



Investors' Day 2009

**MILESTONE:**

**Managing for value at Swiss Life**

Thomas Buess, Group CFO  
Zurich, 15 December 2009





# MILESTONE enables Swiss Life to enhance its profitability and competitiveness



MILESTONE	Objectives		
1 Enhance customer value & new business profitability	<ul style="list-style-type: none"> <li>• Margin management focus: VNB and NBM</li> <li>• Drive shift to non-traditional products &amp; promote risk products</li> </ul>	<p><i>“We are growing – but not at the expense of value”</i></p>	5 Drive disciplined execution
2 Increase distribution quality and power	<ul style="list-style-type: none"> <li>• Optimise distribution channel mix</li> <li>• Capture full potential of AWD</li> </ul>	<p><i>“We are increasing growth in 3rd party channels and AWD”</i></p>	
3 Improve operational efficiency	<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>	<p><i>“We are managing our cost base rigorously and continuously”</i></p>	
4 Strengthen the balance sheet	<ul style="list-style-type: none"> <li>• Initiatives to optimise profit stream from in-force business and risk capital usage</li> </ul>	<p><i>“We are actively managing our capital and in-force business”</i></p>	

# MILESTONE covers entire group and drives execution of specific levers for each business unit

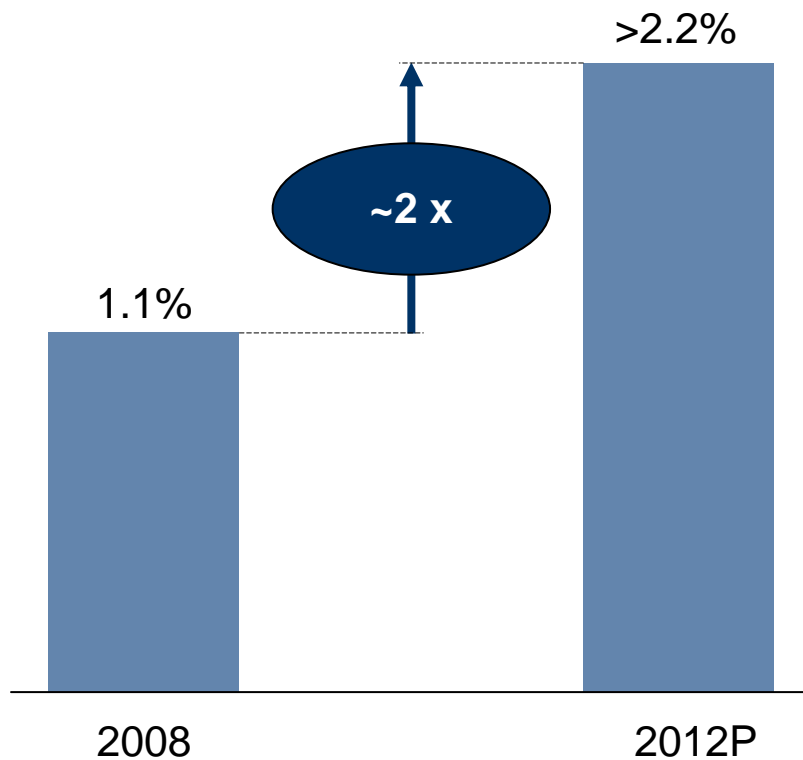


		Implementation responsibility			
MILESTONE programme: momentum, consistency, discipline		 Switzerland	 France	 Germany	 AWD Ihr persönlicher Finanzoptimierer
<b>1</b>	Enhance customer value & new business profitability	Introduce new, non-traditional and risk products to systematically increase profitability			<ul style="list-style-type: none"> <li>• Launch additional SL products in CH and DE</li> <li>• Focus in CEE</li> </ul>
<b>2</b>	Increase distribution quality and power	<ul style="list-style-type: none"> <li>• Improve sales force productivity</li> <li>• Fully capture AWD and broker potential</li> </ul>	<ul style="list-style-type: none"> <li>• Improve efficiency of prop. channels</li> <li>• Grow in 3<sup>rd</sup> party channels</li> <li>• Leverage SL Banque Privée</li> </ul>	<ul style="list-style-type: none"> <li>• Implement banking channel</li> <li>• Fully capture AWD potential</li> </ul>	<ul style="list-style-type: none"> <li>• Increase retention of agents</li> <li>• Increase Swiss Life share in CH, DE</li> </ul>
<b>3</b>	Improve operational efficiency	Streamline cost base to eliminate negative administrative cost result in all business units			Streamline Holding & achieve high admin efficiency
<b>4</b>	Strengthen the balance sheet	Increase in-force business profitability & organic capital build up and optimise legal structure (mainly in France and Germany)			
<b>5</b>	Drive disciplined execution	Manage performance using a consistent set of KPIs and conduct regular performance reviews based on mid-term plans			

# New business margin to improve across all business units



## New business margin development



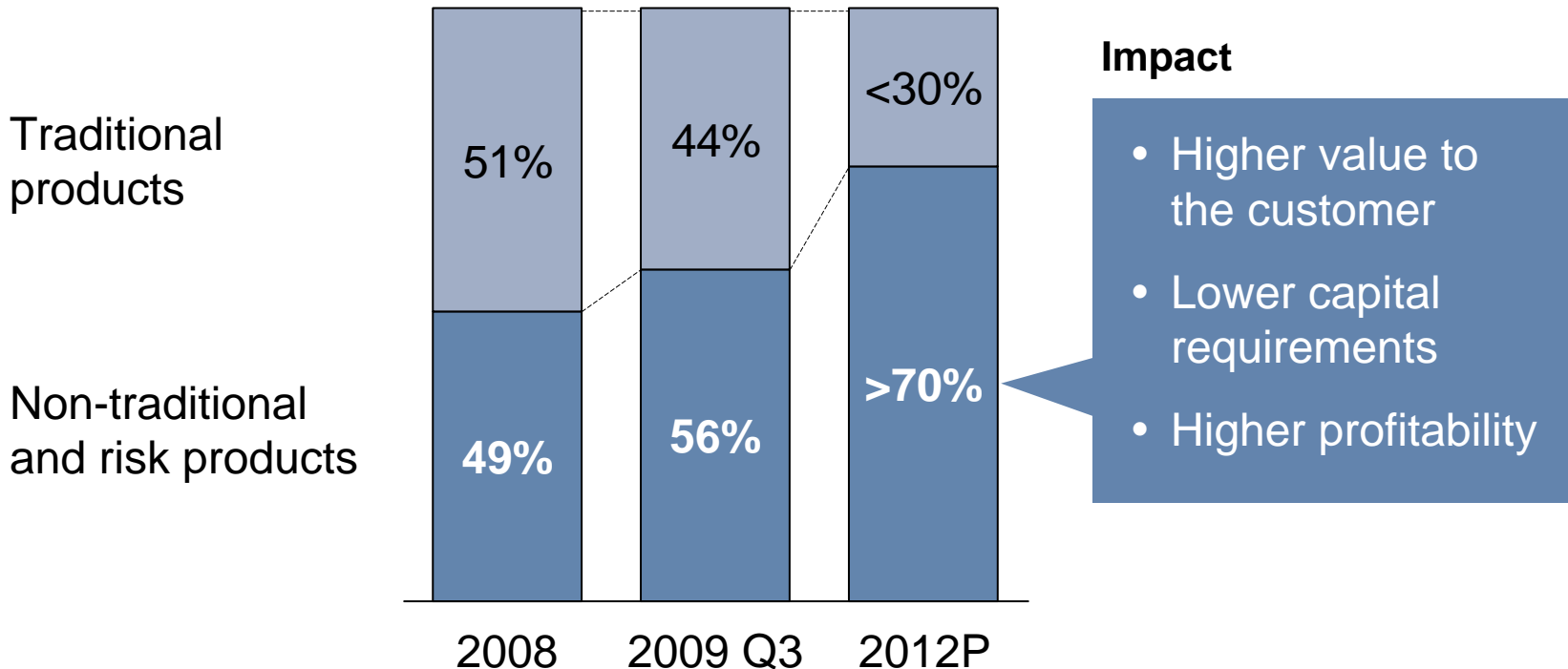
## Key levers

- Implementation of improved margin management process
- Introduction of new non-traditional and risk products
- Substantial reduction of cost base

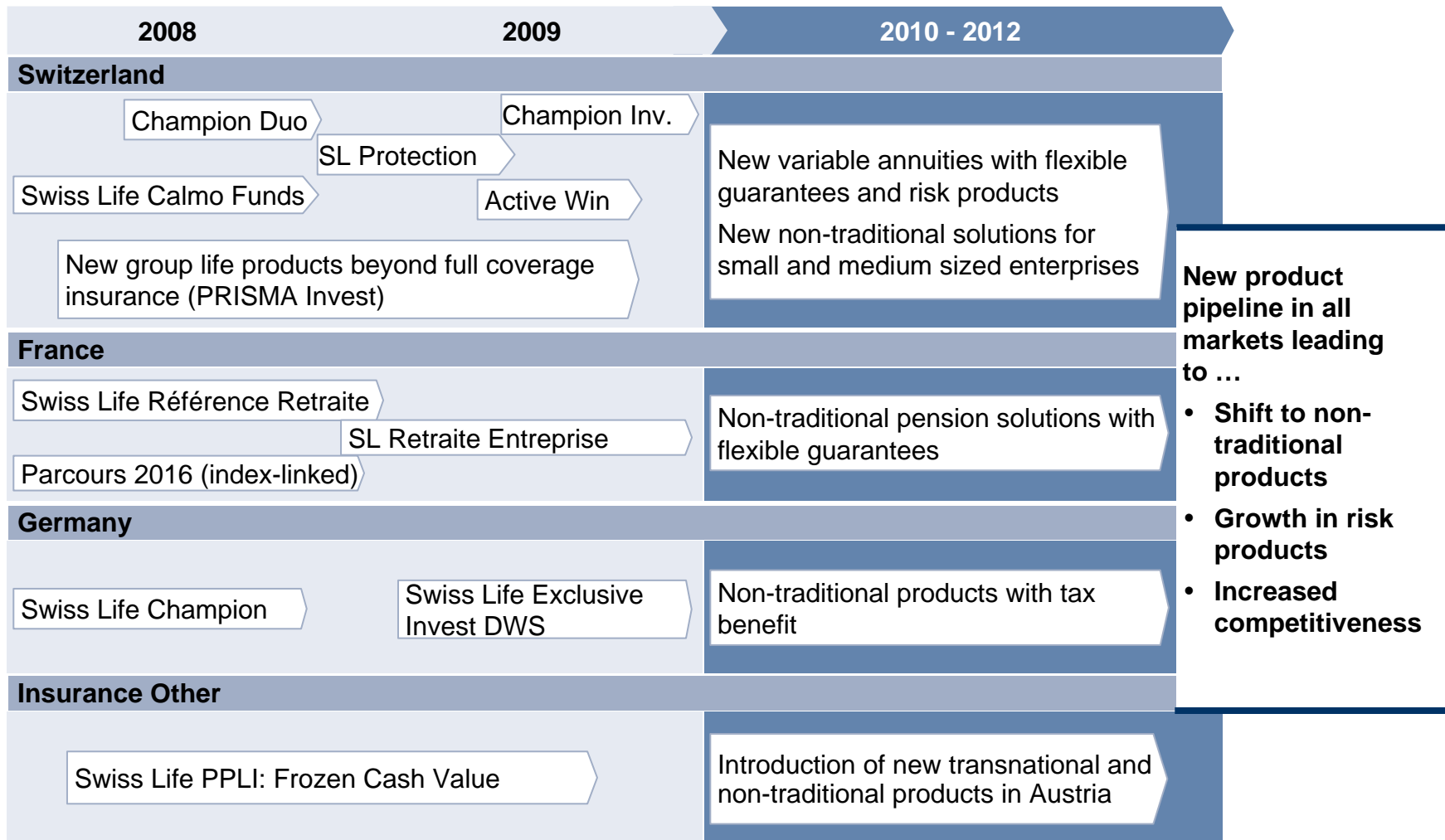
# Non-traditional and risk products to reach a relative share of over 70%

New business production Swiss Life Group

## New business mix



# Attractive new products support shift to non-traditional



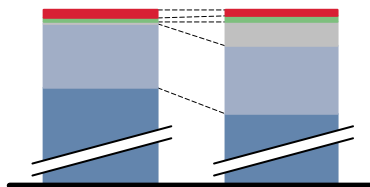
# Broader multi-channel approach will strengthen distribution

New business production Swiss Life Group, in %

## Swiss Life channel development

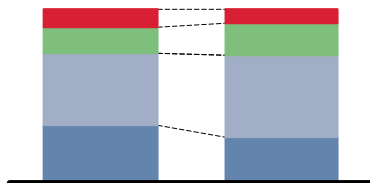
## Distribution priorities

### Switzerland



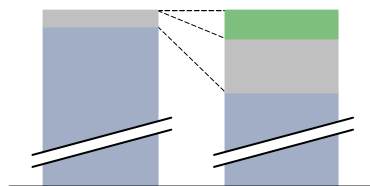
- Further increase productivity of strong tied agent force
- Leverage already successful partnership with AWD to reach ambitious targets
- Build stronger footprint in broker channel

### France



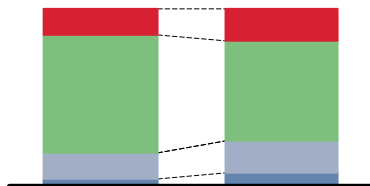
- More than double number of active IFAs by 2012
- Position Swiss Life as preferred provider for private banks
- Increase effectiveness of proprietary channels

### Germany



- Further develop growth through well established AWD channel
- Launch banking channel and develop affluent brokers
- Increase share of wallet with existing brokers

### Transnational businesses (PPLI, Corporate Solutions)



- Enter strategic cooperation with brokers, e.g. Latin America
- Recruit experienced professionals to grow volumes across main European markets

2008

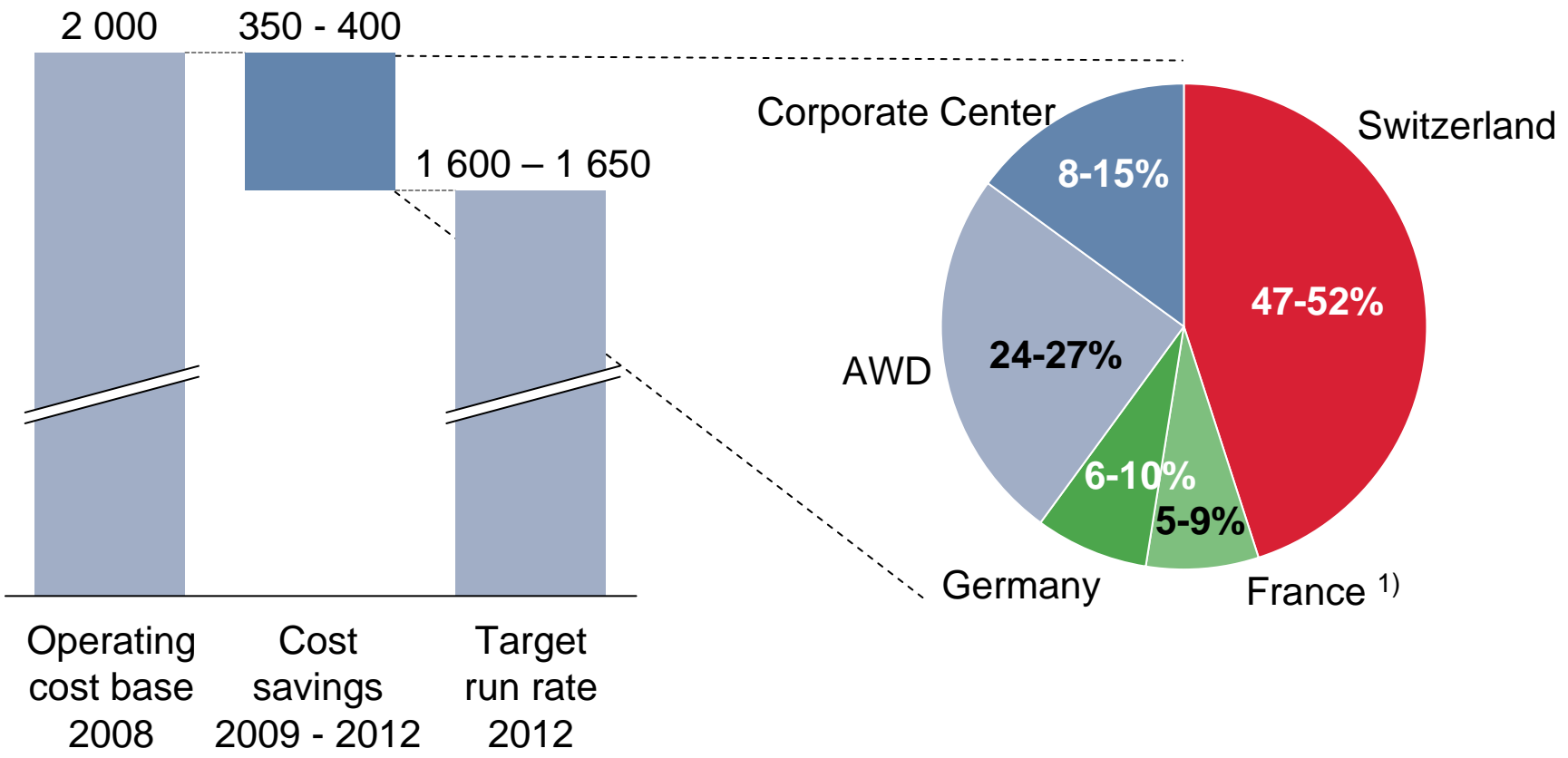
2012P

■ Other   
 ■ Banks   
 ■ AWD   
 ■ 3rd party, incl. brokers and IFAs   
 ■ Tied agents



# All business units are contributing to our cost savings target of CHF 350-400 million

CHF million



1) Economic effect of an improved cost/revenue ratio



# Cost savings will not be at the expense of profitable growth

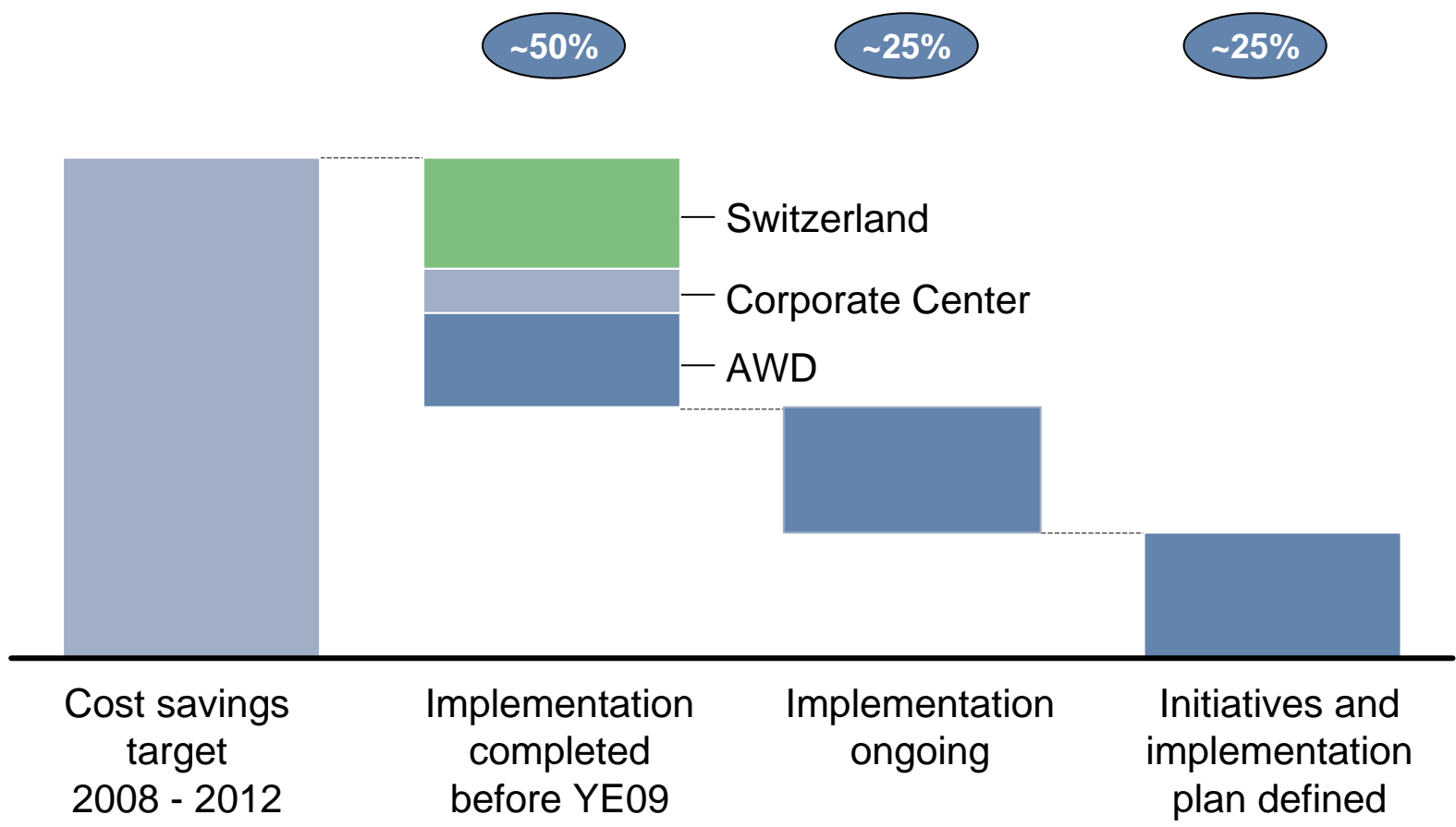
Value chain	Contribution	Levers
Support services	~40%	<ul style="list-style-type: none"> <li>Substantial savings potential in corporate center and AWD</li> </ul>
Policy administration & back office	~35%	<ul style="list-style-type: none"> <li>Redefining of processes and reduction of IT systems</li> <li>Investments in growth and margin improvements by launch of new products</li> </ul>
Product development & marketing		
Asset management	~15%	<ul style="list-style-type: none"> <li>Reduction of manual activities and introduction of integrated solution</li> </ul>
Distribution support	~10%	<ul style="list-style-type: none"> <li>Higher admin efficiency</li> </ul>
Distribution		<ul style="list-style-type: none"> <li>Investments in frontline sales and quality</li> </ul>



# Per FY 2009, ~75% of cost initiatives are in implementation or even completed

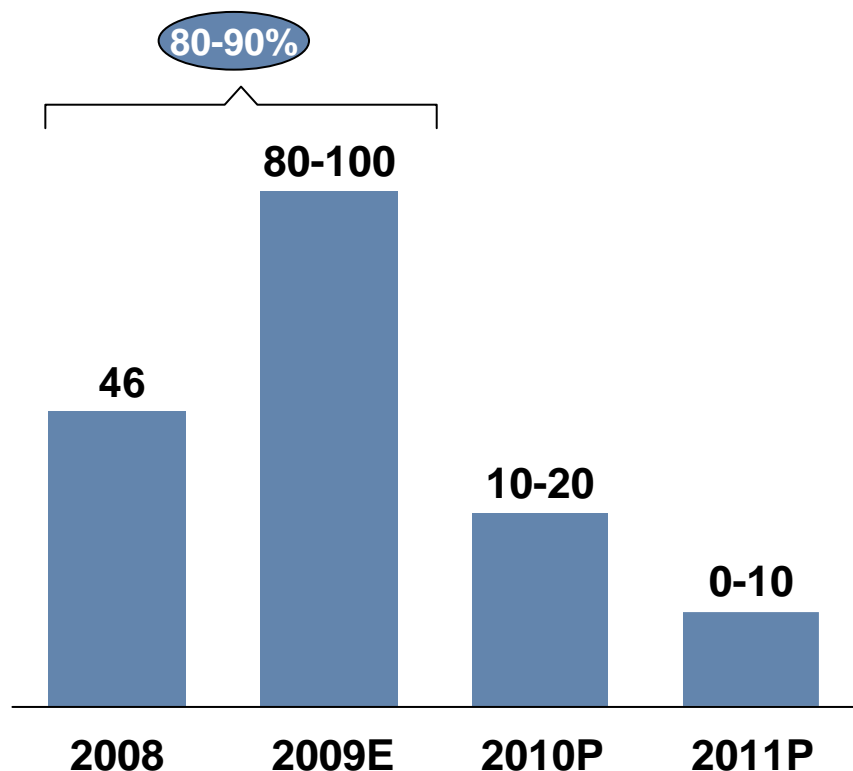
CHF million

## Status of implementation of cost saving initiatives 2009 - 2012



# 80-90% of restructuring charges to be booked before end of 2009

Restructuring charges, CHF million



- Major restructuring cost categories are
  - Outplacements and personnel advisory
  - Non-compensation expenses for restructuring, e.g., IT investments and consulting
  - AWD, e.g., restructuring of Holding and back office redimensioning
- 50-60% of restructuring charges will have a direct impact on pre-tax profit

# Balance sheet strengthening addressed by IM, in-force profitability levers and capital management



## Investment management

- Regained risk capacity allows cautious increase in investment risks, while keeping them low overall
- Our strategic asset allocation for 2010 aims to mitigate the potential downside of adverse market developments

## Liabilities

- Key initiatives to increase profits from the in-force business and to release risk capital
- Shift to non-traditional products reduces capital requirements of new business

## Capital management

- Each business is managed against value creation return on capital targets
- Swiss Life has no debt refinancing need until 2014
- Dividend payout in the range of 20–40% to allow for organic capital build-up and to support our aim of regaining A-rating

# Regained risk capacity allowed selective increase of risks in 2009



## As announced on Investors' Day 2008

Net equity quota reduced to 0.4%

Cash quota increased to ~ 7%

Alternative investment quota reduced to ~ 4.0%

Duration gap kept below 1

Risk in corporate bonds increased, but well diversified

Net FX risk in investment portfolio substantially reduced to almost zero

## Status as of today

Net equity exposure was built up slightly in 2009, but remains below 2%

Cash quota reduced to 5% through investments, mainly in corporate bonds

Alternative investment quota further reduced to below 2%

Duration gap at Group level significantly below 1

Corporate bonds further increased mainly by investments in AA and A

FX exposure almost fully hedged throughout the year

# On the liability side, initiatives to increase profits and release risk capital are being implemented



Levers to manage value of in-force business

Increase profit

Interest rates

Cost result

Risk result

Other effects

Release risk capital and optimise profit streams

## Selected initiatives per country

Switzerland



- **Reduce guaranteed interest rate dependency in Group Life business** – Align guarantees on non-mandatory part and push semi-autonomous business
- **Optimise risk capital consumption** – Adapt asset allocation according to PH / SH split
- **Align tariffs for policy changes** – Apply actual conditions for contract changes on in-force business

France



- **Prevoyance** – Active development of death & disability portfolio
- **Cantonnement** – Separate and optimise asset allocation per individual product clusters
- **Active shift** of existing components of traditional contracts **to unit-linked** policies

Germany



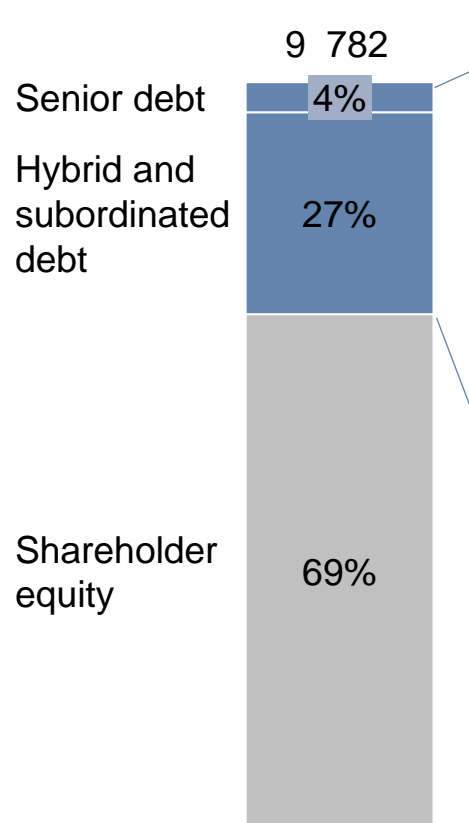
- **Optimise legal structure** – Eliminate inefficiencies in legal structure
- **Align reinsurance** – Enhance risk / return profiles with adequate reinsurance schemes
- **Manage lapses** – Active promotion of alternatives for risk capital consuming in-force business

# Well balanced capital structure with no refinancing needs until 2014

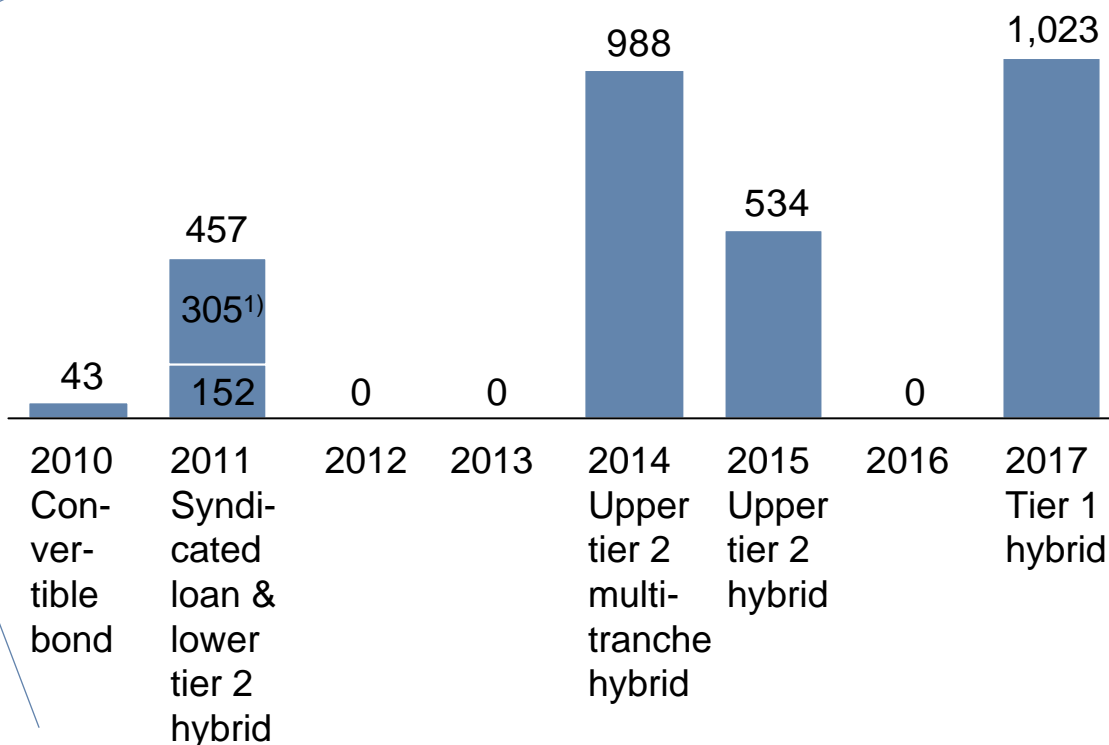


H1 2009, CHF million

## Capital structure



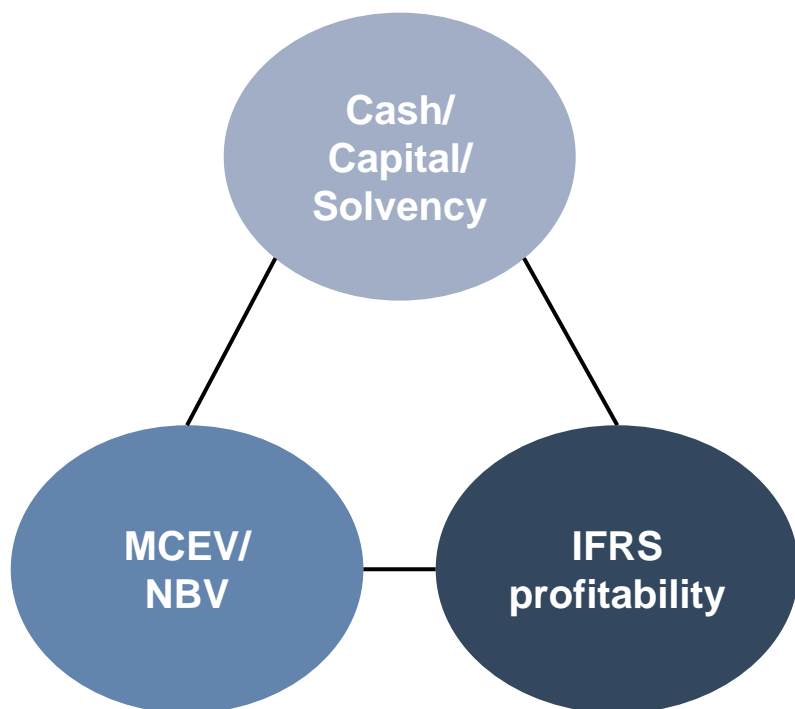
## Maturity / call date profile of borrowings



1) Syndicated loan reduced by EUR 100 million in July 2009

# Disciplined execution is ensured along three performance dimensions

We drive our performance along 3 dimensions...



...supported by clear execution principles

- Always keep the right balance between capital requirements, profitability and value, especially of new business, by managing trade-offs consciously
- Maintain regular and rigid performance management cycle which includes each dimension
- Uphold transparency and continuously communicate proof points to internal and external stakeholders







# Each business is managed against return on capital targets

	Units						Swiss Life Group
	Switzerland	France	Germany	Insurance Other	AWD	IM	
Capital at charge <sup>1)</sup>	50%	~20%	8%	7%	~15%	n/a	100%
Target return	Equivalent to 10 - 12% RoE at Group level						

1) Most constrained measure of absorbed capital by a specific business unit in all relevant dimensions (IFRS/local statutory solvency I, SST, allocated capital)

## Earnings quality to be improved

2009 estimates, rounded figures/ranges in %

<b>Profit by source, net of policyholder participation (PHP)</b>	<b>2009E</b>	<b>Ambition for change by 2012</b>
Investment income	80-85%	 Reduce relative importance
Risk result	45-50%	
Cost result	-15 to -20%	 Eliminate negative admin. cost result
<b>Total insurance businesses (net of PHP)</b>	<b>~110%</b>	
Fee businesses (AWD, IM/TPAM, PPLI)	~ -5%	 Significantly increase profits
Other incl. SLPL, Corporate Solutions	~ -5%	
<b>Total fee businesses and other</b>	<b>~ -10%</b>	
<b>Total operating profit</b>	<b>100%</b>	

# New processes and tools support disciplined execution

<b>Quarterly performance review</b>	Review of business performance based on a set of new metrics per unit and additional specific topics	
<b>Plan contingency assessment</b>	Monthly IFRS profit forecast steering with focus on risk assessment and contingency planning	<b>Trigger points and contingency plans are defined</b>
<b>MILESTONE tracking</b>	Reporting on implementation of initiatives	
<b>My MILESTONE</b>	MbO system reflecting MILESTONE targets	

# MILESTONE generates adequate return on capital and achieves profitable growth

MILESTONE	Expected impact 2012
<b>1</b> 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 non-traditional and risk products</li> </ul>
<b>2</b> 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>
<b>3</b> Improve operational efficiency	<ul style="list-style-type: none"> <li>• CHF 350 - 400 m reduced cost base versus 2008</li> </ul>
<b>4</b> Strengthen the balance sheet	<ul style="list-style-type: none"> <li>• RoE 10 - 12%</li> <li>• Dividend payout ratio 20 - 40%</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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# Contact details and financial calendar

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## Financial calendar

Full-year results 2009	30 March 2010
Interim statement Q1 2010	4 May 2010
Annual General Meeting	6 May 2010

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