

**BofAML Banking & Insurance CEO Conference 2013**  
**Swiss Life: Continued disciplined strategy execution**

**Bruno Pfister, Group CEO**  
**Zurich, 25 September 2013**

# Agenda

## → **Swiss Life Group: Attractive business portfolio**

HY 2013 results:

Operational progress and profitable growth

Swiss Life 2015:

Increase resilience through profit source diversification

Wrap-up:

Continue successful strategy execution

# Swiss Life Group offers an attractive business portfolio with strong market positions



FY 2012

Swiss Life Group – Facts and figures	Business units as of 1.1.2013	Strong market positions
<ul style="list-style-type: none"> <li>▪ Leading provider of comprehensive life and pensions and financial solutions</li> <li>▪ GWP incl. PHD: CHF 17.0 bn</li> <li>▪ Net profit: CHF 93 m</li> <li>▪ Adjusted profit from operations: CHF 993 m</li> <li>▪ Asset under Mgmt: CHF 149 bn<sup>1)</sup></li> <li>▪ Insurance reserves: CHF 140 bn<sup>1)</sup></li> <li>▪ Group MCEV: CHF 9.6 bn</li> <li>▪ FTEs: 6 998<sup>1)</sup></li> </ul>	Switzerland	<ul style="list-style-type: none"> <li>- Individual Life: No 1</li> <li>- Group Life: No 2</li> <li>- Swiss Life Select: Largest IFA</li> </ul>
	France	<ul style="list-style-type: none"> <li>- Individual Health: No 2<sup>2)</sup></li> <li>- Life: No 13; focus on HNWI and affluent</li> </ul>
	Germany	<ul style="list-style-type: none"> <li>- BUZ<sup>3)</sup>: A market leader</li> <li>- BAV<sup>4)</sup>: No 9</li> <li>- IFA network: No 3</li> </ul>
	International	<ul style="list-style-type: none"> <li>- PPLI: No 2 globally<sup>5)</sup></li> <li>- Swiss Life Network: No 1</li> <li>- Leading IFA in UK and AT</li> </ul>
	Asset Managers	<ul style="list-style-type: none"> <li>- Leading insurance asset manager in CH with large portfolios in FR &amp; DE</li> </ul>

1) HY 2013 2) Excl. mutuals 3) BUZ: Supplementary occupational disability insurance 4) BAV: Occupational pension scheme 5) Providers with global exposure

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# Increased profitability due to operational progress and strong investment result

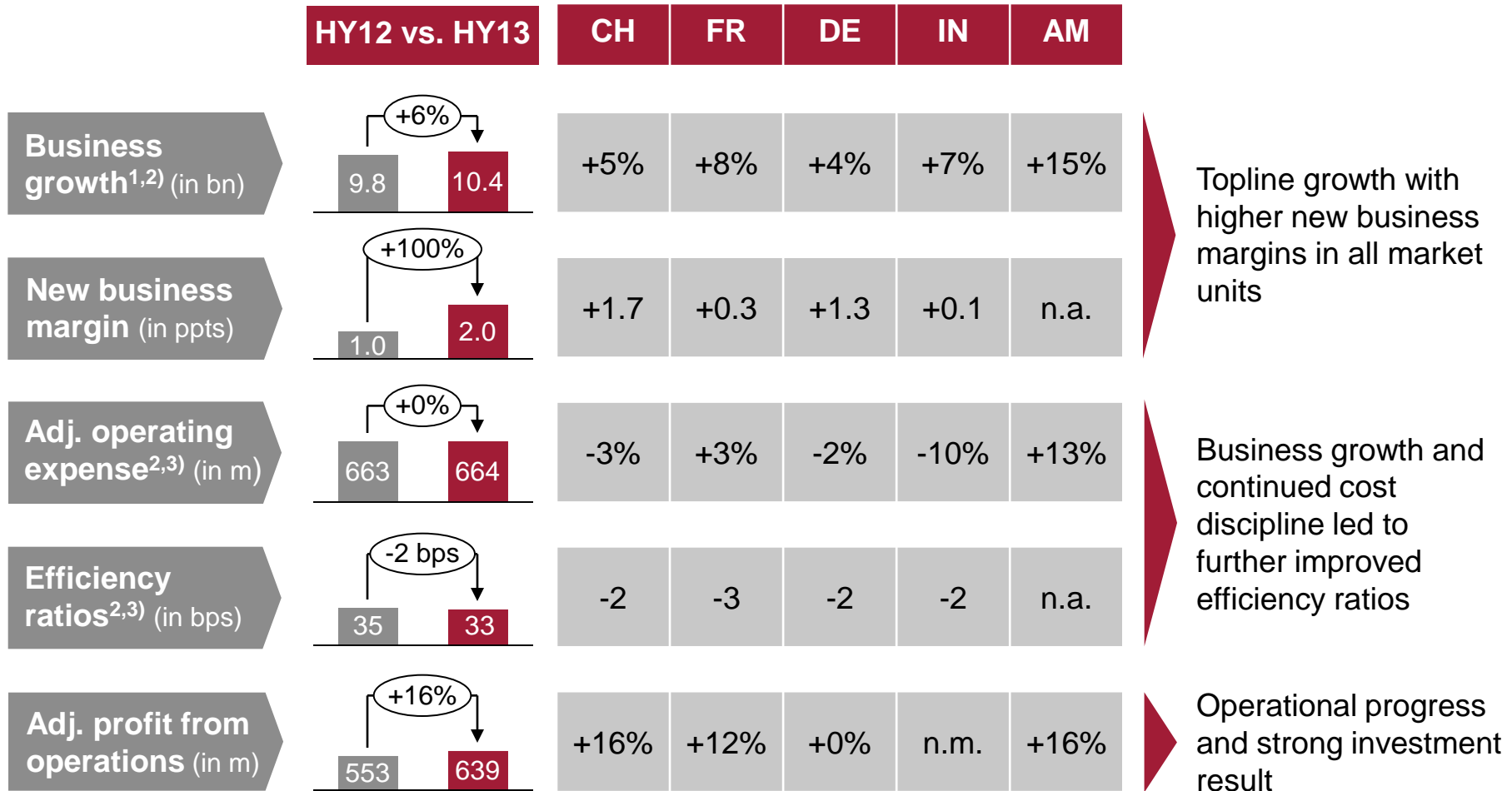
HY 2013 vs. HY 2012

Adjusted profit from operations	➔	CHF 639 m	+16%
Net profit	➔	CHF 472 m	+29%
New business margin (% PVNBP)	➔	2.0%	+1.0 pts
GWP incl. PHD (in local currency)	➔	CHF 10.4 bn	+6%
Fee and commission income	➔	CHF 551 m	+5%
Shareholders' equity	➔	CHF 8.8 bn	-14% <sup>1)</sup>
Return on equity <sup>2)</sup> (annualised)	➔	12.7%	+3.0 pts
Group solvency	➔	205%	-34 pts <sup>1)</sup>

1) HY 2013 vs. FY 2012 2) Equity excl. unrealised gains/losses on bonds

# Profitable growth in all market units with continued strong cost discipline

IFRS basis, MCEV



1) GWP, fees and deposits for CH, FR, DE, IN; total income for AM 2) Total currency adjusted; CH, FR, DE, IN in local currency  
 3) Adjusted operating expense (excl. owned IFAs) in % of average technical reserves (excl. deferred PHP) for CH, FR, DE, IN; AM with stable cost-income ratio

# Resilient direct yield and very strong net investment yield

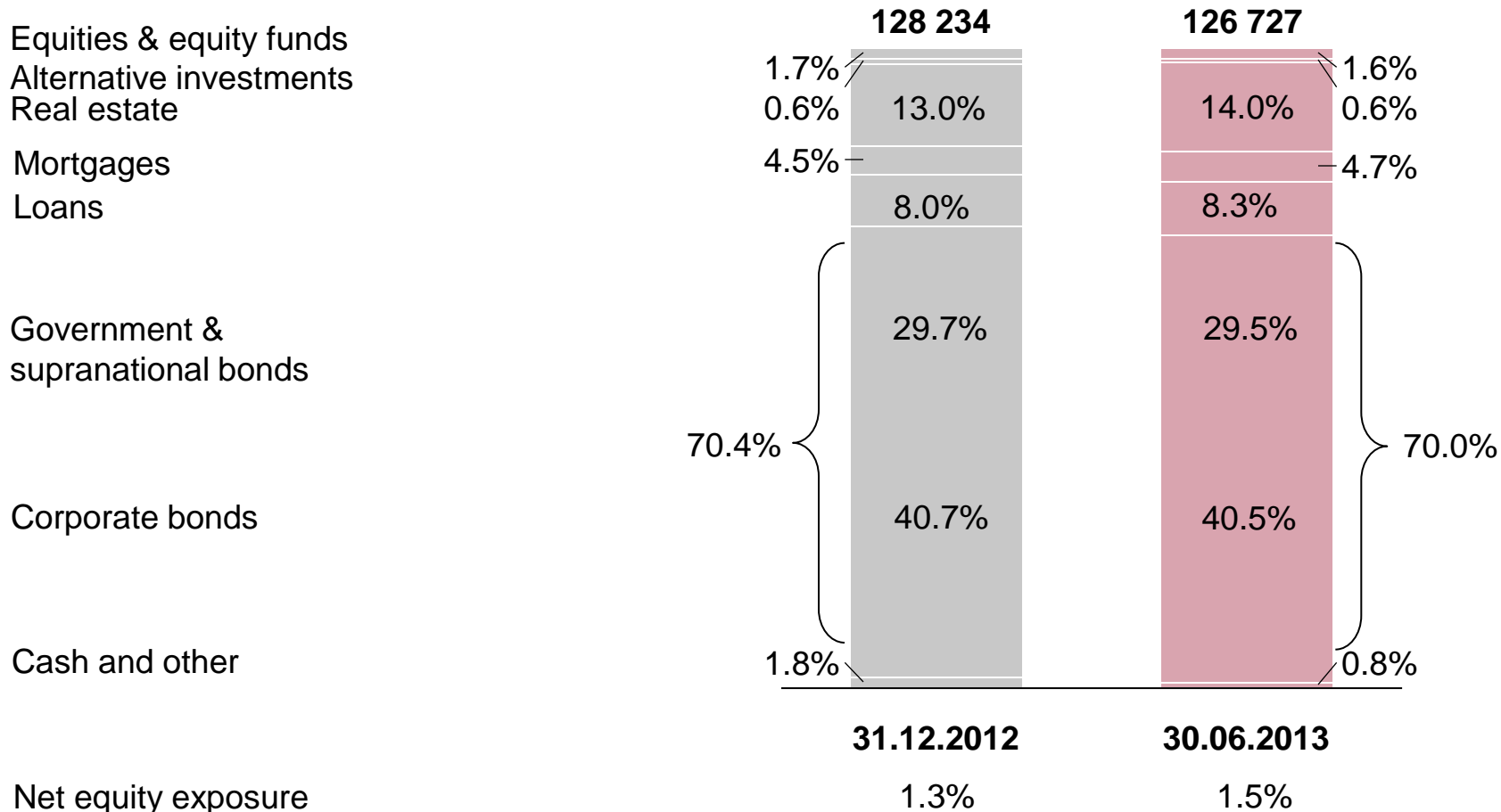
CHF million (IFRS basis), insurance portfolio for own risk  
Yields not annualised

	<b>HY 2012</b>	<b>HY 2013</b>
Direct investment income	2 183	2 158
Direct investment income in %	1.8%	1.7%
Expense	-113	-128
Net capital gains/losses on investments and impairments <sup>1)</sup>	1 168	964
Net investment result	3 237	2 994
Net investment result in %	2.7%	2.4%
Changes in unrealised gains/losses on investments	1 718	-5 195
Total investment result	4 955	-2 201
Total investment result in %	4.2%	-1.8%
Average net investments	118 119	124 919
Total investment performance (fair value) in %	4.4%	-2.6%

1) Including FX gains/losses on hybrid (HY12 CHF 25 m; HY13 CHF -37 m)

# Well diversified investment portfolio

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





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# Swiss Life 2015: Continue on the successful path of MILESTONE

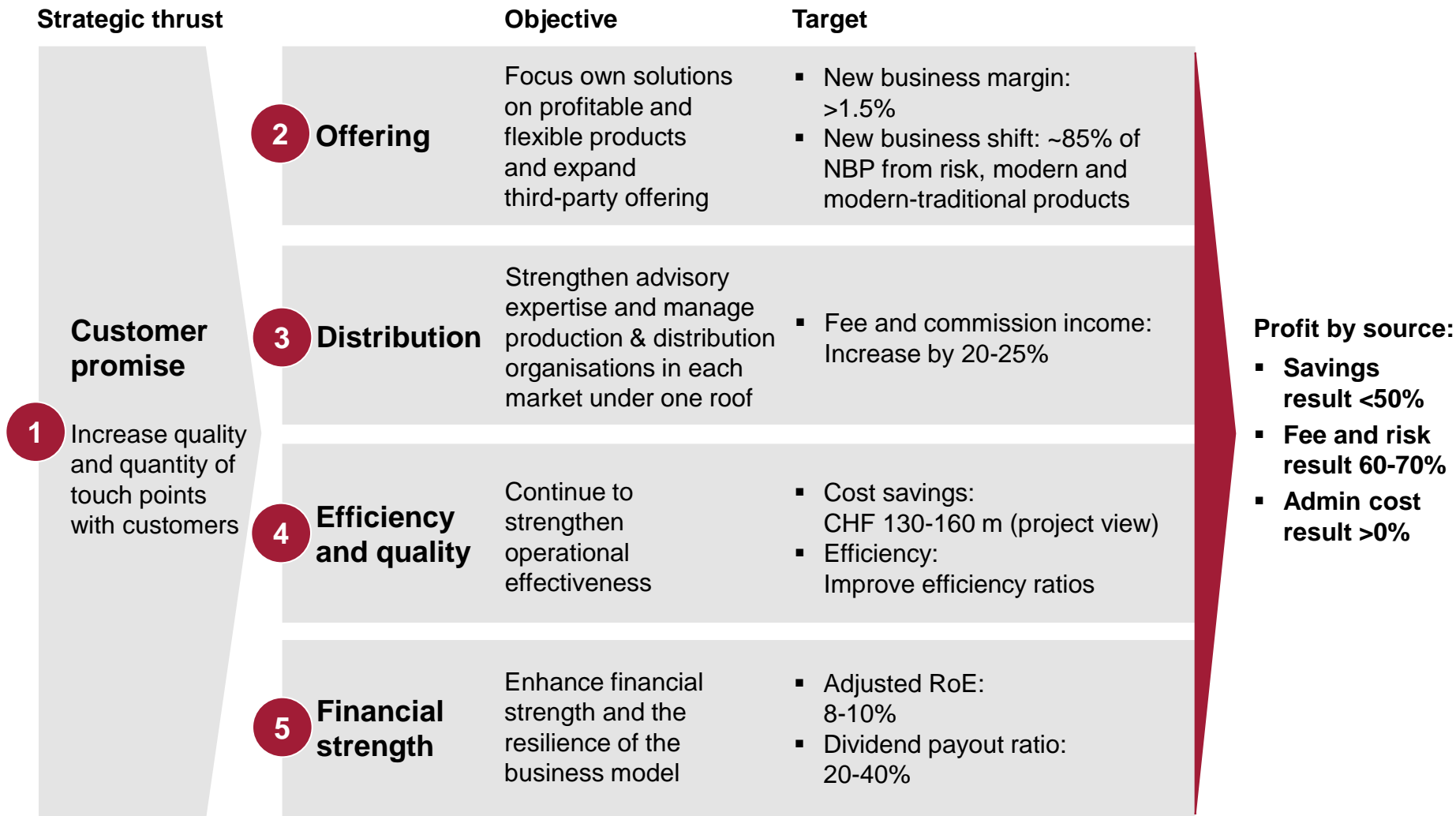
## **MILESTONE** (2009 – 2012)

- Balance sheet significantly strengthened
- Cost savings of > CHF 400 m realised
- New business margin substantially improved
- New business mix shifted to < 30% traditional
- Disciplined ALM keeps duration gap low and protects interest rate margin
- Regained A- rating

## **Swiss Life 2015** (2013 – 2015)

- Build on solid foundation laid by MILESTONE
- Continue to transform business model and increase its resilience

# Swiss Life 2015: Increase earnings while diversifying profit sources



# Swiss Life continues to transform business model based on a multi-local approach

<b>Switzerland</b>	Develops from a pure life insurer to a comprehensive life and pensions and financial solutions provider
<b>Germany</b>	Becomes a financial advisory and insurance company under one roof
<b>France</b>	Expands its strong position as a "private and personal insurer"
<b>International</b>	Provides protection, financial solutions and advice in selected markets
<b>Asset Managers</b>	Grows its business with external customers



SwissLife

# Focus areas by market unit

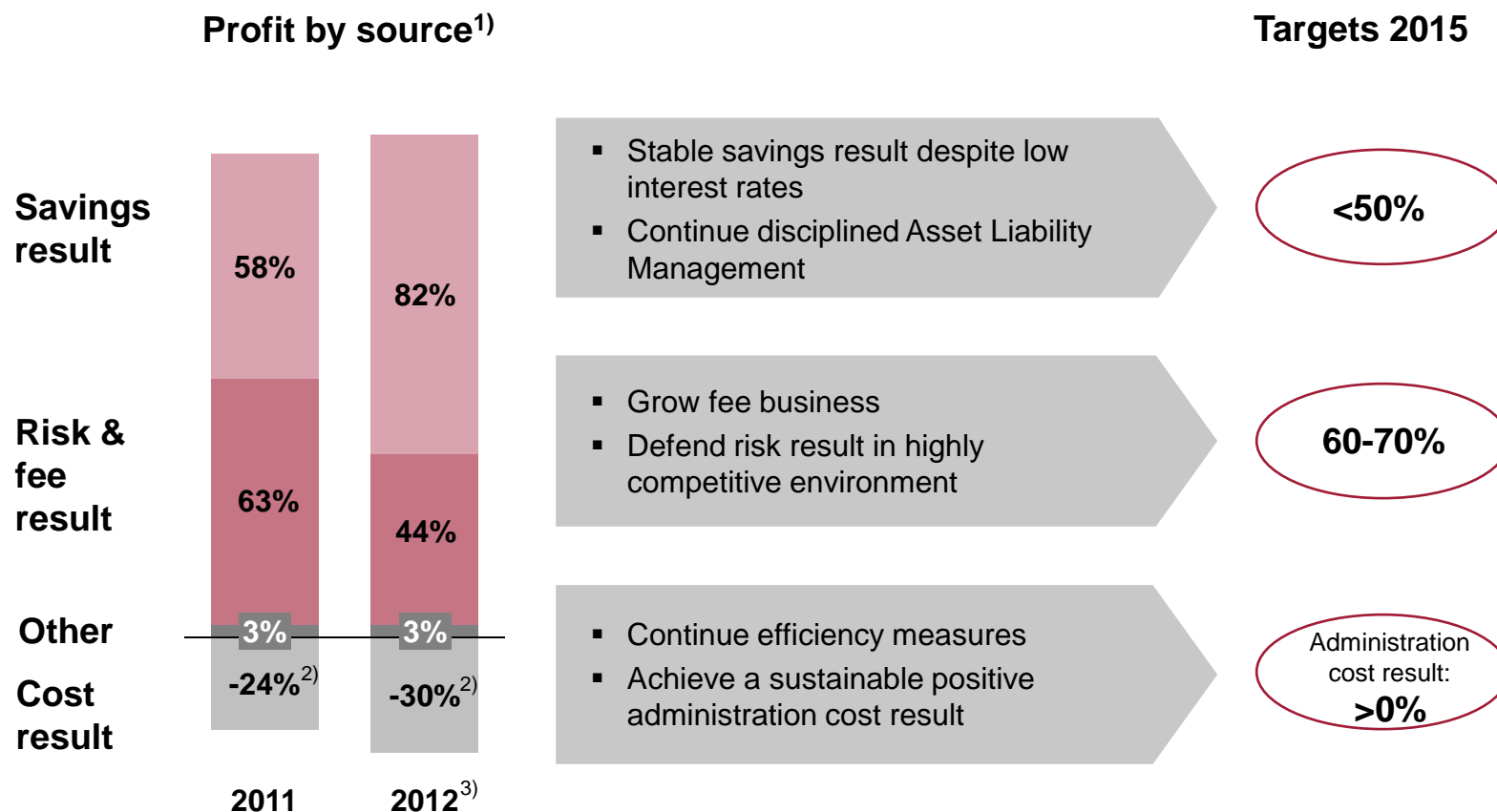
Focus on growth

Focus on efficiency

Consolidate and prepare for growth

<b>Asset Managers</b>	<ul style="list-style-type: none"> <li>Increase fee volume at stable cost/income ratios</li> </ul>	<p>272 (2011), 272 (2015)</p> <p>+20%-30%</p>	<p>Fee income growth</p> <p>Net fee income, CHF</p>
<b>France</b>	<ul style="list-style-type: none"> <li>Overall cost discipline, allowing for investments in distribution</li> <li>Improve loss ratios in health and P&amp;C</li> </ul>	<p>68 bps (2011), 58 bps (2015)</p> <p>~-10 bps</p>	<p>Efficiency gains</p> <p>Life efficiency ratio % of techn. reserves</p>
<b>Switzerland</b>	<ul style="list-style-type: none"> <li>Overall cost discipline, allowing for investments to enlarge fee business</li> <li>Focus on margin management in individual life</li> </ul>	<p>56 bps (2011), 51-53 bps (2015)</p> <p>-3-5 bps</p>	<p>Efficiency gains</p> <p>Life efficiency ratio % of techn. reserves</p>
<b>Germany</b>	<ul style="list-style-type: none"> <li>New set up in Germany enabling significant cost reduction</li> <li>Important contribution to profit diversification</li> </ul>	<p>239 (2011), 199-212 (2015)</p> <p>-15-20%</p>	<p>Cost reduction</p> <p>Operating expenses excl. restructuring costs &amp; one-offs, EUR</p>
<b>International</b>	<ul style="list-style-type: none"> <li>Reduction of complexity and costs by focus on 2 carriers for new business</li> <li>Further develop Swiss Life Select (AT, CEE) and Chase de Vere (UK)</li> </ul>	<p>138 (2011), 124-130 (2015)</p> <p>-5-10%</p>	<p>Cost reduction</p> <p>Operating expenses excl. restructuring costs &amp; one-offs, CHF</p>

# Driving profit source diversification

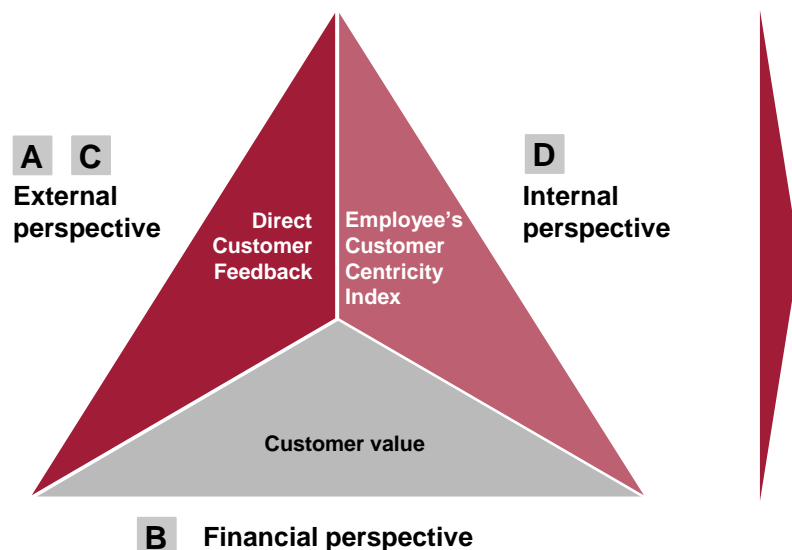


1) Profit by source (PbS) based on adjusted segment results

2) Thereof admin cost result before policyholder participation: -2% in 2011 and 1% in 2012

3) PbS (particularly savings and cost result) impacted by high amount of realised gains

# Customer centricity to increase customer loyalty and corporate profitability

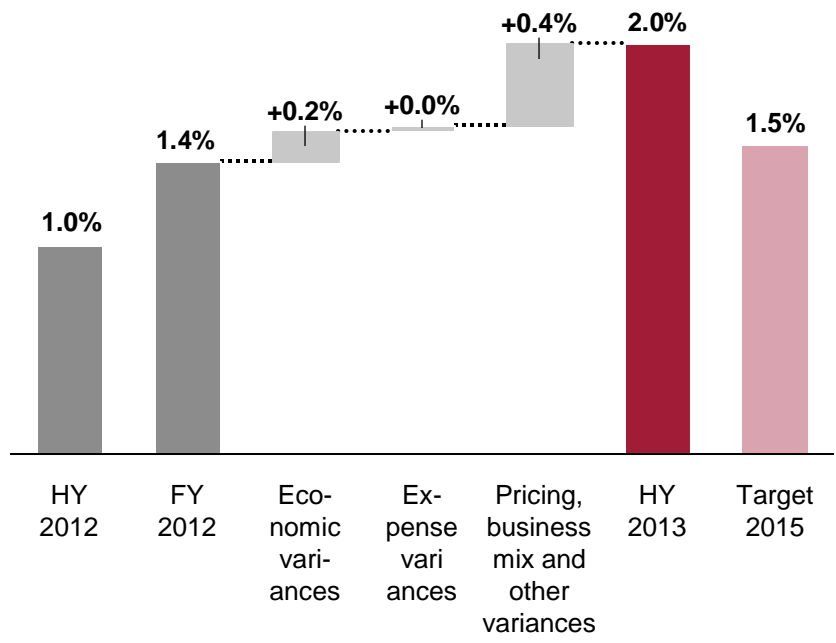


**Customer centricity framework implemented with clear focus points to cover all perspectives of customer centricity**

- A** Know your customer
- B** Design innovative and value creating bundles of products and services
- C** Enlarge customer engagement
- D** Build a customer centric culture and vision

# Higher new business margin due to favourable business mix and capital markets

New business margin development  
(VNB as % of PVNBP)



- Economic variances**
  - Higher interest rates and lower interest rate volatilities with positive impact
- Expense variances**
  - Expense reductions with slightly positive impact
- Pricing, business mix and other variances**
  - Repricing measures and improved business mix in CH, FR and DE with strong positive contribution

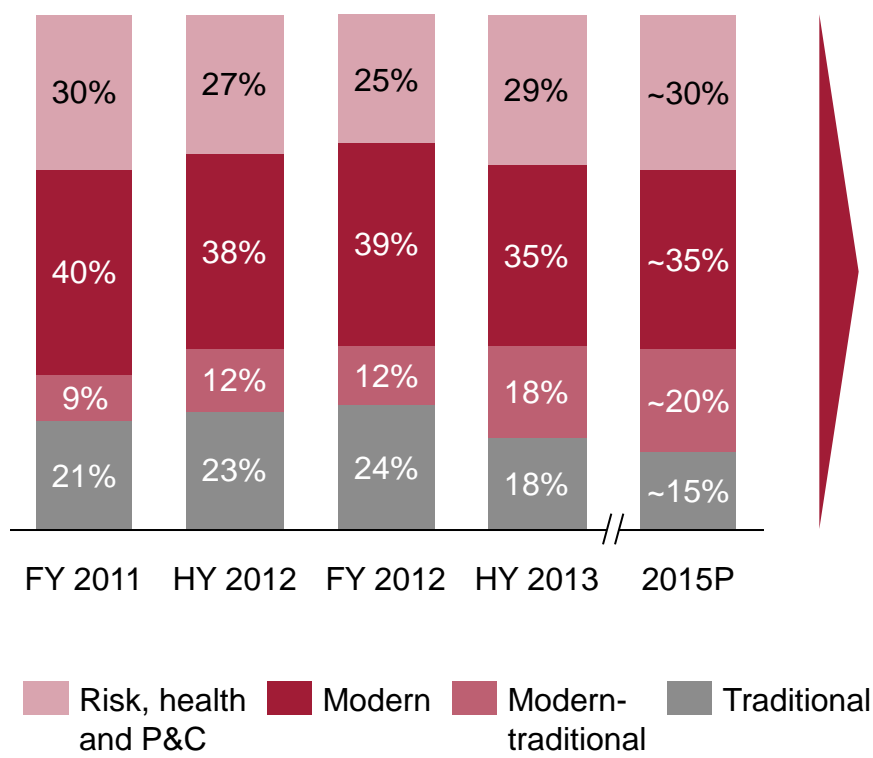
<b>PVNBP</b>	6 102	11 276	7 133
<b>APE</b>	605	1 100	653
<b>VNB</b>	59	158	141
<b>NBM (APE)</b>	9.7%	14.4%	21.6%





# New business mix close to 2015 target

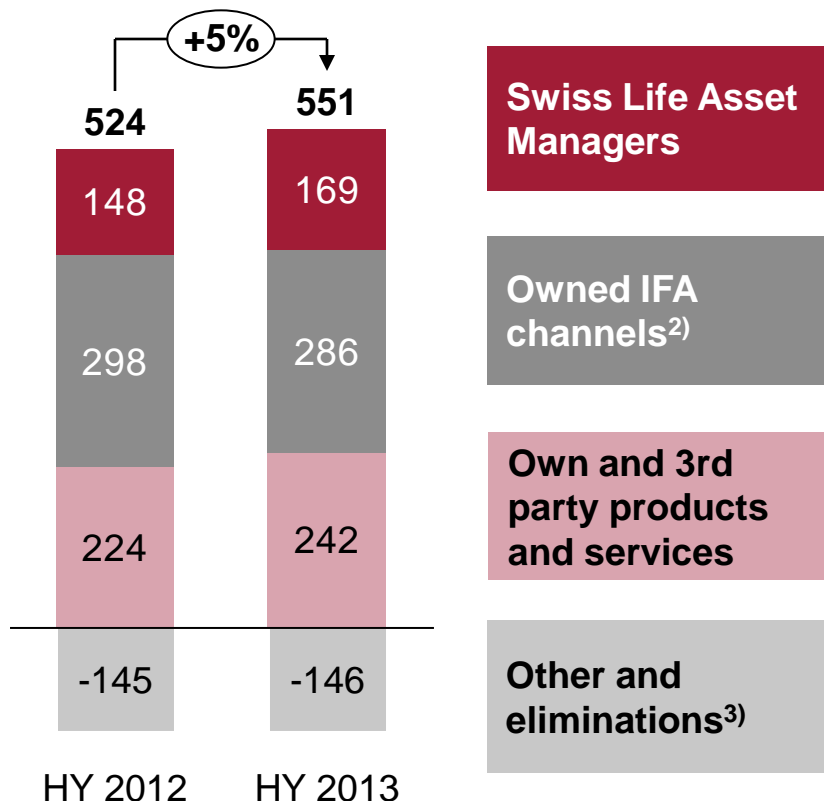
New business production (NBP)



- Risk, health and P&C**
  - DE: Improved competitive position in disability insurance
  - FR: Lower sales of individual health in anticipation of health reform
- Modern**
  - CH: De-emphasising of low profitable savings products in Q4 2012
  - FR: UL share of multisupport further increased, two tranches of structured products sold in HY 2013
- Modern-traditional**
  - CH: Launch of 'FlexSave' savings product in Q4 2012
- Traditional**
  - CH: Successful shift to alternative guarantee concepts in individual life after repricings, continuous high demand for full insurance solutions in group life

# Asset Managers and unit-linked business driving fee and commission income growth

Fee and commission income<sup>1)</sup>, CHF million



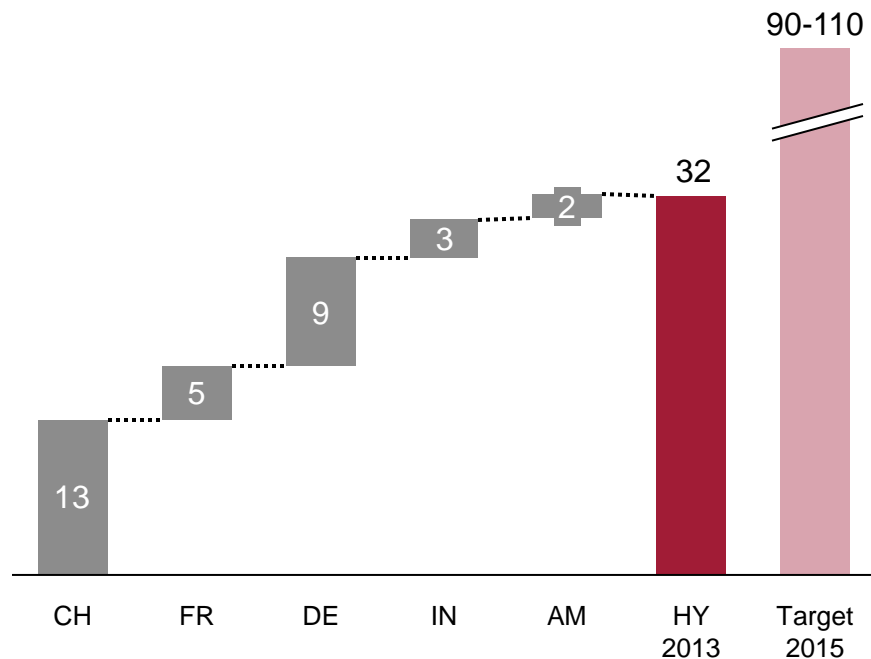
- New mandates and strong performance of Swiss Life Asset Managers business, higher real estate related income and average asset base growth in Swiss Life Mandates business
- Challenging market environment leading to reduced advisor base
- Strong growth of unit-linked business in France and higher assets under control at HNWI business in International

1) Net earned policy fees as well as commission income gross which includes asset management fees  
 2) Swiss Life Select, Tecis, Horbach, Proventus, Chase de Vere and Agami  
 3) Eliminations attributable to Swiss Life Mandates and owned IFA channels

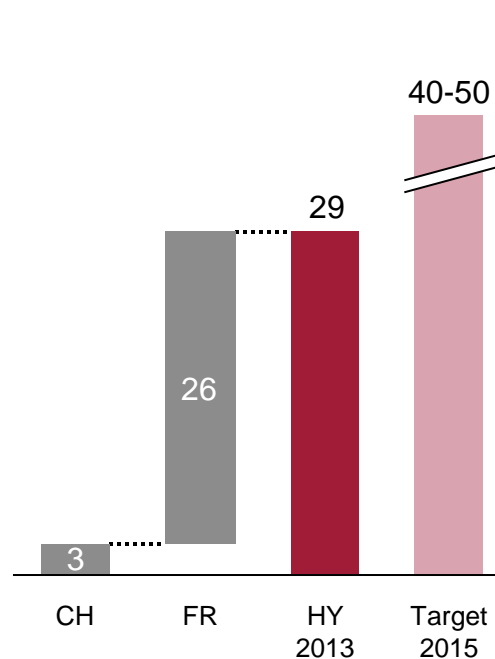
# About 40% of overall targeted cost savings implemented

CHF million (project view), vs. cost base FY 2011

Operating cost savings<sup>1)</sup>



Variable acquisition cost savings<sup>1)</sup>



Non-recurring restructuring costs of CHF 41 m incurred by HY13

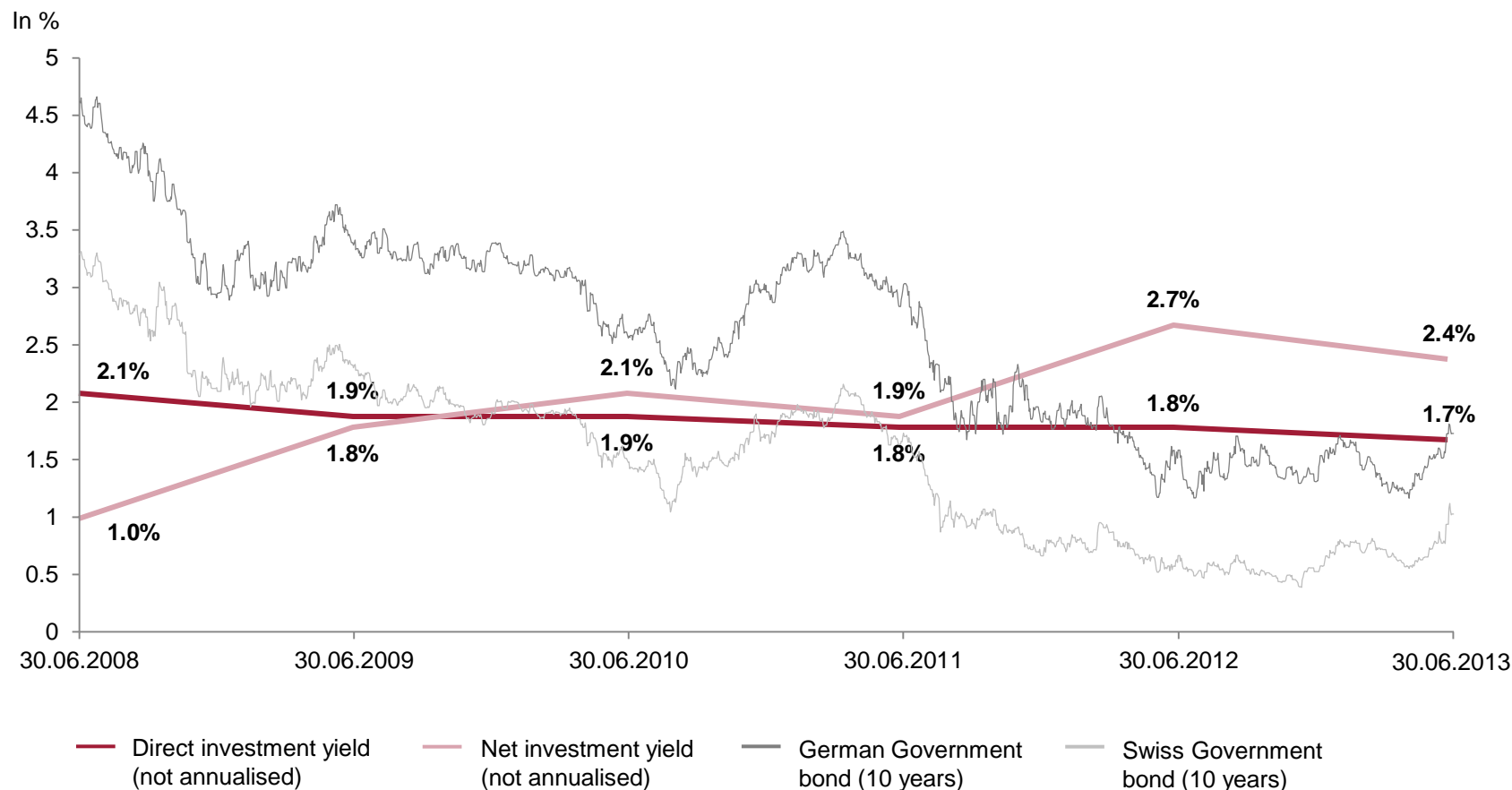
- Approximately 70% in 2012, 30% in HY13
- Representing about 45% of announced restructuring charges for Swiss Life 2015

1) At constant EUR CHF FX rate of 1.20

# Continued strong returns in a low interest rate environment

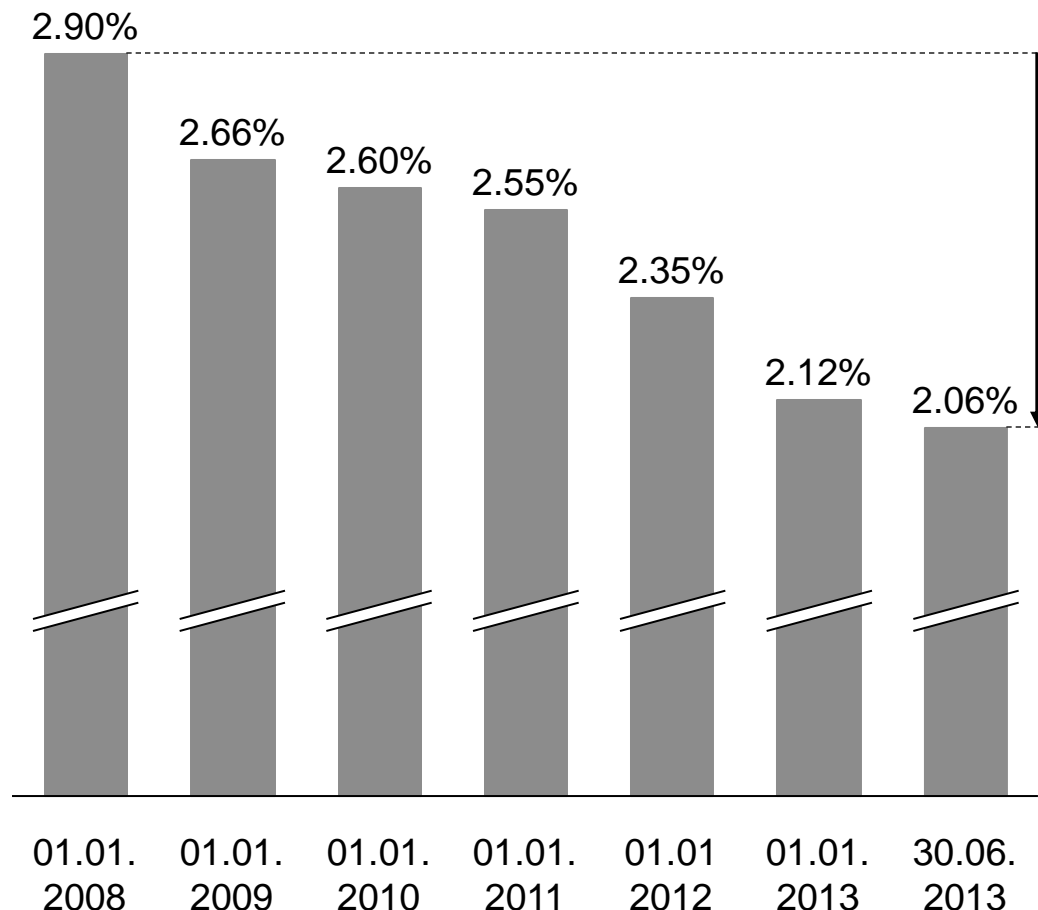
Direct and net investment yield not annualised (IFRS basis)

## Direct and net investment yield vs. Swiss and German government bond yield



# Average technical interest rate significantly decreased

Statutory basis



▪ Mandatory group life CH Reduction in min. interest rate by 125 bps to 1.50% by Federal Council	-17 bps
▪ Non-mandatory Group life CH Reduction in guaranteed rates by 100 bps to 1.25% by Swiss Life	-12 bps
▪ Change in business mix	-29 bps
▪ Reserve strengthening	-25 bps
▪ FX	-1 bps
<b>Total</b>	<b>-84 bps</b>

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# Wrap-up: Well on track with Swiss Life 2015

Strategic thrust	Target	Status	Profit by source:
<b>Customer promise</b>  <b>1</b> Increase quality and quantity of touch points with customers	<b>2 Offering</b>	<ul style="list-style-type: none"> <li>▪ New business margin: &gt;1.5%</li> <li>▪ New business shift: ~85% of NBP from risk, modern and modern-traditional products</li> </ul>	
	<b>3 Distribution</b>	<ul style="list-style-type: none"> <li>▪ Fee and commission income: Increase by 20-25%</li> </ul>	
	<b>4 Efficiency and quality</b>	<ul style="list-style-type: none"> <li>▪ Cost savings: CHF 130-160 m (project view)</li> <li>▪ Efficiency: Improve efficiency ratios</li> </ul>	
	<b>5 Financial strength</b>	<ul style="list-style-type: none"> <li>▪ Adjusted RoE: 8-10%</li> <li>▪ Dividend payout ratio: 20-40%</li> </ul>	

# Cautionary statement regarding forward-looking information



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# Contact details and financial calendar

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## Financial calendar

Interim statement Q3	12 November 2013
Full-year results 2013	26 February 2014
Annual General Meeting	23 April 2014

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