

Investors' Day 2012
Swiss Life 2015 – Driving performance

Thomas Buess, Group CFO
Zurich, 28 November 2012

Agenda

Key messages

Diversify profit sources and deliver earnings growth

Manage new business for value

Improve cost efficiency and effectiveness

Protect the balance sheet and optimise the in-force business

Conclusion

Swiss Life's main performance drivers over the next years



Key financial targets 2015

Profit by source¹⁾

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

New business margin (NBM)

>1.5%

Cost savings

CHF 130-160 m

Return on equity (RoE)

8-10%
(adjusted²⁾)

1) Numbers do not add up to 100% as acquisition costs result expected to remain negative
2) Excl. unrealised gains and losses on bonds



Focus areas by market unit

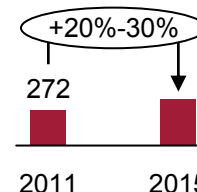
Focus on growth

Focus on efficiency

Consolidate and prepare for growth

Asset Managers

- Increase fee volume at stable cost/income ratios

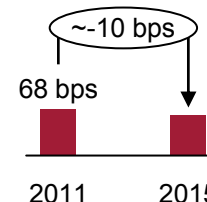


Fee income growth

Net fee income, CHF

France

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

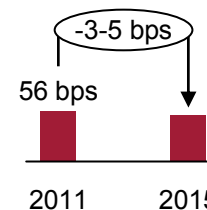


Efficiency gains

Life efficiency ratio % of techn. reserves

Switzerland

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

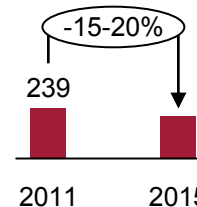


Efficiency gains

Life efficiency ratio % of techn. reserves

Germany

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

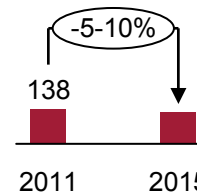


Cost reduction

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

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Diversify profit sources and deliver earnings growth

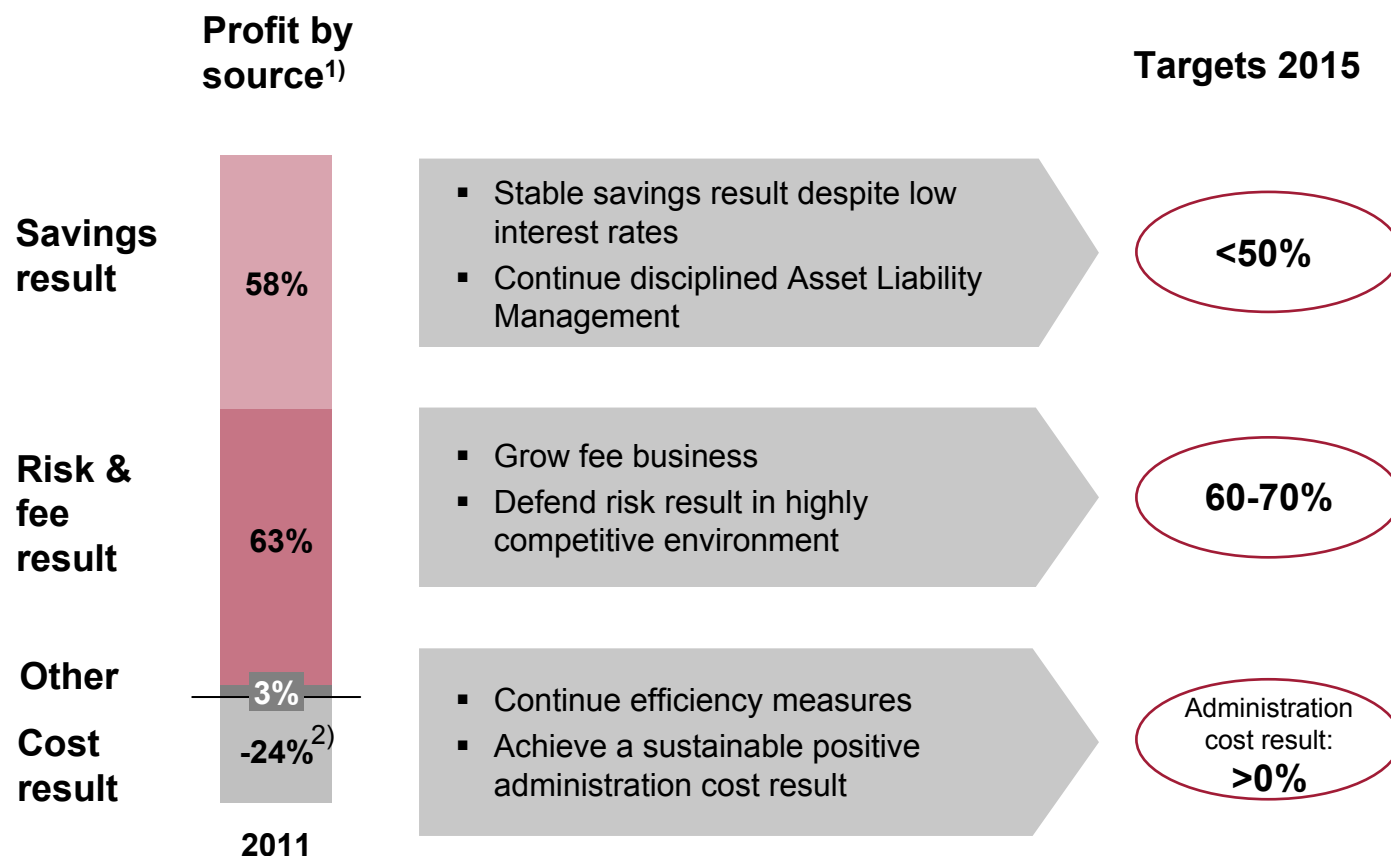
Manage new business for value

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Driving profit source diversification

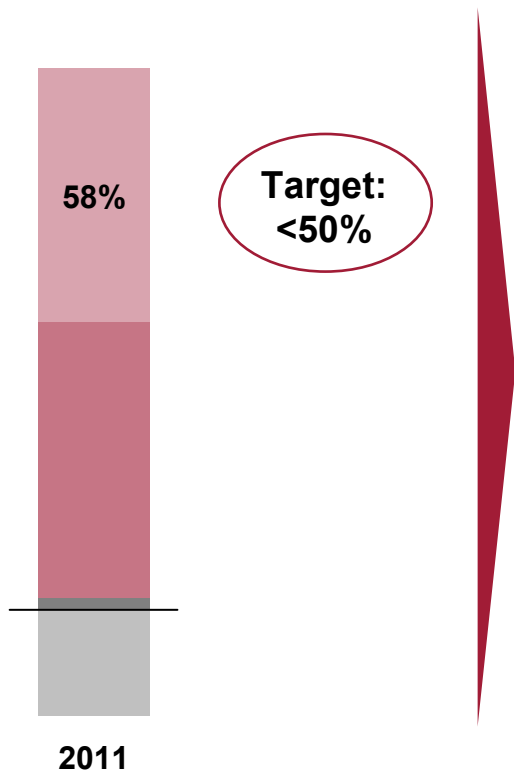


1) Profit by source (PbS) based on adjusted segment results; PbS restated due to model improvements

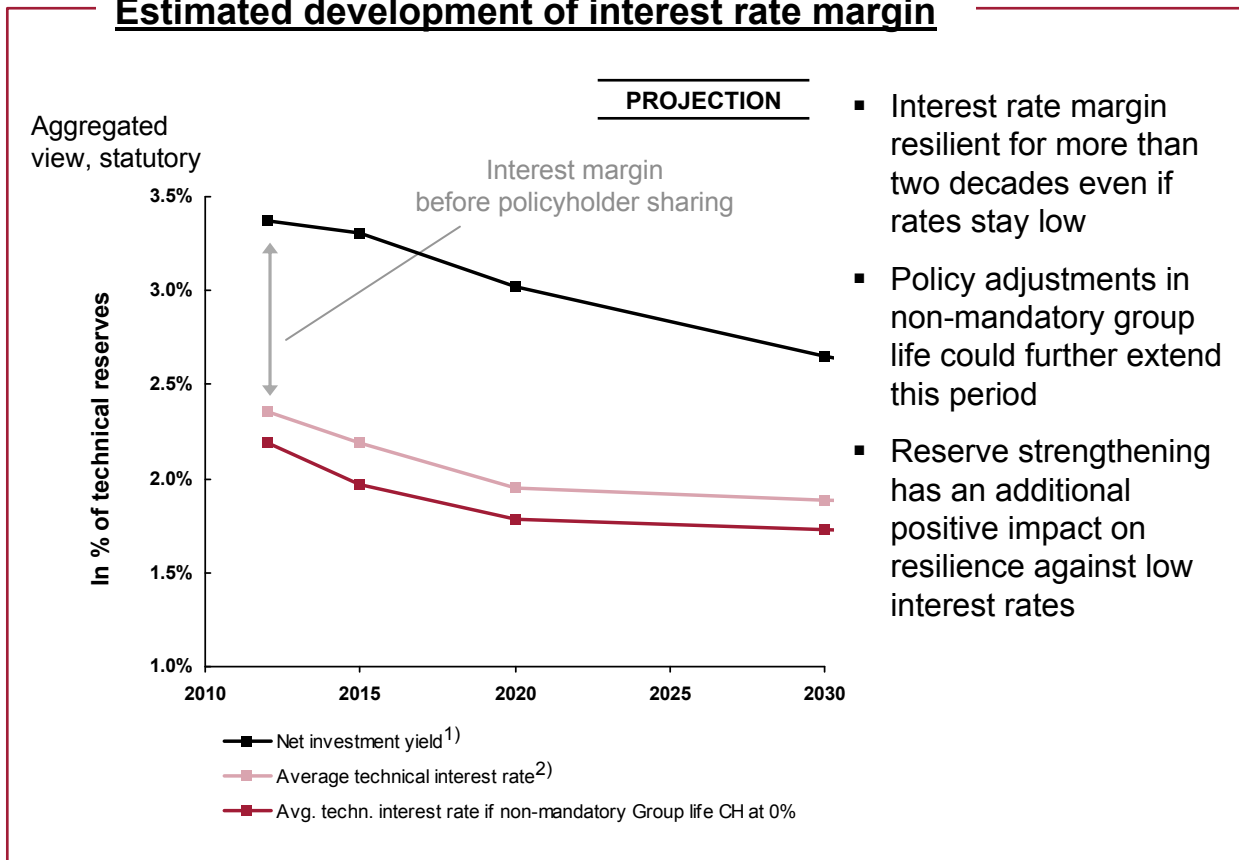
2) Thereof admin cost result before policyholder participation: -2%

Disciplined ALM safeguards sustainable savings result

Savings result



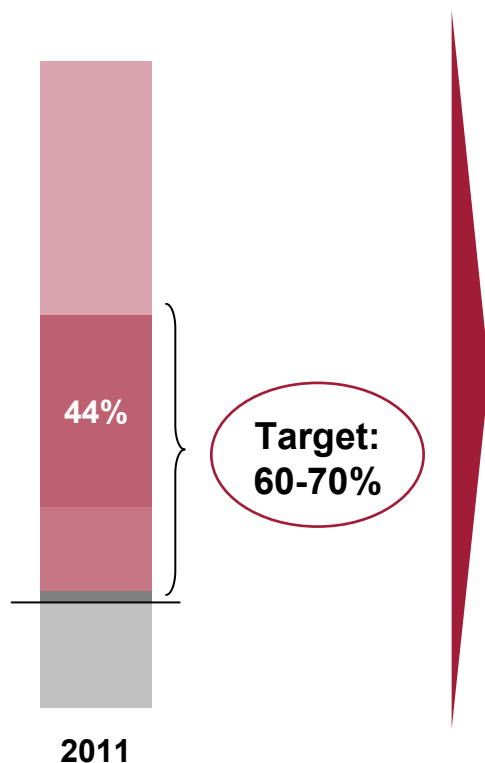
Estimated development of interest rate margin



1) Net investment yield excl. gain realisations on fixed income investments
 2) Includes further guarantees and quasi-guarantees

Defending the risk result in a competitive environment

Risk & fee result



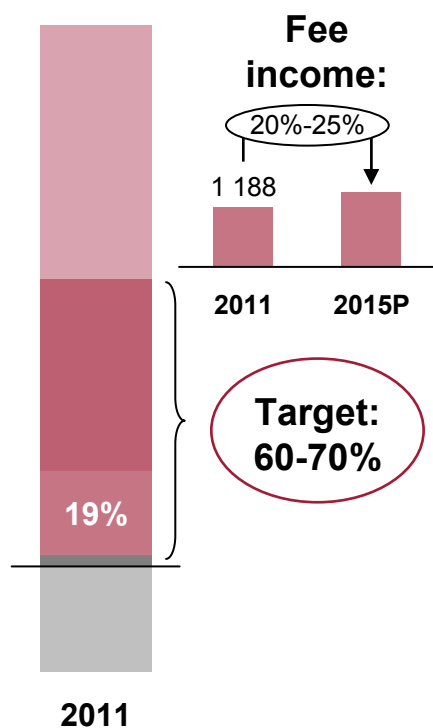
Initiatives supporting risk result

Major sources

CH	Group Life	<ul style="list-style-type: none"> Further develop full range product and services offering in the group life business Launch of new protection coverage and open up new distribution channels to develop risk product offering Reinsurance: Further expand mortality and longevity business
FR	Health	<ul style="list-style-type: none"> Further develop death and disability products Improve loss ratio in health and P&C New innovative health solutions
DE	Disability	<ul style="list-style-type: none"> Maintain leading position in disability Development of new long-term care products
IN	Corporate customers	<ul style="list-style-type: none"> Corporate customers: Extension of group life risk products to Asian market

Fee result as major contributor to profit source diversification

Risk & fee result



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

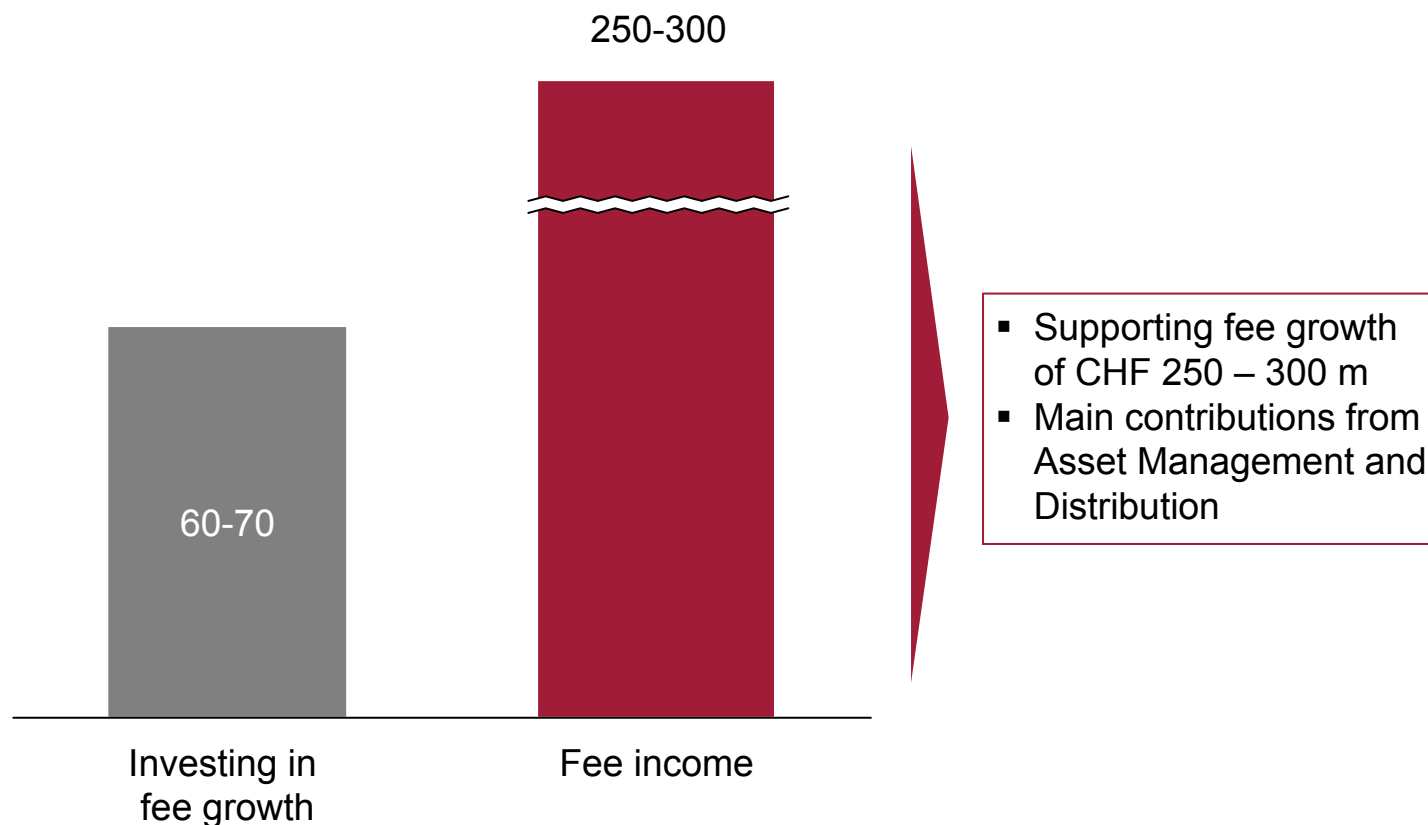
Unit-linked

- FR: Continue to push unit-linked products
- IN: Offering for estate planning and asset protection in selected geographies out of two carriers

Other

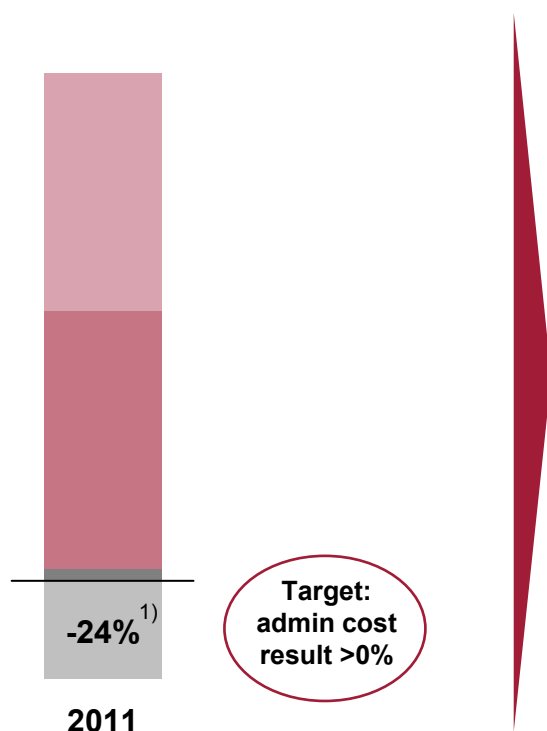
- CH: Further strengthen partnerships for non-life offerings (e.g. Swissquote, Sanitas, Mobiliar)
- CH: Real estate offering for private customers
- CH: Expansion of advisory services offering
- FR: Further develop affluent HNWI offering (e.g. private banking) and real estate offering

Investments in growth initiatives will generate additional fee income



Disciplined expense management to support earnings growth

Cost result



Initiatives supporting cost result

Reducing costs

- Costs savings mainly in Germany and Switzerland

Improving efficiency

- Significant improvement in efficiency ratios and expense ratios in France (Life, health and P&C) and Switzerland

Distribution cost savings

- Distribution cost savings in France and Switzerland

1) Thereof admin cost result before policyholder participation: -2%

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Introducing new product category to address low interest rate environment

i

Reduction of interest rate guarantee

CH IL: FlexSave - Long-term interest rate guarantee below technical interest rate reference of regulator

France: Swiss Life Liberté - Only capital preservation guarantee on bond part net of associated charges

ii

Readjustment of surplus system

CH IL: FlexSave - Possibility to switch surplus system from bonus to accumulation / accrual

France: Swiss Life Stratégic net - Reassessed profit sharing - net served rate re-designed to support UL

iii

Guarantee design reduces the products' implied market risk

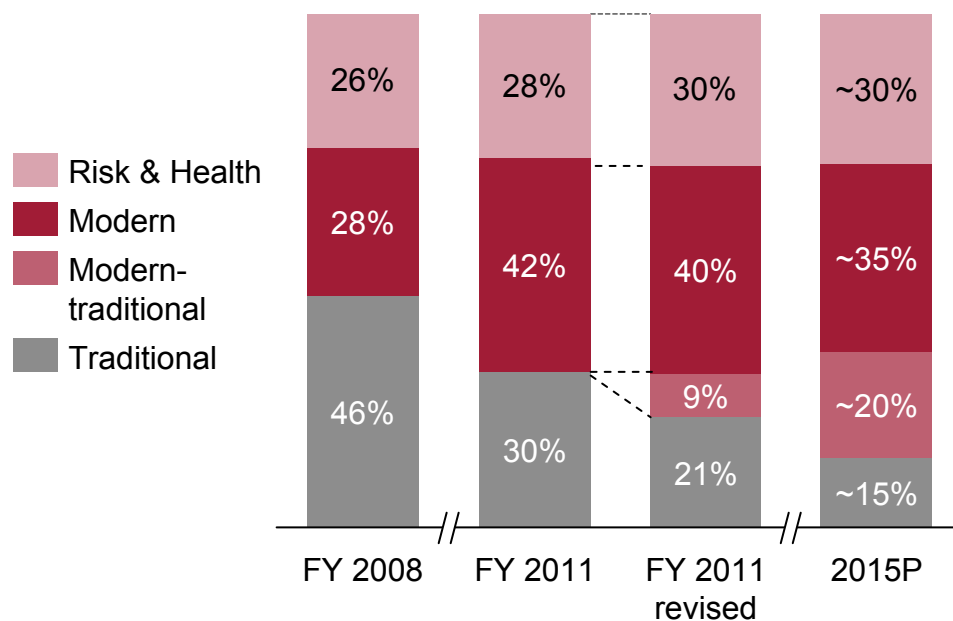
CH IL: FlexSave - Financial impact of Index-Participation is borne by external partner

France: Swiss Life Expert - Capital preservation guarantee only on Euro Fund part

- Decreased economic solvency capital requirement
- Broad applicability even under stressed market circumstances

New alternative guarantee products lead to an improved product mix

New Business Production (NBP), in %



New alternative guarantee products introduced

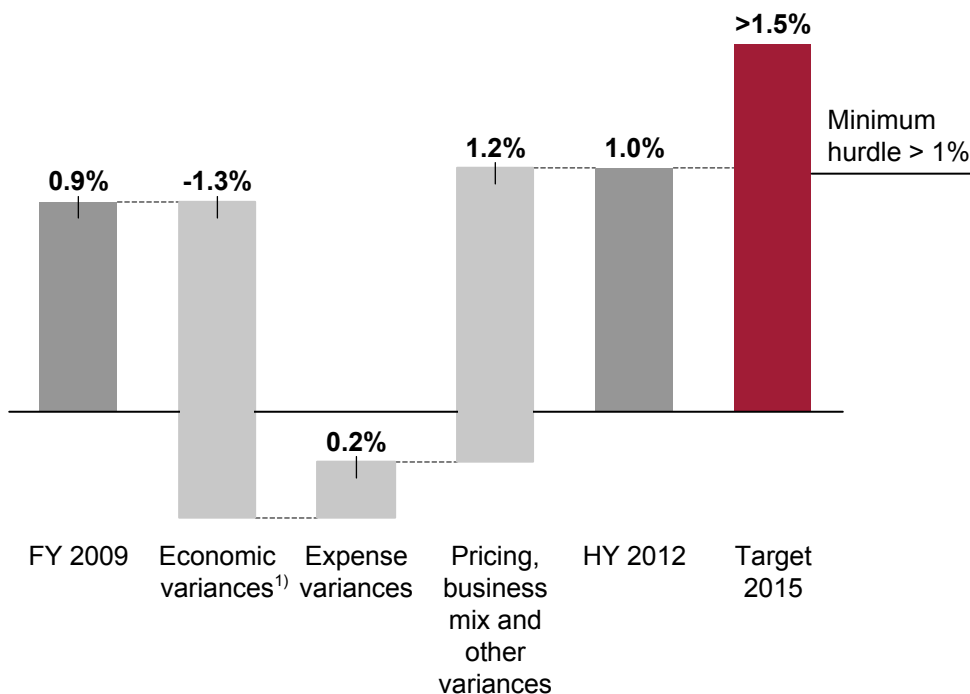
- Moderate interest rate guarantee
- Option to readjust surplus system
- Selectable guarantee design reduces market risk
- Decreased economic solvency capital requirements

Reduce traditional share to about 15%

Reduce solvency capital intensity of new business

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

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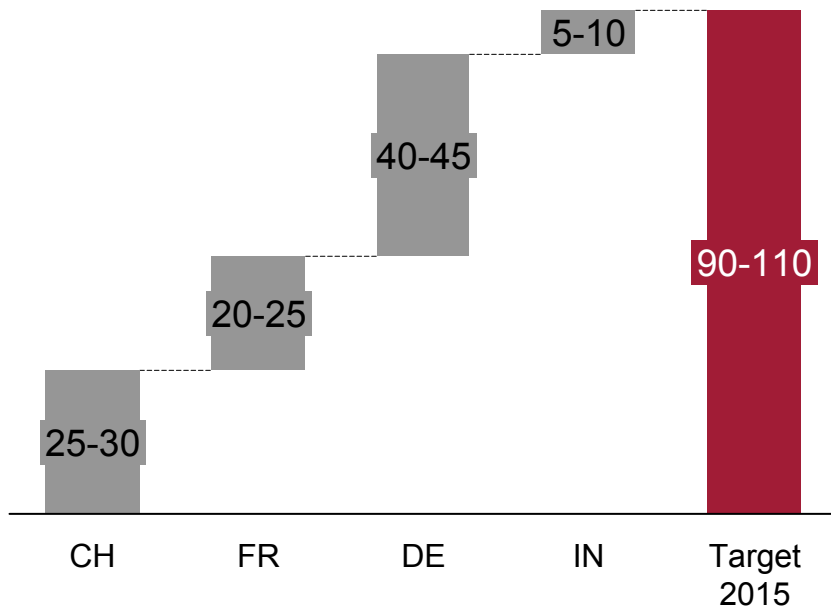
Conclusion

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

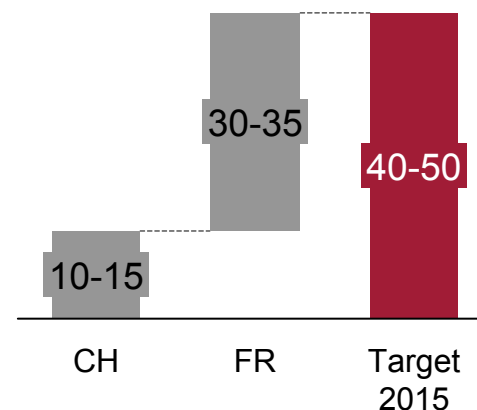
In CHF m, vs. FY 2011

Project view

Operating expenses



Variable acquisition expenses



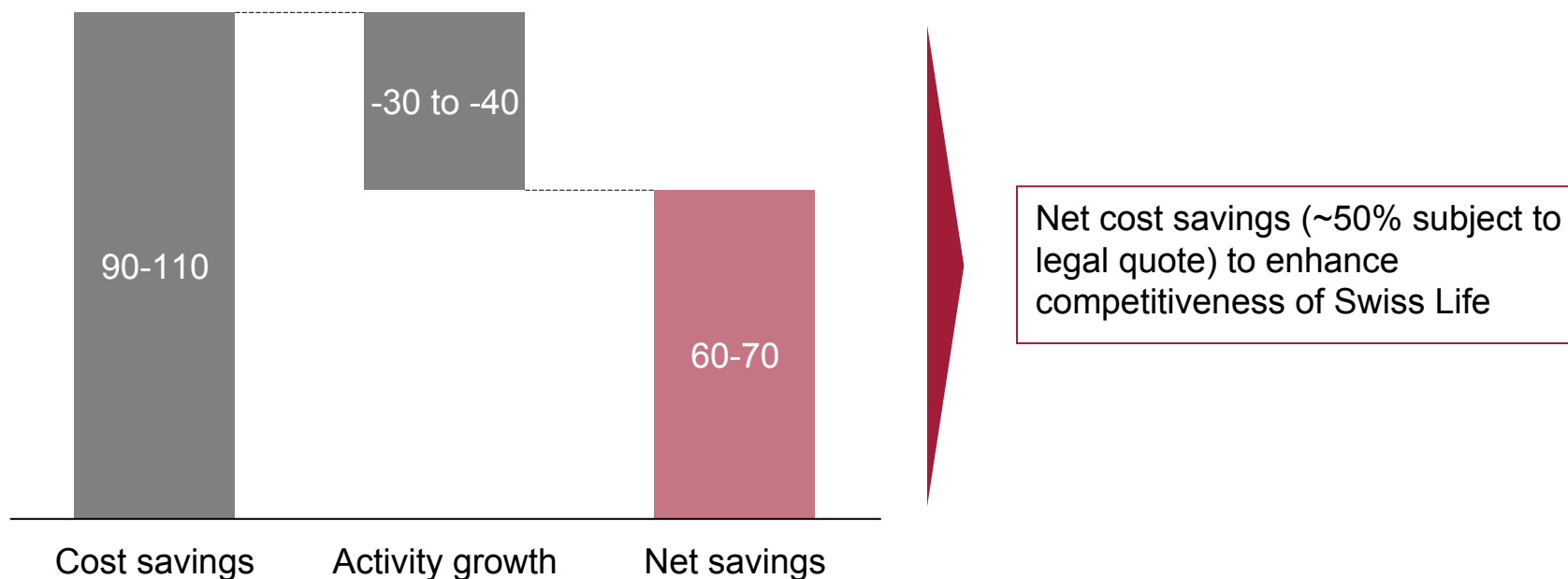
Savings programme results in reduction of approximately 300 – 400 FTEs (DE and CH)



Cost savings to enhance competitiveness

Project view

Operating expenses, in CHF m, vs. FY 2011

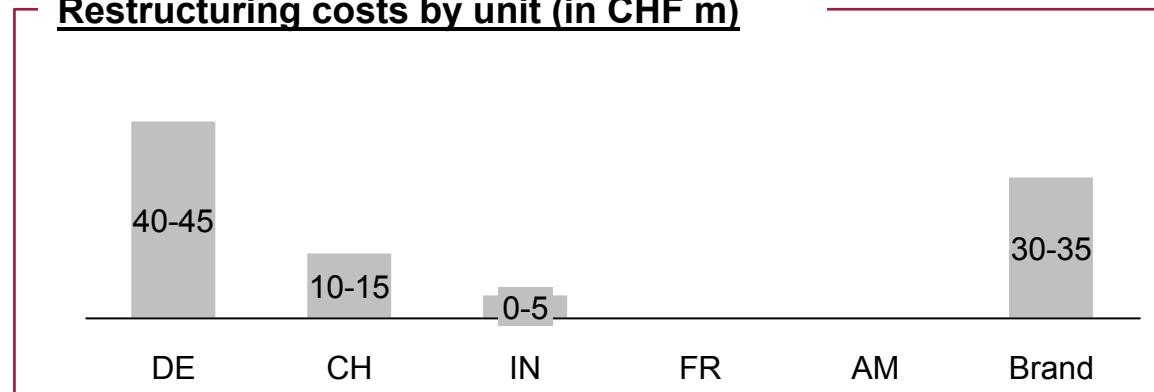


Total restructuring costs of around CHF 80-100 m

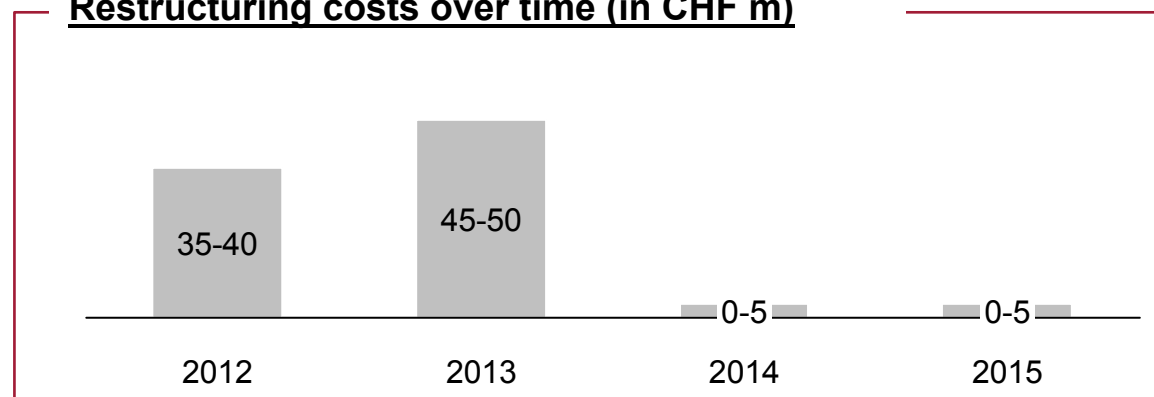
Total restructuring costs for Swiss Life 2015

~ CHF 80-100 m

Restructuring costs by unit (in CHF m)

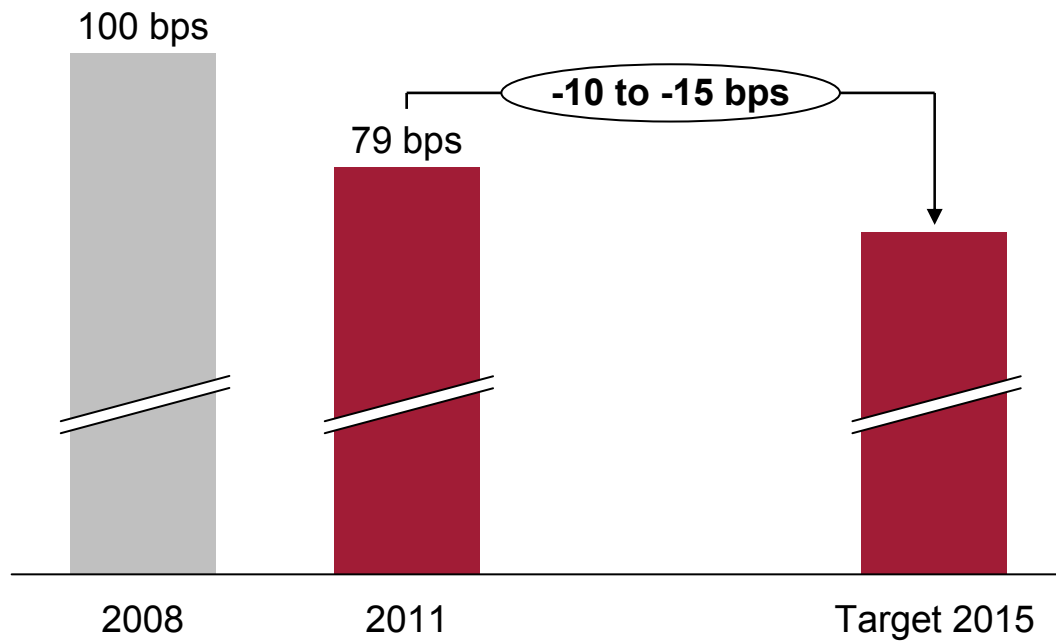


Restructuring costs over time (in CHF m)



Substantial improvement of efficiency ratio

Life efficiency ratio
(currency adjusted)



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Continuous balance sheet strengthening

Asset measures

- Substantially de-risked by reducing alternatives and high yield
- Reduced overall sovereign exposure to the euro-zone
- Focused investments on corporate bonds and real estate
- Impairment on intangible assets (Goodwill)

Liability measures

- Reduced policyholder bonuses
- Added new business with lower or no guarantees
- Strengthened reserves
- Early refinancing of 2014 hybrid
- Optimised debt structure
- Retained earnings strengthened capital base

- Resilient and sustainable interest margin
- Improved solvency position



Write-off AWD intangible assets

In CHF m	Impairment write-offs ¹⁾
Brand	94
Customer relationship asset	96
Goodwill	386
Total impairment write-offs	576
./. tax effects	-48
Total impact after taxes	528

Goodwill impairment test

- Test based on new plans
- Overall impairment of CHF 576 m

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

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

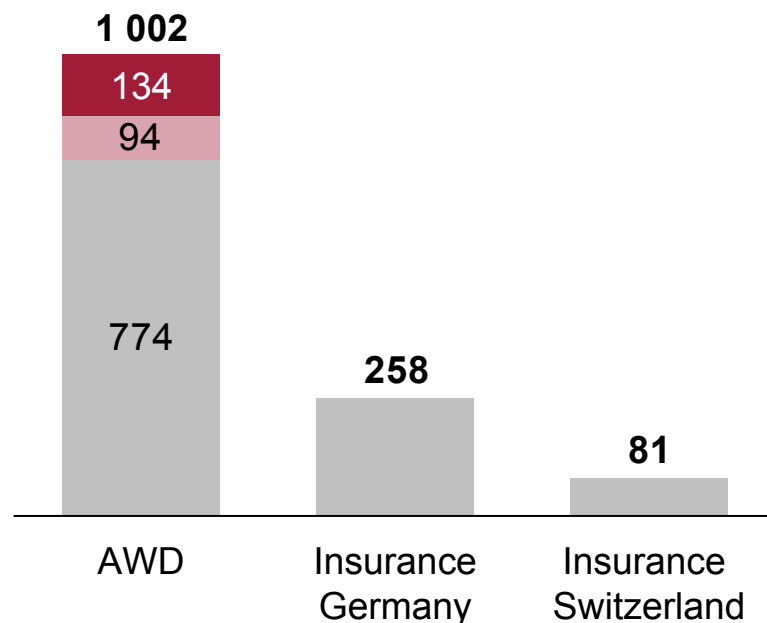
- For the year 2012, the Board of Directors will propose an unchanged dividend of CHF 4.50 per share at the Annual General Meeting

1) Subject to rounding and foreign currency translation

Reallocation of AWD intangible assets to the new segments

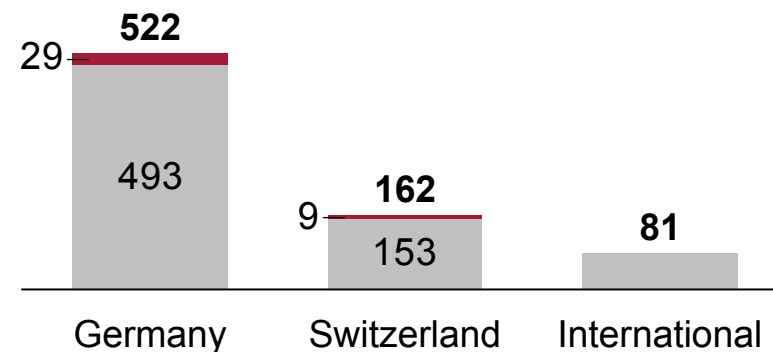
Allocation of AWD intangible assets to current segments¹⁾ before impairment

Total: CHF 1 341 m



Allocation of AWD intangible assets to new segments¹⁾ after impairment

Total: CHF 765 m



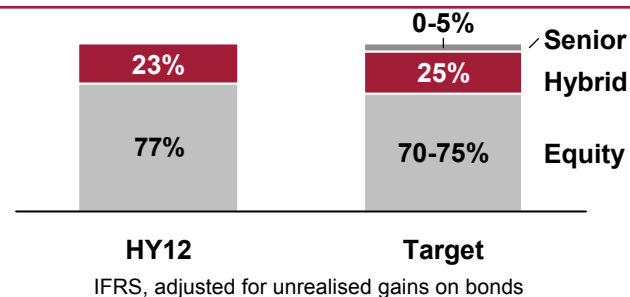
Customer relationship asset
 Brand
 Goodwill

¹⁾ pro forma as of 31.12.2012, subject to rounding and foreign currency translation

Early refinancing to be successfully concluded by end November

Objectives

- Keep capital structure in line with target
- Increase proportion of CHF-denominated hybrids to reduce FX sensitivity



Liability management

Proactive refinancing of the subordinated hybrid loan issued in 1999

- Extend call dates, denomination in CHF

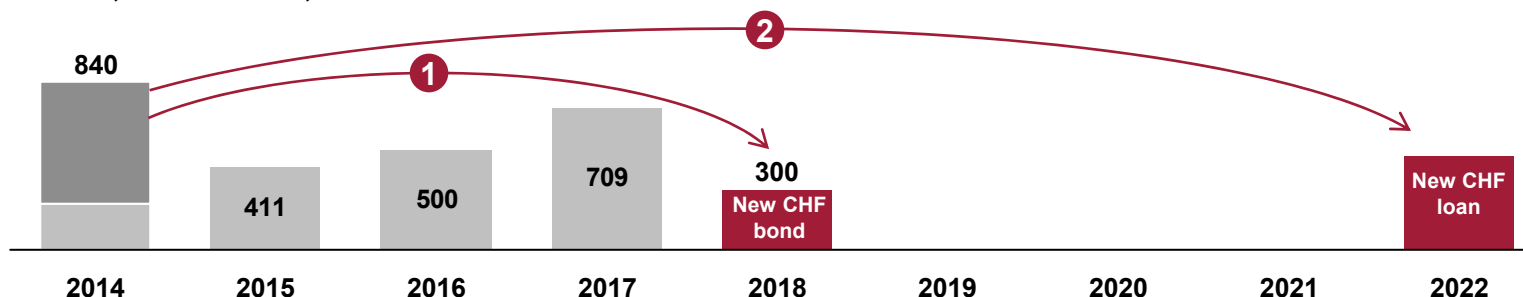
Step 1

Successful issuance of a CHF 300 m hybrid bond in October 2012. Proceeds used for cash consideration in step 2

Step 2

Exchange offer launched and accepted; settlement on 30 November 2012. Lenders to exchange their loan against a combination of cash (25%) and a new subordinated loan (75%)

HY 2012, nominal value, in CHF m



Further strengthening solvency cushion through retained earnings

Appropriation of Swiss Life profit

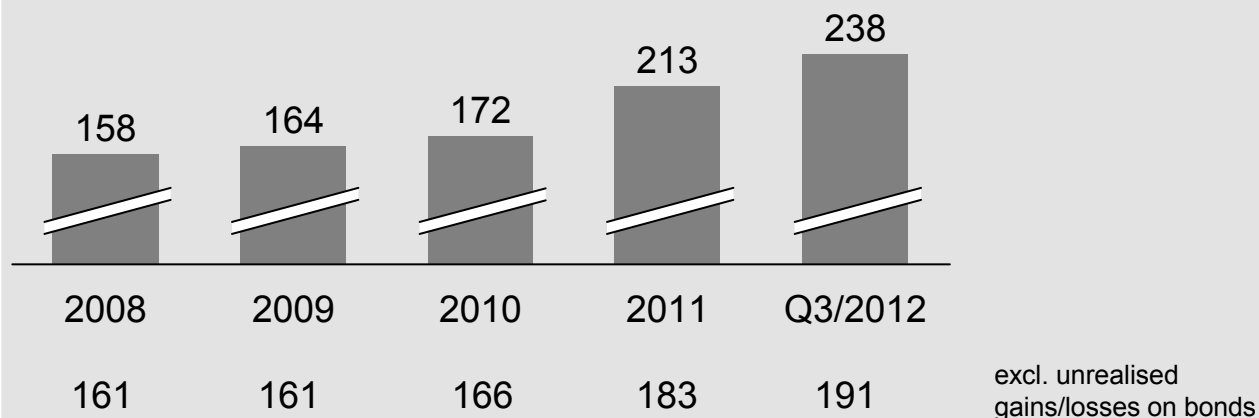
 Payout	Dividends to shareholders <ul style="list-style-type: none"> ▪ Ensure attractive payout to shareholders 	20-40%
 Reinvestment	Business financing <ul style="list-style-type: none"> ▪ New business financing and disciplined investment in future growth 	20%
 Capital strengthening	Capital build-up <ul style="list-style-type: none"> ▪ Protect the balance sheet by strengthening capital "buffer" 	40-60%



Good solvency positions

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

- Substantial improvement of solvency I ratio



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 model¹⁾

1) Model not yet approved by FINMA

Future reporting

FY 2012 (27 February 2013)

- Disclosure in current segment reporting format

Q1 2013 (23 May 2013)

- Restatement of HY 2012 and FY 2012 results in new segment reporting format
- IAS 19 restatement of HY 2012 and FY 2012

HY 2013 (14 August 2013)

- Disclosure in new segment reporting format

Quarterly progress report of “Swiss Life 2015” starting in Q1 2013

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Swiss Life main financial focus until 2015

Swiss Life will deliver earnings growth while diversifying its profit sources

- Earnings growth driven by increasing fee income and additional cost savings
- Various initiatives to protect risk and saving result in a challenging environment

Swiss Life will continue to manage the new business for value

- Products with modern guarantee concepts and reduced capital intensity introduced
- Minimum hurdle rate for new business margin increased

Swiss Life will further improve cost efficiency and effectiveness

- Improve efficiency ratio by additional cost savings of CHF 130–160 m
- Further investments in growth initiatives

Swiss Life will keep optimising the in-force business and protect the balance sheet

- Resilient interest rate margin through disciplined ALM
- SST in the green based on internal model¹⁾
- Successful refinancing of hybrid capital

1) Model not yet approved by FINMA

Cautionary statement regarding forward-looking information



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Contact details and financial calendar

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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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