



IFRS 17 and IFRS 9 at Swiss Life Investor presentation

01 March 2023

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Swiss Life's estimates, expectations and assessments relating to IFRS 17 / 9 in this presentation are by their nature preliminary and subject to change in the course of the formal introduction of IFRS 17 / 9 in the Group's financial reporting through 2023. The assessment of the impact of IFRS 17 is provisional as the analysis and refinement of the figures are still ongoing. It should be noted that no IFRS 17 / 9 related figures or information have been audited. In addition, the introduction of IFRS 17 / 9 involves accounting judgement and choices between alternative accounting approaches. While this presentation reflects Swiss Life's current assessment and expectations regarding these judgements, it is possible that, as Swiss Life and the industry adapt to IFRS 17 / 9 reporting, Swiss Life might determine that adjustments to its initial judgement are needed. There can be no assurance that such judgments and, more broadly, the ultimate impacts of the IFRS 17 / 9 introduction on Swiss Life's presentation of its business, results of operations or financial condition will not differ materially from the illustrative information contained in this presentation.

IFRS 17 / 9 at Swiss Life: Key messages

1 *Business strategy confirmed*

Earnings quality remains key

Capital management unchanged

- **Swiss Life 2024** strategy and its implementation **confirmed**

- Continued focus on strengthening **quality of earnings** and **earnings growth**
- **Fee result** essentially **unaffected**

- **Solvency, cash remittance, dividends** and **share buyback unaffected**
- Continued focus on higher **cash remittance** and **cash returns to shareholders**

2 *IFRS 17 / 9 accounting changes*

Insurance business largely VFA

Different timing of profit recognition

- **IFRS 17 / 9** accounting changes affect **presentation** of **insurance business**

- Insurance business largely accounted for under **variable fee approach (VFA)**
- Overall **contractual service margin (CSM)** of about CHF 17.5 bn at transition

- **Insurance business** with different **timing of profit recognition** under IFRS 17
- **Local statutory** accounting – basis for cash remittance – **unaffected**

Business strategy confirmed

1

Business strategy
confirmed

Swiss Life 2024 messages from last Investor Day reaffirmed

Quality of earnings and earnings growth

- Continued focus on **growing** the **fee result** and **return on equity** according to Swiss Life 2024 financial targets
- Proven levers of disciplined ALM, capital efficient investments, active margin management and ongoing cost management

Capital, cash and payout

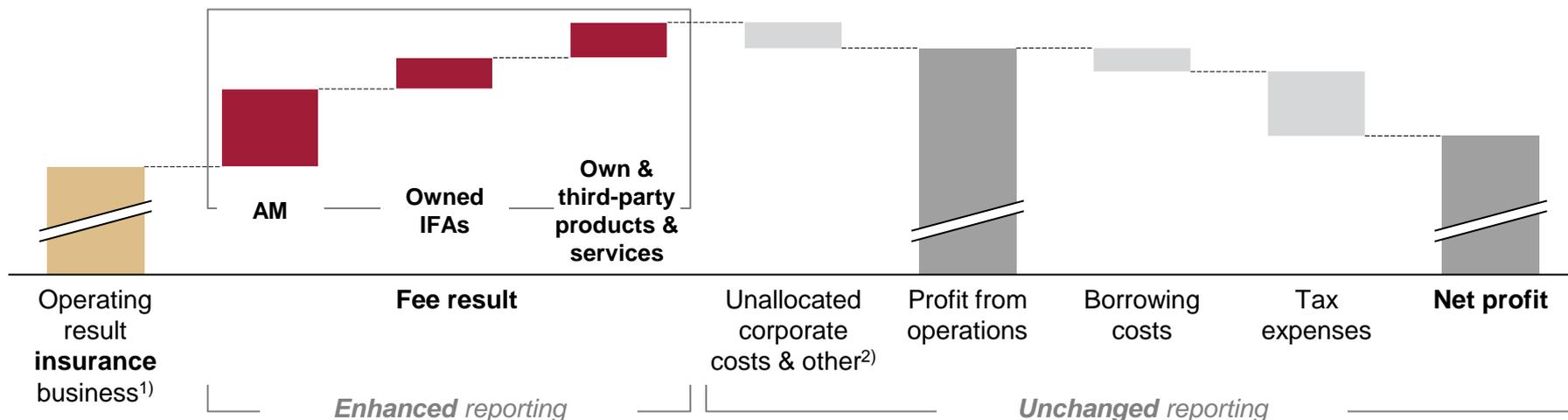
- Strong **SST ratio** (SST model unchanged)
- Increase in **cash remittance** to cumulative Swiss Life 2022-2024 target primarily driven by growing fee result with additional increase from insurance business
- Attractive **cash returns to shareholders** unchanged and paramount

Underlying business and the way we manage it is unaffected

Earnings quality remains key: Fee result as important profit driver

Reporting structure

Illustrative



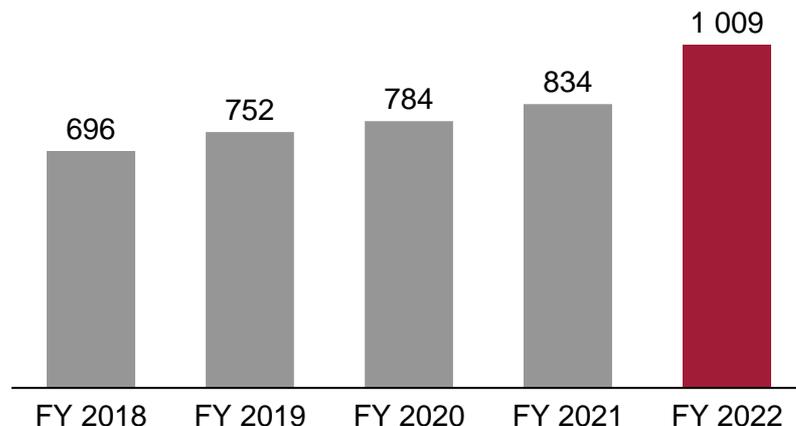
- **Fee result** essentially **unaffected** by the transition to IFRS 17 / 9
- Operating result from **insurance business** continues to be managed in a capital-efficient way

1) Excl. UL business 2) Other refers to segment Other

Growing cash remittance as basis for growing dividend

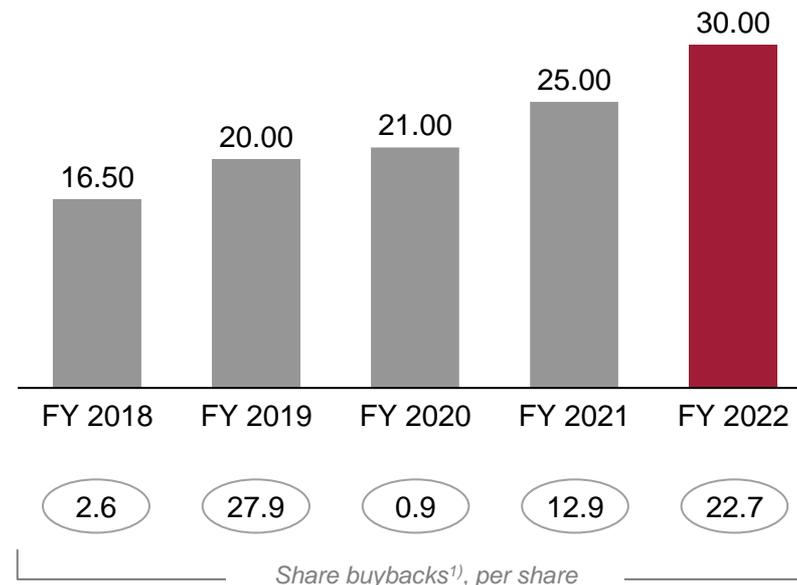
Cash remittance to Holding

CHF million



Dividend and share buybacks

CHF, per share



1) Share buybacks: CHF 1 bn from December 2018 to December 2019; CHF 0.4 bn from March 2020 to May 2021; CHF 1 bn from December 2021 to May 2023

Swiss Life 2024 strategy implementation unchanged and very well on track

Swiss Life 2024 financial ambitions and targets

Current assessment

Quality of earnings and earnings growth

- **Fee result**
FY 2024

CHF 850-900 m

On track

- **RoE^{1) 2)}**
2022-2024

10-12%

Ahead

Capital, cash and payout

- **Cash to Holding**
Cumulative 2022-2024

CHF 2.8-3.0 bn

Ahead

- **Dividend payout ratio²⁾**
2022-2024

> 60%

On track

- **Share buyback**
Dec 2021 – May 2023

CHF 1 bn

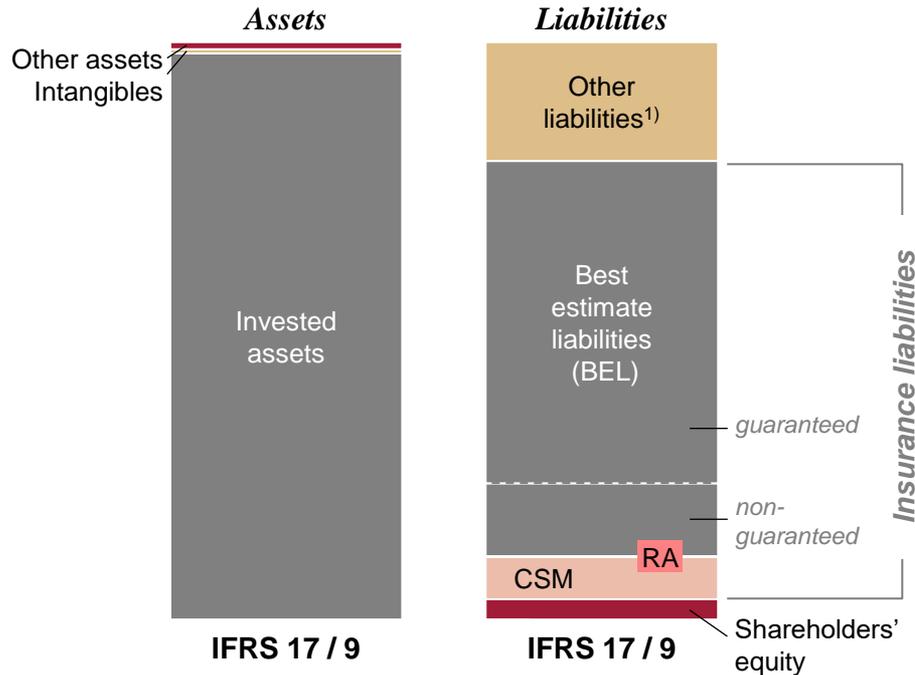
On track

1) Shareholders' equity excl. unrealised gains/losses 2) Targets based on IFRS 4 / IAS 39 accounting standards

IFRS 17 / 9: Largest impact on liability side of balance sheet

Balance sheet under IFRS 17 / 9

Illustrative



Important changes under IFRS 17 / 9

Liability side

- **Insurance liabilities** valued at **best estimate** using current discount rates²⁾
- **Contractual service margin (CSM)** recognised as a reserve of future expected profits
- **Risk adjustment (RA)** for non-financial uncertainty
- Non-guaranteed part of best estimate liabilities (BEL) and CSM are **risk-bearing** together with shareholders' equity (similar to SST framework)

Asset side

- No **deferred acquisition costs (DAC)** under IFRS 17
- New **IFRS 9** accounting with limited impact as majority of financial assets already measured at **fair value**
- New rules to account for **expected credit losses (ECL)** with limited impact given quality of credit portfolio

1) Incl. investment contracts without discretionary participation features (DPF) 2) CSM of BBA business valued at locked-in rates

Swiss Life's insurance business largely accounted for under VFA

Measurement models for insurance business (IFRS 17)

CSM¹⁾

Relevance for Swiss Life

<p>VFA</p>	<ul style="list-style-type: none"> • Compulsory for direct participating business • Key Swiss Life portfolios <ul style="list-style-type: none"> – CH: Individual and group-life business – FR: Savings & pension business (incl. unit-linked) – DE: Insurance business – IN: Group pension business 	<p>~99% of Swiss Life total insurance liabilities²⁾ accounted for under VFA</p>
<p>BBA</p>	<ul style="list-style-type: none"> • Compulsory for long-term non-participating business • Key Swiss Life portfolios <ul style="list-style-type: none"> – FR: Credit life business – CH: Reinsurance business 	<p>~1% of Swiss Life total insurance liabilities²⁾ accounted for under BBA / PAA</p>
<p>PAA</p>	<ul style="list-style-type: none"> • Optional model for short-term business • Key Swiss Life portfolios <ul style="list-style-type: none"> – FR: Health & protection and P&C – IN: Group risk business 	

1) Only VFA and BBA models have a CSM; all models have RA and discounted best estimate liabilities 2) Based on opening balance sheet as of 01.01.2022

Accounting choices reflect Swiss Life's business

Key IFRS 17 / 9 accounting choices and other considerations

Rationale

Discount rate

- Discount rate includes **liquidity premium** for fixed and non-fixed-income instruments (e.g. real estate)

- Liquidity premium considers asset allocation, in particular exposure to real estate, and liability characteristics

Risk adjustment

- Quantile approach:** Risk adjustment based on 70% quantile assumption

- Adequate allowance for non-financial risk

Transition

- Modified retrospective** approach

- Long-term life insurance contracts with inception dates years / decades ago

Equity investments

- FVOCI option** in some areas of non-VFA business: URGLs through OCI with no recognition of realised gains / losses in P&L ("no recycling")

- Mitigation of earnings sensitivity to market developments, whenever option is used

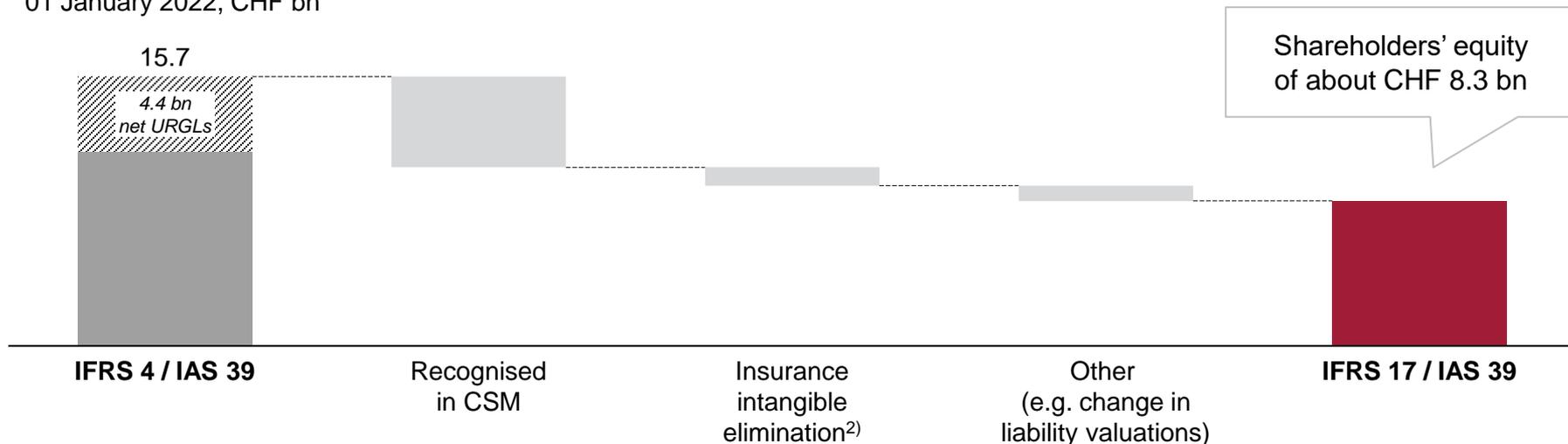
Policyholder mutualisation

- Cross-subsidisation** of policyholders among group of contracts in same tied asset pool reduces risk of onerous contracts

- Reflects business model and inherent feature of risk sharing among policyholders, mainly in traditional business in CH, FR, DE

Shareholders' equity at transition mainly driven by introduction of CSM ...

Shareholders' equity¹⁾
01 January 2022, CHF bn



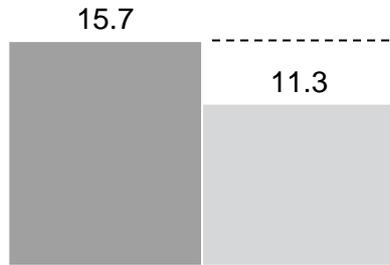
Shareholders' equity of about CHF 8.3 bn

- Upon transition, shareholder share of **unrealised gains / losses under direct participating contracts** (VFA business) recognised in CSM (examples are unrealised gains / losses on financial assets and real estate fair value changes)
- Marginal impact expected from **IFRS 9** as majority of financial assets already measured at **fair value**

1) Incl. net unrealised gains / losses on financial assets 2) Relates mainly to DAC

... which represents a significant new balance sheet item ...

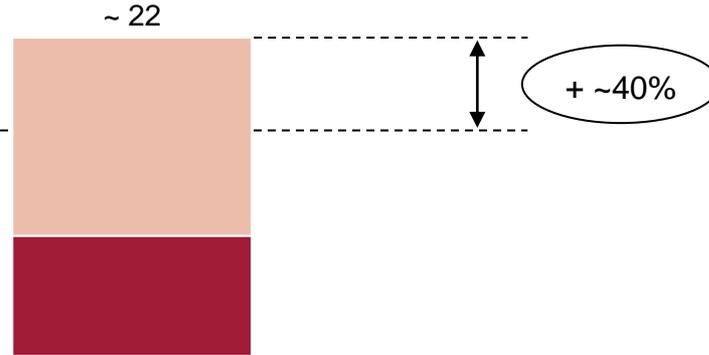
Shareholders' equity
IFRS 4 / IAS 39
CHF bn



31.12.2021

- Incl. net unrealised gains / losses on financial assets
- Excl. net unrealised gains / losses on financial assets

Shareholders' equity plus CSM (post-tax)
IFRS 17 / IAS 39
CHF bn



01.01.2022

- CSM (post-tax)
- Shareholders' equity¹⁾

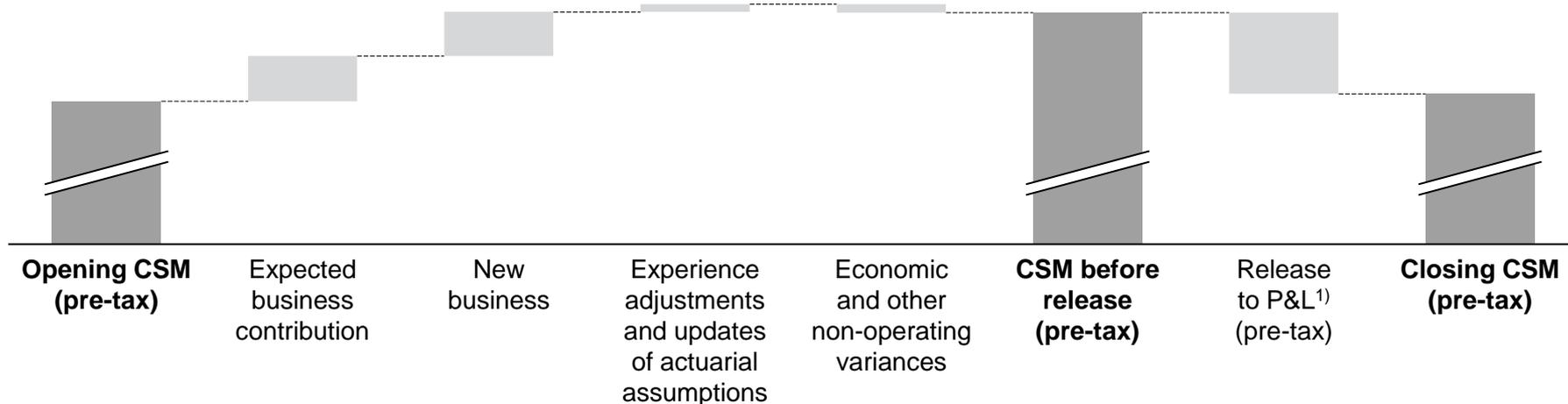
• Shareholders' equity plus CSM (post-tax) substantially above IFRS 4 shareholders' equity

1) Incl. net unrealised gains / losses on financial assets

... amounting to CHF 17.5 bn (pre-tax) at transition

CSM and CSM development under IFRS 17

Conceptual



- CSM amounts to about **CHF 17.5 bn** as of 01 January 2022; it includes **intragroup margin** from insurance asset management services (similar to VNB / MCEV approach) and **allocated insurance operating expenses**
- **CSM release to P&L** (pre-tax) estimated at about 6-8% p.a. on average (in % of CSM before release)

1) Incl. release of intragroup margin from insurance asset management services

CSM release to P&L driving operating result from insurance business

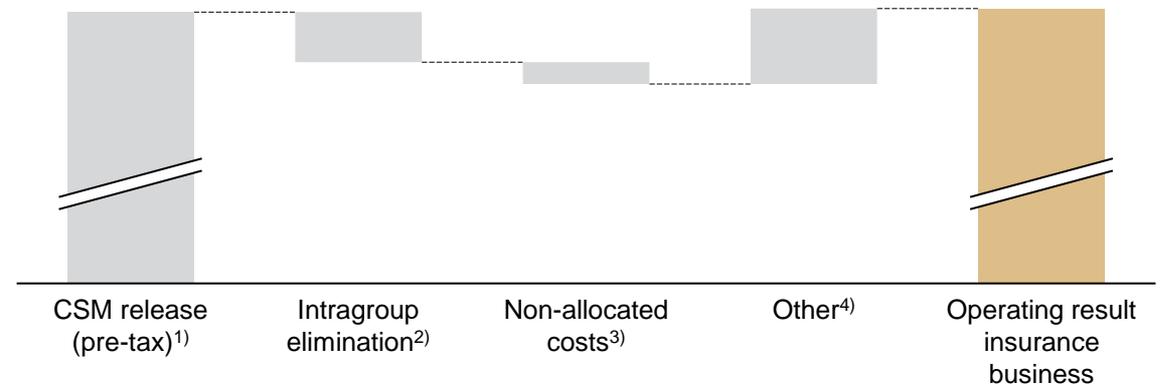
Profit from operations

Illustrative



Components of operating result insurance business

Conceptual



1) Incl. UL business in scope of IFRS 17 2) Elimination of release of intragroup margin from insurance asset management services within operating result 3) Non-allocated insurance operating expenses 4) Incl. total net investment result and PAA insurance service result; deduction of UL business in scope of IFRS 17, which is mapped to fee result

Different timing of IFRS 17 profit recognition for VFA business ...

Recognition of asset and liability changes in different accounting frameworks¹⁾

IFRS 17 examples relate to VFA insurance business

Simplified

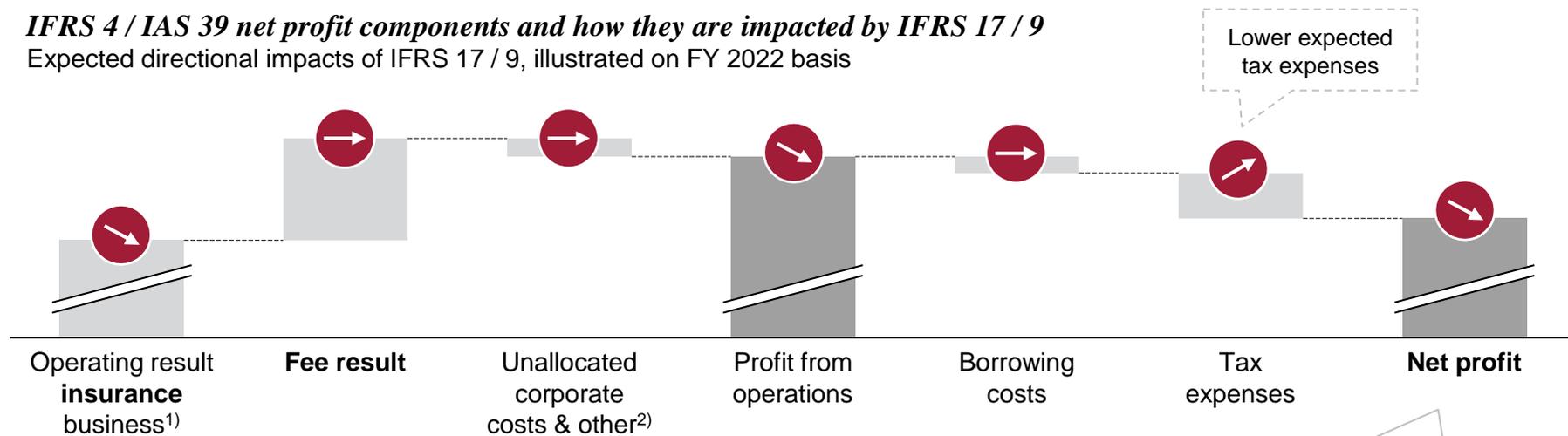
	<i>current</i> IFRS 4	<i>new</i> IFRS 17	<i>unaffected</i> Local statutory accounting	Cash remittance
Real estate fair value changes	P&L	CSM	Lower of cost or market through P&L	<p><i>Based on local statutory accounts of Swiss Life Holding subsidiaries</i></p>
Realised gains / losses (real estate, fixed income, equities)	P&L	CSM	P&L	
Insurance reserve strengthening / release	P&L	CSM	P&L	
Equities fair value changes	OCI	CSM	Lower of cost or market through P&L	
Fixed income fair value changes	OCI	CSM	Amortised cost	
CSM / RA release over time	n.a.	P&L	n.a.	

1) Shareholder / policyholder sharing in all accounting frameworks

... with the respective impact on overall Swiss Life Group net profit

IFRS 4 / IAS 39 net profit components and how they are impacted by IFRS 17 / 9

Expected directional impacts of IFRS 17 / 9, illustrated on FY 2022 basis



- **IFRS 9 effect:** Option of accounting for equity instruments at FVOCI in some areas outside the VFA business, with no recognition of realised gains / losses in P&L (“no recycling”)
- **IFRS 17 effect:** Asset and liability changes in the VFA business absorbed by CSM and released to P&L over time³⁾

- Total profit **unchanged** over lifetime of a contract, but **timing of profit recognition** is altered under **IFRS 17**
- **Local statutory accounting unaffected** and remains key for policyholder sharing, reserving and cash remittance to Swiss Life Holding

1) Excl. UL business 2) Other refers to segment Other 3) In line with services provided

➔ Unaffected ➔➔ Directional impact on net profit contribution, not to scale

Swiss Life 2024 targets confirmed

2

IFRS 17 / 9
accounting changes

Swiss Life 2024 financial ambitions and targets

Quality of earnings and earnings growth

- **Fee result**
FY 2024 **CHF 850-900 m**
- **RoE^{1) 2)}**
2022-2024 **10-12%**

*Current assessment
considering IFRS 17 / 9*

*On track,
unaffected*

*Ahead,
mechanical uplift*

Capital, cash and payout

- **Cash to Holding**
Cumulative 2022-2024 **CHF 2.8-3.0 bn**
- **Dividend payout ratio²⁾**
2022-2024 **> 60%**
- **Share buyback**
Dec 2021 – May 2023 **CHF 1 bn**

*Ahead,
unaffected*

*On track,
mechanical uplift*

*On track,
unaffected*

1) Shareholders' equity excl. unrealised gains/losses 2) Targets based on IFRS 4 / IAS 39 accounting standards

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IFRS 17 / 9 glossary and abbreviations

IFRS 17 / 9 glossary

BBA	Building block approach – General Measurement Model (GMM) to measure insurance liabilities under IFRS 17
BEL	Best estimate liabilities – the unbiased estimate of the present value of expected future cash flows
CSM	Contractual service margin – reflects unearned future profits of the insurance contract liability presented in the balance sheet
ECL	Expected credit loss – the probability-weighted estimate of credit losses over the expected life of a financial instrument
PAA	Premium allocation approach – a simplified optional approach of the General Measurement Model for short-term contracts
RA	Risk adjustment – reflects the compensation required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risks
VFA	Variable fee approach – a specific, mandatory adaptation of the GMM for contracts with direct participation features

Abbreviations

ALM	Asset and liability management
AM	Business division Asset Managers
bn	Billion
CAGR	Compound annual growth rate
CH	Business division Switzerland
CHF	Swiss francs
DAC	Deferred acquisition costs
DE	Business division Germany
DPF	Discretionary participation features
FR	Business division France
FVOCI	Fair value through other comprehensive income
FY	Full-year
IAS	International Accounting Standards
IFA	Independent financial advisor
IFRS	International Financial Reporting Standards
IN	Business division International
m	Million
MCEV	Market consistent embedded value
OCI	Other comprehensive income
P&C	Property and casualty
P&L	Profit and loss
RoE	Return on equity
SST	Swiss Solvency Test
UCC	Unallocated corporate costs
UL	Unit-linked
URGL	Unrealised gains and losses
VNB	Value of new business

Segment Other: Includes Swiss Life Holding and finance/service companies

Owned IFAs: Includes Swiss Life Select, tecis, Horbach, Proventus, Chase de Vere, Pôle Agami, Fincentrum and Principal & Prosper

Contact details and financial calendar

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Financial calendar

2022 Annual Report	24 March 2023
Annual General Meeting	28 April 2023
Q1 2023 trading update	11 May 2023
Half-year 2023 results	06 September 2023
Q3 2023 trading update	08 November 2023
Full-year 2023 results	14 March 2024

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