

St. Galler Kantonalbank

Swiss Life: Continued disciplined execution

Thomas Buess, Group CFO

Zurich, 22 April 2015

Agenda

→ **Swiss Life Group at a glance**

Recent financial development

Swiss Life 2015 and wrap-up

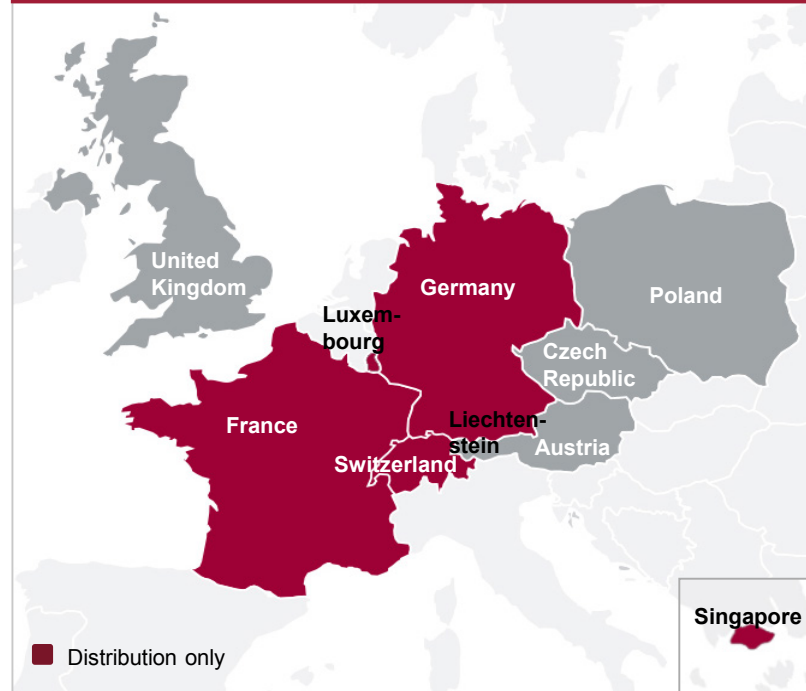
Swiss Life Group is a leading provider of life and pensions and financial solutions...

FY 2014

Swiss Life Group – Facts and figures

- GWP incl. PHD: CHF 19.1 bn
- Net profit: CHF 818 m
- Adjusted profit from operations: CHF 1 182 m
- Asset under Management: CHF 183.0 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 Ltd: A- / positive

Business units



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

FY 2014, in CHF (IFRS basis)

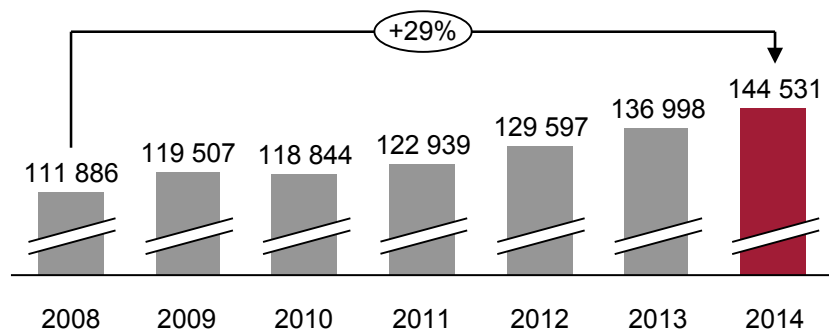
Business segments	Market position	Insurance reserves	GWP & PHD	Fee & commission income ⁴⁾	Adjusted profit from operations ⁴⁾
		144.5 bn	19.1 bn	1 317 m	1 182 m
Switzerland	– Market leader in life insurance	55%	53%	14%	56%
France	– Strong position in health – Focus on affluent customers in life	17%	27%	21%	18%
Germany	– Leader with brokers for BU ¹⁾ and BAV ²⁾ – 3 rd largest IFA network	13%	8%	32%	8%
International	– Strong with PPLI 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 ³⁾	n.a.	34%	16%

1) Disability insurance 2) Occupational pension scheme 3) AuM 4) Percentage figures do not sum up to 100% mainly due to elimination effects (fee & comm. income) and unallocated corp. costs (adj. profit from operations)

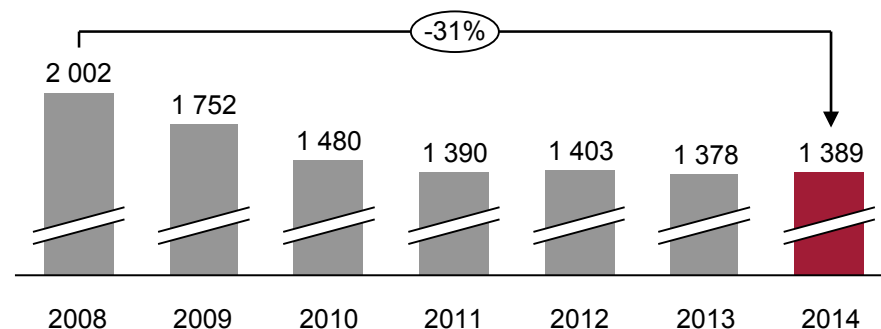
Development of key figures demonstrates progress of our strategy

CHF million (IFRS basis)

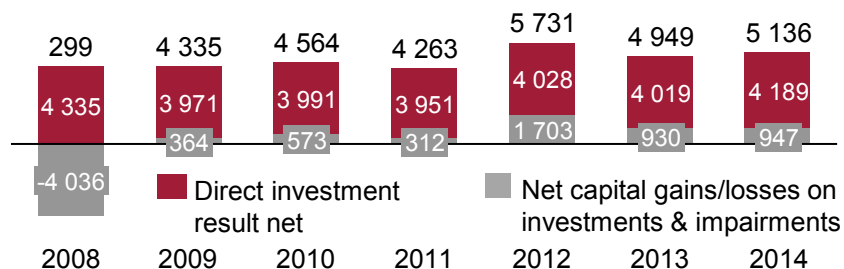
Insurance reserves
(w/o policyholder participation liabilities incl. UL)



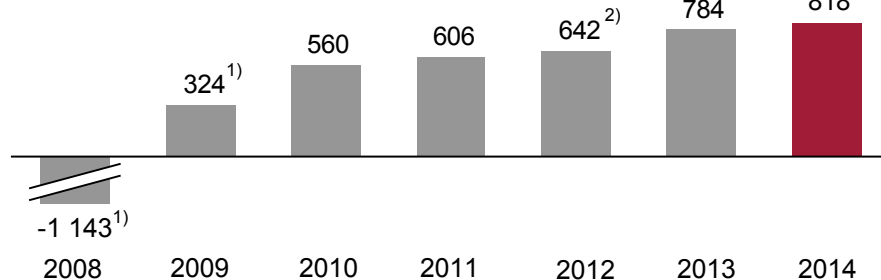
Operating expense adjusted



Net investment result



Net profit



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

Agenda

Swiss Life Group at a glance

→ **Recent financial development**

Swiss Life 2015 and wrap-up

FY 2014 results: Further operational progress

Recent financial developments

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 ¹⁾	➔	9.6%	-0.4 pts
Group solvency	➔	269%	+59 pts
Dividend (proposed)	➔	CHF 6.50	CHF +1.00

1) Equity excl. unrealised gains/losses on bonds

Agenda

Swiss Life Group at a glance

Recent financial development

→ **Swiss Life 2015 and wrap-up**

Swiss Life 2015: Continue on the successful path of MILESTONE

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 (adjusted)

2009 – 2012

2013 – 2015

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 gross¹⁾</i>	67	+6%	73	+6%
Fee result	190	16%	269	22%
Others & eliminations	51	4%	46	4%
Segment result	1 205	100%	1 249	100%
- Unallocated corporate costs	-65		-66	
Profit from operations	1 139		1 182	

1) Gross = before policyholder participation

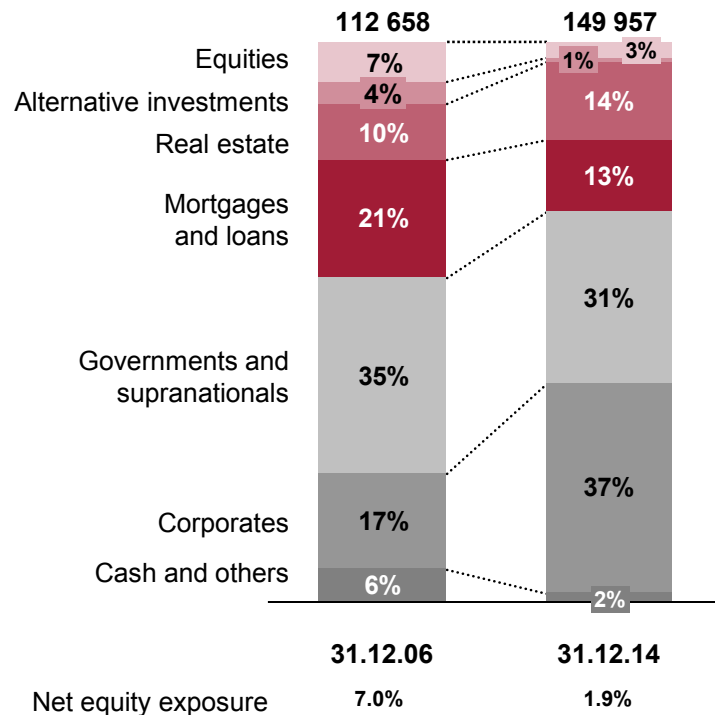
Right measures implemented to successfully operate in a low interest

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

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

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

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

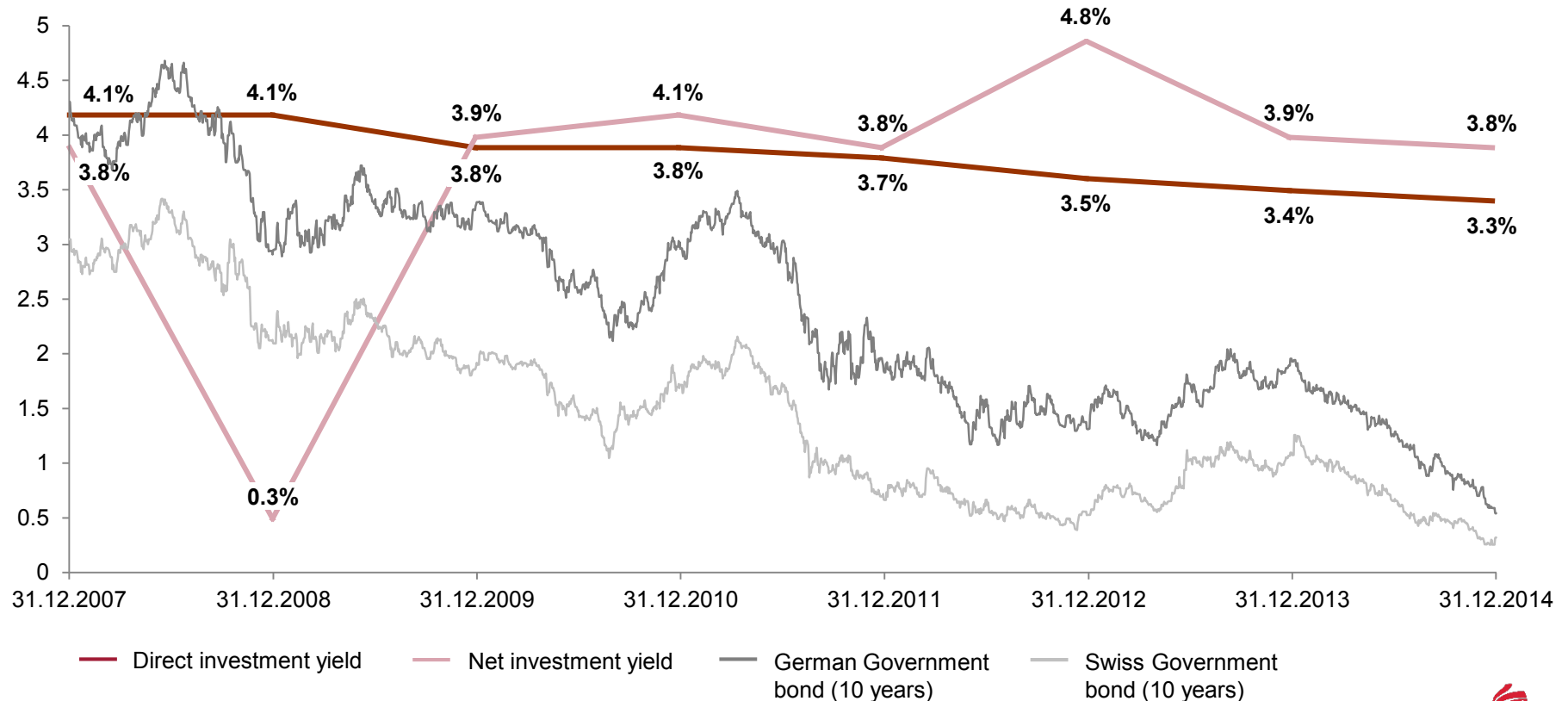


SAA adjustments

- Share of corporate bonds and real estate increased at the expense of equities, hedge funds and loans
- Cash position reduced through improved liquidity management via repo transactions
- Asset duration lengthened and duration gap kept below 1 since 2007
- FX and equity hedging in place

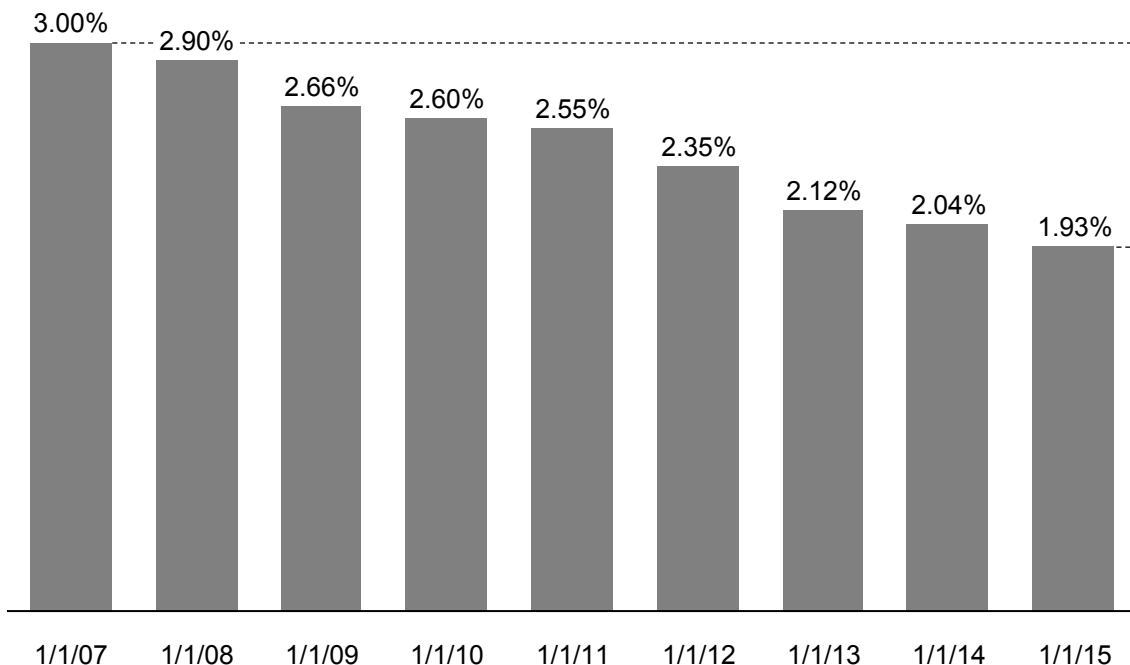
Continued strong returns in a low interest rate environment

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



Average technical interest rate substantially lowered

Statutory basis



Mandatory Group life CH

- Reduction in minimum interest rate by 75 bps to 1.75% by Federal Council -10 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 -40 bps

Reserve strengthening -35 bps

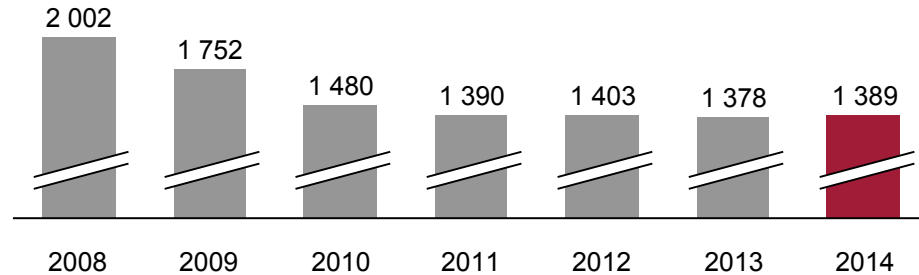
Disposals and FX -10 bps

Total -107 bps

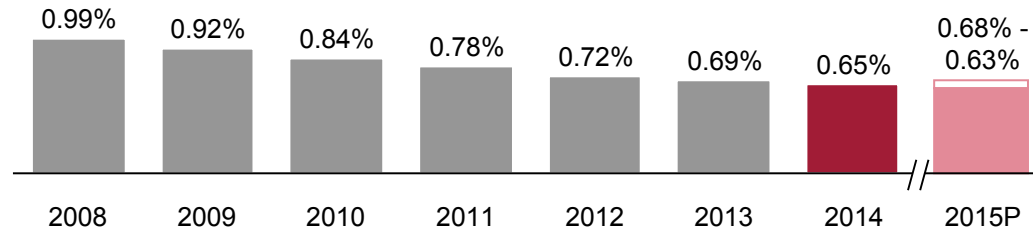
Substantial cost savings and efficiency improvements achieved

CHF million (IFRS basis)

Operating expense adjusted



Efficiency ratio¹⁾



MILESTONE

Swiss Life 2015

MILESTONE

- Cost base lowered by more than CHF 400 m through cost savings; efficiency ratios improved significantly

Swiss Life 2015

- Additional cost savings in implementation which lead to further efficiency improvements
- Cost savings partly reinvested in fee initiatives

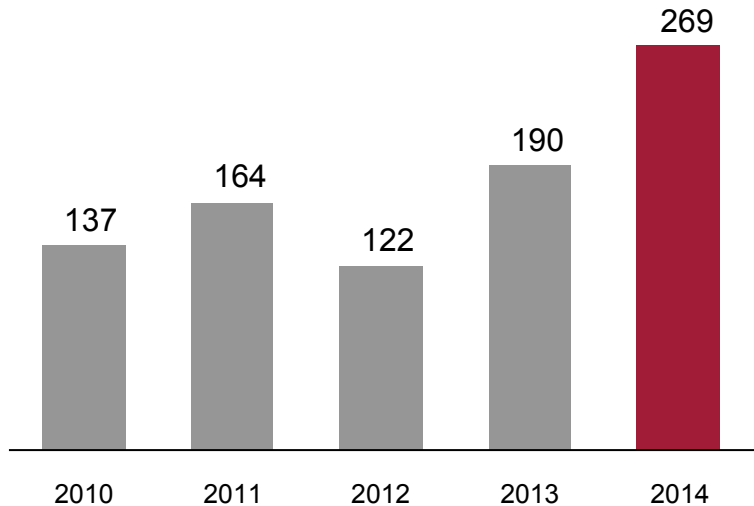
- **Business growth and ongoing transformation of business model financed without increasing overall cost base**

1) Owned IFAs expense excluded

Growing fee result

CHF million

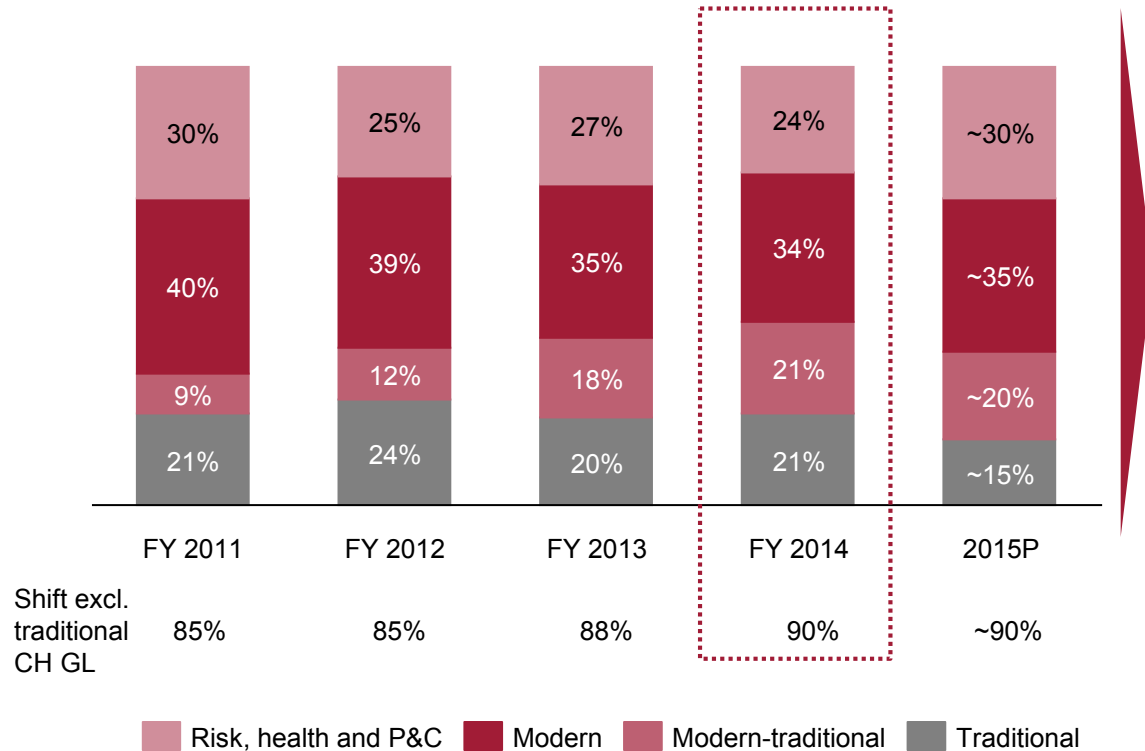
Fee result



- Asset Managers: Higher AuM driven by strong NNA in external customers business and strong performance in insurance mandates
- France: Increased UL share
- International: Substantial cost savings and higher AuM

Steady progress in new business mix excl. traditional group life in Switzerland

New business production (NBP)



Risk, health and P&C

- FR: Strongly increased production of group health, partly offset by lower sales of individual health in anticipation of ANI
- DE: Lower production in a competitive market

Modern

- FR: UL share further increased supported by HNWI positioning and strong product offering
- IN: HNWI production slightly below previous year

Modern-traditional

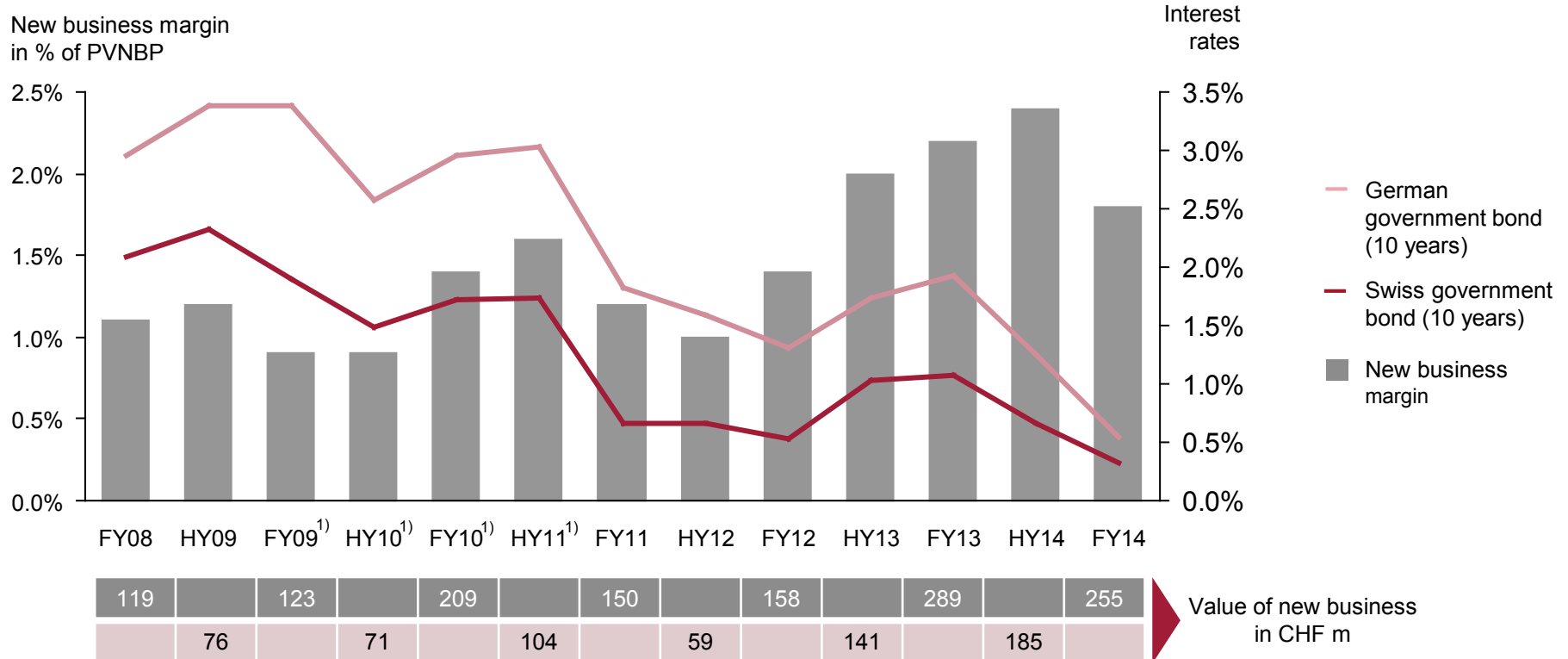
- CH: Strong sales of periodic and single premium savings products

Traditional

- CH: Ongoing high demand for full insurance solutions in group life









Disciplined margin management: Higher margins and VnB despite lower interest rates

New business margin vs. interest rate development



1) Excl. liquidity premium

Majority of Swiss Life 2015 targets achieved one year in advance

Strategic thrust	Target	Status
Customer promise 1 Increase quality and quantity of touch points with customers 	2 Offering <ul style="list-style-type: none"> New business margin: >1.5% New business shift: ~85% of NBP from risk, modern and modern-traditional products 	 
	3 Distribution <ul style="list-style-type: none"> Fee and commission income: Increase by 20-25% 	
	4 Efficiency and quality <ul style="list-style-type: none"> Cost savings: CHF 130-160 m (project view) Efficiency: Improve efficiency ratios 	 
	5 Financial strength <ul style="list-style-type: none"> Adjusted RoE: 8-10% Dividend payout ratio: 20-40% 	 
	Profit by source: <ul style="list-style-type: none"> Savings result <50% Fee and risk result 60-70% Admin cost result >0% 	

Cautionary statement regarding forward-looking information

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Financial calendar

Annual General Meeting 2014	27 April 2015
Interim statement Q1 2015	12 May 2015
Half-year results 2015	14 August 2015
Interim statement Q3 2015	12 November 2015
Investors' Day 2015	25 November 2015

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