



SwissLife

*Alternative  
Performance  
Measures  
First-Half 2020*



# *Contents*

4	The use of Alternative Performance Measures at Swiss Life
6	Definition of Alternative Performance Measures
6	Business Volumes
8	Operating Expense and Operational Efficiency
10	Profit Measurements
13	Asset Management
14	Other

## *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 at making 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. premiums, VNB and NBM) or asset management performance (e.g. TPAM cost income ratio, 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
- Insurance reserves

### **Operating expense and operational efficiency**

- Operating expense (adjusted)
- Life efficiency ratio
- Distribution operating expense ratio
- Third-party asset management cost income ratio

### **Profit measurements**

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

**Asset management**

- 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.

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.

The definition of premiums follows industry practice and is a widely used performance measure within the insurance industry.

### Calculation of premiums

Amounts in CHF million (if not noted otherwise)

	actual 30.06.2020	actual 30.06.2019	CY vs. PY abs.	CY vs. PY %-dev.
<b>GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED (APM)<sup>1</sup></b>	<b>11 618</b>	<b>14 080</b>	<b>-2 462</b>	<b>-17</b>
of which gross written premiums and policy fees	9 475	11 652	-2 177	-19
of which policyholder deposits <sup>2</sup>	2 144	2 429	-285	-12
Premiums and fees ceded on insurance/investment contracts <sup>3</sup>	-79	-86	6	-8
Change in unearned premium net <sup>4</sup>	-57	-58	1	-2
Policyholder deposits <sup>2</sup>	-2 144	-2 429	285	-12
Policy fees insurance contracts deposits	-21	-20	-1	3
Policy fees on investment/unit-linked contracts - net	-161	-167	6	-4
Change in unearned income insurance - net	7	7	0	3
<b>NET EARNED PREMIUMS FINANCIAL STATEMENTS (FS)</b>	<b>9 163</b>	<b>11 328</b>	<b>-2 164</b>	<b>-19</b>

<sup>1</sup> Used for volume in press release and analyst presentations. Based on local statutory definitions of premiums.

<sup>2</sup> Deposits received under insurance and investment contracts for which deposit accounting is applied.

<sup>3</sup> Business ceded to other insurers or reinsurers for the purpose of transferring direct written risks.

<sup>4</sup> The amount of premium deferred and treated as liability, on the ground that it relates to coverage of insured events that may occur after the balance sheet date. Changes in unearned premium reserve recognise the earning of premium during each period as reduction of unearned premium reserve (non-life business).

### 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.

### Direct investment income / net investment result

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 Fx hedging costs and gains/losses.

### Investment income bridge

Amounts in CHF million (if not noted otherwise)

	actual 30.06.2020	actual 30.06.2019	CY vs. PY abs.	CY vs. PY %-dev.
<b>DIRECT INVESTMENT INCOME – YIELD 1 INSURANCE SCOPE (APM)<sup>1</sup></b>	<b>2 025</b>	<b>2 242</b>	<b>-216</b>	<b>-10</b>
Result from associates, receivables and reinsurance	-27	-5	-22	424
<b>INVESTMENT INCOME (FS)</b>	<b>1 998</b>	<b>2 237</b>	<b>-238</b>	<b>-11</b>
Net gains/losses on financial assets (FS)	-437	995	-1 433	-144
Net gains/losses on financial instruments at fair value through profit or loss (FS)	269	-1 244	1 513	-122
Net gains/losses on investment property (FS)	270	505	-235	-47
Share of profit or loss of associates (FS)	3	4	-1	-28
<b>FINANCIAL RESULT (FS)<sup>2</sup></b>	<b>2 103</b>	<b>2 497</b>	<b>-394</b>	<b>-16</b>
Investment management expense, Fx translation effects and other income	-246	-364	119	-33
<b>NET INVESTMENT RESULT – YIELD 3 INSURANCE SCOPE (APM)<sup>3</sup></b>	<b>1 858</b>	<b>2 132</b>	<b>-275</b>	<b>-13</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.

### Insurance reserves excluding policyholder participation liabilities

Insurance reserves excluding policyholder participation liabilities are the sum of insurance liabilities and investment and unit-linked contracts. They inform about the growth of business volume.

## Operating Expense and Operational Efficiency

### Operating expense (adjusted)

For comparability reasons and an enhanced understanding of the incurred expense, Swiss Life generally excludes the following non-operating effects:

- Real estate development costs
- Variable expense (commission expense and deferred acquisition costs (DAC), amortisation)
- Restructuring costs
- One-off effects
- Scope changes
- Foreign currency translation effects (Fx)

### Operating expense (adjusted)

Amounts in CHF million (if not noted otherwise)

	actual 30.06.2020	actual 30.06.2019	CY vs. PY abs.	CY vs. PY %-dev.
<b>OPERATING EXPENSE ADJUSTED (APM)</b>	<b>820</b>	<b>789</b>	<b>30</b>	<b>4</b>
of which Insurance segments	573	561	12	2
of which Asset Managers	239	223	16	7
Restructuring costs and one-offs	21	8	12	153
Programme costs for new accounting standard	17	16	1	7
Scope changes	3	0	3	
Fx effect	0	28	-28	-100
<b>OPERATING EXPENSE (APM)</b>	<b>860</b>	<b>841</b>	<b>19</b>	<b>2</b>
Commissions and deferred acquisition costs amortisation	745	806	-61	-8
<b>TOTAL OPERATING EXPENSE (APM)</b>	<b>1 605</b>	<b>1 647</b>	<b>-43</b>	<b>-3</b>
Property development expense	13	57	-44	-77
<b>TOTAL OPERATING EXPENSE</b>	<b>1 618</b>	<b>1 705</b>	<b>-87</b>	<b>-5</b>
of which commission expense (FS)	601	676	-75	-11
of which employee benefit expense (FS)	550	537	13	2
of which depreciation and amortisation expense (FS)	185	186	-1	-0
of which impairment of property and equipment and intangible assets (FS)	12	0	12	3 218
of which other expense (FS)	269	305	-36	-12



**Life efficiency ratio**

This ratio is calculated by life insurance non-variable operating expense, which is composed of employee benefits expense plus depreciation and amortisation expense, plus impairment of property and equipment and intangible assets, plus other expense in relation to average life insurance reserves excluding deferred policyholder participation funds.

$$\text{Life efficiency ratio} = \frac{\text{Non-variable operating expense life insurance}}{\text{Average life insurance reserves excluding deferred policyholder participation funds}}$$

**Distribution operating expense ratio**

This ratio is calculated from the non-variable operating expense of all owned independent financial advisors (IFAs) of our Switzerland, France, Germany and International business divisions in relation to their gross commission income. Our IFAs are composed of Swiss Life Select, tecis, Horbach, Proventus, Chase de Vere, Pôle Agami and Fincentrum.

$$\text{Distribution operating expense ratio} = \frac{\text{Non-variable operating expense owned IFAs}}{\text{Gross commission income}}$$

**Third-party asset management cost income ratio**

This ratio is calculated by Asset Managers' third-party business (TPAM) non-variable operating expense in relation to the commission income net of commission expense.

$$\text{TPAM cost income ratio} = \frac{\text{Non-variable operating expense Asset Managers' third-party business}}{\text{Commission income - commission expense}}$$

## 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 generally excludes the following non-operating effects when calculating its adjusted profit from operations:

- Restructuring charges: related to any restructuring activities within the Swiss Life Group
- One-off effects: costs which are related to extraordinary business activities, or costs with a one-time character. For comparability of reporting periods they are deducted in the financial year in which they occur
- Foreign currency translation effects (Fx)

### Profit from operations (adjusted)

Amounts in CHF million (if not noted otherwise)

	actual 30.06.2020	actual 30.06.2019	CY vs. PY %-dev.
Profit from operations (adjusted) (APM)	780	827	-6
One-offs	-15	-16	
Fx impact	0	19	
Profit from operations (FS)	765	830	-8

### Profit by source

To provide investors with a more detailed view of the different sources of Swiss Life Group's profit from operations (adjusted) of all segments, Swiss Life has developed a concept of profit by source following the structure below. We and our investors consider this profit by source disclosure to be essential to comprehensively appreciate how Swiss Life generates profit.

- Savings result  
Income from investments plus income from savings premiums minus expense related to savings process minus technical interest (interest on insurance liabilities) minus policyholder participation
- Risk result  
Income from risk premiums minus expense related to risk (e.g. incurred claims) minus policyholder participation
- Cost result  
Income from cost premiums minus expense related to costs minus policyholder participation. The scope of the savings, risk and cost result consists of group & individual life business, non-life & health business and reinsurance business
- Fee result  
Income related to fee business minus expense related to fee business. 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 adjustments reflect those made in the context of profit from operations (adjusted) and are affected by the income tax expense effects. To obtain a comparable basis, all figures from the prior reporting period are adjusted for the foreign currency translation effects (Fx).

### Net profit (adjusted) intra-segment eliminated

Amounts in CHF million (if not noted otherwise)

	actual 30.06.2020	actual 30.06.2019	CY vs. PY %-dev.
Net profit (adjusted) (APM)	548	586	-7
One-offs	-11	18	
Fx impact	0	13	
Net profit (FS)	537	617	-13

### Return on equity, annualised (adjusted)

Return on equity (RoE) annualised (adjusted) represents annualised net profit attributable to shareholders divided by the average shareholders' equity excluding unrealised gains/losses on bonds and equities at the beginning and at the end of the period. The adjustments to the return on equity reflect the industry practice of focusing on the company's operative performance, while unrealised gains/losses on financial assets are primarily driven by capital market movements.

$$\text{Return on equity, annualised (adjusted)} = \frac{\text{Net profit (FS) annualised current period attributable to equity holders of Swiss Life Holding Ltd.}}{\text{(Adjusted shareholders' equity (APM) current period plus adjusted shareholders' equity (APM) prior period) divided by 2}}$$

Amounts in CHF million (if not noted otherwise)

	actual 30.06.2020	actual 31.12.2019	CY vs. PYE abs.	CY vs. PYE %-dev.
ADJUSTED SHAREHOLDERS' EQUITY (APM)	10 638	10 897	-259	-2
Unrealised gains/losses on financial assets allocated to shareholders' equity	4 543	5 024	-481	-10
SHAREHOLDERS' EQUITY (FS)	15 181	15 920	-740	-5
Net profit attributable to equity holders of Swiss Life Holding (FS)	533	1 199	-666	-56
Average adjusted shareholders' equity (APM)	10 767			
RETURN ON EQUITY, ANNUALISED (APM)	10.2%			

**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, new group life contracts; not considering new individuals in group life contracts, prolongation of group life contracts without negotiations, salary increases, dynamics, price adjustments, 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*

### **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 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.

**Contacts**

Swiss Life

General-Guisan-Quai 40

P.O. Box 2831

CH-8022 Zurich

Tel. +41 43 284 33 11

www.swisslife.com

Investor Relations

Tel. +41 43 284 52 76

Fax +41 43 284 44 41

investor.relations@swisslife.ch

Shareholder Services

Tel. +41 43 284 61 10

Fax +41 43 284 61 66

shareholder.services@swisslife.ch

Media Relations

Tel. +41 43 284 77 77

Fax +41 43 284 48 84

media.relations@swisslife.ch

**Alternative Performance Measures First-Half 2020**

The Alternative Performance Measures are published in English.

This document can be found online at: [www.swisslife.com/reports](http://www.swisslife.com/reports)

**Publishing details**

**Publisher** — Swiss Life Holding Ltd, Zurich

**Editorial responsibility** — Swiss Life, Group Communications and Strategic Marketing, Zurich

**Production** — Management Digital Data AG, Lenzburg

© Swiss Life Holding Ltd, 2020

**CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

This document may contain projections or other forward-looking statements related to Swiss Life that are subject to known and unknown risks, uncertainties and other important factors. The reader should be aware that these statements are only projections which could differ materially from the actual results, financial situation, development, performance or expectations and that therefore no undue reliance should be placed on such forward-looking statements. Neither Swiss Life nor any of its directors, officers, employees or advisors, nor any other person connected or otherwise associated with Swiss Life, makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this document. Neither Swiss Life nor any of its directors, officers, employees or advisors, nor any other person connected or otherwise associated with Swiss Life, shall have any liability whatsoever for loss howsoever arising, directly or indirectly, from any use of this document. All forward-looking statements are based on the data available to Swiss Life at the time the present document was compiled. Unless otherwise required by applicable law, Swiss Life assumes no responsibility to publicly update or alter its forward-looking statements or to adapt them, whether as a result of new information, future events or developments or any other reason.

There may be minor discrepancies in total figures and percentages in this report due to rounding effects.

*Swiss Life*  
*General-Guisan-Quai 40*  
*P.O. Box 2831*  
*CH-8022 Zurich*

*Tel. +41 43 284 33 11*  
*[www.swisslife.com](http://www.swisslife.com)*