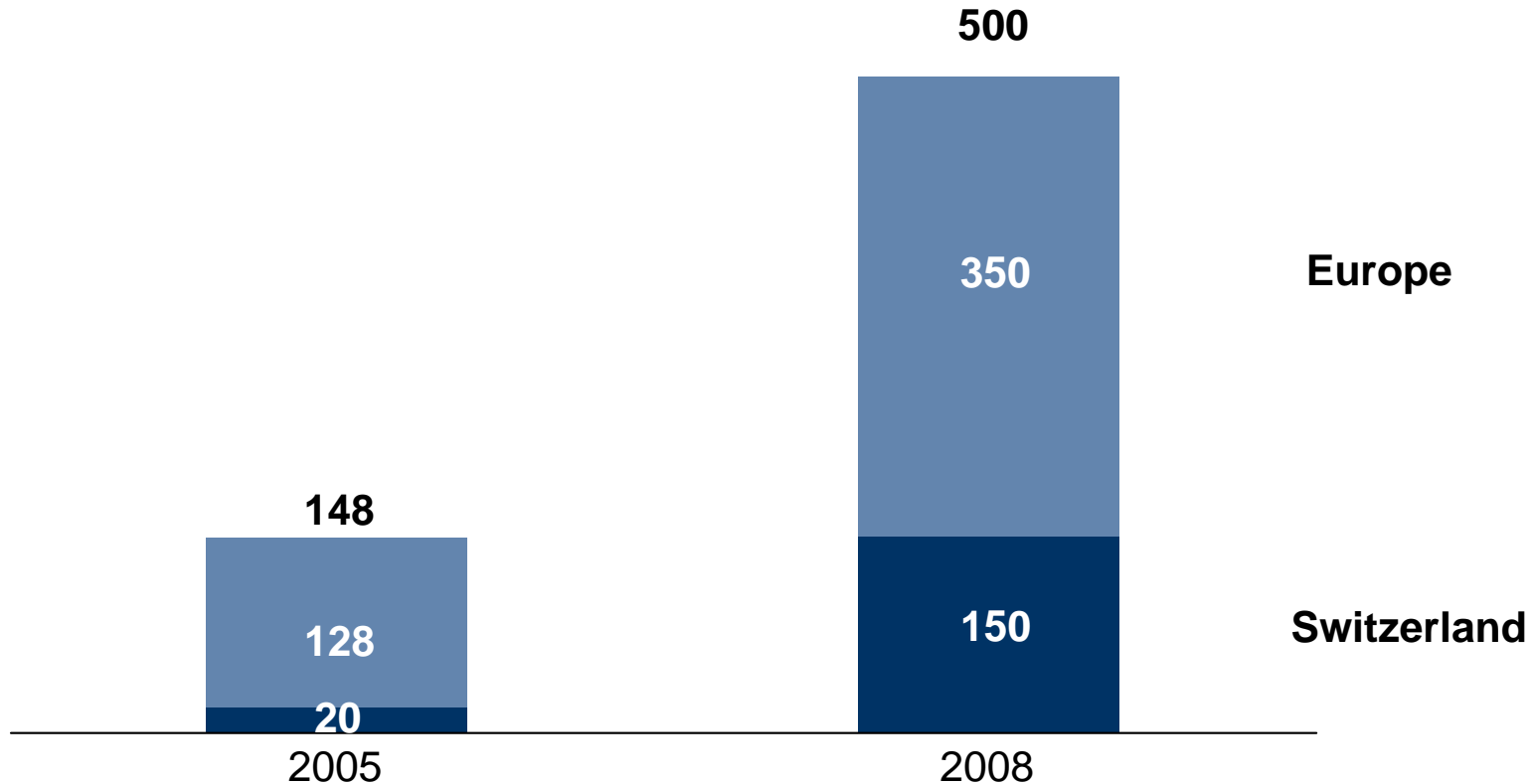
- Reap efficiency benefits of “La Suisse” and Vaudoise integration
- Continue efficiency driven by IT and Business Engineering projects to increase efficiency drive
- Increase effectiveness and efficiency of sales forces



**Contribution to basic insurance  
result by 2008: CHF 150 million**

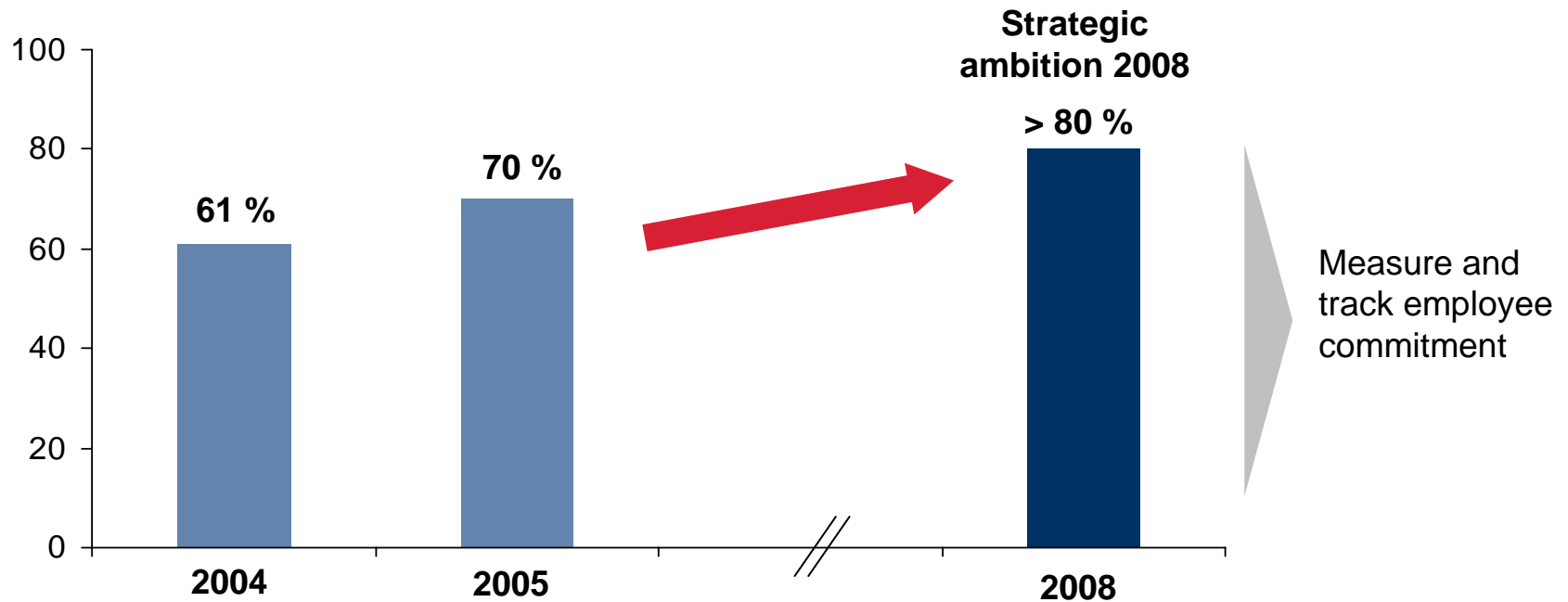
# Efficiency: Measures lead to significant improvement in basic insurance result

Basic insurance result, CHF million



# Leadership: Development of employee commitment 2004-2008

SL Group employee commitment, as measured by annual survey





# Leadership: Active role in political discussion

- Future of social security systems
- Regulatory aspects of second pillar
  - Inadequate conversion rate
  - BVG minimum rate formulas
  - Financing pension funds with insufficient reserves
- Opening third pillar pensions to economically inactive dependants (e.g. housewives)

**Political discussion on a more realistic basis**

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# Advancing towards our goals

**Profit**



**CHF 874 million**

**+44%**

**Shareholders' equity**



**CHF 7.7 billion**

**+22%**

**Return on equity**



**from 10.7% to**

**12.3%**

**Earnings per share**



**CHF 24.82**

**+36%**

**Proposed dividend  
(par value reduction)**



**CHF 5**

**+25%**

# Advancing towards our goals

**Organic growth**

➡ **CHF 20.2 billion**

**+8%**

**Operating expenses**

➡ **reduced to CHF 2 billion**

**-2%**

**Basic insurance result**

➡ **from CHF 21 million to**

**CHF 148m**

**Non-traditional  
products**

➡ **CHF 6.5 billion  
(34% of life premium)**

**+42%**

**Embedded value**

➡ **CHF 8.9 billion**

**+12%**

**Value of new business**

➡ **CHF 48 million**

**+17%**

# Strong business performance



- International: Continued dynamic growth
  - 19% organic premium growth; outperforms market average
  - Product and distribution mix optimised
- Switzerland: Basis for sustainable profitability established
  - Successful integration of La Suisse life insurance business and Vaudoise group life business improves efficiency
  - Substantially higher new business volume increased profitability
- Banca del Gottardo: Solid contribution to group results
  - New management established
  - Strategy implementation well on track

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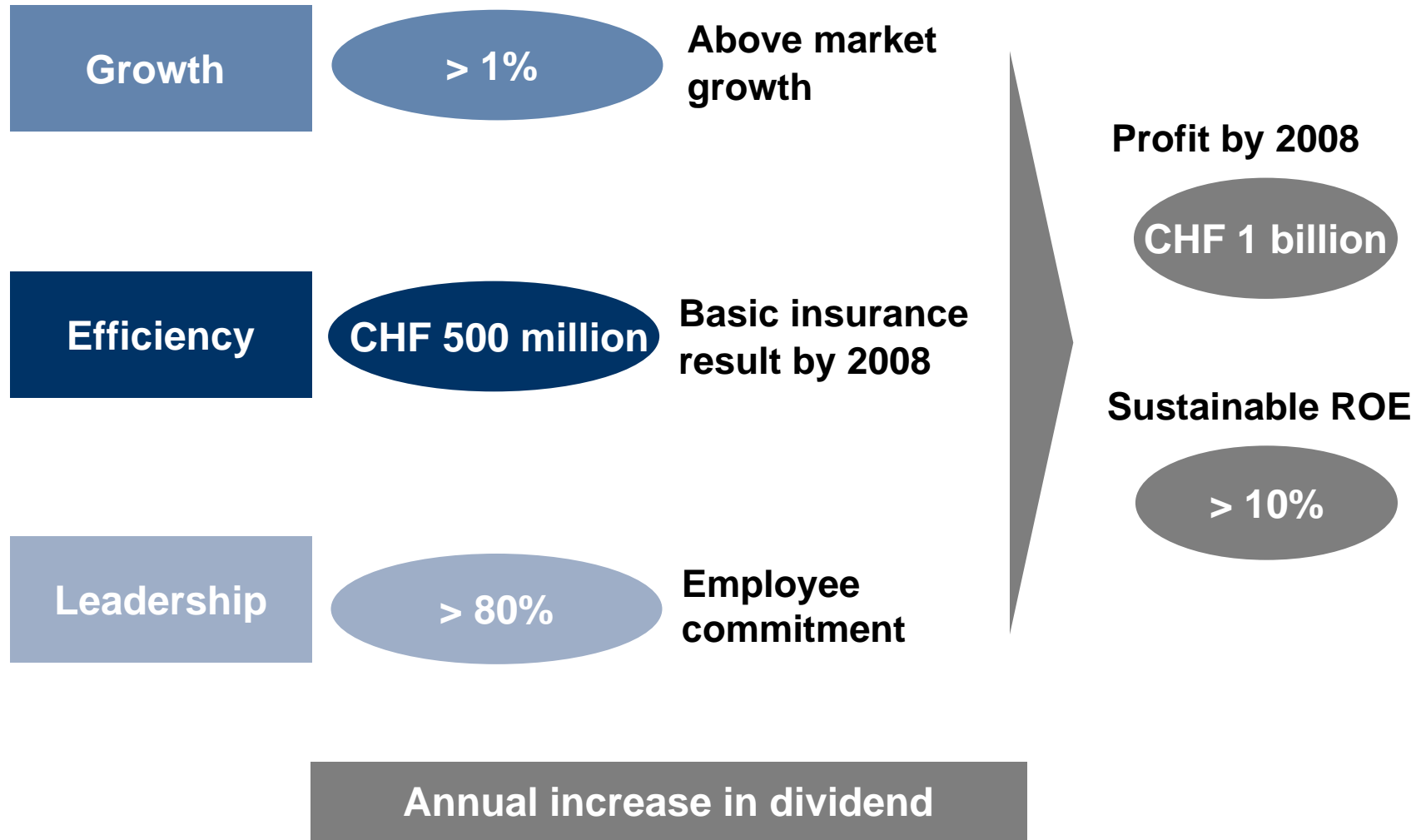
# Swiss Life Group: Who we are

Ambition	<b>Swiss Life Group wants to...</b> <ul style="list-style-type: none"> <li>• Achieve "Pensions Leadership" ("Führend in der finanziellen Vorsorge")</li> <li>• Generate net profit of CHF 1 billion by 2008, and sustainable ROE &gt; 10%</li> </ul>		
Lines of business <sup>1)</sup>	<b>Insurance <sup>2)</sup></b>	<b>Investment Management</b>	<b>Banking</b>
Est. profit contr. by 2008	~ 85%		~15%
Mission	Committed to helping people create a financially secure future. For life	Maintain excellence in investment performance	First-class private bank offering high-quality wealth management services to our HNWI and affluent
Focus	Pension products and services for corporate clients and private clients	Investment management for life insurance and third-party clients	Private Banking for affluent and HNWI
Geographic focus	Europe (CH, FR, DE, NL, BE, LU, FL)		CH, IT
Financial targets	<ul style="list-style-type: none"> <li>• Achieve basic insurance result of CHF 500 million by 2008</li> <li>• Achieve investment margin of at least 29 bps</li> </ul>		Achieve CHF 130 m net profit by 2008, sustainable ROE >15% and net new assets of CHF 1 bn p.a.

1) Mostly, but not fully congruent with "reporting segments"

2) Full value chain

# Ambitious goals





# Swiss Life Group well on track to reach the 2008 targets

(IFRS basis)



	2004	2005	→	2008
<b>GWP incl. PHD</b> (in CHF billion)	<b>18.7</b>	<b>20.2</b>		<b>23.7</b>
Switzerland		7.8		8.5
International		12.4		15.2
<b>Basic Insurance Result</b> (in CHF million)	<b>21</b>	<b>148</b>		<b>500</b>
Switzerland		20		150
International		128		350
<b>Profit</b> (in CHF million)	<b>606</b>	<b>874</b>		<b>1 000</b>
<b>Return on Equity</b>	<b>10.7%</b>	<b>12.3%</b>		<b>&gt; 10%</b>

# Investment case

**1. Strategy:** Pension leadership to deliver sustainable profitability

- Attractive growth and efficiency potential in EU
- Achieve efficiency of Swiss business
- Excellence in long-term investment performance
- First-class private bank with good return

**2. Financial targets:**  
Operational excellence as main target until 2008

- Growth: > 1% above market (16% over 3 years)
- Efficiency: CHF 500m Basic insurance result
- Leadership: > 80% employee commitment
- Net result of CHF 1 billion
- Sustainable ROE of > 10% (Banking > 15%)
- Dividend > CHF 5

**3. Management:** Credible and strong with excellent track record of implementing restructuring and strategy measures

**4. Risk:** Holistic risk management with “best in class” ALM



## **Supplementary information**

# Agenda

## 1. Swiss business

2. Banca del Gottardo

3. Additional financial information

# Implementation in Switzerland until 2008

## Growth

Create best solutions to meet increasing customers needs for pensions



- Maintain market leadership
- Customers satisfaction 4.25 index points (out of 5)

Improve opportunities for getting in touch with customers



- Premiums CHF 8.5 billion
- Growth 1% above market

## Efficiency

Reduce dependency on financial result



- Basic insurance result CHF 150 million

Design more efficient processes and reduce costs



- Reduce administration costs
- Tighten structures

## Leadership

Enable decisions close to the needs of the market



- Customer focus 80 index points (out of 100)

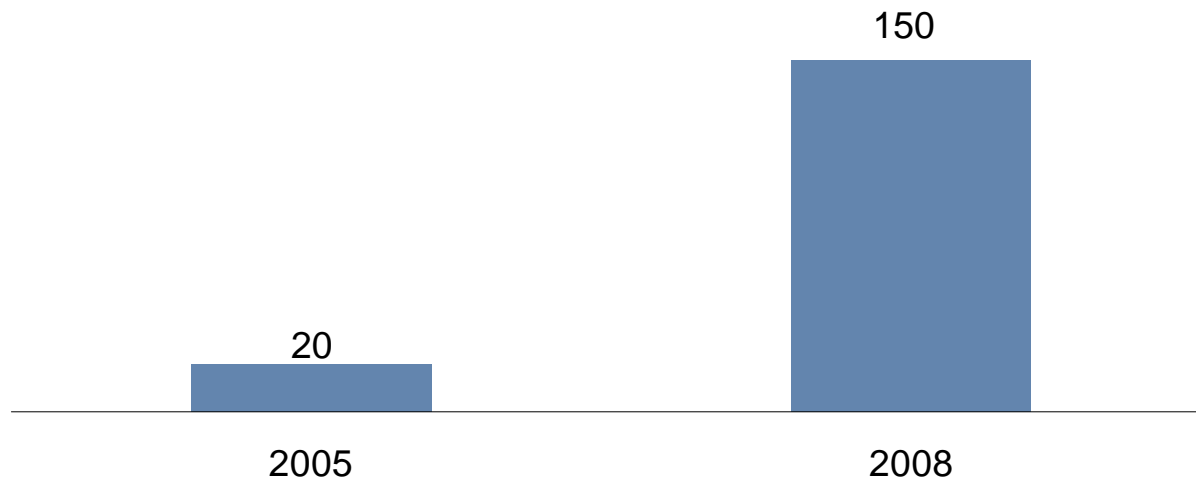
Enforce company values based on excellence



- Commitment 80 index points (out of 100)

# Existing business: Basic insurance profitability turnaround achieved until 2008 in Switzerland

Basic insurance result Switzerland, CHF million



## Measures

Costs cross subsidising through sounding risk result

Cost saving starts to grip, however project costs does mitigate effect

2 out of 3 main efficiency project are mature and start to yield results

Increase of underlying profitability driven by solid risk and increasing cost result

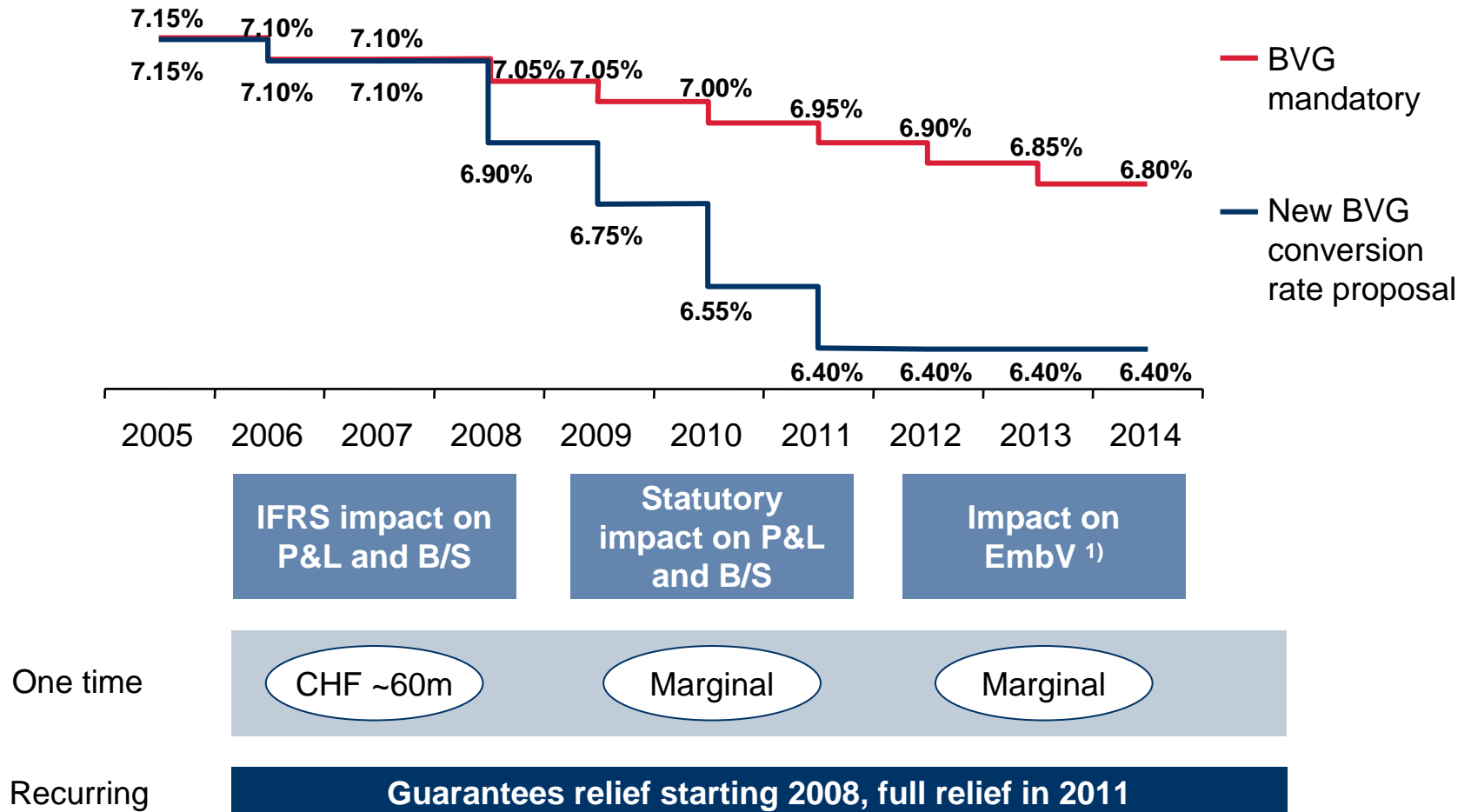
Stable and increasing basic insurance result, due to

- Maintain solid risk margin
- Efficiency measures

# Key messages on products

- Offer range of products, which suit the risk appetite of different customers
- Highest profit contribution and lower competition in traditional, full-risk coverage, therefore maintain strong strategic position
- Concentrate improvements and development on products as well as on sales skills in those specific segments where above-average market growth is expected

# BVG mandatory business conversion rate to come down



1) Overall marginal impact, but additional reserve strengthening no longer needed



# Summary strategic drivers Switzerland

## Growth

- Growth of 8% to CHF 8.5 billion in 2008
- Sales force with higher profitability
- Product portfolio established

## Efficiency

- Profitability: Basic insurance result of CHF 150 million in 2008
- IT-environment will be renewed
- Integration «La Suisse»

## Leadership

- Highly motivated employees: Focus on commitment >80%
- Taking part in political discussion

# Agenda

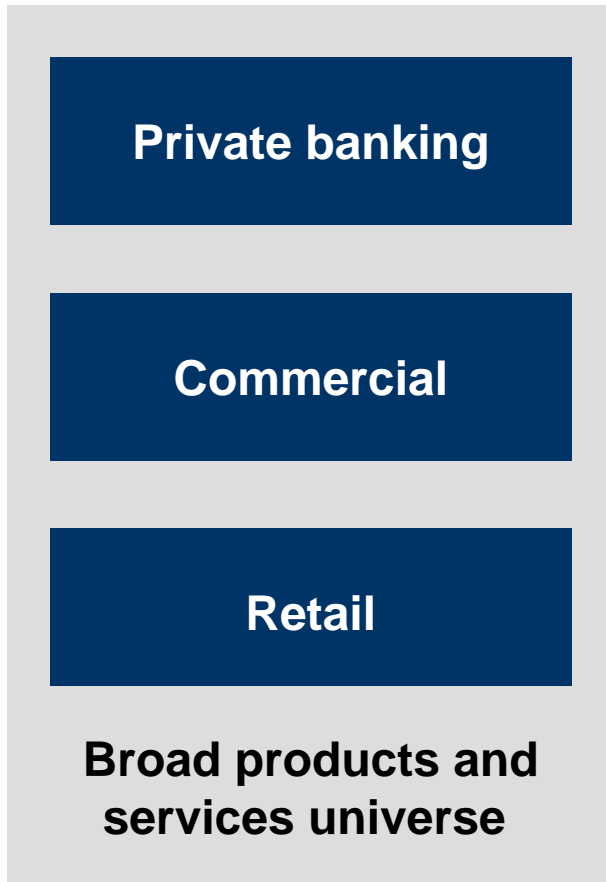
1. Swiss business

**2. Banca del Gottardo**

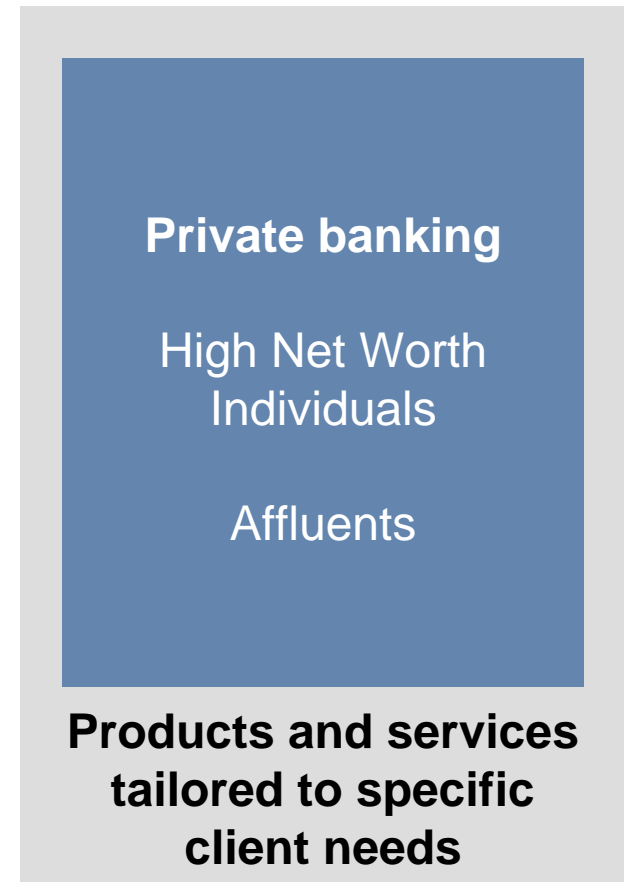
3. Additional financial information

# Focused strategy to achieve efficiency and profitable growth

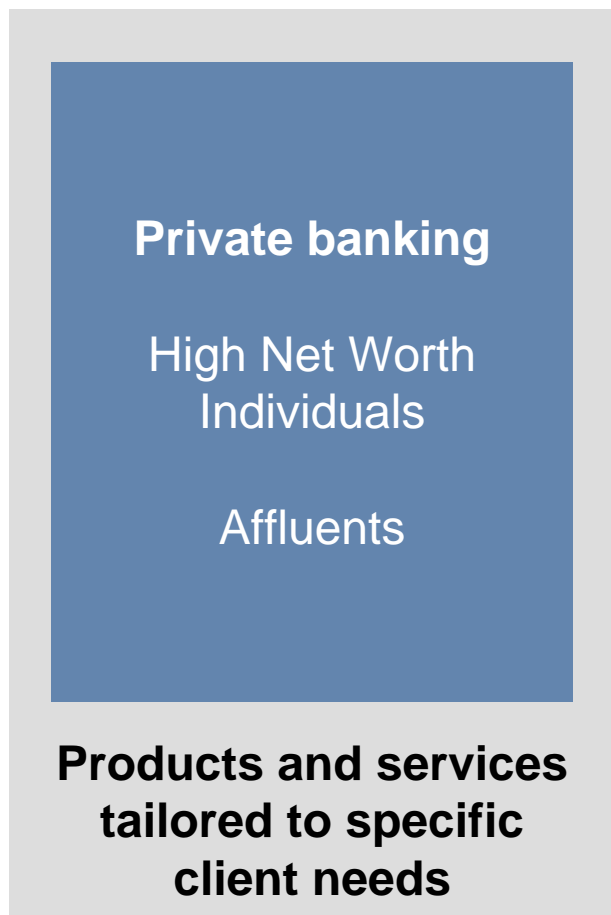
From ...



To ...



# Clear strategic focus in all key business areas



## ●Geography

- Switzerland off- and onshore
- Italy onshore

## ●Segments

- HNWI as the core segment
- Affluent as new growth thrust
- UHNWI } as adjacent
- EAM } segments

## ●Products and services

- Investment and wealth management products and services
- Lending as integrated part of private banking value proposition

Note:

HNWI = High Net Worth Individual,

UHNWI = Ultra High Net Worth Individual,

EAM = External Asset Manager

# Main value drivers of performance improvements

## Driver

---

### Growth

- Net new money through share-of-wallet increase and new client acquisition
- Margin enhancement through cross-selling and value-added pricing

### Efficiency

- Outsourcing of IT and back-office operations
- Leveraging third-party product and service providers
- Cost reduction through lean processes and structure

### Leadership

- Comprehensive implementation program
- Strong commitment of BdG employees

# Growth and efficiency leading to improved cost/income ratio

## Growth

- PB net new money growth
- PB margin enhancement

**5–6% p.a. AuM growth**

### Drivers

- Cross-selling
- Share of wallet
- New clients
- Pricing

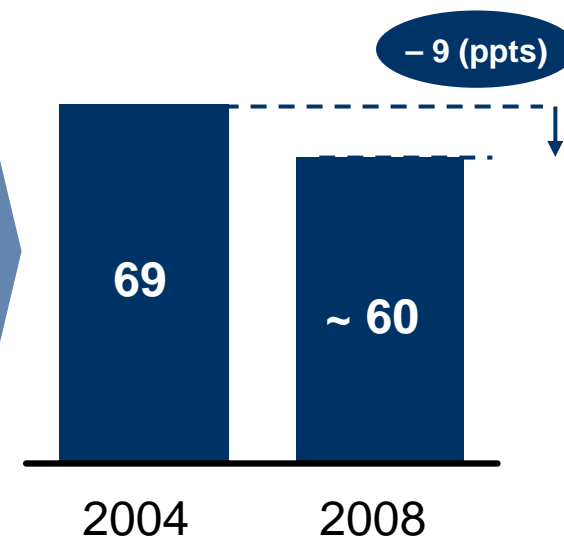
## Efficiency

- Complexity reduction
- Outsourcing of back-office

**1–2\*% p.a. lower cost**

- Streamlining
- Centralize
- Process efficiency
- Outsourcing

## Cost/income-ratio (%)



\* Effect net of inflation

# Clear financial objectives for BdG Group

Swiss GAAP



	2004		2008
<b>Assets under control (AuC)</b>	CHF 41.1 bn		CHF ~60 bn
<b>Assets under management (AuM)</b>	CHF 34.4 bn		CHF ~43 bn
<b>Private banking net new money</b>	CHF –200 mio		CHF ~ +1.0 bn p.a.
<b>PB revenue margin (BdG parent)</b>	97 bps		105 bps
<b>Net profit after tax</b>	CHF 70.6 mio		> CHF 130 mio
<b>ROE</b>	7.4 %		> 15 %
<b>Cost/income ratio</b>	69 %		~ 60 %

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1. Swiss business

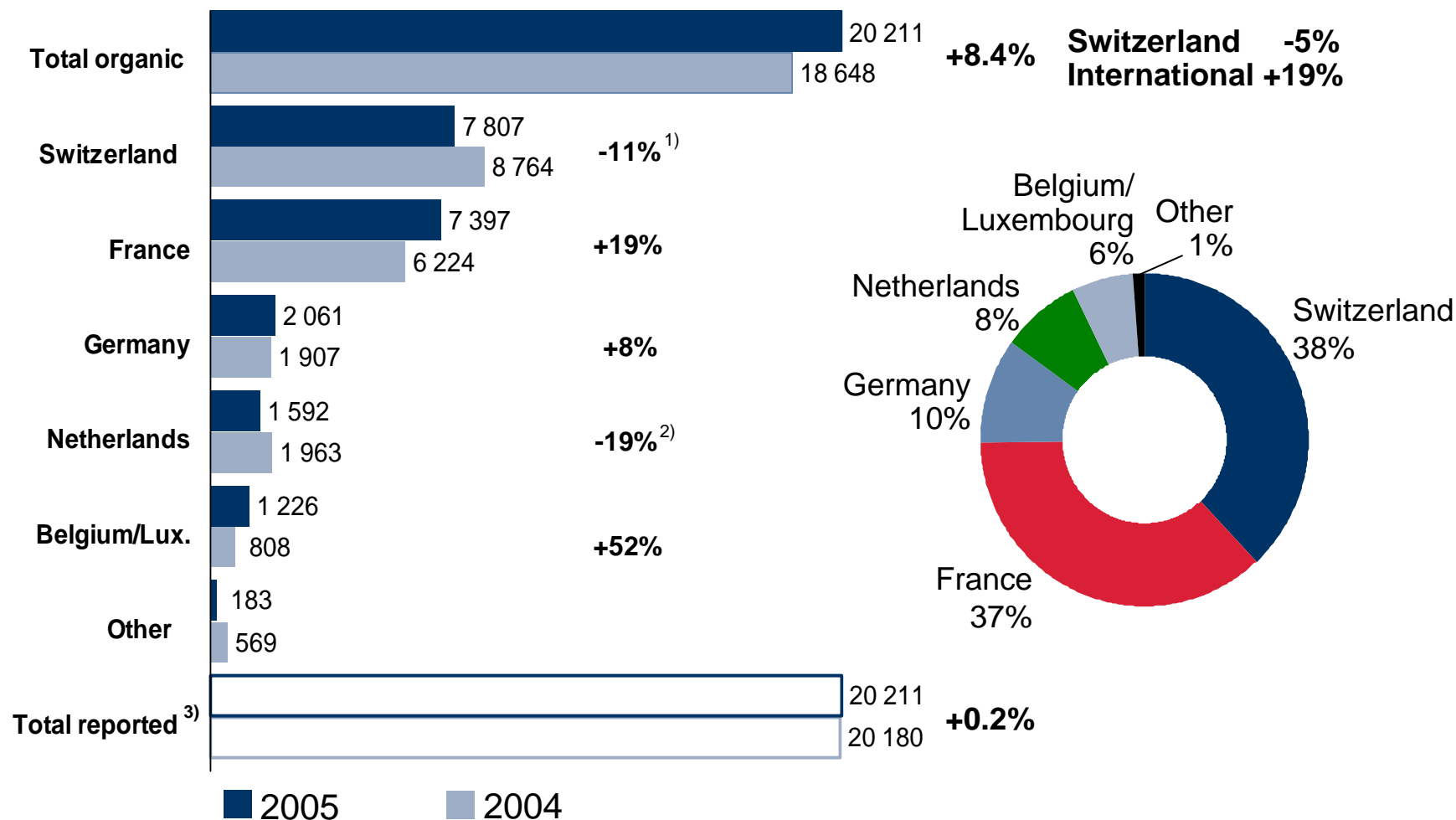
2. Banca del Gottardo

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# Strong growth in Europe

GWP & PHD; CHF million (IFRS basis)



1) Growth -5% on an adjusted basis (excluding BVG contingency fund CHF 554 million in 2004)

2) Growth +6% on an adjusted basis (excluding De Goudse CHF 463 million in 2004)

3) Including United Kingdom CHF 548 million and Italy CHF 21 million for 2004; including Liechtenstein CHF 163 million and Italy CHF 20 million for 2005

# Continued stringent cost management

CHF million (IFRS basis)

	2005	2004	Change
<b>Total operating expenses</b>	<b>3 390</b>	<b>3 341</b>	<b>1.5%</b>
Commissions and DAC amortisation	-1 141	-905	
Goodwill & PVP amortisation	-128	-248	
Change in reserves for employee benefits	41		
Restructuring costs	-116	-39	
Currency effects		-4	
Adjustment UK		-57	
<b>Operating expenses (adjusted)</b>	<b>2 046</b>	<b>2 088</b>	<b>-2.0%</b>

# Profit surges 44% to CHF 874 million

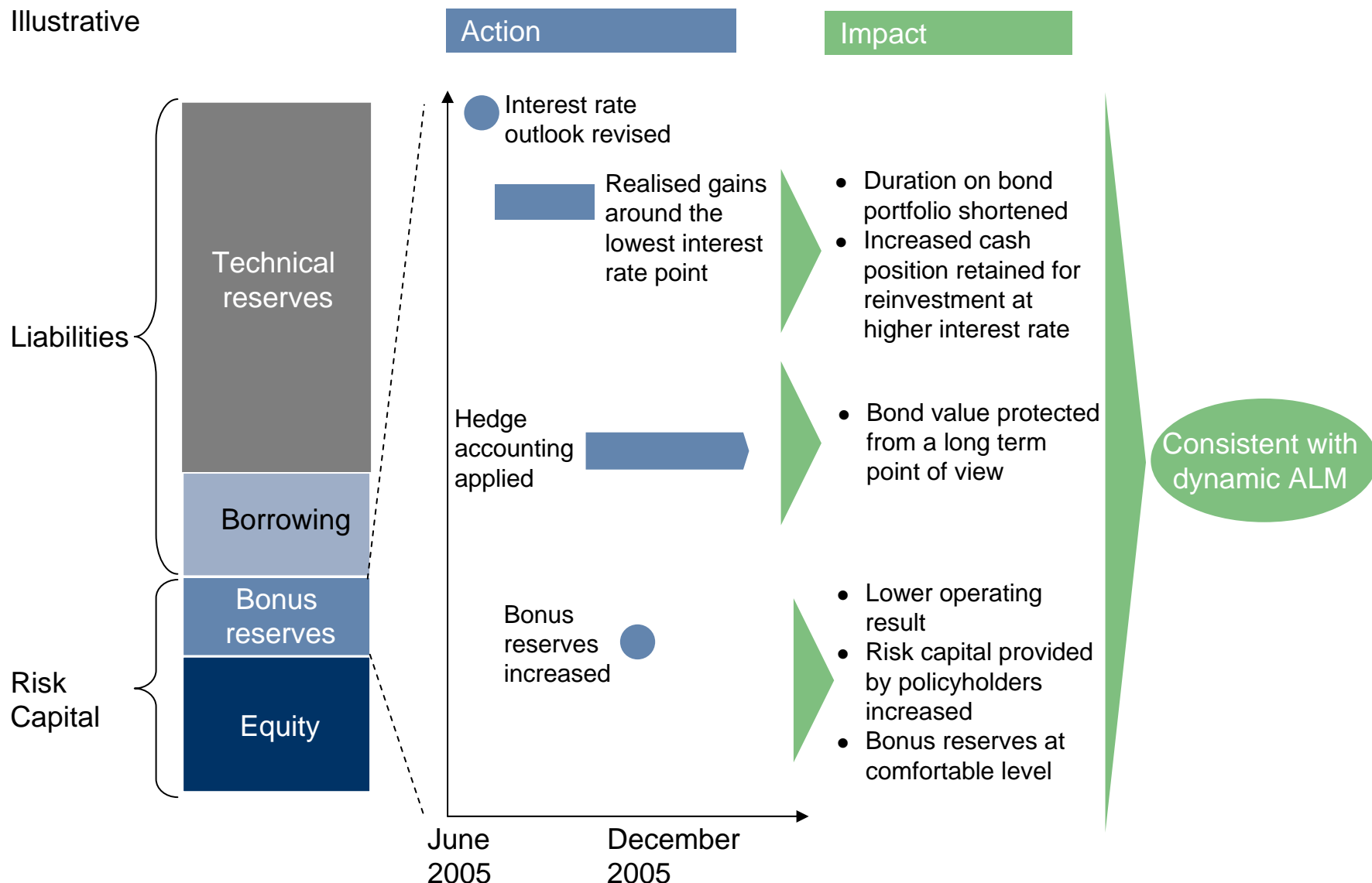
CHF million (IFRS basis)

	2005	2004
Gross written premiums, fees and deposits received	20 211	20 180
Financial result for own risk	6 966	6 844
Net insurance benefits and claims	-14 040	-15 375
Policyholder participation	-2 227	-1 553
Operating expenses	-3 390	-3 341
<b>Profit from operations</b>	<b>1 023</b>	<b>1 148</b>
Borrowing costs	-173	-208
Taxes and results of associates	24	-334
<b>Profit</b>	<b>874</b>	<b>606</b>
Earnings per share (in CHF) <sup>1)</sup>	24.82	18.27
Return on equity (ROE)	12.3%	10.7%

1) Diluted, based on 35 095 099 shares in 2005 and 32 036 924 shares in 2004

# Increase in policyholder participation driven by higher realised capital gains

Illustrative



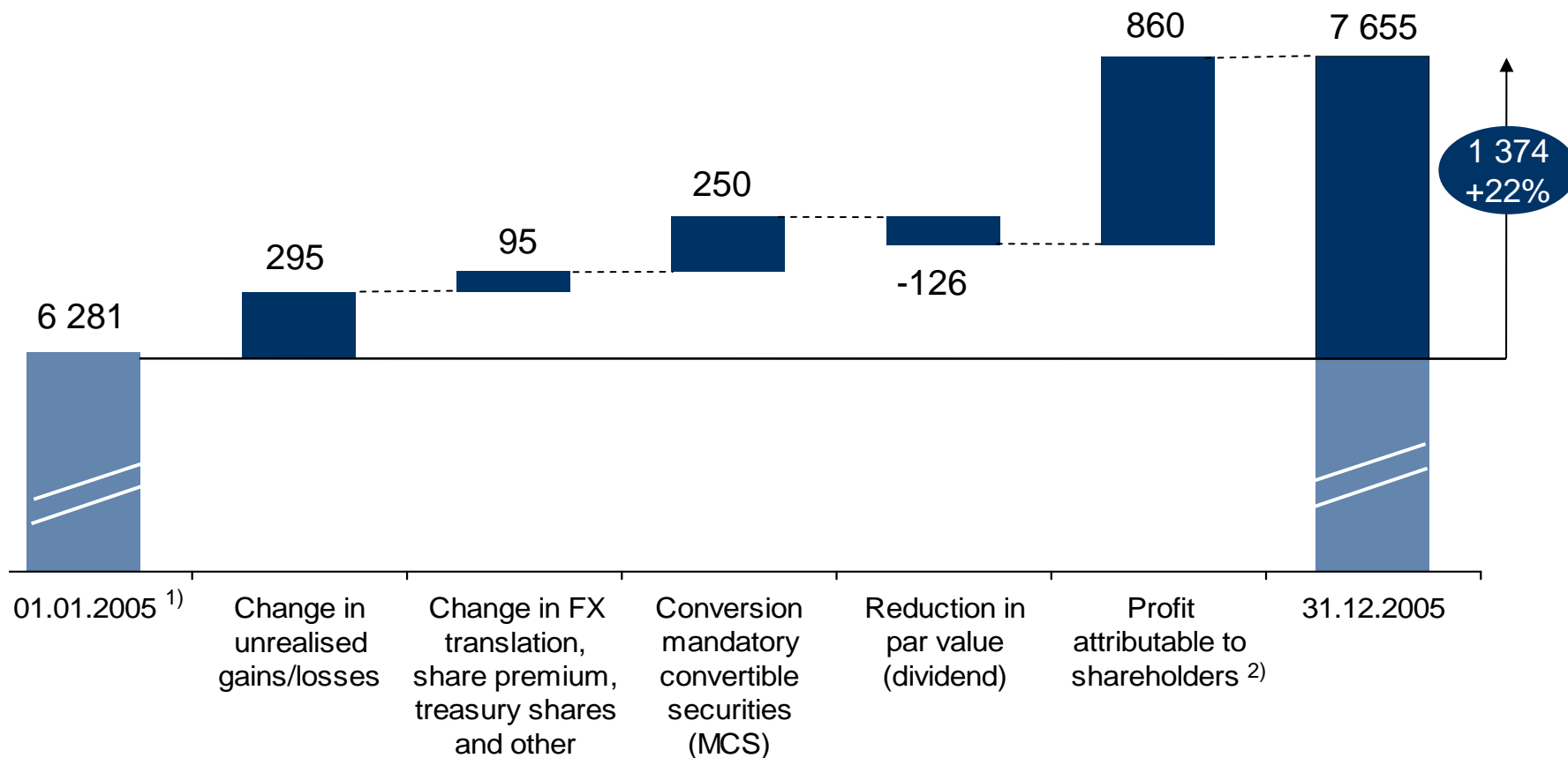
# Balance sheet further strengthened

CHF million (IFRS basis)

	31.12.2005	31.12.2004
<b>Insurance reserves</b>	<b>140 883</b>	<b>131 415</b>
Insurance liabilities	106 909	103 068
Investment contracts with DPF	23 652	19 988
Investment contracts and PH deposits	2 608	2 679
Discretionary participation liabilities	7 714	5 680
<b>Borrowings</b>	<b>4 388</b>	<b>6 313</b>
<b>Shareholders' equity</b>	<b>7 655</b>	<b>6 277</b>
Total liabilities and equity	177 597	164 736
<b>Core capital</b>	<b>16 621</b>	<b>13 740</b>
Total equity	7 953	6 490
Mandatory convertible debt	-	250
Hybrid capital instruments	1 689	1 451
Deferred Group-related funds	6 979	5 549

# Shareholders' equity up 22%

CHF million (IFRS basis)

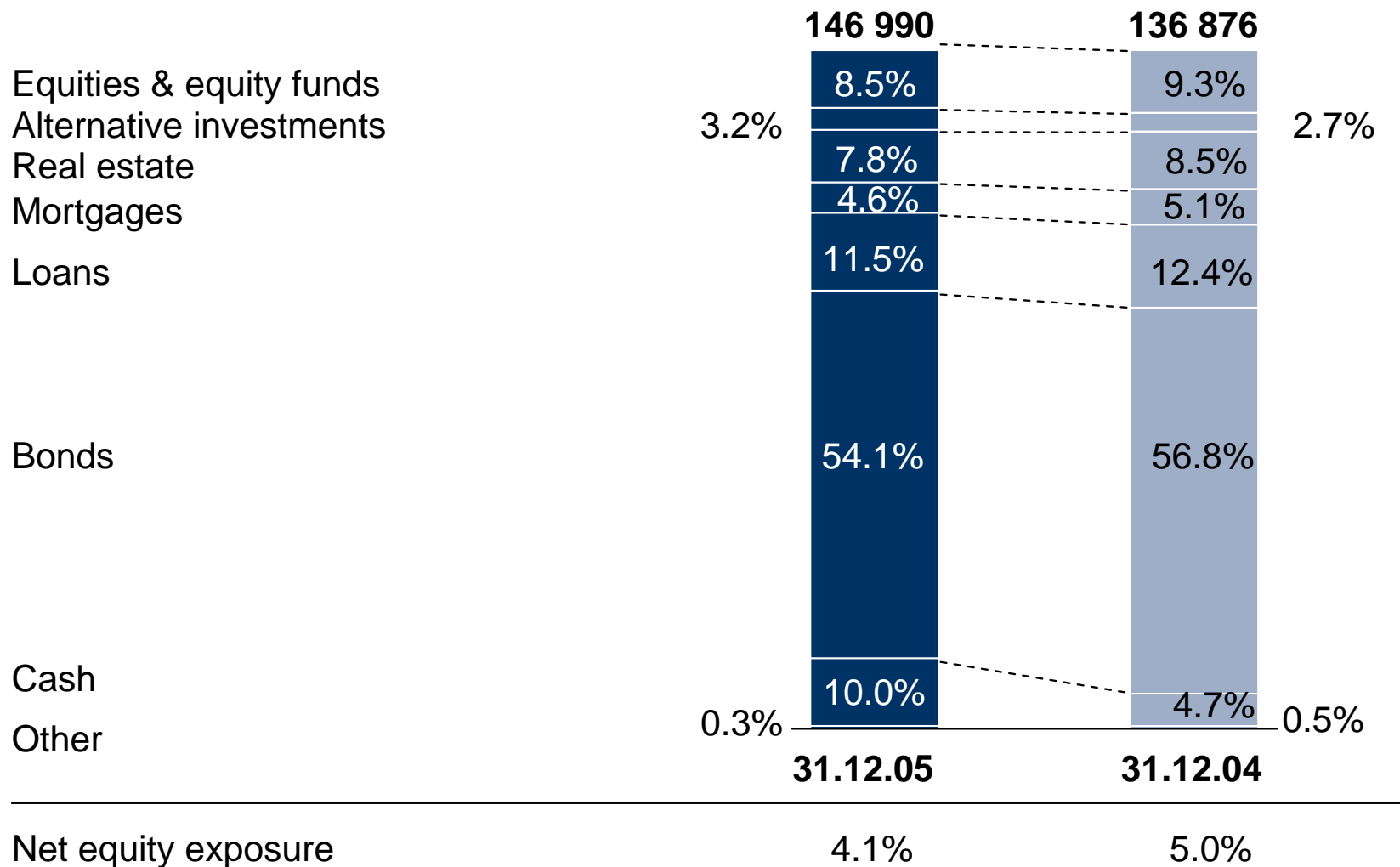


1) CHF 6 277 million plus IFRS 3 impact of CHF 4 million

2) Profit of CHF 874 million, less amount of CHF 14 million attributable to minority interest

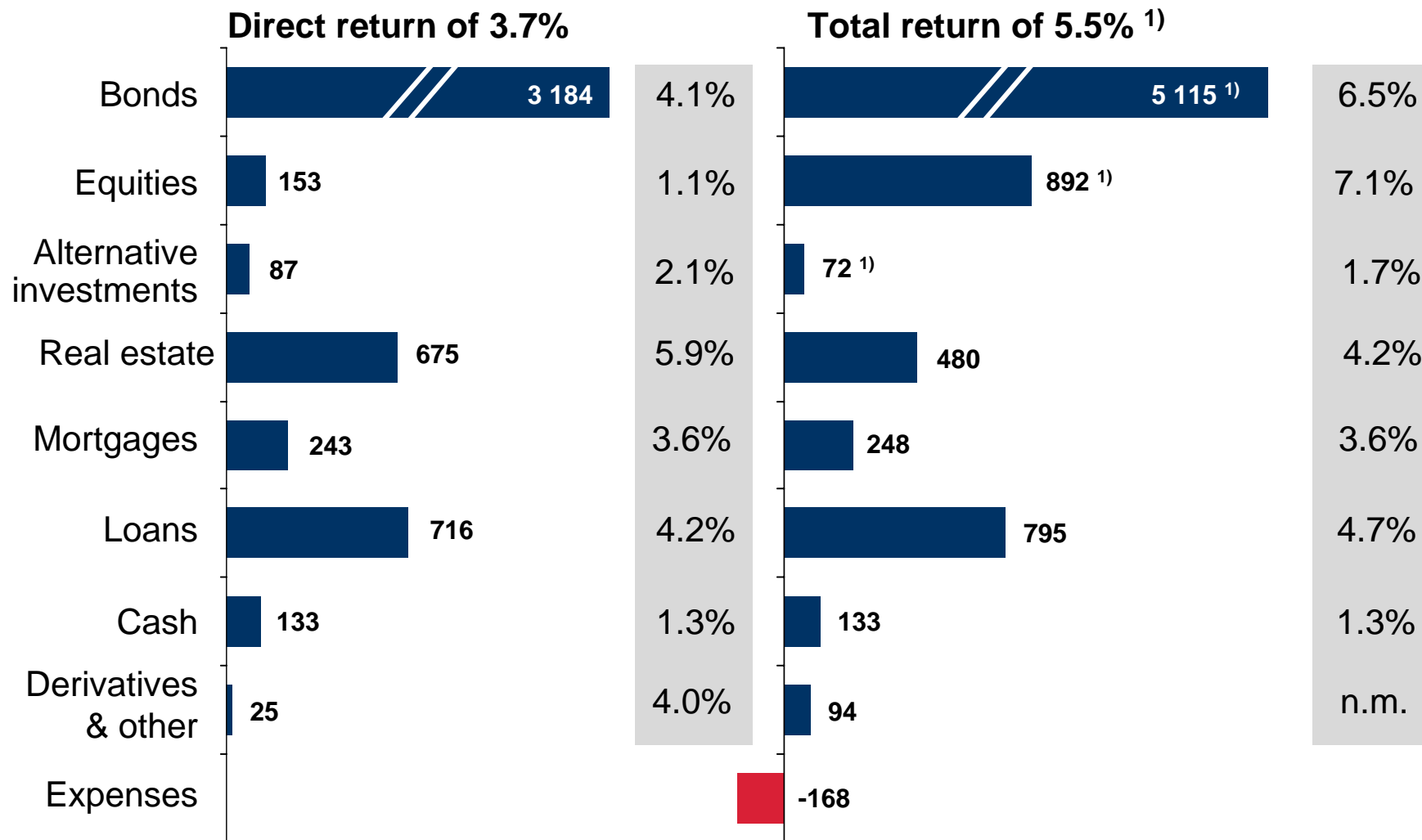
# Positioned for rising interest rates

Asset allocation of insurance portfolio; CHF million (IFRS basis)



# High returns - low risk profile

Investment return on insurance portfolio; CHF million



1) Including hedge effects, before expenses



# Solid operating growth in embedded value

CHF million (statutory basis)

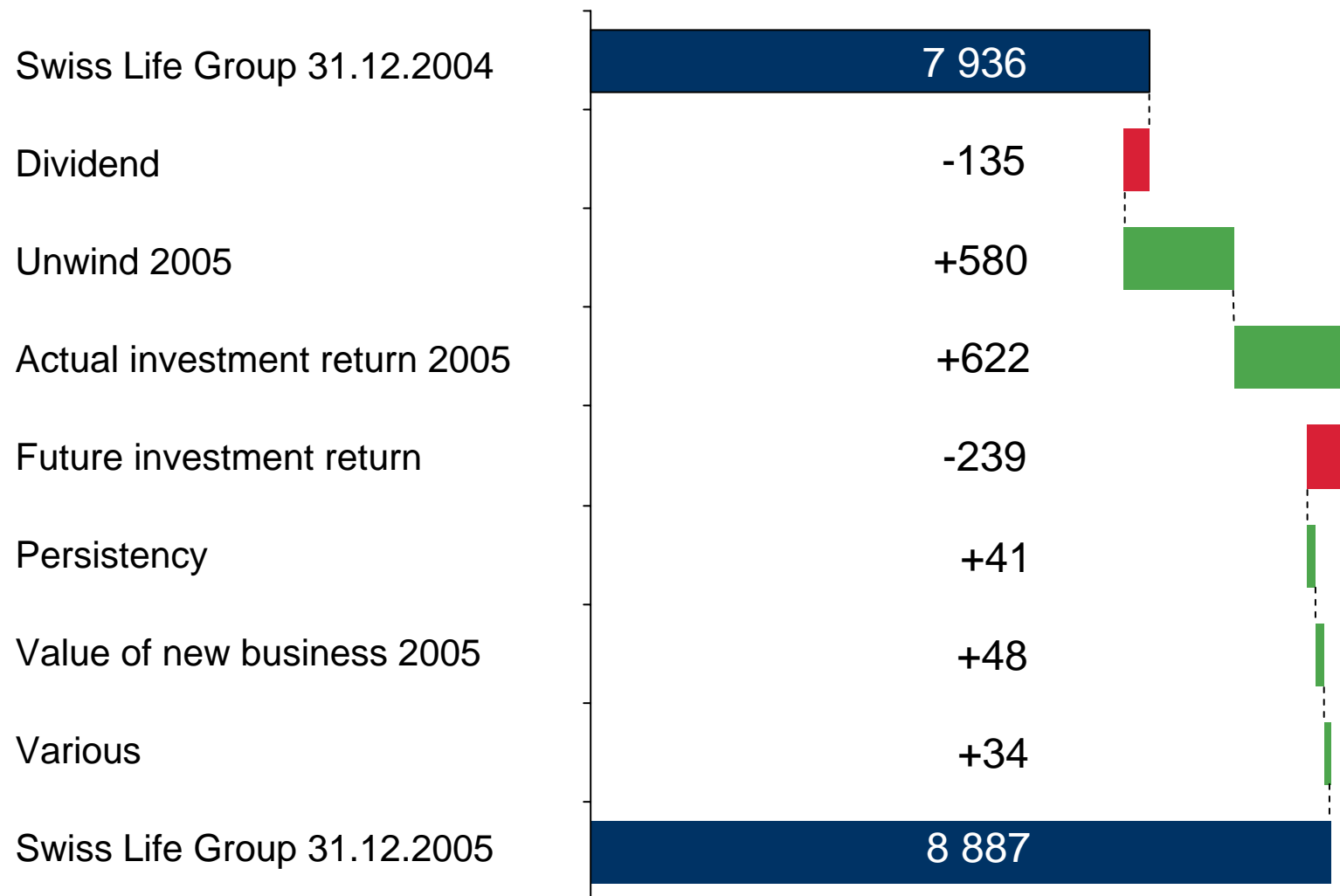
	31.12.2005	31.12.2004	Change	RoEV <sup>1)</sup>
Embedded value Switzerland	3 614	3 601	+0.4%	+7.3%
Embedded value Europe	3 460	2 819	+22.7%	+22.7%
ANAV of Swiss Life Holding	1 813	1 516		
<b>Swiss Life Group</b>	<b>8 887</b>	<b>7 936</b>	<b>+12.0%</b>	<b>+13.7%</b>
of which ANAV	5 942	4 909		
PVFP	4 809	4 507		
Cost of capital	-1 864	-1 480		
Embedded value per share <sup>2)</sup>	263	235		

1) Net of transfers

2) Based on 33 775 818 shares as of 31.12.2004 and on 33 776 078 as of 31.12.2005

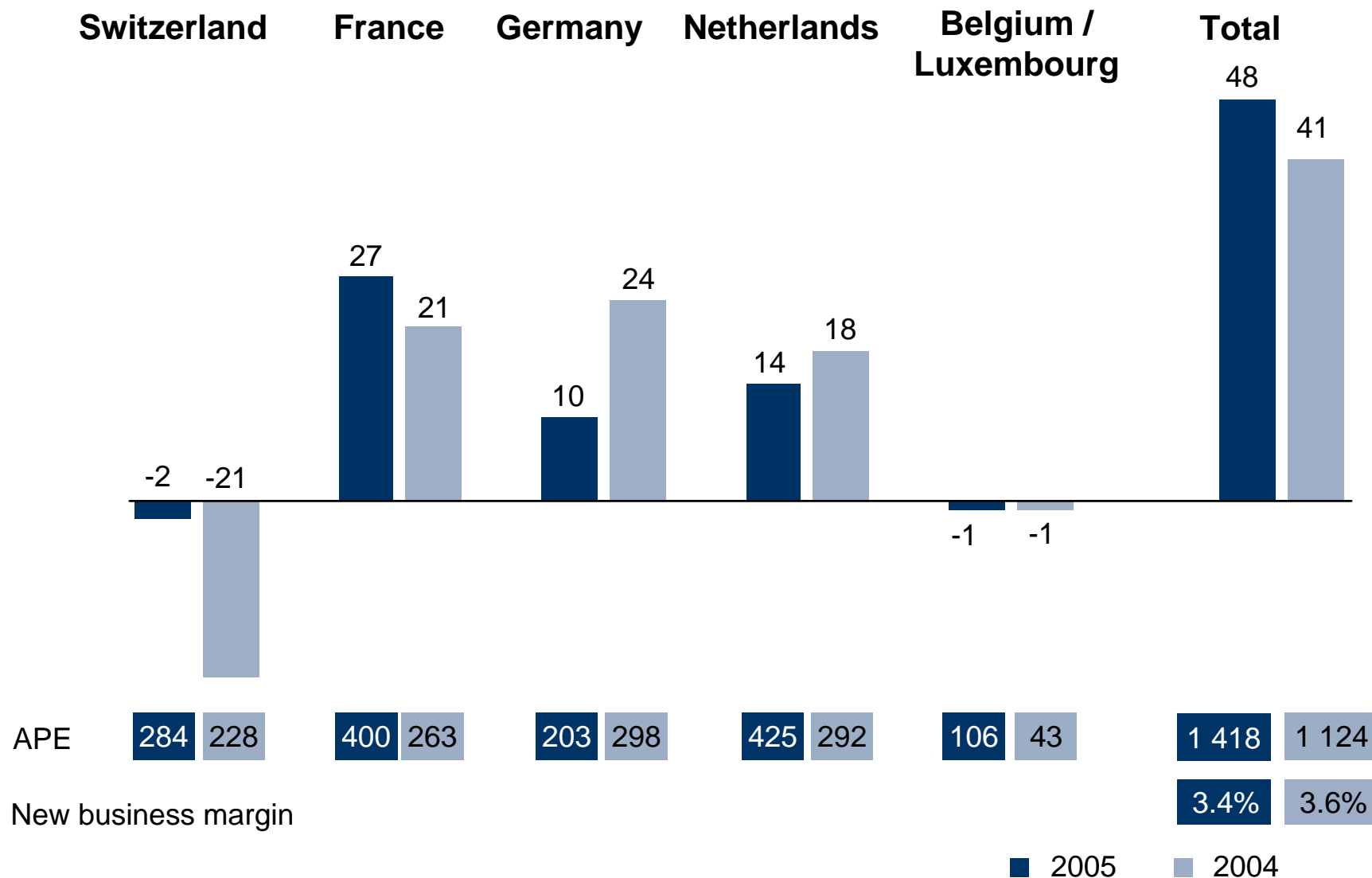
# Higher than projected investment returns

Embedded value: Analysis of change; CHF million (statutory basis)

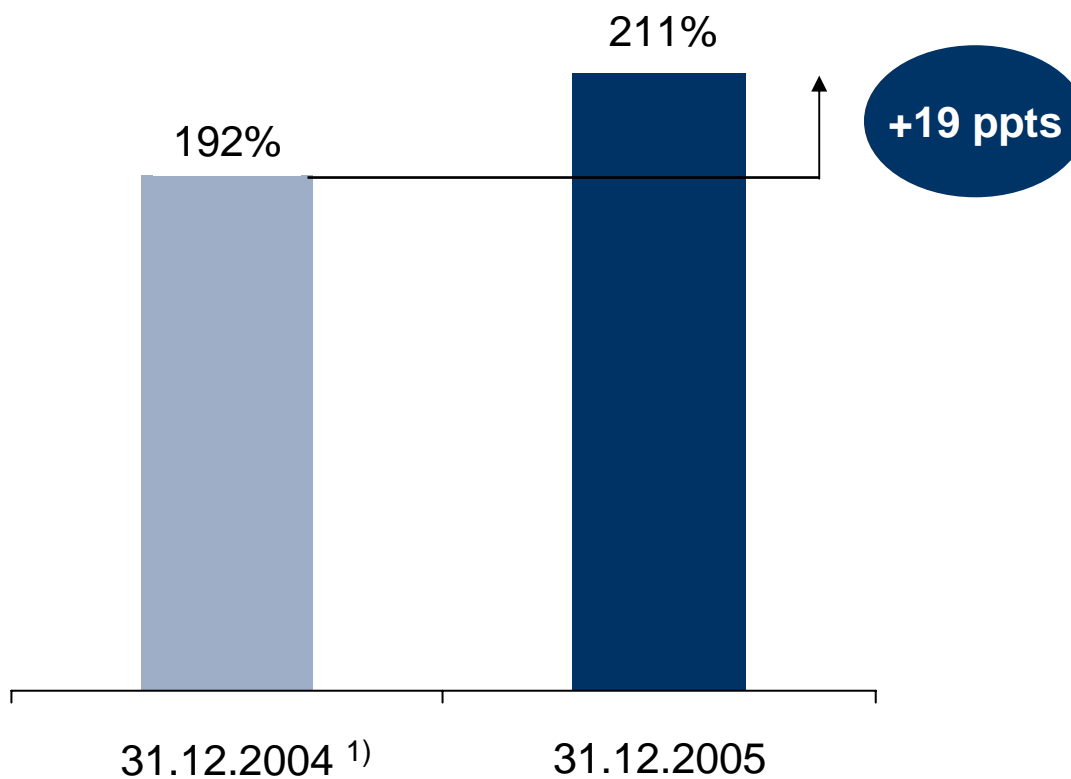


# Value of new business significantly improved

CHF million (statutory basis)

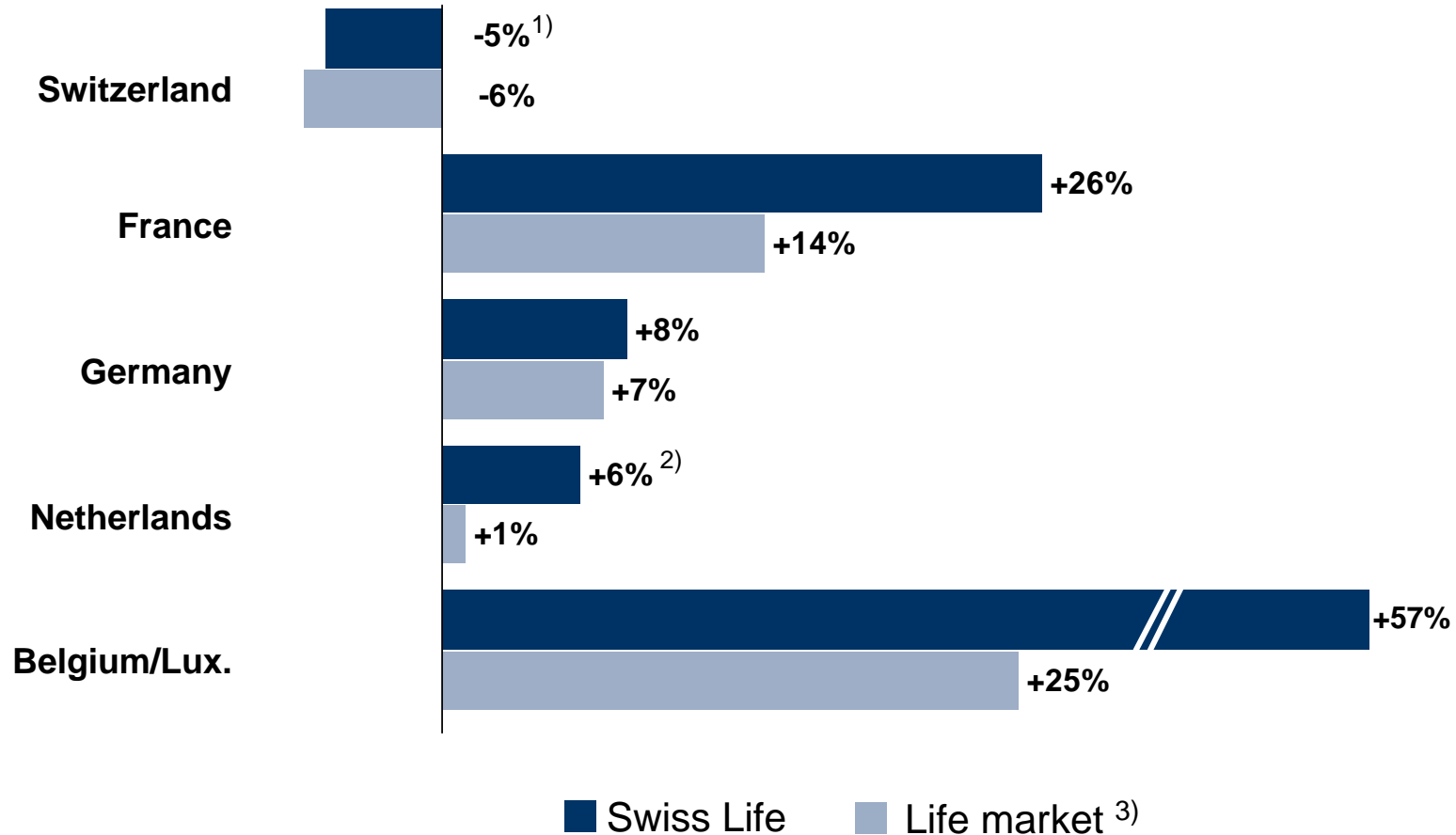


# Group solvency increased



# Life growth above market average in all countries

2005 life premiums (excl. health and excl. non-life) in local currency, in %

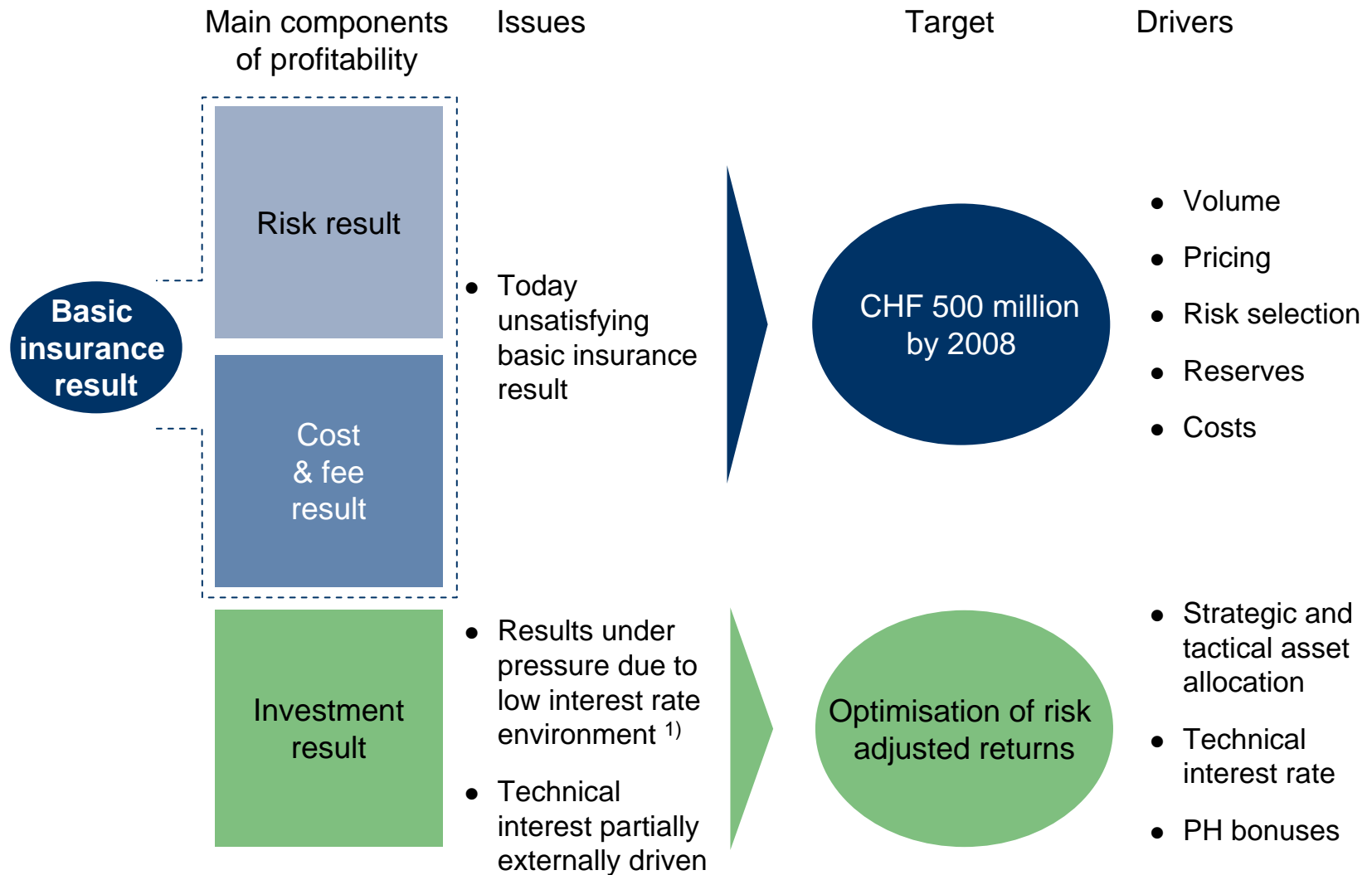


1) Growth -5% on an adjusted basis (excluding BVG contingency fund CHF 554 million in 2004) including Non-Life; -4% growth excluding Non-Life

2) Adjusted for De Goudse CHF 463 million in 2004

3) Mainly based on estimates of industry associations

# Basic insurance result best reflects operational performance

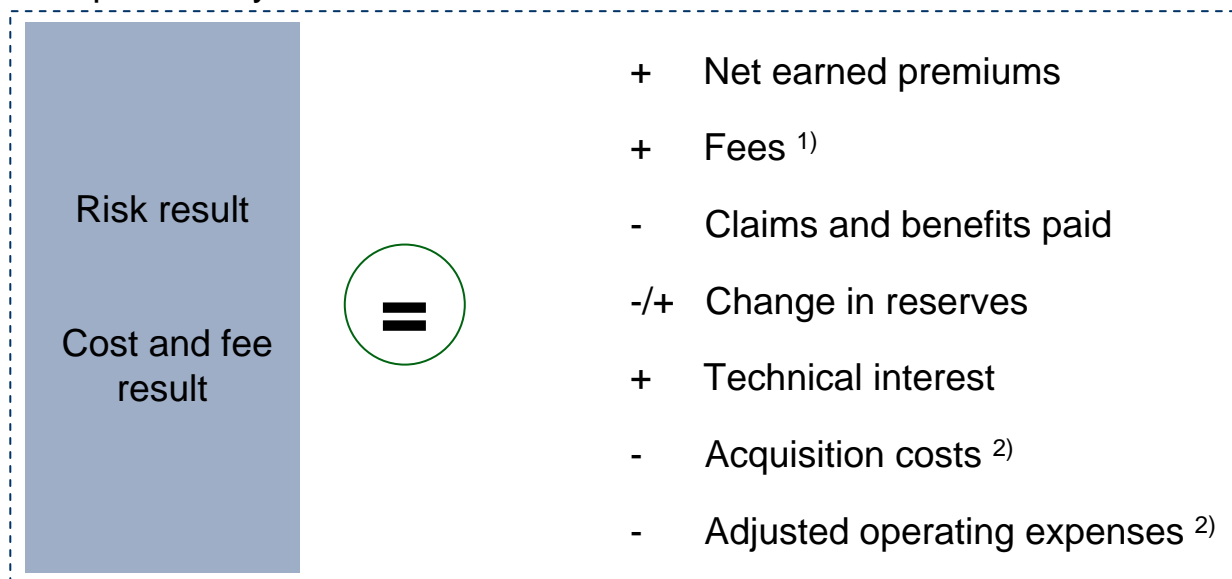


1) Due to reinvestments

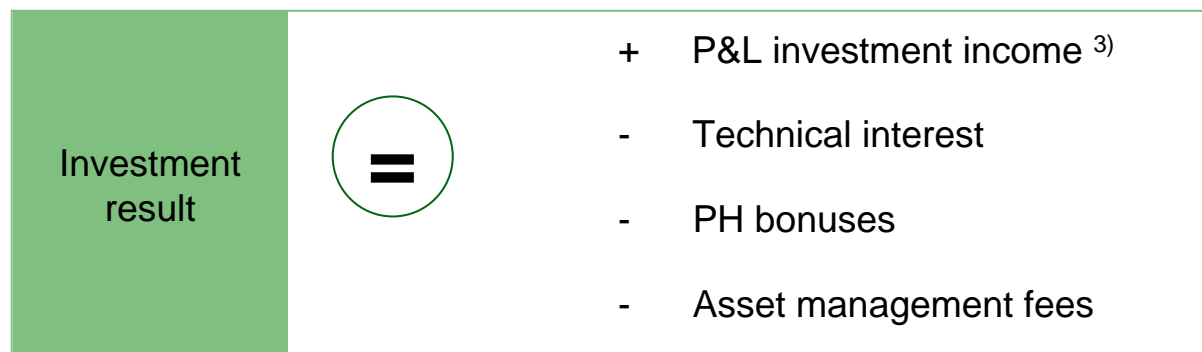
# Basic insurance result: Definitions

Main components  
of profitability

Definition (IFRS Basis)



**BASIC  
INSURANCE  
RESULT**



1) E.g. from unit-linked, distribution of third party products  
2) Including cost normalisation e.g. DAC, restructuring costs  
3) Including costs

# Average technical interest rate of 3.03%

CHF / EUR / USD / GBP million (statutory basis)

	CHF	EUR	USD	GBP
Total reserves	63 760	32 452	485	9
Mean technical interest rate	2.79%	3.31%	4.10%	3.58%

Overall: 3.03% (-7 bps)



# Key assumptions for embedded value calculation

	31.12.2005		31.12.2004	
	CH	EU	CH	EU
Risk discount rate	7.0%	8.0%	7.0%	8.0%
Equity return	6.5%	7.5%	5.0%	6.0%
Bond return	2.1%	3.6%	2.5%	3.9%
Real estate return	4.5%	5.2%	4.2%	5.8%
Hedge fund return	6.5%	7.5%	5.0%	6.0%
Weighted new money rate	3.2%	3.8%	3.1%	4.0%

- Weighted new money return based on asset allocation
- Weighted returns are lower due to reduced assumed future investment returns
- Long-term bond return from 2011 onwards  
CH 2.4%  
EU 3.8%
- Long-term weighted new money rate from 2011 onwards  
CH 3.5%  
EU 4.0%
- No uplift for foreign currency bonds assumed

10-year government bond:	31.12.2005	31.12.2004
Switzerland (CHF)	2.0%	2.3%
Europe (EUR)	3.3%	3.7%

# Sensitivities of embedded value

CHF million (statutory basis)

	Switzerland	Europe	Total
<b>EV 31.12.2005 (base case)</b>	<b>3 614</b>	<b>3 460</b>	<b>8 887 <sup>1)</sup></b>
Δ Risk discount rate -100 bps	375	294	669
Δ Investment returns +100 bps	657	697	1 354
Δ Investment returns -100 bps	-985	-842	-1 827
Δ Bond returns +100 bps	216	386	602
Δ Bond returns -100 bps	-369	-458	-827
Δ Property values -10%	-481	-36	-517
Δ Investment margin -10 bps	-461	-186	-647
Δ Cost of capital at 150% <sup>2)</sup>	-583	-513	-1096

1) Including ANAV of Swiss Life Holding and overhead of CHF 1 813 million

2) Currently 100% cost of capital

# Sensitivities of value of new business

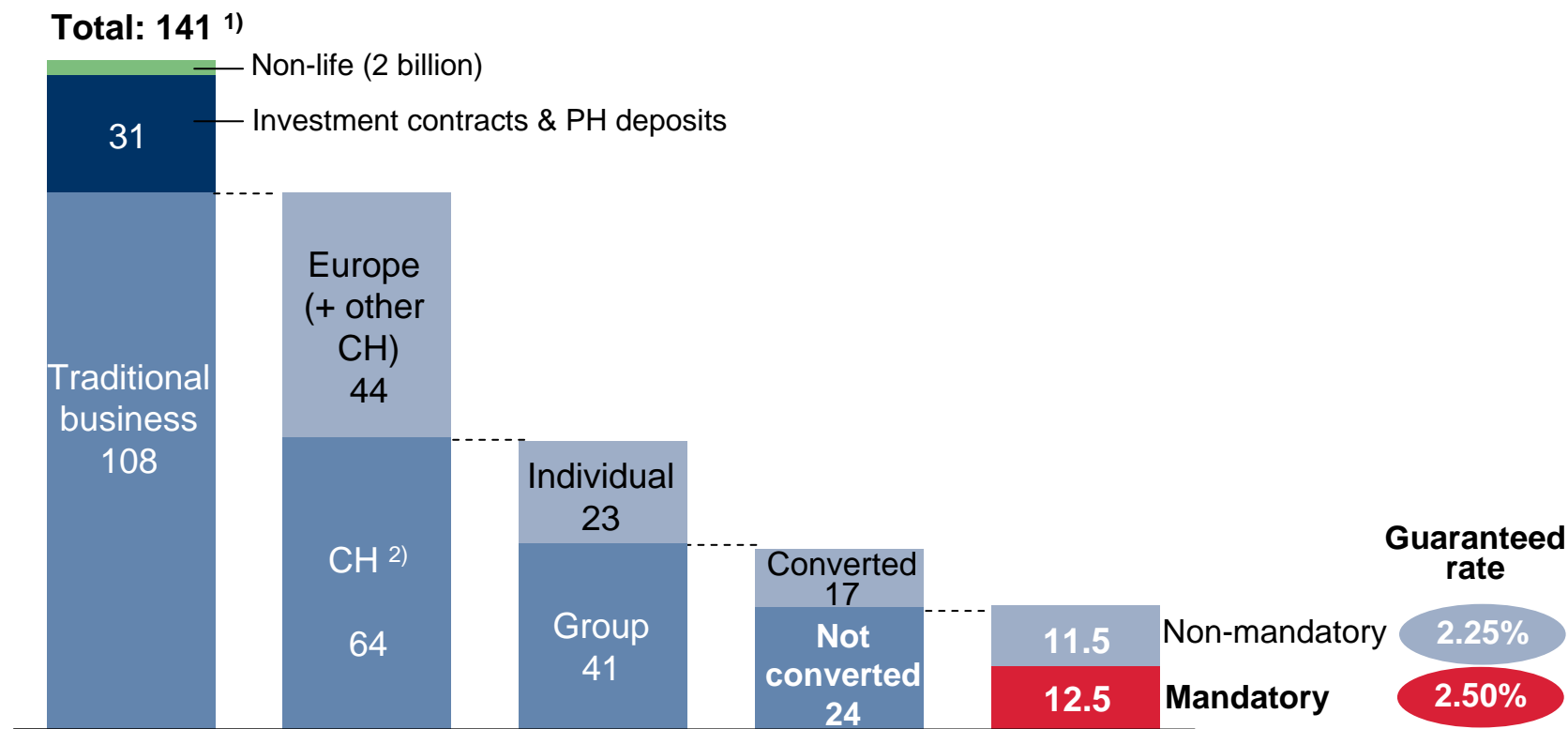
CHF million (statutory basis)

	Total
<b>VnB 31.12.2005 (base case)</b>	<b>48</b>
Δ Risk discount rate -100 bps	37
Δ Investment returns +100 bps	84
Δ Administration expenses -10%	28
Δ Acquisition expenses -10%	33

# Less than 10% of Swiss Life Group reserves are subject to BVG minimum interest rates

Breakdown of technical reserves

CHF billion (IFRS basis); 31.12.2005



1) Excludes 3rd party reserves of CHF 5 billion: Unit-linked and embedded derivatives insurance

2) CH includes SL ZH, La Suisse Vie and Vaudoise

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