Morgan Stanley European Financials Conference 2013
Swiss Life

Thomas Buess, Group CFO

London, 20 March 2013

Agenda

→ **Swiss Life at a glance**

Overview of FY 2012 results

Swiss Life 2015: The way forward

Wrap-up

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

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FY 2012

Swiss Life Group – Facts and figures

- Leading provider of comprehensive life and pensions and financial solutions
- GWP incl. PHD: CHF 17.0 bn
- Net profit: CHF 93 m
- Adjusted profit from operations: CHF 993 m
- Shareholders' equity: CHF 10.3 bn
- Asset under Mgmt: CHF 148 bn
- Group MCEV: CHF 9.6 bn
- FTEs: 7 046

Business units as of 1.1.2013	Strong market positions	Strategic focus point
Switzerland	- Individual Life: No 1 - Group Life: No 2 - Swiss Life Select: Largest IFA	Develops from a pure life insurer to a comprehensive life and pensions and financial solutions provider
France	- Individual Health: No 2[1)] - Life: No 13[2)]; focus on HNWI and affluent	Expands its strong position as a "private and personal insurer"
Germany	- BUZ[3)]: a market leader - BAV[4)]: No 9 - IFA network: No 3	Becomes a financial advisory and insurance company under one roof
International	- PPLI: No 2 globally[5)] - Swiss Life Network: No 1 - Leading IFA in UK and AT	Provides protection, financial solutions and advice in selected markets
Asset Managers	- Leading insurance asset manager in CH with large portfolios in FR & DE	Grows its business with external customers

1) Excl. mutuals 2) Estimate for 2012 3) BUZ: supplementary occupational disability insurance 4) BAV: occupational pension scheme 5) Providers with global exposure

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Highlights FY 2012 results

FY 2012 vs. FY 2011

- [x] Adjusted profit from operations improved 26% to CHF 993 m
- [ ] Net profit declined by 85% to CHF 93 m due to impairments at AWD
- [x] Premium income of CHF 17.0 bn remained stable in local currency
- [x] Resilient direct yield of 3.6% and very strong net investment yield of 4.8%
- [x] Cost base under control with further improved efficiency ratios
- [x] New business margin increased to 1.4% from 1.2% and VNB went up to CHF 158 m from CHF 150 m
- [ ] Return on equity at 0.9%; at 8.6%[1)] when profit adjusted for major one-offs
- [x] Group solvency rose to 242% (FY 2011: 213%); SST in the green based on our internal model[2)]

1) Equity excluding unrealised gains/losses on bonds 2) Model is still being reviewed by FINMA

Cost discipline and growth led to improved efficiency ratios in FY 2012

In local currency (adjusted IFRS basis)

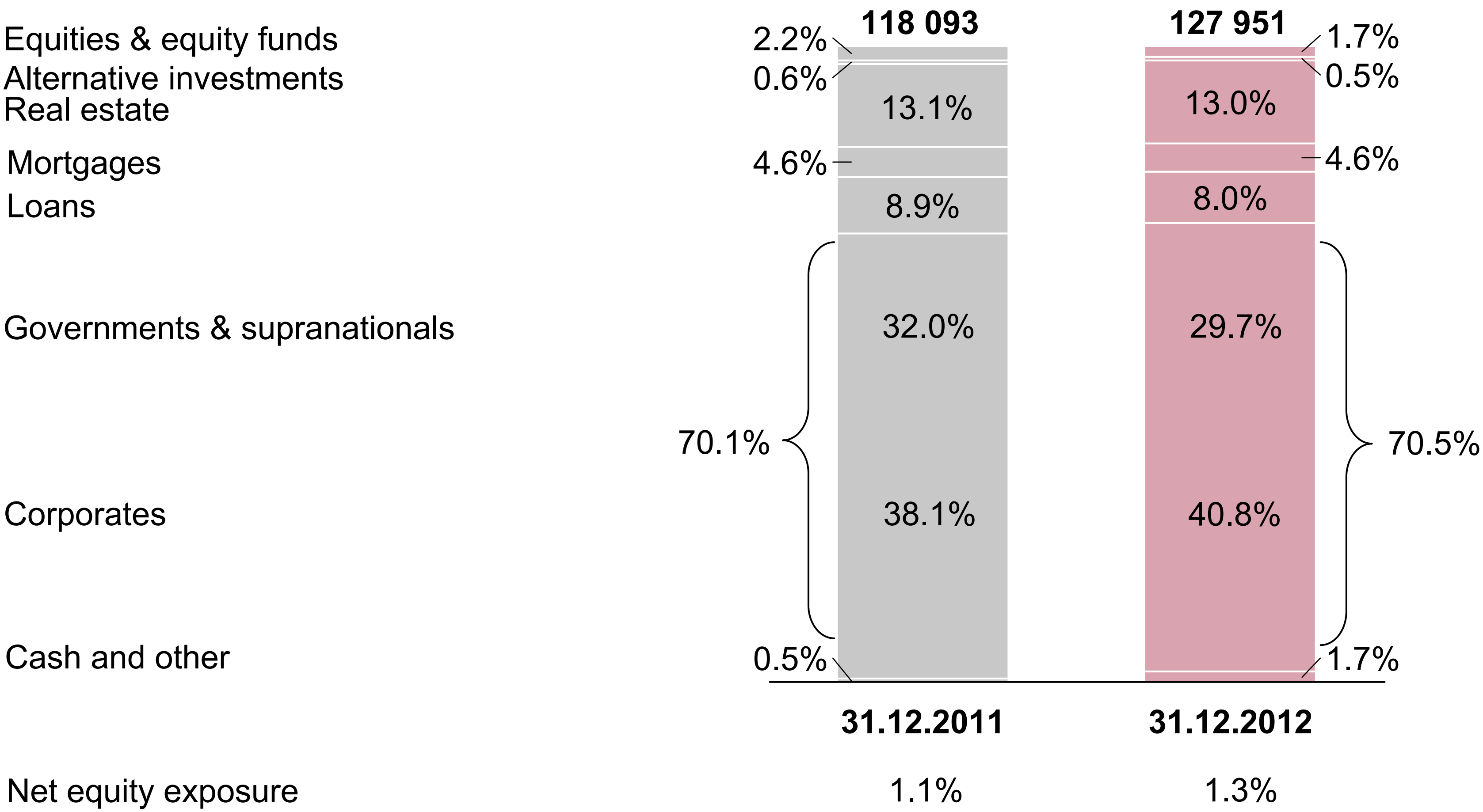
Operating expense in % of average technical reserves (excl. deferred PHP)

	FY 2008	FY 2011	FY 2012	Change vs. FY08
Insurance Switzerland	0.81%	0.56%	0.54%	-33%
Insurance France	1.96%	1.64%	1.60%	-18%
Life France	*0.79%*	*0.68%*	*0.67%*	-15%
Insurance Germany	0.88%	0.84%	0.78%	-11%
Insurance International	0.91%	0.49%	0.45%	-51%
Total Insurance[1)]	**0.99%**	**0.78%**	**0.74%**	**-25%**

1) Currency adjusted

Well diversified investment portfolio

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



Resilient direct yield and very strong net investment yield

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CHF million (IFRS basis), insurance portfolio for own risk

	FY 2011	FY 2012
Direct investment income	4 182	4 269
Direct investment income in %	3.7%	3.6%
Expense	-231	-242
Net capital gains/losses on investments and impairments[1)]	312	1 702
Net investment result	4 263	5 729
Net investment result in %	3.8%	4.8%
Changes in unrealised gains/losses on investments	3 348	3 998
Total investment result	7 611	9 727
Total investment result in %	6.7%	8.1%
Average net investments	113 183	120 237
Total investment performance (fair value) in %	7.5%	8.5%

1) Including FX gains on hybrid (FY11 CHF 51 m; FY12 CHF 15 m)

Realised gains from asset de-risking largely used for reserve strengthening

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1st HY 2012 – Reduction of euro exposure

- **Pro-active risk management**
  - Reassessment of situation around the euro and related risk-return considerations resulted in a substantial reduction of the overall euro-zone sovereign exposure on the Swiss balance sheet
- **Action taken**
  - Particularly German, French and Dutch sovereign bonds with a market value of CHF 7.8 bn sold in May/June which generated realised gains of CHF 0.9 bn
  - Proceeds mainly invested in US Treasuries

2nd HY 2012 – Reduction of US Treasuries and high-yield bonds

- **Pro-active risk management**
  - On the basis of diversification and risk-return considerations exposure in US Treasuries and high-yield bonds on Swiss balance sheet reduced
  - Continued duration management
- **Action taken**
  - Proceeds including realised gains mainly reinvested in Swiss government and investment grade corporate bonds on Swiss balance sheet
  - Part of the loan portfolio in Germany switched to longer dated corporate bonds

- **Excess investment result used for further reserve strengthening**
- **Protects interest rate margin**

Reserve strengthening and change in business mix lowers average technical interest rate

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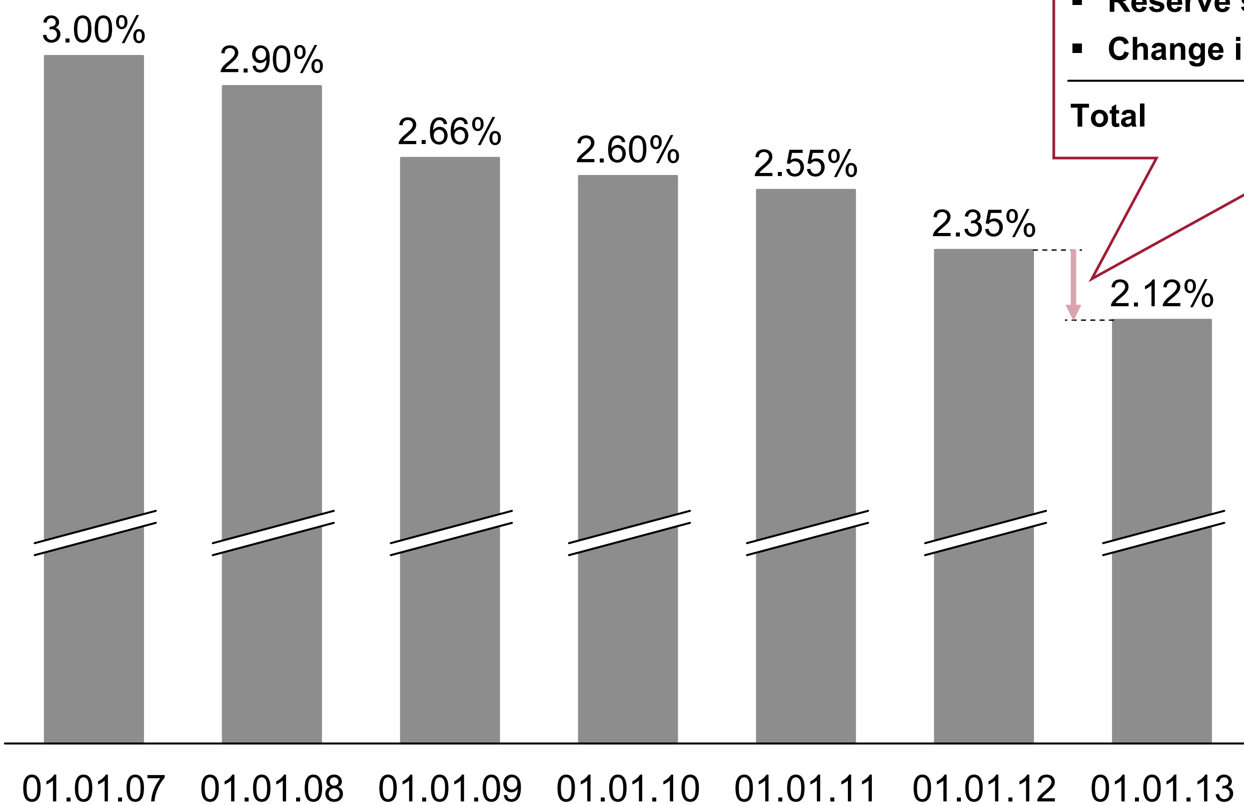
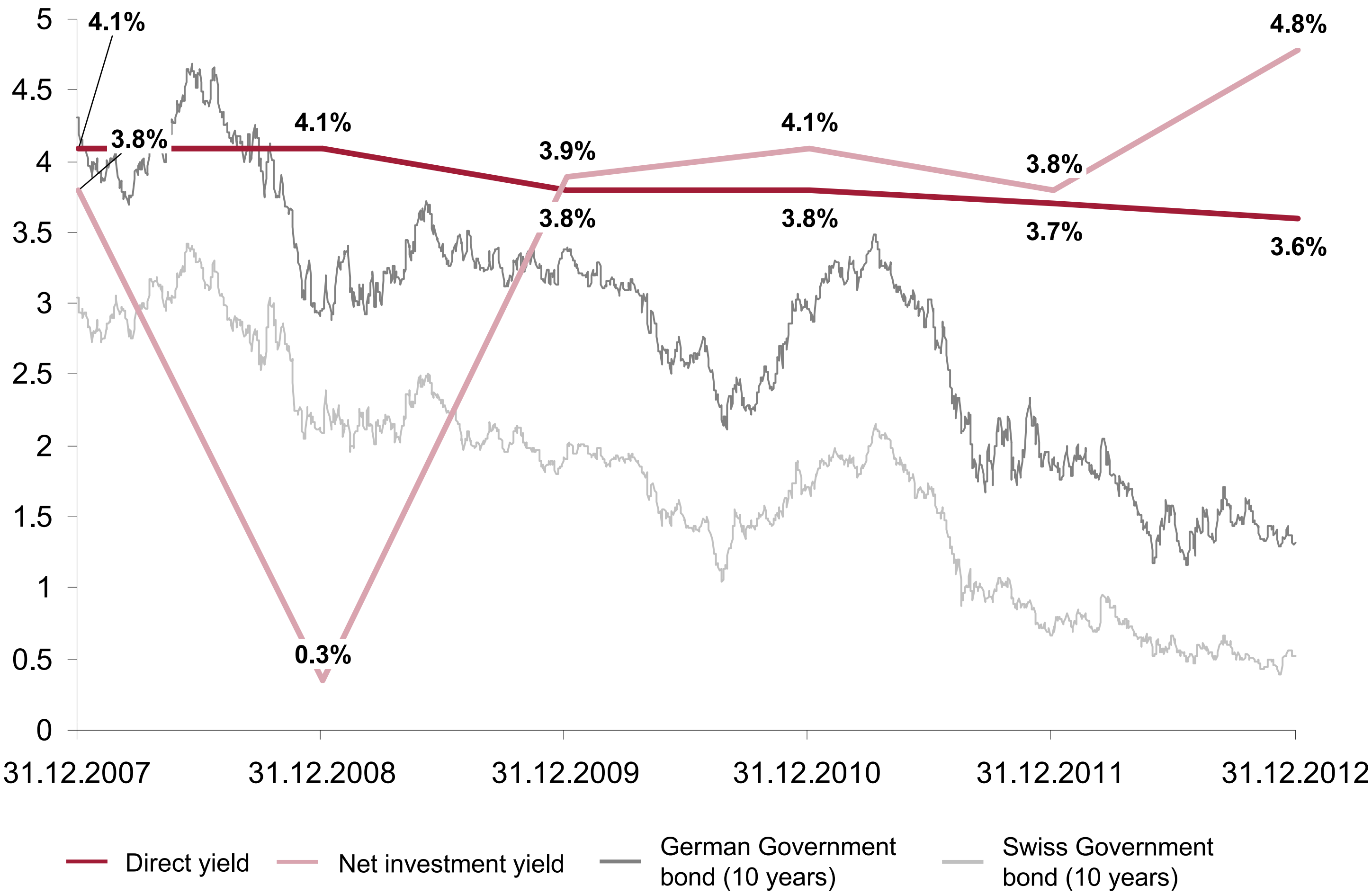
Statutory basis



▪ **Reserve strengthening**	17 bps
▪ **Change in business mix**	6 bps
Total	**23 bps**

Continued strong returns despite decreasing interest rates

IFRS basis



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Swiss Life 2015: Continue on the successful path of MILESTONE

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MILESTONE

- 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

- Diversify profit sources
- Cost savings of CHF 130 – 160 m
- Achieve new business margin > 1.5%
- Further improve new business mix
- Strengthen solvency through retained earnings
- Achieve 8 – 10% RoE

2009 – 2012 → 2013 – 2015

Focus areas by market unit

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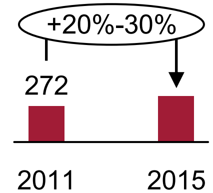
Focus on growth

Focus on efficiency

Consolidate and prepare for growth

Asset Managers

- Increase fee volume at stable cost/income ratios

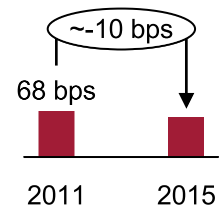


Fee income growth

Net fee income, CHF

France

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

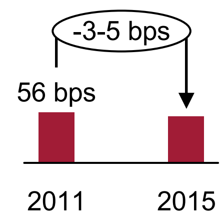


Efficiency gains

Life efficiency ratio
% of techn. reserves

Switzerland

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

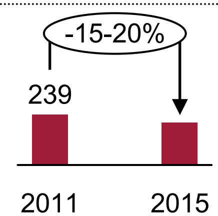


Efficiency gains

Life efficiency ratio
% of techn. reserves

Germany

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

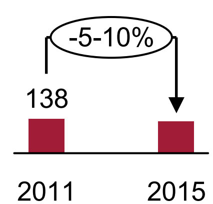


Cost reduction

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)

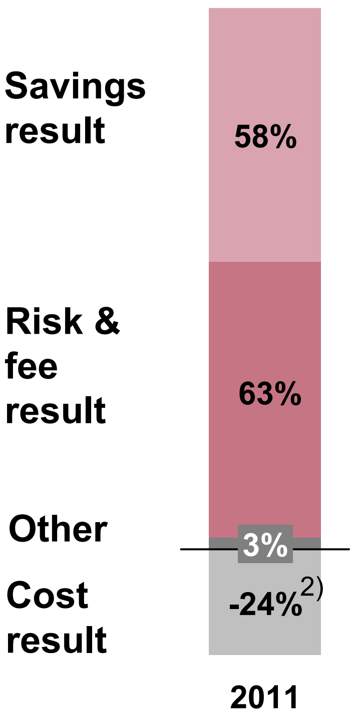


Cost reduction

Operating expenses excl. restructuring costs & one-offs, CHF

Driving profit source diversification

Profit by source[1)]



Targets 2015

- Stable savings result despite low interest rates
- Continue disciplined Asset Liability Management

<50%

- Grow fee business
- Defend risk result in highly competitive environment

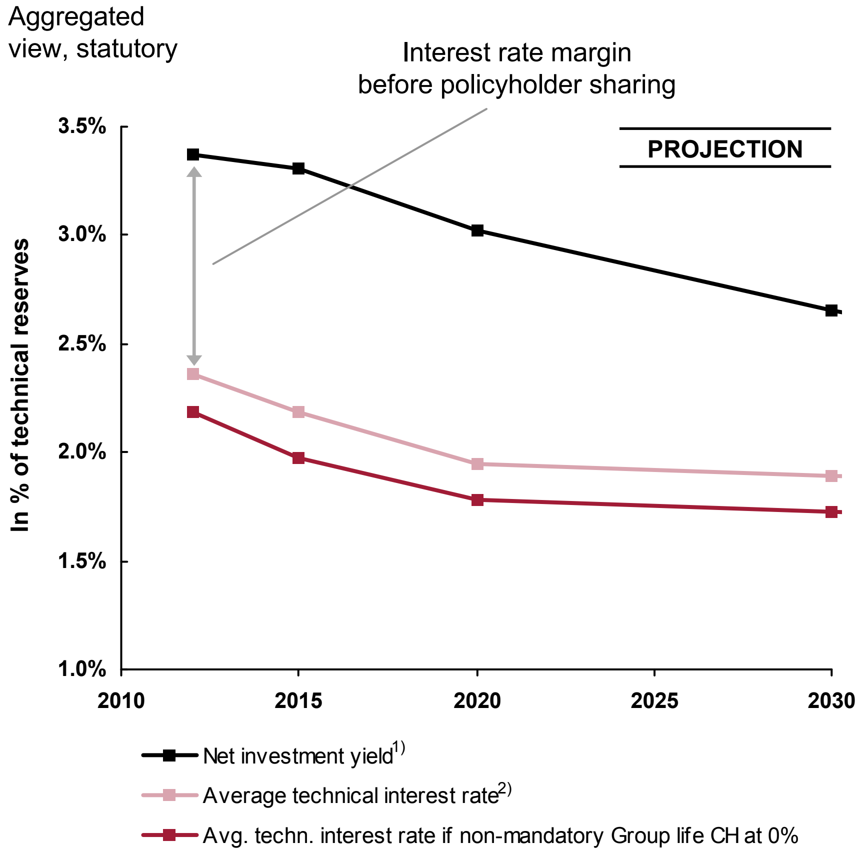
60-70%

- Continue efficiency measures
- Achieve a sustainable positive administration cost result

Administration cost result: **>0%**

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%

Swiss Life Group's interest rate margin resilient in low interest rate environment



Structurally healthy interest rate margin

- Interest rate margin resilient for more than two decades even if rates stay low
- Policy adjustments in non-mandatory Group life could further extend this period
- Reserve strengthening has an additional positive impact on resilience against low interest rates

Analysis is based on conservative assumptions

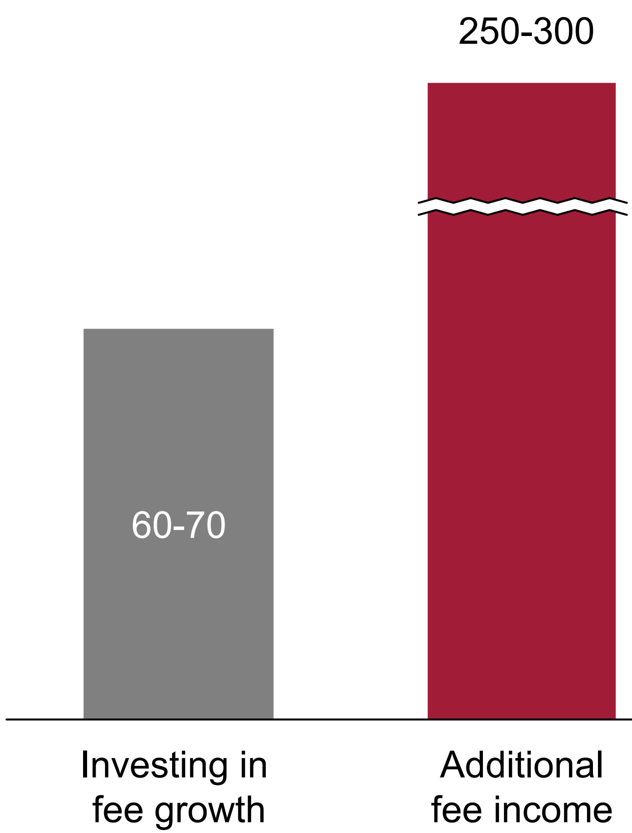
- No new business assumed beyond 2015, i.e. beneficial effect of new low-guarantee business not considered
- Reinvestment rates in this analysis are lower than effective ones; assumed are
  - Switzerland: 1.3%
  - France: 2.2%
  - Germany: 2.2%
- Risk and fee income are not considered

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

	Major sources	Initiatives supporting risk result
Switzerland	**Group Life**	▪ 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
France	**Health**	▪ Further develop death and disability products ▪ Improve loss ratio in health and P&C ▪ New innovative health solutions
Germany	**Disability**	▪ Maintain leading position in disability ▪ Development of new long-term care products
International	**Corporate customers**	▪ Corporate customers: Extension of group life risk products to Asian market

Investments in growth initiatives will generate additional fee income



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

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

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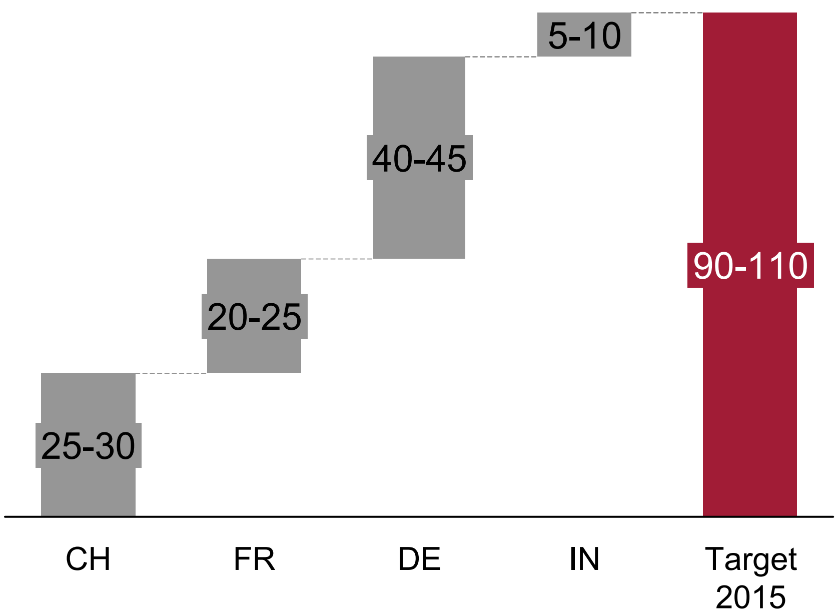
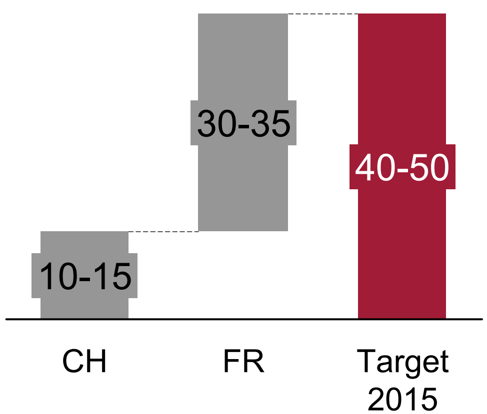
Project view

In CHF m, vs. FY 2011

Operating expenses



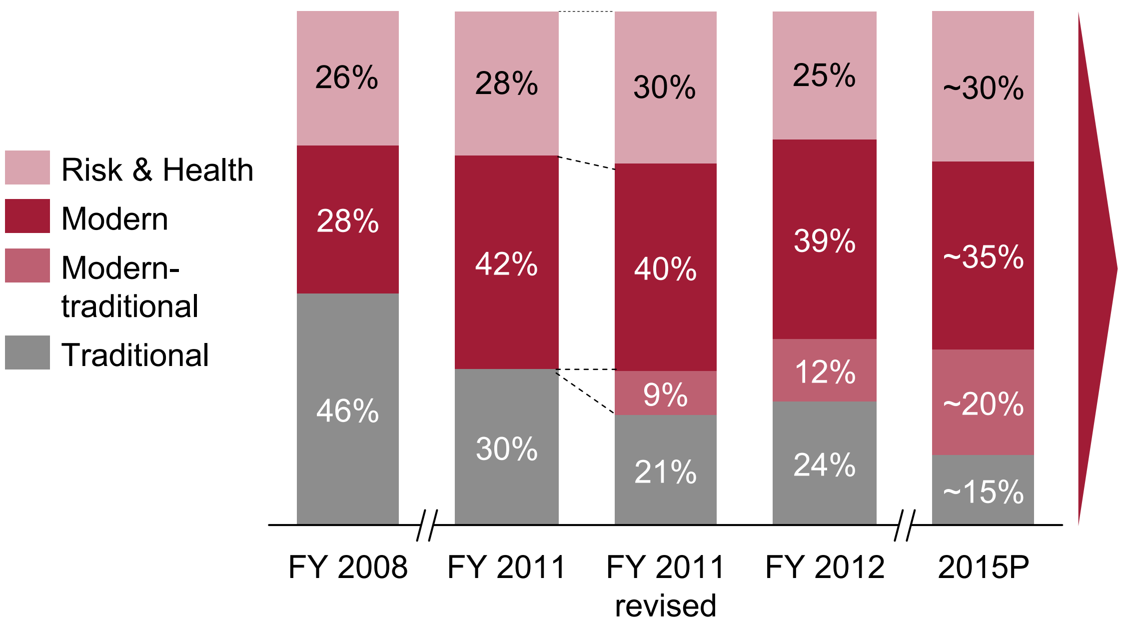
Variable acquisition expenses



- Savings programme results in reduction of approximately 300 – 400 FTEs (DE and CH)
- Total restructuring costs of around CHF 80-100 m; of which CHF 80-90m in 2012/2013

New alternative guarantee products lead to an improved product mix

New Business Production (NBP), in %



New alternative guarantee products introduced

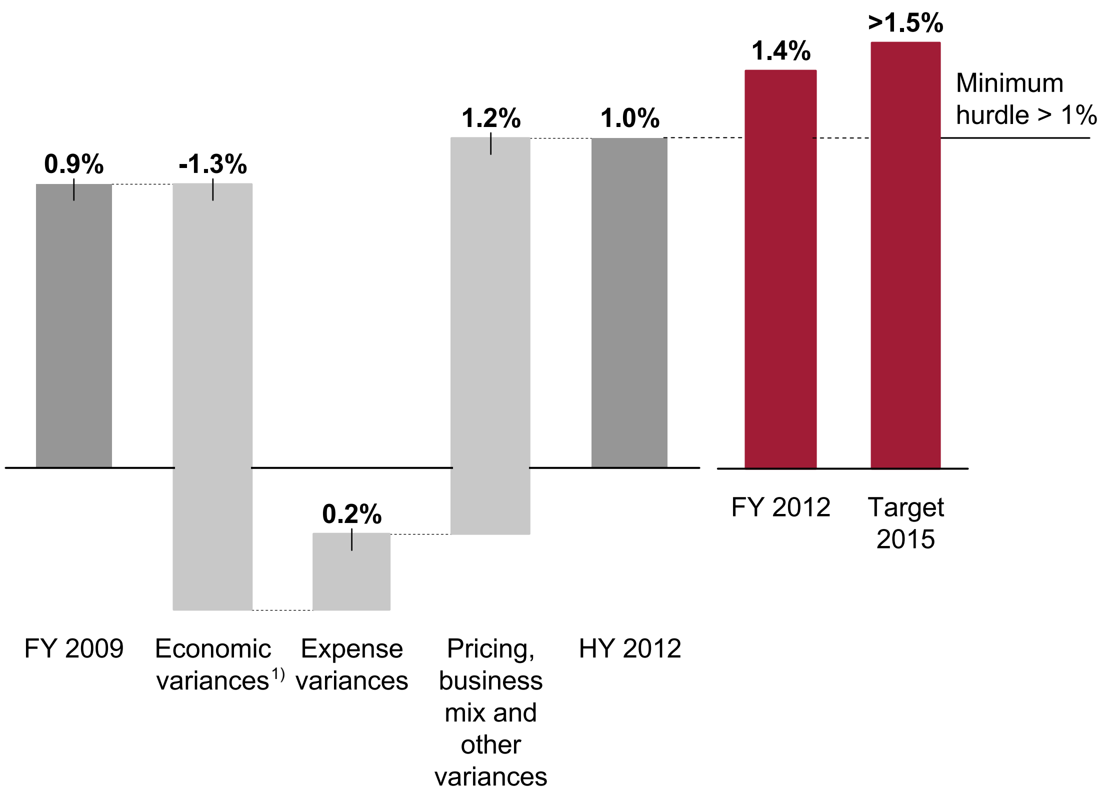
- Moderate interest rate guarantee
- Option to readjust surplus system
- Selectable guarantee design reduces market risk
- Decreased economic solvency capital requirements

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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Swiss Life 2015: Increase earnings and improve resilience through disciplined execution

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Strategic thrust		Objective	Target
1 **Customer promise** Increase quality and quantity of touch points with customers	2 **Offering**	Focus own solutions on profitable and flexible products and expand third-party offering	▪ **New business margin: >1.5%** ▪ New business shift: ~85% of NBP from risk, modern and modern-traditional products
	3 **Distribution**	Strengthen advisory expertise and manage production & distribution organisations in each market under one roof	▪ Fee income: Increase by 20-25%
	4 **Efficiency and quality**	Continue to strengthen operational effectiveness	▪ **Cost savings: CHF 130-160 m (project view)** ▪ Efficiency: Improve efficiency ratios
	5 **Financial strength**	Enhance financial strength and the resilience of the business model	▪ **Adjusted RoE: 8-10%** ▪ Dividend payout ratio: 20-40 %

Profit by source:

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

Cautionary statement regarding forward-looking information

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Contact details and financial calendar

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Financial calendar

Annual General Meeting	23 April 2013
Interim Statement Q1 2013	23 May 2013
Half-year Results 2013	14 August 2013

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