

# Investor presentation: Swiss Life AG issue of undated subordinated debt

Roadshow  
1 – 3 June 2015

# Agenda

## → **Swiss Life at a glance**

Proven resilience of business model

Credit considerations

Proposed transaction

Appendix

# Swiss Life Group is a leading provider of life, pensions and financial solutions...

FY 2014

## Swiss Life Group: Facts and figures

- GWP incl. PHD<sup>1)</sup>: CHF 19.1 bn
- Net profit: CHF 818 m
- Adjusted profit from operations: CHF 1 182 m
- Assets under Management: CHF 183.0 bn of which external customers of CHF 33.7 bn
- Shareholders' equity: CHF 12.8 bn
- Group MCEV: CHF 12.9 bn
- FTEs: ~ 7 500
- Certified financial advisors: ~ 4 500
- S&P financial strength rating of Swiss Life AG: A / stable outlook

1) Policyholder deposits

3 | Swiss Life AG issue of undated subordinated debt

## Business units



# ...with an attractive and diversified portfolio based on strong market positions

FY 2014, in CHF (IFRS basis)

Business segments	Market position	Insurance reserves	GWP & PHD	Fee & commission income <sup>5)</sup>	Adjusted profit from operations <sup>5)</sup>
		144.5 bn	19.1 bn	1 317 m	1 182 m
Switzerland	– Market leader in life insurance	55%	53%	14%	56%
France	– Strong position in health – Focus on affluent customers in life	17%	27%	21%	18%
Germany	– Leader with brokers for BU <sup>1)</sup> and BAV <sup>2)</sup> – 3 <sup>rd</sup> largest IFA network	13%	8%	32%	8%
International	– Strong with PPLI <sup>3)</sup> and pension pooling with our global SL Network	15%	13%	18%	3%
Asset Managers	– Leading in Switzerland and large portfolios in Germany and France	183.0 bn <sup>4)</sup>	n.a.	34%	16%

1) Disability insurance 2) Occupational pension scheme 3) Private placement life insurance 4) AuM

5) Percentage figures do not sum up to 100% mainly due to elimination effects (fee & comm. income) and unallocated corp. costs (adj. profit from operations)

# Key figures FY 2014 results

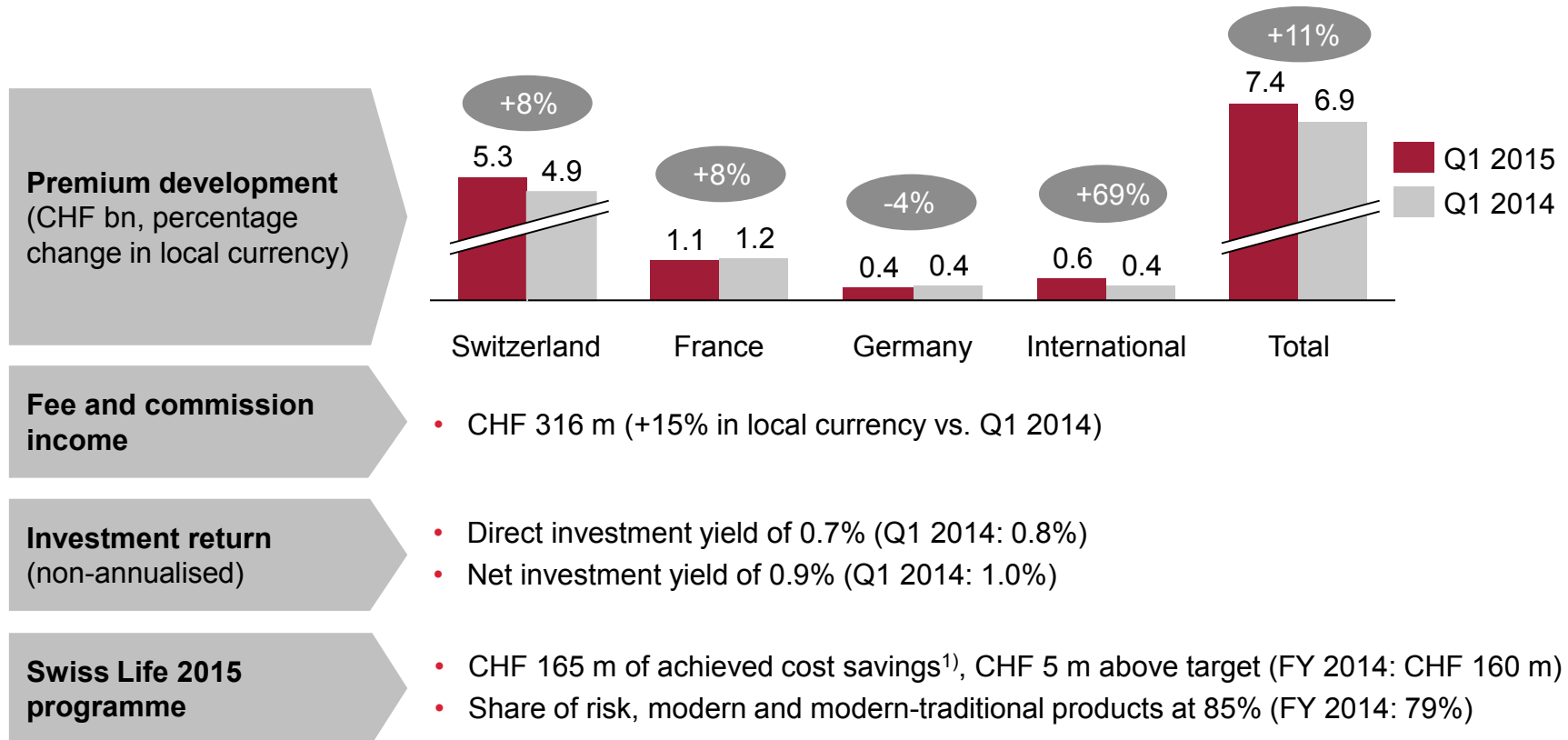
FY 2014 vs. FY 2013

Net profit	➔	CHF 818 m	+4%
Adjusted profit from operations	➔	CHF 1 182 m	+4%
GWP incl. PHD (in local currency)	➔	CHF 19.1 bn	+7%
Fee and commission income (in local currency)	➔	CHF 1 317 m	+15%
New business margin (% PVNBP)	➔	1.8%	-0.4 pts
Shareholders' equity	➔	CHF 12.8 bn	+43%
Return on equity <sup>1)</sup>	➔	9.6%	-0.4 pts
Group solvency 1	➔	269%	+59 pts
Dividend	➔	CHF 6.50	CHF +1.00

1) Equity excl. unrealised gains/losses on bonds

# Q1 2015: Continued operational progress

CHF million (IFRS basis, unaudited)



1) Cost savings since start of Swiss Life 2015 programme vs. cost base FY 2011

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# Right measures implemented to operate in a low interest rate environment

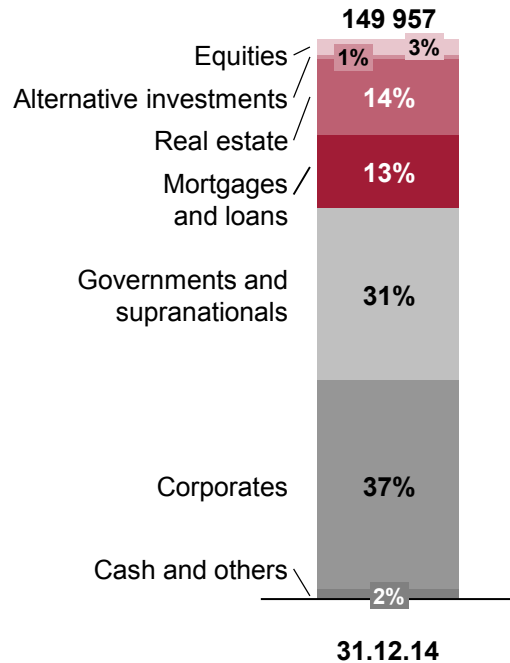
Measure	Achievements
<b>In-force: Disciplined Asset and Liability Management (ALM)</b>	<p>Asset side</p> <ul style="list-style-type: none"> <li>• Direct yield strengthened, stability of net investment result increased, economic interest rate sensitivity substantially lowered</li> </ul> <p>Liability side</p> <ul style="list-style-type: none"> <li>• Technical interest rates and policyholder bonuses reduced and policyholder reserves strengthened</li> </ul> <p>► <b>Interest rate margin secured for several decades</b></p>
<b>Earnings: Further increase quality of earnings</b>	<ul style="list-style-type: none"> <li>• Cost base significantly reduced and efficiency ratio continuously improved</li> <li>• Risk result defended in a competitive environment</li> <li>• Fee result strengthened</li> </ul> <p>► <b>Quality of earnings improved</b></p>
<b>New business: Profitability before growth</b>	<ul style="list-style-type: none"> <li>• Product offering revamped and new business mix shifted away from traditional products</li> <li>• Ongoing disciplined margin management</li> </ul> <p>► <b>New business value increased</b></p>

**Resilience of  
business  
model  
increased  
and quality  
of earnings  
improved**



# Asset allocation to strengthen direct yield and reduce risk in an ALM context

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



## Real estate

- Directly owned, non-leveraged properties
- 83% of portfolio in Switzerland
- Largest private real estate owner in Switzerland
- Well diversified between residential and commercial

## Government and supranational bonds

- 93% are A-rated or higher
- 40% are AAA-rated
- Very low exposure to GIIPS sovereigns

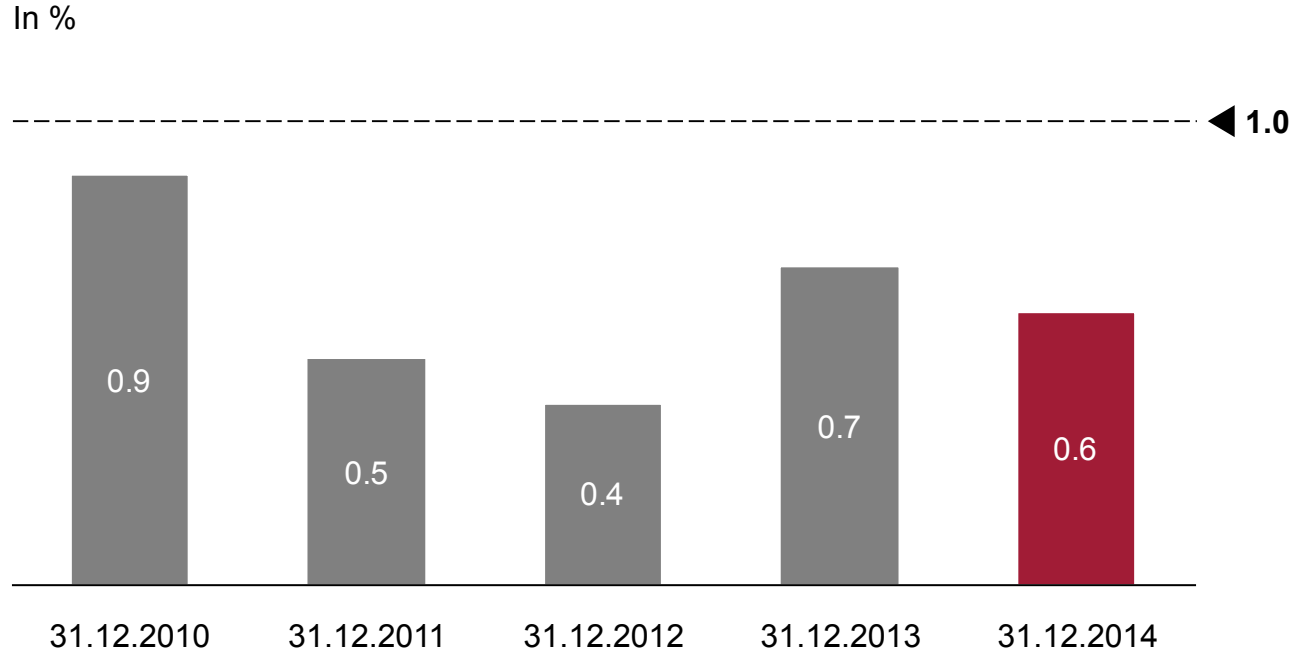
## Corporate bonds

- 63% are A-rated or higher
- Only 4% are below BBB

Low duration gap of 0.6%

Net equity exposure 1.9%

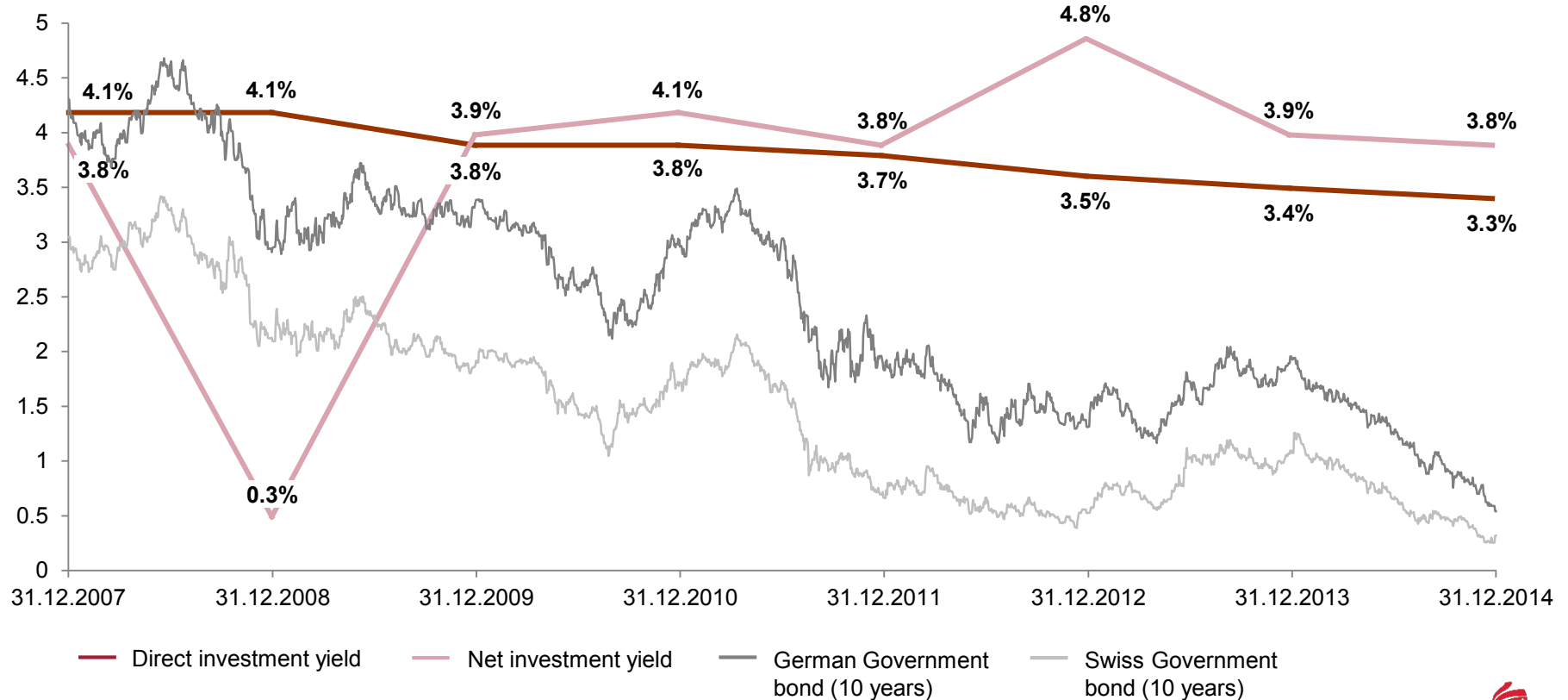
# Total weighted duration gap



The total weighted duration gap explains the linear change in risk-bearing capital due to a parallel shift of the underlying interest rate curve in percentage of the present value of insurance liabilities

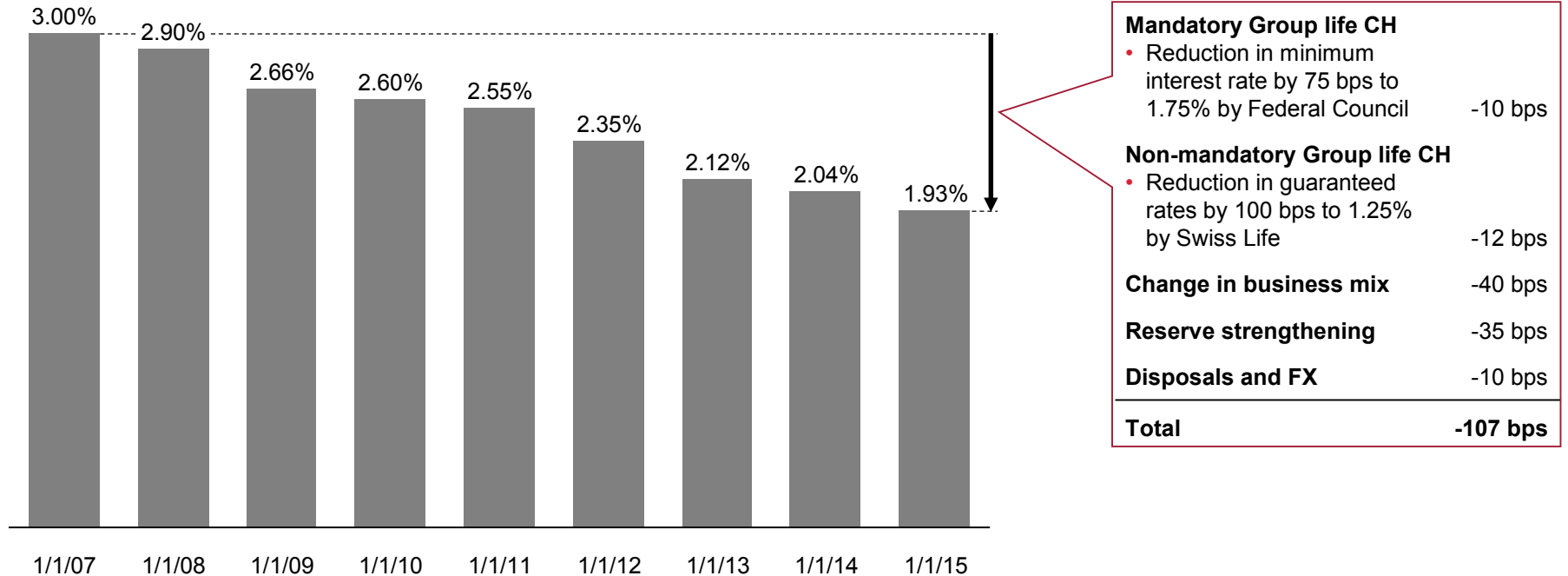
# Continued strong returns in a low interest rate environment

Direct and net investment yield (IFRS basis, in %)



# Average technical interest rate significantly decreased

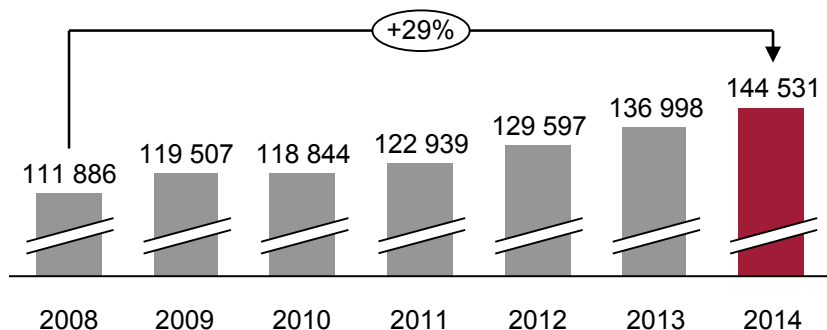
Statutory basis



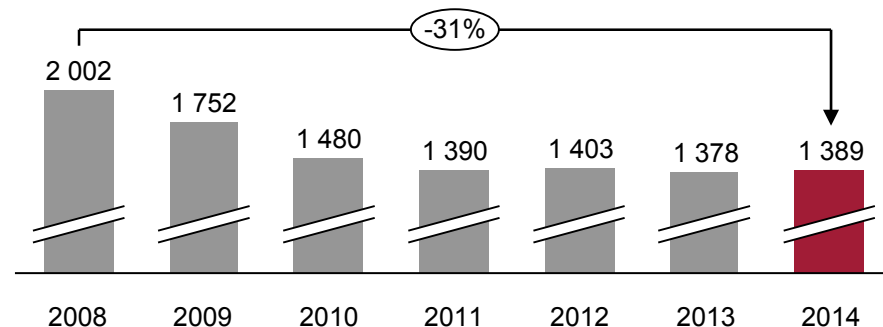
# Continued positive development of key figures

CHF million (IFRS basis)

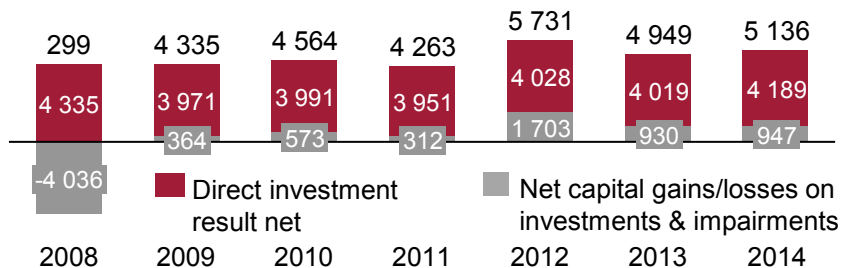
Insurance reserves  
(w/o policyholder participation liabilities incl. UL)



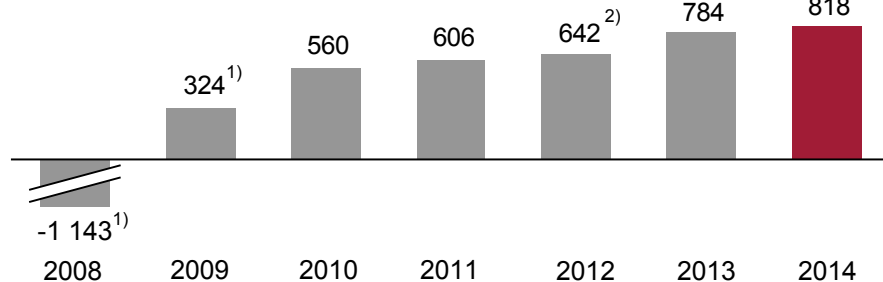
Operating expense adjusted



Net investment result



Net profit



1) Continuing operations 2) Adjusted for impairments at owned IFAs and IN of total CHF 543 m (post tax)

# Profit by source driven by improved risk and fee result

CHF million (IFRS basis)

	FY 2013 adjusted		FY 2014 adjusted	
Savings result	835	69%	689	55%
Risk result	270	22%	395	32%
Cost result	-142	-12%	-151	-12%
- <i>Thereof admin cost result gross<sup>1)</sup></i>	67	+6%	73	+6%
Fee result	190	16%	269	22%
Others & eliminations	51	4%	46	4%
<b>Segment result</b>	<b>1 205</b>	<b>100%</b>	<b>1 249</b>	<b>100%</b>
- Unallocated corporate costs	-65		-66	
<b>Profit from operations</b>	<b>1 139</b>		<b>1 182</b>	

1) Gross = before policyholder participation

# Proven resilience of Swiss Life's business model with limited impact of SNB decisions

## Right measures in place

- Fully hedged foreign currency exposure on the insurance portfolio
- Disciplined asset and liability management to preserve the interest rate margin
- Ongoing disciplined product and margin management

## Challenges

- Negative translation effect from foreign insurance segments (hypothetical effect on 2014 net profit of CHF 35 m @ 1.05 EUR/CHF)
- Pressure on direct yield
- Increased hedging costs over the medium term
- Lower new business expected due to profit before growth

## Conclusion

- Impact on SST and buffer strengthening negligible
- Dividends unaffected
- Committed to achieve Swiss Life 2015 targets

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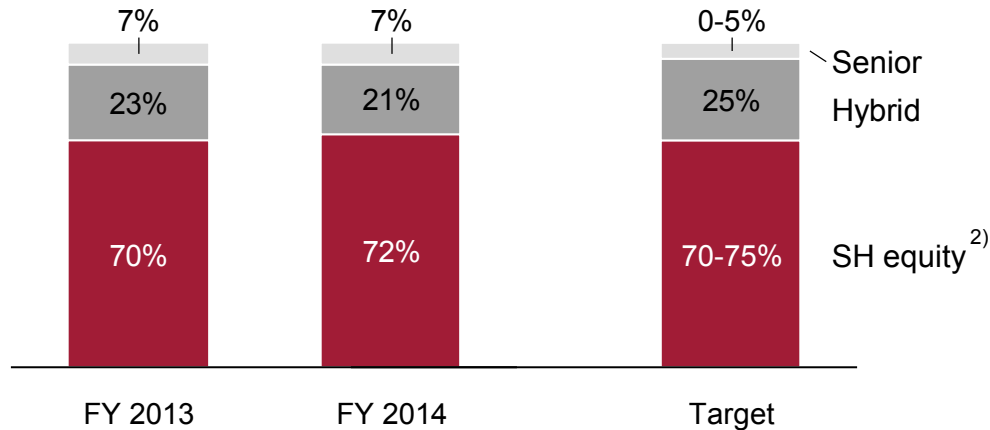
Appendix



# Well balanced capital structure

IFRS basis, as per 31.12.2014

## Capital structure<sup>1)</sup>



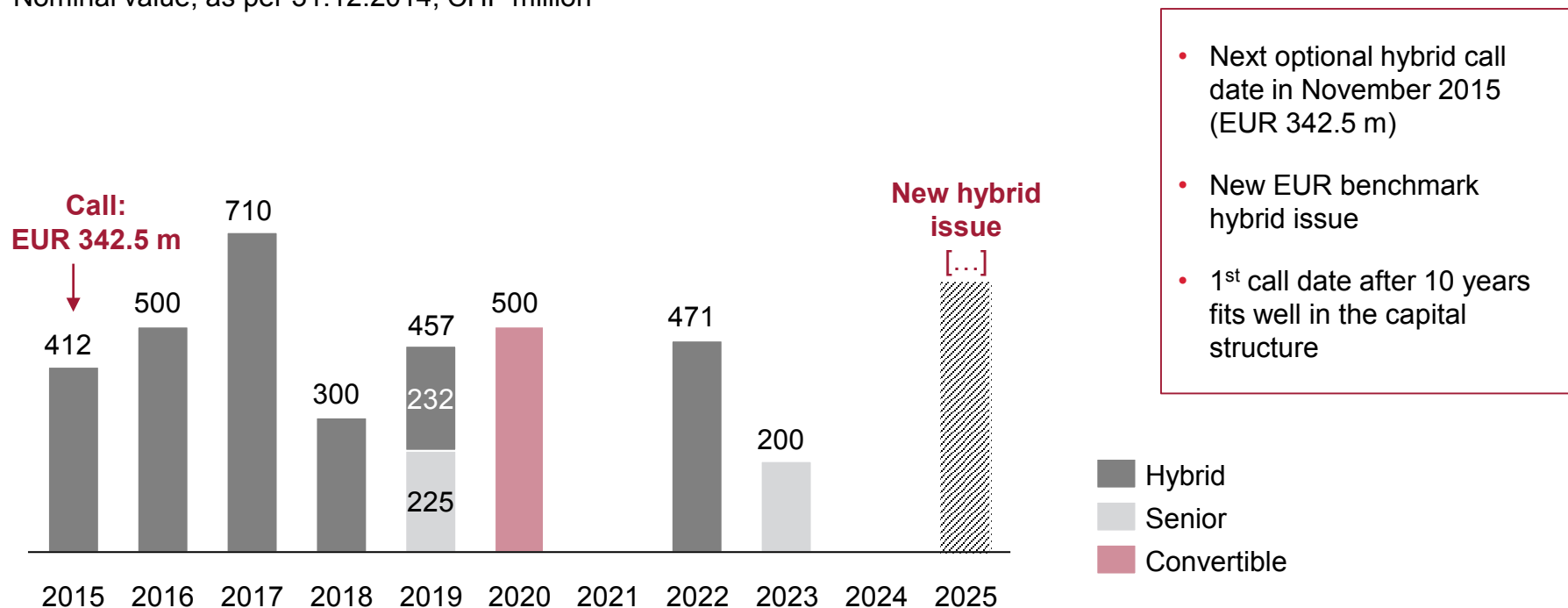
### Total outstanding debt<sup>3)</sup>:

- Senior: CHF 925 m (3 instruments, thereof one convertible bond)
- Hybrid: CHF 2.6 bn (6 instruments)

1) Financing debt only; excluding mortgage loans of CHF 309 m 2) Excluding unrealised gains/losses on bonds 3) Nominal amount

# Debt maturity profile & refinancing plan

Maturities (senior) and next optional call dates (hybrid)  
Nominal value, as per 31.12.2014, CHF million



# Strong solvency and rating position...

## SST

- SST in the green based on internal model <sup>1)</sup>

## Solvency 1

- IFRS Group Solvency 1 at 284% per Q1 2015 (+15 pts vs. FY 2014)
- Excluding unrealised gains on bonds: 193% per Q1 2015 (-3 pts vs FY 2014)

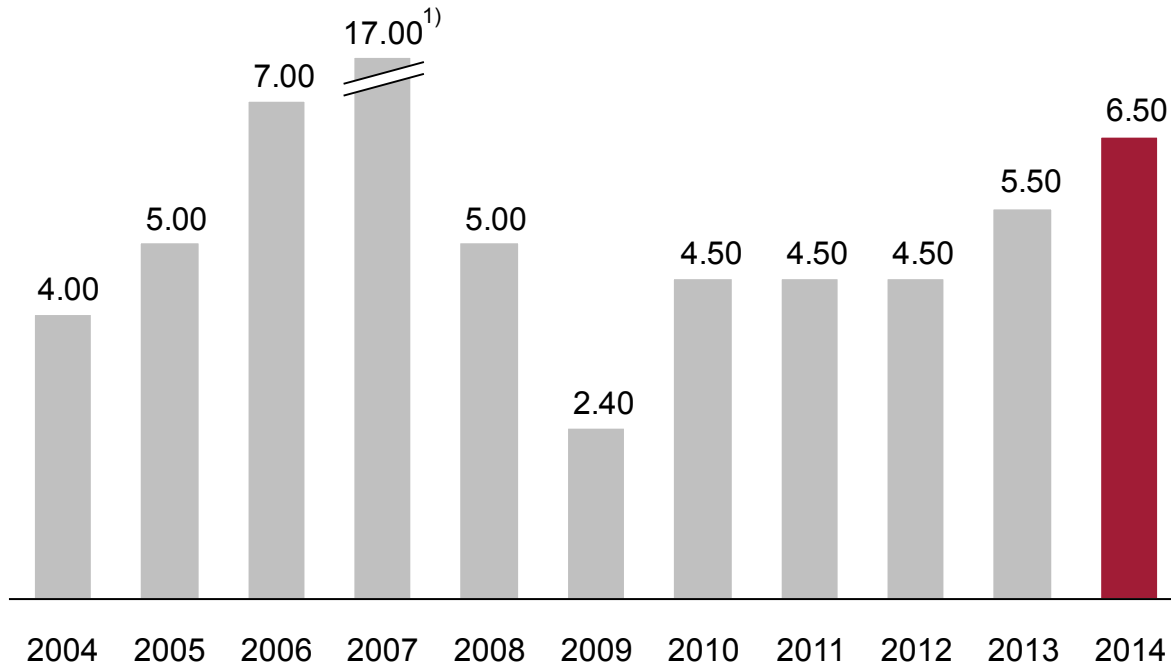
## Rating

- Swiss Life rated by Standard and Poor's
- Swiss Life AG (issuer) upgraded to A with stable outlook on 20 May 2015
- Capital adequacy in line with AAA level according to S&P model
- Financial leverage <20%
- Fixed charge coverage >7x

1) Model partially approved by FINMA

# ...allows for consistent distributions

CHF per share



- Swiss Life has consistently paid dividends over the last 10 years
- It has always paid all coupons on its hybrid instruments

1) Includes extraordinary dividend following disposals

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# Summary of the key terms and conditions <sup>(1)</sup>

<b>Issued Securities</b>	Secured Notes issued by Demeter Investments B.V. and secured by the Loan Notes
<b>Loan Notes Issuer</b>	Swiss Life AG (Loan Notes are guaranteed on a subordinated basis by Swiss Life Holding AG)
<b>Currency / Size</b>	EUR Benchmark
<b>Expected Rating</b>	BBB+ (S&P)
<b>Ranking</b>	Subordinated to senior creditors; pari passu with CHF300m 5.5%, CHF500m 5.25% and EUR350m 5% subordinated bonds and with 1999 and 2012 private placements; senior to ordinary shares and EUR590m 5.849% subordinated bonds (ELM BV)
<b>Maturity</b>	Perpetual, callable on [ ] 2025 (“First Call Date”) and on any interest payment date thereafter
<b>Interest</b>	Fixed coupon until the First Call Date payable annually; thereafter floating rate equal to 3-months EURIBOR + initial credit spread + 100bps step-up payable quarterly
<b>Optional Deferral</b>	Optional deferral subject to a 6-months pusher on any discretionary distribution or repurchase or redemption of any share capital, junior or parity securities
<b>Mandatory Deferral</b>	Mandatory deferral if (i) Issuer does not have appropriate funds to cover the minimum required solvency margin, (ii) Issuer is unable to pay its senior debt as they fall due, (iii) assets do not exceed senior liabilities, or (iv) upon FINMA request
<b>Deferred Interest</b>	Cumulative, must be paid upon the earlier of (i) resumption of any discretionary distribution, (ii) repurchase or redemption of any share capital, junior or parity securities (iii) redemption or (iv) liquidation or winding up
<b>Early Redemption</b>	At par upon a Regulatory, Tax (tax-deductibility and WHT), Accounting, Rating Agency or Recalculation of Interest Event
<b>Denominations</b>	EUR 100,000 + EUR 1,000 thereafter
<b>Governing law</b>	Secured Notes governed by English law, Loan Notes governed by Swiss law
<b>Listing</b>	Irish Stock Exchange

(1) PLEASE REFER TO THE PRELIMINARY PROSPECTUS FOR THE FULL TERMS AND CONDITIONS

# Structural comparison to other instruments

	 SwissLife	 SwissLife	 SwissLife	 Swiss Re	 ZURICH®
<b>Issuer</b>	Swiss Life through Demeter	Swiss Life	Swiss Life through ELM	Swiss Re through ELM	Zurich Ins. through Aquarius
<b>Issue Date</b>	[ ] 2015	22-Oct-2012	12-Apr-2007	2-Apr-2015	25-Feb-2013
<b>Amount</b>	EUR [ ]	CHF 300m	EUR 700m	EUR 750m	EUR 1bn (incl. tap)
<b>Issue ratings (M/S)</b>	- / BBB+	- / BBB+	- / BBB+	- / A	A2 / A
<b>Tenor</b>	Perp NC10	Perp NC5.8	Perp NC10	Perp NC10.4	30.6NC10.6, subject to lock-in
<b>Coupon rate</b>	[ ]% until FCD, 3mE + [ ] + step-up thereafter	5.5% until FCD, reset every 5y (5y swap + 509.1bps) thereafter	5.849% until FCD, 3m E + 150bps + step-up thereafter	2.6% until FCD, 6mE + 205bps + step-up thereafter	4.25% until FCD, 3mE + 245bps + step-up thereafter
<b>Step-up</b>	100 bps at first call date	None	100 bps at first call date	100 bps at first call date	100 bps at first call date
<b>Optional deferral</b>	At Issuer's discretion subject to dividend pusher (6m look-back)	At Issuer's discretion subject to dividend pusher (6m look-back)	At Issuer's discretion subject to dividend pusher (12m look-back)	At Issuer's discretion subject to dividend pusher (6m look-back)	At Issuer's discretion subject to dividend pusher (6m look-back)
<b>Mandatory deferral</b>	Upon Solvency Event <sup>1)</sup>	Upon Solvency Event <sup>1)</sup>	Upon Solvency Event <sup>1)</sup>	Upon Solvency Event <sup>1)</sup>	Upon Solvency Event <sup>1)</sup>
<b>Deferred interest</b>	Cumulative	Cumulative	Non-cumulative	Cumulative	Cumulative
<b>Early redemption</b>	At par upon Regulatory, Tax, WHT, Accounting, Rating Agency, Recalculation of Interest Event	At par upon Regulatory, Tax, Accounting, Rating Agency Event	At make-whole upon Regulatory, Tax, Accounting Event At par upon WHT Event	At par upon Regulatory, Tax, WHT, Accounting, Rating Agency Event	At par upon Regulatory, Tax, WHT, Accounting, Rating Agency Event
<b>Ranking</b>	Subordinated	Subordinated	Deeply subordinated	Deeply subordinated	Subordinated
<b>Denomination</b>	EUR 100k + 1k	CHF 5k	EUR 50k	EUR 100k + 1k	EUR 100k + 1k

1) Solvency Event means (i) issuer does not have appropriate funds to cover required minimum solvency margin, (ii) issuer is unable to pay its senior debt, (iii) assets < (senior) liabilities, or (iv) upon FINMA request

Sources: Offering prospectus, for the full terms and conditions please refer to the relevant prospectus

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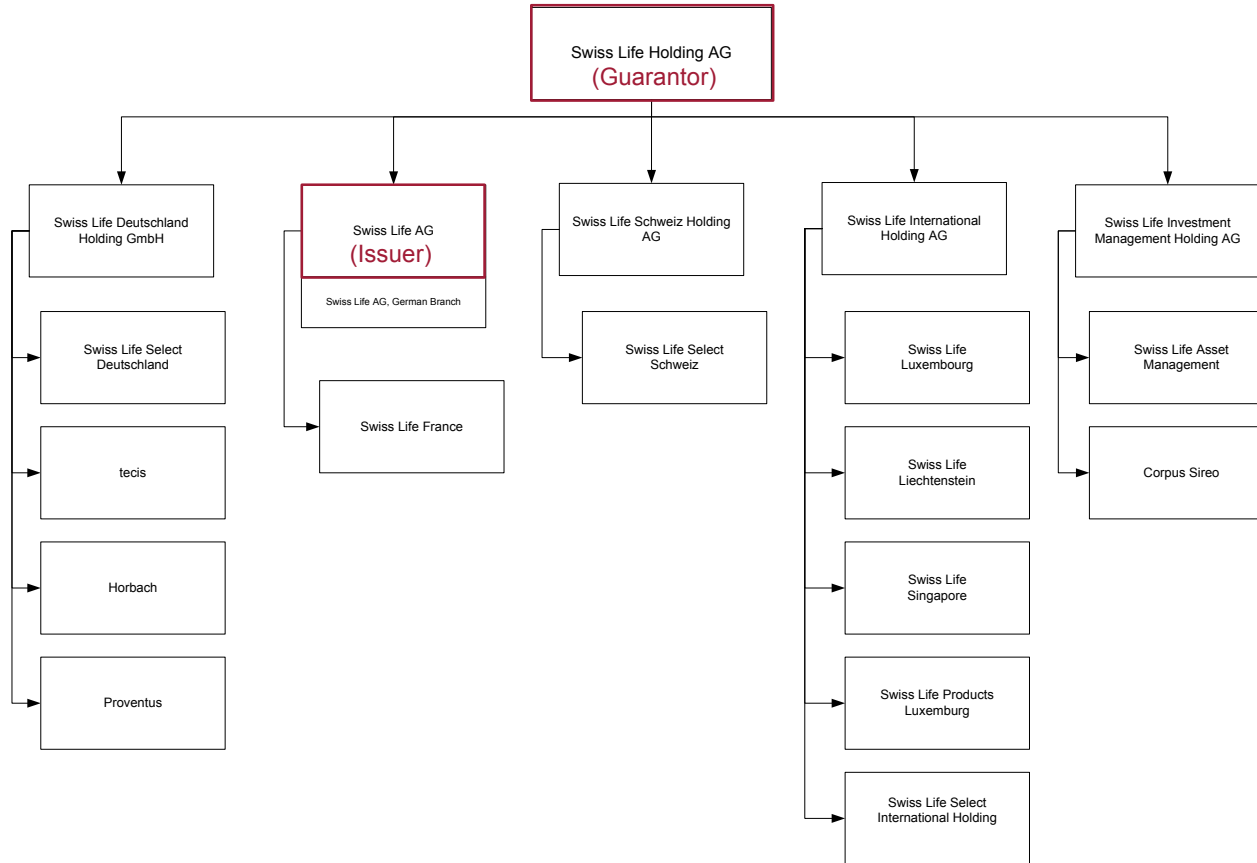
# Majority of Swiss Life 2015 targets achieved one year in advance

Strategic thrust	Target	Status
<b>Customer promise</b> 1 Increase quality and quantity of touch points with customers	<b>2 Offering</b>	<ul style="list-style-type: none"> <li>New business margin (NBM): &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> <li>Profit by source (PbS)               <ul style="list-style-type: none"> <li>Savings result &lt;50%</li> <li>Fee &amp; risk result 60-70%</li> <li>Admin cost result &gt;0%</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>NBM at 1.8% as per FY 2014</li> <li>79% of NBP from risk, modern and modern-traditional products as per FY 2014 (85% as per Q1 2015)</li> </ul>	
<ul style="list-style-type: none"> <li>Up by 15% to CHF 1.3bn as per FY 2014 (further increase yoy of 15% as per Q1 2015)</li> </ul>		
<ul style="list-style-type: none"> <li>CHF 160 m of overall targeted cost savings implemented as per FY 2014 (CHF 165 m as per Q1 2015)</li> <li>Efficiency ratio improved yoy by 4 bps to 0.65% as per FY 2014</li> </ul>		
<ul style="list-style-type: none"> <li>RoE at 9.6% as per FY 2014</li> <li>Payout at 25% as per FY 2014</li> <li>PbS as per FY 2014:               <ul style="list-style-type: none"> <li>Savings result 55%</li> <li>Fee &amp; risk result 54%</li> <li>Admin cost result +6%</li> </ul> </li> </ul>		

# Outstanding financing instruments

Type	Outstanding amount	Issuer	Issue year	Call /maturity	Interest	Regulatory capital
Subordinated Hybrid loan	EUR 192 m	Swiss Life AG	1999	2019/perp	6mE + 2.05%	✓
Hybrid bond	EUR 342.5 m	Swiss Life AG	2005	2015/perp	5%	✓
Hybrid bond	EUR 590 m	Swiss Life AG	2007	2017/perp	5.849%	✓
Hybrid bond	CHF 500 m	Swiss Life AG	2011	2016/perp	5.25%	✓
Hybrid bond	CHF 300 m	Swiss Life AG	2012	2018/perp	5.5%	✓
Subordinated Hybrid loan	CHF 470.5 m	Swiss Life AG	2012	2022/2042	6mL + 4.2%	✓
Senior bond	CHF 225 m	Swiss Life Holding AG	2013	2019	1.125%	
Senior bond	CHF 200 m	Swiss Life Holding AG	2013	2020	1.875%	
Senior convertible bond	CHF 500 m	Swiss Life Holding AG	2013	2023	0%	

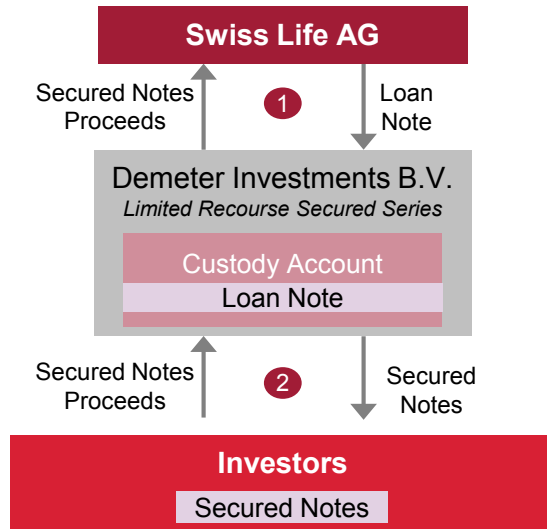
# Legal structure of Swiss Life Group (simplified)



# Summary of pass through structure (1)

Demeter repackaging structure enables international investors to receive coupon payments without incurring Swiss withholding tax of 35%, which would apply if Notes were issued directly by Swiss Life. The Demeter repackaging structure is Swiss tax compliant

Commonly used by Swiss issuers when issuing internationally



- 1 Loan Note: Swiss Life issues Loan Note, which is purchased by Demeter. Loan Note is guaranteed by Swiss Life Holding AG
- 2 Demeter Notes: Demeter issues Secured Notes (SN) and uses proceeds to buy Loan Note from Swiss Life AG. SN is secured by, and linked to Loan Note

## Selected Repackaged Swiss Transactions

### Swiss Life

- "ELM BV" - EUR 700m 5.849% PerpNC10

### Swiss Re

- "ELM BV" – EUR750m 2.6% PerpNC10.4
- "Cloverie plc" – USD500m 4.5% 30NC10
- "Aquarius + Inv. plc" – USD750m 6.375% 11.5NC6.5
- "Cloverie plc" – EUR500m 6.625% 30.2NC10.2
- Aquarius + Inv. plc" USD750m 8.25% PerpNC6.5

### Zurich Insurance

- "Willow plc" – USD300m 4.25% 30.5NC10.5
- "Cloverie plc" - USD 500m 8.25% Perp NC6
- "Cloverie plc" - EUR 425m 7.5% 30NC10

(1) PLEASE REFER TO THE PRELIMINARY PROSPECTUS

# Cautionary statement regarding forward-looking information

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# Contact details and financial calendar

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## Financial calendar

Half-year results 2015	14 August 2015
Interim statement Q3 2015	12 November 2015
Investors' Day 2015	25 November 2015
Full-year results 2015	01 March 2016

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