

Investors' Day 2015 Swiss Life Germany

Markus Leibundgut, CEO Germany
Zurich, 25 November 2015

Swiss Life Germany 2018

Swiss Life Germany is passionate about supporting people to take care of themselves financially for life – This is our role in society

A	Transformation of owned IFAs into modern advisory organisations	<p>We will increase the fee income of our independent financial advisors and significantly increase the fee result despite the LVRG¹⁾ effects</p> <p>We will strengthen our productivity and promote a life-long customer relationship with our market-leading, IT-based advisory process</p>
B	Positioning of Swiss Life as a leading broker insurer	<p>We will considerably increase the value of new business and risk result by further shifting our product mix and growing new business volume</p> <p>We will further expand our productivity through strict broker segmentation and continue our disciplined in-force management</p>
C	Industrialisation of processes and systems	<p>We will automate processes and interfaces in order to absorb the increased quantity of business transactions, given the product shift and business growth in owned IFAs and insurance, while further decreasing costs</p>

1) German Life Insurance Reform Act

Swiss Life Germany, a unique financial advisory and insurance company

Strategic positioning and key financials (FY 2014)

- **Segment result: EUR 76 m**
- Fee and commission income: EUR 349 m
- Owned IFAs: Strongest growth of all IFAs – # 3 based on income¹⁾
- GWP: EUR 1.3 bn (100% life)
- VNB: EUR 10 m
- Insurance reserves: EUR 17 bn
- Insurance: # 21 based on gross written premiums²⁾

Distribution

Strong owned IFA distribution power:

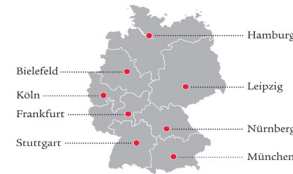
- More than 3 000 advisors, in total > 6 300 “Handelsvertreter³⁾“
- Successful turnaround, new advisory process, effective recruiting, centralised back office

Strong insurance intermediary distribution power:

- Stable distribution base with brokers, bank partnerships and IFAs
- Successful restructuring of intermediary sales organisation

Customer base

Insurance
~945 000 contracts in force 2014
8 offices



Owned IFAs
~ 410 000 new contracts in 2014
592 offices



Achievements Swiss Life 2015 (as of FY 2014)

- **Foundations for success:** Sustainable and resilient strategy; all activities led by one management team
- **Distribution:** Successful turnaround of owned IFAs and optimised intermediary sales structure
- **Offering:** Increase of product profitability, implemented LVRG requirements in all products and product innovations
- **Efficiency and quality:** Cost reduction, customer-centricity initiatives
- **Financial strength:** Preparation of Solvency II, further decrease of technical interest and strengthening of reserves

1) Source: Magazine Cash, 08/2015 2) Source: Zeitschrift für Versicherungswesen, 07/2015, provisional data 3) Sales representatives

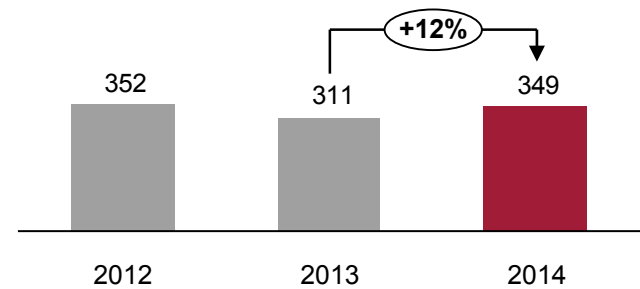
Profitable growth in fee income and improved business mix

Owned IFAs: Growth in fee income and number of advisors

- Strongest growth in fee income amongst peer group
- Successful recruiting
- “Best-Select” approach and comprehensive product range
- Harmonised certified advisory process²⁾ established
- Higher productivity per advisor

Growth in fee income¹⁾

EUR m

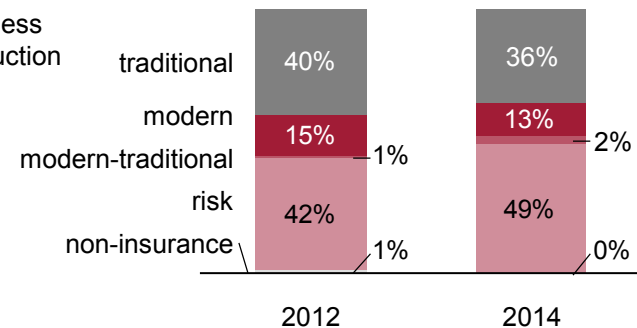


Insurance: Shift to profitable products

- New modern-traditional, award-winning product family “Maximo” developed and successfully introduced in stages since 2014
- Comprehensive disability coverage: Differentiated range of six products for disability insurance and its alternatives established
- Consortia MetallRente, KlinikRente provide broad access to employees

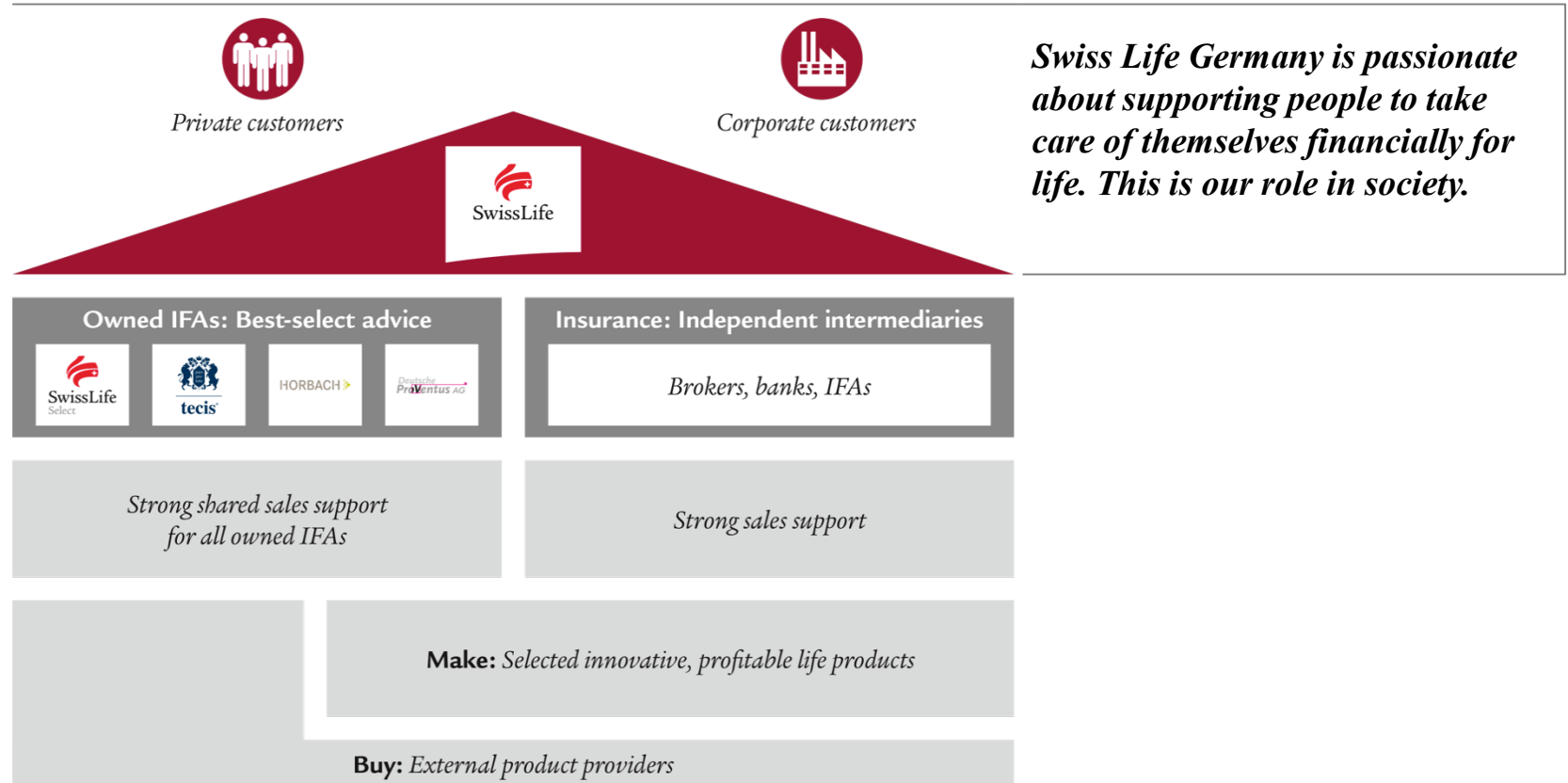
Improved business mix

New business production



1) Includes fee income insurance 2) Advisory process certified by “Institut für Vermögensaufbau” (IVA) and “Focus-Money”

Unique business model of Swiss Life Germany



Market potential for Swiss Life Germany

Expected market consolidation...

- Low interest rates
- Solvency II
- German Life Insurance Reform Act (LVRG)
- “Zinszusatzreserve” (ZZR)

87 life insurers

2014

~ 240 000 intermediaries

- LVRG
- Increased quality requirements for advice

...creates opportunities for Swiss Life

- German savings, investments, pensions and insurance market offers **attractive opportunities due to demographic change** and pressure on public pension system
- **Expected consolidation of life insurance market and regulatory pressure** (e.g. ZZR, Solvency II) suggests more financially rational behaviour by providers, e.g. with respect to pricing. **Swiss Life is well positioned with its offering** of modern-traditional and biometric products
- The **progressive reduction of distribution capacity** suggests insurers will concentrate on the remaining strong and high-quality sales organisations. **As number 3 with a market-leading advisory process, Swiss Life is well positioned**

Swiss Life Germany strategy at a glance

A Transformation of owned IFAs into modern advisory organisations

Objectives

- **Expand sales force** by further strengthening recruiting
- **Higher productivity** by targeting attractive customer segments
- **More cross- and upselling** by disciplined application of the advisory process
- **Adjusted career and remuneration models** with flat hierarchies
- Transformation to a **leader in pension and investment advice**

B Positioning of Swiss Life as a leading broker insurer

- Focus on **attractive and profitable products and services**, i.e. modern-traditional savings / investment and biometric
- **Target group-specific offering**
- **Adjustment of business partner remuneration**
- **Active management of in-force book**

C Industrialisation of processes and systems

- **Owned IFAs: Further harmonisation of end-to-end-processes** to increase productivity and reduce costs
- **Insurance: Automate processes and interfaces** in order to absorb the increased business transactions while reducing costs

Main contribution to Group KPIs

Quality of earnings and earnings growth

Fee result FY 2018:
EUR 45-50 m

Risk result FY 2018:
EUR 30-35 m

VNB cumulative (2016-2018):
> EUR 65 m

Operational efficiency

Cost savings (2015-2018):
EUR 32-40 m

Customer centricity and advice

As modern advisory organisations, our IFAs will grow their fee result

Growth of fee income and result due to increased quality

Negative LVRG effect more than offset by fee income

- Reduction of upfront commissions for life-savings products, introduction of recurring commissions expected due to LVRG
- Further strengthen recruiting based on strong market position and best-in-class support
- Increase productivity capitalising on proprietary best-in-class advisory software

Better quality of fee income

- Broaden the advisory spectrum and shift to products that are not affected by LVRG

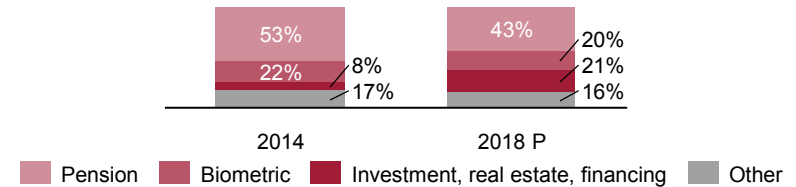
Growing fee result

- Positive development driven by increasing volumes and adjusted remuneration model in connection with LVRG
- 2014 influenced by one-offs (amortisation of customer relationships relating to “Swiss Life Select” and restructuring)

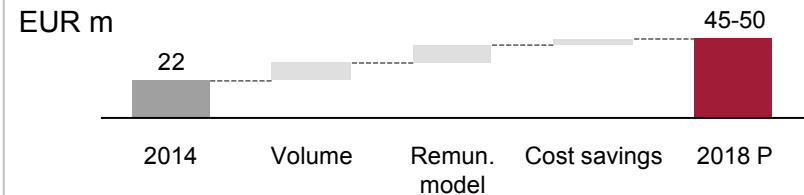
Fee income: Negative LVRG effect more than offset



Better quality of fee income



Growing fee result¹⁾



1) Includes fee income insurance

Repositioning as a leading broker insurer will grow VNB and risk result

Growth of risk result and VNB

Higher value of new business

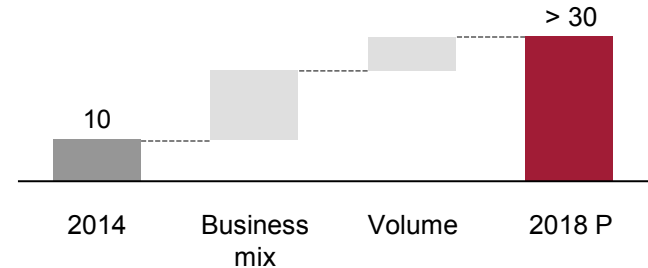
- Shift business mix to products designed for the low interest rate environment: low guarantees for Maximo products, risk and care products
- Increase volume by opening new target groups and concept sales approaches, e.g. disability protection, industry-specific solutions through consortia (MetallRente, KlinikRente)
- Focus on attractive broker segments to support business mix shift and growth

Increased risk result

- Higher share and volume of biometric products
- Enhanced claims management through improved processes and tools

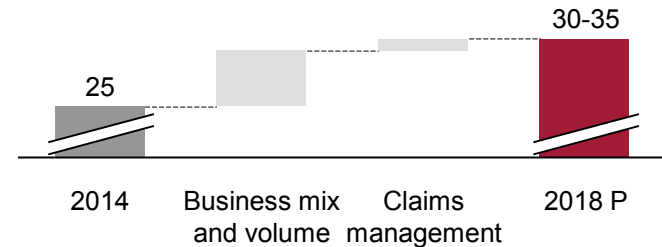
Higher value of new business (VNB)

EUR m



Increased risk result

EUR m

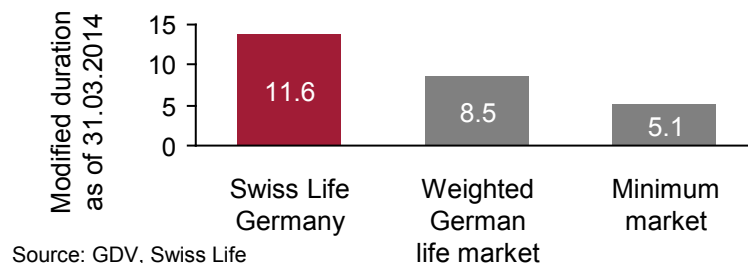


We also focus on capital efficiency in our in-force business

Active management of in-force book

- **Duration of our asset portfolio is well above the market average** – very low duration gap, lowest interest sensitivity in the German life market
- Even at low reinvestment assumptions, **long-term sustainability of guarantee protection** can be demonstrated
- **Sustainable risk margin on in-force book** driven by significant disability portfolio
- **Permanent and active in-force management**, i.e.
 - Asset allocation and ALM incl. strategic build-up of ZZR
 - Management of policyholder participation
 - Repricing/steering
 - Active management of big group contracts with high guarantees

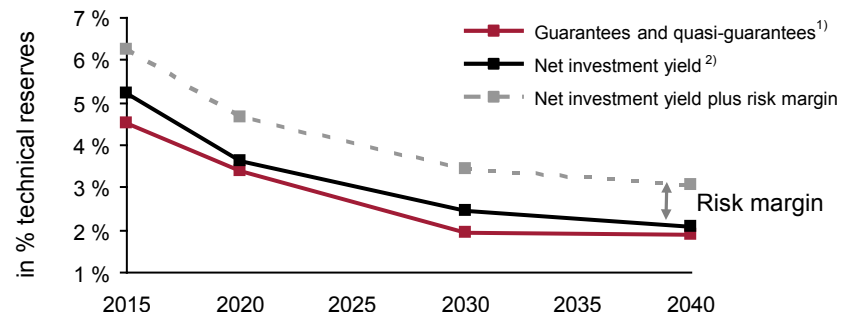
Assets match liabilities



Sustainable interest rate margin

Interest rate margin

(incl. financing of additional interest rate reserve (ZZR), statutory)



1) Guarantees and quasi-guarantees incl. ZZR build-up ("Zinszusatzreserve") 2) Net investment yield incl. gain realisations for ZZR build-up

Industrialisation of processes and systems will increase efficiency and customer centricity

Increased efficiency and customer centricity

Cost savings

- Reallocate capacities to push digitalisation and reduce external costs
- Reduce complexity
- New online tools to optimise resources per customer in owned IFAs
- Further realisation of synergies in business model

Inflation and activity growth

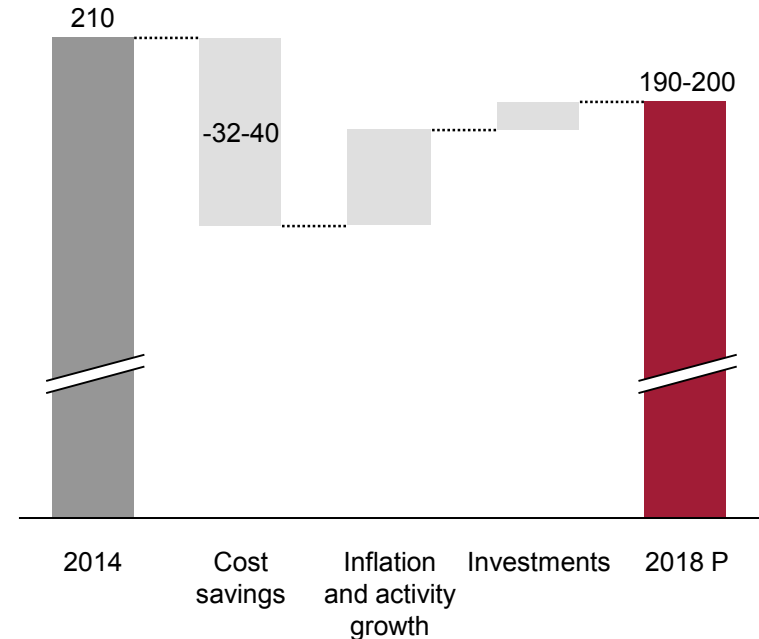
- Number of insurance policies to be processed increase by roughly 65% due to product mix and growth in new business
- Inflation, i.e. workforce tariff contract

Investments

- Industrialise product release cycle to deploy six innovations p.a.
- Digitalise and automate manual or paper-based processes as well as communication with business partners
- Seamless integration of business processes between insurance business and owned IFAs

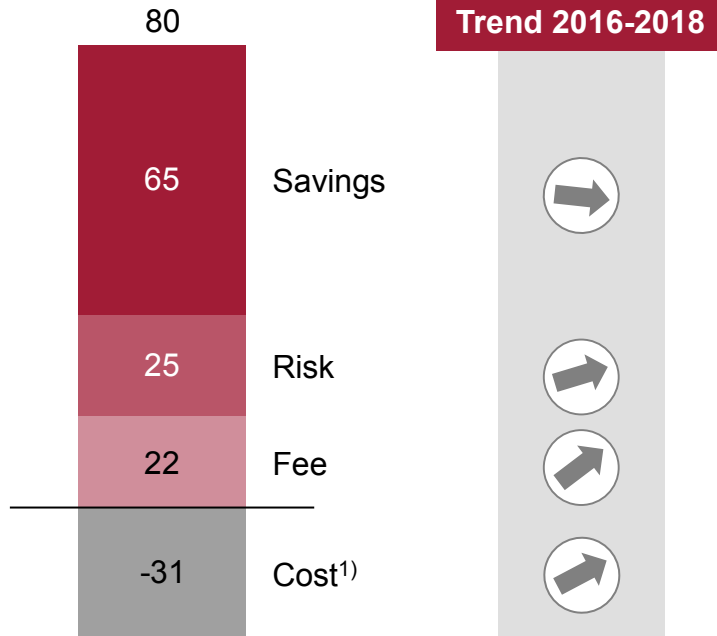
Lower absolute costs

EUR m



Stronger fee and risk result to enhance the quality of earnings

Profit by source
(FY 2014 adjusted, EUR m)



Swiss Life Germany supports the strategy of the Swiss Life Group by

- Ensuring **substantial growth in the fee result** with owned IFAs
- Focusing on the insurance business to **provide attractive, profitable products**, sourcing the rest from third parties and ensuring volumes by repositioning as a leading broker insurer
- **Optimising processes and systems** to strengthen market effectiveness and cost efficiency significantly

1) Thereof admin cost result gross: EUR -5 m

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Contact details and financial calendar

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Financial calendar

Full-year results 2015	01 March 2016
Annual General Meeting 2016	26 April 2016
Interim Statement Q1 2016	12 May 2016

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The future starts here.