



# Helvea Swiss Equities Conference 2018

## Swiss Life

Thomas Buess, Group CFO  
Bad Ragaz, 11 January 2018

# Agenda

## → **Swiss Life in a nutshell**

Strategy Swiss Life 2018

Achievements and outlook

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

- Swiss Life supports its customers to face a longer life with self-determination and confidence
- Swiss Life operates in Switzerland, France, Germany, Luxembourg, Liechtenstein, the United Kingdom (UK), Austria, Czech Republic and Singapore



## Key financials (HY 2017, CHF)

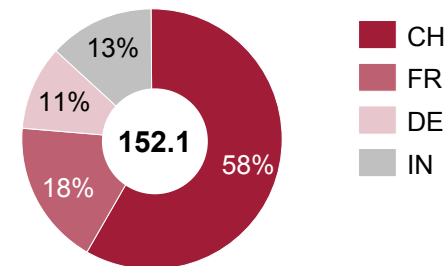
- **GWP** incl. policyholder deposits: 17.4 bn<sup>1)</sup>
- **Net profit:** 926 m<sup>1)</sup>
- **Assets under management:** 209.8 bn,  
*thereof with third parties* 54.3 bn
- **Solvency:** SST ~ 170%  
Solvency 2 > 200%
- **Market cap** (Dec 2017): 11.8 bn

1) FY 2016

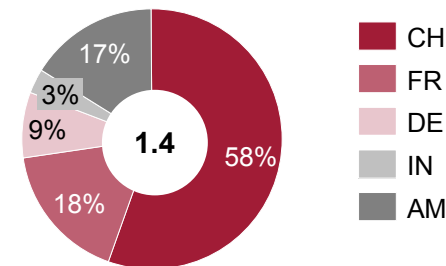
# ... with an attractive and diversified portfolio based on strong market positions

Business division	Market position
<b>Switzerland (CH)</b>	<ul style="list-style-type: none"> <li>Market leader in life insurance (group life and individual life) with a market share of ~ 30%</li> </ul>
<b>France (FR)</b>	<ul style="list-style-type: none"> <li>Niche private insurer for affluent customers in life</li> <li>Strong position in health</li> </ul>
<b>Germany (DE)</b>	<ul style="list-style-type: none"> <li>Leader for disability insurance and occupational pension schemes</li> <li>3<sup>rd</sup> largest independent financial advisor (IFA) network</li> </ul>
<b>International (IN)</b>	<ul style="list-style-type: none"> <li>Strong with private placement life insurance (PPLI) and pension pooling with our global Swiss Life Network</li> <li>Owned IFAs in UK, Austria and Czech Republic</li> </ul>
<b>Asset Managers (AM)</b>	<ul style="list-style-type: none"> <li>Leading in Switzerland, large portfolios in France and Germany</li> <li>#1 real estate manager in Europe<sup>1)</sup></li> </ul>

**Insurance reserves<sup>2)</sup>**  
(HY 2017, CHF billion)



**Profit from operations<sup>3)</sup>**  
(FY 2016, CHF billion)



1) PropertyEU, Top 100 Investors, October 2017 2) Excl. policyholder participation liabilities 3) Does not sum up to 100% due to segment "Other" and unallocated corporate costs

# Swiss Life supports its customers in living a self-determined life

## Life insurance & risk coverage

- Insurance products for the **accumulation** and **decumulation** phase with / without guarantees
- Products to cover **biometric risks** like death, disability, care and longevity
- Health and P&C insurance<sup>1)</sup>, reinsurance<sup>2)</sup>

## Investment management & real estate

- **Investment products** for retail and institutional clients
- **Real estate products** for retail and institutional clients like fund business, asset management services, project development
- **Mortgages** to retail clients

## Additional services & advice

- **Financial advisory**
- **Pension fund consulting**
- **Employee benefit solutions**
- Real estate development and **brokerage**

1) Health and P&C insurance offered only by business division FR 2) Niche reinsurance entity

# How does Swiss Life generate profits?

Source <sup>1)</sup>	Description	Key contributor to profit source in 2016 <sup>1)</sup>	Capital intensity <sup>2)</sup>	Capital market dependency <sup>2)</sup>	Policyholder participation
55% Savings result	<ul style="list-style-type: none"> <li>Investment spread (net investment result, technical interest, reserve changes)</li> </ul>	<ul style="list-style-type: none"> <li>CH (66%);</li> <li>FR (24%);</li> <li>DE (9%);</li> <li>IN (1%)</li> </ul>			<ul style="list-style-type: none"> <li>Yes</li> </ul>
26% Risk result	<ul style="list-style-type: none"> <li>Risk premiums less claims / expenses, reserve changes</li> </ul>	<ul style="list-style-type: none"> <li>CH (65%);</li> <li>FR (25%);</li> <li>DE (8%);</li> <li>IN (2%)</li> </ul>			<ul style="list-style-type: none"> <li>Yes</li> </ul>
27% Fee result	<ul style="list-style-type: none"> <li>Income from fee business less related expenses</li> </ul>	<ul style="list-style-type: none"> <li>AM (62%);</li> <li>DE (16%);</li> <li>FR (11%);</li> <li>IN (9%);</li> <li>CH (3%)</li> </ul>			<ul style="list-style-type: none"> <li>No</li> </ul>
-7% Cost result	<ul style="list-style-type: none"> <li>Cost premiums less expenses</li> </ul>				<ul style="list-style-type: none"> <li>Yes</li> </ul>

1) Based on adjusted segment result, FY 2016 2) Very high ● very low ○

# Agenda

Swiss Life in a nutshell

→ **Strategy Swiss Life 2018**

Achievements and outlook

# Meeting challenges key to capture market potential

<b>Customers</b>	<ul style="list-style-type: none"><li>• Customer diversity is increasing (age, family, proportion of women employed)</li><li>• Customers are more informed, expect more and lead the way in defining the solutions and services they receive</li></ul>
<b>Competition</b>	<ul style="list-style-type: none"><li>• Competition for customer interface / point of sale has further increased among existing and new players</li></ul>
<b>Economy</b>	<ul style="list-style-type: none"><li>• Still characterized by an era of financial repression with low interest rates</li></ul>
<b>Regulation</b>	<ul style="list-style-type: none"><li>• High solvency requirements from regulators</li><li>• Increased rules on advice and pressure on commissions lead to changes in business model and product offering</li></ul>
<b>Technology</b>	<ul style="list-style-type: none"><li>• Business processes are increasingly digitalized and redesigned through the use of data science, cognitive technologies, machine learning, robotics</li></ul>
<b>Workforce</b>	<ul style="list-style-type: none"><li>• The increasing need for an adaptable highly-qualified workforce and for new skills require constant provision for further education and (re-)training</li></ul>



# 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

# Swiss Life 2018: Working on right levers in low interest rate environment

## Swiss Life 2018

Quality of earnings and earnings growth

Operational efficiency

Capital, cash and dividend

## Focus in low interest rate environment

### Reduce dependency from savings result

- Grow fee result
- Defend risk result

### Disciplined Asset and Liability Management (ALM)

- Safeguard interest rate margin
- Protect investment result and reduce average technical interest rates

### Active new business steering

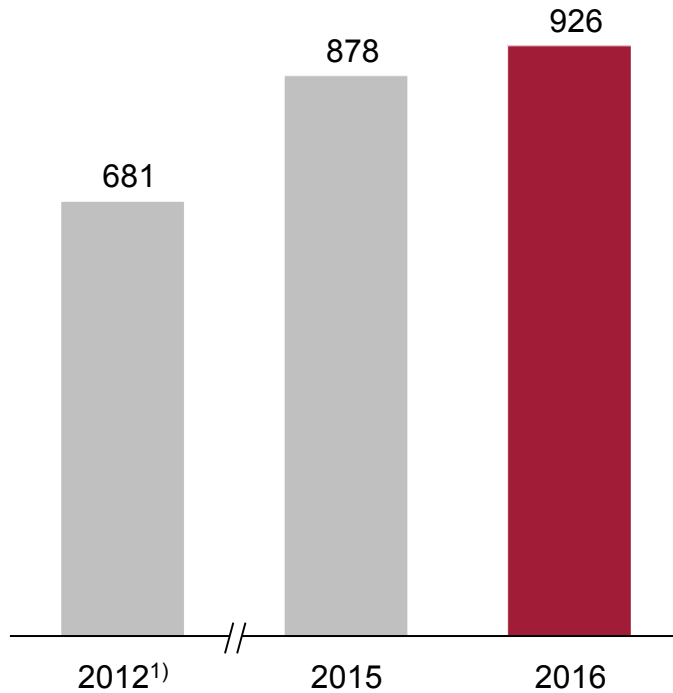
- Strive for capital efficient products
- Push modern product concepts with lower guarantee

### Disciplined capital management

- Maintain healthy solvency ratio
- Increase cash remittance and payout ratio

# Earnings growth and improved quality of earnings

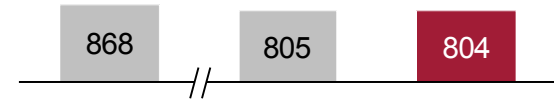
Net profit (CHF million)



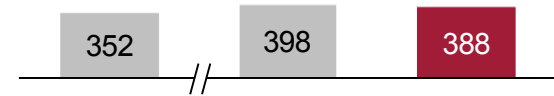
1) Net profit excluding one-offs

Profit from operations (adjusted, CHF million)

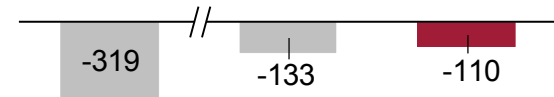
## 1 Savings result



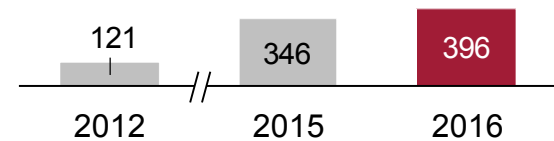
## Risk result



## 2 Cost result

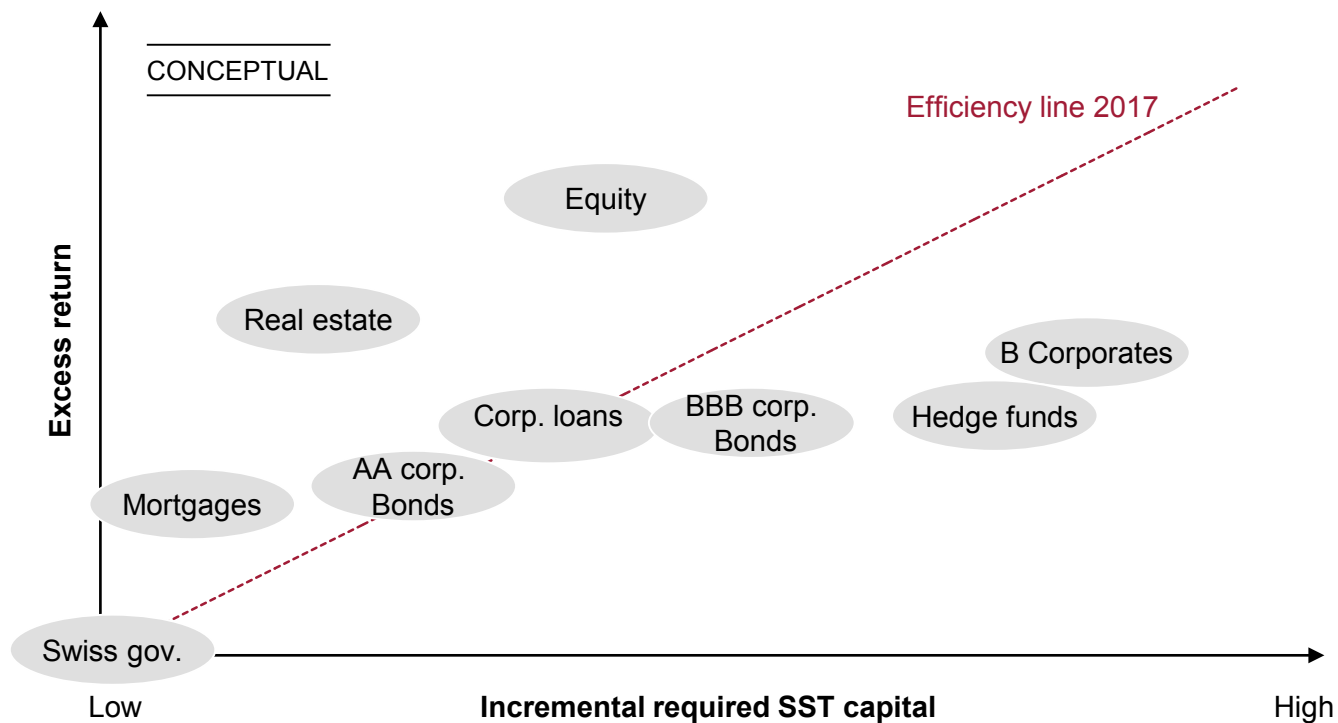


## 3 Fee result



# Capital efficiency considerations key in investing new money

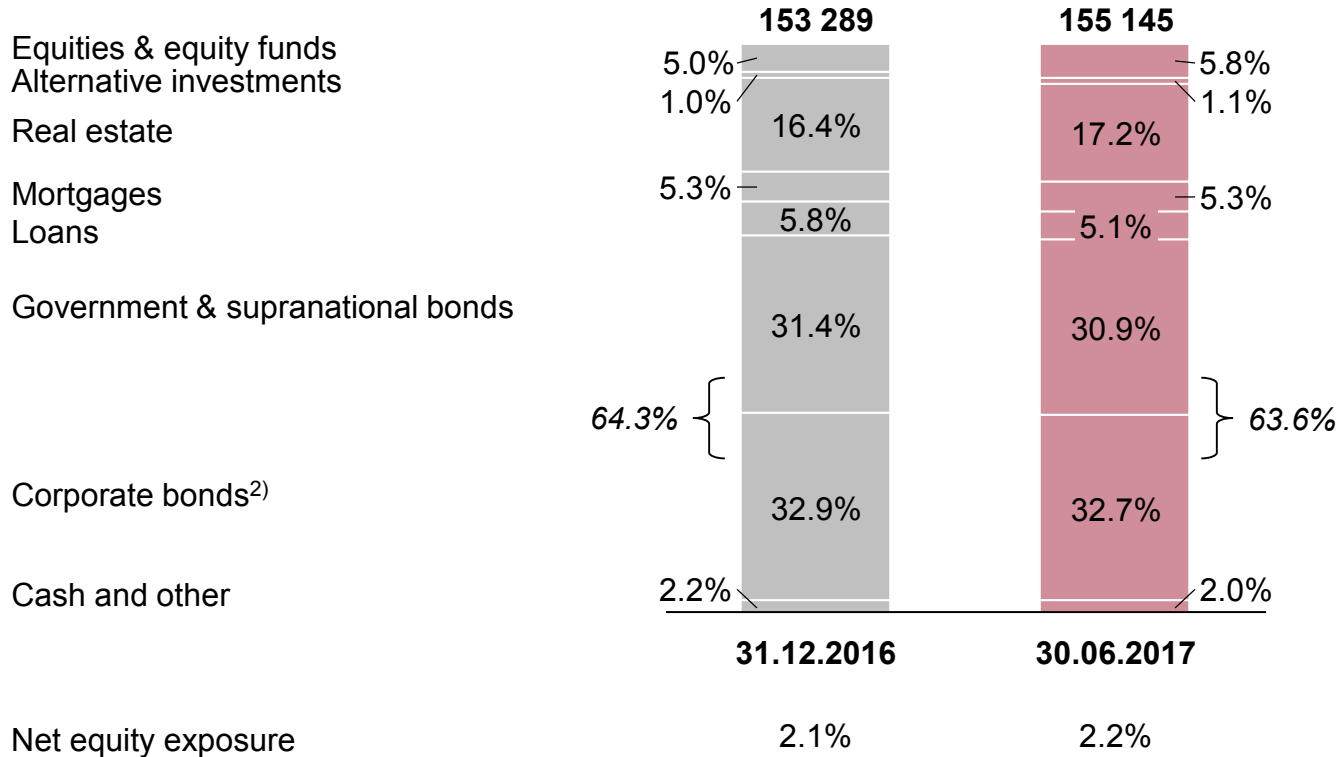
Swiss portfolio, marginal investment (Q3 2017)



- Risk / return considerations to optimise asset return in view of required solvency capital
- Other considerations such as local statutory and IFRS accounting also important

# Investment portfolio in an ALM context

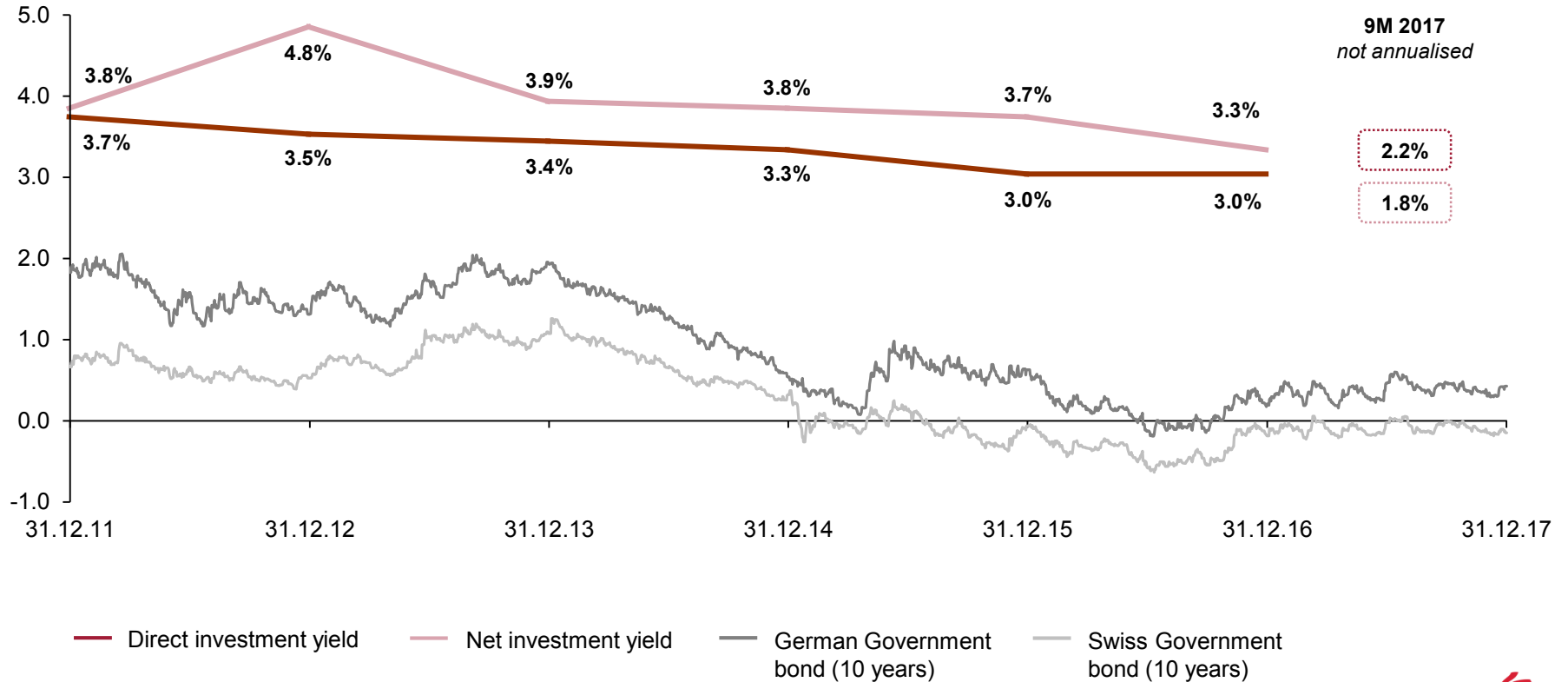
CHF million (fair value basis), insurance portfolio for own risk<sup>1)</sup>



1) Excl. repo positions of CHF -2 970 m in FY 2016 and CHF -3 239 m in HY 2017    2) Including senior secured loan funds

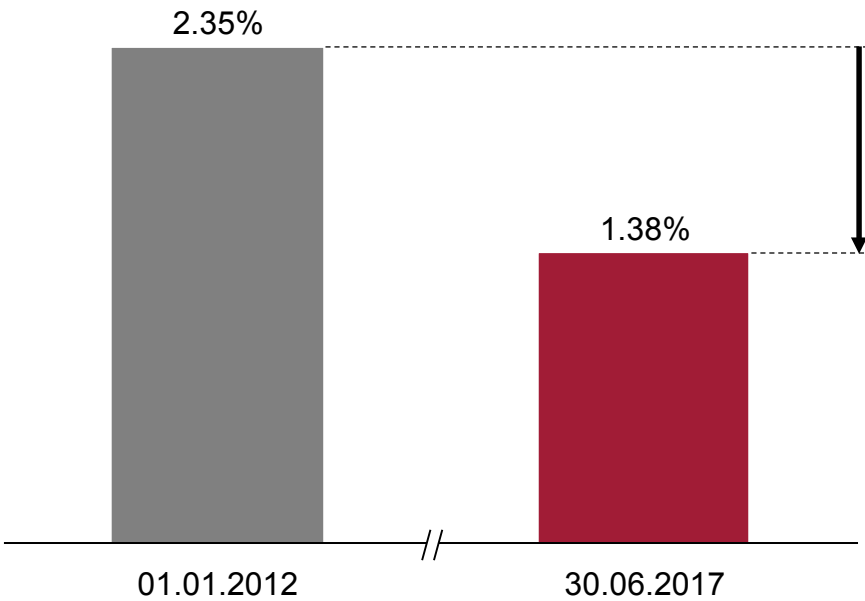
# Continued strong returns in a low interest rate environment

Direct and net investment yield (IFRS basis, in %)



# Average technical interest rate decreased further

Statutory basis



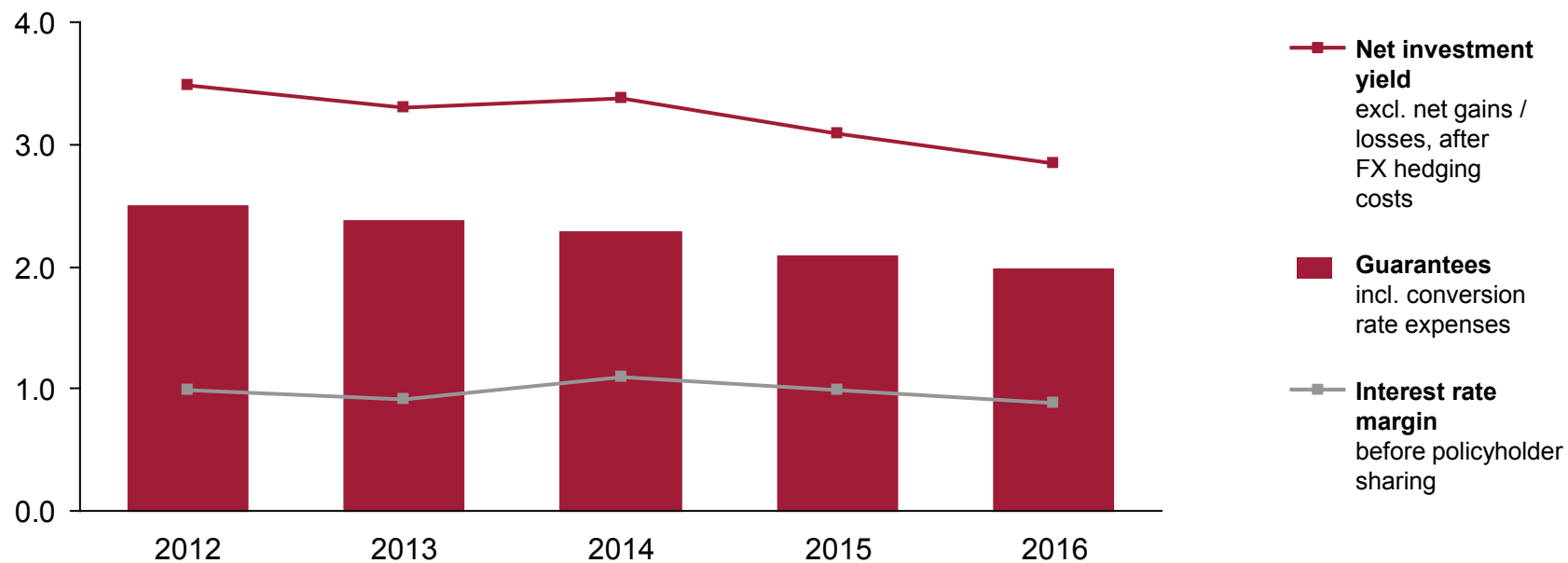
**01.01.2012 – 30.06.2017:**

• FX translation effect	-1 bps
• Reserve strengthening	-48 bps
• Group life CH	-24 bps
• Business mix	-24 bps
<b>Total</b>	<b>-97 bps</b>

• CHF	1.05%
• EUR	2.20%
• USD	2.23%
• GBP	2.52%

# Disciplined ALM has safeguarded the interest rate margin

Aggregated view, IFRS basis, in % of technical reserves

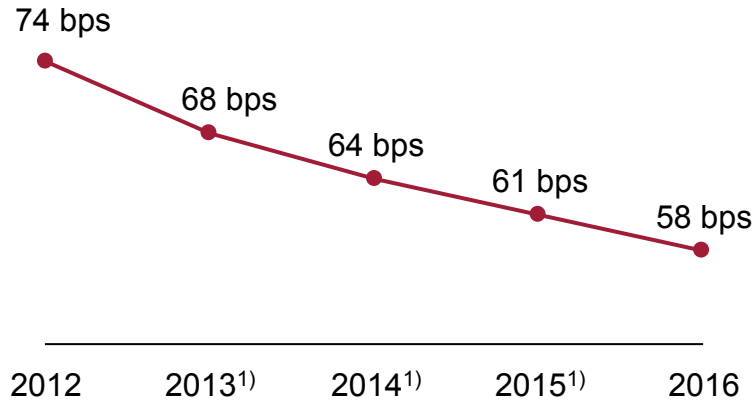




# Significant improvement in operational efficiency

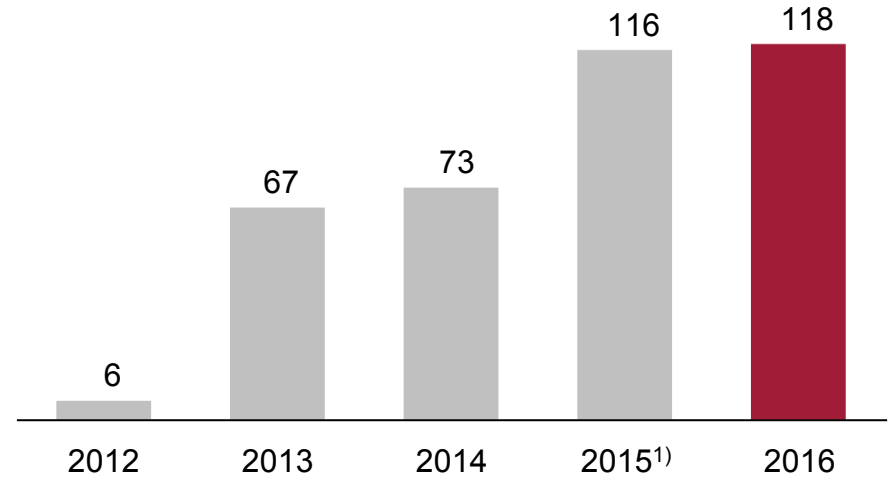
## Improved operational efficiency ratio ...

(adjusted operating expense in % of average technical reserves)



## ... leading to a sustainable positive admin cost result

(CHF million)

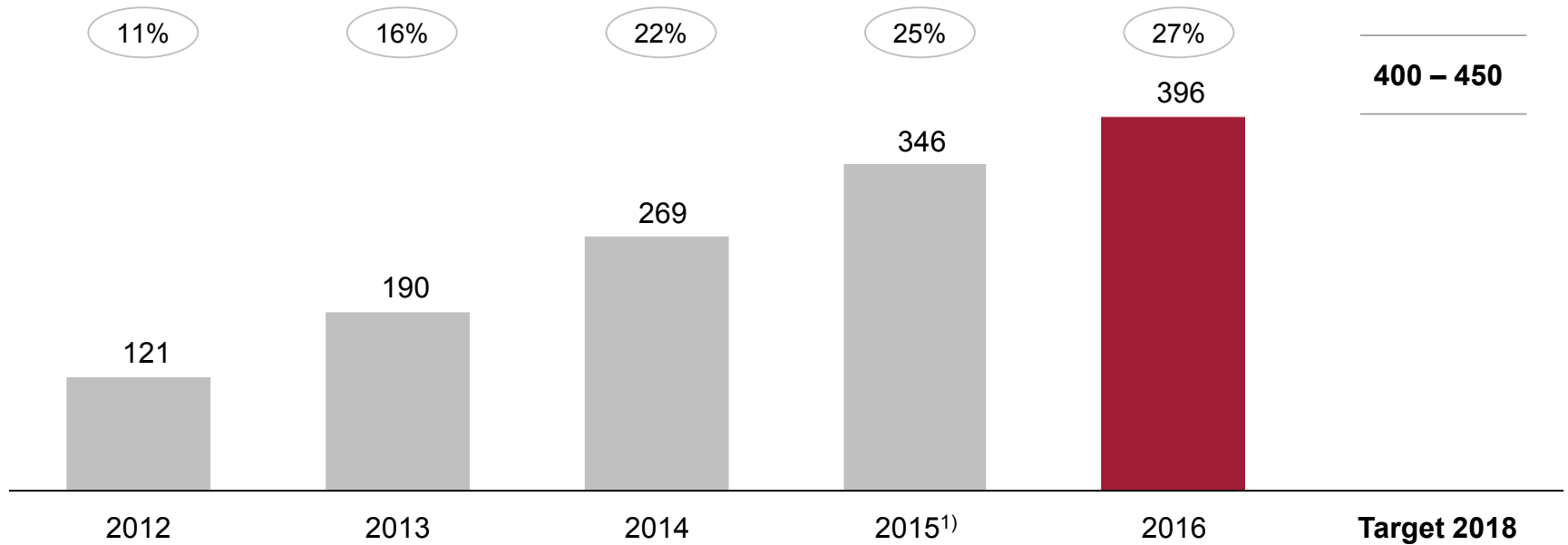


- Swiss Life 2018:**
- Keep operating expense stable<sup>2)</sup>
  - Save CHF 100 m and reinvest

1) As reported in FY 2016; other figures as reported in respective FY 2) Excl. Asset Managers

# Strong growth of fee result with positive impact on quality of earnings

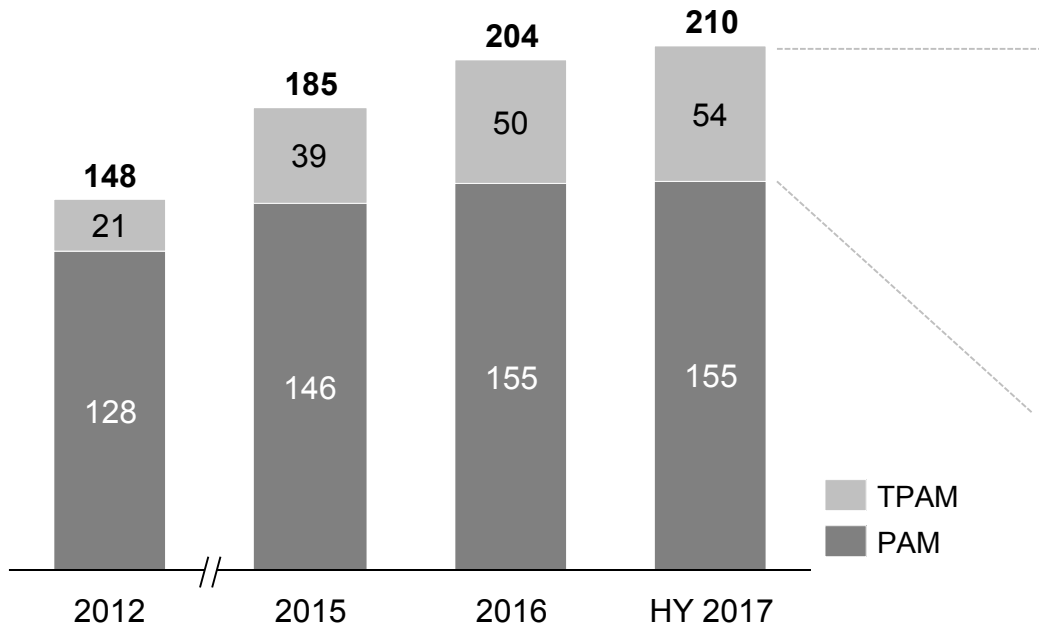
Fee result  
(CHF million, in % of adjusted segment result)



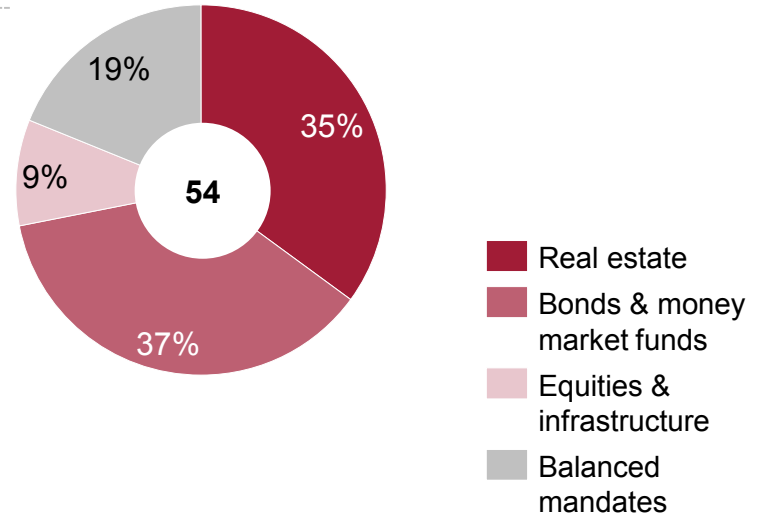
1) As reported in FY 2016; other figures as reported in respective FY

# Growing assets under management

Swiss Life Asset Managers: Total AuM (CHF billion)



TPAM AuM per asset class (CHF billion)



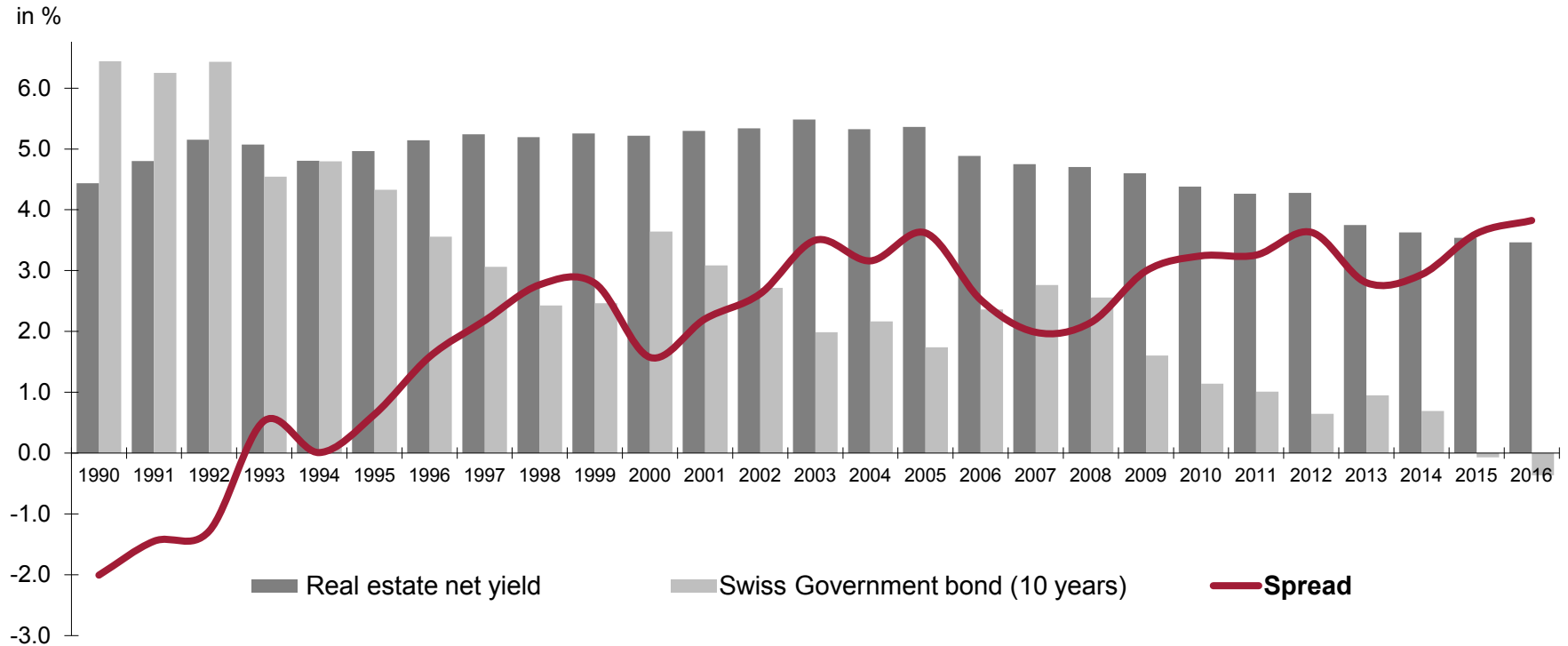
# Swiss Life Asset Managers has a leading edge in the European real estate market



- **#1 European real estate investor<sup>1)</sup>** with > CHF 74 billion of real estate under management and administration (HY 2017)
- Through **organic and inorganic<sup>2)</sup> growth**, Swiss Life has successfully transferred its real estate know-how to the third-party business
- Swiss Life has the **critical size** to operate this labour-intensive business across Europe (over 1 200 employees)
- Swiss Life has a **strong position** in Europe:
  - Cross-border investments
  - Co / joint investments with customers

1) PropertyEU, Top 100 Investors, October 2017    2) Acquisition / integration of Viveris REIM in France (2011), Corpus Sireo in Germany (2014), Mayfair Capital in UK (2016)

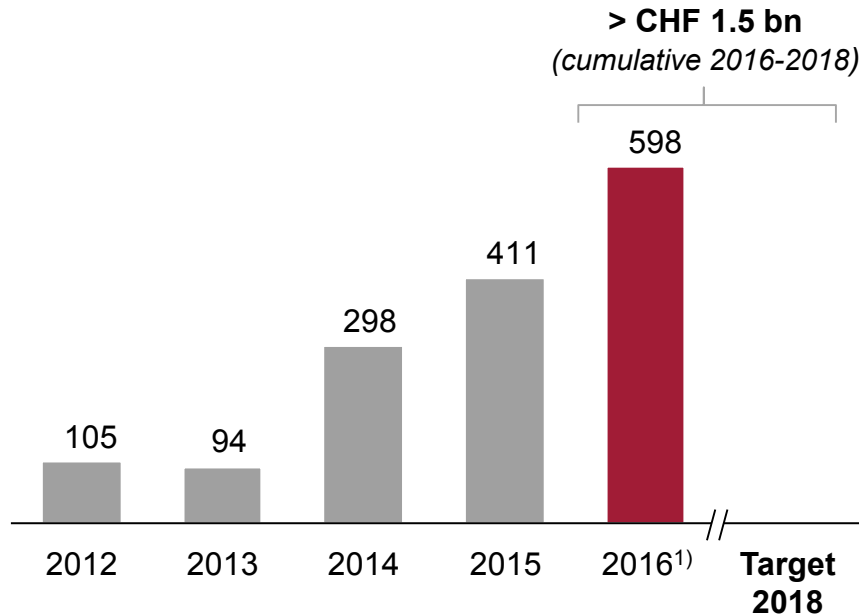
# Real estate attractive due to historically high risk premium (spread)



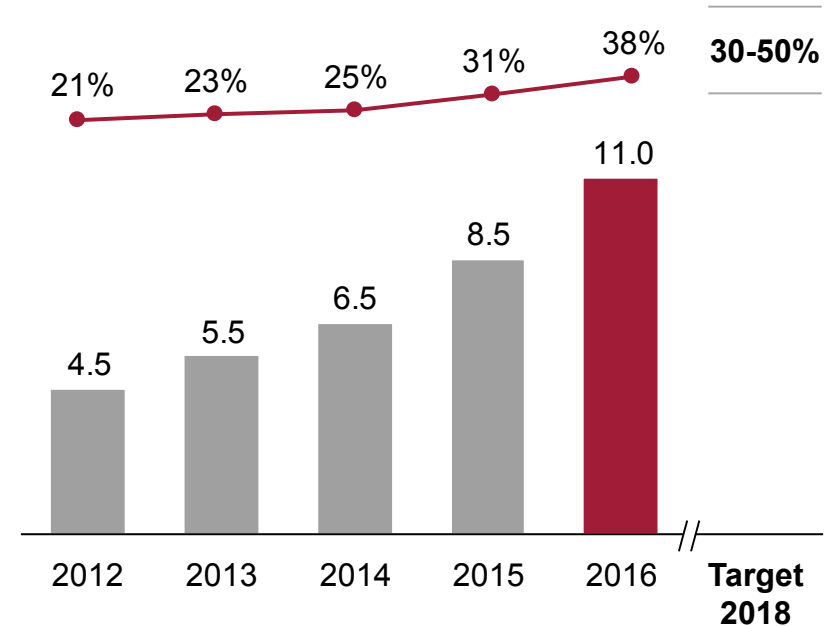
Source: Prof. Studer, University of Basel until 2004, from 2005 Wüest & Partner, SNB, own calculations

# Increased cash remittance to Holding and dividends to shareholders

Cash remittance to Holding  
(CHF million)



Dividend per share  
(CHF, payout ratio in % of IFRS net profit)



1) FY 2016 business line contribution: 58% from Life, 42% from Asset Managers, distribution, health and P&C

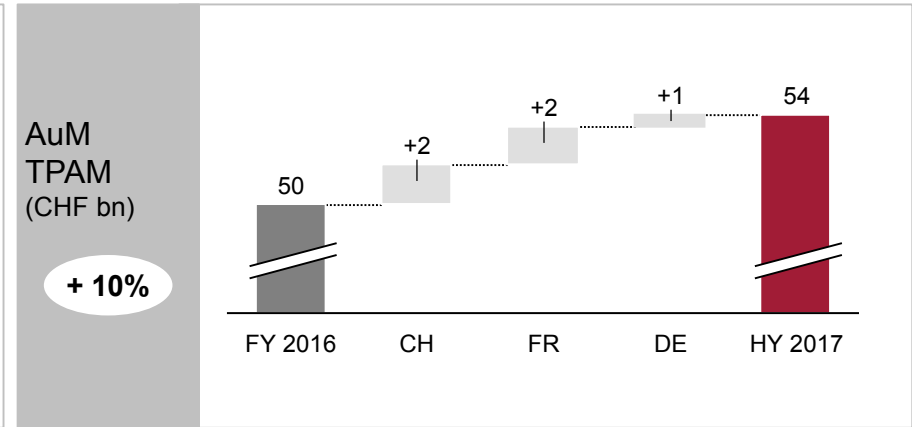
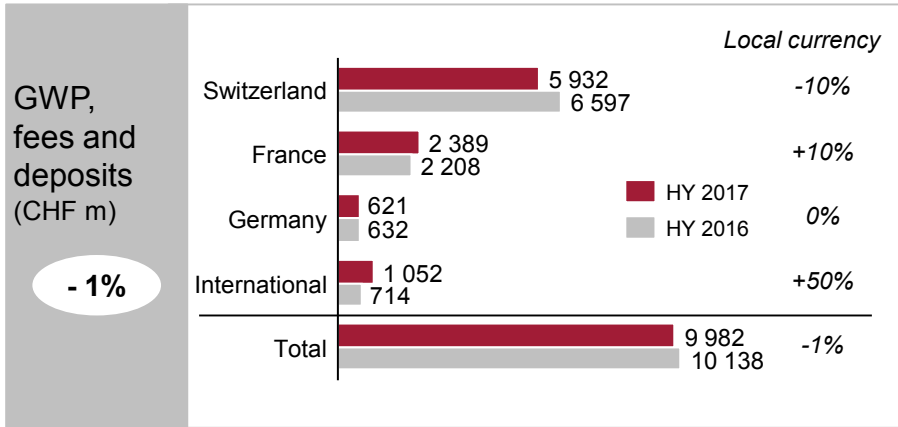
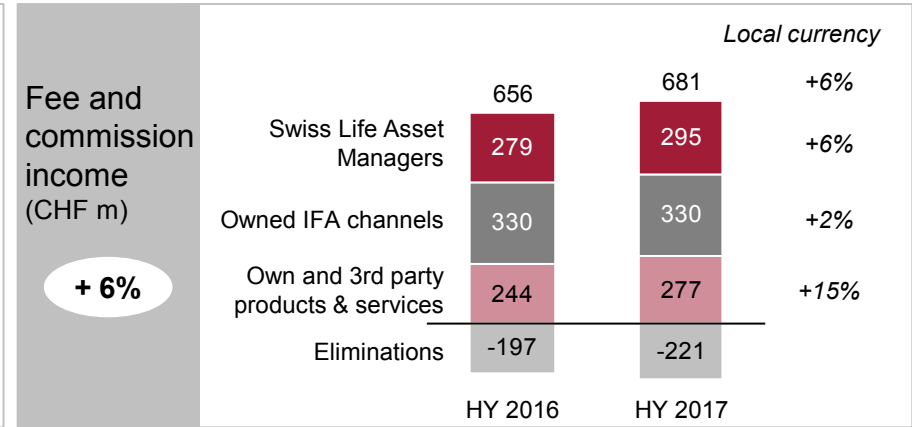
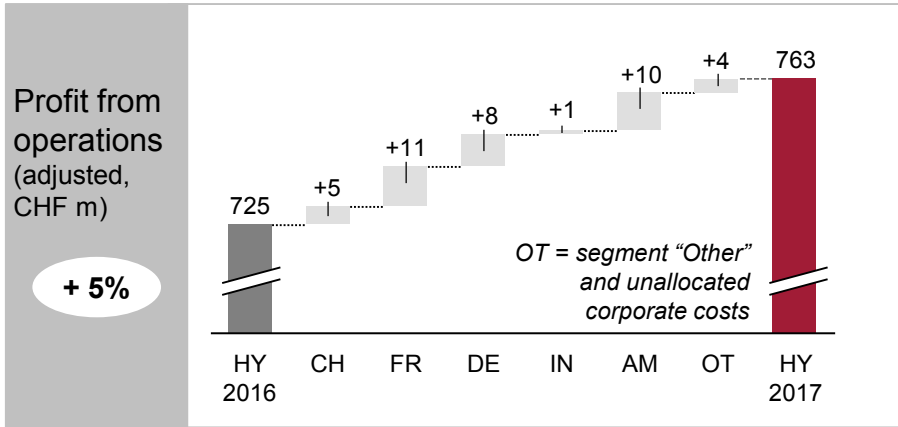
# Agenda

Swiss Life in a nutshell

Strategy Swiss Life 2018

→ **Achievements and outlook**

# Swiss Life delivered strong HY 2017 results





# Execution of Swiss Life 2018 well on track

## Swiss Life 2018 financial targets

## Current assessment

### 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

*Ahead*

*On track*

*Ahead*

### Operational efficiency

- **Cost savings** FY 2018: CHF 100 m
- Stable operating expenses<sup>1)</sup>

*On track*

*On track*

### Capital, cash and dividend

- Cumulative **cash remittance** to Holding (2016-2018): > CHF 1.5 bn
- **Dividend payout ratio**: 30-50%
- **RoE<sup>2)</sup>**: 8-10%

*Ahead*

*On track*

*On track*

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

# Cautionary statement regarding forward-looking information

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## Financial calendar (extract)

Full-year results 2017	27 February 2018
Annual General Meeting 2018	24 April 2018
Interim Statement Q1 2018	08 May 2018
Investor Day 2018	29 November 2018

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