

# Investor presentation: Swiss Life AG issuance of subordinated debt

September 2016

# Agenda

## → **Swiss Life at a glance**

Resilience in low interest rate environment

Credit considerations

Proposed subordinated debt issuance

Appendix

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

## Swiss Life Group: Facts and figures

- **GWP** incl. PHD<sup>1)</sup>: CHF 18.9 bn (FY 2015)
- **Net profit**: CHF 878 m (FY 2015)
- **Assets under Management**: CHF 202.2 bn, thereof CHF 44.4 bn with third parties (HY 2016)
- **Shareholders' equity**: CHF 14.3 bn (HY 2016)
- Current **workforce** of ~ 7 600 employees and ~ 4 600 certified financial advisors
- **SST** of 146% and **Solvency II** of > 200% (as of 01.01.2016)
- **S&P** financial strength rating of Swiss Life AG: A / stable outlook

1) Gross written premiums including policyholder deposits

## Business units



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

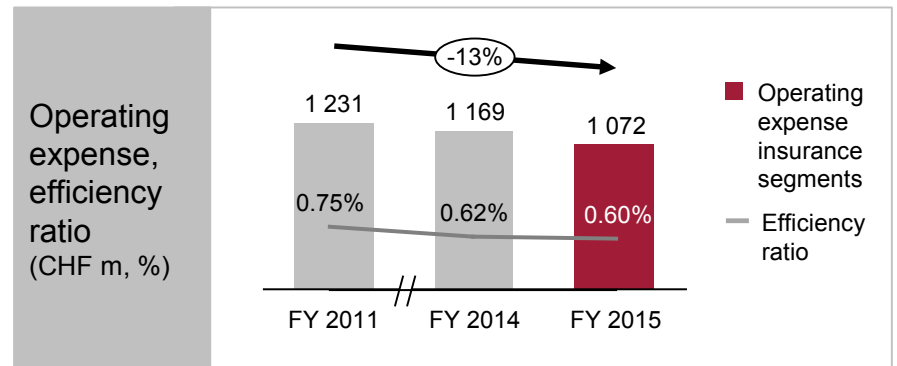
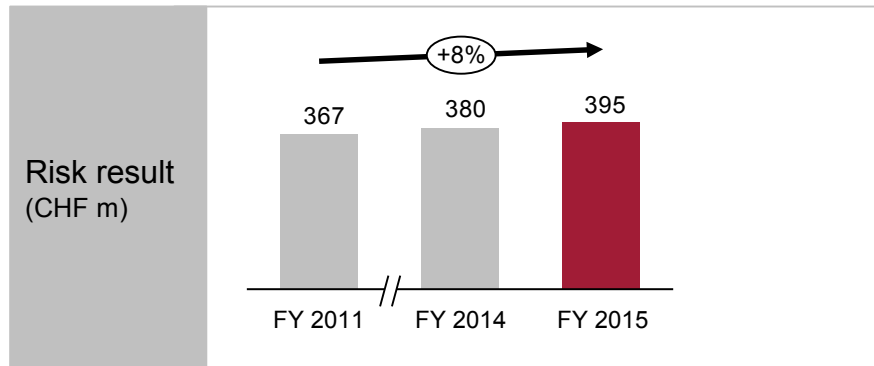
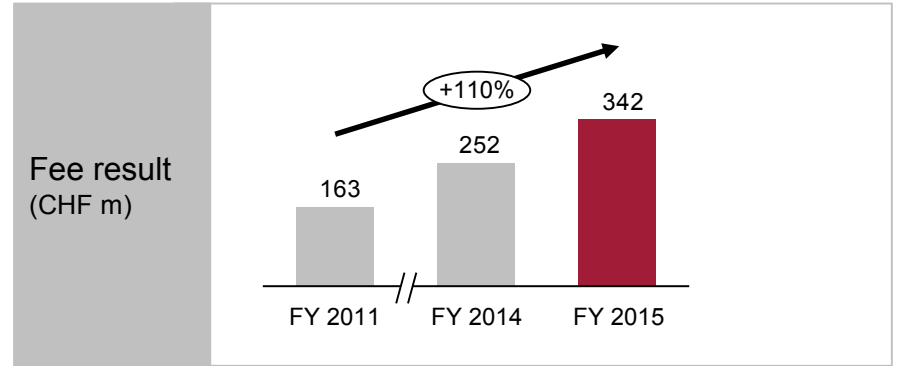
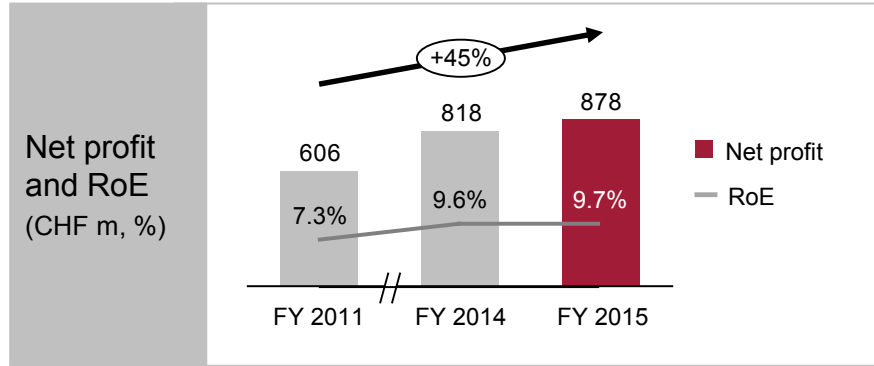
FY 2015, in CHF (IFRS basis)

Business segments	Market position	Insurance reserves	GWP & PHD	Adjusted profit from operations <sup>4)</sup>
		144.9 bn	18.9 bn	1 323 m
<b>Switzerland</b>	<ul style="list-style-type: none"> <li>Market leader in life insurance (individual life and occupational pensions) with a market share of ~32%</li> </ul>	58%	56%	56%
<b>France</b>	<ul style="list-style-type: none"> <li>Niche private insurer for HNWI and affluent customers in life</li> <li>Strong position in health</li> </ul>	17%	24%	18%
<b>Germany</b>	<ul style="list-style-type: none"> <li>Leader with brokers for BU<sup>1)</sup> and BAV<sup>2)</sup></li> <li>3<sup>rd</sup> largest IFA network</li> </ul>	11%	7%	10%
<b>International</b>	<ul style="list-style-type: none"> <li>Strong with PPLI and pension pooling with our global Swiss Life Network</li> </ul>	14%	13%	3%
<b>Asset Managers</b>	<ul style="list-style-type: none"> <li>Leading position in Switzerland</li> <li>Large portfolios in France and Germany</li> <li># 1 real estate manager in Europe<sup>3)</sup></li> </ul>	n.a.	n.a.	17%

1) Disability insurance 2) Occupational pension scheme 3) PropertyEU, Top 100 Investors, October 2015

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)

# Swiss Life delivered strong FY 2015 results and strengthened the quality of earnings



# Key figures HY 2016 results

HY 2016 vs. HY 2015

- Net profit** increased by 1% to CHF 500 m
- Premiums** decreased by 9% in local currency to CHF 10.1 bn
- Fee result** increased by 16% to CHF 194 m
- Strong **direct investment income** of CHF 2 235 m at 1.5% (HY 15: CHF 2 179 m at 1.5%); yields not annualised
- Swiss Life Asset Managers **total AuM** of CHF 202.2 bn; **AuM TPAM** up by 14% to CHF 44.4 bn
- Value of new business** decreased to CHF 113 m with NBM of 1.5% (HY 15: CHF 145 m and 1.7%)
- Annualised **return on equity**<sup>1)</sup> at 11.1% (HY 15: 11.6%)
- As of 1 January 2016: **SST ratio** of 146%, **Solvency II** ratio of > 200%

1) Equity excl. unrealised gains/losses on bonds

# Key financial targets of Swiss Life 2018

## Customer centricity and advice

### Quality of earnings and earnings growth

- **Fee result** FY 2018: CHF 400-450 m
- **Risk result** FY 2018: CHF 350-400 m
- Cumulative **value of new business** (2016-2018): > CHF 750 m

### Operational efficiency

- **Cost savings** FY 2018: CHF 100 m
- Stable operating expenses<sup>1)</sup>

### Capital, cash and dividend

- Cumulative **cash remittance** to Holding (2016-2018): > CHF 1.5 bn
- **Dividend payout ratio**: 30-50%

**RoE<sup>2)</sup> of 8-10%**

1) Excl. Asset Managers

2) Equity excl. unrealised gains/losses on bonds

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# Swiss Life: Working on right levers in low interest rate environment

	Ambition	Levers
1	<p><b>Earnings:</b> Strengthen quality of earnings</p>	<p>Reduce dependency on savings result by <b>strengthening other profit sources</b></p> <ul style="list-style-type: none"> <li>• Grow <b>fee business</b></li> <li>• Defend risk result</li> <li>• Improve cost efficiency</li> </ul>
2	<p><b>In-force:</b> Disciplined ALM</p>	<p><b>Safeguard interest rate margin</b> in a prolonged period of low interest rates</p> <ul style="list-style-type: none"> <li>• Increase <b>resilience of investment result</b> in respect to low interest rates and volatile financial markets</li> <li>• <b>Reduce average technical interest rates</b></li> </ul>
3	<p><b>New business:</b> Profitability before growth</p>	<p>Continue to manage <b>new business</b> for value; Focus on profitability and capital efficiency</p> <ul style="list-style-type: none"> <li>• Shift new business mix towards <b>risk, modern and modern-traditional products</b></li> <li>• Continuous margin management of new business</li> </ul>

# Profit by source: How does Swiss Life generate profits?

Source	Description	Capital intensity	Key contributor to profit source in 2015 <sup>1)</sup>
 <p><b>Savings result</b></p>	<ul style="list-style-type: none"> <li>Investment spread (net investment result, technical interest, reserve changes)</li> <li>After policyholder participation</li> </ul>	<ul style="list-style-type: none"> <li>High</li> </ul>	<ul style="list-style-type: none"> <li>Switzerland (65%), France (23%), Germany (12%)</li> </ul>
 <p><b>Risk result</b></p>	<ul style="list-style-type: none"> <li>Gross risk result (risk premiums less expenses, reserve changes)</li> <li>After policyholder participation</li> </ul>	<ul style="list-style-type: none"> <li>Low-medium</li> </ul>	<ul style="list-style-type: none"> <li>Switzerland (68%), France health and P&amp;C (22%), Germany (7%)</li> </ul>
 <p><b>Fee result</b></p>	<ul style="list-style-type: none"> <li>Income from fee business less related expenses</li> <li>No policyholder participation</li> </ul>	<ul style="list-style-type: none"> <li>Low</li> </ul>	<ul style="list-style-type: none"> <li>Asset Managers (67%), France unit-linked and banking (13%), International (9%)</li> </ul>
 <p><b>Cost result</b></p>	<ul style="list-style-type: none"> <li>Gross cost result (cost premiums less expenses)</li> <li>After policyholder participation</li> </ul>		

1) Based on adjusted profit from operations

# Profit by source showing improved quality of earnings

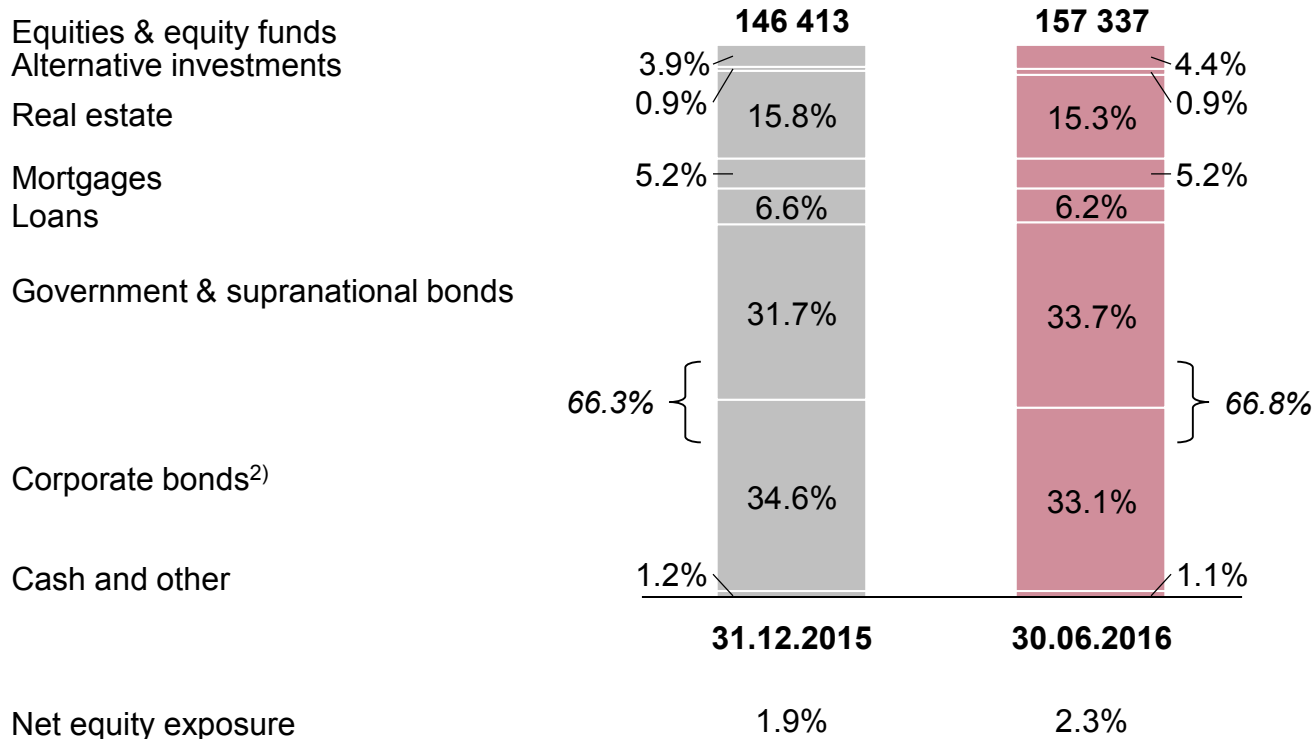
CHF million (IFRS basis)

	FY 2014 adjusted		FY 2015 adjusted	
Savings result	656	55%	773	56%
<b>Risk result</b>	<b>380</b>	<b>32%</b>	<b>395</b>	<b>28%</b>
<b>Fee result</b>	<b>252</b>	<b>21%</b>	<b>342</b>	<b>25%</b>
Cost result	-109	-9%	-132	-9%
- <i>Thereof admin cost result gross<sup>1)</sup></i>	99	8%	115	8%
Others & eliminations	16	1%	14	1%
<b>Segment result</b>	<b>1 196</b>	<b>100%</b>	<b>1 393</b>	<b>100%</b>
- Unallocated corporate costs	-66		-70	
<b>Profit from operations<sup>2)</sup></b>	<b>1 129</b>		<b>1 323</b>	

1) Gross = before policyholder participation 2) Based on adjusted profit from operations

# Asset allocation driven by capital efficiency and resilience of investment income

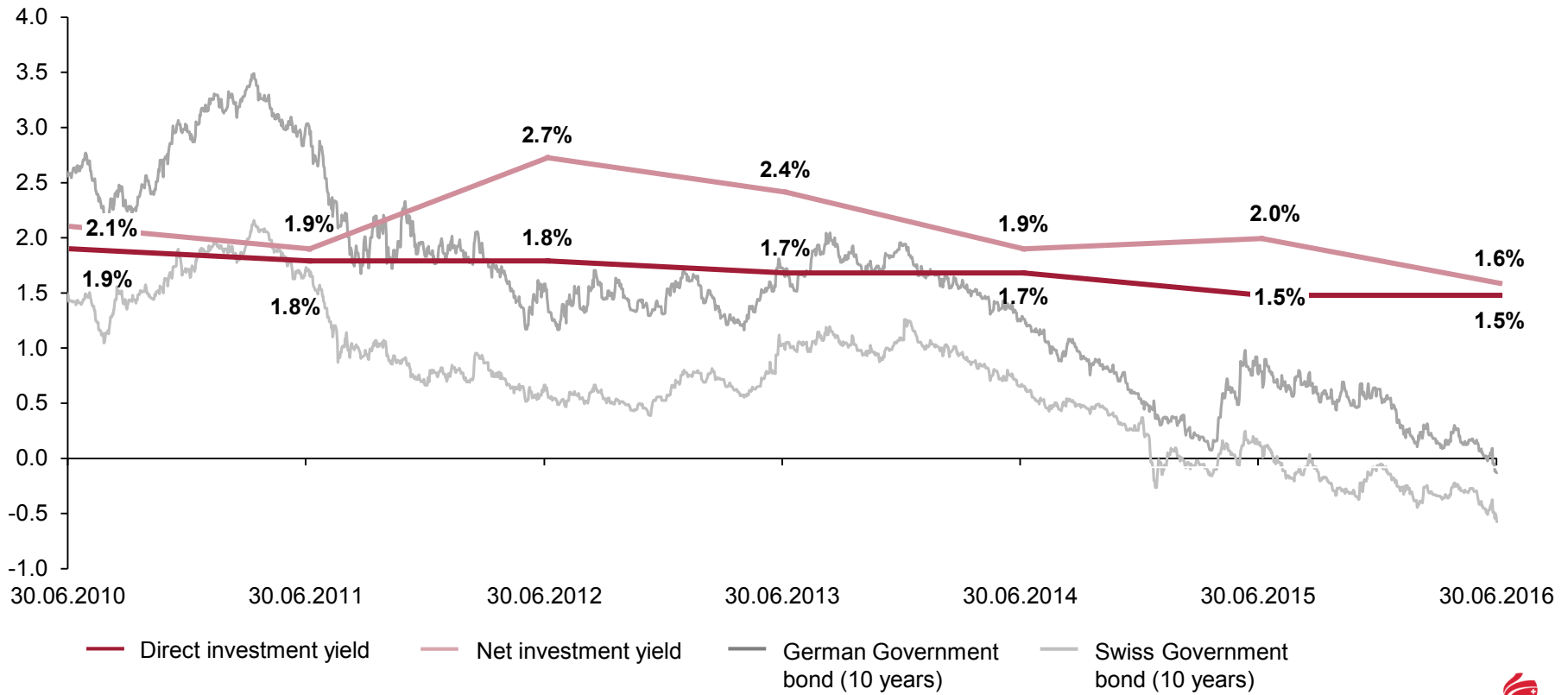
CHF million (fair value basis), insurance portfolio for own risk<sup>1)</sup>



1) Excl. repo positions of CHF -2 146 m in FY 2015 and CHF -2 037 m in HY 2016 2) Including senior secured loan funds

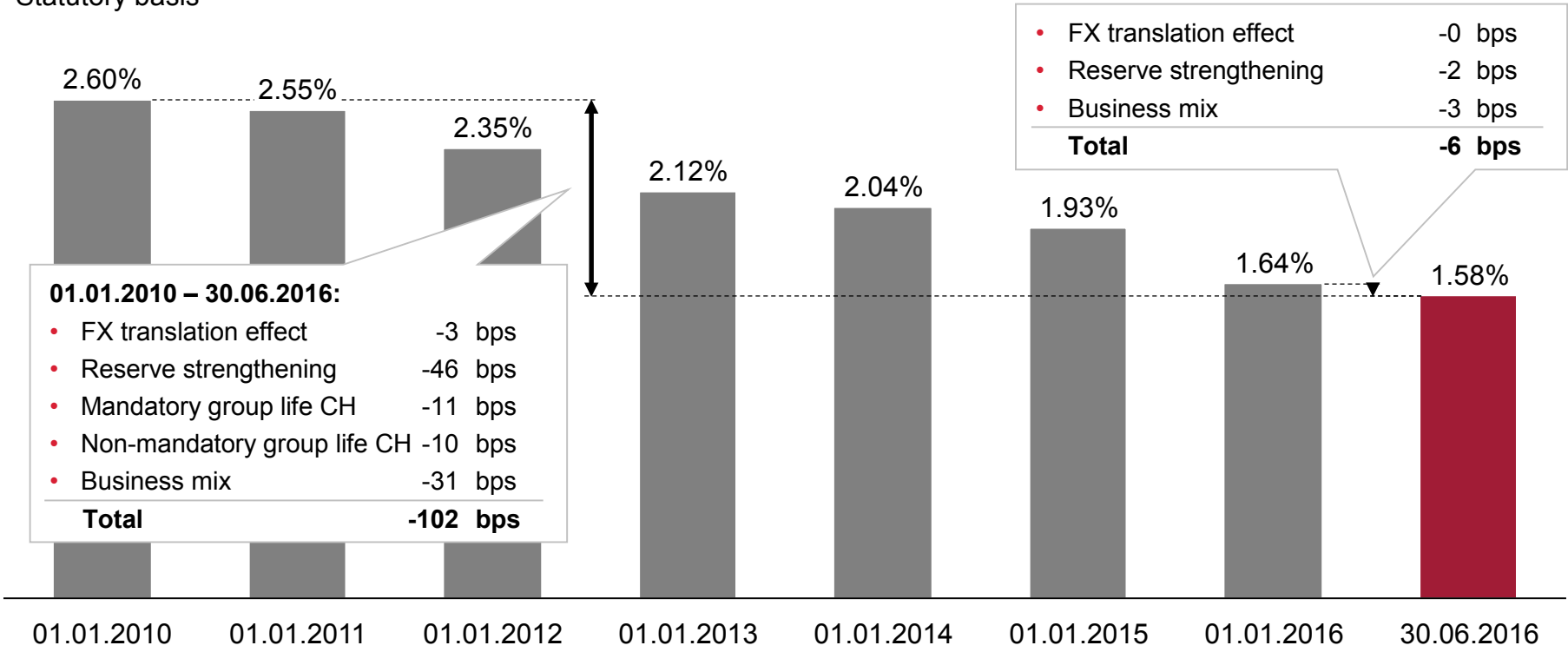
# Continued strong returns in a low interest rate environment

Direct and net investment yield, not annualised (IFRS basis, in %)



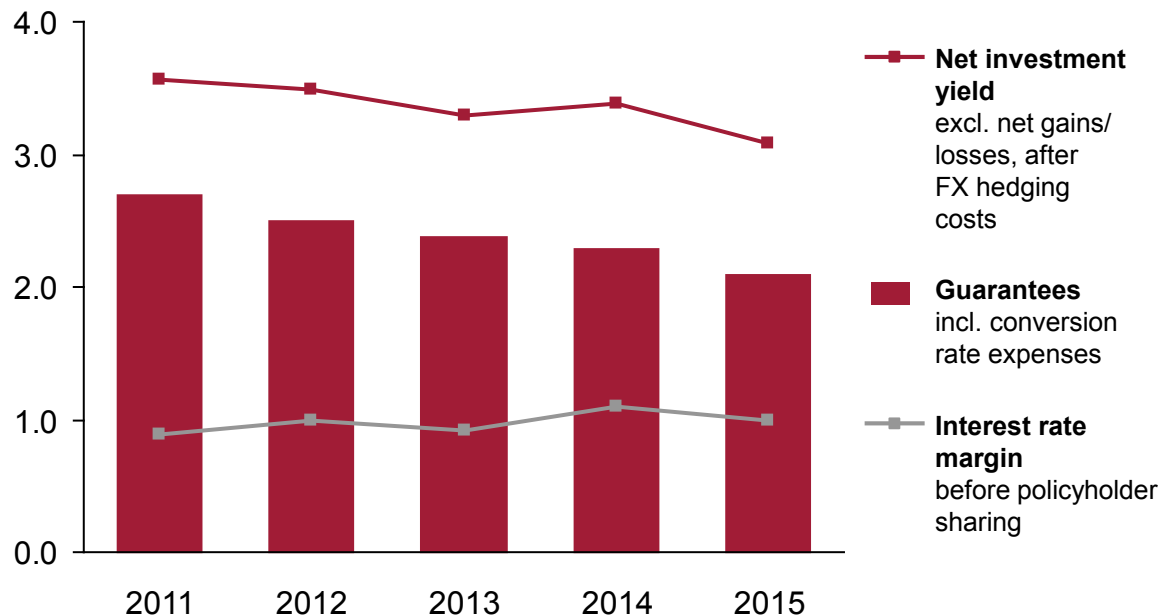
# Average technical interest rate decreased further

Statutory basis



# Disciplined ALM has safeguarded the interest rate margin

Aggregated view, IFRS basis, in % of technical reserves

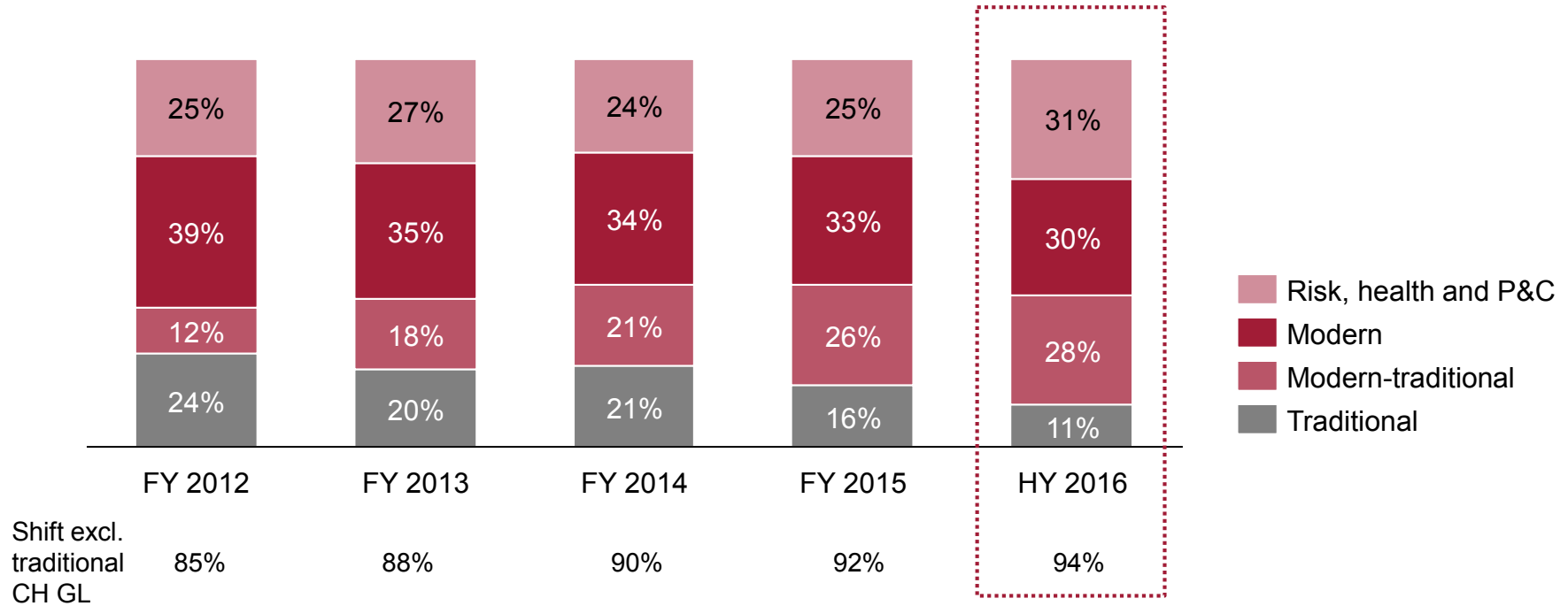


## Interest rate margin remained stable as a result of disciplined ALM

- Long asset duration supports yield
- Narrow duration gap protects interest rate margin
- Reserve strengthening and focus on profitable new business lower guarantees
- Increased FX hedging costs have slightly reduced margin in 2015
- For 2016, reduction in guaranteed rates in Swiss group life and reserve strengthening undertaken in 2015 will further reduce guarantees

# New business mix shift into non-traditional products continues

New business production (NBP)





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# Sound capitalisation

Swiss Life Group: Economic solvency (as of 01.01.2016)

<b>SST</b> internal model approved with conditions, as filed with FINMA	<b>146%</b>
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<b>Solvency II</b> standard model incl. volatility adjustment, excl. any transitional measures	<b>&gt; 200%</b>
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Standard and Poor's report, published 30 June 2016

<b>Swiss Life AG</b> Financial Strength and Credit Rating	<b>'A' with stable outlook</b>
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SST sensitivities (as of 01.01.2016)

<b>Real estate</b> -10%	<b>-12 ppts</b>
<b>Credit spreads</b> <sup>1)</sup> +100 bps	<b>-8 ppts</b>
<b>Interest rates</b> <sup>2)</sup> -50 bps	<b>-8 ppts</b>
<b>Equities</b> -30%	<b>-7 ppts</b>
<b>Insurance 1 in 10 year event</b>	<b>-8 ppts</b>

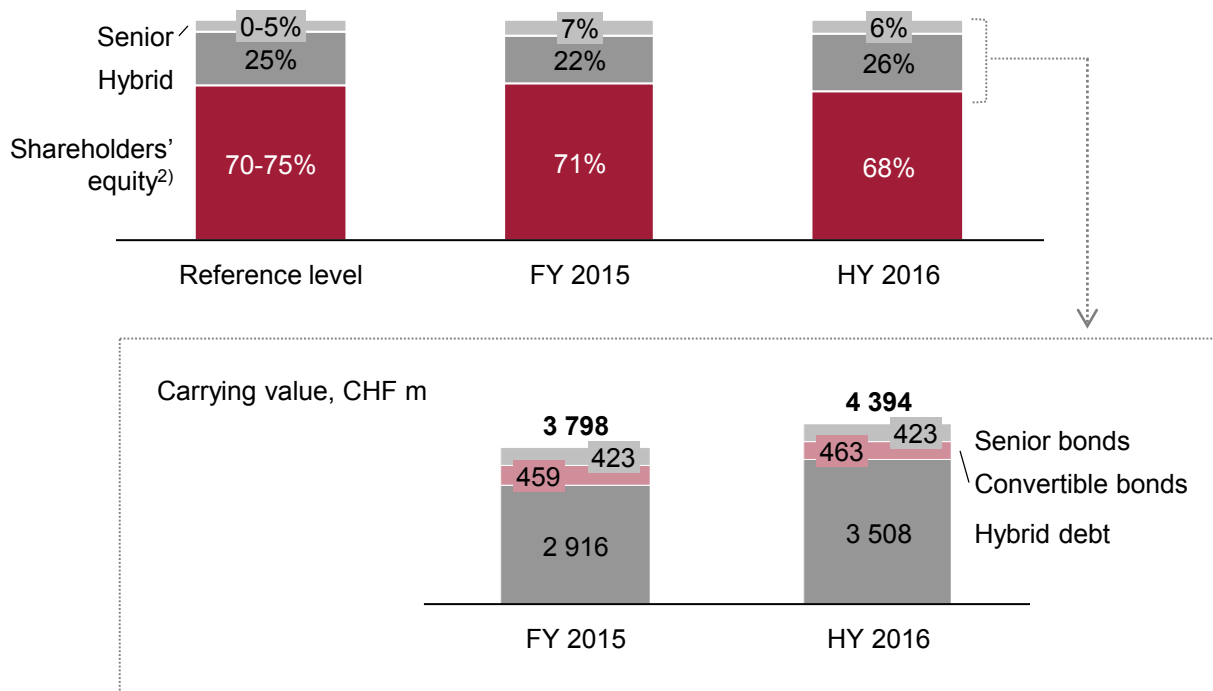
S&P ratios (as of 31.12.2015)

S&P capital model	<b>AAA level</b>
S&P financial leverage	<b>20%</b>
S&P fixed-charge coverage	<b>11.2x</b>

1) Corporate bonds (excl. covered / guaranteed bonds) 2) MCEV based; excludes benefit of dynamic duration management

# Well balanced capital structure in line with targets

Capital structure<sup>1)</sup>, IFRS basis



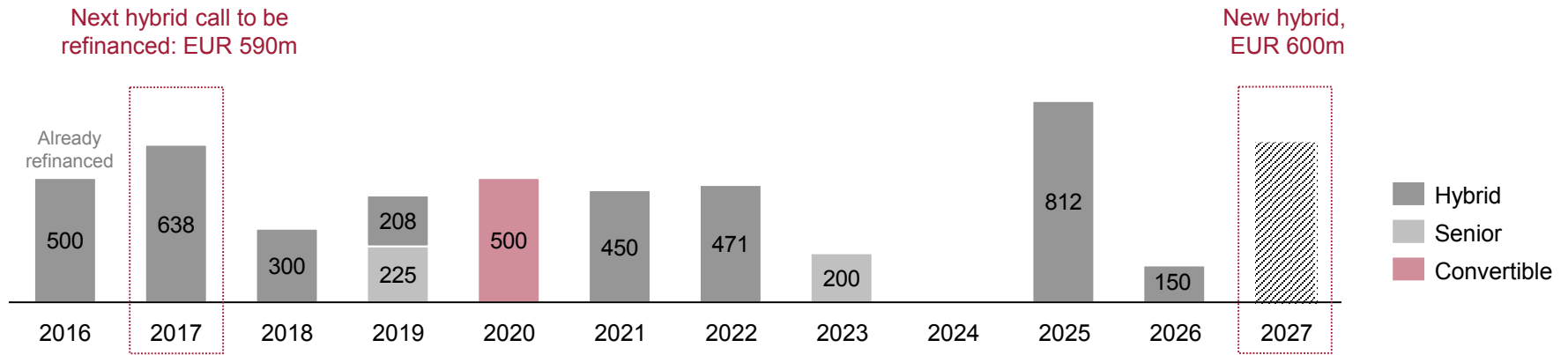
## Latest refinancing transaction

- In March 2016, Swiss Life AG issued a CHF 450m perpetual hybrid bond and a CHF 150m dated hybrid bond
- Proceeds will be used to redeem the CHF 500m perpetual hybrid bond callable in October 2016

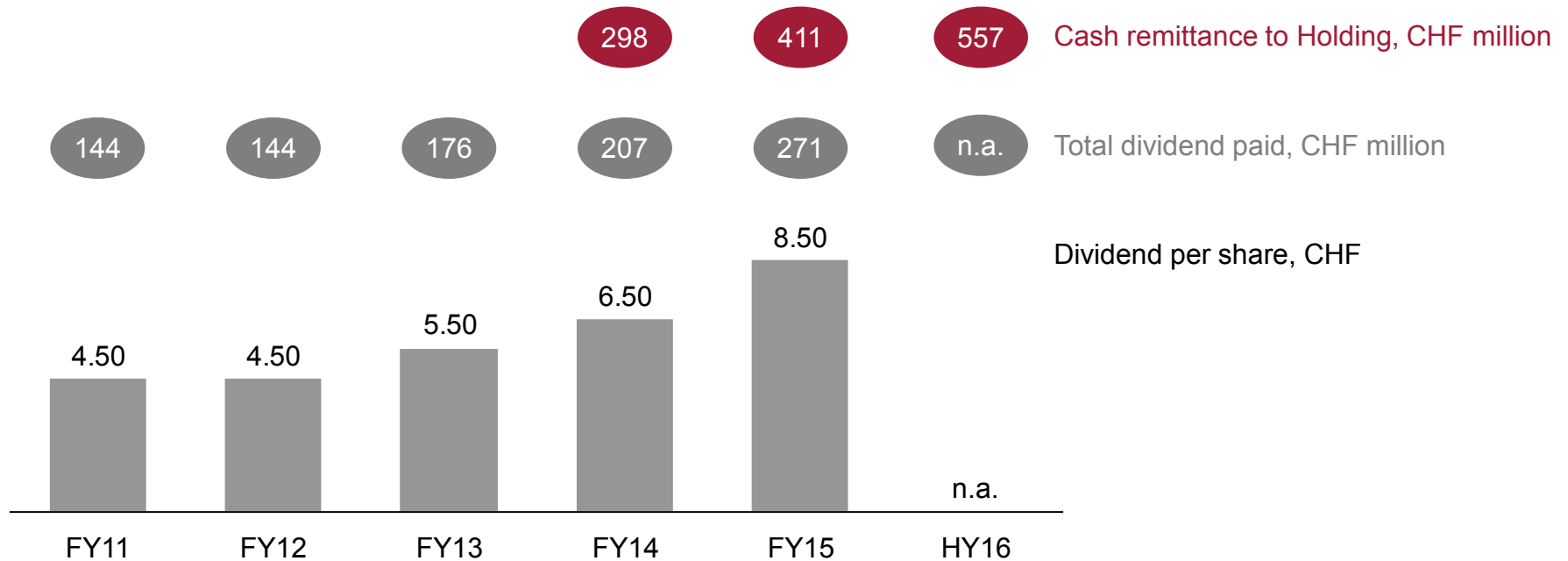
1) Financing debt only 2) Excl. unrealised gains/losses on bonds

# Debt maturity profile and refinancing plan

Maturities (senior) and next optional call dates (hybrid)  
Nominal value, as per 30.06.2016, CHF million



# Sustainable dividend backed by increasing remittance to Holding



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

<b>Issuer</b>	ELM B.V. for Swiss Life AG
<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>Status</b>	The Loan Notes constitute direct, subordinated and unsecured obligations of the Issuer and rank pari passu, without any preference, among themselves
<b>Ranking</b>	Subordinated to senior creditors; pari passu with EUR 750m 4.375% (Demeter), CHF 450m 3.75%, CHF 150m 4.375%, CHF 300m 5.5%, CHF 500m 5.25% and with 1999 and 2012 private placements; senior to ordinary shares and EUR 590m 5.849% subordinated bonds (ELM B.V.)
<b>Maturity / Call option</b>	Perpetual, callable on 19 May 2027 ("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), Accounting, Rating Agency or Recalculation of Interest Event
<b>Denominations</b>	EUR 100,000 + EUR 1,000 thereafter
<b>Governing law</b>	ELM Notes: English Law / Loan Notes: 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 ELM	Swiss Life through Demeter	Swiss Life AG	Swiss Re through ELM	Zurich Ins. through Demeter
<b>Issue Date</b>	27-Sept-2016	16-Jun-2015	02-Mar-2016	2-Apr-2015	24-May-2016
<b>Amount</b>	EUR 600m	EUR 750m	CHF 450m	EUR 750m	EUR 750M
<b>Issue ratings (M/S)</b>	- / BBB+	- / BBB+	- / BBB+	- / A	A2 / A
<b>Tenor</b>	Perp NC May 2027	Perp NC10	Perp NC5.5	Perp NC10.4	30.5NC10.5
<b>Coupon rate</b>	4.5% until FCD, 3mE + 410bps + step-up thereafter	4.375% until FCD, 3mE + 330bps + step-up thereafter	3.75% until FCD, reset every 5y (5y swap + 439.2bps) thereafter	2.6% until FCD, 6mE + 205bps + step-up thereafter	3.5% until FCD, 3mE + 295bps + step-up thereafter
<b>Step-up</b>	100 bps at first call date	100 bps at first call date	None	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 (6m 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 <sup>2)</sup>	Cumulative <sup>2)</sup>	Cumulative <sup>2)</sup>	Cumulative <sup>2)</sup>	Cumulative <sup>2)</sup>
<b>Early redemption</b>	At par upon Regulatory, Tax, WHT, Accounting, Rating Agency	At par upon Regulatory, Tax, WHT, Accounting, Rating Agency	At par upon Regulatory, Tax, Accounting, Rating Agency 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	Subordinated	Deeply subordinated	Subordinated
<b>Denomination</b>	EUR 100k + 1k	EUR 100k + 1k	CHF 5k	EUR 100k + 1k	EUR 100k + 1k

1) Solvency Event means (i) issuer does not have appropriate funds to cover required solvency margin, (ii) issuer is unable to pay its senior debt, (iii) assets < (senior) liabilities, or (iv) upon FINMA request 2) Non-compounding  
Sources: Offering prospectuses, for the full terms and conditions please refer to the relevant prospectuses



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# Outstanding financing instruments

Type	Outstanding amount	Issuer	Issue year	Next Call /maturity	Coupon	Regulatory capital
Subordinated Hybrid loan	EUR 192 m	Swiss Life AG	1999	2019/perp	6mE + 2.05%	✓
Hybrid bond	EUR 590 m	Swiss Life AG (via ELM BV)	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	2023	1.875%	
Senior convertible bond	CHF 500 m	Swiss Life Holding AG	2013	2020	0%	
Hybrid bond	EUR 750 m	Swiss Life AG (via Demeter)	2015	2025/perp	4.375%	✓
Hybrid bond	CHF 150 m	Swiss Life AG	2016	2026/2046	4.375%	✓
Hybrid bond	CHF 450 m	Swiss Life AG	2016	2021/perp	3.75%	✓

# Cautionary statement regarding forward-looking information

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# Contact details and financial calendar

## Contact

Heidi Hinterhuber  
Head of Investor Relations

Phone +41 (43) 284 67 67  
E-mail [heidi.hinterhuber@swisslife.ch](mailto:heidi.hinterhuber@swisslife.ch)

Rolf Winter  
Senior Investor Relations Manager

Phone +41 (43) 284 49 19  
E-mail [rolf.winter@swisslife.ch](mailto:rolf.winter@swisslife.ch)

## Financial calendar

Interim Statement Q3 2016  
Full-year results 2016  
Annual General Meeting 2017

09 November 2016  
03 March 2017  
25 April 2017

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