



SwissLife

Bellevue Meets Management Seminar Swiss Life 2018: Driving performance

Thomas Buess, Group CFO
Flims, 15 January 2016

Agenda

→ **Swiss Life Group**

Swiss Life 2018

Outlook

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

FY 2014

Swiss Life Group: Facts and figures

- Assets under Management: CHF 183.0 bn of which external customers of CHF 33.7 bn (TPAM)
- Net profit: CHF 818 m
- Adjusted profit from operations: CHF 1 182 m
- GWP incl. PHD¹⁾: CHF 19.1 bn
- Shareholders' equity: CHF 12.8 bn
- Workforce: ~ 7 500 employees and ~ 4 500 certified financial advisors
- S&P financial strength rating of Swiss Life AG: A / stable outlook

1) Policyholder deposits

Business units



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

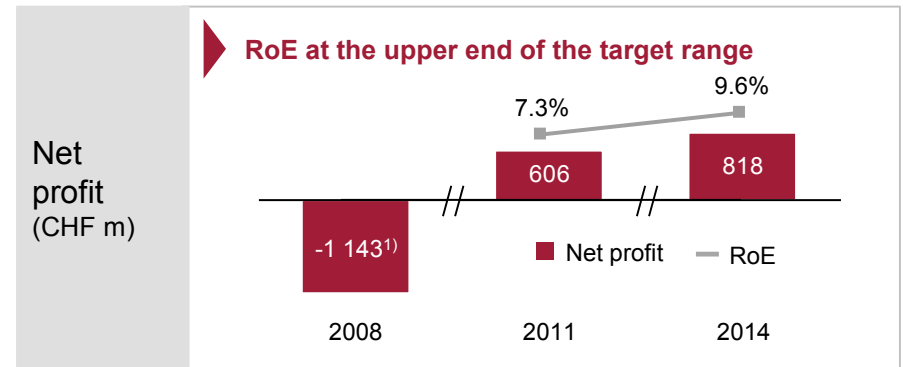
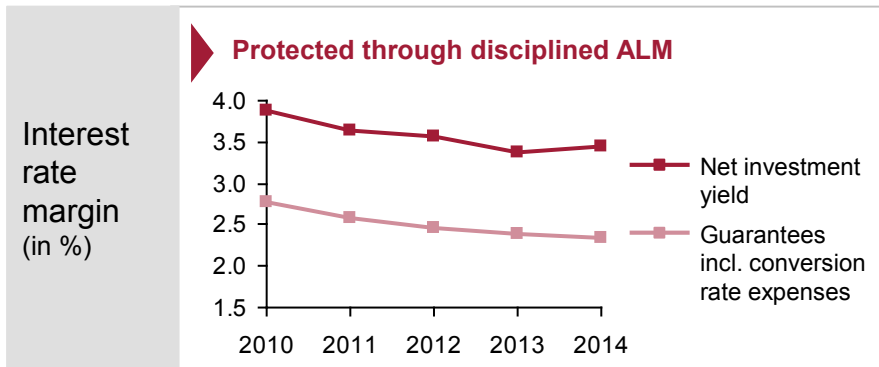
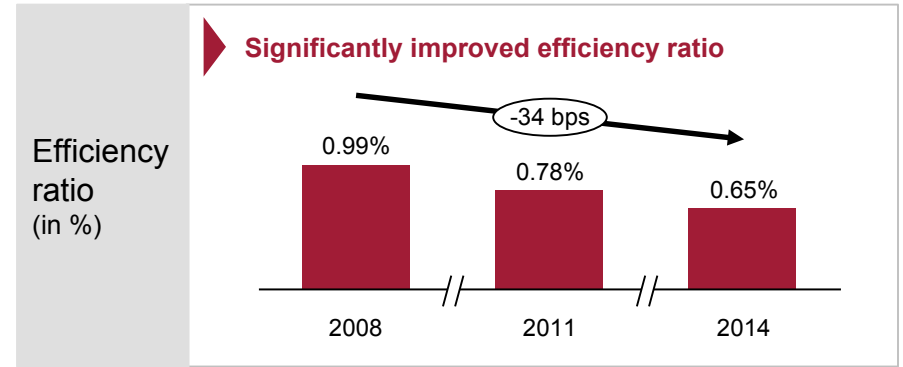
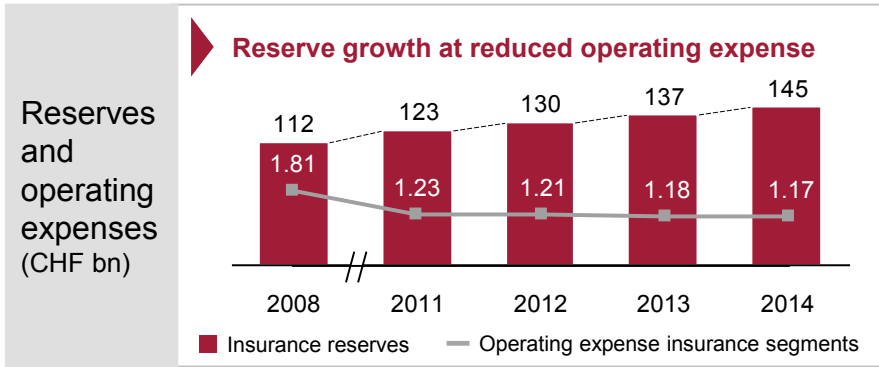
FY 2014, in CHF (IFRS basis)

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 with a market share of 30%	55%	53%	14%	56%
France	– Niche private insurer for HNWI and affluent customers in life – Strong position in health	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, large portfolios in Germany and France – # 1 real estate manager in Europe ³⁾	183.0 bn AuM (TPAM 33.7 bn)	n.a.	34%	16%

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)

Development of key figures: Swiss Life increased its profitability and improved its financial strength



1) Continuing operations

Profit by source: How does Swiss Life generate profits?

Source	Description	Capital intensity	Key contributor to profit source in 2014
 Savings result	<ul style="list-style-type: none"> Investment spread (net investment result, technical interest, reserve changes) After policyholder participation 	<ul style="list-style-type: none"> High 	<ul style="list-style-type: none"> Switzerland (61%), France (26%), Germany (11%)
 Risk result	<ul style="list-style-type: none"> Gross risk result (risk premiums less expenses, reserve changes) After policyholder participation 	<ul style="list-style-type: none"> Low-medium 	<ul style="list-style-type: none"> Switzerland (67%), France health and P&C (21%), Germany (8%)
 Fee result	<ul style="list-style-type: none"> Income from fee business less related expenses No policyholder participation 	<ul style="list-style-type: none"> Low 	<ul style="list-style-type: none"> Asset Managers (71%), France unit-linked and banking (14%), International (7%)
 Cost result	<ul style="list-style-type: none"> Gross cost result (cost premiums less expenses) After policyholder participation 		

Meeting trends in insurance industry key to capturing market potential

Regulatory / political

- Regulatory pressure on capitalisation and profitability
- Pension and health reforms
- Customer protection

Socioeconomic

- Longevity
- Dependency ratio
- Capital market environment

Changing customer behaviour

- Better informed
- Using multi-channels, mobile
- Less tolerant & loyal

How Swiss Life is addressing these trends

- Focus on capital-light products and fee-based offerings
- Disciplined capital management and ALM
- Continue to enhance the quality of earnings
- Comprehensive and high-quality advice

- High level of advice along with value-creating products and services for individual and group life customers
- Segment-specific customer journey with appropriate level of service quality
- A “longer self-determined life” as an opportunity for approaching customers

- Invest in digitalisation to expand relevant touch points with customers
- Provide a seamless customer experience according to specific needs of the strategic target groups
- Redesign business processes to increase automatisisation and efficiency

Agenda

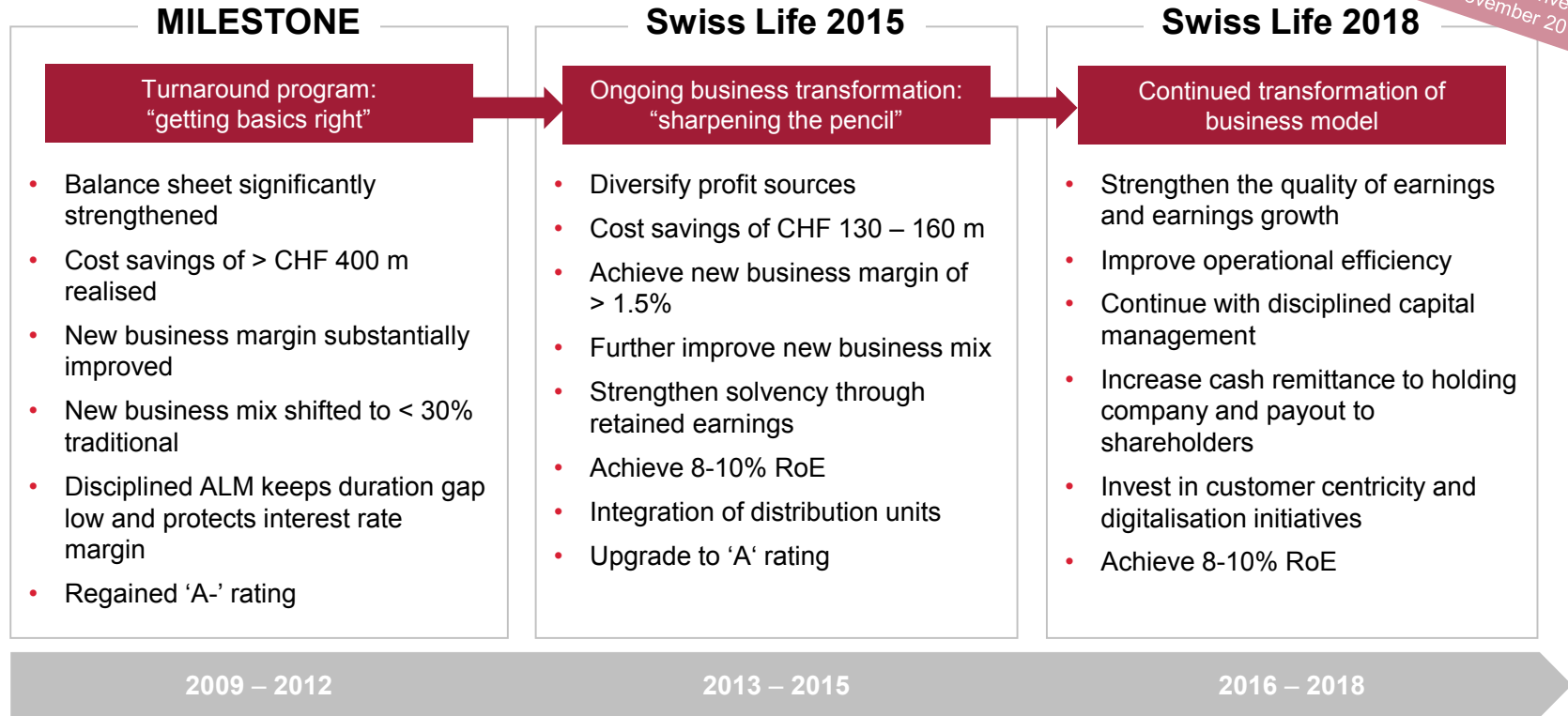
Swiss Life Group

→ **Swiss Life 2018**

Outlook

Swiss Life 2018: Continue on the successful path of MILESTONE and Swiss Life 2015

Communicated at our Investors' Day on 25 November 2015



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 expenses¹⁾

Capital, cash and dividend

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

RoE²⁾ of 8-10%

1) Excl. Asset Managers 2) Equity excl. unrealised gains/losses on bonds

Continue to strengthen the quality of earnings with Swiss Life 2018

Quality of earnings and earnings growth

Profit by source (FY 2014 adjusted, CHF m)



Swiss Life 2018 targets

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CHF 350-400 m

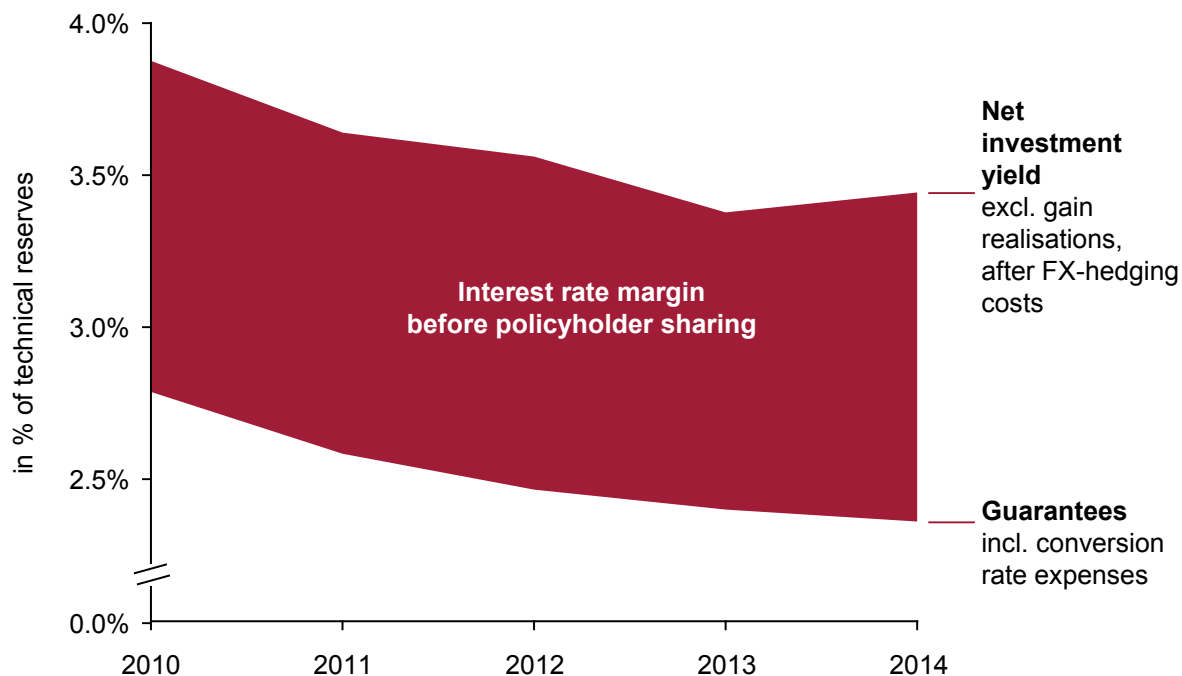
CHF 400-450 m

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1) Thereof admin cost result gross: CHF 73 m

Disciplined ALM has safeguarded the interest rate margin in past years

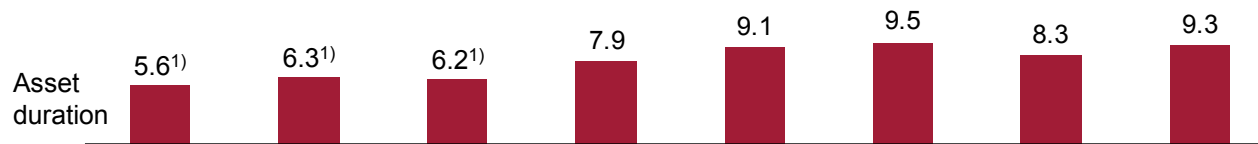
Aggregated view, IFRS basis



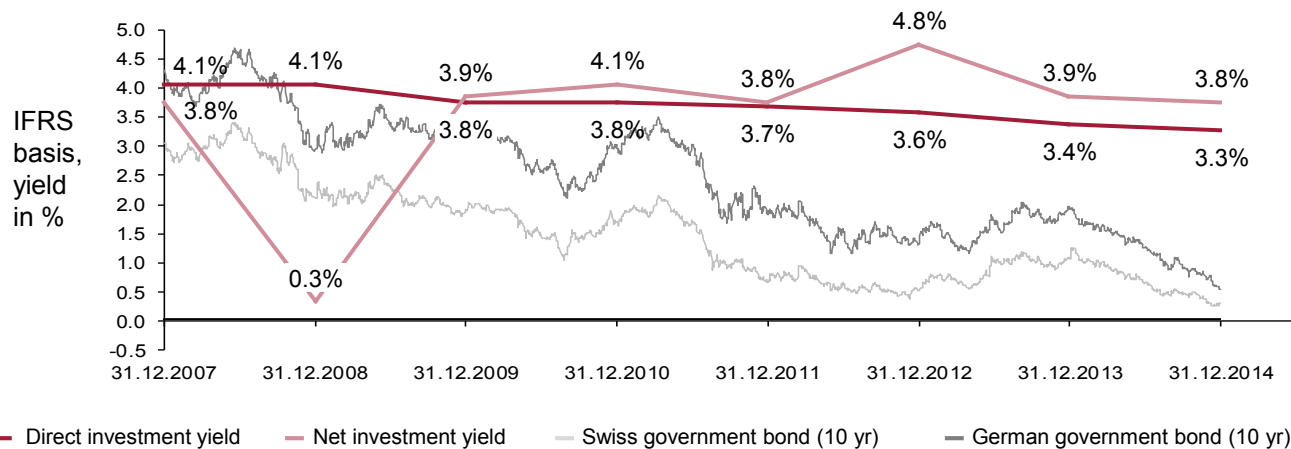
Interest rate margin remained stable as a result of disciplined ALM

- Long asset duration supports yield
- Narrow duration gap protects interest rate margin
- Reserve strengthening and focus on profitable new business lower guarantees and improve product mix
- Risk and fee income not considered

Disciplined ALM with narrow duration gap results in resilient yield



- Dynamic duration management to **keep gap below one**
- Efficient capital consumption maintained

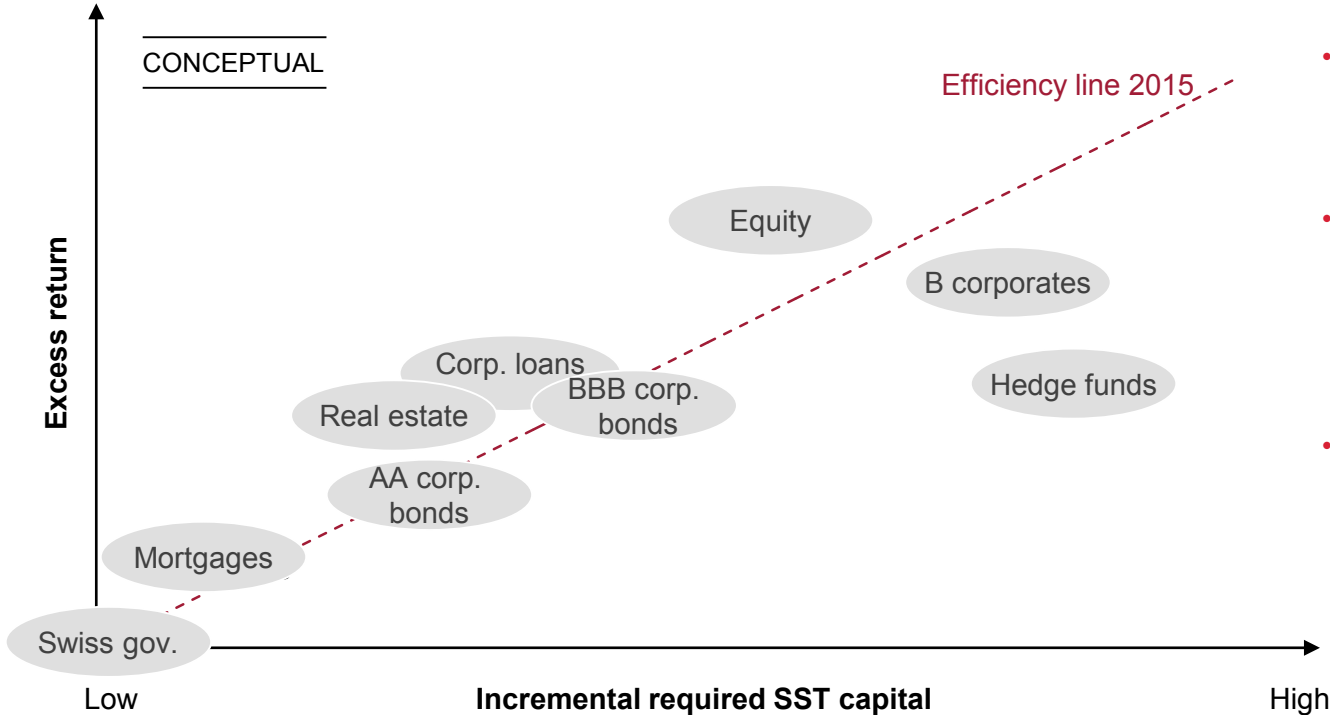


- Long asset duration leads to **resilient yield in low interest rate environment**

1) Excludes duration contribution of real estate, modelled as interest rate sensitive assets until YE 2009

Capital efficiency considerations key in investing new money

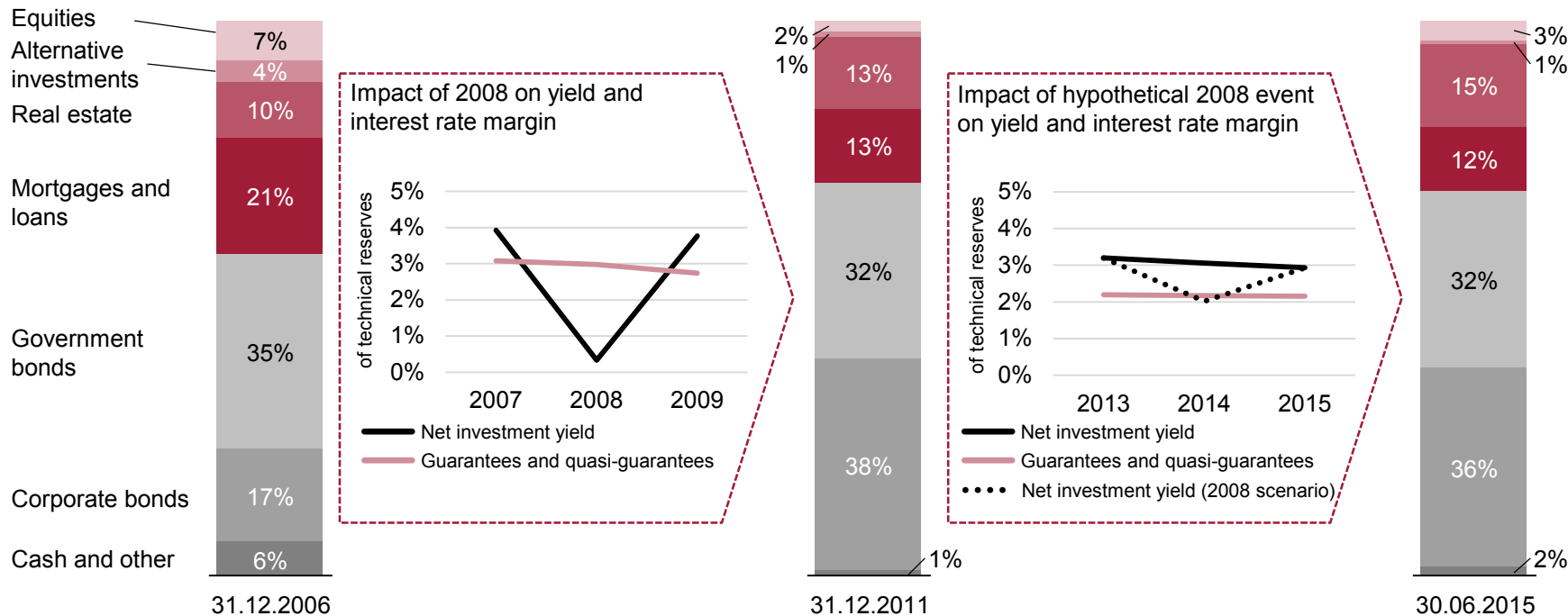
Swiss portfolio, marginal investment (HY 2015)



- As part of the integrated ALM process, investments are assessed in view of their capital efficiency
- Real estate, mortgages and corporate loans continue to be particularly efficient
 - Currently, marginal investments in hedged equities are also efficient
- Risk/return considerations to optimise asset return in view of required solvency capital
 - Other considerations such as local statutory and IFRS accounting also important

Asset allocation with improved resilience of yield and of interest rate margin

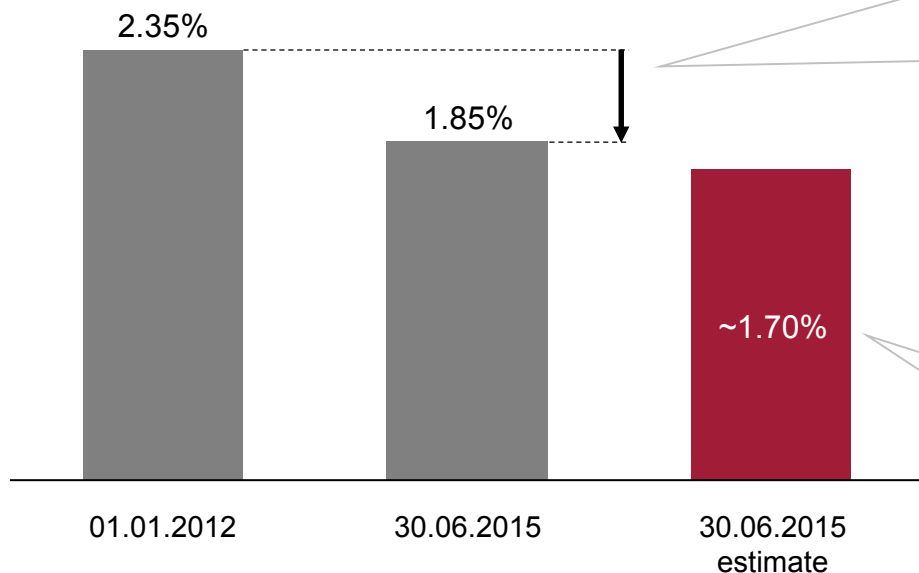
CHF m (fair value basis), insurance portfolio for own risk



- Repetition of 2008 scenario with lower P&L impact due to asset allocation shift until 2011 (no major changes since then)
- Less volatile net investment yield and lower technical interest rates as key drivers

Reserve strengthening and disciplined product management largely lowered guarantees

Average technical interest rate
(statutory basis)



• Change in guaranteed rate of CH group life ¹⁾	+4 bps
• Change in business mix	-17 bps
• Reserve strengthening of CHF 4.7 bn	-35 bps
• FX	-2 bps
Total	-50 bps

After impact of lowered guaranteed rates from 2016 for

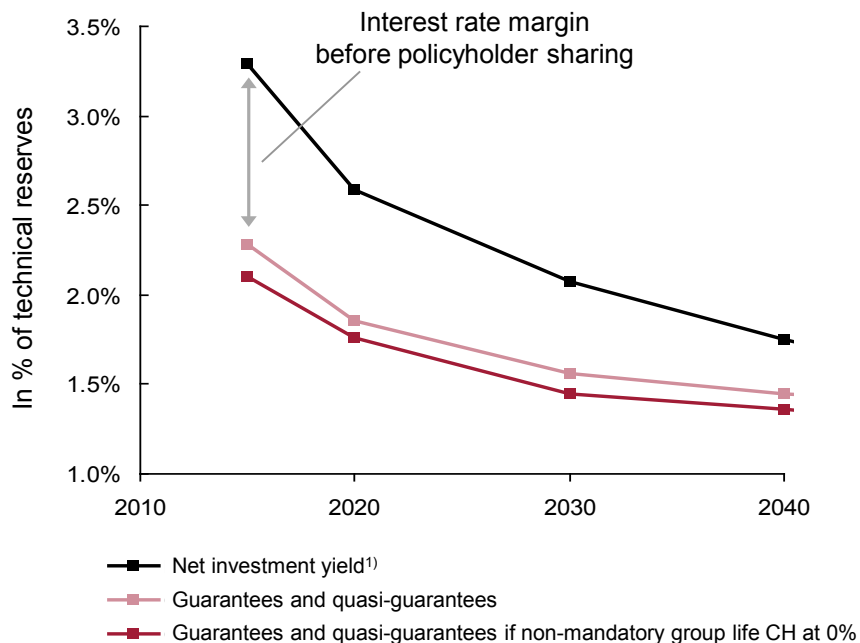
- CH mandatory group life: 1.75% to 1.25%
- CH non-mandatory group life: 1.25% to 0.75%

1) Guaranteed interest rate for mandatory group life business from 2014: 1.75% (+25 bps)

As a result, Swiss Life Group's interest rate margin remains resilient even if rates stay low

Aggregated view, **statutory basis** (October 2015)

PROJECTION



Structurally healthy interest rate margin

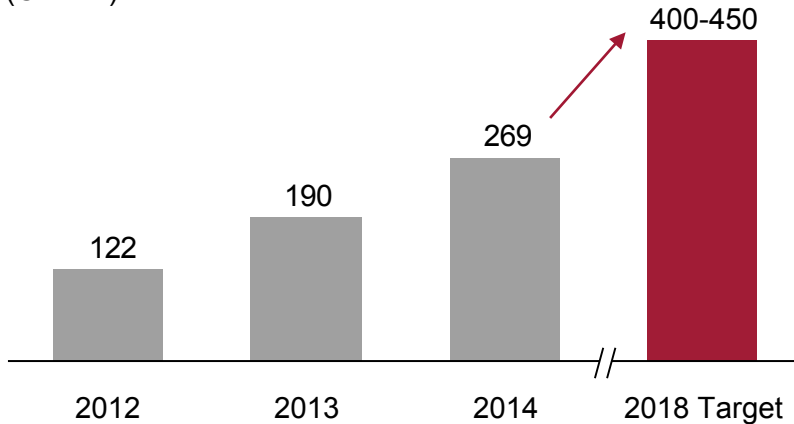
- Interest rate margin resilient for more than three decades even if rates stay low
- Policy adjustments in non-mandatory group life and reserve strengthening could further extend this period
- Assumed reinvestment rates based on implied forward rates²⁾
 - Switzerland: 0.8%
 - France: 1.6%
 - Germany: 1.7%
- No new business assumed beyond 2015
- Risk and fee income not considered

1) Net investment yield excl. realizations on fixed income investments except for ZZR build-up ("Zinszusatzreserve") in SL Germany (which is also included in guarantees)

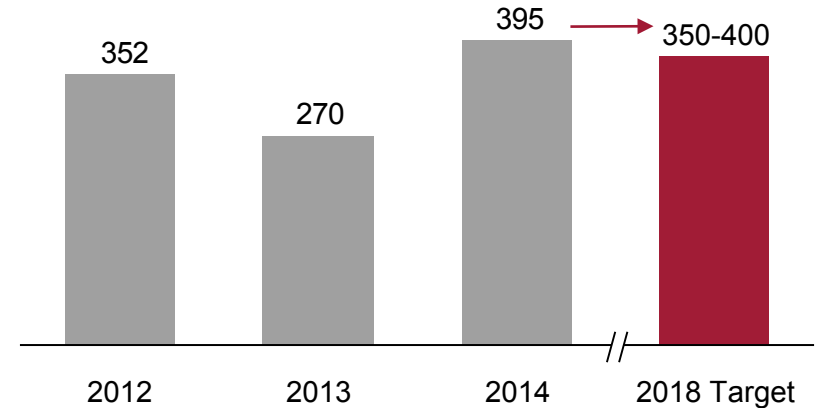
2) Implied forward rates are used as at end of July 2015; values shown for 2018

Enhance fee result to drive earnings growth and defend high margin risk business

Significantly **grow** fee result in all business areas (CHF m)



Defend high margin risk business in competitive environment (CHF m)



- **Asset Managers:** Growth of TPAM business
- **Owned IFAs** (in Switzerland, Germany, International): Strengthen market presence and increase productivity
- **France:** Grow unit-linked business
- **Switzerland:** Push real estate brokerage business, launch investment solutions for retail customers

- **Switzerland:** Push semi-autonomous and pure risk solutions
- **France:** Grow in protection, shift from individual to group health
- **Germany:** Leverage strong expertise in disability and care insurance
- **International:** Higher risk coverage for U/HNWI solutions

Disciplined capital management to ensure healthy capitalisation

Capital, cash
and dividend

Capital generation

- Earnings growth
- Value of new business
- Manage in-force business to free up capital
- Balanced capital structure with adequate share of hybrid capital

Capital allocation

- Increase focus on capital-efficient products, especially in new business
- Maintain disciplined ALM by focussing on capital-efficient investments
- Pool cash at holding level for buffer and financial flexibility
- Add-on acquisitions only selectively
- Ensure sustainable dividend distributions

Efficient and balanced use of capital to ensure healthy capitalisation

Maintain healthy solvency ratios

Capital, cash
and dividend

Swiss Life Group: Economic solvency (as of 1.1.2015)

SST internal model partially approved by FINMA	140-160%
Solvency II excl. any transitional measures, incl. volatility adjustment Solvency I = 257% abolished as per 1.7.2015	> 200%

Sensitivities of internal SST model (as of 1.1.2015)

Real estate -10%	-9 ppts
Credit spreads¹⁾ +100 bps	-12 ppts
Interest rates²⁾ -50 bps	-7 ppts
Equities -30%	-5 ppts
Insurance 1 in 10 year event	-6 ppts

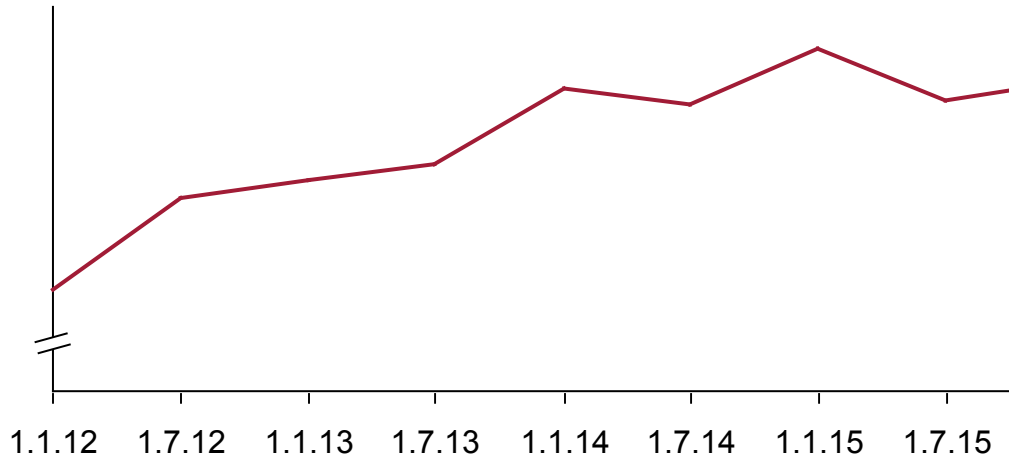
1) Corporate bonds and GIPS (excluding covered / guaranteed bonds)

2) MCEV based; excludes benefit of dynamic duration management

Coping with regulatory and macro-economic developments

SST development

Swiss Life Group internal model



Since 2012 continuous
buffer building

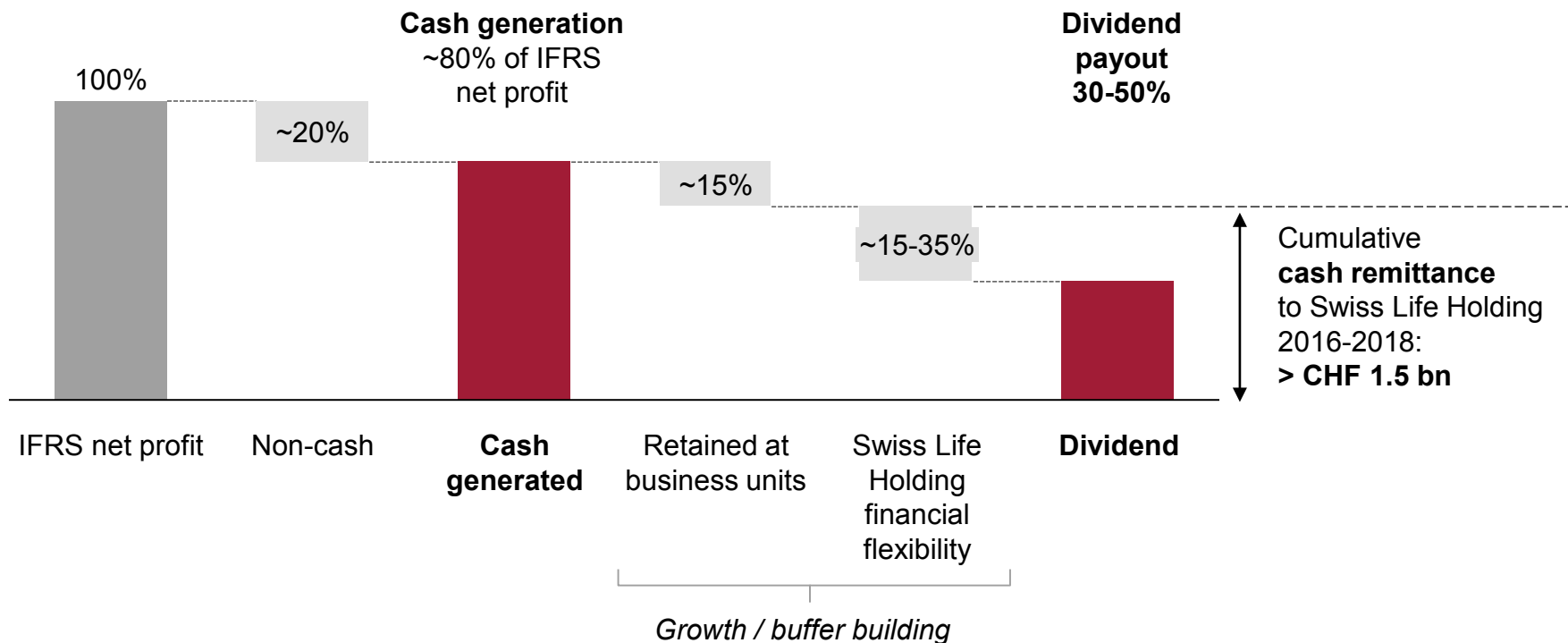
Buffer building **ongoing** to protect us from regulatory and macroeconomic developments



Regulatory developments consume some of the buffers

- Expiration of temporary reliefs
- Lowering of UFR
- Increased emphasis on standard model

Cash generation and remittance support dividend payout to shareholders



Agenda

Swiss Life Group

Swiss Life 2018

→ **Outlook**

Outlook

Swiss Life 2018 will continue on the successful path of Swiss Life 2015 and MILESTONE

Quality of earnings and earnings growth

Swiss Life will strengthen the quality of earnings and achieve earnings growth particularly by increasing the fee result

Operational efficiency

Swiss Life will further improve its operational efficiency

Capital, cash and dividend

Swiss Life will continue its disciplined capital management and increase cash remittance to its holding company and the payout to shareholders

Customer centricity and advice

Swiss Life will further develop its multi-local business approach through investing in customer centricity and digitalisation initiatives

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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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