



SwissLife

# Helvea Swiss Equities Conference 2016

## Swiss Life 2018: Driving performance

**Thomas Buess, Group CFO**  
Bad Ragaz, 14 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. PHD<sup>1)</sup>: 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

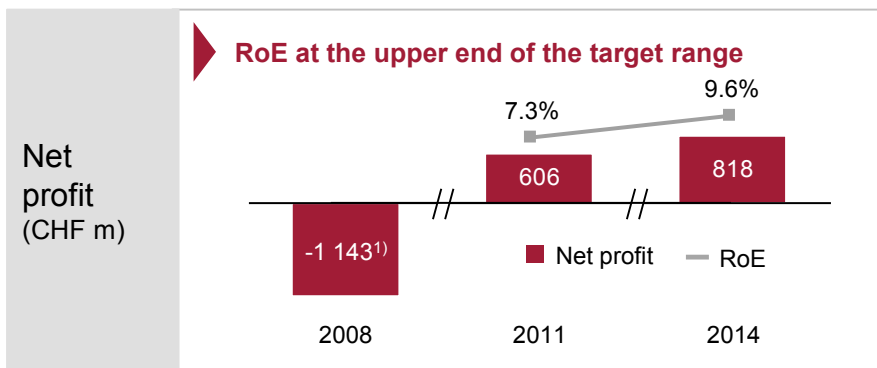
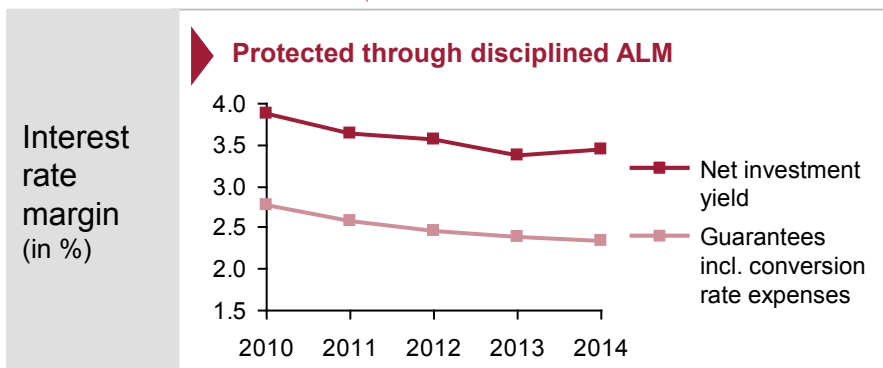
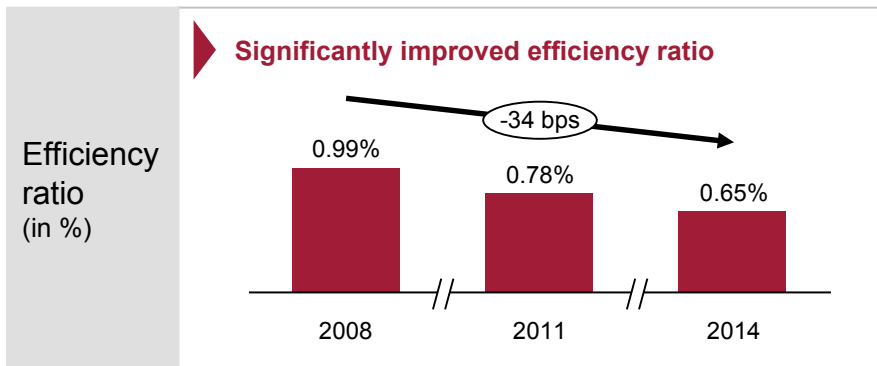
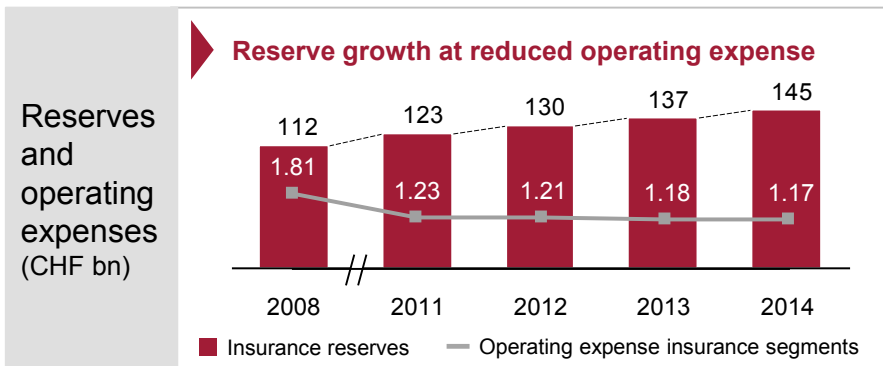
FY 2014, in CHF (IFRS basis)

Business segments	Market position	Insurance reserves	GWP & PHD	Fee & commission income <sup>4)</sup>	Adjusted profit from operations <sup>4)</sup>
		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 <sup>1)</sup> and BAV <sup>2)</sup> – 3 <sup>rd</sup> 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 <sup>3)</sup>	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
 <b>Savings result</b>	<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 (61%), France (26%), Germany (11%)</li> </ul>
 <b>Risk result</b>	<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 (67%), France health and P&amp;C (21%), Germany (8%)</li> </ul>
 <b>Fee result</b>	<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 (71%), France unit-linked and banking (14%), International (7%)</li> </ul>
 <b>Cost result</b>	<ul style="list-style-type: none"> <li>Gross cost result (cost premiums less expenses)</li> <li>After policyholder participation</li> </ul>		

# 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

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- 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 automatisatisation and efficiency

# Agenda

Swiss Life Group

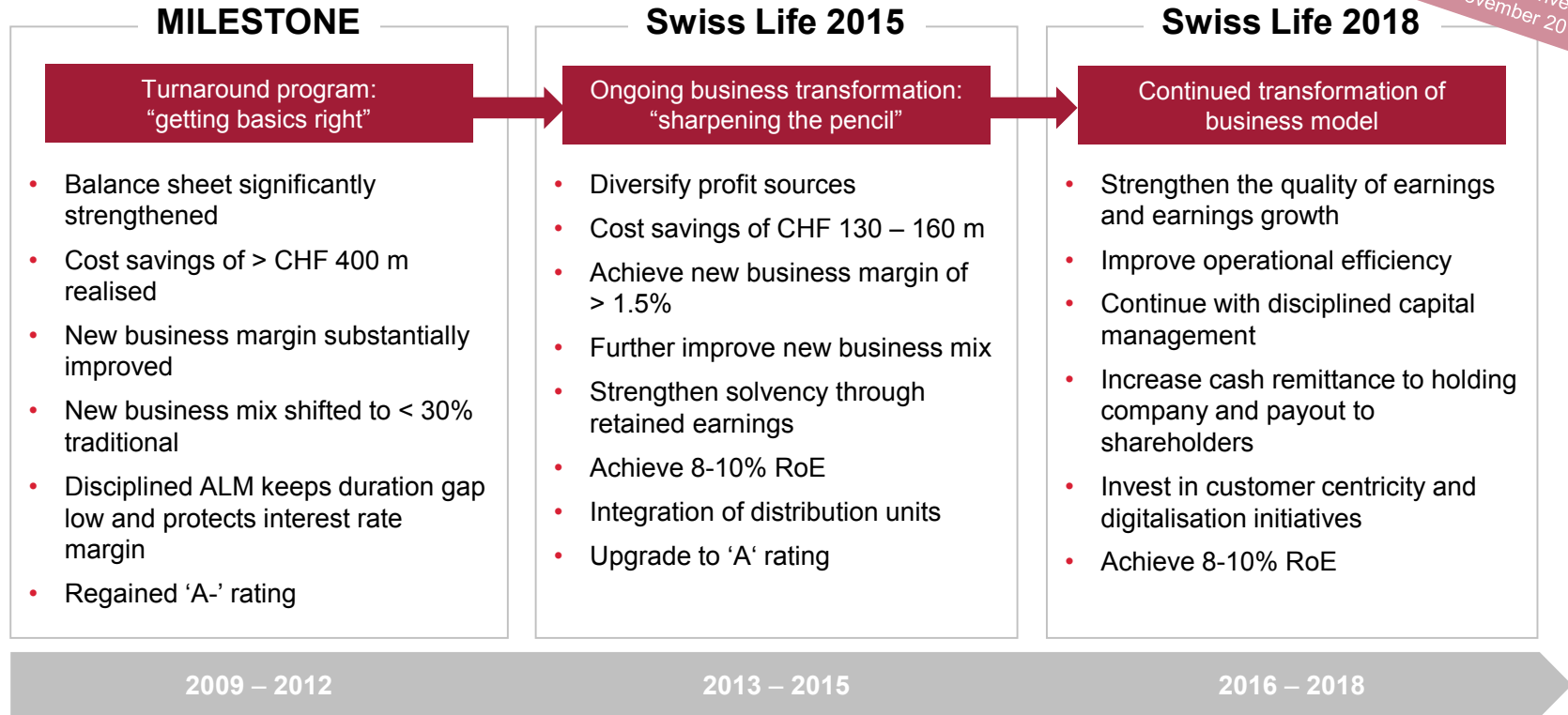
→ **Swiss Life 2018**

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 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

# 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**

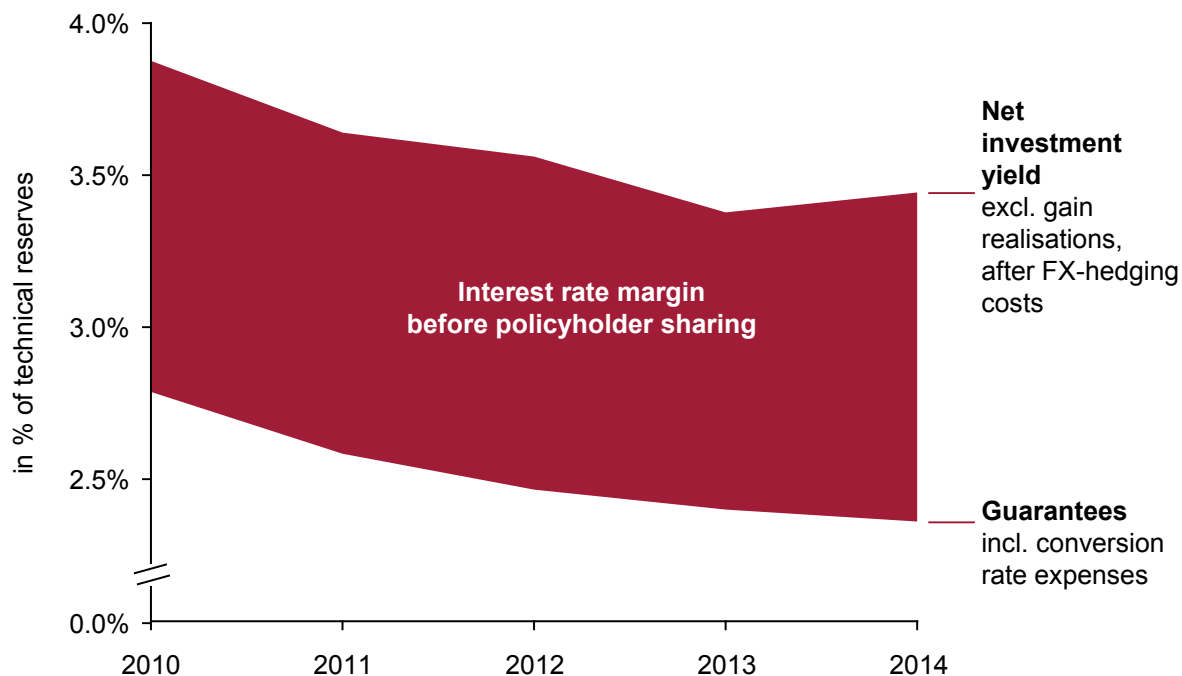
**CHF 350-400 m**

**CHF 400-450 m**

1) Thereof admin cost result gross: CHF 73 m

# Disciplined ALM has safeguarded the interest rate margin in past years

Aggregated view, IFRS basis

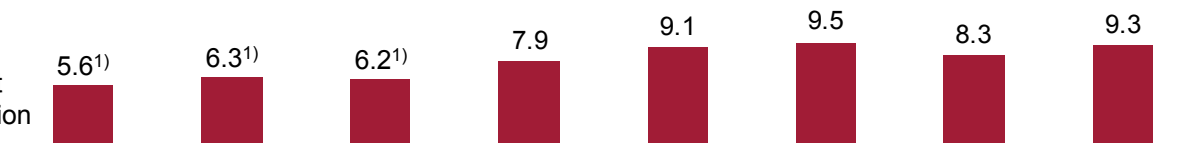


## Interest rate margin remained stable as a result of disciplined ALM

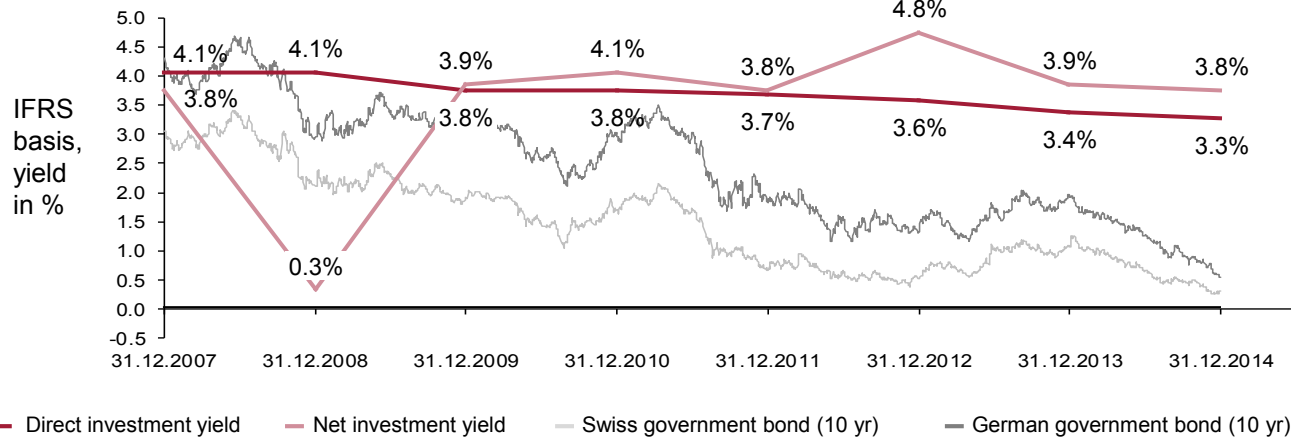
- Long asset duration supports yield
- Narrow duration gap protects interest rate margin
- Reserve strengthening and focus on profitable new business lower guarantees and improve product mix
- Risk and fee income not considered

# Disciplined ALM with narrow duration gap results in resilient yield

Asset duration



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

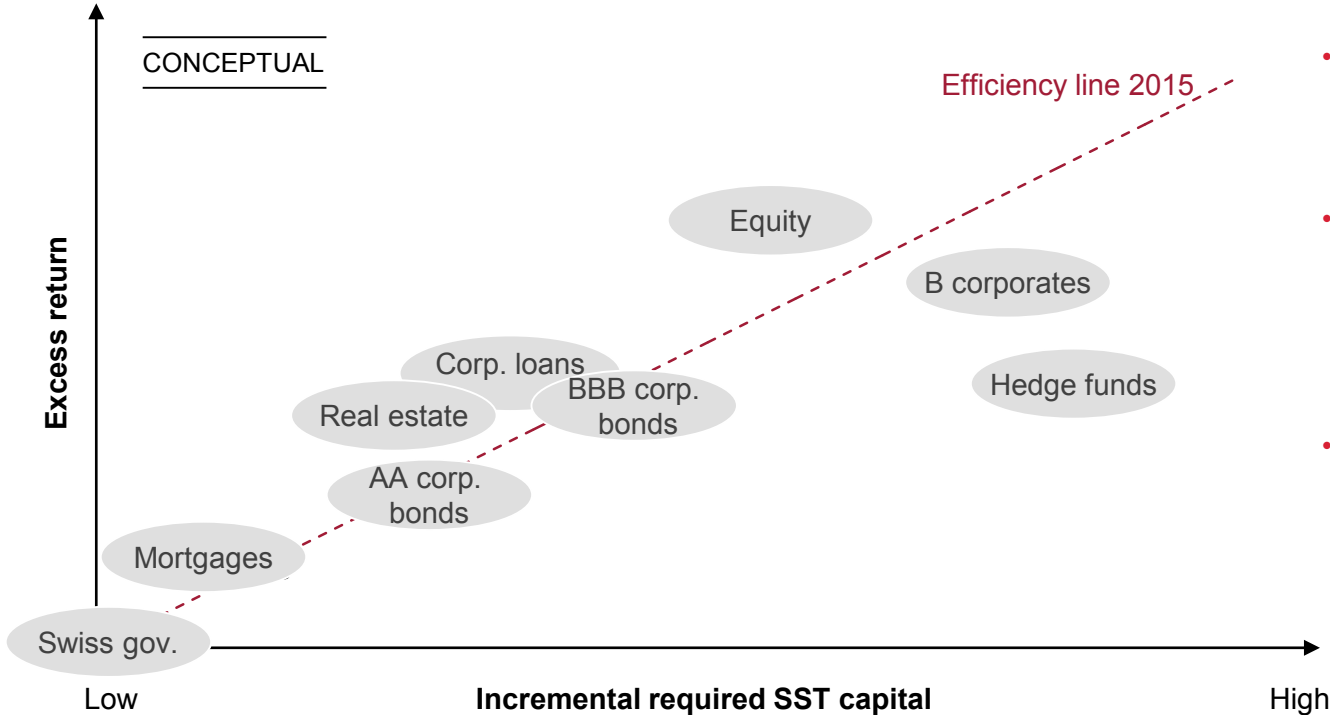


- Long asset duration leads to **resilient yield in low interest rate environment**

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

# Capital efficiency considerations key in investing new money

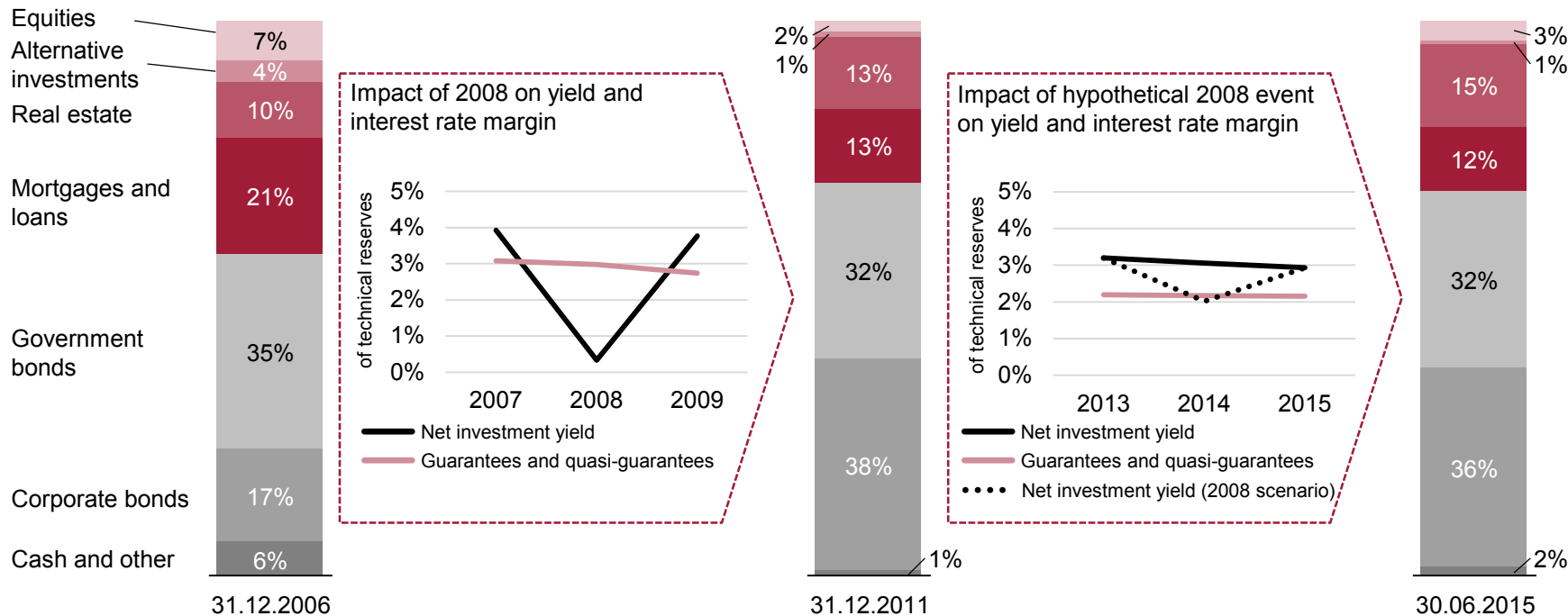
Swiss portfolio, marginal investment (HY 2015)



- 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

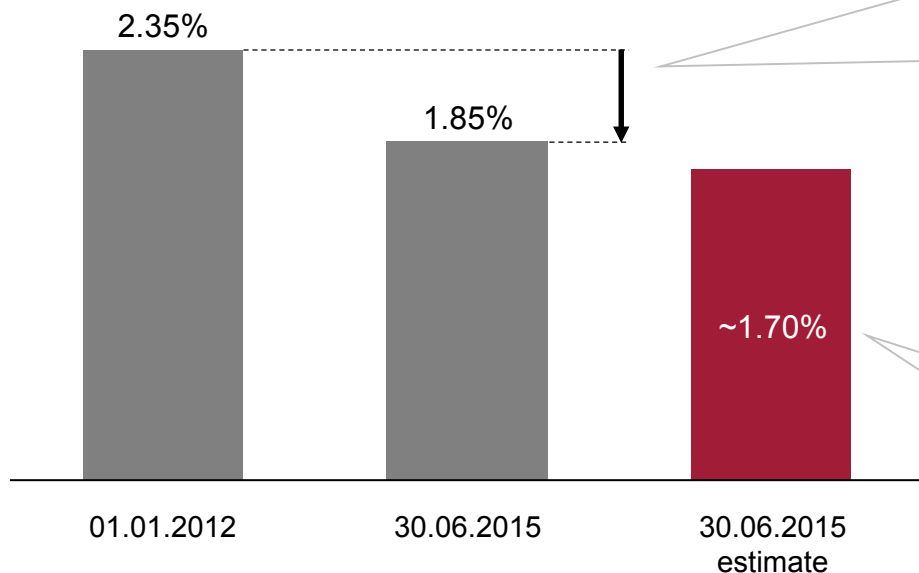
CHF m (fair value basis), insurance portfolio for own risk



- 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 <sup>1)</sup>	+4 bps
• Change in business mix	-17 bps
• Reserve strengthening of CHF 4.7 bn	-35 bps
• FX	-2 bps
<b>Total</b>	<b>-50 bps</b>

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%

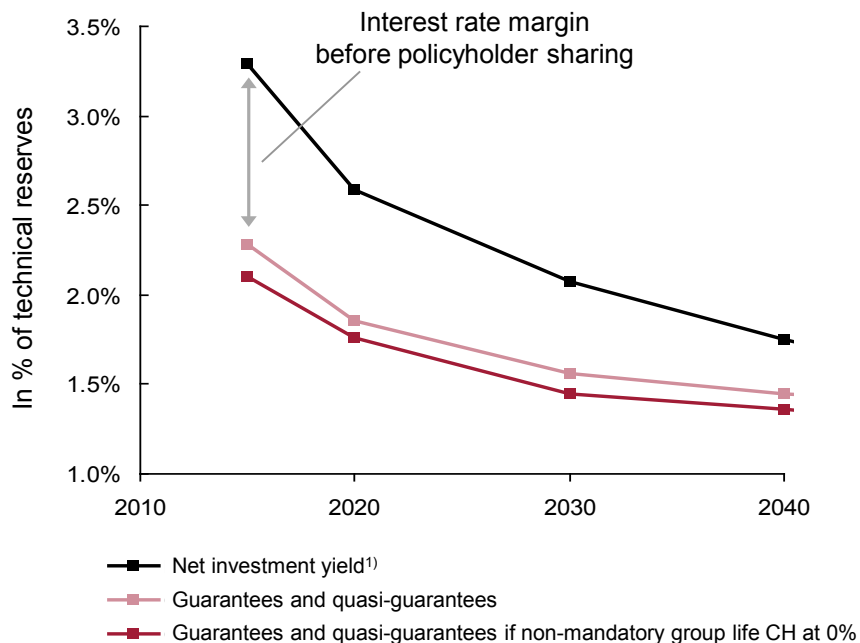
1) Guaranteed interest rate for mandatory group life business from 2014: 1.75% (+25 bps)



# 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

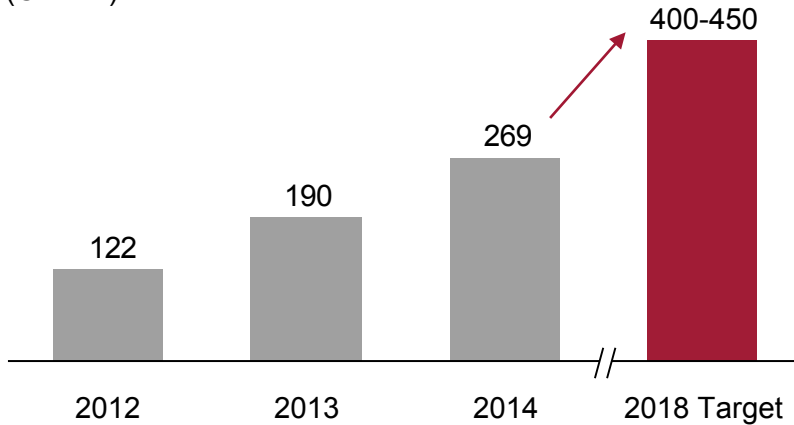
- Interest rate margin resilient for more than three decades even if rates stay low
- Policy adjustments in non-mandatory group life and reserve strengthening could further extend this period
- Assumed reinvestment rates based on implied forward rates<sup>2)</sup>
  - Switzerland: 0.8%
  - France: 1.6%
  - 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)

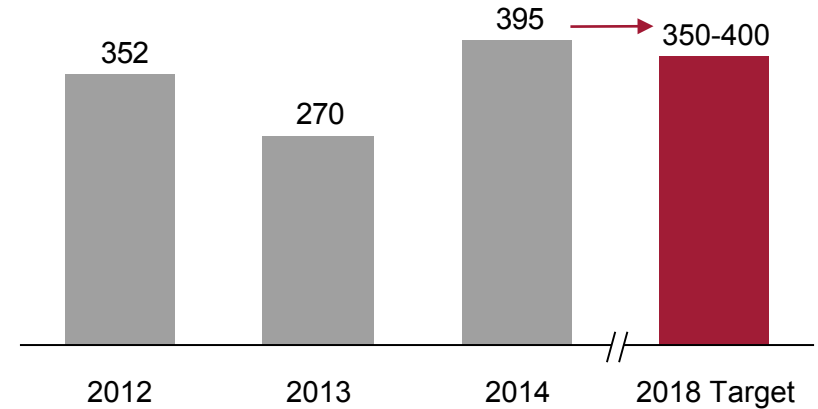
2) Implied forward rates are used as at end of July 2015; values shown for 2018

# 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)

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

## Sensitivities of internal SST model (as of 1.1.2015)

<b>Real estate -10%</b>	<b>-9 ppts</b>
<b>Credit spreads<sup>1)</sup> +100 bps</b>	<b>-12 ppts</b>
<b>Interest rates<sup>2)</sup> -50 bps</b>	<b>-7 ppts</b>
<b>Equities -30%</b>	<b>-5 ppts</b>
<b>Insurance 1 in 10 year event</b>	<b>-6 ppts</b>

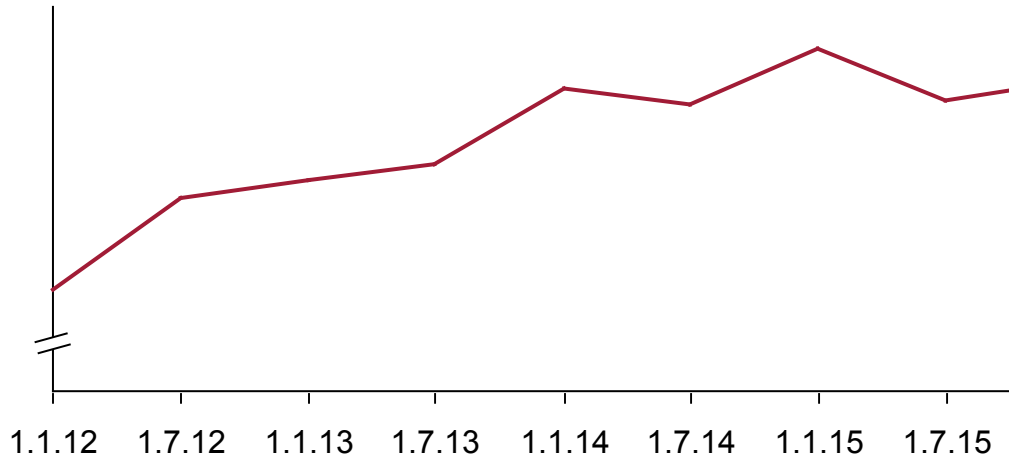
1) Corporate bonds and GIPS (excluding covered / guaranteed bonds)

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**

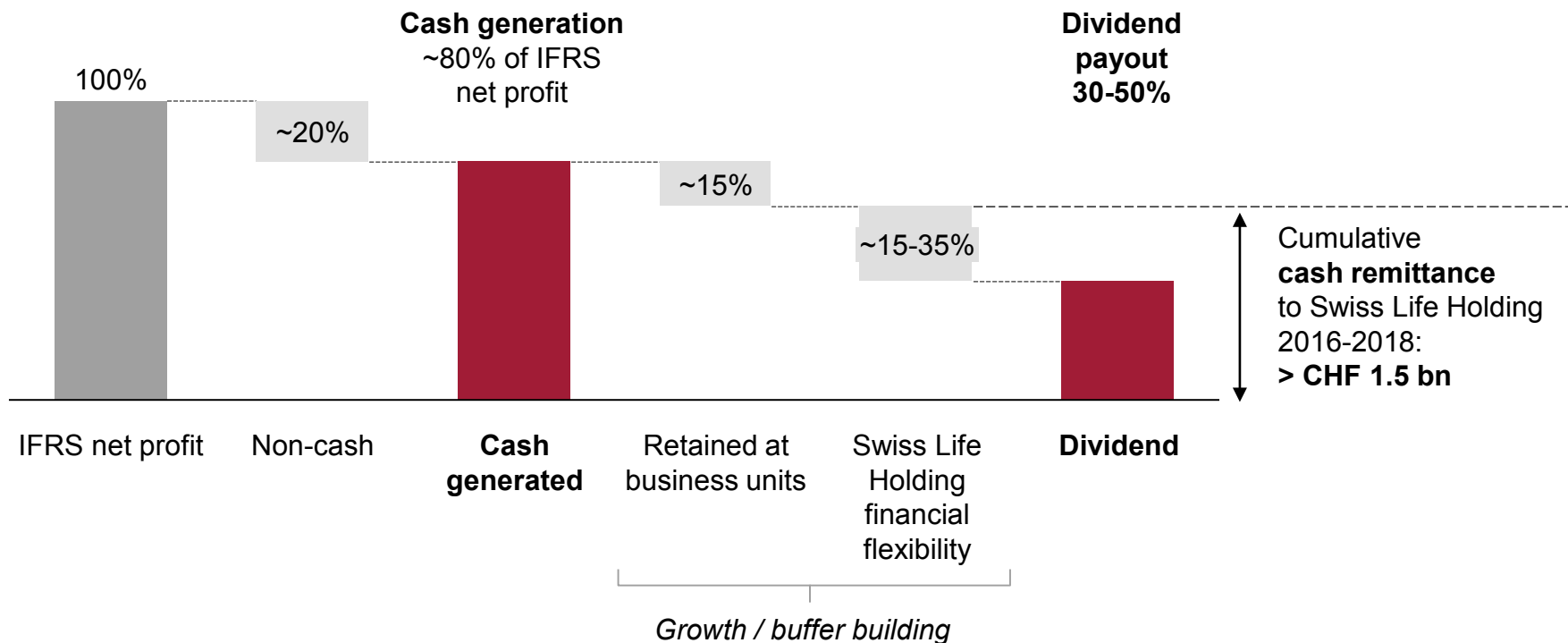
Buffer building **ongoing** to protect us from regulatory and macroeconomic developments



**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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