



SwissLife

Investor Day 2018

Solvency, ALM and capital efficiency

Matthias Aellig, Group CRO
Zurich, 29 November 2018

Capital-efficient value creation in back-book and new business

Swiss Life 2018

- Cumulative VNB and new business margin above ambition
- Technical reserves strengthened by around CHF 7 bn since 2012
- Healthy SST capitalisation of > 175% as of Q3 2018 (Solvency II > 200%)
- New solvency model effective as of 01.01.2019

Swiss Life 2021

- Strive for SST ratio within ambition range of 140-190%
- Maintain business steering based on economic view
- Interest rate margin protected with disciplined ALM
- Cumulative VNB generation of CHF > 1.2 bn
- Attractive dividend policy

New regulatory model focused on one-year solvency monitoring

New solvency model 01.01.2019

Valuation

- Short projection of BVG business
- Future PH bonus recognised as capital
- Deterministic valuation

Target capital

- Market risk based on limited number of risk factors
- Credit risk factor-based (Basel III)
- No diversification between market and credit risk
- Insurance risk based on relevant risk factors

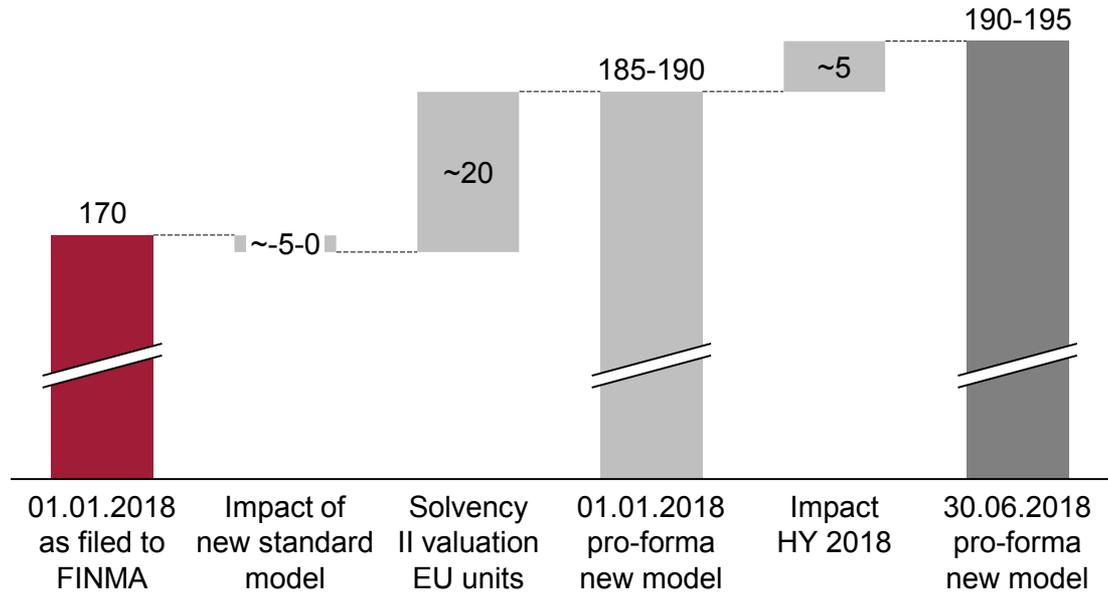
“Use test”

Not required to be used for business steering

- Relatively simple model based on guaranteed benefits

New solvency model with higher capitalisation ...

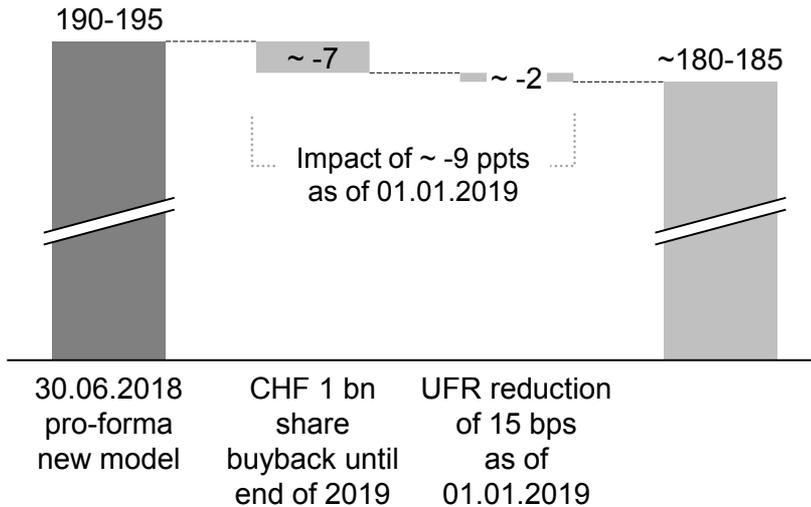
SST Swiss Life Group (in %)



- New solvency model to become effective 01.01.2019 based on standard model
- At the same time, Swiss Life will move to Solvency II valuation basis for EU units

... and with higher sensitivities

SST Swiss Life Group (in %)



- Share buyback to start in 2018 until year-end 2019
- UFR reduction of 15 bps p.a. until year-end 2021

Sensitivities

	Old solvency model 01.01.2018	New solvency model effective 01.01.2019	
		01.01.2018	30.06.2018
Real estate -10%	-14 pts	-17 pts	-18 pts
Credit spreads ¹⁾ +100 bps	-8 pts	-16 pts	-13 pts
Interest rates ²⁾ -50 bps	-14 pts	-3 pts	-6 pts
Equities -30%	-9 pts	-10 pts	-13 pts
Insurance 1 in 10 year event	-8 pts	-10 pts	-10 pts

- New model with generally higher sensitivities, especially to credit spreads
- Reduction of credit spread sensitivity in HY 2018 due to shift from corporate bonds to equity and government bonds

Internal economic model for business steering enables long-term value creation

New solvency model 01.01.2019

Valuation

- Short projection of BVG business
- Future PH bonus recognised as capital
- Deterministic valuation

Target capital

- Market risk based on limited number of risk factors
- Credit risk factor-based (Basel III)
- No diversification between market and credit risk
- Insurance risk based on relevant risk factors

“Use test”

Not required to be used for business steering

- Relatively simple model based on guaranteed benefits

Internal economic model

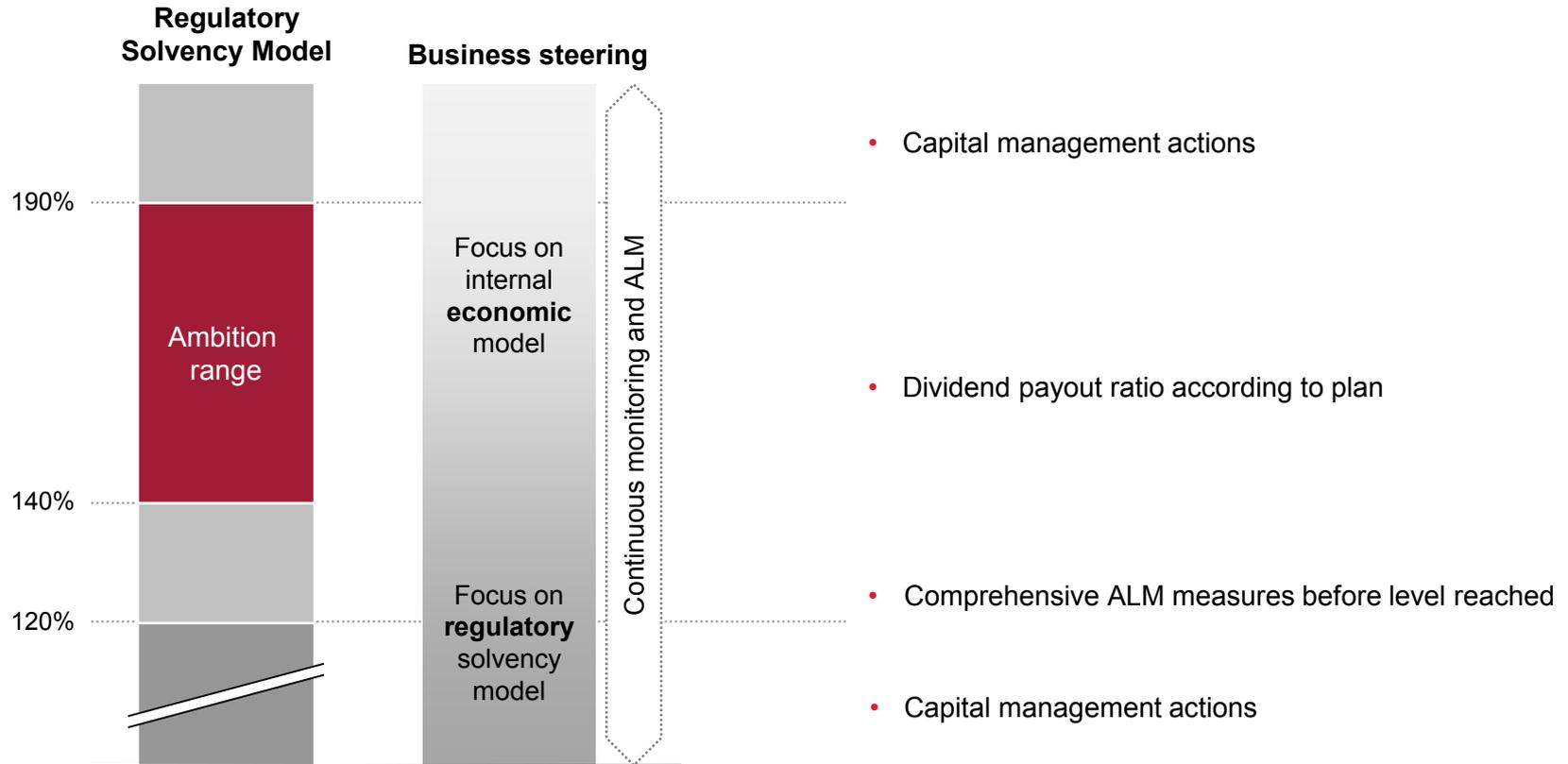
- Long-term projection of BVG business
- Future PH bonus recognised as risk-absorbing liability
- Stochastic valuation

- Large number of risk factors
- Counterparties modelled stochastically
- Economic diversification between market and credit risk

Used for business steering

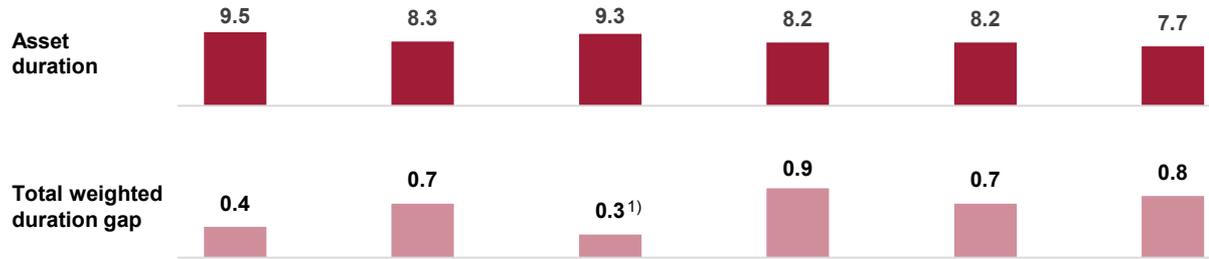
- Economic features of life business captured
- Effective duration gap management
- Risk-adjusted capital efficiency considerations

Focus on economic view in ambition range



Disciplined ALM with narrow duration gap results in resilient yield

Duration management



- Dynamic duration management on economic basis to keep narrow gap
- Efficient economic capital consumption maintained
- Also corresponds to narrow duration gap in new solvency model

Yield development



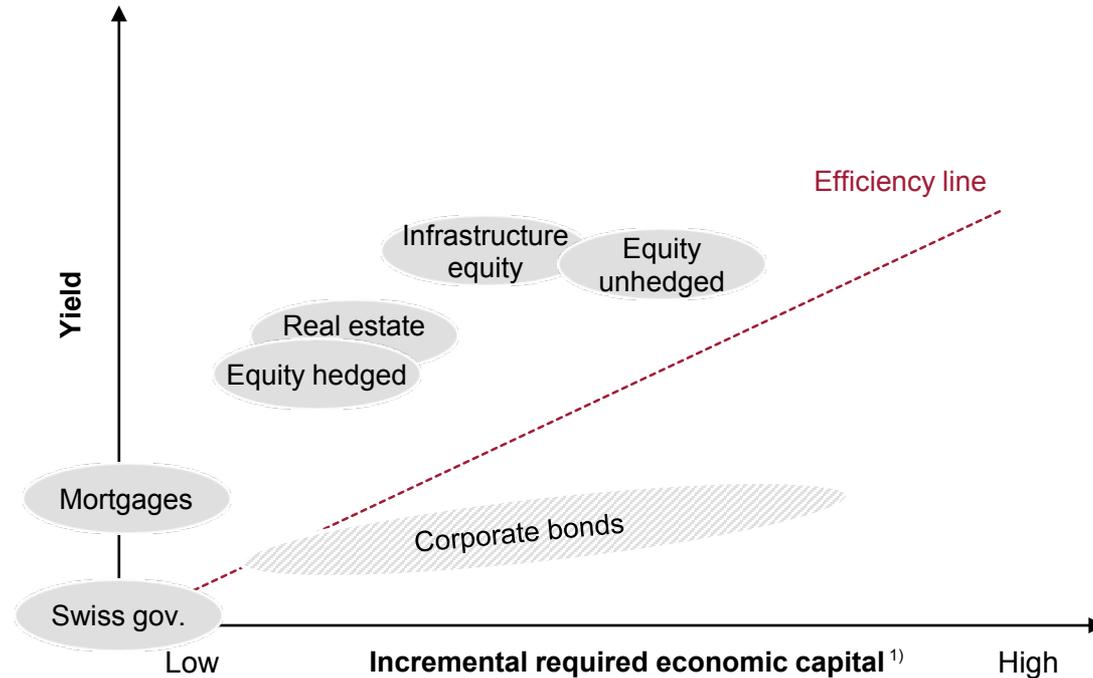
- Low interest rate environment persists
- Long asset duration leads to resilient direct yield

1) Restatement based on full calculation instead of preliminary estimation; starting 2015, FY disclosure is based on full calculation

Capital efficiency considerations key in investing new money

Marginal investment

Swiss portfolio



- Risk / return considerations to optimise asset return in view of required economic capital
- Other considerations also important
 - IFRS accounting
 - Local statutory accounting
 - Solvency model
- In the new solvency model, favoured asset classes also attractive re-investments

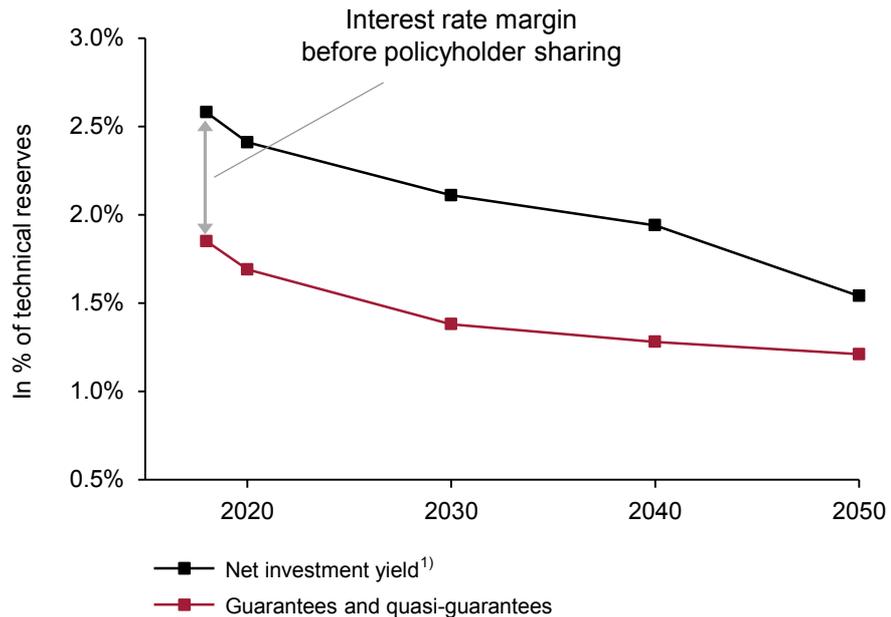
1) Based on internal economic model

Swiss Life's interest rate margin resilient in low interest rate environment

Structurally healthy interest rate margin

Statutory basis

PROJECTION



- Resilient for more than three decades even if rates stay low
- Reserve strengthening from current income has positive impact on long-term resilience
- Assumed reinvestment rates²⁾
 - Switzerland: 1.0%
 - France: 1.5%
 - Germany: 1.7%
- No new business assumed
- Risk and fee income not considered

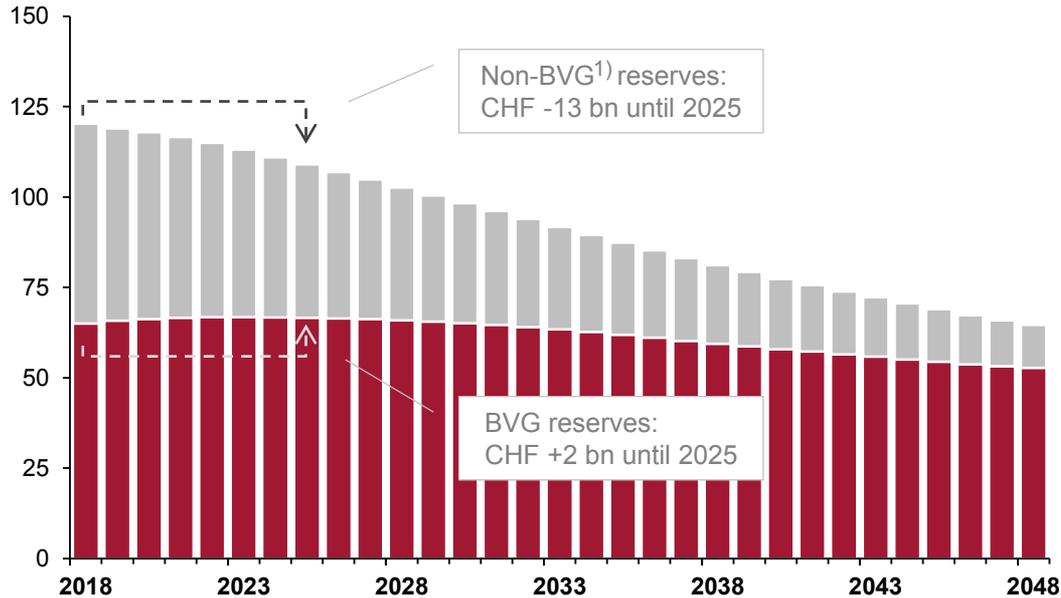
1) Net investment yield excl. realisations on fixed income investments except for ZZR build-up ("Zinszusatzreserve") in Germany (which is also included in guarantees)

2) Based on forward rates as of end of July 2018; values shown for 2020

Back-book development implies moderate capital relief in the medium term

Projection excluding new business

Statutory reserves bearing technical interest rate, CHF bn



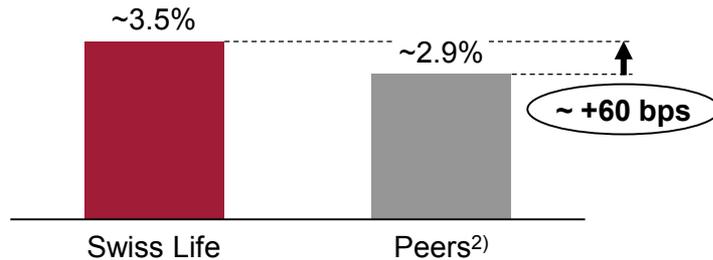
- The Group's reserve development is driven by persistent Swiss BVG business
- As a result, moderate capital relief from total back-book
- Back-book and new business managed for value creation

1) Swiss individual, French and German life businesses

Swiss Life with strong track record on investment yields in BVG business

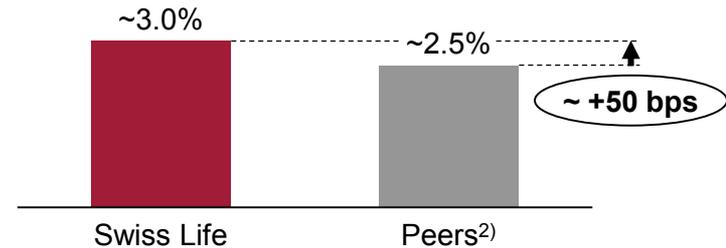
Annual direct investment yield

Average 2010-2017¹⁾



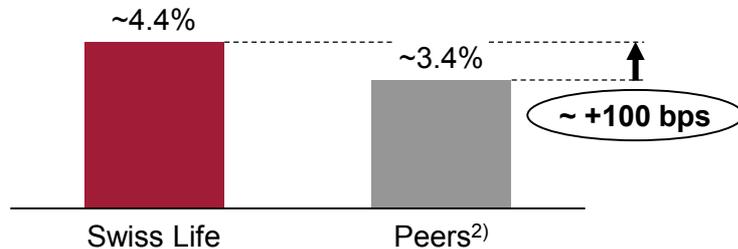
Annual net investment yield

Average 2008-2017



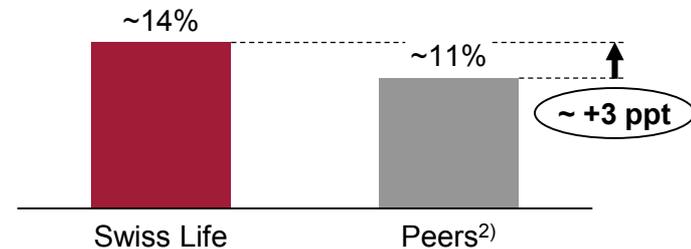
Total annual investment yield

Average 2008-2017



Unrealised gains in % of net investments

As of 31.12.2017

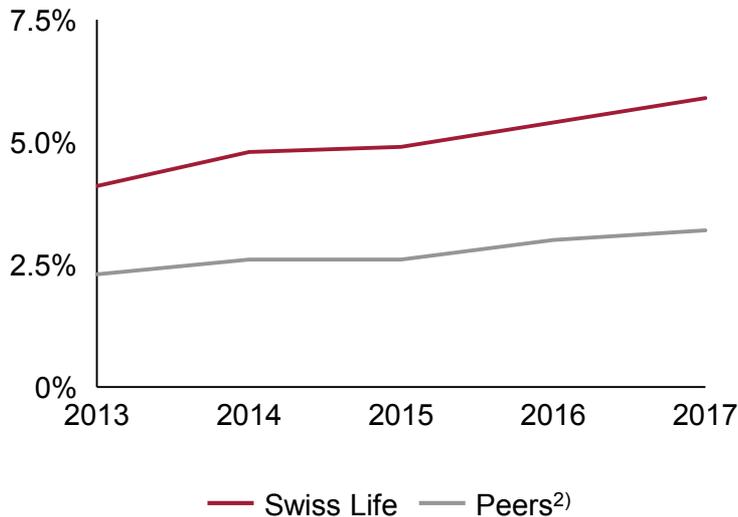


1) 2008-2009 not disclosed 2) Unweighted average of Axa, Baloise, Helvetia, Allianz; Source: Betriebsrechnungen BVG

Swiss Life has an above-average reserving position in BVG business

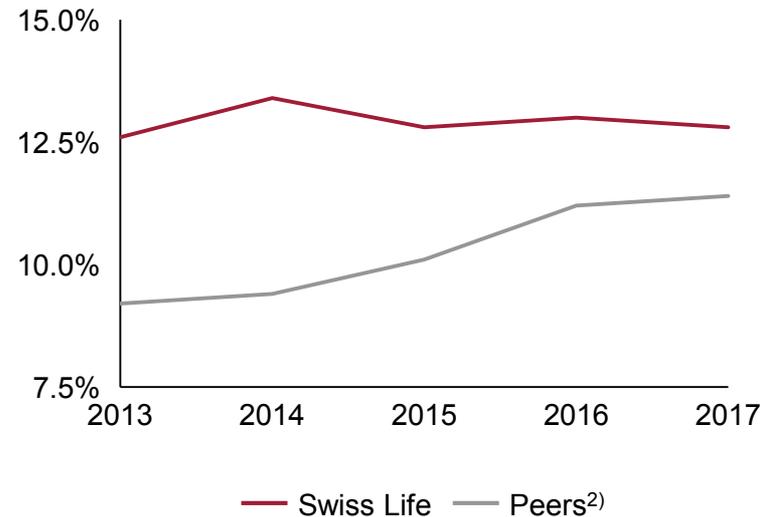
Conversion rate reserves

in % of old-age savings accounts



Additional reserves group life¹⁾

in % of old-age savings accounts + reserve for annuities in payment



1) Strengthening for annuities in payment + conversion rate reserves + IBNR + cost of living adjustment fund 2) Unweighted average of Axa, Baloise, Helvetia, Allianz

BVG new business maximises incremental net profit and VNB; capital efficiency as prerequisite

BVG new business

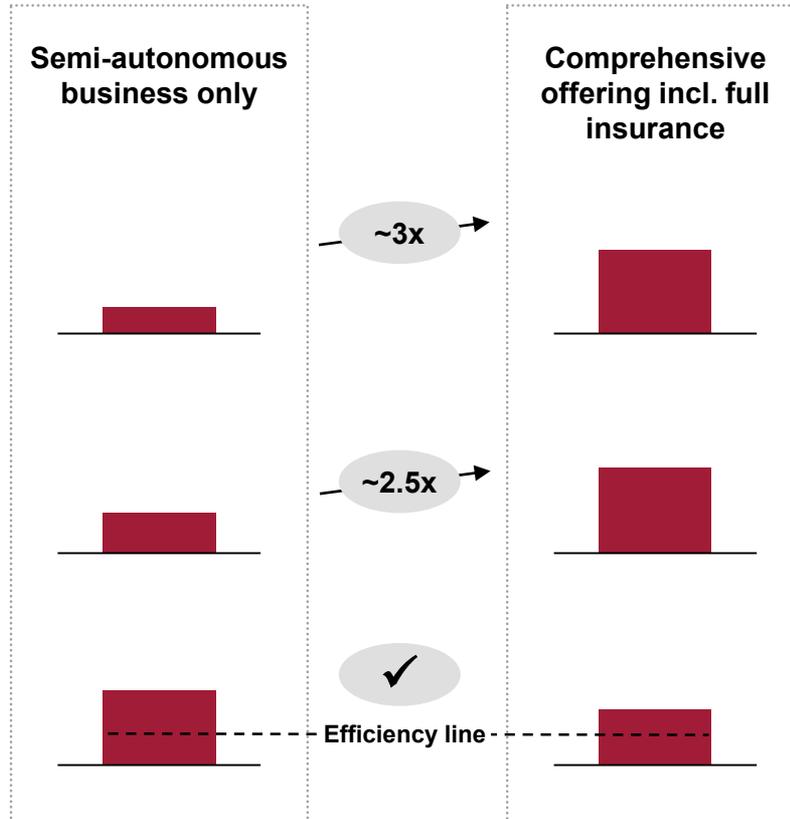
Δ Net profit

VNB

Capital efficiency

Semi-autonomous business only

Comprehensive offering incl. full insurance



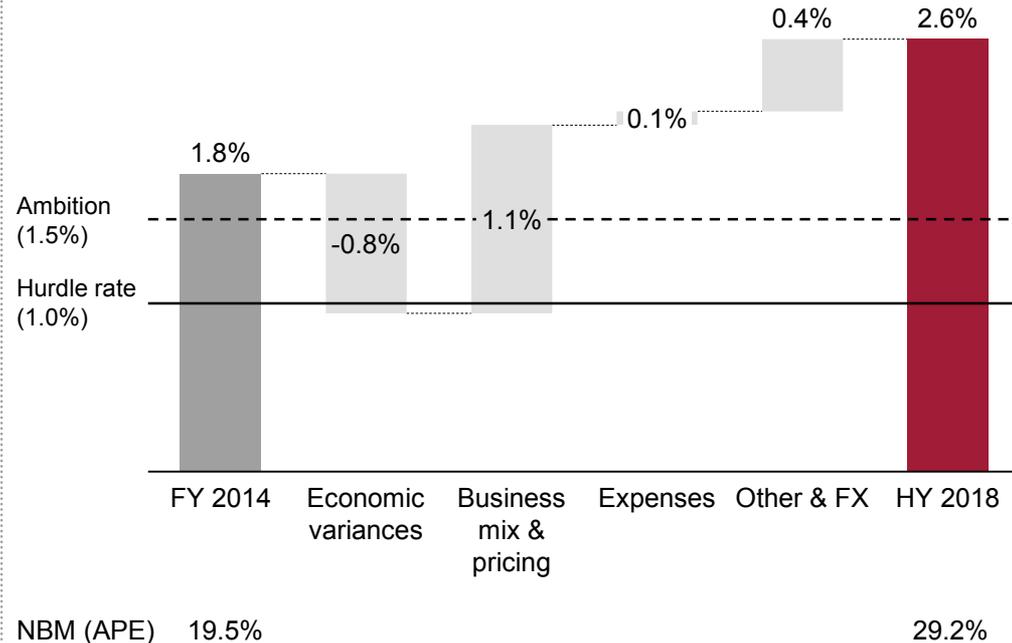
Strategy with comprehensive offering pursued

- Incremental net profit higher for comprehensive offering due to
 - Higher risk and cost result (volume effect)
 - Additional savings result
- VNB higher for comprehensive offering, mainly due to higher volumes; both strategies with margin above hurdle rate
- Both new business strategies are capital efficient

New business margin substantially above ambition level

New business margin development

VNB as % of PVNBP



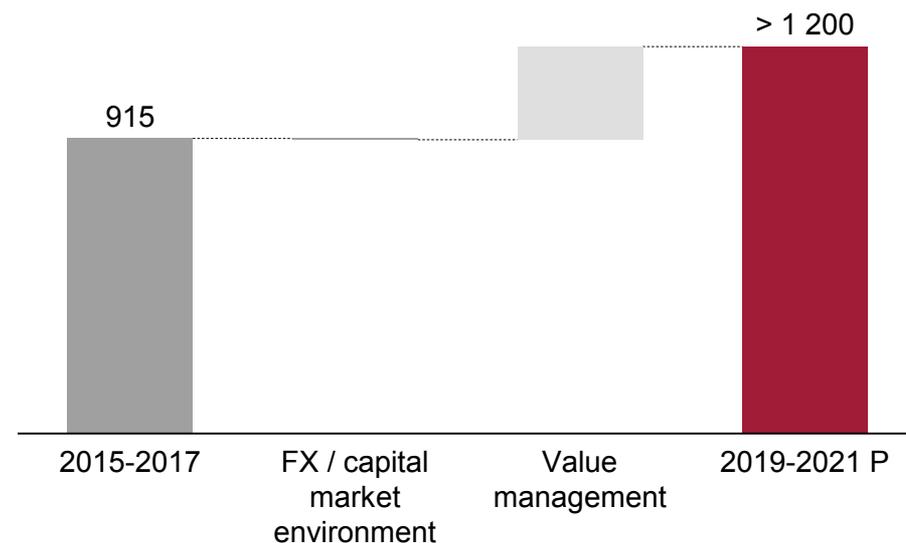
Challenging capital markets compensated for by capital-efficiency-focused new business and continued margin management

- CH: Comprehensive offering in group and individual life
- FR: Share of unit-linked business further increased
- DE: Share of risk business further increased; traditional business phased out, replaced with modern-traditional
- IN: Focus on unit-linked w/o guarantees and risk

Further grow value of new business

Value of new business

CHF m



Capital efficiency remains guiding principle

- Aspiration to generate a cumulative VNB in excess of CHF 1.2 bn in the low interest rate environment
- New business margin ambition of 1.5% and minimum hurdle rate of 1.0% remain in place

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Contact details and financial calendar

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Financial calendar

Full-year results 2018	26 February 2019
Annual General Meeting 2019	30 April 2019
Interim statement Q1 2019	9 May 2019
Half-year results 2019	13 August 2019

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