

“We still have many opportunities and a lot of work ahead of us”

Over the last year, Bruno Pfister, Group CEO, and his management team have successfully set the course for profitable growth. Swiss Life improved its operational results significantly in 2009, generating premium growth of 9%. With its MILESTONE programme, the management team has equipped the company to realise its ambitions, even in persistently challenging market conditions.



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What did 2009 signify for Swiss Life? Swiss Life can look back on a good financial year in many respects. Our Group made significant improvements at operational level compared to the previous year, generating profit from continuing operations of CHF 562 million, which is a jump of CHF 1.4 billion. Our Investment Management division contributed strongly to this, putting in an excellent performance to achieve 3.9%, yet without increasing Swiss Life’s risk appetite. At the same time, we were able to boost our equity, increasing solvency by six percentage points to 164%. In addition, Swiss Life has already made great progress in curbing costs with its revitalisation programme MILESTONE, which was introduced Group-wide in August 2009. Strict cost management measures and progress in product development have already produced pleasing results

Didn’t the financial crisis rock Swiss Life? We have emerged from the financial market crisis in good shape, which, in itself, is an achievement. The first half of 2009 still proved extremely difficult for the global economy, and, in particular, the financial industry. I’m proud that we, as a company, have overcome this crisis without needing support from the government or from the capital market. But we still have a lot of work ahead of us; the crisis did put some strain on Swiss Life.

How exactly? The crisis forced us to take a good, hard look at our business. We failed to earn our cost of holding capital in recent years. We sold too many products with too moderate or inadequate margins and our costs remained too high. In addition, we did not exploit the full potential offered by AWD. We have since taken action. We are now tackling these issues so as to strengthen our position in the long term and to exploit our opportunities in the European life and pensions market.

How do you intend to tackle these challenges? The MILESTONE programme, which we implemented across the Group last August, will significantly strengthen Swiss Life in all key areas of its value chain. It has five main thrusts: Firstly, we want to enhance our customer value and

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improve our focus on modern life and pensions products with variable guarantees and risk products to boost our profitability. Secondly, we are stepping up our distribution activities, in particular third-party distribution channels and AWD. In the third thrust we are continuing to work ambitiously at improving our efficiency. Optimising costs is still an ongoing priority. Fourthly, we are strengthening our balance sheet by optimising our in-force business and our use of risk capital. Thanks to MILESTONE, we paved the way for profitable growth in 2009, which is why the fifth thrust is vital: The long-term success of the programme depends on the disciplined and ambitious execution of all initiatives. This is the only way we can justify the confidence of our clients and the financial market.

Criticism rained down on AWD and thus on Swiss Life in 2009. What went wrong? There are many reasons. On the one hand, the financial market crisis thwarted our plans for AWD. But we didn't just sit back and do nothing. AWD used 2009 to simplify its organisational structures and to reorganise the business, which greatly reduced its cost base. In addition, we had to change AWD's brand promise following a court judgement in relation to investments. The fact that our market presence was not affected by this change is testament to AWD's strong reputation and the day-to-day performance of its teams in the market. I am thus confident that as soon as demand for personal financial advice picks up again, we will get back on the road to success with a leaner and more dynamic AWD Group. Already AWD posted a positive operational result



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What makes you so optimistic about AWD? AWD plays a key role in the implementation of Swiss Life's strategy. By acquiring AWD, we significantly strengthened our distribution capacity in the core markets of Germany and Switzerland. Our figures for 2009 show that we have doubled the volume of new business distributed through this channel. Furthermore, AWD provides us with access to Austria and Eastern Europe. After its reorganisation, AWD will quickly become an important additional source of earnings. AWD's commission-based income supports our new focus away from the interest business to commission income and risk premiums.

By 2012 Swiss Life aims to generate 70% of its new business through life and pensions products with variable guarantees and risk products. Why this shift?

Until now we have been strongly dependent on the net financial result of traditional life insurance business. This dependence is a huge handicap when faced with situations such as a financial crisis. Traditional business strains the balance sheet and ties up a lot of equity. This is why we want to generate more commission income in future. This shift diversifies our sources of revenue, stabilises our profits and reduces dependence on the volatile financial market.

What kind of economic environment do you expect for Swiss Life in 2010? Although I'm an optimist by nature, I expect the general economic climate to remain unsettled in 2010. We at Swiss Life are also bracing ourselves for persistently challenging market conditions. However, we have survived some difficult times throughout our 150-year history. I'm sure that, with our excellent workforce, sound financial strength and strong brand, we will succeed in driving Swiss Life forward during this financial year. We have strengthened our management team in recent years, especially in relation to the 100 or so key positions within the company. We have achieved this through a combination of new hires and internal transfers. I'm confident that this team and all our staff will work with great determination and discipline to translate the Group's ambitions into reality in the years ahead.