

# **Helvea Swiss Equities Conference 2015**

## **Swiss Life: Continued disciplined execution**

**Thomas Buess, Group CFO**  
**Bad Ragaz, 15 January 2015**

# Agenda

## → **Swiss Life Group at a glance**

Recent financial developments

Swiss Life 2015 and wrap-up

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



FY 2013

## Swiss Life Group – Facts and figures

- GWP incl. PHD: CHF 18.0 bn
- Net profit: CHF 784 m
- Adjusted profit from operations: CHF 1 143 m
- Asset under Management: CHF 155.1 bn
- Shareholders' equity: CHF 8.9 bn
- Group MCEV: CHF 11.4 bn
- FTEs: 7 000
- Certified financial advisors: 4 500
- S&P financial strength rating of Swiss Life Ltd: A- / positive

## Business units



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



FY 2013, in CHF (IFRS basis)

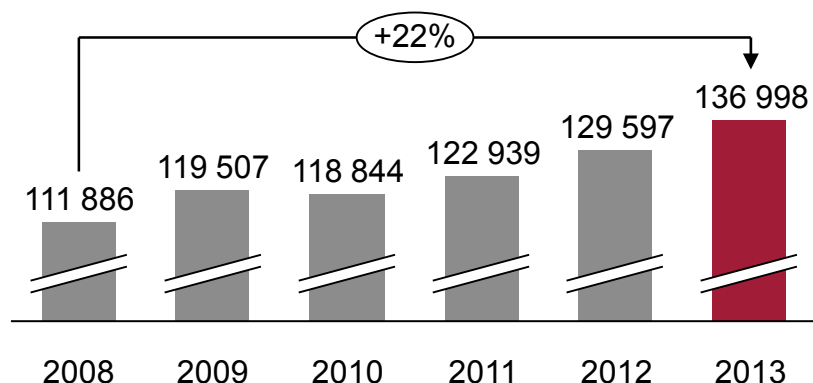
Business segments	Market position	Insurance reserves	GWP & PHD	Fee & commission income <sup>4)</sup>	Adjusted profit from operations <sup>4)</sup>
		137.0 bn	18.0 bn	1 157 m	1 143 m
Switzerland	– Market leader in life insurance	55%	49%	14%	57%
France	– Strong position in health – Focus on affluent customers in life	17%	26%	22%	17%
Germany	– Leader with brokers for BU <sup>1)</sup> and BAV <sup>2)</sup> – 3 <sup>rd</sup> largest IFA network	13%	10%	33%	11%
International	– Strong with PPLI and pension pooling with our global SL Network	15%	15%	20%	1%
Asset Managers	– Leading in Switzerland and large portfolios in Germany and France	155.1 bn <sup>3)</sup>	n.a.	32%	15%

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)

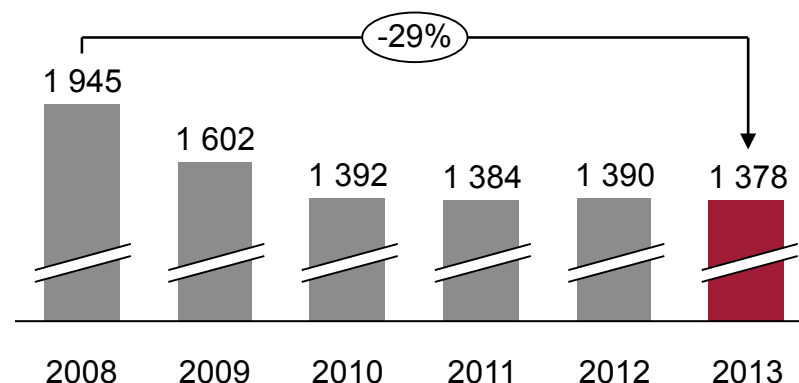
# Development of key figures demonstrates progress of our strategy

CHF million (IFRS basis)

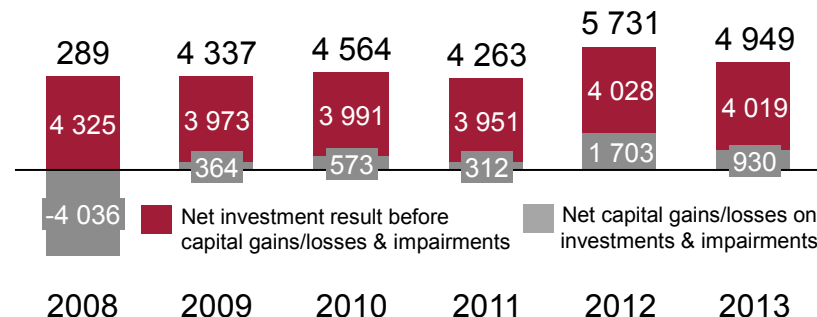
Insurance reserves  
(w/o policyholder participation liabilities)



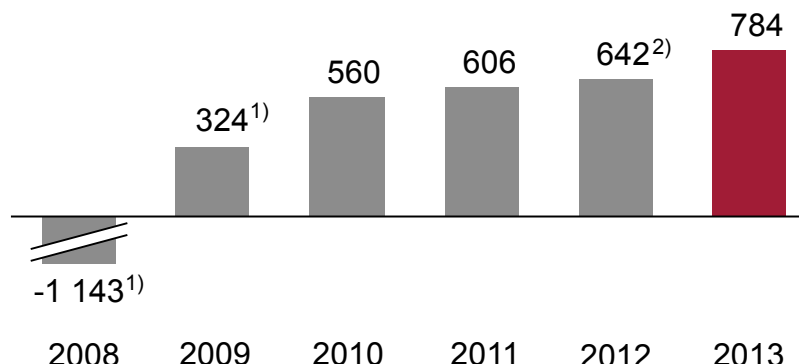
Operating expense adjusted



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 developments**

Swiss Life 2015 and wrap-up



# HY 2014 result: Further operational progress

SwissLife

HY 2014 vs. HY 2013

Adjusted profit from operations	➔	CHF 680 m	+7%
Net profit	➔	CHF 487 m	+3%
GWP incl. PHD (in local currency)	➔	CHF 10.8 bn	+5%
Fee and commission income	➔	CHF 587 m	+7%
New business margin (% PVNBP)	➔	2.4%	+0.4 ppts
Shareholders' equity	➔	CHF 10.9 bn	+22% <sup>1)</sup>
Return on equity <sup>2)</sup> (annualised)	➔	11.9%	-0.8 ppts
Group solvency	➔	243%	+33 ppts <sup>1)</sup>

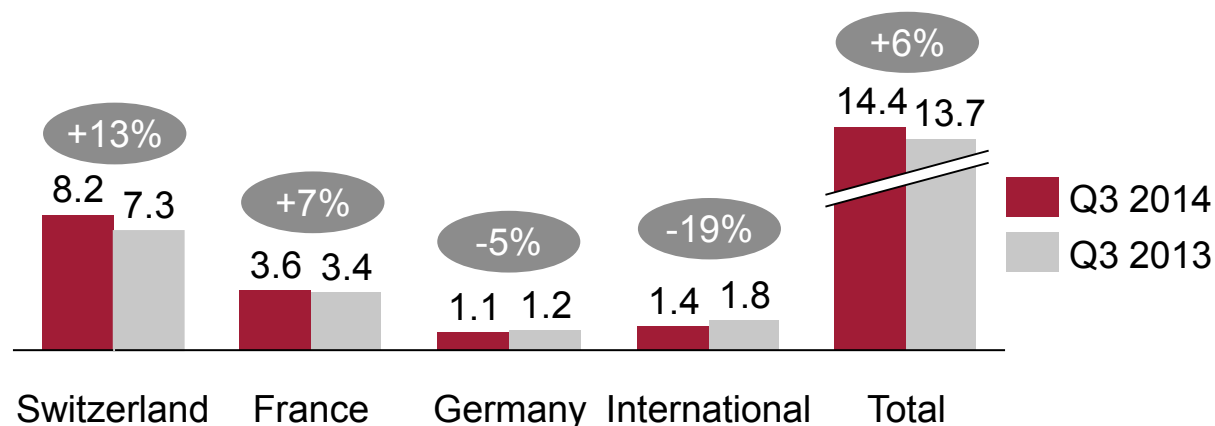
1) HY 2014 vs. FY 2013    2) Equity excl. unrealised gains/losses on bonds



# Q3 2014: Continued operational progress

CHF million (IFRS basis, unaudited)

## Premium development (in CHF bn)



## Fee and commission income

- CHF 890 m (+8% vs. Q3 2013)

## Investment return (non-annualised)

- Direct investment yield of 2.5% (Q3 2013: 2.6%)
- Net investment yield of 2.9% (Q3 2013: 3.1%)

## IFRS group solvency

- 254% (+11 pts vs. HY 2014)
- 200% excluding unrealised gains/losses on bonds (+2 pts vs. HY 2014)

## Swiss Life 2015

- More than 90% of planned cost savings implemented (HY 2014: ~85%)
- Share of risk, modern and modern-trad. products at 82% (HY 2014: 82%)



# Agenda

Swiss Life Group at a glance

Recent financial developments

→ **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 efficiency and fee business result

CHF million (IFRS basis)

	FY 2012 adjusted		FY 2013 adjusted	
Savings result	879	82%	839	69%
Risk result	354	33%	272	22%
Cost result	-314	-29%	-143	-12%
- <i>Thereof admin cost result gross<sup>1)</sup></i>	24	+2%	67	+6%
Fee result	122	11%	190	16%
Others & eliminations	35	3%	51	4%
<b>Segment result</b>	<b>1 075</b>	<b>100%</b>	<b>1 208</b>	<b>100%</b>
- Unallocated corporate costs	-61		-65	
<b>Profit from operations</b>	<b>1 014</b>		<b>1 143</b>	

1) Gross = before policyholder participation

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

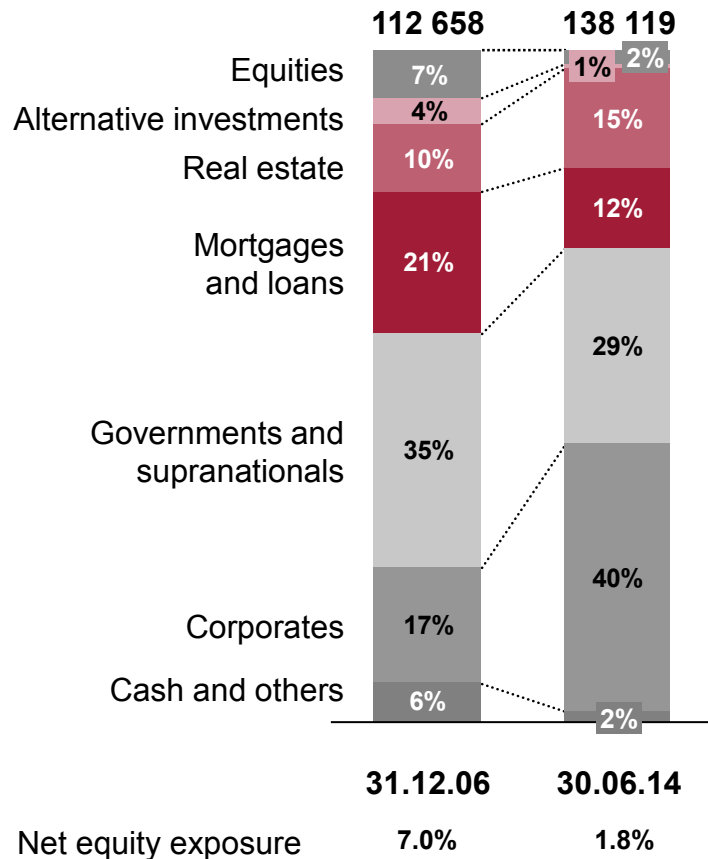
Measure	Achievements
<p><b>In-force: Disciplined Asset and Liability Management (ALM)</b></p>	<p>Asset side</p> <ul style="list-style-type: none"> <li>▪ Direct yield strengthened, stability of net investment result increased, economic interest rate sensitivity substantially lowered</li> </ul> <p>Liability 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>
<p><b>Earnings: Further increase quality of earnings</b></p>	<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>
<p><b>New business: Profitability before growth</b></p>	<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 substantially increased</b></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



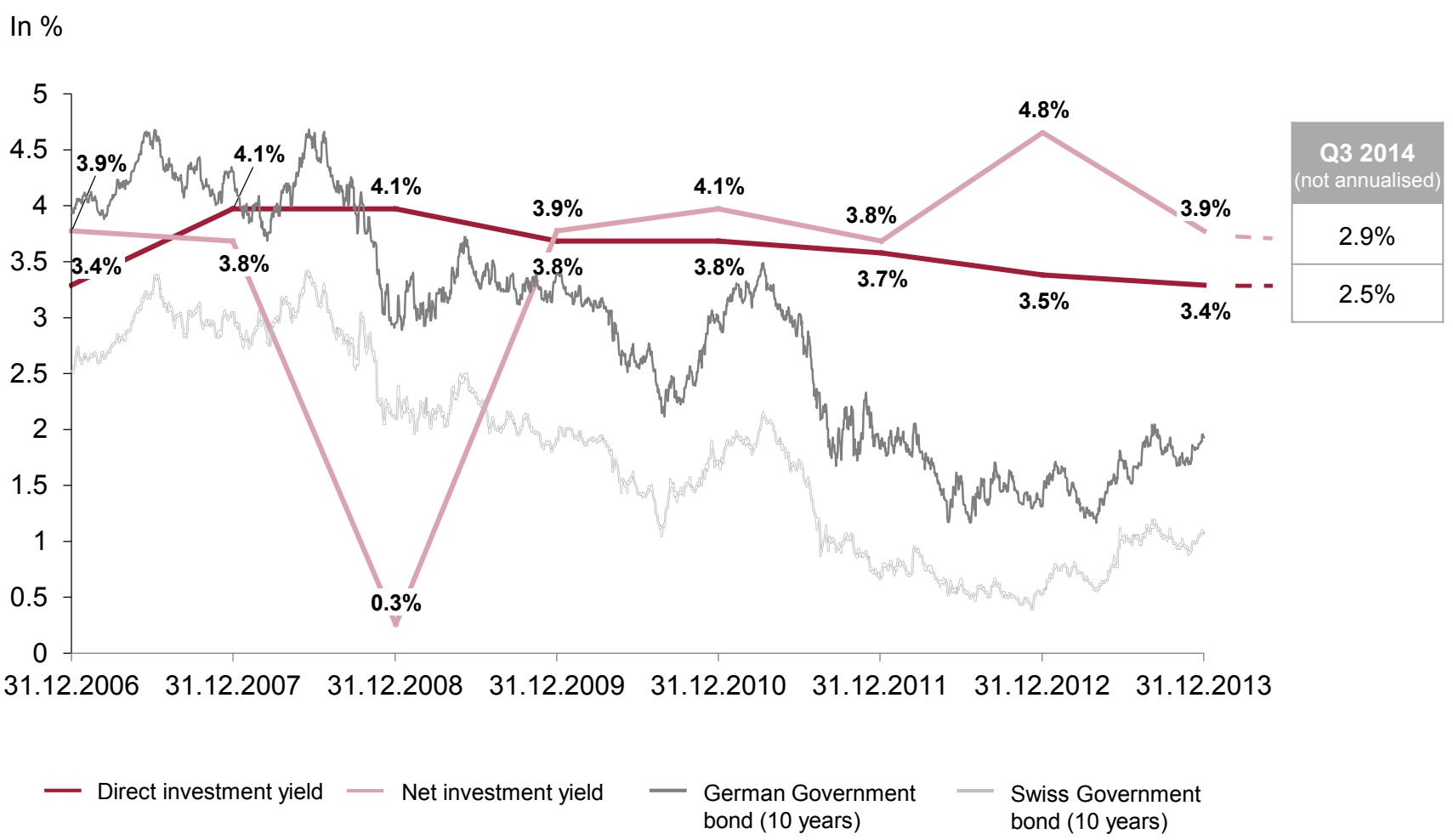
### SAA adjustments

- 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



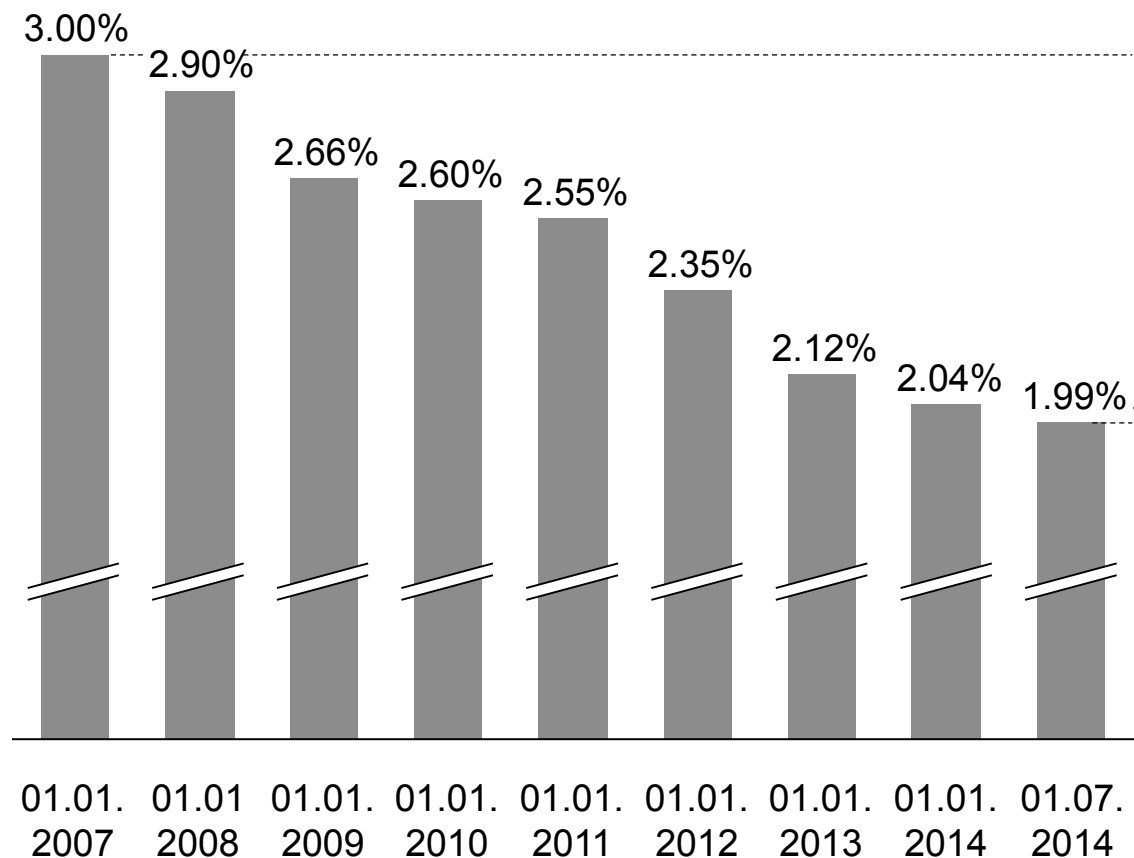
# Continued strong investment incomes and results despite decreasing interest rates

Direct and net investment yield (IFRS basis)



# 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** -39 bps

**Reserve strengthening** -30 bps

**Disposals and FX** -10 bps

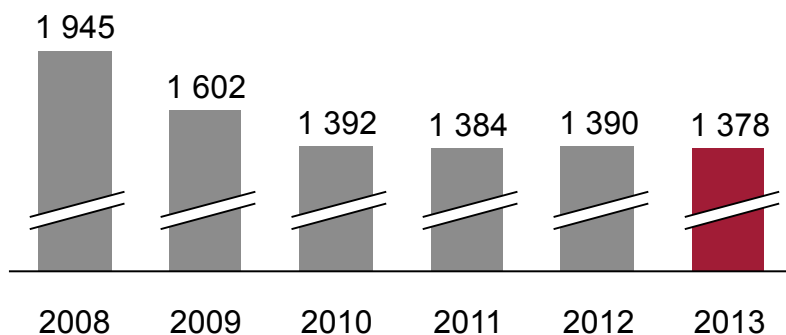
---

**Total** -101 bps

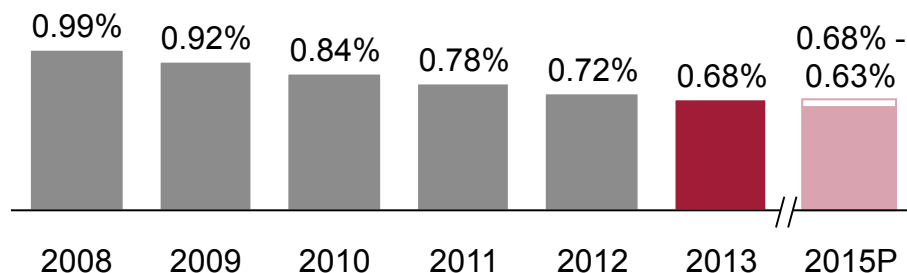
# Substantial cost savings and efficiency improvements achieved

CHF million (IFRS basis)

Operating expense adjusted



Efficiency ratio<sup>1)</sup>



**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**

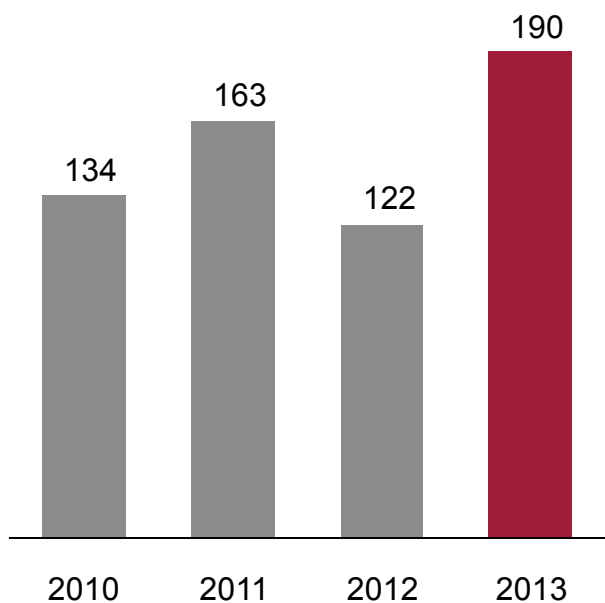
1) Owned IFAs expense excluded



# Growing fee result

CHF million

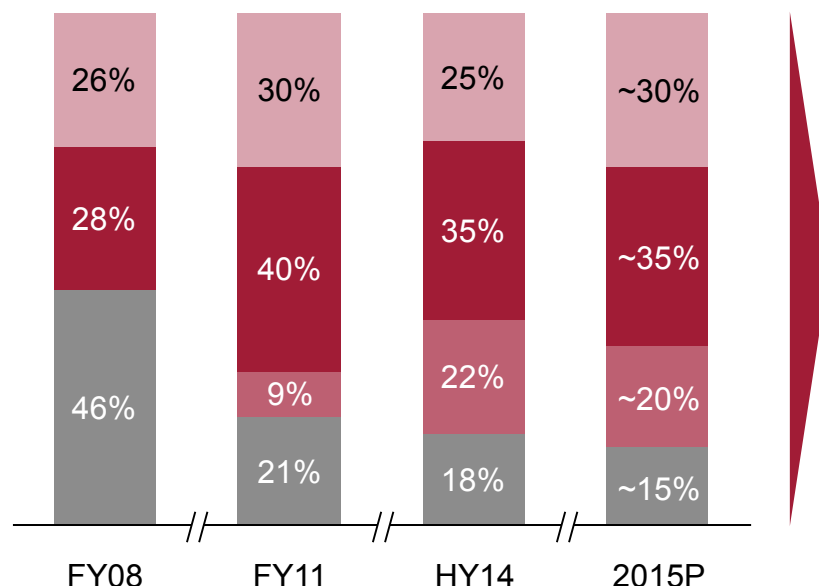
Fee result



- 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

# Product offering revamped and new business mix shifted away from traditional products

New business production (NBP)



Shift excl.  
traditional  
CH GL

59%

85%

90%

Risk, health and P&C
  Modern
  Modern-traditional
  Traditional

### Risk, health and P&C

Opportunities to keep an attractive contribution from risk products and risk riders in competitive environment are being exploited

### Modern

Modern product offering continuously adjusted to market requirements in order to support the business mix in terms of reduced capital intensity

### Modern-traditional

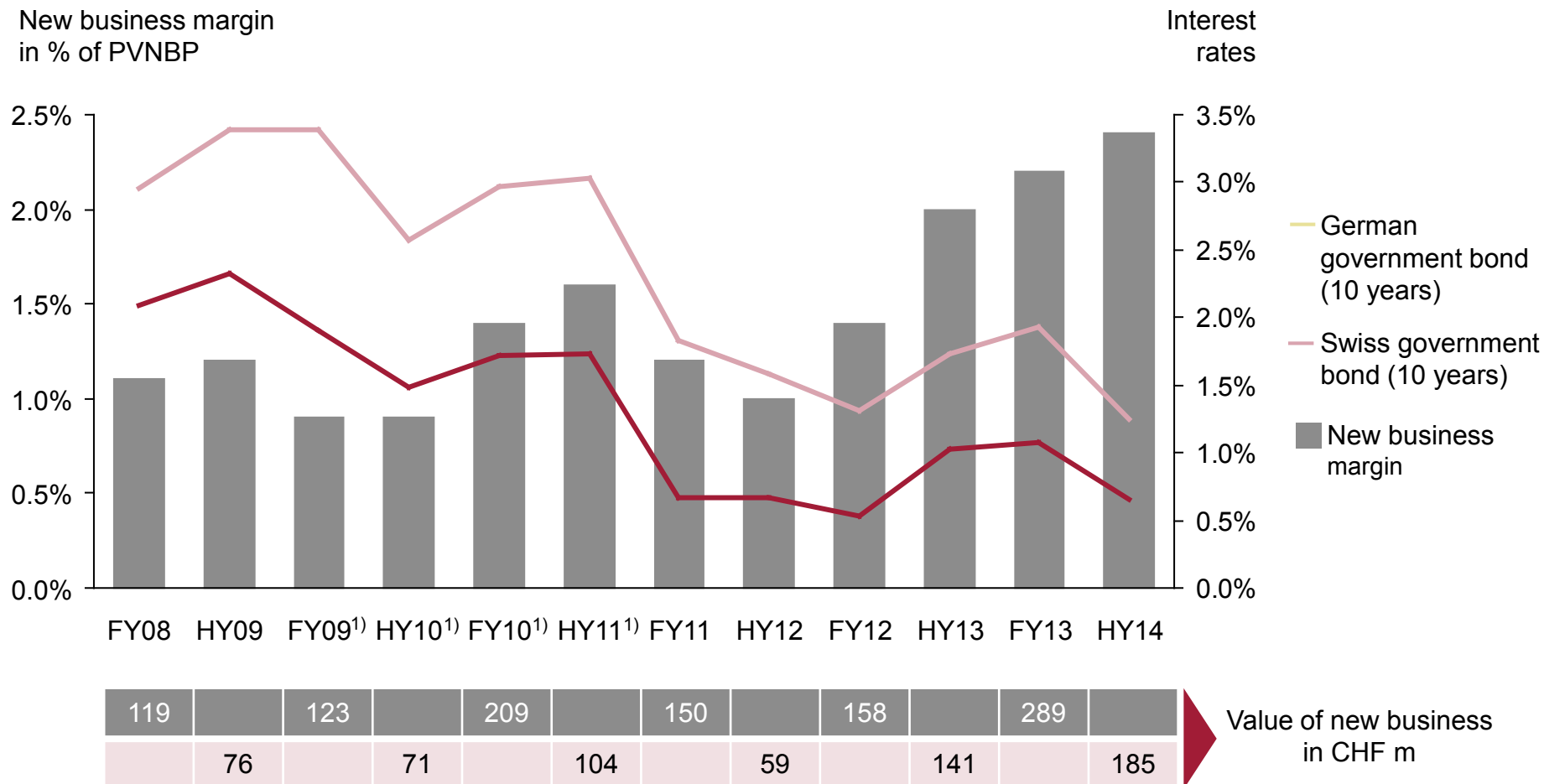
The development of new modern-traditional concepts requiring less economic solvency capital consequently pursued

### Traditional

Traditional products significantly reduced leaving attractive Swiss group life business as most important product category

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









New business margin vs. interest rate development



1) Excl. liquidity premium



# Swiss Life 2015 well on track

Strategic thrust	Target	Status
<p><b>Customer promise</b></p> <p><b>1</b> Increase quality and quantity of touch points with customers</p> 	<p><b>2 Offering</b></p> <ul style="list-style-type: none"> <li>▪ New business margin: &gt;1.5%</li> <li>▪ New business shift: ~85% of NBP from risk, modern and modern-traditional products</li> </ul>	<ul style="list-style-type: none"> <li>▪ At 2.4% as per HY 2014</li> <li>▪ 82% of NBP from risk, modern and modern-traditional products as per Q3 2014</li> </ul>  
	<p><b>3 Distribution</b></p> <ul style="list-style-type: none"> <li>▪ Fee and commission income: Increase by 20-25%</li> </ul>	<ul style="list-style-type: none"> <li>▪ Up by 8% as per Q3 2014 vs. Q3 2013</li> </ul> 
	<p><b>4 Efficiency and quality</b></p> <ul style="list-style-type: none"> <li>▪ Cost savings: CHF 130-160 m (project view)</li> <li>▪ Efficiency: Improve efficiency ratios</li> </ul>	<ul style="list-style-type: none"> <li>▪ More than 90% of overall targeted cost savings implemented as per Q3 2014</li> <li>▪ Efficiency ratio at 0.32% as per HY 2014 (HY 2013: 0.33%)</li> </ul>  
	<p><b>5 Financial strength</b></p> <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>▪ At 11.9% as per HY 2014 (annualised)</li> <li>▪ At 23% as per FY 2013</li> <li>▪ PbS as per FY 2013; savings result 69%, fee &amp; risk result 38% and cost result -12% (admin cost result +6%)</li> </ul>  

# Cautionary statement regarding forward-looking information



This presentation is made by Swiss Life and may not be copied, altered, offered, sold or otherwise distributed to any other person by any recipient without the consent of Swiss Life. Although all reasonable effort has been made to ensure the facts stated herein are accurate and that the opinions contained herein are fair and reasonable, this document is selective in nature and is intended to provide an introduction to, and overview of, the business of Swiss Life. Where any information and statistics are quoted from any external source, such information or statistics should not be interpreted as having been adopted or endorsed by Swiss Life as being accurate. Neither Swiss Life nor any of its directors, officers, employees and advisors nor any other person shall have any liability whatsoever for loss howsoever arising, directly or indirectly, from any use of this information. The facts and information contained herein are as up to date as is reasonably possible and may be subject to revision in the future. Neither Swiss Life nor any of its directors, officers, employees or advisors nor any other person makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this presentation. Neither Swiss Life nor any of its directors, officers, employees and advisors nor any other person shall have any liability whatsoever for loss howsoever arising, directly or indirectly, from any use of this presentation. This presentation may contain projections or other forward-looking statements related to Swiss Life that involve risks and uncertainties. Readers are cautioned that these statements are only projections and may differ materially from actual future results or events. All forward-looking statements are based on information available to Swiss Life on the date of its posting and Swiss Life assumes no obligation to update such statements unless otherwise required by applicable law. This presentation does not constitute an offer or invitation to subscribe for, or purchase, any shares of Swiss Life.

# 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

Full-Year results 2014	27 February 2015
Annual General Meeting	27 April 2015
Interim statement Q1	12 May 2015
Half-Year results 2015	14 August 2015

Visit our website for up-to-date information  
[www.swisslife.com](http://www.swisslife.com)



**The future starts here.**