

# Investor Day 2018 Swiss Life Germany

Jörg Arnold, CEO Germany  
Zurich, 29 November 2018

# Key messages Swiss Life Germany

## *Where we are today*

- We are the **second-largest IFA in Germany** with our **owned IFAs** fulfilling customer needs
- We successfully promote profitable risk and modern-traditional products as a **niche provider** in a large but competitive **insurance** market

## *What we will do*

- Owned IFAs:  
**We will expand our distribution power** since we are an attractive partner for talented and experienced advisors and serve all our financial advisory brands from one scalable platform
- Insurance:  
**We will leverage our strengths** in biometric products, solutions for specific industry sectors and group business

## *What we will achieve with Swiss Life 2021*

- We will **improve quality of earnings and earnings growth** by 2021
  - Boost **fee result** to EUR 70-75 m
  - Develop **risk result** to EUR 30-35 m
  - Grow **VNB** to EUR > 140 m (cumulative 2019-2021)
  - Decrease **distribution operating expense ratio** to 22-24%

# Unique business model and successful track record

<p><i>Unique positioning</i></p>	<p><b>Owned IFAs:</b></p> <ul style="list-style-type: none"> <li>• ~1.2 m customers</li> <li>• ~515 000 new contracts in 2017</li> <li>• 524 offices in 2018</li> </ul>	<p><b>Specialised life insurance:</b></p> <ul style="list-style-type: none"> <li>• ~900 000 contracts in force 2017</li> <li>• 8 branches</li> </ul>	
<p><i>Where we stand: Our USPs</i></p>	<ul style="list-style-type: none"> <li>• Second-largest and growing IFA in Germany with 3 538 financial advisors</li> <li>• Award-winning advisory process</li> <li>• Strong IFA platform</li> </ul>	<ul style="list-style-type: none"> <li>• Successful push of risk and modern-traditional products in competitive market</li> <li>• Active in-force management; reduction of the technical interest rate</li> <li>• Strong Solvency II ratio</li> </ul>	
<p><i>How we did it: Growing core business</i></p>	<ul style="list-style-type: none"> <li>• <b>IFAs:</b> Strong recruiting of new advisors; higher productivity e.g. due to digital CRM tools</li> <li>• <b>Insurance:</b> Development of biometric risk products with a strong emphasis on solutions for specific industry sectors</li> <li>• <b>Overall:</b> Operational excellence and digitalisation of interfaces between back office and sales</li> </ul>		
<p><i>Expect to successfully deliver on Swiss Life 2018</i></p>	<p><b>Swiss Life 2018 financial targets</b></p> <ul style="list-style-type: none"> <li>• Fee result FY 2018: EUR 45-50 m</li> <li>• Risk result FY 2018: EUR 30-35 m</li> <li>• VNB cumulative (2016-2018): EUR &gt; 65 m</li> <li>• Cost savings (2015-2018): EUR 32-40 m</li> </ul>	<p><b>FY 2017</b></p> <p>EUR 57 m</p> <p>EUR 28 m</p> <p>EUR 65<sup>1)</sup> m</p> <p>EUR 30<sup>2)</sup> m</p>	<p><b>Current assessment</b></p> <p>Ahead ✓</p> <p>On track ✓</p> <p>Ahead ✓</p> <p>On track ✓</p>

1) Cumulative 2016-2017 2) Cumulative 2015-2017

# Profitable growth and higher productivity by 2021

## *Owned IFAs*

### *Focus on preferred segments*

- **Become the “financial home”** for mass to mass-affluent customers
- **Seize the consolidation of the market**

### *Promote attractive propositions*

- **Open new offices** in areas with high potential
- Make our **advisors more productive** by offering the best IFA platform and optimised training
- Maintain **best-select approach** to customers

### *Make customer relationships more rewarding*

- **Enhance customer value** by offering products and services based on individual trigger events
- **New phygital customer services:** Digital portal and claims services

### *Improve productivity*

- **Higher productivity of advisors** by providing sales impulses based on improved data analytics
- **Scalable admin platform** leads to higher efficiency to handle up to 25% contract growth

## *Insurance*

- **Intensify established solutions for specific industry sectors** and initiate new cooperations
- **Offer tailored services and phygital support** to intermediaries

- Focus on **profitable & capital-efficient products**
- **Exploit group business** through new (biometric) offers

- **Improve connectivity with intermediaries** by digital interfaces, partly supported by AI technology

- Further **automation in underwriting** to cope with up to 25% more applications
- **Optimisation of input- and output-management**

# German industry trends offer promising opportunities

## *Industry trends*

### *Customer*

- Pension gap: Government supports private savings for retirement
- Low interest rates: Customers accept lower guarantees
- Protection gap: Growing awareness of risk/disability products

### *Competition Owned IFAs*

- Ageing sales forces result in fewer sales people / tied agents
- Increasing pressure on commission, increasing regulation
- Direct distribution of life insurance products remains a niche

### *Competition Insurance*

- Key criteria: Financial strength, seamless service, attractive products
- Brokers are intensively looking for alternatives to the market leader
- Controversial run-off discussion

### *Technology*

- Efficiency programmes
- Increased digitalisation of customer interface

## *Swiss Life opportunities*

**Well established specialist for risk and modern-traditional products and financial advice**

**Gain market share from competitors that cut down or lose distribution capacity**

**Swiss solidity is increasingly appreciated**

**Leverage existing hybrid (phygital) advisory platform and gain efficiency in underwriting**

# We allow for self-determination by addressing the needs of our customers

## *Customer preferences*

*Demand for retirement planning*



**69%** of Millennials believe that the measures taken will not lead to sufficient finances after retirement<sup>1)</sup>

*Need for support*



**92%** of young people between 16 and 25 believe they do not have sufficient financial skills<sup>2)</sup>

*Preference for personal advice*



**83%** prefer personal advice for their pension scheme<sup>3)</sup>

*Customers want to have a choice*



**80%** prefer an advisor who offers different insurers over one who works exclusively for just one insurer<sup>4)</sup>

*We enable people to lead a self-determined life*

1) LINK Institute, based on online interviews among Millennials (18-35 years) in Germany 2) Finanzmonitor 2018 by Forsa  
3) Gothaer Digitalization study for the insurance industry in 2017 4) Study exclusively conducted by Swiss Life Germany with youGov, 2018



# We have grown our own network and gained market share

Owned IFAs

## *We are in pole position for further growth*

### Growing advisor network

- Proven track record in advisor recruiting
- Young network with average age of ~37 years

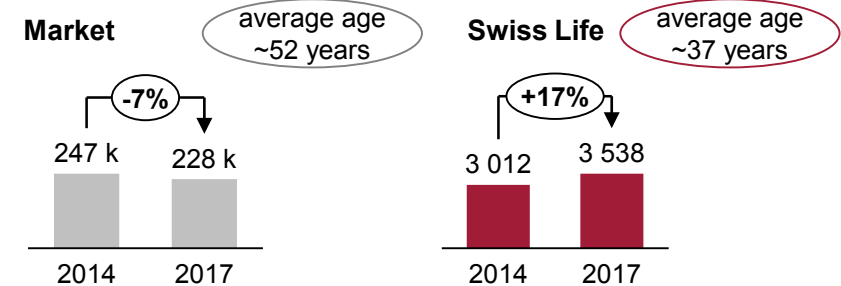
### Promising customer base

- Strong positioning in Millennials (20-35 years) customer segment (~70 % of new customers)
- High growth potential as our IFAs currently cover only ~3% of households (18-55 years)

### Digitalised and scalable platform

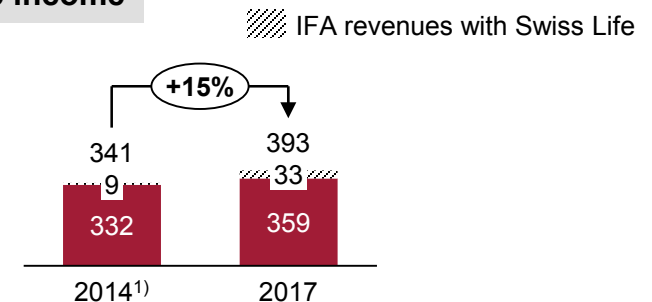
- Broad product range for our customers covering over 1 500 product providers
- Award-winning advisory software ensures high-quality advisory process and meets all regulatory obligations
- State-of-the-art platform with growing attractiveness for independent advisors

## Continuous growth of financial advisors



## Growing fee income

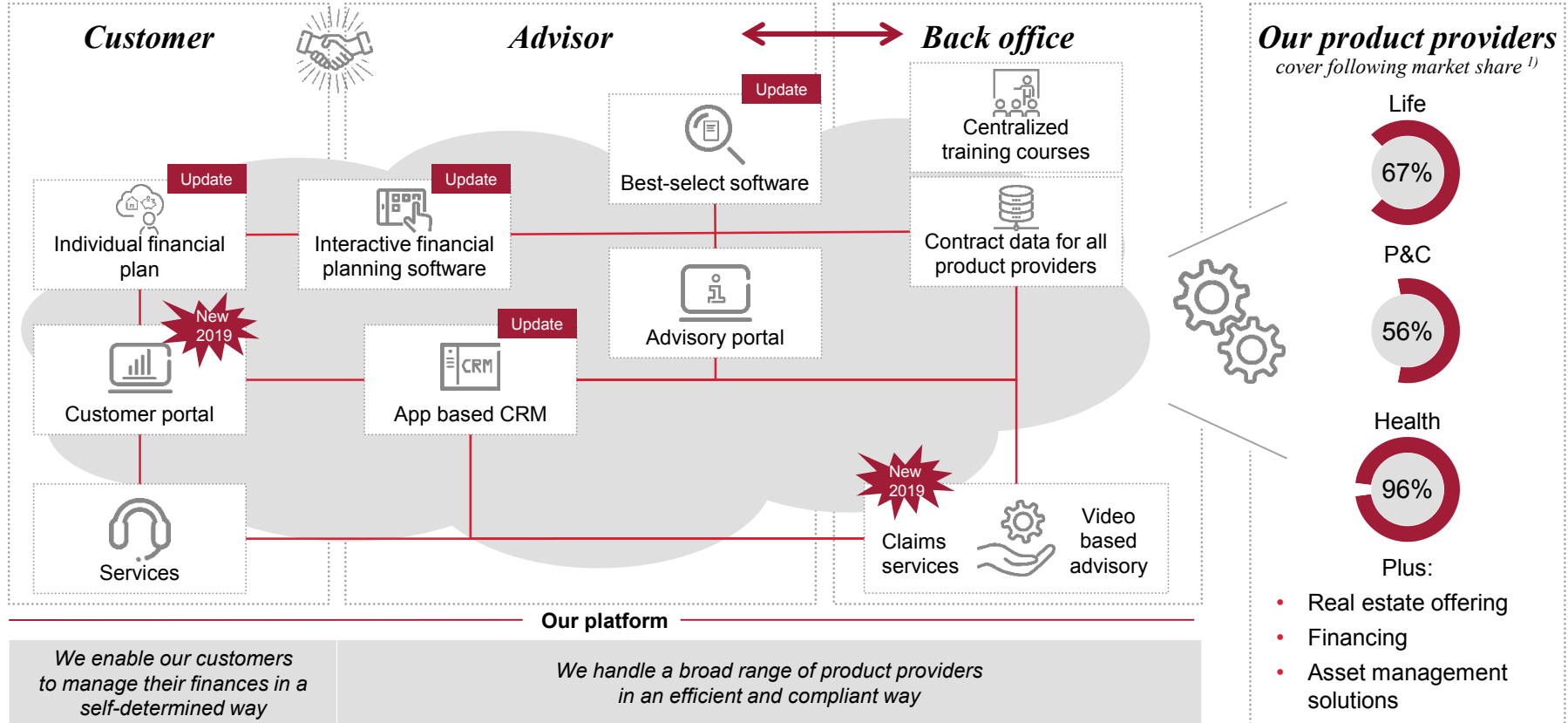
EUR m



1) Adjusted for scope changes

# Our IFA platform supports the full value chain and differentiates us from peers

Owned IFAs



1) Premiums earned by our product providers in relation to the total market



# We will become the “financial home” for the mass to mass-affluent market

Owned IFAs

## Strategic initiatives by 2021

### Grow the advisor network

- Increase the number of advisors in our network
- Open new offices in areas with high potential
- Expand lead-based and already profitable video advisory

### Expand customer touchpoints

- Establish a new customer portal & connect our advisors with digital communication channels to become the “financial home”
- Smartphone-driven digital impulse management to expand our phygital customer-advisor relationship
- Systematic use of centrally-collected trigger events

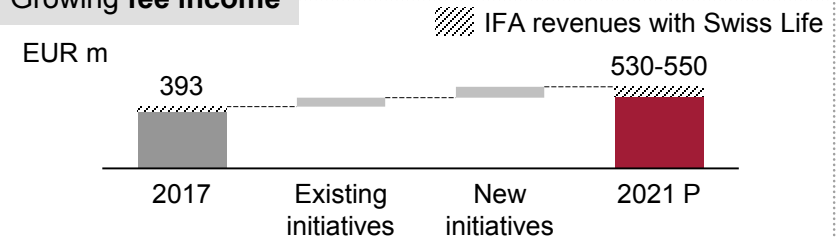
### Further digitalise platform

- Offer self-service to gain convenience for our customers
- Enlarge the functionalities of our platform and increase efficiency to handle up to 25% contract growth
- Use the consolidation of the market to attract new advisors to our platform to create additional fee income

## More financial advisors



## Growing fee income



## Decreasing distribution operating expense ratio



# On the insurance side, we have developed into a leading biometric specialist

## Core strengths established over recent years

### Reputable specialist for risk & modern-traditional products

- Successful product shift from traditional to modern-traditional with innovative offers in biometric and hybrid savings solutions
- First mover in innovative biometric process tools developed in cooperation with market-leading partners

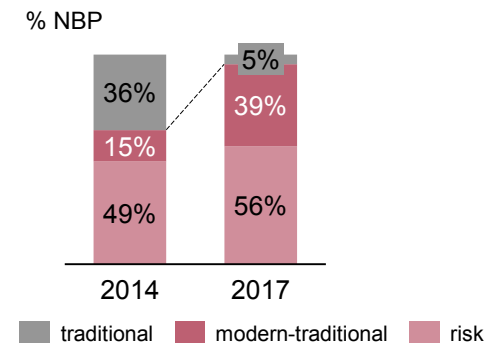
### Established solutions provider for specific industry sectors

- Strong access to specific industries with labour union supported consortia MetallRente and KlinikRente (leadership)
- Well prepared as an expert in group business to benefit from the growth of this segment stimulated by the government

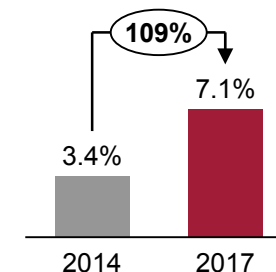
### Strong solidity

- Solidity of Swiss-based life insurer increasingly appreciated
- Stable insurance back-book: Disciplined asset liability management leads to high Solvency II ratio

## Growing risk products

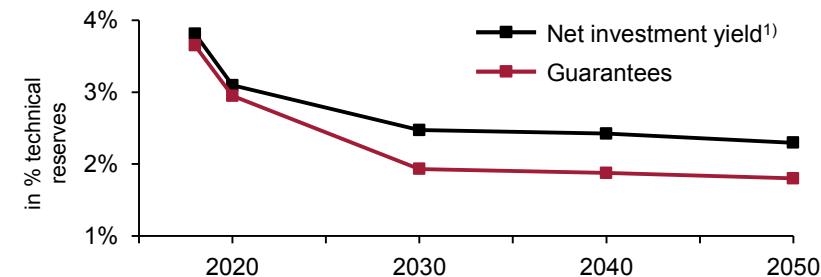


## Growing market share disability



## Resilient interest rate margin

(incl. financing of additional interest rate reserve (ZZR), statutory)



<sup>1)</sup> Net investment yield incl. realisations on fixed income investments for ZZR build-up ("Zinszusatzreserve" incl. "Korridor-methode", also included in guarantees)

Reinvestment rates based on forward rates as of end of July 2018

# We will further expand our biometric and specific industry sector solutions

## Strategic initiatives by 2021

### Secure profitability

- Accomplish our successful product range with innovations in biometric business & savings products with a unit-linked engine
- Accelerate growth of profitable segments and leverage our own scalable service platform in Leipzig
- Increase quality of back-book through disciplined ALM

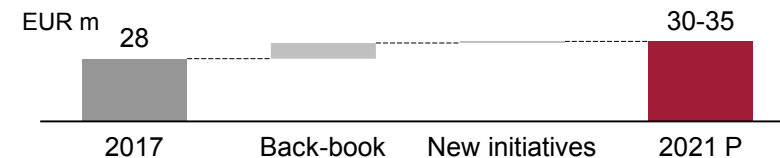
### Enlarge distribution reach

- Intensify established solutions for specific industry sectors and exploit group business through new (biometric) offers
- New distribution structure with intensified phygital support and centralisation at 4 locations

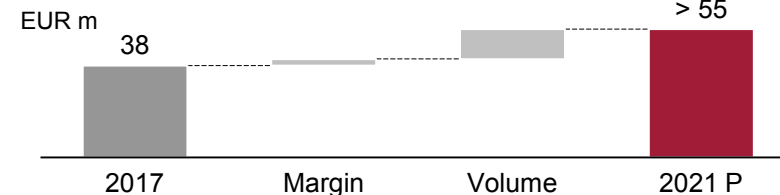
### Connectivity: Improve interface to intermediaries

- Biometric business requires investments that raise admin cost result but slightly increase efficiency ratio (~0.70% in 2021 P)
- Enhance digital interfaces, partly supported by AI technology, and further automate underwriting to cope with up to 25% more applications

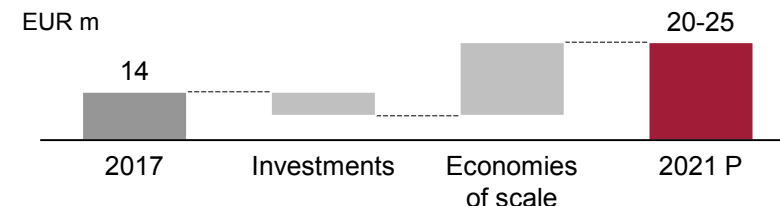
## Develop risk result



## Grow value of new business



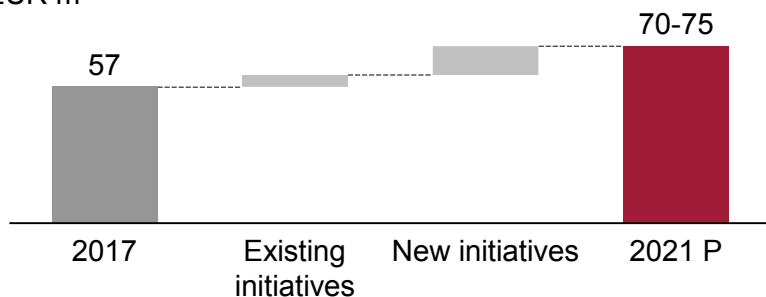
## Raise admin cost result



# Our strategic initiatives will lead to significant improvement of key financials by 2021

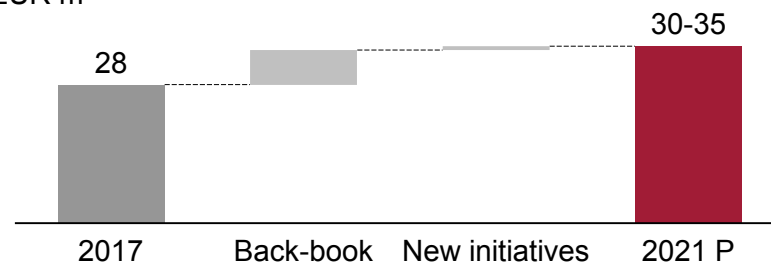
## Boost fee result

EUR m

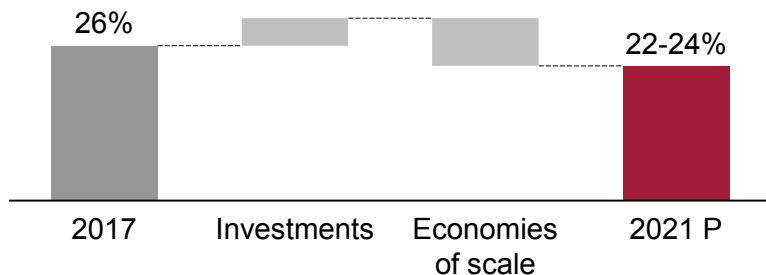


## Develop risk result

EUR m

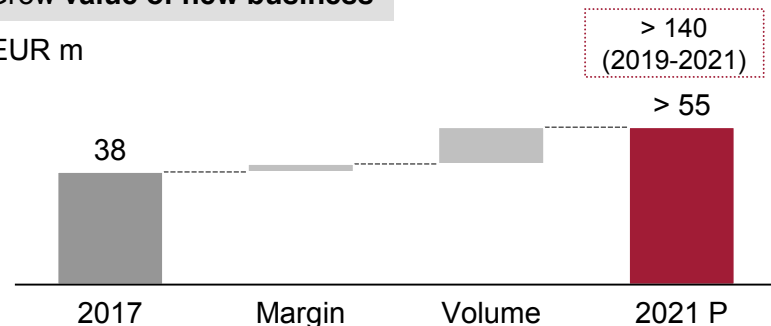


## Decrease distribution operating expense ratio



## Grow value of new business

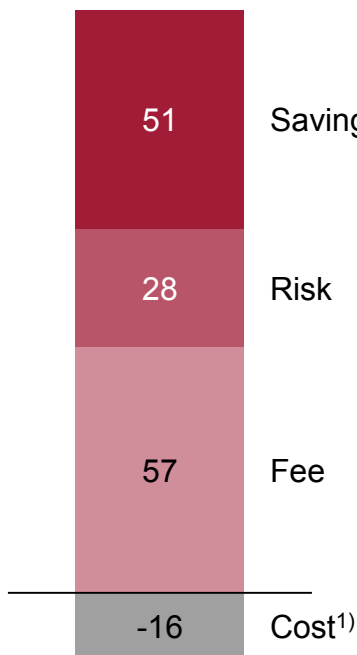
EUR m



# Overall, earnings growth will be accompanied by an even higher quality of earnings

## Profit by source

EUR 121 m



FY 2017 adjusted<sup>2)</sup>

## Trend 2018-2021



## Comments

- **Savings result**  
Decrease due to lower expected realised gains
- **Risk result**  
Increase as a result of the growing biometric portfolio; long-term potential of risk result visible in VNB
- **Fee result**  
Significant growth driven by owned IFAs
- **Cost result**  
Improvement due to economies of scale & consistent focus on biometric products with higher cost margin

1) Thereof admin cost result gross: EUR 14m 2) Excl. one-off due to release of policyholder TDR to ZZR: EUR 17 m

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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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