Swiss Life

First-Half Financial Report 2023

Condensed Consolidated Statement of Income (unaudited)

Consolidated statement of income for the 6 months ended 30 June

In CHF million	Notes	2023 HY	restated 2022 HY
Insurance revenue	4	**4 495**	3 721
Insurance service expenses	4	**–3 695**	–3 085
Net expenses from reinsurance contracts held		**–52**	–7
Insurance service result		**748**	630
Net investment result			
Investment income	4	**1 925**	1 972
Net gains/losses including impairment losses on financial assets available for sale and loans and receivables	4	**–**	143
Net gains/losses including impairment losses on financial assets at fair value through other comprehensive income and amortised cost	4	**–524**	–
Net gains/losses on financial instruments at fair value through profit or loss	4	**2 320**	–2 733
Net gains/losses on investment property	4	**–464**	558
Net finance expenses from insurance contracts and investment contracts with discretionary participation		**–3 203**	336
Net finance income from reinsurance contracts held		**16**	1
Net investment result		**70**	277
Commission income	4	**974**	953
Policy fees earned on investment contracts without discretionary participation		**34**	41
Share of profit or loss of associates		**–1**	3
Other income	4	**205**	87
Other interest expense	4	**–147**	–19
Other expenses	4	**–1 047**	–971
PROFIT FROM OPERATIONS		**836**	999
Borrowing costs		**–65**	–56
PROFIT BEFORE INCOME TAX		**771**	944
Income tax expense	11	**–141**	–234
NET PROFIT		**630**	710
Net profit attributable to			
equity holders of Swiss Life Holding		**619**	704
non-controlling interests		**11**	6
NET PROFIT		**630**	710
Earnings per share attributable to equity holders of Swiss Life Holding			
Basic earnings per share (in CHF)		**20.92**	22.80
Diluted earnings per share (in CHF)		**20.88**	22.75

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Consolidated statement of comprehensive income for the 6 months ended 30 June

In CHF million	2023 HY	restated 2022 HY
NET PROFIT	**630**	710
OTHER COMPREHENSIVE INCOME		
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT		
Exchange differences on translating foreign operations	**–207**	–96
Net investment hedges	**134**	–82
Change in fair value of financial assets available for sale	**–**	–18 795
Change in fair value of debt securities reclassified to loans and receivables	**–**	2
Change in fair value of debt instruments measured at fair value through other comprehensive income	**2 118**	–
Cash flow hedges	**–35**	–740
Cost of hedging	**–16**	–
Net finance income/expenses from insurance contracts and investment contracts with discretionary participation	**–2 056**	19 330
Net finance income/expenses from reinsurance contracts held	**–1**	–12
Share of other comprehensive income of associates	**0**	0
Income tax	**–51**	36
TOTAL	**–116**	–357
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT		
Revaluation surplus on investment property	**0**	–3
Remeasurements on defined benefit pension liability	**–141**	543
Change in fair value of equity instruments measured at fair value through other comprehensive income	**116**	–
Fair value hedges of equity instruments measured at fair value through other comprehensive income	**–52**	–
Income tax	**14**	–103
TOTAL	**–62**	437
NET OTHER COMPREHENSIVE INCOME	**–178**	80
TOTAL NET COMPREHENSIVE INCOME	**452**	790
Total net comprehensive income attributable to		
equity holders of Swiss Life Holding	**442**	787
non-controlling interests	**9**	3
TOTAL NET COMPREHENSIVE INCOME	**452**	790

Condensed Consolidated Balance Sheet (unaudited)

Consolidated balance sheet

In CHF million	Notes	30.06.2023	restated 31.12.2022	restated 01.01.2022
ASSETS				
Cash and cash equivalents		**4 856**	6 910	7 208
Derivatives		**3 178**	5 126	2 813
Assets held for sale		**1**	1	69
Financial assets				
Designated as at fair value through profit or loss	5	**–**	49 747	54 149
Available for sale	5	**–**	79 968	106 880
Loans and receivables	5	**–**	19 741	17 722
Measured at fair value through profit or loss		**66 016**	–	–
Measured at fair value through other comprehensive income		**69 364**	–	–
Measured at amortised cost		**17 894**	–	–
Financial assets pledged as collateral	5	**4 814**	3 234	4 140
Total financial assets		**158 088**	152 690	182 891
Investment property [1]		**42 397**	42 160	41 234
Investments in associates		**111**	152	172
Insurance contract assets incl. investment contracts with discretionary participation	7	**7**	5	72
Reinsurance contract assets	7	**1 798**	1 692	284
Property and equipment [2]		**889**	932	925
Intangible assets	6	**1 745**	1 714	1 758
Current income tax assets		**45**	35	34
Deferred income tax assets		**269**	260	223
Other assets		**1 884**	1 764	1 164
TOTAL ASSETS		**215 268**	213 440	238 846

[1] Including right-of-use assets arising from leases of CHF 312 million (31.12.2022: CHF 315 million; 01.01.2022: CHF 112 million)
[2] Including right-of-use assets arising from leases of CHF 143 million (31.12.2022: CHF 140 million; 01.01.2022: CHF 139 million)

Consolidated balance sheet

In CHF million	Notes	30.06.2023	restated 31.12.2022	restated 01.01.2022
LIABILITIES AND EQUITY				
LIABILITIES				
Derivatives		**2 948**	3 218	1 746
Investment contracts without discretionary participation	7	**18 793**	18 545	22 611
Borrowings	8	**4 999**	4 409	4 099
Other financial liabilities	9	**18 586**	19 136	17 272
Insurance contract liabilities incl. investment contracts with discretionary participation	7	**158 577**	156 115	180 464
Reinsurance contract liabilities	7	**13**	14	37
Employee benefit liabilities	10	**885**	869	1 571
Current income tax liabilities		**367**	424	341
Deferred income tax liabilities		**1 145**	1 033	864
Provisions		**62**	66	48
Other liabilities		**345**	402	359
TOTAL LIABILITIES		**206 722**	204 231	229 412
EQUITY				
Share capital		**3**	3	3
Share premium		**8**	17	15
Treasury shares		**–222**	–640	–285
Accumulated other comprehensive income		**–1 080**	–705	–738
Retained earnings		**9 042**	9 738	9 644
TOTAL SHAREHOLDERS’ EQUITY		**7 750**	8 414	8 640
Hybrid equity		**675**	675	675
Non-controlling interests		**121**	120	119
TOTAL EQUITY		**8 546**	9 209	9 435
TOTAL LIABILITIES AND EQUITY		**215 268**	213 440	238 846

Condensed Consolidated Statement of Cash Flows (unaudited)

Consolidated statement of cash flows for the 6 months ended 30 June

In CHF million	Notes	2023 HY	restated 2022 HY
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES		**–1 342**	–174
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments in associates		**–7**	–4
Sales of investments in associates		**–**	1
Dividends received from associates		**2**	28
Purchases of property and equipment		**–9**	–28
Sales of property and equipment		**2**	0
Purchases of computer software and other intangible assets		**–11**	–4
Acquisitions of subsidiaries, net of cash and cash equivalents		**–49**	–
TOTAL NET CASH FLOWS FROM INVESTING ACTIVITIES		**–73**	–7
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of debt instruments	8	**1 018**	–
Redemption of debt instruments	8	**–400**	–
Lease principal payments	8	**–19**	–18
Purchases of treasury shares		**–276**	–367
Capital contributions from non-controlling interests		**0**	3
Dividends paid to equity holders of Swiss Life Holding	1	**–877**	–764
Dividends paid to non-controlling interests		**–8**	–4
TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES		**–562**	–1 150
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		**–1 977**	–1 331
Cash and cash equivalents as at 1 January		**6 910**	7 208
Foreign currency differences		**–77**	–66
Total change in cash and cash equivalents		**–1 977**	–1 331
CASH AND CASH EQUIVALENTS AS AT END OF PERIOD		**4 856**	5 811
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash on hand and demand deposits		**4 853**	5 808
Cash equivalents		**3**	3
TOTAL CASH AND CASH EQUIVALENTS AS AT END OF PERIOD		**4 856**	5 811

Condensed Consolidated Statement of Changes in Equity (unaudited)

Consolidated statement of changes in equity for the 6 months ended 30 June 2023

In CHF million	Notes	Share capital	Share premium	Treasury shares	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Hybrid equity	Non-controlling interests	Total equity
Balance as at 1 January 2023		**3**	**17**	**–640**	**–705**	**9 738**	**8 414**	**675**	**120**	**9 209**
Adjustment on initial application of IFRS 9		**–**	**–**	**–**	**–230**[1]	**307**[2]	**77**	**–**	**0**	**77**
Tax effect on initial application of IFRS 9		**–**	**–**	**–**	**51**	**–76**	**–25**	**–**	**0**	**–25**
Balance as at 1 January 2023 restated		**3**	**17**	**–640**	**–883**	**9 968**	**8 466**	**675**	**120**	**9 261**
Total net comprehensive income		**–**	**–**	**–**	**–177**	**619**	**442**	**–**	**9**	**452**
Equity-settled share-based payments		**–**	**9**	**–**	**–**	**–**	**9**	**–**	**–**	**9**
Purchases of treasury shares		**–**	**–**	**–14**	**–**	**–**	**–14**	**–**	**–**	**–14**
Share buyback	1	**–**	**–**	**–262**	**–**	**–**	**–262**	**–**	**–**	**–262**
Cancellation of treasury shares		**0**	**–**	**677**	**–**	**–676**	**–**	**–**	**–**	**–**
Allocation of treasury shares under equity compensation plans		**–**	**–17**	**17**	**–**	**–**	**–**	**–**	**–**	**–**
Transfer of gains/losses on disposal to retained earnings		**–**	**–**	**–**	**–20**	**20**	**–**	**–**	**–**	**–**
Capital contributions from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0**	**0**
Dividends	1	**–**	**–**	**–**	**–**	**–877**	**–877**	**–**	**–8**	**–886**
Interest on hybrid equity		**–**	**–**	**–**	**–**	**–13**	**–13**	**–**	**–**	**–13**
Income tax effects		**–**	**–2**	**–**	**–**	**2**	**1**	**–**	**–**	**1**
BALANCE AS AT END OF PERIOD		**3**	**8**	**–222**	**–1 080**	**9 042**	**7 750**	**675**	**121**	**8 546**

[1] Includes consequential impact from fair value change of underlying items of CHF 1095 million
[2] Includes consequential impact from fair value change of underlying items of CHF –1095 million

Consolidated statement of changes in equity for the 6 months ended 30 June 2022 (restated)

In CHF million	Share capital	Share premium	Treasury shares	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Hybrid equity	Non-controlling interests	Total equity
Balance as at 1 January 2022	3	15	–285	2 804	13 189	15 727	675	120	16 522
Adjustment on initial application of IFRS 17	–	–	–	–4 431	–4 375	–8 805	–	–1	–8 805
Tax effect on initial application of IFRS 17	–	–	–	889	829	1 718	–	0	1 718
Balance as at 1 January 2022 restated	3	15	–285	–738	9 644	8 640	675	119	9 435
Total net comprehensive income	–	–	–	83	704	787	–	3	790
Equity-settled share-based payments	–	9	–	–	–	9	–	–	9
Purchases of treasury shares	–	–	–21	–	–	–21	–	–	–21
Share buyback	–	–	–346	–	–	–346	–	–	–346
Allocation of treasury shares under equity compensation plans	–	–14	14	–	–	–	–	–	–
Capital contributions from non-controlling interests	–	–	–	–	–	–	–	3	3
Dividends	–	–	–	–	–764	–764	–	–4	–769
Interest on hybrid equity	–	–	–	–	–13	–13	–	–	–13
Income tax effects	–	–1	–	–	2	1	–	–	1
BALANCE AS AT END OF PERIOD	3	10	–638	–655	9 573	8 293	675	121	9 089

Condensed Notes to the Consolidated Financial Statements (unaudited)

1 General Information

The Swiss Life Group is one of Europe's leading comprehensive life and pensions and financial solutions providers. In its core markets of Switzerland, France and Germany, Swiss Life offers individuals and corporations comprehensive and individual advice plus a broad range of own and partner products through its sales force and distribution partners such as brokers and banks.

Swiss Life Select, Tecis, Horbach, Proventus and Chase de Vere advisors choose suitable products for customers from the market according to the Best Select approach. Swiss Life Asset Managers offers institutional and private investors access to investment and asset management solutions. Swiss Life provides multinational corporations with employee benefits solutions and high net worth individuals with structured life and pensions products.

Dividend payment

For the 2022 financial year, a dividend of CHF 877 million (CHF 30.00 per registered share) was paid in May 2023 to the shareholders of Swiss Life Holding Ltd (hereinafter referred to as "Swiss Life Holding").

Share buyback programmes

As announced during the Investor Day on 25 November 2021, Swiss Life started a new CHF 1 billion share buyback programme in December 2021. By 30 May 2023, 1 876 368 shares had been purchased at an average price of CHF 532.94 per share, of which 472 487 shares for CHF 262 million were purchased in 2023, 1 335 881 shares for CHF 701 million in 2022 and 68 000 shares for CHF 38 million in 2021. The programme was completed in May 2023.

2 Summary of Significant Accounting Policies

The half-year financial statements are prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim financial statements are consistent with those used in the financial statements for the year ended 31 December 2022, except for the changes in accounting policies as described below.

These interim financial statements should be read in conjunction with the 2022 annual financial statements. However, the significant changes in accounting policies for insurance contracts and financial instruments as described below should be taken into consideration.

Figures may not add up exactly due to rounding.

2.1 Changes in accounting policies

The Swiss Life Group has adopted the following new standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2023.

– IFRS 17 Insurance Contracts
– IFRS 9 Financial Instruments
– Amendments to IAS 12 Income Taxes, International Tax Reform – Pillar Two Model Rules

The new accounting policies relating to IFRS 17, IFRS 9, Amendments to IAS 12 as well as the transition to IFRS 17 and IFRS 9 are described below. IFRS 17 has been applied retrospectively to the extent possible. The comparative periods have been restated. IFRS 9 has been applied retrospectively without restating the comparative periods.

No other new or amended standards and interpretations have been adopted in the reporting period.

2.2 IFRS 17 Insurance Contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features (DPF). It introduces three different models that measure groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk (RA) and a contractual service margin (CSM).

Due to the nature of the business, the variable fee approach (VFA) is the predominant model applied at Swiss Life. The building block approach (BBA or the general model) as the default measurement model is applied to all insurance contracts unless the contract is subject to the VFA, or is eligible for, and the Group elects to apply, the simplified model – the premium allocation approach (PAA).

Under IFRS 17, insurance contract liabilities and assets under the BBA and the VFA consist of the present value of the best estimate future cash flows, a RA for non-financial risk and a CSM which represents the unearned profit under the contract. The CSM represents the profit that the company expects to earn as it provides insurance coverage. The CSM release is recognised in profit or loss over the coverage period as the company provides the insurance services or investment-related and investment-return services.

The Group applies the VFA to insurance and investment contracts with direct participation (VFA contracts). VFA contracts are substantially insurance and investment-related services contracts under which the Group expects to pay to the policyholder a return based on underlying items. Under a VFA contract, the Group expects to pay to the policyholders an amount equal in value to specified underlying items minus a variable fee for service. The variable fee is viewed as the compensation that the Group charges to the policyholder for services provided by the insurance contract.

The Swiss Life Group measures the following types of businesses under the VFA:

– Direct participating life insurance contracts
– Unit-linked contracts subject to IFRS 17

Participating contracts differ significantly between jurisdictions. Not all participating contracts meet the criteria to be accounted for as direct participating contracts. The Group exercises judgement when deciding whether a contract contains direct participation features and, therefore, will be eligible to apply the variable fee approach.

The Swiss Life Group measures the following types of businesses under the BBA:

– Certain life insurance contracts without discretionary policyholder participation
– Reinsurance contracts issued and held with a contract boundary of more than one year

The measurement for insurance contract liabilities and assets under the PAA is similar to the unearned premium approach for short-duration contracts. The liabilities consist of the premiums received under the contracts minus the insurance acquisition cash flows. In addition, a liability for incurred claims is set up.

The Swiss Life Group measures the following types of businesses under the PAA:

– Non-life contracts
– Health and protection contracts
– Death and disability contracts
– Certain reinsurance contracts issued and held

2.2.1 Definition of insurance contracts

Insurance contracts are contracts under which one party accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Significant insurance risk exists if an insurance event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts the Group issues and reinsurance contracts that the Group holds. By Group policy, Swiss Life considers those contracts to be insurance contracts that require the payment of additional benefits in excess of 10% of the benefits that would be payable if the insured event had not occurred, excluding scenarios that lack commercial substance. The Group has assessed the significance of insurance risk on a contract-by-contract basis. Contracts that do not transfer insurance risk at inception but at a later date are classified as insurance from inception unless the Group remains free to price the insurance premium at a later date. In this case, the contract is classified as insurance when the insurance premiums are specified. A contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire.

Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as investment contracts.

2.2.2 Investment contracts with and without discretionary participation features

For investment contracts that contain discretionary participation features, the same recognition and measurement principles as for insurance contracts apply. For investment contracts without discretionary participation features, the recognition and measurement for financial instruments apply.

2.2.3 Level of aggregation

The Group identifies portfolios of insurance contracts. Each portfolio comprises contracts that are subject to similar risks and that are managed together and is divided into three groups: onerous contracts, contracts without significant risk of becoming onerous and remaining contracts. To distinguish between the two non-onerous groups of contracts, the Swiss Life Group primarily assesses each portfolio of insurance contracts on a qualitative basis with regard to profitability under reasonably possible scenarios. Additional criteria are taken into account if deemed necessary. Contracts are considered onerous at initial recognition, if the fulfilment cash flows arising from the contracts are a net outflow. For the contracts measured with the PAA, the Group assumes that no contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise.

Each group of insurance contracts is further divided by year of issue. The resulting groups represent the level at which the recognition and measurement accounting policies are applied. The groups are established on initial recognition and their composition is not reassessed subsequently. Contracts issued more than one year apart are not included in the same group.

2.2.4 Mutualisation

The policyholders of some direct participating contracts share with policyholders of other contracts the returns on the same pool of underlying items. The policyholder bears a reduction in his share of the return on the underlying items because of payments to policyholders of other contracts that share in that pool or vice versa. The mutual dependence of cash flows between contracts is commonly referred to as "mutualisation". This dependence is influenced by regulatory and statutory regulations as well as management views.

2.2.5 Initial recognition

The Group recognises a group of insurance contracts issued from the earliest of the following:

- the beginning of the coverage period;
- the date on which the first payment from a policyholder is due; and
- for a group of onerous contracts, when the group becomes onerous.

The Group recognises a group of reinsurance contracts issued that provide proportionate coverage at the later of the beginning of the coverage period of the group of reinsurance contracts and the initial recognition of any underlying contract and recognises all other groups of reinsurance contracts from the beginning of the coverage period of the group of reinsurance contracts. The coverage period is the period during which the Group receives coverage for claims arising from the reinsured portions of the underlying insurance contracts.

Subsequently, new contracts are added to the group when they are issued, provided that all contracts in the group are issued in the same year.

2.2.6 Contract boundaries

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with services.

The substantive rights and obligations end when:

- the entity has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or both of the following criteria are satisfied;
- the entity has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
- the pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

The contract boundary is reassessed at each reporting date or when indicated by facts and circumstances. Therefore, it may change over time.

When assessing the practical ability to fully reflect the risk upon renewal of an existing contract, the following restrictions apply:

– restrictions arising from the terms and conditions of the contract;
– legal and regulatory restrictions; and
– commercial and reputational constraints.

However, restrictions are irrelevant if either of the following conditions is met:

– they equally apply to new and existing policyholders in the same market;
– they have no commercial substance (i.e. no discernible effect on the economics of the contract).

Finally, a constraint that limits the ability to reprice contracts differs from pricing choices made, which may not limit the practical ability to fully reflect the risk at renewal date. Pricing choices include, for example, the level of loadings in the premium, or commercial discounts given to policyholders.

The following contract boundaries apply at Swiss Life.

2.2.6.1 Switzerland

In the Swiss group life business, which comprises full insurance, semi-autonomous and pure risk, i.e. “BVG business”, which is the business under the Federal Law on Occupational Retirement, Survivors’ and Disability Pension Plans, the contractual relations are determined by a collective life insurance contract between the insurer and a foundation and an affiliation contract between the foundation and the employer. Regarding contract boundaries, the relevant contract is the insurance contract between the insurer and the foundation. These contracts are usually open-ended contracts without a defined termination date, i.e. the continuation of the contract is not dependent on active renewal. There are cancellation rights and repricing possibilities. However, they are restricted due to regulatory and economic constraints. New policies for new employees of an existing affiliation contract are not regarded as new contracts at initial recognition (“new business”). New affiliation contracts to an existing foundation or new foundations are considered as outside of the contract boundary and shown as new business at initial recognition.

Individual life (annuities, endowments, pure risk, unit-linked): for all types of contracts, the contract boundary is the expiration date of the contract.

2.2.6.2 Other countries

For most savings and pensions contracts, additional premiums on existing contracts (either regular or non-regular) are within the contract boundary. In the case of open group contracts, the boundary of the contracts includes future premiums and annuities of existing affiliations. However, future adhesions to the group contracts are generally outside the contract boundary.

Group risk business, non-life contracts and health and protection contracts generally have a short contract boundary.

2.2.7 Discount rates

2.2.7.1 General approach

Discount rates are applied to adjust the estimates of future cash flows of the insurance contract portfolios.

Discount rates are consistent with observable available current market prices for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts in terms of timing, currency and liquidity.

The Swiss Life Group determines the appropriate discount rates for portfolios of insurance contracts treated under VFA based on a yield curve that reflects the current market rates of return implicit in a fair value measurement of the reference portfolio of underlying assets. The Swiss Life Group adjusts this yield curve to eliminate the factors, i.e. market and credit risks, that are not relevant to the insurance contracts except for differences in liquidity characteristics of the insurance contracts and of the reference portfolio.

For the business accounted for under the BBA and PAA, the Swiss Life Group determines discount rates by adjusting a liquid yield curve with a credit risk adjustment if the curve is not sufficiently secured. Liquid yield curves are based on market swap rates. The most relevant currencies for Swiss Life insurance liabilities are the Swiss franc and the euro. The liquid yield curve for Swiss francs is based on SARON rates and for euro on EURIBOR.

2.2.7.2 Extrapolation

Beyond terms where the market for swap rates is assessed as not sufficiently deep, liquid and transparent, an extrapolation is performed to derive the yield curve. For the extrapolation the Smith-Wilson-method is applied. The relevant characteristics are the so-called last liquid point (LLP) at which the extrapolation starts and the ultimate forward rate (UFR) to which the extrapolated yield curves converges.

Last liquid point (LLP) and ultimate forward rate (UFR)

	LLP in years	UFR
Currency		
Swiss franc	**15**	**2.45%**
Euro	**20**	**3.45%**

The same LLP and UFR have been applied for all periods presented.

2.2.7.3 Liquidity premium
The liquidity premium for VFA portfolios can be calculated as the difference between the relevant rate to discount the liabilities and the liquid yield curve, i.e. before the LLP. The following table shows the liquidity premiums for the relevant VFA portfolios.

Liquidity premium

In basis points

	30.06.2023	31.12.2022	30.06.2022
Swiss franc (Swiss group life insurance)	**70**	68	89
Swiss franc (Swiss individual life insurance)	**70**	68	102
Euro	**71**	71	94

2.2.7.4 Inflation
Inflation assumptions have been derived for euro from inflation-swap data. For Swiss francs where no such instruments are traded, inflation assumptions over the next few years have been derived from forecasts of the Swiss National Bank. The Smith-Wilson-method is applied for extrapolation.

2.2.7.5 Economic scenario generator
Where future cash flows vary with the returns on the underlying items and the effects of options and guarantees are relevant, the Swiss Life Group uses stochastic modelling techniques to value future cash flows. A risk-neutral valuation approach based on market-consistent and arbitrage-free stochastic economic scenarios is used. The calibration of the economic scenarios, e.g. regarding volatilities, is based on traded market instruments at the valuation date where available.

2.2.8 Actuarial assumptions
Non-economic assumptions such as mortality, morbidity and lapse rates that are used in estimating future cash flows are derived by product type at local level, reflecting recent experience and the profiles of policyholders within a group of insurance contracts. Experience analyses for each of these factors are undertaken on a regular basis with a particular focus on the most recent experience as well as longer term trends. Adjustments are made where the experience or trends are not expected to continue in the long term. Lapse rates from policyholders have been dynamically modelled. Lapse parameters depend on the country and product line as well as on the credited rates to the policyholders.

2.2.9 Measurement of contracts under the BBA and the VFA

2.2.9.1 Initial measurement

The Swiss Life Group assesses the rights and obligations arising from the groups of contracts and reflects them net on its balance sheet on a discounted basis. All insurance contracts are initially measured as the total of the fulfilment cash flows and the contractual service margin, unless the contracts are onerous.

At initial recognition of the contracts, the CSM is the present value of the future cash inflows less the present value of future cash outflows, i.e. it is the amount that, when added to the fulfilment cash flows, prevents the immediate recognition of unearned profit when a group of contracts is first recognised.

If contracts are onerous, losses are recognised immediately in profit or loss. No contractual service margin is recognised on the balance sheet at initial recognition for such contracts.

2.2.9.1.1 Fulfilment cash flows

The fulfilment cash flows are the current estimates of the amounts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty in those amounts. For the majority of Swiss Life's contracts under VFA and BBA, the fulfilment cash flows are derived from actuarial projections over 40 years with closed formula approximations for the remaining contract terms. The future coverage units are determined consistently. The adjustment for uncertainty is called the risk adjustment (RA). For direct participating contracts the benefit cash flows are modelled in the actuarial projection tools reflecting legal and regulatory constraints as well as crediting and investment policies. The cash flows of a group of contracts may be affected by cash flows of other groups of contracts. This aspect, sometimes referred to as "mutualisation between contracts", is considered in the measurement of the fulfilment cash flows (see 2.2.4).

The measurement of the fulfilment cash flows of a group of insurance contracts does not reflect non-performance risk, which is the risk that the obligation will not be fulfilled. This includes, but may not be limited to, the own credit risk.

The RA for non-financial risk for a group of insurance contracts is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The RA for non-financial risk is determined using the quantile method based on value at risk and a Group confidence level of 70%. The RA includes an allowance for diversification on portfolio level, reporting segment level and on Group level. The considered risk factors comprise mortality, longevity, disability, recovery, surrender, expenses and capital option. The aggregation across risk factors is performed using the delta-normal approach. An allocation of corresponding diversification benefits to sub-risks is performed in line with the breakdown into group of contracts. The change in the RA due to diversification on Group level positively impacts the CSM. Changes in the RA in one group of contracts impact the RA and therefore also the CSM of other businesses.

Fulfilment cash flows generally include only expenses that are attributable to insurance contracts and investment contracts with DPF (insurance service expenses). For insurance contracts and investment contracts with DPF accounted for under VFA, projected profit-sharing cash flows also reflect the impact of non-attributable expenses on the profit sharing. Future expenses are taken into account in the cash flow projections by using best estimate assumptions based on current and past experienced cost levels. The best estimate assumptions are based on functional cost areas and cost centres allocated to groups of contracts according to appropriate keys and projected using suitable cost drivers. Best estimate expense assumptions are modelled subject to inflation.

The following costs qualify as insurance service expenses, e.g.:

- the costs of accounting, human resources, information technology and support, building depreciation, rent and maintenance and utilities directly attributable to fulfilling insurance contracts;
- policy administration and maintenance costs;
- costs of selling, underwriting and initiating;
- claims and claims handling costs; and
- insurance acquisition cash flows that are directly attributable to the portfolio to which the contract belongs.

The following costs do not qualify as insurance service expenses, e.g.:

- payments to and from reinsurers;
- insurance acquisition cash flows that are not directly attributable to a portfolio of insurance contracts;
- general overhead (e.g. product development costs and training costs);
- asset investment returns; and
- income taxes.

Such costs are recognised in profit or loss as incurred.

2.2.9.1.2 Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and initiating a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio. Cash flows that are not directly attributable to a group of contracts are allocated on a reasonable and consistent basis to measure the group of insurance contracts. Insurance acquisition cash flows reduce the CSM of a group of contracts to which they relate when that group is recognised.

Insurance acquisition cash flows that the Group pays before the related group of contracts is recognised are booked as an asset. When the group of contracts is recognised, these cash flows are included in the measurement of the group and the previously recognised asset is derecognised. At the end of each reporting period, the recoverability of the asset for insurance acquisition cash flows is assessed if facts and circumstances indicate the asset may be impaired. If an impairment loss is identified, the impairment loss is recognised in profit or loss.

2.2.9.2 Subsequent measurement

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the RA for non-financial risk. The CSM of each group of contracts subsequent to initial recognition is calculated on a half-yearly basis. The Group has elected to change the accounting estimates made in the first half of the year for the annual reporting period. Changes in estimates of future cash flows and of the RA for non-financial risk related to future services are recognised in the CSM until the CSM is exhausted, with any excess recognised as a liability for onerous contracts in profit or loss. Changes in estimates of future cash flows and of the RA for non-financial risk related to current and past services are recognised in the insurance service result. The Group releases the CSM to profit or loss in each period on the basis of the identified units of coverage in each group of contracts that reflects the services provided in the period.

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC includes the fulfilment cash flows related to services that will be provided under the contracts in future periods and any remaining CSM at that date. The liability for incurred claims comprises the fulfilment cash flows for incurred claims and other insurance expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The Group establishes a loss component of the LRC for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently excluded from insurance revenue when they occur. When the fulfilment cash flows occur, they are allocated between the loss component and the LRC excluding the loss component on a systematic basis. The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the RA for non-financial risk at the beginning of each period (or on initial recognition if a group of contracts is initially recognised in the period). Changes in estimates of cash flows relating to future services and changes in the Group's share of the fair value of any underlying items are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

2.2.9.2.1 Direct participating contracts under VFA
VFA are contracts under which the Group expects to pay to the policyholder the net of:

- an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items.

When measuring a group of direct participating contracts, the Group adjusts the fulfilment cash flows for the whole of the changes of the amounts related to changes in the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss. The Group then adjusts any CSM for changes in the Group's share of the fair value of the underlying items, which relate to future services, as explained below.

The carrying amount of the CSM at the end of each annual period is the carrying amount at the start of the reporting period, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- the Group's share of the change in the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that the Group has chosen to exclude from the CSM changes in the effect of financial risk on its share of the underlying items;

- the Group's share of a decrease in the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss (included in insurance service expenses) and creating a loss component; or
- the Group's share of an increase in the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in insurance service expenses);
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the period.

Changes in fulfilment cash flows that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and the effect of the time value of money and financial risks — e.g. the effect of financial guarantees.

2.2.9.2.2 Underlying items

2.2.9.2.2.1 Switzerland

The underlying items include all assets associated with the IFRS 17 insurance contracts and investment contracts with DPF, and represent the fair value of those assets. Thus, the underlying items consist of all tied assets of the group and individual life business including assets covering surplus funds and other insurance technical reserves associated with these portfolios. The fair values of the underlying items are affected by changes in the cost process, risk process and saving process: all premiums, guaranteed benefits and expenses flow to or from the underlying items. All bonus payments and all risk and expense payments exceeding their respective guaranteed part are also paid out from the underlying items and all returns exceeding the guaranteed interest rate flow into the underlying items (into the surplus funds). All cash flows, including those generating experience adjustments, impact the underlying item and thus flow through the CSM.

2.2.9.2.2.2 France

The underlying items consist of a quota share of the invested assets backing the direct participating insurance business, other insurance business as well as the shareholders' equity.

2.2.9.2.2.3 Germany

The underlying items are defined by the current and future cash flows of the Swiss Life branch in Germany. Therefore, in addition to the current and future gross surplus – related to investment-return services, insurance coverage and other services – the underlying items consist of the equivalent of the shareholders' equity as well as financial guarantees less future premium receivables.

2.2.9.2.2.4 Luxembourg

The underlying items consist of a quota share of the invested assets backing the direct participating insurance business and other insurance business.

2.2.9.3 Insurance service result and insurance finance income and expenses

2.2.9.3.1 Insurance service result

The insurance service result comprises insurance revenue and insurance service expenses.

Insurance revenue excludes any investment components and is measured as follows:

The Group recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides coverage or other services under groups of insurance contracts. For contracts not measured under the PAA, insurance revenue relating to services provided for each period represents the total of the changes in the LRC that relate to services for which the Group expects to receive consideration.

In addition, the Group allocates a portion of premiums that relates to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Group recognises the allocated amount as insurance revenue and an equal amount as insurance service expenses.

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each reporting period is determined by identifying the coverage units in the group of contracts, allocating the CSM remaining at the end of the reporting period (before any allocation) equally to each coverage unit provided in the reporting period and expected to be provided in future periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the reporting period. The number of coverage units is the quantity of coverage provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage duration. In line with the future profits in the CSM, the coverage units are discounted. As a consequence, depending on the IFRS yield curve, a higher weight is assigned to the coverage units of the current period compared to future periods.

For the determination of the coverage units, the Swiss Life Group takes into account the volume and quantity of various services provided while considering all types of services provided, i.e. insurance and investment-related services. For this purpose, the respective volume measures for the different services such as mathematical reserves or sum assured are weighted. The weighting of the service components is based on the net charge paid by the policyholder which provides a reasonable and natural quantification of the value of a service provided. It is ensured that the weighting factors also reflect changes in the relationship between the different service components over time.

Coverage units are reassessed at the end of each reporting period before any allocation of CSM to profit or loss, as allocating the amount of the CSM adjusted for the most up-to-date assumptions provides the most relevant information about the profit earned from services provided in the period and the profit to be earned in the future from future services.

Changes in the RA for non-financial risk that relate to release from risk are recognised in the insurance service result.

Insurance service expenses comprise incurred claims (excluding investment components), amortisation of insurance acquisition cash flows, changes in the LIC that relate to past services and losses on onerous contracts or changes thereof.

2.2.9.3.2 Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein, unless any such changes for groups of direct participating contracts are allocated to a loss component and included in insurance service expenses.

The Group has chosen to disaggregate insurance finance income and expenses between profit or loss and OCI.

For direct participating contracts, the investment returns on underlying assets as well as other returns on underlying items arising from the risk or cost result included in profit or loss for the period are assessed and matching amounts of insurance finance income or expenses in profit or loss are recognised. The amount reflected in profit or loss eliminates the accounting mismatch with income or expenses included in profit or loss on the underlying investment assets and other underlying items arising from the risk and cost result.

For other insurance contracts, the amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income and expenses over the duration of the group of contracts. The systematic allocation is determined using the discount rates determined on initial recognition of the group of contracts.

If the Group derecognises a contract as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated OCI for the contract are reclassified to profit or loss as a reclassification adjustment.

2.2.10 Measurement of contracts under the PAA

In the non-life, health, protection and reinsurance business as well as for certain group risk contracts, the Group chooses to apply the PAA to simplify the measurement of groups of contracts on the following bases:

- insurance contracts: the coverage period of each contract in the group of contracts is one year or less; and
- reinsurance contracts: the Group reasonably expects that the resulting measurement would not differ materially from the result of applying the accounting policies applicable to the BBA.

However, certain groups of insurance contracts are acquired in their claims settlement period. The claims from some of these groups are expected to develop over more than one year. The Group measures these groups under the accounting policies described above.

2.2.10.1 Initial measurement

On initial recognition of each group of contracts, the carrying amount of the LRC is measured at the premiums received on initial recognition, net of acquisition costs paid. Insurance acquisition cash flows are recognised in the LRC and amortised when they are incurred. On initial recognition of each group of contracts, the Group expects that the time between providing each part of the coverage and the related premium due date is not more than a year. Accordingly, the Group has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

Subsequently, the carrying amount of the LRC is increased by any premiums received and decreased by the amount recognised as insurance revenue for coverage provided and acquisition costs paid. Insurance revenue in each reporting period represents the changes in the LRC that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss and increases the LRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the RA for non-financial risk) exceed the carrying amount of the LRC.

2.2.10.2 Subsequent measurement

The LRC consists of the amount of premiums received less the acquisition cash flows paid, plus/minus the amount of premiums and acquisition cash flows that have already been recognised in profit or loss over the already completed portion of the coverage period. The LIC is measured in the same way under both the PAA and the BBA model.

Insurance acquisition cash flows are recognised in the LRC and amortised as insurance service expenses over the coverage period.

The insurance revenue in each period is the amount of expected premium receipts for providing coverage in the period. The Group allocates the expected premium receipts to each period on the following bases:

– certain property contracts: the expected timing of incurred insurance service expenses; and
– other contracts: the passage of time.

2.2.11 Reinsurance contracts held

Reinsurance contracts held are insurance contracts where the Swiss Life Group is the policyholder.

The Group applies the same accounting policies as for insurance contracts issued under BBA and PAA to measure a group of reinsurance contracts held, with the following modifications.

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the remaining coverage component and the incurred claims component. The remaining coverage component consists of the fulfilment cash flows that relate to services that will be received under the contracts in future periods and any remaining CSM at that date.

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The RA for non-financial risk is the amount of the risk transferred by the Group to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of the fulfilment cash flows, any derecognised assets for cash flows occurring before the recognition of the group and any cash flows arising at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the group of contracts, then the Group recognises the cost immediately in profit or loss as an expense.

On subsequent measurement, net expenses from reinsurance contracts comprise reinsurance service expenses less amounts recovered from reinsurers. The Group recognises reinsurance service expenses as it receives coverage or other services under groups of reinsurance contracts. For contracts not measured under the PAA, the reinsurance service expenses relating to services received for each reporting period represent the total of the changes in the remaining coverage component that relate to services for which the Group expects to pay consideration.

For contracts measured under the PAA, the reinsurance service expenses for each period are the amount of expected premium payments for receiving coverage in the period.

2.2.12 Derecognition and contract modification

The Group derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On the derecognition of a contract from a group of contracts:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining coverage is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Group entered into a contract with the new contract's terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the Group received the premium that it would have charged less any additional premium charged for the modification.

2.2.13 Presentation

Assets and liabilities related to insurance contracts issued are presented separately from the assets and liabilities related to reinsurance contracts held.

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts held that are assets and those that are liabilities, are presented separately in the balance sheet.

The Group disaggregates amounts recognised in profit or loss and OCI into an insurance service result, comprising insurance revenue and insurance service expenses, and insurance finance income (expense).

Investment components represent amounts that are repaid to the policyholder in all circumstances, regardless of whether an insured event occurs. If the investment components are non-distinct, i.e. highly interrelated with the insurance components, the amounts expected to be paid are excluded from insurance revenue and insurance service expenses but included in the measurement of the insurance liabilities.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts held, other than insurance finance income (expense), are presented on a net basis as net expenses from reinsurance contracts in the insurance service result.

All changes in the RA for non-financial risk are included in the insurance service result except for changes in the discount rate, which are presented in insurance finance income (expense) and disaggregated between profit or loss and OCI according to the disaggregation policy applied to the portfolios.

The Group no longer applies shadow accounting to insurance-related assets and liabilities.

2.2.14 Transition to IFRS 17

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied retrospectively to the extent practicable. As at the transition date, 1 January 2022, the Group:

- identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied;
- derecognised any existing balances that would not exist had IFRS 17 always applied; and
- recognised any resulting net difference in equity.

Notwithstanding the above, the following items have not been applied retrospectively:

For most groups of contracts in the life insurance business, it was impracticable for the Group to apply IFRS 17 fully retrospectively, because data had not been collected in a way that allowed full retrospective application or because of legal changes that occurred after inception of the contracts. In these cases, the Group applied the modified retrospective approach as set out in IFRS 17 as at 1 January 2022. The purpose of applying the modified retrospective approach is to achieve the closest outcome possible to the full retrospective approach. In line with the modified retrospective approach, the following simplifications have been applied for the transition:

Groups of contracts were aggregated for the calculation of the transitional amounts where some historical information, e.g. cash flows or discount rates, were not fully available in the required granularity and format. These aggregated groups of contracts contained contracts issued more than a year apart. For portfolios without mutualisation, a combination of the full retrospective approach and the modified retrospective approach was applied where for earlier groups of contracts the modified retrospective approach was applied and for later groups of contracts the full retrospective approach was applied. For portfolios with mutualisation, the modified retrospective approach was generally applied.

Certain assessments regarding portfolios of contracts were done at transition rather than at inception date e.g. identification of portfolios with similar risks and managed together or the application of VFA versus BBA.

For some groups of contracts, the RA for non-financial risk on initial recognition was determined by adjusting the amount at 1 January 2022 for the expected release of risk before 1 January 2022. The expected release of risk was determined with reference to the release of risk for similar insurance contracts that the Group issued at 1 January 2022 or after.

When any of these modifications were used to determine the CSM (or the loss component) on initial recognition, the amount of the CSM recognised in profit or loss before 1 January 2022 was determined by comparing the coverage units on initial recognition and the remaining coverage units at 1 January 2022; and the amount allocated to the loss component before 1 January 2022 was determined using the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the RA for non-financial risk on initial recognition.

For all groups of direct participating contracts issued or acquired before 1 January 2022, the Group determined the CSM (or the loss component) as at 1 January 2022 by calculating a proxy for the total CSM for all services to be provided under the group as follows:

The fair value of the underlying items at 1 January 2022 minus the fulfilment cash flows at 1 January 2022, adjusted for:

- amounts charged to the policyholders before 1 January 2022;
- amounts paid before 1 January 2022 that would not have varied based on the underlying items; and
- the change in the RA for non-financial risk caused by the release from risk before 1 January 2022.

If the calculation resulted in a CSM, then the Group measured the CSM as at 1 January 2022 by deducting the CSM related to services provided before 1 January 2022. The CSM related to services provided before 1 January 2022 was determined by comparing the coverage units on initial recognition and the remaining coverage units at 1 January 2022. If the calculation resulted in a loss component, then the Group adjusted the loss component to zero and increased the liability for remaining coverage excluding the loss component by the same amount as at 1 January 2022.

Generally, the longer the contracts had been in force, the less information was available for the past.

The full retrospective approach was applied to most groups of contracts under BBA that were initially recognised after 1 January 2020, as IFRS 17 was known and interpreted by that time so that models could be developed and the required data collected.

The fair value approach was not applied by the Swiss Life Group.

In accordance with the amendment to IFRS 17 Initial Application of IFRS 17 and IFRS 9 Comparative Information issued in December 2021, the Swiss Life Group has decided to measure the following items at fair value (classification overlay): note loans with a fair value of CHF 6.1 billion (previously measured at amortised cost) and certain loan commitments with a fair value of CHF 45 million as at 1 January 2022. In addition, the Swiss Life Group has decided to measure certain owner-occupied properties at fair value as at 1 January 2022 as they represent underlying items in direct participating contracts. The fair value as at 1 January 2022 amounted to CHF 701 million.

The above remeasurements led to an increase of accumulated other comprehensive income of CHF 1.1 billion and retained earnings of CHF 0.5 billion after taxes.

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and earnings per share individually. The cumulative effect of adopting IFRS 17 on the consolidated financial statements as at 1 January 2022 is presented in the consolidated statement of changes in equity.

2.3 IFRS 9 Financial Instruments

The Group elected to defer the application of IFRS 9 to the date of initial application of IFRS 17 and has adopted IFRS 9 as at 1 January 2023 retrospectively without restating financial information presented for 2022 in accordance with the transition requirements of IFRS 9.

IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting with principal features as follows:

2.3.1 Classification and measurement

Classification of a financial asset is determined based on the model in which the financial asset is managed and the contractual characteristics of whether the asset comprises solely of payment of principal and interest (SPPI).

2.3.1.1 Business models

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are measured at fair value through profit or loss. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how management is compensated.

2.3.1.2 Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instrument's cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

The Swiss Life Group uses three classification and measurement categories for financial assets:

2.3.2 Amortised cost (AmC)

Financial assets with terms that give rise to interest and principal cash flows only and which are held in a business model whose objective is to hold financial assets to collect their contractual cash flows are measured at AmC.

The amortised cost is the value at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial value and the maturity value and adjusted for any impairment allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying value. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired at initial recognition), the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying value and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying value of the respective financial asset or financial liability is adjusted to reflect the new estimated discount using the original effective interest rate. Any changes are recognised in profit or loss.

2.3.3 Fair value through other comprehensive income (FVOCI)

Debt instruments that are held for the collection of contractual cash flows and for selling the assets, where the asset's cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of loss allowance, gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in net gains/losses on financial assets.

Interest income from these financial assets is included in investment income using the effective interest rate method.

Certain equity instruments not backing VFA contracts have been selected to be classified as FVOCI. Subsequent changes in the fair value are presented in other comprehensive income and are never reclassified to profit or loss. Upon derecognition of these equity instruments, the gains or losses in other comprehensive income are reclassified to retained earnings.

2.3.4 Fair value through profit or loss (FVPL)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Also measured at FVPL are certain financial assets and liabilities where a measurement or recognition inconsistency, that would otherwise arise from measuring those assets or liabilities or recognising the gains and losses on them on different bases, can be avoided or reduced ("accounting mismatch").

All investment funds as well as equity securities not designated at fair value through other comprehensive income and certain debt instruments are measured at FVPL.

Interest, dividend income and realised and unrealised gains and losses are included in net gains/losses on financial instruments at FVPL.

The following table summarises the category and the carrying amounts of financial assets in accordance with IFRS 9 as at 1 January 2023. It also reconciles the carrying amounts of financial assets from their previous measurement category in accordance with IAS 39 Financial Instruments: Recognition and Measurement as at 31 December 2022 to their new measurement categories upon transition to IFRS 9 on 1 January 2023:

Financial assets

In CHF million	IAS 39 measurement category[1]	IFRS 9 measurement category[1]	Carrying amount as at 31 December 2022 under IAS 39	Reclassification	Remeasurement	Carrying amount as at 1 January 2023 under IFRS 9
Debt instruments at amortised cost						
	AmC	AmC	19 741	–1 157	87	18 671
	-	FVPL	–	59	–13	46
	-	FVOCI	–	672	–52	621
Debt instruments at fair value						
	AFS (FVOCI)	FVOCI	70 473	458	55	70 987
	FVPL	FVPL	8 820	735	–	9 555
Equity instruments at fair value						
	AFS (FVOCI)	FVOCI	12 729	–11 317	–	1 412
	FVPL	FVPL	40 927	10 550	–	51 476

[1] AFS = Available for sale, AmC = Amortised cost, FVOCI = Fair value through other comprehensive income, FVPL = Fair value through profit or loss

2.3.5 Financial liabilities

Upon adoption of IFRS 9, the classification of financial liabilities remained unchanged. Financial liabilities continue to be measured at either amortised cost or FVPL.

2.3.6 Expected credit losses (ECL)

An expected credit loss impairment model has been introduced. Under the new model, it is no longer necessary for a credit event to have occurred before an impairment loss is recognised.

2.3.6.1 Credit risk

Credit risk refers to the possibility that a financial loss will occur as a result of a borrower's or counterparty's deteriorating creditworthiness and/or inability to meet its financial obligations. The Group's credit risk exposure is low because its primary credit exposures relate to rated bonds with investment grade rating issued by rated financial institutions, sovereigns and corporates and to loans collateralised by securities portfolios and/or to mortgages collateralised by residential or commercial property.

2.3.6.2 Credit loss measurement

The Group recognises ECL on the following types of financial instruments that are not measured at FVPL:

– financial assets that are debt instruments;
– financial guarantees and loan commitments issued; and
– receivables.

No ECL is recognised on equity instruments.

The Group applies the "three-stage" approach introduced by IFRS 9 for impairment measurement based on changes in credit quality of the financial assets since initial recognition:

– *Stage 1:* Comprises financial assets that have not had a significant increase in credit risk since initial recognition. The Group recognises ECL which represents an amount equal to the portion of the lifetime expected credit loss that results from default events possible within the next 12 months.
– *Stage 2:* Comprises financial assets which are considered to have experienced significant increase in credit risk since initial recognition but do not have objective evidence of impairment. The Group recognises ECL at an amount equal to the lifetime expected credit loss allowance. This requires a computation of the ECL based on lifetime probability of default (LTPD) of the financial asset.
– *Stage 3:* Comprises financial assets which are considered to be credit impaired and the Group recognises the lifetime ECL using a probability of default (PD) of 100% reduced by the cash flows which the Group deems to be recoverable.

In all cases the maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk. For measuring ECL and determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort including forward-looking information.

A simplified approach is applied for receivables. Under this approach, loss allowances are always measured at an amount equal to lifetime ECL.

2.3.6.3 Credit-impaired financial assets

A financial asset is credit-impaired if one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Credit-impaired financial assets are referred to as stage 3 assets. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract such as a default or past due event;
(c) concessions relating to the borrower's financial difficulty are granted that otherwise would not be considered;
(d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event. The combined effect of several events may have caused financial assets to become credit-impaired. To assess if rated debt instruments are credit-impaired, the specific asset is determined as credit-impaired if the asset falls below investment grade and the asset continues to demonstrate significant deterioration in credit quality including indicators such as days past due and breaches of covenant.

2.3.6.4 Significant increase in credit risk (SICR)

In assessing whether there has been a significant increase in the credit risk of a financial asset since initial recognition, the Group considers all information which is reasonable and supportable that is relevant and available without undue cost and effort. This includes both qualitative and quantitative information based on the Group's historical experience and expert credit risk assessment as well as forward-looking information. The Group's assessment is aligned with the Swiss Life Group credit risk management processes and procedures. The Group primarily identifies per investment whether a significant increase in credit risk has occurred.

2.3.6.5 Collateral and other credit enhancements

Cash flows expected from collateral and other credit enhancements are reflected in the ECL calculation. The Group employs a range of policies and practices to mitigate credit risk. The most traditional is securities collateral. The Group has implemented guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans are charges on financial instruments such as debt securities and equity instruments and residential and commercial property for mortgages.

The Group's policies regarding collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of collateral held by the Group since the prior period.

2.3.7 Rated debt instruments

2.3.7.1 Significant increase in credit risk

If available, the Swiss Life Group uses external credit ratings to assess the creditworthiness of its portfolios. Internal credit assessments are used in exceptional cases when external ratings are not available. To determine a significant increase in credit risk for this class of assets, the Group assumes that the "low credit risk simplification" applies at the reporting date in case rated debt instruments have an investment grade rating. Hence, the credit risk for rated debt instruments with an investment grade rating is not assumed to have increased significantly since initial recognition, and therefore the loss allowance is measured at an amount equal to twelve month ECL.

In assessing an increase in credit risk for rated debt instruments with a high-yield rating at the reporting date, the Group relies on the magnitude of the downgrade since initial recognition. Thereby, the lower the credit rating at initial recognition, the lower the tolerated magnitude of downgrades until a significant increase in credit risk is assumed to have occurred.

The Group does not apply the rebuttable assumption that the credit risk on rated debt instruments has increased significantly since initial recognition when contractual payments are more than 30 days past due. The determination of a significant increase in credit risk is principally based on ratings. Updated external ratings are received as soon as they have been published by the rating agencies. Updates of internal credit assessments are done when there is evidence of significant deterioration in the creditworthiness of an issuer. In specific circumstances, the Group preserves the right to base the decision regarding a significant increase in credit risk on expert judgement.

2.3.7.2 Definition of default

The Group considers a rated debt instrument to be in default when the assigned rating is "CC" (S&P notation) or lower.

2.3.7.3 Inputs and assumptions

The ECL for debt instruments are estimated via three individual components:

- *Probability of default (PD):* PD constitutes a key input in measuring ECL and is estimated for a twelve month and lifetime period. PD is derived using credit ratings, as well as default rates and forward-looking information. The data used considers credit risk of borrowers or instruments by giving each issuance a specific credit rating, which is monitored on an ongoing basis.
- *Loss given default (LGD):* The LGD is the magnitude of the likely loss if there is a default. The Group decided to base the modelling of LGDs on external credit risk information adjusted by forward-looking information. Historically observed global market data is used for ECL computations broken down by seniority of the instrument, geographic area and industry.
- *Exposure at default (EAD):* EAD represents the expected exposure in case of a default and is based on discounted contractual cash flows reflecting expected payments of principal and interest.

2.3.7.4 Estimation techniques

The Group incorporates forward-looking information in its measurement of ECL as described above. The effect of macro-economic downturns for corporate exposure is considered as part of the SICR assessment during which an expert panel considers relevant market information including macro-economic factors.

2.3.8 Mortgages

2.3.8.1 Significant increase in credit risk

For the assessment of a significant increase in credit risk of mortgages no external rating information is available. Each mortgage is assigned to a dedicated risk class on the basis of client-specific parameters, which take for instance the financial strength or the payment history of the clients into account. Unfavourable parameters result in assignment to a higher risk class. The definition of a significant increase in credit risk is thereby based on the currently assigned risk classes.

The Swiss Life Group rebuts the presumption that the credit risk for mortgages increases significantly if contract payments are more than 30 days past due. Payment information for mortgages is often available only with a certain delay. In any case, a significant increase in credit risk for mortgages is assumed if contractual payments are more than 90 days past due.

2.3.8.2 Definition of default

Mortgages are considered to be in default if payments are past due for 360 days or more or if the collateral is no longer considered sufficient.

2.3.8.3 Inputs and assumptions

The ECL for mortgages are estimated by allocation of loans to rating grades and estimation of cumulative probabilities of default (CPD). For each rating grade, the macro-economic conditioning of default probabilities, projection of EAD including prepayments and losses on defaulted loans that do not cure are considered.

- *PD:* In estimating the probability of default the Group relies on the same statistical technique that is used for PD computations for rated debt instruments. However, there is no credit rating information including a default rate readily available for modelling. Hence, this is modelled using the available historical data incorporating credit quality features such as overdue contract payments.
- *LGD:* Is observed through the observation of historical loss data.
- *EAD:* Is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date, including contractual repayments.

2.3.8.4 Estimation techniques

The Group incorporates forward-looking information into its measurement of ECL as described above.

2.3.9 Loans and loan commitments

The general model as described above is also applied to loans and loan commitments. This approach requires that the relevant PD and LGD data similar to that which is currently in place for rated debt instruments is prepared. The Group relies on credit rating information and PD and LGD curves which are obtained externally. The Group has adopted the "low credit risk simplification" for the loan population. Hence, it is assumed that all investment grade loans and loan commitments are in stage 1.

2.3.10 Receivables

The Group has adopted a simplified approach to calculating expected credit losses for receivables. Therefore, losses allowances are always measured at an amount equal to a lifetime ECL since initial recognition regardless of factors that indicate significant increase in credit risk.

The ECL for receivables are calculated by using historical credit loss experience for groups sharing similar credit risk characteristics and adjusted as appropriate to reflect current conditions and estimates of future economic conditions that may exist during the period in which the receivables are expected to be outstanding.

2.3.11 Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL.

For measuring ECL, Swiss Life uses three different scenarios of future economic developments. The baseline scenario is regarded as the most likely scenario, while the other scenarios have a lower probability of occurrence.

For each scenario, five year forecasts of macroeconomic and financial market variables are used for determining forward-looking PD and LGD figures. The forecasts of the macroeconomic and financial market variables are regularly prepared by the Swiss Life Group. The economic scenarios and their weightings are reviewed by Swiss Life Group's Economic Scenario Committee.

For the purpose of determining ECL, the weights of the three scenarios – as confirmed by the Economic Scenario Committee – are adjusted to take the credit loss distributions into account. Thereby, a higher weight is generally attributed to the negative scenario, which results in higher overall expected credit losses to account for.

Regarding the determination of forward-looking PD and LGD figures, macroeconomic and financial market variables are selected that are statistically relevant for the transformation of point-in-time to forward-looking PD and LGD figures. The relevant macroeconomic and financial variables are assigned to the financial instruments on the basis of country and issuer-specific information. The Swiss Life Group prepares forecast figures for the most relevant countries and applies meaningful mappings in case the country of origination of a financial instrument is not covered by these forecast figures. The selection of the statistically relevant macroeconomic and financial market variables is reviewed on an annual basis.

The tables below provide an overview of the scenario weightings as well as the ECL per scenario for the rated debt instruments.

Scenario weightings and ECL as at 30.06.2023

Amounts in CHF million (if not noted otherwise)	Probability weighted	Loss distribution weighted	ECL
Re-acceleration of growth and inflation scenario	**15%**	**20%**	**149**
Baseline scenario	**65%**	**65%**	**129**
Deeper global recession scenario	**20%**	**15%**	**271**
Weighted ECL (based on loss distribution weights)			**154**

Scenario weightings and ECL as at 01.01.2023

Amounts in CHF million (if not noted otherwise)	Probability weighted	Loss distribution weighted	ECL
Soft landing scenario	15%	15%	102
Baseline scenario	60%	35%	168
Stagflation scenario	25%	50%	367
Weighted ECL (based on loss distribution weights)			258

2.3.12 Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. The Group modifies the terms of loans provided to customers due to commercial renegotiations or for distressed loans with a view of maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset.

If the financial asset is derecognised, the ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on twelve month ECL except on rare occasions where the new loan is considered to be originated credit-impaired.

If the Group determines that the credit risk has significantly improved after restructuring, the assets are moved from stage 3 or 2 to stage 2 or 1 in accordance with the new terms for the six consecutive months or more.

2.3.13 Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovering the financial asset. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity, and where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectations of full recovery.

The following table reconciles the loan loss allowances in accordance with IAS 39 as at 31 December 2022 with the respective expected credit losses (ECL) calculated under IFRS 9 as at 1 January 2023:

In CHF million	Loan loss allowance under IAS 39 31 December 2022	Remeasurement	ECL under IFRS 9 1 January 2023
FINANCIAL ASSETS MEASURED AT AMORTISED COST			
Mortgages	23	–21	2
Corporate and other loans	–	2	2
Receivables	16	3	19
TOTAL	38	–16	23
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME			
Corporate and other loans	37	69	106
Debt securities	1	152	152
TOTAL	38	221	258
LOAN COMMITMENTS AND FINANCIAL GUARANTEES			
Financial guarantees	–	0	0
TOTAL	–	0	0

2.3.14 Hedge accounting

Hedge requirements have been designed to improve the decision–usefulness of the financial statements by better aligning hedge accounting with risk management activities of the Group, permitting a greater variety of hedging instruments and simplifying certain rules-based requirements from the previous standard. The Group adopted the hedge accounting requirements of IFRS 9, and this change allowed the Group to consider a wider range of hedging options, with the ability to continue with the existing hedging relationships. In particular, the new standard removed the prescribed range for hedge effectiveness purposes to allow greater flexibility for an entity to apply hedge accounting. Additionally, new hedge relationships have been set up by the Group to hedge fair value changes of equity securities at FVOCI. In this respect, currency forward contracts are used as hedging instruments to protect these investments against adverse movements in euro, British pound, US dollar and Japanese yen exchange rates, and equity derivatives are used as hedging instruments to protect these instruments against adverse fluctuations in the capital market.

2.4 Amendments to IAS 12 Income Taxes

The Amendments to IAS 12 relating to the International Tax Reform Pillar Two Model Rules have been implemented retrospectively with effect from 1 January 2023.

This standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules.

As an exception to the requirements in IAS 12 and in line with these Amendments to IAS 12, deferred tax assets and liabilities related to Pillar Two income taxes are not recognised nor disclosed by the Swiss Life Group.

2.5 Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group's entities operate (the "functional currency"). The consolidated financial statements are presented in millions of Swiss francs (CHF), which is the Group's presentation currency.

Foreign currency exchange rates

	For the balance sheet		For the income statement	
	30.06.2023	31.12.2022	**Average 2023 HY**	Average 2022 HY
1 British pound (GBP)	**1.13781**	1.11540	**1.12535**	1.22650
1 Czech koruna (CZK)	**0.04115**	0.04090	**0.04163**	0.04190
1 Euro (EUR)	**0.97693**	0.98740	**0.98581**	1.03270
100 Norwegian kroner (NOK)	**8.35372**	9.39210	**8.70469**	10.33440
100 Danish kroner (DKK)	**13.12027**	n/a	**13.23700**	n/a
1 Singapore dollar (SGD)	**0.66187**	0.68850	**0.68258**	0.69210
1 US dollar (USD)	**0.89475**	0.92190	**0.91209**	0.94480

2.6 Related party transactions

Transactions with subsidiaries were eliminated on consolidation. No major transactions with other related parties were entered into in the period under review.

3 Segment Information

Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by management (Corporate Executive Board) in deciding how to allocate resources and in assessing performance.

The accounting policies for the segments are the same as those described in the Summary of Significant Accounting Policies section. Intersegmental services and transfers of assets and liabilities are treated as if the transactions were with third parties, i.e. at market prices applicable at the time of the transaction.

Corporate costs were not allocated to the individual segments as they consist of general administrative expenses and head office expenses that relate to the Swiss Life Group as a whole.

The reportable segments have been identified based on information about the components of the entity that management uses to make decisions about operating matters. The business is managed based on IFRS results.

The information provided to management focuses on product lines and services. The organisational and management structure within the insurance business is geographical. The reportable segments have therefore been identified as follows:

- Switzerland
- France
- Germany
- International
- Asset Managers
- Other

The segments “Switzerland”, “France”, “Germany” and “International” primarily consist of life insurance operations and distribution units. The life insurance operations offer a broad range of life, pension, health, annuity and investment-type policies to both groups and individuals, including disability coverage. The Group’s strategy focuses primarily on life and pensions in Switzerland, France and Germany and on cross-border business from Liechtenstein, Luxembourg and Singapore. These segments also include a number of companies which hold investments mainly pertaining to life insurance.

“International” comprises the cross-border insurance operations in Liechtenstein, Luxembourg and Singapore, the Swiss Life Select units operating in Austria, the Czech Republic and Slovakia, as well as Chase de Vere operating in the United Kingdom.

Non-life operations involve operations in the segment “France” and mainly include property and casualty, liability and motor insurance, accident and health insurance and payment protection insurance.

“Asset Managers” refers to the management of assets for institutional clients and the Group’s insurance business, as well as the provision of expert advice for such clients.

“Other” principally refers to various finance and service companies, as well as payment protection insurance.

The statement of income and the balance sheet for the segments are provided on the following pages.

Statement of income for the 6 months ended 30 June 2023

In CHF million	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
Insurance revenue	2 067	1 462	429	565	–	–	4 523	–28	4 495
Claims and benefits, losses and loss reversals on onerous contracts	–1 314	–1 087	–273	–482	–	–	–3 156	8	–3 147
Net expenses from reinsurance contracts held	–4	–30	–4	–34	–	–	–72	20	–52
Net investment result	32	94	–27	1	0	–15	85	–15	70
Commission income	117	108	338	159	439	0	1 162	–188	974
Policy fees earned on investment contracts without discretionary participation	1	–	0	33	–	–	34	–	34
Share of profit or loss of associates	0	–1	–	–	–	–	–1	–	–1
Other income	161	2	1	1	12	28	204	0	205
Other interest expense	–87	–50	–7	–1	–6	0	–150	3	–147
Commission expense	–250	–146	–235	–92	–56	0	–780	190	–590
Employee benefits expense	–143	–110	–73	–58	–179	–2	–565	–2	–567
Depreciation and amortisation expense	–7	–4	–6	–9	–15	–	–41	–	–41
Impairment of property and equipment and intangible assets	–	–	–	–2	–	–	–2	–	–2
Miscellaneous expenses	–125	–78	–29	–27	–77	–10	–346	11	–336
SEGMENT RESULT	448	160	114	54	119	1	896	–	896
Unallocated corporate costs									–59
PROFIT FROM OPERATIONS									836
Borrowing costs									–65
Income tax expense									–141
NET PROFIT									630

Statement of income for the 6 months ended 30 June 2022 (restated)

In CHF million	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
Insurance revenue	1 822	1 410	438	69	–	–	3 739	–18	3 721
Claims and benefits, losses and loss reversals on onerous contracts	–1 201	–1 028	–293	–26	–	–	–2 549	6	–2 543
Net expenses from reinsurance contracts held	–3	–1	–5	–8	–	–	–17	10	–7
Net investment result	196	105	–12	13	14	–39	276	1	277
Commission income	125	106	306	128	490	0	1 155	–203	953
Policy fees earned on investment contracts without discretionary participation	1	–	1	39	–	–	41	–	41
Share of profit or loss of associates	2	1	–	–	0	–	3	–	3
Other income	50	0	–6	–9	7	47	88	–2	87
Other interest expense	–8	–4	–6	0	–3	1	–21	2	–19
Commission expense	–281	–145	–220	–94	–59	0	–799	202	–597
Employee benefits expense	–142	–120	–68	–32	–203	–2	–567	–2	–568
Depreciation and amortisation expense	–7	–6	–5	–8	–17	0	–43	–	–43
Impairment of property and equipment and intangible assets	–	–	0	–	–	–	0	–	0
Miscellaneous expenses	–55	–76	–25	–18	–74	–11	–257	4	–254
SEGMENT RESULT	500	240	106	53	154	–4	1 051	–	1 051
Unallocated corporate costs									–51
PROFIT FROM OPERATIONS									999
Borrowing costs									–56
Income tax expense									–234
NET PROFIT									710

Balance sheet as at 30 June 2023

In CHF million	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
ASSETS									
Cash and cash equivalents	2 039	1 456	340	713	298	11	4 856	–	4 856
Derivatives	3 141	86	12	–	12	3	3 253	–75	3 178
Assets held for sale	1	–	–	–	–	–	1	–	1
Financial assets									
Measured at fair value through profit or loss	17 416	24 476	5 403	18 614	32	315	66 256	–240	66 016
Measured at fair value through other comprehensive income	47 865	10 586	8 863	1 374	–	676	69 364	–	69 364
Measured at amortised cost	14 738	3 671	631	182	333	2 684	22 238	–4 344	17 894
Financial assets pledged as collateral	3 457	1 357	–	–	–	–	4 814	–	4 814
Total financial assets	83 476	40 089	14 897	20 170	365	3 675	162 672	–4 584	158 088
Investment property	35 004	3 244	3 829	–	321	–	42 397	–	42 397
Investments in associates	26	46	27	3	9	–	111	–	111
Insurance contracts and investment contracts with discretionary participation issued	30	5	–	3	–	–	38	–32	7
Reinsurance contracts held	2	222	10	1 599	–	–	1 833	–35	1 798
Property and equipment	508	113	179	31	58	0	889	–	889
Intangible assets	155	296	454	452	387	–	1 745	–	1 745
Other assets	618	43	25	12	1 249	4	1 951	–66	1 884
SEGMENT ASSETS	125 001	45 600	19 771	22 983	2 698	3 692	219 746	–4 792	214 954
Income tax assets									314
TOTAL ASSETS									215 268
LIABILITIES AND EQUITY									
LIABILITIES									
Derivatives	2 337	585	42	–	–	58	3 023	–75	2 948
Investment contracts without discretionary participation	644	570	181	17 398	–	–	18 793	–	18 793
Other financial liabilities	10 813	5 858	1 609	295	1 131	107	19 813	–1 227	18 586
Insurance contracts and investment contracts with discretionary participation issued	101 676	35 628	16 909	4 429	0	–	158 642	–66	158 577
Reinsurance contracts held	11	1	16	13	–	–	40	–26	13
Employee benefit liabilities	578	87	116	18	85	2	885	–	885
Provisions	14	5	2	10	7	23	62	–	62
Other liabilities	96	133	65	17	28	9	348	–3	345
SEGMENT LIABILITIES	116 169	42 867	18 941	22 179	1 251	200	201 607	–1 397	200 210
Borrowings									4 999
Income tax liabilities									1 512
EQUITY									8 546
TOTAL LIABILITIES AND EQUITY									215 268

Balance sheet as at 31 December 2022 (restated)

In CHF million	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
ASSETS									
Cash and cash equivalents	2 498	2 604	427	1 013	358	9	6 910	–	6 910
Derivatives	5 027	121	57	–	7	12	5 224	–98	5 126
Assets held for sale	1	–	–	–	–	–	1	–	1
Financial assets									
Designated as at fair value through profit or loss	8 092	19 803	3 952	18 130	9	–	49 985	–238	49 747
Available for sale	54 013	14 001	10 052	1 246	19	637	79 968	–	79 968
Loans and receivables	16 459	3 494	769	237	459	2 864	24 283	–4 542	19 741
Financial assets pledged as collateral	1 873	1 362	–	–	–	–	3 234	–	3 234
Total financial assets	80 437	38 660	14 773	19 614	487	3 500	157 471	–4 781	152 690
Investment property	35 135	2 935	3 767	–	323	–	42 160	–	42 160
Investments in associates	27	53	65	3	4	–	152	–	152
Insurance contracts and investment contracts with discretionary participation issued	17	1	–	–	–	–	18	–13	5
Reinsurance contracts held	1	225	11	1 496	–	–	1 732	–40	1 692
Property and equipment	532	132	182	29	58	0	932	–	932
Intangible assets	155	297	408	443	409	–	1 714	–	1 714
Other assets	611	55	23	13	1 140	3	1 846	–82	1 764
SEGMENT ASSETS	124 441	45 084	19 712	22 611	2 787	3 524	218 159	–5 014	213 145
Income tax assets									295
TOTAL ASSETS									213 440
LIABILITIES AND EQUITY									
LIABILITIES									
Derivatives	2 473	656	129	–	–	56	3 316	–98	3 218
Investment contracts without discretionary participation	677	516	181	17 171	–	–	18 545	–	18 545
Other financial liabilities	10 164	7 009	1 570	584	984	208	20 519	–1 382	19 136
Insurance contracts and investment contracts with discretionary participation issued	101 485	33 955	16 749	3 994	–	–	156 183	–69	156 115
Reinsurance contracts held	0	1	16	9	–	–	26	–12	14
Employee benefit liabilities	514	91	113	22	128	3	869	–	869
Provisions	13	6	2	12	8	24	66	–	66
Other liabilities	118	126	71	18	48	24	404	–2	402
SEGMENT LIABILITIES	115 444	42 360	18 831	21 810	1 168	316	199 928	–1 563	198 366
Borrowings									4 409
Income tax liabilities									1 457
EQUITY									9 209
TOTAL LIABILITIES AND EQUITY									213 440

4 Details of Certain Items in the Consolidated Statement of Income

Insurance revenue

In CHF million

	2023 HY	2022 HY
CSM recognised for services provided		
from contracts to which the VFA has been applied	**642**	587
from contracts to which the BBA has been applied	**24**	27
TOTAL CSM RECOGNISED FOR SERVICES PROVIDED	**666**	614
Change in risk adjustment for non-financial risk for risk expired		
from contracts to which the VFA has been applied	**9**	7
from contracts to which the BBA has been applied	**1**	0
TOTAL CHANGE IN RISK ADJUSTMENT FOR NON-FINANCIAL RISK FOR RISK EXPIRED	**10**	7
Expected incurred claims and other insurance service expenses		
from contracts to which the VFA has been applied	**1 669**	1 597
from contracts to which the BBA has been applied	**316**	222
TOTAL EXPECTED INCURRED CLAIMS AND OTHER INSURANCE SERVICE EXPENSES	**1 984**	1 819
Recovery of insurance acquisition cash flows		
from contracts to which the VFA has been applied	**138**	103
from contracts to which the BBA has been applied	**20**	23
TOTAL RECOVERY OF INSURANCE ACQUISITION CASH FLOWS	**158**	127
Experience adjustments on premiums and related cash flows		
from contracts to which the BBA has been applied	**47**	7
TOTAL EXPERIENCE ADJUSTMENTS ON PREMIUMS AND RELATED CASH FLOWS	**47**	7
Insurance revenue from contracts to which the PAA has been applied	**1 629**	1 148
TOTAL INSURANCE REVENUE	**4 495**	3 721

Expenses

In CHF million

	2023 HY	2022 HY
Incurred claims and onerous losses		
Incurred claims	2 843	2 342
Losses and reversal of losses on onerous contracts	12	–22
Adjustments to liabilites for incurred claims	–14	–23
TOTAL EXPENSE FROM INCURRED CLAIMS AND ONEROUS CONTRACTS	2 840	2 297
Commission expense		
Insurance agent and broker commissions	467	474
Asset management and banking commissions	63	68
Other commissions and fees	59	55
TOTAL COMMISSION EXPENSE	590	597
Employee benefits expense		
Wages and salaries	359	362
Social security	90	88
Defined benefit plans	33	40
Defined contribution plans	3	2
Other employee benefits	113	106
TOTAL EMPLOYEE BENEFITS EXPENSE	598	599
Depreciation and amortisation expense		
Depreciation of property and equipment [1]	25	26
Amortisation of intangible assets	16	16
Amortisation of investment contract costs	0	0
TOTAL DEPRECIATION AND AMORTISATION EXPENSE	41	43
Impairment of property and equipment and intangible assets		
Impairment of property and equipment	–	0
Impairment of intangible assets	2	–
TOTAL IMPAIRMENT OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS	2	0
Miscellaneous expenses		
Marketing and advertising	31	24
Information technology and systems	70	66
Maintenance and repair	14	14
Short-term leases	2	1
Leases of low-value assets	1	0
Professional services	102	104
Cost of inventory property sold	74	2
Premium taxes and other non-income taxes	37	34
Other	34	29
TOTAL MISCELLANEOUS EXPENSES	364	274
TOTAL EXPENSES BEFORE AMORTISATION OF INSURANCE ACQUISITION CASH FLOWS	4 433	3 810
Amortisation of insurance acquisition cash flows	307	246
TOTAL EXPENSES	4 741	4 056
Thereof:		
Insurance service expenses	3 695	3 085
Other expenses	1 047	971

[1] Including depreciation of right-of-use assets arising from leases of CHF 18 million (2022: CHF 19 million)

Other items in the income statement

In CHF million

	2023 HY	2022 HY
Commission income		
Brokerage commissions	**458**	445
Asset management commissions	**330**	362
Other commissions and fees	**186**	146
TOTAL COMMISSION INCOME	**974**	953
Other income		
Realised gains/losses on sales of subsidiaries, associates and other assets	**0**	3
Revenue from sale of inventory property	**83**	3
Other foreign currency gains/losses	**97**	71
Other	**25**	9
TOTAL OTHER INCOME	**205**	87
Other interest expense		
Interest expense on deposits	**26**	5
Negative interest on repurchase agreements	**0**	–16
Interest expense on due to banks	**113**	24
Interest expense on lease liabilities	**2**	2
Other interest expense	**5**	4
TOTAL OTHER INTEREST EXPENSE	**147**	19

Investment result

In CHF million

	2023 HY	2022 HY
Investment income		
Interest income on financial assets available for sale	–	1 005
Interest income on loans and receivables	–	210
Dividend income on financial assets available for sale	–	223
Interest income on financial assets at fair value through other comprehensive income	**1 160**	–
Interest income on financial assets at amortised cost	**135**	–
Dividend income on financial assets at fair value through other comprehensive income	**33**	–
Net income on investment property	**555**	539
Net income on own-use property (underlying item in VFA)	**0**	–
Other interest income	**42**	–5
TOTAL INVESTMENT INCOME	**1 925**	1 972
Net gains/losses including impairment losses on financial assets		
Financial assets available for sale	–	106
Loans and receivables	–	12
Financial assets at fair value through other comprehensive income	**–98**	–
Financial assets at amortised cost	**–1**	–
Hedging gains/losses reclassified from other comprehensive income	**72**	72
Foreign currency gains/losses	**–575**	291
Net impairment losses on financial assets	**77**	–339
TOTAL NET GAINS/LOSSES INCLUDING IMPAIRMENT LOSSES ON FINANCIAL ASSETS	**–524**	143
Net gains/losses on financial instruments at fair value through profit or loss		
Currency derivatives	**81**	–479
Interest rate derivatives	**136**	36
Equity derivatives	**–329**	664
Other derivatives	**–13**	19
Financial assets designated as at fair value through profit or loss [1,2]	**331**	–4 226
Financial assets mandatorily measured at fair value through profit or loss [1]	**3 098**	–
Investments in associates [3]	**–1**	7
Investment contracts without discretionary participation	**–989**	1 294
Third-party interests in consolidated investment funds	**6**	–48
TOTAL NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**2 320**	–2 733
Net gains/losses on investment property		
Net gains/losses on investment property	**–420**	561
Net gains/losses on own-used property (underlying item in VFA)	**–44**	–3
TOTAL NET GAINS/LOSSES ON INVESTMENT PROPERTY	**–464**	558

[1] Includes interest and dividend income of CHF 358 million (2022: CHF 44 million)
[2] Includes changes attributable to credit risk of nil (2022: nil)
[3] Includes dividend income of CHF 1 million (2022: CHF 16 million)

5 Financial Assets

Financial assets at fair value through profit or loss as at 30 June 2023

In CHF million

	Designated	Mandatory	Total
Debt securities	**8 507**	**1 090**	**9 598**
Loans	**71**	**1 097**	**1 168**
Equity securities	**–**	**10 678**	**10 678**
Investment funds – debt	**–**	**6 500**	**6 500**
Investment funds – equity	**–**	**24 882**	**24 882**
Real estate funds	**–**	**4 828**	**4 828**
Alternative investments	**–**	**8 362**	**8 362**
TOTAL FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	**8 579**	**57 437**	**66 016**

Financial assets at fair value through profit or loss as at 31 December 2022

In CHF million

	Designated as at fair value through profit or loss
Debt securities	8 156
Loans	664
Equity securities	3 103
Investment funds – debt	5 003
Investment funds – equity	21 817
Real estate funds	4 045
Alternative investments	6 959
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	49 747

Financial assets at fair value through other comprehensive income as at 30 June 2023

In CHF million

	Cost/amortised cost	Net unrealised gains/losses	Fair value (carrying amount)
Debt securities	**65 617**	**–5 487**	**60 129**
Senior secured loans	**4 064**	**–123**	**3 941**
Note loans	**3 411**	**–316**	**3 095**
Corporate and other loans	**698**	**–26**	**672**
Equity securities	**1 425**	**102**	**1 527**
TOTAL FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**75 214**	**–5 850**	**69 364**

Financial assets available for sale as at 31 December 2022

In CHF million	Cost/ amortised cost	Net unrealised gains/losses	Fair value (carrying amount)
Debt securities	66 993	–7 280	59 713
Senior secured loans	4 489	–196	4 293
Note loans	3 534	–300	3 233
Equity securities	6 075	1 411	7 486
Investment funds – debt	2 133	–217	1 916
Investment funds – equity	2 421	115	2 536
Real estate funds	590	80	670
Alternative investments	62	59	121
TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE	86 295	–6 327	79 968

Financial assets measured at amortised cost as at 30 June 2023

In CHF million	Carrying amount
DEBT SECURITIES AND LOANS	
Debt securities	**1**
Mortgage loans	**11 772**
Corporate loans	**2 502**
Other loans	**734**
TOTAL DEBT SECURITIES AND LOANS	**15 010**
RECEIVABLES	
Accrued investment income	**818**
Settlement accounts	**182**
Other receivables	**1 884**
TOTAL RECEIVABLES	**2 884**
TOTAL FINANCIAL ASSETS MEASURED AT AMORTISED COST	**17 894**

Loans and receivables as at 31 December 2022

In CHF million	Gross carrying amount	Allowance for impairment losses	Carrying amount
LOANS			
Debt securities	733	–	733
Mortgage loans	12 057	–23	12 034
Corporate loans	2 329	–	2 329
Reverse repurchase agreements	227	–	227
Other loans	1 550	0	1 550
TOTAL LOANS	16 897	–23	16 874
RECEIVABLES			
Accrued investment income	964	–	964
Settlement accounts	78	–	78
Other receivables	1 841	–16	1 825
TOTAL RECEIVABLES	2 883	–16	2 867
TOTAL LOANS AND RECEIVABLES	19 779	–38	19 741

Financial assets pledged as collateral

In CHF million	Carrying amount	
	30.06.2023	31.12.2022
Debt securities reclassified from financial assets measured at fair value through other comprehensive income [1]	**4 814**	3 234
TOTAL DEBT SECURITIES PLEDGED AS COLLATERAL	**4 814**	3 234
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**4 814**	3 234

[1] 2022: financial assets available for sale

6 Intangible Assets

Intangible assets for the 6 months ended 30 June 2023

In CHF million	Notes	Goodwill	Customer relationships	Computer software	Brands and other	Total
Balance as at 1 January		1 568	96	40	10	1 714
Additions		–	0	11	0	11
Additions from business combinations	13	45	6	3	0	55
Disposals		–	–	0	–	0
Amortisation		–	–10	–6	0	–16
Impairment losses		–	–	–	–2	–2
Foreign currency translation differences		–15	–2	0	0	–17
BALANCE AS AT END OF PERIOD		1 598	91	47	8	1 745
Cost		2 047	301	237	27	2 612
Accumulated amortisation and impairment		–449	–210	–190	–19	–867
TOTAL INTANGIBLE ASSETS AS AT END OF PERIOD		1 598	91	47	8	1 745

Intangible assets for the year 2022

In CHF million	Goodwill	Customer relationships	Computer software	Brands and other	Total
Balance as at 1 January	1 575	123	35	25	1 758
Additions	–	0	21	2	23
Additions from internal development	–	–	0	–	0
Additions from business combinations	52	17	0	0	71
Disposals	–3	0	–3	–16	–22
Amortisation	–	–36	–11	–1	–49
Foreign currency translation differences	–56	–8	–1	0	–66
BALANCE AS AT END OF PERIOD	1 568	96	40	10	1 714
Cost	2 020	300	231	30	2 581
Accumulated amortisation and impairment	–452	–204	–191	–21	–867
TOTAL INTANGIBLE ASSETS AS AT END OF PERIOD	1 568	96	40	10	1 714

Goodwill

Goodwill represents the excess of the fair value of the consideration transferred and the amount of any non-controlling interest recognised, if applicable, over the fair value of the assets and liabilities recognised at the date of acquisition. Goodwill includes amounts relating to both the Swiss Life Group's interest and the non-controlling interest in the business acquired in the case where non-controlling interest is measured at fair value. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on associates is included in the carrying amount of the investment.

In the first half of 2023, a goodwill of CHF 41 million was recognised in the segment "Germany" in relation to the acquisition of fb research GmbH, based in Hanover, Germany. Due to the acquisition of a financial advisory business in Slovakia in the first half of 2023, a goodwill of CHF 4 million was recognised.

Goodwill as per cash generating unit

In CHF million	Switzerland		France		Germany		International		Asset Managers	
	30.06.2023	31.12.2022	**30.06.2023**	31.12.2022	**30.06.2023**	31.12.2022	**30.06.2023**	31.12.2022	**30.06.2023**	31.12.2022
Net carrying amount of goodwill	**152**	152	**294**	294	**435**	399	**385**	379	**332**	344
Impairment losses	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–

As at 30 June 2023, the Swiss Life Group did not identify any indication of an impairment. The Swiss Life Group performs its annual assessment of recoverable amounts in the second half of each financial year.

Customer relationships

As at 30 June 2023, the "France" segment comprises customer relationships of CHF 2 million (31.12.2022: CHF 2 million) and the "Asset Managers" segment comprises customer relationships of CHF 48 million (31.12.2022: CHF 58 million). The "International" segment comprises customer relationships of CHF 35 million (31.12.2022: CHF 36 million). In relation to the acquisition of fb research GmbH, based in Hanover, Germany, in the first half of 2023, customer relationships of CHF 6 million were recognised. Customer relationships are amortised over their useful lives.

Brands and other

As at 30 June 2023, "Brands and other" comprises the brands Mayfair and Beos. Brands are amortised over their useful lives.

7 Insurance and Investment Contracts

Insurance contracts and investment contracts with DPF issued presented in the consolidated balance sheet

In CHF million	Assets		Liabilities	
	30.06.2023	31.12.2022	**30.06.2023**	31.12.2022
VFA life	**3**	5	**–154 489**	–152 467
thereof prepaid acquisition costs and premiums	**3**	5	**6**	3
BBA life	**–**	0	**–1 155**	–995
thereof prepaid acquisition costs and premiums	**–**	–	**–**	–
PAA life	**3**	–	**–2 142**	–1 882
thereof prepaid acquisition costs and premiums	**–**	–	**–2**	–71
PAA health and protection	**–**	–	**–187**	–154
thereof prepaid acquisition costs and premiums	**–**	–	**140**	124
PAA non-life	**–**	–	**–604**	–617
thereof prepaid acquisition costs and premiums	**–**	–	**–**	–
TOTAL	**7**	5	**–158 577**	–156 115
thereof prepaid acquisition costs and premiums	**3**	5	**145**	57

Reinsurance contracts held presented in the consolidated balance sheet

In CHF million	Assets		Liabilities	
	30.06.2023	31.12.2022	**30.06.2023**	31.12.2022
BBA	**676**	721	**–12**	–12
PAA	**1 122**	971	**–2**	–2
TOTAL	**1 798**	1 692	**–13**	–14

The following table shows the contractual service margin of insurance contracts and investment contracts with DPF broken down by measurement model.

Contractual service margin of insurance contracts and investment contracts with DPF issued

In CHF million	**30.06.2023**	31.12.2022
VFA life	**15 318**	15 817
BBA life	**602**	567
TOTAL	**15 920**	16 385

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts excluding prepaid acquisition costs and premiums changed during the period as a result of cash flows and amounts recognised in the statement of profit or loss and other comprehensive income. For the contracts not measured under the PAA, a reconciliation of the movements which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the CSM is presented for the most important portfolios. For the contracts under the PAA, a table is presented for the most important portfolios that separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the statement of profit or loss and other comprehensive income.

Life insurance contracts and investment contracts with discretionary participation under VFA – analysis by measurement component for the 6 months ended 30 June 2023

In CHF million	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM: Contracts under modified retrospective approach	CSM: Contracts under FV approach	CSM: Other contracts	Total
Opening insurance contract assets	**0**	–	–	–	–	**0**
Opening insurance contract liabilities	**–136 363**	**–290**	**–15 142**	–	**–675**	**–152 470**
Net opening balance	**–136 363**	**–290**	**–15 142**	–	**–675**	**–152 470**
Cash flows incurred before or at initial recognition	**5**	–	–	–	–	**5**
Changes that relate to current services						
CSM recognised for services provided	–	–	**617**	–	**25**	**642**
Change in risk adjustment for non-financial risk for risk expired	–	**9**	–	–	–	**9**
Changes that relate to future services						
Contracts initially recognised in the year	**310**	**–8**	**–41**[1]	–	**–262**	–
Changes in estimates that adjust the CSM	**–5 254**	**7**	**4 832**	–	**415**	–
Changes in estimates that result in losses or reversal of losses on onerous contracts	**0**	–	–	–	–	**0**
Changes that relate to past services						
Adjustments to liabilities for incurred claims	**48**	–	–	–	–	**48**
Insurance service result	**–4 896**	**8**	**5 408**	–	**178**	**698**
Net finance income/expenses from insurance contracts	**1**	–	**–4 601**	–	**–537**	**–5 138**
Foreign currency translation differences	**530**	**1**	**46**	–	**6**	**583**
Total changes in the statement of profit or loss and OCI	**–4 366**	**10**	**853**	–	**–353**	**–3 856**
Cash in- and outflows for the period	**1 827**	–	–	–	–	**1 827**
NET CLOSING BALANCE	**–138 897**	**–280**	**–14 289**	–	**–1 029**	**–154 495**
Closing insurance contract assets	**0**	–	–	–	–	**0**
Closing insurance contract liabilities	**–138 897**	**–280**	**–14 289**	–	**–1 029**	**–154 495**

[1] New contracts from group life Switzerland CHF 41 million modelled together with existing contracts

Life insurance contracts and investment contracts with discretionary participation under VFA – analysis by measurement component for the year 2022

In CHF million	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM: Contracts under modified retrospective approach	CSM: Contracts under FV approach	CSM: Other contracts	Total
Opening insurance contract assets	0	–	–	–	–	0
Opening insurance contract liabilities	–160 672	–276	–16 965	–	–	–177 913
Net opening balance	–160 672	–276	–16 965	–	–	–177 912
Cash flows incurred before or at initial recognition	3	–	–	–	–	3
Changes that relate to current services						
CSM recognised for services provided	–	–	1 128	–	26	1 155
Change in risk adjustment for non-financial risk for risk expired	–	14	–	–	–	14
Changes that relate to future services						
Contracts initially recognised in the year	554	–15	–64[1]	–	–475	–
Changes in estimates that adjust the CSM	21 362	–19	–21 397	–	55	–
Changes that relate to past services						
Adjustments to liabilities for incurred claims	–24	–	–	–	–	–24
Insurance service result	21 893	–21	–20 333	–	–394	1 144
Net finance income/expenses from insurance contracts	3	–	21 960	–	–289	21 674
Foreign currency translation differences	2 592	7	196	–	8	2 804
Total changes in the statement of profit or loss and OCI	24 488	–14	1 823	–	–675	25 622
Cash in- and outflows for the period	–183	–	–	–	–	–183
NET CLOSING BALANCE	–136 363	–290	–15 142	–	–675	–152 470
Closing insurance contract assets	0	–	–	–	–	0
Closing insurance contract liabilities	–136 363	–290	–15 142	–	–675	–152 470

[1] New contracts from group life Switzerland CHF 64 million modelled together with existing contracts

Life insurance contracts under BBA – analysis by measurement component for the 6 months ended 30 June 2023

In CHF million	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM: Contracts under modified retrospective approach	CSM: Contracts under FV approach	CSM: Other contracts	Total
Opening insurance contract assets	**0**	–	–	–	–	**0**
Opening insurance contract liabilities	**–395**	**–33**	**–394**	–	**–173**	**–995**
Net opening balance	**–395**	**–33**	**–394**	–	**–173**	**–995**
Changes that relate to current services						
CSM recognised for services provided	–	–	**11**	–	**13**	**24**
Change in risk adjustment for non-financial risk for risk expired	–	**1**	–	–	–	**1**
Experience adjustments	**47**	–	–	–	–	**47**
Changes that relate to future services						
Contracts initially recognised in the year	**35**	**–2**	–	–	**–33**	**–1**
Changes in estimates that adjust the CSM	**16**	**–1**	**1**	–	**–16**	–
Changes in estimates that result in losses or reversal of losses on onerous contracts	**–4**	**0**	–	–	–	**–4**
Changes that relate to past services						
Adjustments to liabilities for incurred claims	**–42**	**0**	–	–	–	**–42**
Insurance service result	**52**	**–2**	**12**	–	**–36**	**25**
Net finance income/expenses from insurance contracts	**–30**	**0**	**–4**	–	**–2**	**–37**
Foreign currency translation differences	**12**	**0**	**–5**	–	**1**	**8**
Total changes in the statement of profit or loss and OCI	**33**	**–2**	**2**	–	**–37**	**–4**
Cash in- and outflows for the period	**–155**	–	–	–	–	**–155**
NET CLOSING BALANCE	**–517**	**–36**	**–392**	–	**–210**	**–1 155**
Closing insurance contract assets	–	–	–	–	–	–
Closing insurance contract liabilities	**–517**	**–36**	**–392**	–	**–210**	**–1 155**

Life insurance contracts under BBA – analysis by measurement component for the year 2022

In CHF million	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM: Contracts under modified retrospective approach	CSM: Contracts under FV approach	CSM: Other contracts	Total
Opening insurance contract assets	595	–39	–396	–	–89	71
Opening insurance contract liabilities	–419	–3	–75	–	0	–498
Net opening balance	176	–42	–471	–	–89	–427
Additions from business combinations	–511	–3	–	–	–17	–532
Changes that relate to current services						
CSM recognised for services provided	–	–	40	–	9	49
Change in risk adjustment for non-financial risk for risk expired	–	3	–	–	–	3
Experience adjustments	54	–	–	–	–	54
Changes that relate to future services						
Contracts initially recognised in the year	106	–18	–	–	–88	–1
Changes in estimates that adjust the CSM	–17	–1	13	–	5	–
Changes in estimates that result in losses or reversal of losses on onerous contracts	–7	0	–	–	–	–7
Changes that relate to past services						
Adjustments to liabilities for incurred claims	–42	–	–	–	–	–42
Insurance service result	93	–16	53	–	–75	56
Net finance income/expenses from insurance contracts	–55	25	–12	–	–1	–42
Foreign currency translation differences	–26	2	36	–	9	22
Total changes in the statement of profit or loss and OCI	13	12	77	–	–67	36
Cash in- and outflows for the period	–72	–	–	–	–	–72
NET CLOSING BALANCE	–395	–33	–394	–	–173	–995
Closing insurance contract assets	0	–	–	–	–	0
Closing insurance contract liabilities	–395	–33	–394	–	–173	–995

Life insurance contracts under PAA – analysis by remaining coverage and incurred claims for the 6 months ended 30 June 2023

In CHF million	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
Opening insurance contract assets	–	–	–	–	–
Opening insurance contract liabilities	–21	–	–1 786	–4	–1 811
Net opening balance	–21	–	–1 786	–4	–1 811
Cash flows incurred before or at initial recognition	–59	–	–	–	–59
Changes in the statement of profit or loss and OCI					
Insurance revenue	682	–	–	–	682
Insurance service expenses					
Incurred claims and other insurance service expenses	–	–	–578	–1	–579
Amortisation of insurance acquisition cash flows	–24	–	–	–	–24
Adjustments to liabilities for incurred claims	–	–	–12	–	–12
Insurance service result	658	–	–590	–1	67
Net finance income/expenses from insurance contracts	–	–	–24	0	–24
Foreign currency translation differences	0	–	19	0	18
Total changes in the statement of profit or loss and OCI	658	–	–595	–1	62
Cash flows					
Premiums received	–705	–	–	–	–705
Claims and other insurance service expenses paid	–	–	329	–	329
Insurance acquisition cash flows	48	–	–	–	48
Total cash flows	–657	–	329	–	–328
NET CLOSING BALANCE	–80	–	–2 053	–5	–2 137
Closing insurance contract assets	21	–	–18	–	3
Closing insurance contract liabilities	–101	–	–2 035	–5	–2 140

Life insurance contracts under PAA – analysis by remaining coverage and incurred claims for the year 2022

In CHF million	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
Opening insurance contract assets	–	–	–	–	–
Opening insurance contract liabilities	20	–	–1 034	–	–1 014
Net opening balance	20	–	–1 034	–	–1 014
Cash flows incurred before or at initial recognition	–18	–	–	–	–18
Additions from business combinations	–282	–	–797	–	–1 079
Changes in the statement of profit or loss and OCI					
Insurance revenue	786	–	–	–	786
Insurance service expenses					
Incurred claims and other insurance service expenses	–	–	–613	–	–613
Amortisation of insurance acquisition cash flows	–13	–	–	–	–13
Adjustments to liabilities for incurred claims	–	–	45	–4	41
Insurance service result	773	–	–568	–4	202
Net finance income/expenses from insurance contracts	–	–	143	–	143
Foreign currency translation differences	–1	–	59	0	59
Total changes in the statement of profit or loss and OCI	772	–	–365	–4	403
Cash flows					
Premiums received	–527	–	–	–	–527
Claims and other insurance service expenses paid	–	–	410	–	410
Insurance acquisition cash flows	13	–	–	–	13
Total cash flows	–514	–	410	–	–104
NET CLOSING BALANCE	–21	–	–1 786	–4	–1 811
Closing insurance contract assets	–	–	–	–	–
Closing insurance contract liabilities	–21	–	–1 786	–4	–1 811

Health and protection insurance contracts under PAA – analysis by remaining coverage and incurred claims for the 6 months ended 30 June 2023

In CHF million	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
Opening insurance contract assets	–	–	–	–	–
Opening insurance contract liabilities	203	–17	–456	–8	–278
Net opening balance	203	–17	–456	–8	–278
Cash flows incurred before or at initial recognition	39	–	–	–	39
Changes in the statement of profit or loss and OCI					
Insurance revenue	765	–	–	–	765
Insurance service expenses					
Incurred claims and other insurance service expenses	–	–	–680	–1	–681
Amortisation of insurance acquisition cash flows	–97	–	–	–	–97
Losses and reversal of losses on onerous contracts	–	–7	–	–	–7
Adjustments to liabilities for incurred claims	–	–	7	1	8
Insurance service result	668	–7	–673	0	–13
Net finance income/expenses from insurance contracts	–	–	–12	0	–12
Foreign currency translation differences	–2	0	5	0	3
Total changes in the statement of profit or loss and OCI	666	–7	–680	0	–22
Cash flows					
Premiums received	–793	–	–	–	–793
Claims and other insurance service expenses paid	–	–	669	–	669
Insurance acquisition cash flows	58	–	–	–	58
Total cash flows	–735	–	669	–	–66
NET CLOSING BALANCE	173	–24	–467	–8	–327
Closing insurance contract assets	–	–	–	–	–
Closing insurance contract liabilities	173	–24	–467	–8	–327

Health and protection insurance contracts under PAA – analysis by remaining coverage and incurred claims for the year 2022

In CHF million	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
Opening insurance contract assets	–	–	–	–	–
Opening insurance contract liabilities	190	–41	–559	–9	–418
Net opening balance	190	–41	–559	–9	–418
Cash flows incurred before or at initial recognition	68	–	–	–	68
Changes in the statement of profit or loss and OCI					
Insurance revenue	1 468	–	–	–	1 468
Insurance service expenses					
Incurred claims and other insurance service expenses	–	–	–1 307	0	–1 307
Amortisation of insurance acquisition cash flows	–187	–	–	–	–187
Losses and reversal of losses on onerous contracts	–	23	–	–	23
Adjustments to liabilities for incurred claims	–	–	21	0	21
Insurance service result	1 282	23	–1 286	0	18
Net finance income/expenses from insurance contracts	–	–	44	1	45
Foreign currency translation differences	–10	2	26	0	18
Total changes in the statement of profit or loss and OCI	1 272	24	–1 217	1	80
Cash flows					
Premiums received	–1 446	–	–	–	–1 446
Claims and other insurance service expenses paid	–	–	1 319	–	1 319
Insurance acquisition cash flows	119	–	–	–	119
Total cash flows	–1 327	–	1 319	–	–8
NET CLOSING BALANCE	203	–17	–456	–8	–278
Closing insurance contract assets	–	–	–	–	–
Closing insurance contract liabilities	203	–17	–456	–8	–278

Non-life insurance contracts under PAA – analysis by remaining coverage and incurred claims for the 6 months ended 30 June 2023

In CHF million	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
Opening insurance contract assets	–	–	–	–	–
Opening insurance contract liabilities	–1	–	–610	–6	–617
Net opening balance	–1	–	–610	–6	–617
Changes in the statement of profit or loss and OCI					
Insurance revenue	182	–	–	–	182
Insurance service expenses					
Incurred claims and other insurance service expenses	–	–	–106	0	–106
Amortisation of insurance acquisition cash flows	–28	–	–	–	–28
Adjustments to liabilities for incurred claims	–	–	–24	0	–24
Insurance service result	154	–	–130	0	23
Net finance income/expenses from insurance contracts	–	–	–14	0	–14
Foreign currency translation differences	0	–	6	0	6
Total changes in the statement of profit or loss and OCI	154	–	–138	0	16
Cash flows					
Premiums received	–195	–	–	–	–195
Claims and other insurance service expenses paid	–	–	161	–	161
Insurance acquisition cash flows	30	–	–	–	30
Total cash flows	–164	–	161	–	–3
NET CLOSING BALANCE	–11	–	–587	–5	–604
Closing insurance contract assets	–	–	–	–	–
Closing insurance contract liabilities	–11	–	–587	–5	–604

Non-life insurance contracts under PAA – analysis by remaining coverage and incurred claims for the year 2022

In CHF million	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk	
Opening insurance contract assets	–	–	–	–	–
Opening insurance contract liabilities	–7	–8	–719	–5	–738
Net opening balance	–7	–8	–719	–5	–738
Changes in the statement of profit or loss and OCI					
Insurance revenue	379	–	–	–	379
Insurance service expenses					
Incurred claims and other insurance service expenses	–	–	–285	0	–284
Amortisation of insurance acquisition cash flows	–60	–	–	–	–60
Losses and reversal of losses on onerous contracts	–	8	–	–	8
Adjustments to liabilities for incurred claims	–	–	–32	–2	–34
Insurance service result	320	8	–317	–2	9
Net finance income/expenses from insurance contracts	–	–	111	1	112
Foreign currency translation differences	0	0	33	0	34
Total changes in the statement of profit or loss and OCI	320	8	–172	–1	155
Cash flows					
Premiums received	–471	–	–	–	–471
Claims and other insurance service expenses paid	–	–	280	–	280
Insurance acquisition cash flows	157	–	–	–	157
Total cash flows	–314	–	280	–	–33
NET CLOSING BALANCE	–1	–	–610	–6	–617
Closing insurance contract assets	–	–	–	–	–
Closing insurance contract liabilities	–1	–	–610	–6	–617

Reinsurance contracts held under BBA – analysis by measurement component for the 6 months ended 30 June 2023

In CHF million	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM: Contracts under modified retrospective approach	CSM: Contracts under FV approach	CSM: Other contracts	Total
Opening reinsurance contracts held – assets	668	3	28	–	21	721
Opening reinsurance contracts held – liabilities	–50	0	38	–	–	–12
Net opening balance	618	3	66	–	21	708
Changes that relate to current services						
CSM recognised for services provided	–	–	–2	–	–5	–7
Change in risk adjustment for non-financial risk for risk expired	–	0	–	–	–	0
Experience adjustments	–8	–	–	–	–	–8
Changes that relate to future services						
Contracts initially recognised in the year	–1	0	–	–	1	1
Changes in estimates that adjust the CSM	–3	0	0	–	4	–
Changes that relate to past services						
Changes to incurred claims component	–1	0	–	–	–	–1
Net expenses from reinsurance contracts	–13	0	–2	–	1	–14
Net finance income/expenses from reinsurance contracts	3	0	1	–	1	5
Effect of changes in non-performance risk of reinsurers	0	–	–	–	–	0
Foreign currency translation differences	–4	0	–1	–	0	–5
Total changes in the statement of profit or loss and OCI	–14	0	–2	–	1	–13
Cash flows						
Cash in- and outflows for the period	–30	–	–	–	–	–30
NET CLOSING BALANCE	575	3	64	–	23	664
Closing reinsurance contracts held – assets	623	3	28	–	23	676
Closing reinsurance contracts held – liabilities	–48	0	36	–	0	–12

Reinsurance contracts held under BBA – analysis by measurement component for the year 2022

In CHF million	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM: Contracts under modified retrospective approach	CSM: Contracts under FV approach	CSM: Other contracts	Total
Opening reinsurance contracts held – assets	–3	1	35	–	–	32
Opening reinsurance contracts held – liabilities	–97	0	60	–	–	–36
Net opening balance	–100	1	95	–	–	–4
Additions from business combinations	505	3	–	–	17	525
Changes that relate to current services						
CSM recognised for services provided	–	–	–10	–	–5	–15
Change in risk adjustment for non-financial risk for risk expired	–	0	–	–	–	0
Experience adjustments	1	–	–	–	–	1
Changes that relate to future services						
Contracts initially recognised in the year	2	0	–	–	2	4
Changes in estimates that adjust the CSM	13	0	–20	–	8	–
Changes that relate to past services						
Changes to incurred claims component	–34	–	–	–	–	–34
Net expenses from reinsurance contracts	–17	–1	–29	–	5	–41
Net finance income/expenses from reinsurance contracts	–10	0	3	–	0	–7
Effect of changes in non-performance risk of reinsurers	0	–	–	–	–	0
Foreign currency translation differences	–4	0	–4	–	0	–9
Total changes in the statement of profit or loss and OCI	–32	–1	–29	–	5	–57
Cash flows						
Cash in- and outflows for the period	245	–	–	–	–	245
NET CLOSING BALANCE	618	3	66	–	21	708
Closing reinsurance contracts held – assets	668	3	28	–	21	721
Closing reinsurance contracts held – liabilities	–50	0	38	–	–	–12

Reinsurance contracts held under PAA – analysis by remaining coverage and incurred claims

In CHF million	Remaining coverage component		Incurred claims component		Total	
	2023 HY	2022	**2023 HY**	2022	**2023 HY**	2022
Opening reinsurance contract held – assets	**–128**	9	**1 099**	242	**971**	252
Opening reinsurance contract held – liabilities	**–2**	–1	**0**	0	**–2**	–1
Net opening balance	**–130**	8	**1 099**	242	**969**	251
Cash flows incurred before or at initial recognition	**–350**	78	**–**	–	**–350**	78
Additions from business combinations	**–**	327	**–**	750	**–**	1 077
Changes in the statement of profit or loss and OCI						
Net expenses from reinsurance contracts	**–413**	–471	**377**	366	**–36**	–105
Net finance income/expenses from reinsurance contracts	**–**	–	**10**	–75	**10**	–75
Foreign currency translation differences	**2**	2	**–9**	–22	**–7**	–20
Total changes in the statement of profit or loss and OCI	**–411**	–469	**377**	269	**–34**	–200
Cash flows						
Premiums paid	**760**	–75	**–**	–	**760**	–75
Amounts received	**–**	–	**–224**	–162	**–224**	–162
Total cash flows	**760**	–75	**–224**	–162	**535**	–237
NET CLOSING BALANCE	**–131**	–130	**1 252**	1 099	**1 120**	969
Closing reinsurance contract held – assets	**–129**	–128	**1 252**	1 099	**1 122**	971
Closing reinsurance contract held – liabilities	**–2**	–2	**0**	0	**–2**	–2

Investment contracts without discretionary participation

In CHF million

	2023 HY	2022
Balance as at 1 January	**18 545**	22 611
Deposits received	**735**	990
Fair value changes	**989**	–1 813
Interest and bonuses credited	**0**	0
Policy fees and other charges	**–93**	–60
Deposits released	**–1 312**	–1 612
Other movements	**167**	–914
Reclassifications	**–**	0
Foreign currency translation differences	**–239**	–657
BALANCE AS AT END OF PERIOD	**18 793**	18 545

Contracts that do not contain significant insurance risk and do not have discretionary participation features are carried at amortised cost or fair value.

8 Borrowings

In CHF million	Notes	30.06.2023	31.12.2022
Hybrid debt		**2 074**	2 089
Senior bonds		**2 505**	2 120
Bank loans		**420**	200
TOTAL BORROWINGS	12	**4 999**	4 409

Liabilities from financing activities for the 6 months ended 30 June

In CHF million	Hybrid debt		Senior bonds		Bank loans		Lease liabilities [1]		Total	
	2023 HY	2022 HY	**2023 HY**	2022 HY	**2023 HY**	2022 HY	**2023 HY**	2022 HY	**2023 HY**	2022 HY
Balance as at 1 January	**2 089**	2 634	**2 120**	1 466	**200**	–	**249**	224	**4 658**	4 323
Cash flows										
Issuance	**–**	–	**598**	–	**420**	–	**–**	–	**1 018**	–
Redemptions	**–**	–	**–200**	–	**–200**	–	**–19**	–18	**–419**	–18
Other changes										
New leases	**–**	–	**–**	–	**–**	–	**24**	21	**24**	21
Premium/discount amortisation	**1**	2	**1**	0	**–**	–	**2**	2	**5**	5
Other movements	**–**	–	**–**	–	**–**	–	**–5**	–3	**–5**	–3
Acquisitions and disposals of subsidiaries	**–**	–	**–**	–	**–**	–	**–**	–1	**–**	–1
Foreign currency translation differences	**–16**	–58	**–14**	–23	**–**	–	**–2**	–7	**–31**	–87
BALANCE AS AT END OF PERIOD	**2 074**	2 578	**2 505**	1 444	**420**	–	**250**	219	**5 249**	4 240

[1] Included in other financial liabilities

Senior bonds

On 10 January 2023, the Swiss Life Group placed three tranches of senior bonds:

– CHF 200 million senior bonds with maturity in 2026 and 2.04% coupon
– CHF 200 million senior bonds with maturity in 2028 and 2.2588% coupon
– CHF 200 million senior bonds with maturity in 2032 and 2.61% coupon

Bank loans

On 3 October 2022, Swiss Life AG entered into a CHF 500 million multicurrency revolving credit facility with a tenor of 5 years and a 2-year of extension option. The interest paid on the drawn part is based on SARON or Euribor plus a margin on the drawn part and a commitment fee on the undrawn part. As at 30 June 2023, CHF 420 million have been drawn.

9 Other Financial Liabilities

Other financial liabilities

In CHF million

	Notes	30.06.2023	31.12.2022
Customer deposits		**1 896**	2 611
Repurchase agreements		**4 189**	2 887
Amounts due to banks		**4 976**	6 607
Lease liabilities	8	**250**	249
Third-party interests in consolidated investment funds		**4 727**	4 093
Accrued expenses		**600**	604
Settlement accounts		**474**	314
Other		**1 474**	1 771
TOTAL OTHER FINANCIAL LIABILITIES		**18 586**	19 136

10 Employee Benefits

Employee benefit liabilities

In CHF million

	30.06.2023	31.12.2022
Employee benefit liabilities consist of		
gross defined benefit liabilities	**702**	607
other employee benefit liabilities	**183**	262
TOTAL EMPLOYEE BENEFIT LIABILITIES	**885**	869

Amounts recognised as defined benefit assets / liabilities

In CHF million

	30.06.2023	31.12.2022
Present value of defined benefit obligation	**–3 154**	–3 012
Fair value of plan assets	**2 494**	2 446
NET DEFINED BENEFIT LIABILITY	**–660**	–566
Insurance contracts not eligible as plan assets under IFRS	**1 068**	1 088
NET DEFINED BENEFIT SURPLUS (+)/DEFICIT (–) (ECONOMIC VIEW)	**408**	522
The net defined benefit liability consists of		
gross defined benefit liabilities	**–702**	–607
gross defined benefit assets	**42**	41

To assess the funding situation of the defined benefit plans in total, plan assets as well as insurance contracts not eligible as plan assets under IFRS must be set off against the present value of the defined benefit obligation. The net total taking into consideration insurance contracts not eligible as plan assets under IFRS amounted to a surplus of CHF 408 million as at 30 June 2023 (31.12.2022: surplus of CHF 522 million).

11 Income Taxes

Income tax expense

In CHF million

	2023 HY	2022 HY
Current income tax expense	**101**	114
Deferred income tax expense	**40**	119
TOTAL INCOME TAX EXPENSE	**141**	234

12 Fair Value Measurements

For reporting purposes, a fair value hierarchy is established that categorises the inputs to valuation techniques used to measure fair value into level 1, 2 or 3. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs).

The fair value of assets or liabilities included in level 1 is based on unadjusted quoted prices in active markets for identical assets or liabilities. The fair value of assets or liabilities which are not traded in an active market is determined using valuation techniques. If all significant inputs to these valuation techniques are observable (directly and indirectly) in the market, the assets or liabilities are included in level 2.

If one or more significant inputs to these valuation techniques are not observable in the market, the assets or liabilities are included in level 3. Such inputs may include information that is derived through extrapolation which is not substantiated by observable market data or that reflects own assumptions about what market participants would use in pricing the asset or liability.

Assets and liabilities measured at fair value on a recurring basis

Financial instruments

As a general rule, fair values of financial instruments are based on quoted prices sourced from well-known independent price providers such as Bloomberg. Model-based level 2 and level 3 valuations of financial instruments are applied to a minority of the assets.

Fair value hierarchy

In CHF million	Quoted prices (level 1)		Valuation technique - observable inputs (level 2)		Valuation technique - unobservable inputs (level 3)		Total	
	30.06.2023	31.12.2022	**30.06.2023**	31.12.2022	**30.06.2023**	31.12.2022	**30.06.2023**	31.12.2022
FINANCIAL ASSETS								
Derivatives								
Currency	**–**	–	**445**	1 497	**–**	–	**445**	1 497
Interest rate	**4**	7	**1 432**	1 871	**–**	–	**1 436**	1 877
Equity	**1 235**	1 733	**62**	19	**–**	–	**1 297**	1 752
Other	**–**	–	**0**	–	**–**	–	**0**	–
Total derivatives	**1 239**	1 740	**1 939**	3 386	**–**	–	**3 178**	5 126
Debt instruments								
Governments and supranationals	**34 416**	34 481	**2 969**	2 825	**–**	–	**37 386**	37 306
Corporates	**41 597**	38 885	**3 447**	2 942	**897**	112	**45 941**	41 939
Other	**–**	2	**–**	27	**91**	20	**91**	49
Total debt instruments	**76 014**	73 368	**6 417**	5 795	**987**	132	**83 417**	79 294
Equity securities	**11 515**	9 934	**97**	26	**593**	629	**12 205**	10 589
Investment funds	**31 136**	30 408	**765**	1 389	**4 308**	4 189	**36 210**	35 987
Alternative investments	**75**	87	**65**	54	**8 221**	6 938	**8 362**	7 080
TOTAL FINANCIAL ASSETS	**119 979**	115 536	**9 284**	10 651	**14 109**	11 888	**143 372**	138 076
INVESTMENTS IN ASSOCIATES								
Associates at fair value through profit or loss	**–**	–	**–**	–	**23**	72	**23**	72
FINANCIAL LIABILITIES								
Derivatives								
Currency	**–**	–	**391**	437	**–**	–	**391**	437
Interest rate	**–**	–	**1 861**	2 218	**–**	–	**1 861**	2 218
Equity	**675**	546	**4**	8	**–**	–	**680**	554
Other	**–**	–	**16**	9	**–**	–	**16**	9
Total derivatives	**675**	546	**2 273**	2 672	**–**	–	**2 948**	3 218
Investment contracts without discretionary participation	**–**	–	**18 763**	18 525	**–**	–	**18 763**	18 525
Third-party interests in consolidated investment funds	**–**	–	**1 111**	1 103	**3 615**	2 991	**4 727**	4 093
Other financial liabilities	**–**	–	**19**	–	**–**	–	**19**	–
TOTAL FINANCIAL LIABILITIES	**675**	546	**22 166**	22 300	**3 615**	2 991	**26 456**	25 837

For a detailed description of the valuation techniques and significant inputs used in the fair value measurement of financial instruments, refer to the Consolidated Financial Statements 2022, Note 30 Fair Value Measurements.

During 2023, debt securities of CHF 190 million (2022: CHF 114 million) were transferred from level 1 into level 2 due to reduced frequency of price quotations, and debt securities of CHF 524 million (2022: CHF 187 million) were transferred from level 2 into level 1 due to new liquid price sources.

The transfers between the levels of the fair value hierarchy were made at the end of the reporting period.

Reconciliation of fair value measurements categorised within level 3

The following tables show a reconciliation from the opening balances to the closing balances for fair value measurements categorised within level 3 of the fair value hierarchy.

Assets measured at fair value based on level 3 for the 6 months ended 30 June 2023

In CHF million	Derivatives	Debt instruments		Equity securities, investment funds and alternative investments	Equity instruments	Total
		At fair value through profit or loss	At fair value through other comprehensive income	At fair value through profit or loss	At fair value through other comprehensive income	
Balance as at 1 January	–	26	106	10 565	1 263	11 960
Adjustment on initial application of IFRS 9	–	46	621	1 263	–1 263	666
Balance as at 1 January 2023 restated	–	71	727	11 828	–	12 626
Total gains/losses recognised in profit or loss	–	6	–9	201	–	198
Total gains/losses recognised in other comprehensive income	–	–	–26	–	–	–25
Additions	–	142	191	2 056	–	2 388
Disposals	–	–1	–98	–826	–	–925
Transfers into level 3	–	–	–	0	–	0
Transfers out of level 3	–	–6	–	–	–	–6
Foreign currency translation differences	–	–2	–8	–114	–	–124
BALANCE AS AT END OF PERIOD	–	210	777	13 145	–	14 132
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	–	5	1	342	–	348

Assets measured at fair value based on level 3 for the 6 months ended 30 June 2022

In CHF million	Derivatives	Debt instruments		Equity instruments		Total
		At fair value through profit or loss	Available for sale	At fair value through profit or loss	Available for sale	
Balance as at 1 January	–	18	122	9 838	1 232	11 211
Total gains/losses recognised in profit or loss	–	0	2	306	–136	172
Total gains/losses recognised in other comprehensive income	–	–	–11	–	148	137
Additions	–	2	–	489	488	978
Disposals	–	0	–	–416	–434	–850
Transfers out of level 3	–	–	–	–	–3	–3
Foreign currency translation differences	–	–1	–3	–248	–43	–294
BALANCE AS AT END OF PERIOD	–	18	111	9 969	1 253	11 351
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	–	0	0	308	–3	304

Liabilities measured at fair value based on level 3

In CHF million	Derivatives		Investment contracts without discretionary participation features		Third-party interests in consolidated investment funds		Total	
	2023 HY	2022 HY	**2023 HY**	2022 HY	**2023 HY**	2022 HY	**2023 HY**	2022 HY
Balance as at 1 January	**–**	–	**–**	–	**2 991**	3 208	**2 991**	3 208
Total gains/losses recognised in profit or loss	**–**	–	**–**	–	**–28**	128	**–28**	128
Additions	**–**	–	**–**	–	**666**	64	**666**	64
Disposals	**–**	–	**–**	–	**–**	–129	**–**	–129
Foreign currency translation differences	**–**	–	**–**	–	**–13**	–74	**–13**	–74
BALANCE AS AT END OF PERIOD	**–**	–	**–**	–	**3 615**	3 196	**3 615**	3 196
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	**–**	–	**–**	–	**–28**	104	**–28**	104

Gains/losses recognised in profit or loss

Gains/losses on level 3 fair value measurements recognised in profit or loss are presented in the income statement as follows.

In CHF million	Financial assets measured at fair value through other comprehensive income		Financial instruments measured at fair value through profit or loss	
	2023 HY	2022 HY	**2023 HY**	2022 HY
ASSETS				
Total gains/losses recognised in profit or loss	**–9**	–134	**207**	306
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	**1**	–3	**347**	308
LIABILITIES				
Total gains/losses recognised in profit or loss	**–**	–	**28**	–128
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	**–**	–	**28**	–104

Fair value of financial instruments carried at amortised cost

The following table shows the carrying amounts and fair values of those financial assets and liabilities not measured at fair value in the Group's balance sheet.

In CHF million	Carrying amount		Fair value	
	30.06.2023	31.12.2022	**30.06.2023**	31.12.2022
ASSETS				
Debt securities	**1**	734	**1**	805
Loans	**15 009**	16 140	**13 935**	14 867
Receivables [1]	**2 884**	2 867	**2 884**	2 867
LIABILITIES				
Investment contracts without discretionary participation [1]	**30**	20	**30**	20
Borrowings	**4 999**	4 409	**4 953**	4 372
Other financial liabilities [1,2]	**13 859**	15 043	**13 859**	15 043

1 Carrying amount approximates fair value
2 Excluding third-party interests in consolidated investment funds

13 Acquisitions and Disposals of Subsidiaries

In CHF million

	2023 HY
CONSIDERATION	
Cash consideration	54
Contingent consideration arrangement(s)	1
TOTAL CONSIDERATION	55
TOTAL	55
ACQUISITION-RELATED COSTS	
Other expenses	0
TOTAL	0
IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED	
Cash and cash equivalents	5
Financial assets at amortised cost	3
Investments in associates	3
Intangible assets	9
Other financial liabilities	–6
Employee benefit liabilities	0
Deferred income tax liabilities	–3
Other liabilities	–1
TOTAL IDENTIFIABLE NET ASSETS	10
Goodwill	45
TOTAL	55

In the first half of 2023, the Swiss Life Group acquired 100% of the shares of fb research GmbH, based in Hanover, Germany, and a financial advisory business in Slovakia. There were no significant acquisitions in the first half of 2022.

There were no significant disposals in the first half of 2023 and the first half of 2022.

14 Events after the Reporting Period

There were no events after the reporting period that would require disclosure.

Review Report

Report on the Review

of the condensed consolidated financial statements to the Board of Directors of Swiss Life Holding Ltd

Zürich

Introduction

We have reviewed the condensed consolidated financial statements (condensed consolidated statement of income, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and condensed notes to the consolidated financial statements, pages 4 to 78) of Swiss Life Holding Ltd for the period ended 30 June 2023. The Board of Directors is responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Swiss Auditing Standard 910 and International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swiss Auditing Standards and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements have not been prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers AG

Peter Eberli

Beat Walter

Zürich, 5 September 2023

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List of abbreviations

AmC	Amortised cost
BBA	Building block approach or general model
CSM	Contractual service margin
DPF	Discretionary participation features
EAD	Exposure at default
ECL	Expected credit losses
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
LGD	Loss given default
LIC	Liability for incurred claims
LLP	Last liquid point
LRC	Liability for remaining coverage
LTPD	Lifetime probability of default
PAA	Premium allocation approach
PD	Probability of default
SICR	Significant increase in credit risk
SPPI	Solely payments of principal and interest
UFR	Ultimate forward rate
VFA	Variable fee approach

Important Dates

Trading Update Q3 2023
8 November 2023

Presentation of 2023 results
14 March 2024

Annual General Meeting 2024
15 May 2024, Swiss Life Arena Zurich

Trading Update Q1 2024
22 May 2024

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Financial Publications
All the Swiss Life Group's financial publications can be found at: www.swisslife.com/reports

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

We enable people to lead a self-determined life.

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