

*Alternative  
Performance  
Measures  
First-Half 2023*



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# *The Use of Alternative Performance Measures at Swiss Life*

*Swiss Life provides alternative performance measures (APM) to complement the standard IFRS measures. The APM reflect market practice and aim to make our results easier to understand.*

The selected APM used by the Swiss Life Group throughout its financial publications are designed to inform investors and other interested stakeholders about the performance, growth and profit generation of the company. These APM are complementary to the standard figures determined according to the International Financial Reporting Standards (IFRS) in the Financial Statements (FS). APM used by Swiss Life are based on industry practice to enhance the understanding of life insurance performance (e.g. VNB and NBM) or asset management performance (e.g. AuM and NNA). As such, these APM are industry-wide performance measures complementary to the IFRS framework.

The APM used by Swiss Life are:

## **Business volumes**

- Premiums
- Fee income
- Investment income

## **Operating expense**

- Operating expense

## **Profit measurements**

- Profit from operations (adjusted) and segment result (adjusted)
- Fee result (adjusted)
- Net profit (adjusted)
- Return on equity, annualised
- Value of new business (VNB)
- New business margin (NBM)

## **Asset management**

- Commission and other net income (total income)
- Assets under management (AuM) and net new assets (NNA)
- Assets under control (AuC)

## **Other**

- Cash remittance

Investors should consider that similarly titled APM reported by other companies may be calculated differently. For that reason, the comparability of APM across companies might be limited.

This document has been prepared in accordance with the “Directive on the Use of Alternative Performance Measures” of the SIX Swiss Exchange.

The Swiss Life Group’s financial publications are available online at [www.swisslife.com/reports](http://www.swisslife.com/reports).

# Definition of Alternative Performance Measures

## Business Volumes

### Premiums

Premiums are composed of gross written premiums plus net earned policy fees plus policyholder deposits and are used to show the Swiss Life Group's topline performance and growth for the related period.

Premiums are defined in accordance with industry practice and are widely used as a performance measure within the insurance industry.

### Fee income

Fee income is composed of commission income plus net earned policy fees and is used to show Swiss Life's fee business in asset management, independent financial advice and own and third-party products and services.

#### Fee income

Amounts in CHF million (if not noted otherwise)

	actual 2023 HY	actual 2022 HY	CY vs. PY abs.	CY vs. PY % dev.
<b>FEE INCOME (APM)</b>	<b>1 202</b>	1 169	33	3
Fee included in insurance revenues	-194	-176	-18	10
<b>FEE INCOME</b>	<b>1 008</b>	993	15	2
of which commission income (FS)	974	953	21	2
of which policy fees earned on investment contracts without discretionary participation (FS)	34	41	-6	-16

## Investment income

Direct investment income covers dividends, coupons and rental income on the insurance portfolio for own risk. The net investment result is direct investment income after management expenses, gains/losses through income statement, impairments as well as foreign currency translation effects (Fx), hedging costs and gains/losses.

### Investment income

Amounts in CHF million (if not noted otherwise)

	actual 2023 HY	restated 2022 HY	CY vs. PY abs.	CY vs. PY % dev.
<b>DIRECT INVESTMENT INCOME – YIELD 1 INSURANCE SCOPE (APM)<sup>1</sup></b>	<b>2 052</b>	<b>1 980</b>	<b>72</b>	<b>4</b>
Result from associates and receivables	-127	-8	-119	n/a
<b>INVESTMENT INCOME (FS)</b>	<b>1 925</b>	<b>1 972</b>	<b>-47</b>	<b>-2</b>
Net gains/losses including impairment losses on financial assets available for sale and loans and receivables (FS)	0	143	-143	-100
Net gains/losses including impairment losses on financial assets at fair value through other comprehensive income and amortised cost (FS)	-524	0	-524	n/a
Net gains/losses on financial instruments at fair value through profit or loss (FS)	2 320	-2 733	5 052	n/a
Net gains/losses on investment property (FS)	-464	558	-1 022	n/a
Net finance expense from insurance contracts and investment contracts with discretionary participation (FS)	-3 203	336	-3 539	n/a
Net finance income from reinsurance contracts held (FS)	16	1	15	n/a
<b>NET INVESTMENT RESULT (FS)<sup>2</sup></b>	<b>70</b>	<b>277</b>	<b>-208</b>	<b>-75</b>
Net finance income from insurance and reinsurance contracts	3 188	-336	3 524	n/a
Net gains/losses SA/UL	-1 289	2 726	-4 016	n/a
Investment management expense, Fx translation effects and other income	-221	45	-265	n/a
<b>NET INVESTMENT INCOME – YIELD 3 INSURANCE SCOPE (APM)<sup>3</sup></b>	<b>1 747</b>	<b>2 711</b>	<b>-964</b>	<b>-36</b>

<sup>1</sup> Insurance scope is defined as sum of all units relating to insurance business.

<sup>2</sup> Financial result according to financial statements, continuing business fully consolidated. Financial result contains the investment income, net gains/losses on financial assets, net gains/losses on financial assets at FVPL, net gains/losses on investment property and the share of result of associates (refer to the Group's income statement).

<sup>3</sup> Net investment result – own risk for the insurance portfolio as shown in the Group's analyst presentation.

# Operating Expense

## Operating expense

Operating expense is composed of total operating expense minus variable expense.

### Operating expense

Amounts in CHF million (if not noted otherwise)

	actual 2023 HY	restated 2022 HY	CY vs. PY abs.	CY vs. PY % dev.
<b>OPERATING EXPENSE (APM)</b>	<b>945</b>	927	18	2
Commission expense (FS)	590	597	-7	-1
Other variable expense	1	-62	63	n/a
<b>TOTAL OPERATING EXPENSE</b>	<b>1 535</b>	1 461	74	5
of which commission expense (FS)	590	597	-7	-1
of which employee benefit expense (FS)	567	568	-1	0
of which depreciation and amortisation expense (FS)	41	43	-2	-4
of which impairment of property and equipment and intangible assets (FS)	2	0	2	n/a
of which miscellaneous expense (FS)	336	254	82	32

## Profit Measurements

### Profit from operations (adjusted) and segment result (adjusted)

The Swiss Life Group uses profit from operations (adjusted) at Group level and segment result (adjusted) at segment level to evaluate the recurring performance of its reportable segments as well as of the Swiss Life Group as a whole. Operating profit (adjusted) is the sum of all segment results (adjusted) plus unallocated corporate costs. Operating profit (adjusted) and segment result (adjusted) highlight the portion of income before income taxes and borrowing costs that is attributable to the ongoing operations.

For comparability reasons and an enhanced understanding of the recurring operating performance over time, Swiss Life excludes the following non-operating effect when calculating its adjusted profit from operations:

- IFRS 9 impact: as of 2023, IFRS 9 is replacing IAS 39 for the recognition and measurement of financial instruments. To obtain a comparable basis in 2022, effects from this change are taken into account.

### Profit from operations (adjusted)

Amounts in CHF million (if not noted otherwise)

	actual pro forma IFRS 17/9		CY vs. PY
	2023 HY	2022 HY	% dev.
<b>PROFIT FROM OPERATIONS (ADJUSTED) (APM)</b>	<b>836</b>	801	4
IFRS 9 impact		199	
<b>PROFIT FROM OPERATIONS (FS)</b>	<b>836</b>	999	-16

### Fee result (adjusted)

The fee result represents the net margin earned on fee-generating services. The scope of the fee result consists of contributions from asset management, independent financial advisors and own and third-party products and services (including unit-linked insurance business).



### Net profit (adjusted)

Net profit (adjusted) is calculated from profit from operations (adjusted) minus borrowing costs and minus income tax expense. The adjustment is in the context of profit from operations (adjusted) and is affected by the income tax expense effects. To obtain a comparable basis, all figures from the prior reporting period are adjusted for the IFRS 9 impact. As of 2023, IFRS 9 is replacing IAS 39 for the recognition and measurement of financial instruments.

#### Net profit (adjusted)

Amounts in CHF million (if not noted otherwise)

	actual pro forma IFRS 17/9		CY vs. PY
	2023 HY	2022 HY	% dev.
<b>NET PROFIT (ADJUSTED) (APM)</b>	<b>630</b>	560	12
IFRS 9 impact		150	
<b>NET PROFIT (FS)</b>	<b>630</b>	710	-11

### Return on equity, annualised

Annualised return on equity (RoE) represents annualised net profit attributable to shareholders divided by the average shareholders' equity.

$$\text{Return on equity, annualised} = \frac{\text{Annualised net profit (FS) for current period attributable to shareholders of Swiss Life Holding Ltd}}{(\text{Shareholders' equity (FS) for current period plus shareholders' equity (FS) at prior year-end}) \div 2}$$

To obtain a comparable basis, figures from the prior year reporting period are adjusted for IFRS 9 impact.

$$\text{Return on equity, annualised (adjusted)} = \frac{\text{Annualised net profit (adjusted) for prior period attributable to shareholders of Swiss Life Holding Ltd}}{(\text{Shareholders' equity (adjusted) for comparative period plus shareholders' equity (FS) at beginning of comparative period}) \div 2}$$

**Value of new business (VNB)**

Value of new business is the additional value to the shareholders created through the activity of writing new insurance business in the current period.

VNB is determined according to the principles of the Market Consistent Embedded Value (MCEV) framework, in line with the corresponding CFO Forum principles, as an industry standard for the economic valuation of the consolidated shareholder interest.

New business is defined as new individual insurance contracts, new single premiums on existing contracts, and new group life contracts; it does not include new individuals in group life contracts, prolongation of group life contracts without negotiations, salary increases, dynamics, price adjustments, or predefined premiums on existing contracts.

**New business margin (NBM)**

New business margin measures the profitability of new business (defined as VNB) divided by present value of new business premiums (PVNBP), with PVNBP being the present value of all projected new periodic premiums discounted with reference rates plus the total of all single premiums received.

$$\text{New business margin} = \frac{\text{Value of new business}}{\text{Present value of new business premiums}}$$

## Asset Management

### Commission and other net income (total income)

Swiss Life Asset Managers discloses commission and other net income.

Commission income is related to asset management and investment activities.

Other net income is composed of net investment income and net income from real estate development projects. These types of income are more meaningful when presented net of related expenses, as margins for individual transactions may differ significantly.

### Commission and other net income (total income) (APM)

Amounts in CHF million (if not noted otherwise)

	actual 2023 HY	actual 2022 HY	CY vs. PY % dev.
Commission income gross (FS)	439	490	-10
Other net income (APM)	2	15	-86
<b>COMMISSION AND OTHER NET INCOME (TOTAL INCOME) (APM)</b>	<b>441</b>	<b>505</b>	<b>-13</b>
Other interest expense (FS)	6	3	64
Expense from property for resale	4	2	n/a
<b>TOTAL INCOME</b>	<b>451</b>	<b>510</b>	<b>-12</b>
Net investment result (FS)	0	14	-98
Commission income (FS)	439	490	-10
Share of profit or loss of associates (FS)	0	0	n/a
Other income (FS)	12	7	79

### Assets under management (AuM) and net new assets (NNA)

Assets under management (AuM) represent all assets, on a fair value basis, for which Swiss Life Asset Managers provides discretionary investment management decisions and has portfolio management responsibility. They are managed on behalf of Swiss Life's insurance businesses as well as on behalf of third parties.

AuM are a common key performance indicator in the asset management industry. Within the Swiss Life Group, AuM are used to report the underlying growth of its asset management activities in comparison with prior periods as well as in comparison with other companies.

There is no comparable IFRS financial measure. However, the calculation of AuM is consistent with the accounting policies applied in the financial statements prepared in accordance with IFRS.

Net new assets (NNA) represent the sum of new clients' assets, additional contributions from existing clients, withdrawals of assets from, and termination of, client accounts.

Changes in AuM are driven by NNA, market performance, Fx translation effects and scope changes (acquisitions/disposals).

Differentiation between third-party asset management (TPAM) and proprietary insurance asset management (PAM):

- TPAM includes business managed by Swiss Life Asset Managers for the account and risk of third-party customers.
- PAM includes business managed by Swiss Life Asset Managers related to Swiss Life's insurance businesses.

### **Assets under control (AuC)**

Assets under control are composed of total AuM plus assets controlled within life insurance contracts of the Global Private Wealth business, and other off-balance sheet assets contractually controlled by Swiss Life, whereas the day-to-day asset management activities are performed by third parties.

## *Other*

### **Cash remittance**

Cash remittance is used by many insurance companies as part of the performance evaluation metrics. It reflects the cash being upstreamed from subsidiaries to the holding company. The major cash remittance consists of dividends with an additional contribution of interest income on loans and commitment fees on guarantees granted to subsidiaries. Dividend payments from subsidiaries are based on local statutory accounts.

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

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