

Occupational provisions
Swiss Life Switzerland



SwissLife

2023

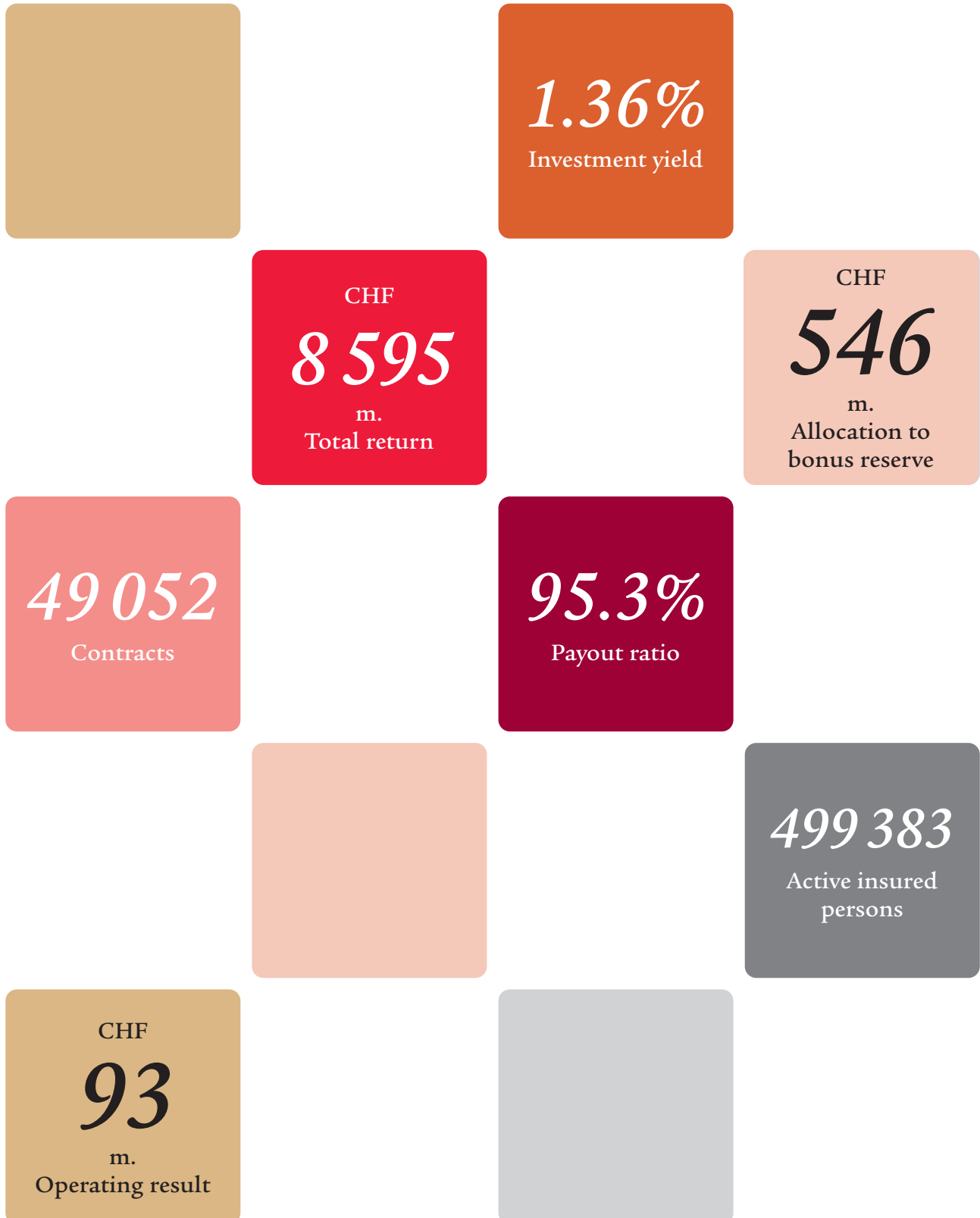
operating
result

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Swiss Life

2023 operating result in brief



Editorial

Dear Customers

In 2023, Swiss Life's customers once again enjoyed exceptional benefits despite the challenging market environment, which continued to be characterised by low interest rates and low investment income.

A total of CHF 546 million was allocated to the bonus reserve last year, enabling Swiss Life to continue offering a consistently high overall interest rate in the future. Our insured persons benefited from a distribution of CHF 262 million from the bonus reserve, which was higher than in the previous year. A total interest rate of around 1.8% was achieved on retirement savings in full insurance, and over 2% in complementary employee benefits.

Due to ongoing market volatility, net investment income is often subject to greater fluctuations, as it was in 2023. With income of CHF 1026 million, the level was lower than in the previous year, which is also reflected in the operating result. The slight decrease in risk premiums is largely related to a more attractive premium structure.

Thanks to our prudent underwriting policy, we were able to ensure profitability in new customer business in 2023 while maintaining a high level of quality for our corporate clients. The number of contracts rose to over 49 000, which represents a slight increase over the previous year.

With its broad full-range offering, Swiss Life provides SMEs and large companies maximum freedom of choice in structuring their occupational provisions and flexible group insurance solutions.

The volatile business environment is not only leading to increased interest in full insurance, semi-autonomous solutions are also in constant high demand. The majority of the premium revenues from this business is not reported in the present operating account. The growth in semi-autonomous business reflects customers' interest in direct participation in the investment markets and individual participation in the context of 1e plans.

Finally, we would like to take this opportunity to thank you, our customers, for your loyalty and for the confidence you have placed in us. We are delighted that you have chosen Swiss Life as your partner for occupational pension solutions.



A handwritten signature in blue ink, appearing to read 'D. Zweifel'.

Danilo Zweifel
Head of Corporate Clients Division
Member of the Executive Board Switzerland

At a glance – Operating result, occupational provisions Switzerland

Income	2023	2022
Gross written premiums	7 566	7 949
Savings premiums	6 617	6 970
Risk premiums	728	751
Cost premiums	221	228
Net investment result	1 026	1 796
Direct investment income	2 072	1 920
Result from disposals	392	331
Balance from write-ups and write-downs	-417	-155
Currency result	-784	-62
Interest expense	-11	-6
Gross investment result	1 252	2 028
Asset management costs	-226	-232
Other income	8	7
Reinsurance result	-5	-4
Total income	8 595	9 748
Expenses	2023	2022
Insurance benefits	9 514	9 227
Benefits as a result of old age, death and disability	2 918	2 873
Individual lump-sum payments (vested benefits, WEF, divorce, vested benefit policy)	3 867	4 058
Surrender values from contract terminations	2 682	2 253
Benefit processing expenses	47	43
Change in insurance reserves	-1 821	-506
Retirement savings	-1 532	-1 088
Provision for future pension conversions	-256	-15
Mathematical reserve for current retirement and survivors' benefits	177	493
Mathematical reserve for current disability pensions and disabled person's children's benefits	-34	-15
Mathematical reserve, vested benefit policies	-66	-76
Mathematical reserve other cover	11	49
Strengthening of mathematical reserve for pension reserves and vested benefit policies	-237	-161
Provision for incurred but not settled claims	19	-47
Value fluctuation and interest rate guarantee reserves	68	258
Cost of living reserves	1	1
Other insurance reserves	28	95
Costs for acquisitions and administration	234	236
Change in reserves for unearned premiums	0	0
Other expenses	29	17
Allocation to the bonus reserve	546	636
Operating result	93	138
Total expenses	8 595	9 748

All figures in CHF million



Breakdown of savings premiums

Breakdown of savings premiums	2023	2022
Retirement credits	2 460	2 581
Individual deposits due to commencing employment, purchase, WEF or divorce	3 258	3 569
Transferred retirement savings on transfers of contract	202	119
Deposits for retirement and survivors' benefits	1	7
Deposits for disability pensions and disabled person's children's benefits	2	9
Deposits for vested benefit policies	694	685
Total savings premiums	6 617	6 970

All figures in CHF million

Breakdown of insurance benefits

Breakdown of insurance benefits	2023	2022
Benefits as a result of old age	2 192	2 173
Annuity benefits	1 043	1 027
Lump sums	1 149	1 146
Ratio annuity benefits	48%	47%
Ratio lump sums	52%	53%
Benefits as a result of death and disability	726	700
Annuity benefits	443	444
Lump sums	283	256
Total benefits as a result of old age, death and disability	2 918	2 873

All figures in CHF million

Breakdown of investment income

Breakdown of direct investment income	2023	2022
Liquid assets	6	-12
Bonds	988	1 004
Properties	480	472
Mortgages	104	106
Other investments	494	350
Direct investment income	2 072	1 920

All figures in CHF million



Accounting principles

The occupational provisions operating result comprises group life business in Switzerland. The legal bases include the BVG (Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans), the VAG (Insurance Supervisory Law) and resulting decrees.

The main income figures presented in the operating result are periodic premiums, single premiums and investment income. The insurance benefits consist primarily of benefits paid out as a result of old age, disability and death or lump-sum benefits resulting from vesting and surrenders.

The material presented is based on the statutory financial statements. The statutory financial statements for Switzerland describe the Swiss group life and individual life operations from an actuarial perspective. Based on

these statements, the Federal Financial Market Supervisory Authority FINMA can check compliance with solvency and other regulations. The statutory financial statements form the basis for the allocation of bonuses to policyholders, dividend policy and reporting to the supervisory authorities.

The statutory financial statements are not to be confused with the consolidated financial statements of the Swiss Life Group, which describe the business activities of the whole Group from a shareholder's point of view. They are produced in accordance with consistent rules conforming to IFRS (International Financial Reporting Standards) requirements. The results of the foreign subsidiaries are also consolidated in the annual financial statements. It is not possible to make a direct comparison with the operating result for Switzerland.

Proof of adherence to statutory minimum distribution ratio

The occupational pensions business can be divided into the three processes of savings, risk and costs. The income is first used to cover the expenses allotted to each pro-

cess. The remaining income is then used to strengthen the reserves, to ensure that promised benefits will always be paid and to build up the bonus reserve.

Process	Income	Associated services
Savings process	Net investment income	Interest on retirement savings and mathematical reserves for current pensions, conversion of retirement savings into retirement pensions
Risk process	Risk premium	Payment of disability and survivors' benefits, formation of mathematical reserves for new pensions
Cost process	Cost premium	Services for the administration of benefit and insurance solutions and for client advisory services

Business subject to statutory minimum distribution ratio

The bulk of the group business is subject to the statutory minimum distribution ratio. The legal provisions on the statutory minimum distribution ratio – also known as the legal quote – require that at least 90% of

the income is used for the benefit of the policyholders. This ensures that they participate appropriately in any profit the insurance company makes.

	2023	2022
Sum of income components	1 753	2 495
Savings process	928	1 626
Risk process	621	659
Cost process	204	210
Sum of expenses	1 662	1 720
Savings process	903	1 103
Risk process	524	391
Cost process	235	226
Gross result	91	775
Accumulation (+) or release (-) of technical reserves	-389	108
In the savings process	-429	56
Longevity risk	-262	-176
Insufficient funding upon conversion into pension	-220	-10
Interest rate guarantees	0	0
Release of cost of living reserves for strengthening	0	0
Fluctuations in value of investments	53	242
In the risk process	40	52
Reported but not settled claims*	-9	-30
Incurred but not reported claims	-1	0
Fluctuations in claims	24	82
Rate adjustments and rate restructuring	0	0
Release of cost of living reserves for strengthening	0	0
Accumulation of additional cost of living reserves	26	0
Release of cost of living reserves for bonus reserve	0	0
Costs of raising additional borrowed capital	0	0
Allocation to the bonus reserve	399	543
Operating result	81	124
Distribution ratio	95.4%	95.0%

All figures in CHF million

*Including strengthening of mathematical reserve for disability and surviving dependants' pensions

In 2023, Swiss Life used a total of CHF 1 672 million in favour of the insured persons in business subject to the statutory minimum distribution ratio. With a distri-

bution ratio of 95.4%, the minimum legal requirements have been met.

Business not subject to statutory minimum distribution ratio

Contracts with a special arrangement for surplus participation are not subject to the statutory minimum distribution ratio. This includes contracts with their

own profit and loss accounts, where participation in any surplus (bonus) is determined by the risk experience of the individual contract.

	2023	2022
Sum of income components	222	280
Savings process	98	170
Risk process	107	92
Cost process	17	18
Sum of expenses	139	154
Savings process	49	84
Risk process	70	51
Cost process	20	19
Gross result	83	126
Accumulation (+) or release (-) of technical reserves	-76	19
In the savings process	-81	6
Longevity risk	-60	-4
Insufficient funding upon conversion into pension	-36	-6
Interest rate guarantees	0	0
Release of cost of living reserves for strengthening	0	0
Fluctuations in value of investments	15	16
In the risk process	5	13
Reported but not settled claims*	-1	-1
Incurred but not reported claims	0	0
Fluctuations in claims	4	14
Rate adjustments and rate restructuring	0	0
Release of cost of living reserves for strengthening	0	0
Accumulation of additional cost of living reserves	2	0
Release of cost of living reserves for bonus reserve	0	0
Costs of raising additional borrowed capital	0	0
Allocation to the bonus reserve	147	93
Operating result	12	14
Distribution ratio	94.4%	95.3%

All figures in CHF million

*Including strengthening of mathematical reserve for disability and surviving dependants' pensions

In 2023, Swiss Life used a total of CHF 210 million in favour of the insured persons in business not subject to the statutory minimum distribution ratio.

Summary

	*MDR	**NMDR	Total
<i>Gross income</i>	1 753	222	1 975
<i>Sum of expenses</i>	1 662	139	1 801
Accumulation (+) or release (-) of technical reserves	-389	-76	-465
Allocation to the bonus reserve	399	147	546
<i>Operating result</i>	81	12	93
<i>Distribution ratio</i>	95.4%	94.4%	95.3%
<i>Bonus reserve</i>	929	153	1 082

*MDR: subject to minimum distribution ratio

**NMDR: not subject to minimum distribution ratio

Insurance reserves

Insurance reserves	Total	Mandatory	Supplementary
Retirement savings	39 245	18 918	20 327
Provision for future pension conversions	1 665	1 268	397
Mathematical reserve for current retirement and survivors' benefits	16 896	8 715	8 181
Mathematical reserve for current disability and disabled person's children's benefits	1 985	1 313	672
Mathematical reserve, vested benefit policies	3 416		
Mathematical reserve other cover	4 009		
Strengthening of mathematical reserve for current pensions and VBP	2 799		
Provision for incurred but not settled claims	735		
Reserves for interest rate guarantees, claim and value fluctuations	0		
Cost of living reserves	638		
Other insurance reserves	650		
<i>Total insurance reserves</i>	72 038		

All figures in CHF million

In view of the persistent low interest rate environment, Swiss Life has valued pension liabilities with a technical interest rate of 0.91% (2022: 0.85%). This will guarantee that Swiss Life can continue to fulfil its customer

promise. In addition, Swiss Life has built up a generous bonus reserve, which will allow beneficiaries a high level of profit participation in the future.

Bonus reserve

The bonus reserve is a reserve for future bonus distributions to policyholders. It serves to even out fluctuations in the course of business so that policyholder bonuses remain stable. The bonus reserve is used exclusively for the policyholders. It is built up using allocations from the operating result. The distributions to policyholders

are taken from this reserve. Money that flows into the bonus reserve must be passed on to the policyholders within five years at the most. No more than two-thirds of the bonus reserve can be distributed to policyholders in any given year.

Balance as at beginning of year	798
Allocated to employee benefits institutions	-262
Valuation adjustment	0
Withdrawn from bonus reserve to cover an operating shortfall	0
Allocation to the bonus reserve	546
Balance as at end of 2023	1 082
of which: fixed allocation	541
of which: free	541

All figures in CHF million

From the 2023 result, a total of CHF 546 million was allocated to the bonus reserve.

Cost of living reserves

The cost of living adjustment fund is an insurance reserve used to finance future adjustments of current disability and surviving dependants' pensions to price

developments. The fund is financed by cost of living premiums paid by the active insured persons.

Balance as at beginning of year	637
Gross cost of living premiums	5
Outlay	-3
Expenditure for COL increases in risk pensions	-29
Release for strengthening under Art. 149 para. 1a	0
Release for bonus reserve	0
Accumulation of additional cost of living reserves	28
Balance as at end of 2023	638

All figures in CHF million

Book values – Liability items

Total insurance reserves	72 038
Bonus reserve	1 082
Reserves for unearned premiums	0
Credited bonuses	84
Other liabilities	3 341
Total book value	76 545

All figures in CHF million

Other key figures

Number of group insurance contracts	49 052
Number of insured persons at end of accounting year	687 708
Number of active insured persons	499 383
of which number of fully insured persons	309 795
of which number of other active insured persons	189 588
Number of pension recipients	86 860
Number of vested benefit policies	101 465
Interest rate for retirement savings in mandatory insurance	1.00%
Interest rate for retirement savings in supplementary insurance	0.250%
Mandatory minimum BVG interest rate (compliance account)	1.00%
Technical interest rate used to value pension liabilities	0.91%
Mandatory minimum BVG pension conversion rate for women at retirement age 64 (compliance account)	6.80%
Mandatory minimum BVG pension conversion rate for men at retirement age 65 (compliance account)	6.80%
Conversion rate for women's mandatory retirement savings with full insurance (retirement age 64)	6.20%
Conversion rate for women's supplementary retirement savings with full insurance (retirement age 64)	4.54%
Conversion rate for men's mandatory retirement savings with full insurance (retirement age 65)	6.20%
Conversion rate for men's supplementary retirement savings with full insurance (retirement age 65)	4.49%

Information on the 2023 investment year

Economic environment

Disruptions in supply chains and high energy prices have shaped the inflation trend over the past two years, but finally came to an end in 2023. The double-digit inflation rates seen in Europe at times are likely to go down in history as an anomaly. Inflation is now primarily demand-driven again, and the focus of the central banks is thus on wage growth and services.

In March, the turbulence in the US banking system made headlines. The Fed and the US government were forced to bail out two regional banks. In the same month, a bank rescue also caused a stir in Switzerland: the major bank Credit Suisse had to be taken over by UBS. The SNB and the government were obliged to provide guarantees and liquidity.

Whereas in Europe the rigid monetary policy led to an economic slowdown, the US economy proved very robust. For example, the US was much less affected by the global weakness in the manufacturing sector. A predominantly negative picture emerged for the German economy. The International Monetary Fund is forecasting negative growth for Europe's strongest economy in 2023, while growth in the eurozone should be positive overall.

China also came under significant pressure in 2023 due to problems such as high youth unemployment, the sluggish economic recovery and the gloomy growth prospects. After Evergrande, another real estate developer in China, Country Garden, stumbled in August. The real estate sector accounts for almost a third of China's economy.

Equities

International stock exchanges posted significant gains in 2023. In the fourth quarter, hopes of easing inflationary pressure and falling interest rates were the main factors driving the markets. The Dow Jones and S&P 500 increased by 14% and 24% respectively. The SMI and SPI both returned just under 6.1%. The restrained

performance is largely due to the three index heavyweights Nestlé, Roche and Novartis, which posted losses in the low double-digit percentage range or remained stable.

Interest rates

Contrary to the expectations of many market observers, the US economy proved quite resilient in 2023. Year-to-date credit spreads in the US declined by about 20 basis points (bps), US government bond yields increased by about 30 bps, while in Europe they fell by 40 bps. Total returns for EUR and USD bonds were solid at 6.3% and 5.2% respectively. Long-term interest rates on risk-free government bonds fell significantly in anticipation of key rate cuts in the course of 2024. The decline in long-term interest rates was pronounced in Switzerland. Mortgage interest rates for long-term loans also fell in the wake of this easing.

Currencies

The USD was driven by the ups and downs of monetary policy expectations and US treasury yields in 2023, and ended the year with a mixed performance. Amongst the losers were currencies of commodity exporters; Latin American currencies as well as CHF, GBP and EUR appreciated against the USD. The EUR appreciated against the USD but lost against the GBP and CHF, leaving the trade-weighted exchange rate almost unchanged. CHF appreciated against all other developed market currencies in 2023.

Swiss Life investment strategy

Swiss Life continued the strategy implemented in previous years in this market environment, too, and invested in senior secured loans, mortgages and infrastructure investments as well as bonds. As in previous years, additional expansions were made to the real estate portfolio. These measures enabled Swiss Life to generate a net return on investment for occupational benefits insurance of 1.36% (2022: 2.36%), with an investment performance at market values of 4.52% (2022: -9.36%).

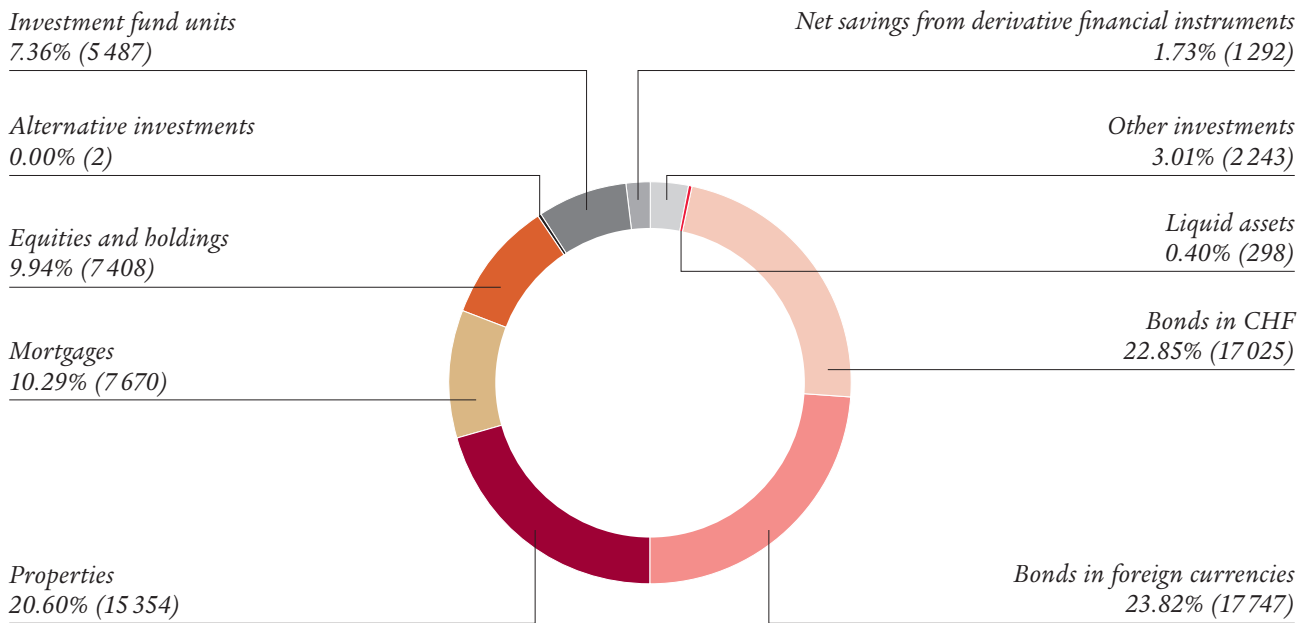
Information on Swiss Life's investment policy

Swiss Life manages investments in such a way that the economic risk capital is used in line with its risk appetite. The company's asset and liability management (ALM) is applied for this purpose, and the investment strategy is based on these risk assessment findings. The aim is to be in a position to pay benefits whenever

they fall due and always to have sufficient equity to absorb fluctuations in the value of assets and liabilities. Clearly defined criteria on security, yield and liquidity are always taken into account when policyholder assets, the company's free reserves and shareholders' equity are invested.

The investment portfolio in detail

Investments by asset class as at 31 December 2023 (as a percentage of the book value).
The total is CHF 74 526 million (all figures in brackets in CHF million).





Investments, valuation reserves, return and performance

Investments	Book value	Market value	Share
Investments at beginning of accounting year	75 967	77 640	
Investments at end of accounting year	74 526	78 710	100.00%
Direct investments		71 785	91.20%*
Single and multi-tier collective investment schemes		6 301	8.01%*
Non-cost-transparent investments		624	0.79%*

All figures in CHF million

*Measured by market value of investments at end of accounting year

Valuation reserve (hidden reserves)	2023	2022
Valuation reserve at beginning of accounting year	1 673	11 210
Valuation reserve at end of accounting year	4 184	1 673
Change in valuation reserve	2 511	-9 537

Yield and performance	gross	net
Investment income	1 252	1 026
Return on book values*	1.66%	1.36%
Market value performance**	4.81%	4.52%

All figures in CHF million

*Investment income as percentage of average book value

**Investment income and change in valuation reserve as percentage of average market value

Book values – Asset items

Total investments	74 526
Obligations arising from derivative financial instruments	483
Other assets	1 536
Passive reinsurance	0
Total book value	76 545

All figures in CHF million

Asset management costs

The gross expenses for management of occupational pension investments are posted by cost category: Administration and management (TER), Transaction and

commission (TTC) and Other non-assignable service costs (SC).

Asset management costs (net as per BVG operating account)	226
Asset management costs (gross as per OAK scheme)	389
TER costs	318
Direct investments	294
Single and multi-tier investments (cost key figure)	24
TTC costs	61
Service costs	10
Capitalised costs	-29
Maintenance and upkeep costs for properties	-134

All figures in CHF million



Cost premiums and operating expense

	Operating expense (in CHF million)	per capita (in CHF)	Cost premiums (in CHF million)	per capita (in CHF)
Active insured persons	227	455	216	434
Vested benefits policies	3	24	2	17
Other	4		3	
Subtotal	234	409	221	322
Pensioners	47*	542		
Total	281			

*Operating expense for pensioners is borne by the savings and risk process

Breakdown of operating expenses by cost unit

Acquisition expenses	67
for brokers and intermediaries*	38
for own sales force	29
other	0
Expenses for marketing and advertisement	8
Other general administrative expenses	159
Acquisition and administrative costs	234
Benefit processing expenses	47
Reinsurers' share in operating expense	0
Total operating expense	281

All figures in CHF million

*Incl. commissions for distribution agreements

The administrative costs of CHF 234 million include all the costs for acquisitions and administration, which Swiss Life incurs in managing its occupational

provisions business. Swiss Life aims to reduce these costs still further in the future.



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

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