

Extract

*From our 2014 Annual Report
Swiss Life Group*

*Market Consistent Embedded Value (MCEV)
Draft Consolidated Financial Statements (unaudited)*

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Market Consistent Embedded Value (MCEV)

The Group MCEV is a measure of the consolidated value of shareholders' interest in the in-force business of the Swiss Life Group. It includes the insurance business covered by the MCEV methodology and all other businesses valued by its IFRS net asset value.

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1 Introduction

1.1 Basis of preparation

Market consistent embedded value (MCEV) is a measure of the consolidated value of shareholders' interests in the in-force covered business of the Swiss Life Group. Covered business includes life, health and pension business of the company. The Group MCEV is a measure of the consolidated value of shareholders' interest in the covered and non-covered business in force of the company. Business in force includes business written as at 31 December 2014; future new business is not included. The notion of market consistent embedded value (MCEV) will alternatively refer within the course of this report to the MCEV of Swiss Life's covered business, of one of its market units, or to Swiss Life's Group MCEV.

Swiss Life's market consistent embedded value reporting follows the European Insurance CFO Forum Market Consistent Embedded Value Principles¹. The cost of credit risk relating to bonds is calculated and disclosed in addition to the Principles' mandatory requirements. Further details on the MCEV methodology and assumptions are given in sections 4 and 5.

PricewaterhouseCoopers have audited this market consistent embedded value report. Their opinion is part of this report (section 6).

1.2 Covered business and non-covered business

Covered business includes all of Swiss Life's life, health and pension business as well as assumed external reinsurance, with the exception of Swiss Life Insurance Solutions S.A., which is not material for MCEV purposes. MCEV (and Group MCEV) are net of ceded external reinsurance. Included are namely insurance operations in Switzerland, France, Germany, Luxembourg, Liechtenstein and Singapore. All other businesses such as investment management and Swiss Life Select are generally included in the non-covered business at their IFRS net asset values, with the exception of France, where they are included in the covered business.

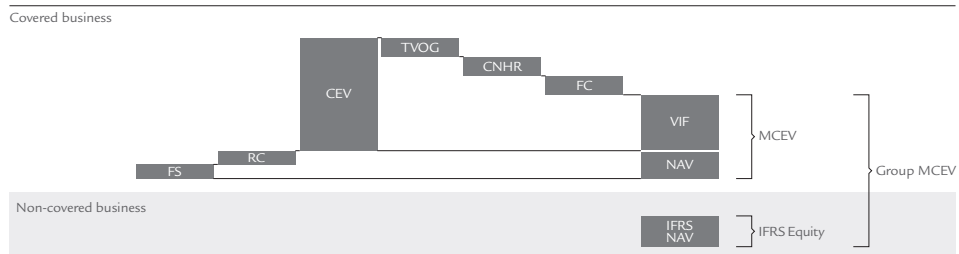
1.3 Definitions

Swiss Life's Group MCEV consists of the MCEV for covered business and the IFRS net asset value for non-covered business.

According to MCEV Principle 3, the MCEV represents the present value of shareholders' interests in the earnings distributable from assets allocated to the covered business after sufficient allowance for the aggregate risks in the covered business. It is calculated on a post-tax basis taking into account current legislation and known future changes.

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Components of Group MCEV



The MCEV for covered business consists of the net asset value (NAV), i.e. the value of assets not backing liabilities, and the value of in-force business (VIF), i.e. the value of future profits emerging from operations and assets backing liabilities.

The net asset value is split between:

- the required capital (RC): the amount of capital provided by shareholders deemed necessary to run the business under the chosen definition (see section 4.1)
- the free surplus (FS): additional capital allocated to the covered business above the required capital

The value of in-force covered business is defined as the sum of:

- the certainty equivalent value of future profits (CEV)
- the time value of financial options and guarantees (TVOG), including the cost of credit risks
- the cost of residual non-hedgeable risks (CNHR)
- the frictional costs of required capital (FC)

The IFRS net asset value (IFRS NAV) is defined as the unadjusted IFRS net asset value allocated to the non-covered business.

For details about the MCEV components, see section 4 on methodology. Please note that the notion of certainty equivalent value is equivalent to the notion of present value of future profits in the CFO Forum Principles.

2 Summary of MCEV Results

2.1 Key results

Benefiting from continued operational improvements, Swiss Life increased its MCEV in 2014 from CHF 11 378 million to CHF 12 901 million and generated, in an environment of declining interest rates, a value of new business of CHF 255 million (CHF 289 million in 2013).

Results are shown in CHF million. Rounding differences may occur.

The following tables show key results as at 31 December 2014 compared to the results as at 31 December 2013.

In CHF million		2014	2013
Value of new business		255	289
Present value of new business premium (PVNBP)		14 414	12 929
New business margin (%PVNBP)		1.8%	2.2%

The value of new business profited from substantially increased volumes while the considerable decline of the interest rates had a negative effect. The resulting pressure on new business profitability was partly mitigated by active new business steering across the Group.

In CHF million	Net asset value	Value of in-force business	Total	Total
			2014	2013
Covered business	3 755	7 315	11 071	9 669
Non-covered business	1 831	n/a ¹	1 831	1 709
GROUP MCEV	5 586	7 315	12 901	11 378
Total MCEV earnings			1 737	1 806
Operating MCEV earnings			1 322	1 873

¹ n/a: not applicable

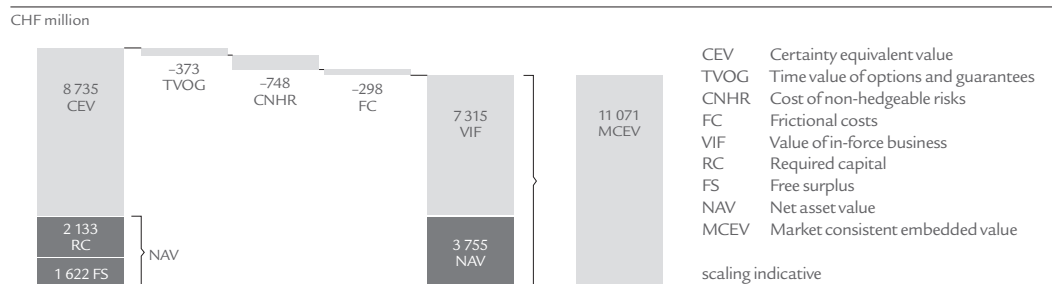
The value of covered business increased by 14%. Operating MCEV earnings contributed substantially to this increase by profitable new business and a high operating return on the in-force business supported by margin management and favourable demographic experience.

The Group MCEV increased by 13% in total.

2.2 MCEV of covered business

The following graph and table show the MCEV by components, together with the previous year's results.

MCEV of covered business 2014



In CHF million

	2014	2013
NET ASSET VALUE	3 755	3 313
Free surplus	1 622	1 238
Required capital	2 133	2 075
VALUE OF IN-FORCE BUSINESS	7 315	6 356
Certainty equivalent value	8 735	7 857
Time value of financial options and guarantees	-373	-502
Cost of residual non-hedgeable risks	-748	-651
Frictional costs of required capital	-298	-348
MCEV	11 071	9 669

Driven by the operating profit of the year, the net asset value went up by 13%, despite dividends paid and negative foreign currency translation effects. Free surplus – after new business financing and the aforementioned dividends – increased by CHF 384 million, to which all units contributed. Goodwill and other intangibles are not included in the net asset value, with the exception of France (see section 4.7).

The value of in-force business increased by 15%. This improvement is due to a higher certainty equivalent value and an overall lower deduction for TVOG, while the cost of residual non-hedgeable risks increased, mostly due to discounting effects.

The cost of credit risk amounts to CHF –665 million for 2014 compared to CHF –638 million for the previous year.

2.3 Value of new business

2.3.1 Value of new business, premiums and margins

Amounts in CHF million

	2014	2013
VALUE OF NEW BUSINESS	255	289
<i>New business strain</i> ¹	-133	-106
<i>Value of new business before new business strain</i>	388	394
Annual premiums	612	575
Single premiums	6 919	6 090
PRESENT VALUE OF NEW BUSINESS PREMIUMS (PVNBP)	14 414	12 929
Average annual premium multiplier	12.3	11.9
New business annual premium equivalent (APE)	1 304	1 184
NEW BUSINESS MARGIN (% PVNBP)	1.8%	2.2%
New business margin (% APE)	19.5%	24.4%

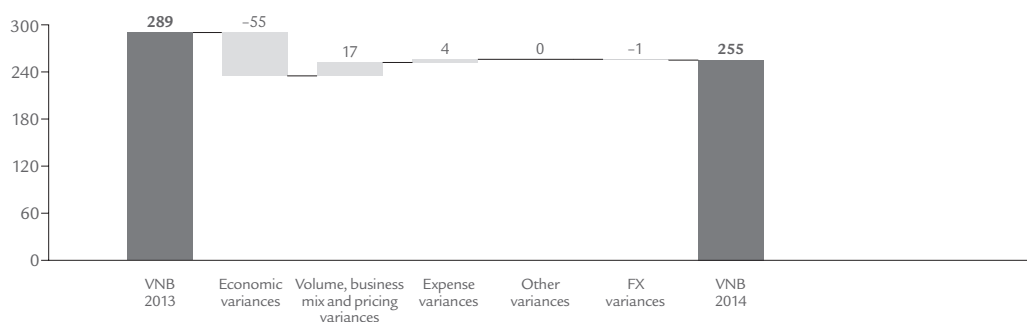
¹ New business strain represents the effect on the net asset value from writing new business.

2.3.2 Value of new business — analysis of change

The following graph and table detail the drivers for the change in new business value and margin of the business sold in 2014 compared to the business sold in 2013.

Value of new business – analysis of change

CHF million



Amounts in CHF million

	PVNBP	VNB	NBM (% PVNBP)	Change in NBM (% PVNBP)
VALUE OF NEW BUSINESS 2013	12 929	289	2.2%	
Economic variances	631	-55		-0.5%
Volume, business mix and pricing variances	1 298	17		0.0%
Expense variances	0	4		0.0%
Other variances	-344	0		0.0%
FX variances	-101	-1		0.0%
VALUE OF NEW BUSINESS 2014	14 414	255	1.8%	

Driven by the Swiss and French business, the new business volume (PVNBP) increased by 11%. This, in combination with active new business steering, pricing discipline and cost efficiency gains

mitigated the adverse impacts of the challenging capital market environment on both the new business value and margin.

Additional explanations about new business calculations are given in section 4.2 of this report.

2.4 Group MCEV – analysis of earnings

The table below shows the development of Group MCEV split by components from 31 December 2013 to 31 December 2014.

In CHF million	Covered business MCEV	Non-covered business IFRS	Total Group MCEV	
			2014	2013
OPENING GROUP MCEV	9 669	1 709	11 378	9 628
Opening adjustments	-121	-54	-175	-144
ADJUSTED OPENING GROUP MCEV	9 548	1 655	11 203	9 485
Operating MCEV earnings	1 116	206	1 322	1 873
Non-operating MCEV earnings	432	-18	415	-67
TOTAL MCEV EARNINGS	1 549	188	1 737	1 806
Other movements in IFRS net equity	n/a ¹	17	17	-12
Closing adjustments	-26	-29	-55	99
CLOSING GROUP MCEV	11 071	1 831	12 901	11 378

¹ n/a: not applicable

The opening adjustment of the Group MCEV represents the distribution in 2014 to shareholders out of the capital contribution reserve of CHF 5.50 per share corresponding to a total of CHF 176 million as described in the Consolidated Financial Statements (note 26), and currency exchange rate effects of CHF 1 million.

The following commentaries refer mainly to the non-covered business as the analysis of earnings for the covered business is commented in sections 2.5 and 3.2 in detail.

The operating MCEV earnings for non-covered business correspond mainly to the results from Swiss Life Asset Managers, Swiss Life Holding, and distribution and insurance units outside the scope of covered business.

The non-operating MCEV earnings relate to borrowing costs and tax effects for the non-covered business. For Group MCEV, the change in non-operating MCEV earnings compared to 2013 originates almost entirely from the covered business.

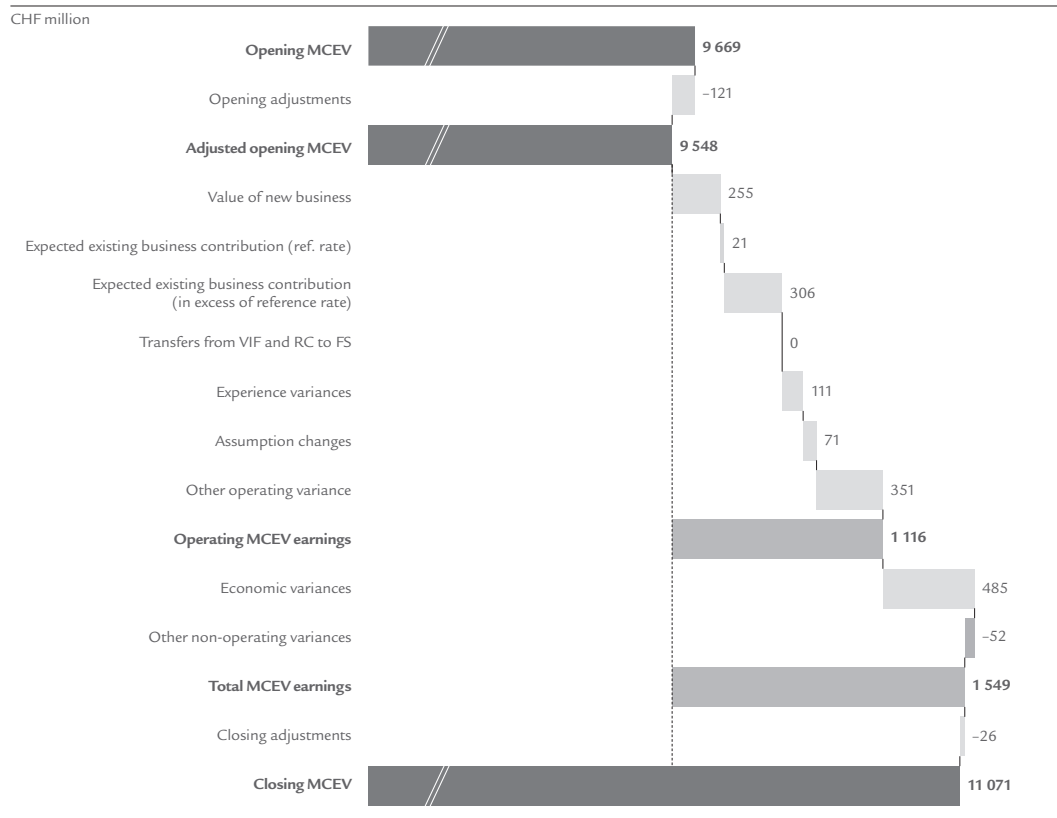
The other movements in IFRS net equity (non-covered business only) include effects from changes in unrealised gains and losses, the sale and purchase of treasury shares, effects from equity-settled share-based payments and currency exchange rate effects on goodwill.

The closing adjustments result mainly from the transfer of funds between covered and non-covered business and currency exchange rate developments.

2.5 Covered business — analysis of earnings

The graph and table below show the analysis of earnings for the covered business in 2014.

Covered business – analysis of earnings for 2014



In CHF million	Free surplus	Required capital	VIF	MCEV	
				2014	2013
OPENING MCEV	1 238	2 075	6 356	9 669	7 888
Opening adjustments	-121	-	-	-121	77
ADJUSTED OPENING MCEV	1 117	2 075	6 356	9 548	7 965
Value of new business	-309	175	388	255	289
Expected existing business contribution (reference rate)	8	-3	16	21	21
Expected existing business contribution (in excess of reference rate)	8	0	298	306	363
Transfers from VIF and required capital to free surplus	691	-187	-505	-	-
Experience variances	-153	52	213	111	170
Assumption changes	-21	13	79	71	502
Other operating variance	17	-8	343	351	331
OPERATING MCEV EARNINGS	241	42	833	1 116	1 676
Economic variances	213	39	232	485	-39
Other non-operating variances	29	-	-81	-52	-3
TOTAL MCEV EARNINGS	483	81	984	1 549	1 634
Closing adjustments	22	-23	-25	-26	71
CLOSING MCEV	1 622	2 133	7 315	11 071	9 669

Opening adjustments

Opening adjustments represent dividend payments from covered to non-covered business.

Value of new business

Value of new business contributions from free surplus and required capital sum up to the new business strain of CHF -133 million (2013: CHF -106 million). This represents the shareholders' share in acquisition expenses for new business. The VIF-component of CHF 388 million (2013: CHF 394 million) is the value of future profits from new business.

Expected existing business contribution (reference rate)

Expected existing business contribution (reference rate) shows the unwinding of discount on all value of in-force components with reference rates as at start of year. Additionally, the notional interest on the net asset value is included.

Expected existing business contribution (in excess of reference rate)

Expected existing business contribution (in excess of reference rate) represents the additional contribution to MCEV by taking into account investment returns for the reporting period expected at the beginning of the period over and above the initial reference rates for the period. Also, releases from the period's contribution to the time value of financial options and guarantees and cost of residual non-hedgeable risks are included. The expected existing business contribution is explained to a large extent by spreads expected to be earned on the corporate bond and real estate portfolio.

Transfers from value in force and required capital to free surplus

Transfers from value in force and required capital to free surplus include the transfer of the results of the preceding step from value in force to free surplus. Also, the required capital is normally reduced after this step, resulting in an equal increase of free surplus. The total effect in this line is zero. In the context of a life insurer's business model, this should be seen in combination

with effects from new business which partly reverses this effect by an increase of required capital and a reduction of net asset value.

Experience variances

Experience variances aggregate the impact of actual development versus expectations regarding non-economic assumptions such as mortality, expenses, lapses, as well as the deviations in handling of additional reserves. A variety of effects relating to persistency and other demographic experience as well as reserve strengthening resulted in a MCEV increase. The latter had a negative impact on free surplus and a positive effect on value of in-force business; the largest contribution originates from the Swiss business.

Assumption changes

Assumption changes refer to the impact of the change on assumptions such as future expense, surrender, mortality, morbidity, longevity rates. The positive contribution is driven by a favourable demographic experience in Germany and in the French health business, while the regular update in the Swiss business had a negative impact, also on the free surplus. Further cost efficiency gains contributed positively.

Other operating variance

Other operating variance include effects from a refined basis for determining the spread for the valuation of hybrid debt and measures to improve current and future margins in the insurance businesses.

Economic variances

Economic variances represent the change in embedded value by replacing the starting economic scenarios by the closing ones. Effects from deviations between actual and expected investment returns are included here. Overall, the economic variances had a positive impact on MCEV. Strong real estate and equity performances and slightly reduced credit spreads were positive; the continued disciplined asset liability management mitigated the effect of the challenging interest rate environment.

Other non-operating variances

Other non-operating variances encompass effects relating to government-set parameters, tax impacts and changes in the regulatory environment. It mainly relates to the introduction of the Life Insurance Reform Act in Germany.

Closing adjustments

Closing adjustments represent the transfer of funds into the covered business and currency exchange rate translation effects resulting from the consolidation in Swiss francs.

2.6 Sensitivities

Sensitivities for MCEV with regard to reference rates increased, while operational and demographic sensitivities remained stable overall. Sensitivities with regard to swaption implied volatilities are influenced by the Swiss group life business, where operating improvements have contained the cost of policyholder options and guarantees, such that business-inherent shareholder options drive the time value of options and guarantees. In the current capital market environment with high interest rate volatilities, we consider corresponding sensitivities of $\pm 10\%$ more appropriate ($\pm 25\%$ in previous year). The relative sensitivities with regard to equity/property market values and their volatilities remained stable compared to 2013.

The economic sensitivities are assumed to occur after the new business contracts have been sold, indicating how the value of in-force business and the value of new business written would be affected by economic shocks.

The table below shows sensitivities of the MCEV and the value of new business to important financial market parameters as well as to operational and demographic assumptions.

Sensitivities as at 31 December 2014

Amounts in CHF million

	Change in MCEV	+/-	Change in value of new business	+/-
BASE VALUE	11 071		255	
Economic				
100 bp increase of interest rates (reference rates)	530	5%	74	29%
100 bp decrease of interest rates (reference rates)	-1 068	-10%	-118	-46%
10% increase in equity / property market values	722	7%	¹	¹
10% decrease in equity / property market values	-818	-7%	¹	¹
25% increase in equity / property implied volatilities	-322	-3%	-14	-6%
25% decrease in equity / property implied volatilities	263	2%	20	8%
10% increase in swaption implied volatilities	-61	-1%	-6	-2%
10% decrease in swaption implied volatilities	-79	-1%	-4	-2%
Operational				
10% increase in maintenance expenses	-198	-2%	-15	-6%
10% decrease in maintenance expenses	193	2%	17	7%
10% proportionate increase in lapse rates	-175	-2%	-16	-6%
10% proportionate decrease in lapse rates	187	2%	11	4%
Demographic				
5% proportionate increase in mortality rates (death cover)	-29	-0%	-4	-2%
5% proportionate decrease in mortality rates (annuities)	-118	-1%	-2	-1%
5% increase of longevity driver (annuities)	-22	-0%	-1	-0%
5% proportionate increase in morbidity rates	-59	-1%	-4	-2%
5% proportionate decrease in morbidity rates	54	0%	6	3%
Other				
Required capital 100% statutory solvency capital	139	1%	9	4%

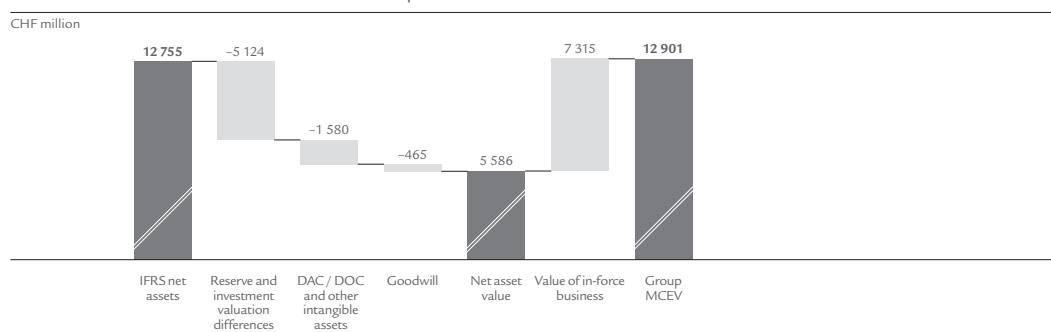
¹ not available

2.7 Reconciliation of IFRS net asset value to Group MCEV

Swiss Life's MCEV for covered business reflects the value of the shareholders' interest in the life, health and pension business as well as assumed external reinsurance of the Swiss Life Group. This value includes the determination of best estimate liabilities for policyholder bonuses and tax payments, which are derived from results based on local statutory accounting rather than on IFRS. Therefore local balance sheets and profit and loss accounts are the starting point for the projections. The net asset value (of assets not backing liabilities) is based on the local balance sheet, and adjusted to market value.

For the other parts of the Swiss Life Group, i.e. the non-covered business, the shareholder value is derived from their contribution to the Group's IFRS net asset value.

Reconciliation of IFRS net asset value to Group MCEV



Reconciliation of IFRS net assets to Group MCEV as at 31 December 2014

In CHF million

	2014
IFRS NET ASSETS	12 755
Adjustments	-7 169
<i>Reserve and investment valuation differences</i>	-5 124
<i>DAC / DOC and other intangible assets</i>	-1 580
<i>Goodwill¹</i>	-465
Net asset value	5 586
Value of in-force business	7 315
GROUP MCEV ²	12 901

¹ Goodwill adjustments correspond to goodwill of covered business with the exception of CHF 90 million from French operations (see section 3.2).

² Group MCEV includes CHF 927 million of goodwill and intangible assets as part of the unadjusted IFRS net assets for non-covered business.

Starting with the total IFRS net assets, there are valuation differences between IFRS and MCEV regarding the net asset value for the covered business. In the reconciliation these valuation differences are shown under “adjustments”. The main elements that have been adjusted are deferred acquisition costs (DAC), goodwill and other intangible assets, differences between statutory and IFRS balance sheet items reflecting different reserving bases, and different treatment of the investments and unrealised gains (that form part of the IFRS net assets but are projected on MCEV as part of the value of in-force business in the MCEV calculations).

The adjusted IFRS net asset value corresponds to the MCEV net asset value of the Swiss Life Group. Adding the value of in-force business leads to the Group MCEV.

3 *Information by Market Unit*

3.1 Market units

Swiss Life's covered business is subdivided according to market units as follows:

- Life, pension and assumed external reinsurance business in Switzerland
- All businesses in France, mainly life, health and pension business
- Life and pension business in Germany
- Life and pension business in Luxembourg, Liechtenstein, and Singapore (together referred to as International)

This breakdown by market unit essentially coincides with the IFRS insurance segments in the annual report. There are some differences since the MCEV classification generally follows the legal structure in order to ensure a correct modelling of the profit-sharing. A divergence from the IFRS insurance segment reporting is the treatment of distribution units such as Swiss Life Select, which are reported for MCEV purposes under non-covered business, and Swiss Life Asset Management in France, which is reported for MCEV purposes under France.

Switzerland

Swiss Life's main business in the Swiss market is group life business with a full range of offerings. The individual business includes traditional savings, risk and annuity products, as well as modern savings and retirement products with flexible and lower guarantees. Swiss Life's own sales force plays the major role in distribution, followed by brokers and Swiss Life Select. The business for assumed external reinsurance is included here.

France

Swiss Life offers savings, annuity, and risk products as well as health insurance. New business for life insurance focuses on multi-support products, combining traditional savings and unit-linked components. The main distribution channels are brokers, tied agents and own sales force. Additionally, Swiss Life in France has developed strong relations with independent financial advisors and private banks.

Germany

Swiss Life sells traditional and modern products in individual and group life business. Disability insurance plays an important role. The main distribution channels are independent brokers, followed by financial advisors such as Swiss Life Select.

International

Swiss Life International is specialised in private placement life insurance (PPLI), booked in its carriers in Liechtenstein, Singapore and Luxembourg, and group insurance solutions for international and local corporate clients, booked in Luxembourg.

3.2 Results by market unit

MCEV by market unit for the year 2014

In CHF million

	Switzerland	France ¹	Germany	International	Total
NET ASSET VALUE	1 776	1 469	401	110	3 755
Free surplus	1 313	237	34	39	1 622
Required capital	463	1 232	367	72	2 133
VALUE OF IN-FORCE BUSINESS	5 240	1 405	380	290	7 315
Certainty equivalent value	5 557	2 211	582	384	8 735
Time value of financial options and guarantees	261	-470	-143	-21	-373
Cost of residual non-hedgeable risks	-363	-274	-55	-55	-748
Frictional costs of required capital	-214	-61	-4	-19	-298
MCEV	7 016	2 874	781	400	11 071

¹ The value for France includes CHF 90 million in goodwill and intangible assets originating from the non-life and non-health insurance operations.

MCEV by market unit for the year 2013

In CHF million

	Switzerland	France ¹	Germany	International	Total
NET ASSET VALUE	1 633	1 265	356	59	3 313
Free surplus	1 192	110	-55	-9	1 238
Required capital	442	1 155	411	68	2 075
VALUE OF IN-FORCE BUSINESS	4 653	1 174	312	218	6 356
Certainty equivalent value	5 180	1 861	525	290	7 857
Time value of financial options and guarantees	-25	-325	-140	-13	-502
Cost of residual non-hedgeable risks	-291	-265	-53	-42	-651
Frictional costs of required capital	-211	-98	-21	-18	-348
MCEV	6 287	2 439	667	277	9 669

¹ The value for France includes CHF 95 million in goodwill and intangible assets originating from the non-life and non-health insurance operations.

Switzerland

The MCEV increased by CHF 729 million due to operating earnings including a value of new business of CHF 155 million.

The higher free surplus (and similarly the net assets) results from a considerable annual profit achieved despite further balance sheet strengthening, financing new business production and a dividend payment.

The sustained business growth and further lowering of the guarantees increased the value of the in-force business. In group life, characterised by variable guarantees, the business-inherent shareholder options drive the time value of options and guarantees, which increased due to higher interest rate volatilities; the continued balance sheet strengthening was particularly beneficial.

France

The MCEV increased by CHF 435 million notably due to the annual profit, the revised profit-sharing approach for life business and the new business value.

Swiss Life in France is subject to a tax of 3% applied to dividends paid to Switzerland. As no clear market practice concerning the treatment of such taxes has emerged yet and as the effect would not be material for Swiss Life, it is not taken into account.

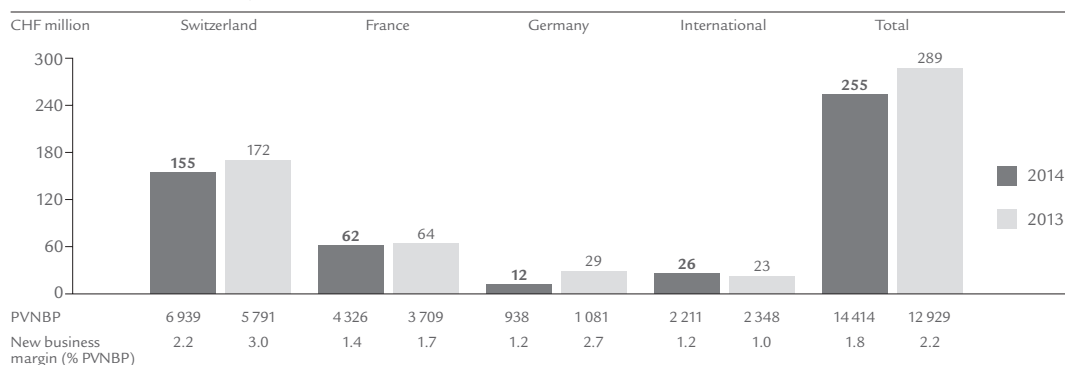
Germany

The MCEV increased by CHF 114 million mainly due to favourable biometric experience and updated expense assumptions. On the other hand, the Life Insurance Reform Act negatively affected the MCEV as a result of the higher policyholder participation in the risk result.

International

The MCEV increased by CHF 123 million driven by a strong operating performance of the in-force business, an increased value of new business and reduced costs in both the PPLI and the corporate client businesses. In addition to the strong annual profit, a capital transfer of CHF 28 million contributed to the increase of the net asset value.

Value of new business by market unit



Value of new business by market unit – premiums and margins for the year 2014

Amounts in CHF million

	Switzerland	France	Germany	International	Total
VALUE OF NEW BUSINESS	155	62	12	26	255
<i>New business strain</i> ¹	-71	-50	-3	-10	-133
<i>Value of new business before new business strain</i>	225	113	14	36	388
Annual premiums	237	315	52	8	612
Single premiums	2 499	2 079	199	2 142	6 919
PRESENT VALUE OF NEW BUSINESS PREMIUMS (PVNBP)	6 939	4 326	938	2 211	14 414
Average annual premium multiplier	18.7	7.1	14.2	8.1	12.3
New business annual premium equivalent (APE)	487	522	72	223	1 304
NEW BUSINESS MARGIN (% PVNBP)	2.2%	1.4%	1.2%	1.2%	1.8%
New business margin (% APE)	31.8%	11.9%	16.3%	11.6%	19.5%

¹ New business strain represents the effect on the net asset value from writing new business.

Value of new business by market unit – premiums and margins for the year 2013

Amounts in CHF million

	Switzerland	France	Germany	International	Total
VALUE OF NEW BUSINESS	172	64	29	23	289
<i>New business strain</i> ¹	-46	-49	-2	-8	-106
<i>Value of new business before new business strain</i>	218	113	32	32	394
Annual premiums	233	266	62	14	575
Single premiums	1 864	1 725	259	2 241	6 090
PRESENT VALUE OF NEW BUSINESS PREMIUMS (PVNBP)	5 791	3 709	1 081	2 348	12 929
Average annual premium multiplier	16.9	7.5	13.2	7.6	11.9
New business annual premium equivalent (APE)	419	439	88	238	1 184
NEW BUSINESS MARGIN (% PVNBP)	3.0%	1.7%	2.7%	1.0%	2.2%
New business margin (% APE)	41.0%	14.7%	33.2%	9.8%	24.4%

¹ New business strain represents the effect on the net asset value from writing new business.

Switzerland

New business consists of new contracts and new coverages on existing contracts. Within group life business, replacements and newly insured persons entering existing group life contracts are not accounted for as new business.

The value of new business remains at a high level due to increased volumes in both group and individual life, where a single premium product with flexible and lower guarantees was launched, which mitigated the challenging capital market environment that led to a lower new business margin.

France

Ongoing margin management counteracted adverse external effects such as lower interest rates and the French health reform.

In life, the share of unit-linked business was further increased. Higher new business volumes and a revised profit-sharing approach limited the negative effects of the challenging capital market environment.

In health, the impact of the health reform was mitigated by the general shift of the product offering to group business and some niches in individual business, as well as lower commissions and expenses.

Germany

The value of new business of the German business unit decreased due to substantially lower interest rates. This was partly counteracted by an improved business mix with an increased share of risk products, the enhanced product offering in savings and long-term care, as well as disciplined surplus sharing. The selective new business approach resulted in lower production, which was addressed by acquisition expense reductions.

International

The PPLI business is the main contributor to International's value of new business. The effect of lower new business volume was more than compensated by higher fee levels and cost management across all of International's businesses leading to an increased margin.

Because of the weight of PPLI within International, by far the biggest share of new business premiums consists of single premiums.

Analysis of earnings by market unit for the year 2014

In CHF million

	Switzerland	France	Germany	International	Total
OPENING MCEV	6 287	2 439	667	277	9 669
Opening adjustments	-70	-33	-18	-	-121
ADJUSTED OPENING MCEV	6 216	2 406	649	277	9 548
New business value	155	62	12	26	255
Expected existing business contribution (reference rate)	12	6	2	1	21
Expected existing business contribution (in excess of reference rate)	149	124	14	19	306
Experience variances	116	1	-12	6	111
Assumption changes	-51	37	82	3	71
Other operating variance	86	166	63	36	351
OPERATING MCEV EARNINGS	467	397	161	91	1 116
Economic variances	357	102	32	-7	485
Other non-operating variances	-25	9	-50	14	-52
TOTAL MCEV EARNINGS	800	509	143	98	1 549
Closing adjustments	-	-40	-11	26	-26
CLOSING MCEV	7 016	2 874	781	400	11 071

All market units contributed positively to the value creation with their operating earnings.

Switzerland

Opening adjustments reflect the dividend payment to the Swiss Life Holding net of dividends received.

Operating earnings of CHF 467 million correspond to a return of 8% on MCEV.

The positive experience variances relate to improved persistency and other variances of actual development versus expectations. Also balance-sheet strengthening measures, such as a reduction of technical interest rates, had positive impacts.

Assumption changes are influenced by the regular inclusion of the demographic experience which was slightly negative overall, with minor opposite effects in group and individual life.

The positive other operating variances relate mostly to the update of the spread applied for the valuation of the hybrid debt.

France

Opening adjustments reflect dividend payments of CHF 33 million.

Operating earnings of CHF 397 million correspond to a return of 17% on MCEV. In addition to the expected business contribution, this is driven by a revised profit-sharing approach with an increased financial margin, the profit contributions of the non-projected businesses, updated loss ratios in health and a revised commission scheme in individual protection and health business.

Closing adjustments are the effects of the difference between the closing euro exchange rate and its opening forward rate.

Germany

Opening adjustments reflect dividend payments of CHF 18 million.

The positive effect of assumption changes relates to an updated biometric experience, mostly in disability, while various true-up effects in the model parametrisation are included in other operating variances.

Other non-operating variances show the effect of the new Life Insurance Reform Act, mainly originating from the increased minimum policyholder participation in risk results.

Closing adjustments relate to the aforementioned effects of currency exchange rates.

International

The value of new business contributed strongly to the MCEV earnings with CHF 26 million or 9% of the opening MCEV. Combined with the operating profit and positive true-up effects on the in-force business, operating MCEV earnings of CHF 91 million resulted, while other non-operating variances reflect the reduction of technical rates by the local regulator in Luxembourg.

By reason of the type and composition of International's business, changes in economic conditions have a limited impact compared to other market units.

Closing adjustments include capital transfers and currency exchange rate effects.

4 Methodology

4.1 MCEV components for covered business

Net asset value (NAV)

The net asset value is the market value of assets allocated to the covered business, which are not backing liabilities from the covered business.

The net asset value is calculated as the statutory equity capital, adjusted by the unrealised gains or losses on assets covering the equity capital that are attributable to shareholders after taxes. Depending on local regulatory restrictions, equalisation reserves are also included in the net asset value. Intangible assets are not accounted for in the net asset value.

The net asset value is further split between the required capital (RC) and the free surplus (FS).

Required capital (RC)

The required capital is the market value of assets, attributed to the covered business – over and above that required to back liabilities for covered business – whose distribution to shareholders is restricted. Swiss Life bases the amount of required capital on 150% of the statutory solvency level according to Solvency I, except for assumed external reinsurance where an economic approach is used instead.

The amount of required capital disclosed is presented from a shareholder's perspective and thus is net of funding sources other than shareholder resources (such as subordinated loans or unallocated bonus reserves).

Free surplus (FS)

The free surplus is the market value of assets allocated to, but not required to support, the in-force covered business at the valuation date. The free surplus is calculated as the difference between the net asset value and the required capital.

Under the chosen definition of required capital, the free surplus, unlike the required capital, is supposed to be immediately releasable and hence does not affect the frictional costs of required capital.

Value of in-force business (VIF)

The value of in-force business consists of the following components:

1. Certainty equivalent value (CEV)
2. Time value of financial options and guarantees (TVOG), including the cost of credit risk (see below)
3. Cost of residual non-hedgeable risks (CNHR)
4. Frictional costs of required capital (FC)

In the MCEV Principles, the term present value of future profits (PVFP) is used instead of certainty equivalent value.

Certainty equivalent value and time value of financial options and guarantees are items that involve projections encompassing local statutory liabilities and assets in line with:

- local legal and regulatory obligations
- company practice due to commercial and competitive constraints
- local market practice in the calculation of embedded value

Certainty equivalent value (CEV)

The certainty equivalent value is defined as the present value of the future shareholders' statutory profits (net of tax) under the certainty equivalent scenario.

In this particular scenario, future market returns are determined as the forward rates implied in the reference rates at the valuation date. Discounting is performed at the same reference rates. The certainty equivalent value includes that part of the value of financial options and guarantees which materialises in the underlying scenario.

The rules for anticipated management and policyholders' actions applied in the certainty equivalent scenario are the same as those for the stochastic projection used to determine the time value of financial options and guarantees.

Time value of financial options and guarantees (TVOG)

The certainty equivalent value does not allow for the risk that the financial outcome for shareholders could differ from the one implied by the certainty equivalent scenario. This is of particular relevance when products or funds include guarantees or options for the policyholder such as:

- guaranteed interest rates
- discretionary profit-sharing and regulatory constraints, e.g. "legal quotes"
- maturity guarantees
- guaranteed minimum death benefits
- guaranteed annuity options
- surrender options

For such products or funds, a stochastic projection has been run allowing for the range of possible scenarios for financial markets. The TVOG is calculated as the difference between the average present value of shareholder cash flows (profits or losses) and the certainty equivalent value, plus the cost for credit risk (see remarks on credit risk below). The TVOG therefore represents the additional market consistent value of those financial options and guarantees in excess of the intrinsic value which are already allowed for in the certainty equivalent value.

At the end of the projection, shareholders are assumed to meet any shortfall of assets against liabilities or to receive a share of any residual assets. The same applies to the certainty equivalent value.

The cost of credit risk accounts for the shareholder's share of credit risk of investments in bonds that would have otherwise been unaccounted for in other MCEV components. It is defined as the present value of charges on the projected economic capital for credit risk.

The initial economic capital for credit risk is defined as the impact on the value of in-force business corresponding to the 99% expected shortfall of the credit loss from the actual bond portfolio over one year, due to the migration and default risk. The underlying credit risk calculations are performed using an internal model based on the CreditMetrics^{®2} methodology.

The economic capital for cost of credit risk has been projected based on mathematical reserves. An annual charge of 4% has been applied to the resulting projected economic capital.

Cost of residual non-hedgeable risks (CNHR)

The cost of residual non-hedgeable risks for risk factors such as mortality, morbidity, expenses and lapse rates is calculated under a cost of capital approach. It is defined as the present value of annual charges on the projected economic capital for residual non-hedgeable risks.

The initial capital for the CNHR has been calculated in line with Swiss Life's internal model. The corresponding economic capital is calculated by aggregating the stand-alone economic capital amounts that correspond to non-hedgeable risk factors, notably the following:

- mortality
- longevity
- disability/morbidity
- recovery rates
- capital options
- lapses
- expenses

The drivers for projecting the economic capital for CNHR are generally based on the statutory solvency margin.

An annual charge of 4% has been applied to the resulting projected capital at risk. It represents the excess return or risk premium that a shareholder might expect on capital exposed to non-hedgeable risks.

In order to be consistent with the CFO Forum Principles, no diversification between hedgeable and non-hedgeable risks has been taken into account. Furthermore, no diversification effects between market units have been accounted for.

Frictional costs of required capital (FC)

The frictional costs of required capital for the covered business are defined as the present value of the costs incurred by shareholders due to investment via the structure of an insurance company (compared to direct investment as individuals), such as tax on profits generated by the insurance company or the costs of asset management. Other potential frictional costs such as agency costs or financial distress costs have not been taken into account in the frictional costs of required capital.

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4.2 New business

New business is defined as covered business arising from the sale of new contracts and from new covers to existing contracts during the reporting year, including cash flows arising from the projected renewal of those new contracts. Higher premiums in Swiss group life contracts from wage increases are not considered new business. The value of new business (VNB) reflects the additional value to shareholders created through the activity of writing new business during the reporting period.

The value of new business of a period represents the effect on the MCEV as at end of period from writing new business, i.e. it is the difference between the actual closing MCEV and the closing MCEV which would result if no new business had been written during the period. This is known as the “marginal” approach to value of new business. It applies to every MCEV component: CEV, TVOG, CNHR and FC. Legal constraints – e.g. “legal quotes” – or management rules often apply to books of contracts as a whole instead of individual contracts. That is why the value of new business can be dependent on the business in force before the writing of new business.

A “stand-alone” valuation for value of new business has been performed when the business in force is not affected by writing new business (for example for unit-linked contracts). In this case, the value of new business has been valued independently of the business in force.

The value of new business is generally calculated with economic scenarios and assumptions as at end of period.

4.3 Asset and liability data

All assets and liabilities reflect the actual positions as at valuation date.

Assets

The asset model used for the calculation of the MCEV differentiates three main asset classes:

- cash and fixed income instruments
- equity-type investments (including real estate)
- derivatives

All bonds and bond-like securities (such as mortgages) are modelled as fixed or floating government bonds. For all bonds, coupons and nominals have been recalibrated so that the valuation of the bonds using the reference yields converges to the observed market value.

Equities, real estate, participations and alternative investments (hedge funds and private equity) are modelled separately using appropriate indices for the corresponding currencies.

Current initial market values of assets have been taken where available (“marked-to-market”), or estimated where there is no reliable market (“marked-to-model”), for example by discounting unquoted loan and mortgage asset proceeds. Local regulatory and accounting frameworks (such as the amortisation of bonds or lower of cost or market principle) are reflected.

When a substantial share of the assets is held in foreign currencies, these foreign assets are modelled explicitly (including the foreign currency exchange risk).

Insurance liabilities

Liabilities are valued in line with local statutory requirements generally using individual policy data. For projection purposes, policies of the same product with similar risk profiles are grouped together to form model points.

Hybrid debt

In accordance with the MCEV Principles (G3.4), hybrid debt allocated to covered business is valued by discounting the corresponding coupon and nominal payments (liability cash flows) with reference interest rates and spreads that would be used by capital markets for debt with similar characteristics. For the spread used, see section 5.1.1.

4.4 Economic scenario generator

The MCEV is calculated using a risk-neutral valuation, based on market consistent and arbitrage-free stochastic economic scenarios. Under this approach, the key economic assumptions are:

- the reference rates
- interest rate and equity-type volatilities
- correlations between the economic risk factors
- inflation rates

The stochastic economic scenarios are generated by the economic scenario generator developed and provided by Barrie & Hibbert, part of Moody's Analytics, Inc. For variable annuity products a dedicated economic scenario generator is used.

The assets and liabilities within the Swiss Life Group are mostly denominated in Swiss francs, euros or US dollars. The economic scenarios reflect these three major economies, and also British pounds and Canadian dollars, which are of lesser importance. The exchange rates and dividend yields are modelled as additional risk factors, as well as the inflation rates in each economy.

For the calculation of the MCEV and the value of the new business as at valuation date, 2000 economic scenarios are used, ensuring convergence of the results for all market units. For the calculation of the sensitivities and some steps in the movement analysis, some market units use fewer scenarios in connection with variance reduction techniques.

4.5 Dynamic management actions and policyholder behaviour

Anticipated dynamic management actions and policyholder behaviour mainly concern the following areas: profit-sharing for participating life businesses, asset allocation and realisation of gains and losses, and assumed policyholder behaviour with regards to their contractual options. They are dependent on the economic scenario considered and reflect local regulations and type of business.

The crediting rules for policyholders are consistent with current company practices and local regulatory environments, in particular regarding the existence of a “legal quote”. They ensure that the statutory solvency rules (Solvency I, including stress tests if legally required in the country) and other legal requirements are fulfilled for each projection year.

The rules for future asset allocations are consistent with going-concern assumptions. Asset realignment avoids deviating from the strategic asset allocation by more than a predefined margin and takes place after each projected year.

Lapse rates from policyholders have been dynamically modelled. For traditional business, lapse rates depend on the difference between the credited rate to the policyholders and the anticipated policyholders’ expectations. Lapse parameters depend on the country and product line considered.

4.6 Look-through principle

MCEV guidance requires that profits or losses incurred in service companies from managing covered business are measured on a “look-through” basis. This principle ensures that all profits and losses incurred in relation to the covered business are passed to the corresponding entity, and consequently incorporated into the value of in-force business.

The look-through principle is applied for asset management services and corporate centre services. The future profits or losses taken into account for these services are limited to those linked to the insurance business, after “legal quote” and taxes.

4.7 Consolidation

The Group MCEV for Swiss Life comprises MCEV results for covered business and IFRS net asset values for non-covered business.

Covered business comprises all of Swiss Life's major life, health and pension business as well as assumed external reinsurance with the exception of Swiss Life Insurance Solutions S.A., which is not material for MCEV purposes. In the case of France, the remaining operations are sub-consolidated with their IFRS net asset value and also included in the French covered business.

As described in section 3.1, covered business relates to the operations in:

- Switzerland
- Germany
- France
- Luxembourg
- Liechtenstein
- Singapore

International includes results for Luxembourg, Liechtenstein and Singapore.

The sum of all market consistent embedded values for the market units of the covered business forms the total MCEV for covered business.

Non-covered business comprises all other entities of the Swiss Life Group that are valued at the unadjusted IFRS net asset value on a consolidated level, such as the distribution units of Swiss Life Select or investment management (including the newly acquired CORPUS SIREO), financing and holding companies. Non-covered business is added to the MCEV results from the covered business to form the Group MCEV.

4.8 Employee pension schemes and share-based payment programmes

Allowance is made for gains or losses arising from the defined benefit pension plans for Swiss Life's own employees. In Switzerland there is a semi-autonomous pension fund with biometric risks covered by an insurance contract. In other units the major part is covered by insurance contracts. The remaining part is modelled as commensurate expenses in the projections.

The costs of share-based payment programmes for employees are not included in the MCEV, other than to the extent that they are allowed for in the local statutory accounts upon which the shareholder net assets are based. Further information on the costs of share-based payment programmes is given in the Group's Consolidated Financial Statements (note 23).

5 Assumptions

5.1 Economic assumptions

The market consistent calibration of the economic scenarios is based on traded market instruments at the valuation date wherever possible. This includes nominal and real yield curves, interest rate volatility and equity volatilities. Where market data is not available or the market is not liquid enough, the model calibration is based on best estimate assumptions. This notably includes correlations, exchange rate volatilities and real estate volatilities.

5.1.1 Reference rates

The reference rates used for the calculation of the MCEV 2014 are based on the swap rates as at 31 December 2014 and include, where appropriate, a liquidity premium. Extrapolation of the interest curves and determination of liquidity premiums closely follow the QIS 5 framework.

The underlying liquidity premium is determined by applying the formula $\text{Maximum}(0; 50\% * (\text{corporate credit spread over swap} - 40\text{bp}))$, where the corporate spreads over swap are measured with appropriate market indices. For the corporate credit spread over swap rates for the three currencies euro, US dollar and British pound, we use the quotation from Markit³ instead of using the two-step approach as described in the QIS 5 guidance. For Canadian dollar we use the quotation from BofA Merrill Lynch. For the spread over swap rates for Swiss franc we use a SIX Swiss Exchange Bond Index (SBI® Corporate) composed of investment grade, foreign and domestic corporate issues in Swiss francs.

We apply no liquidity premium to PPLI, unit-linked, and variable annuities business, 50% of the underlying liquidity premium to health insurance and assumed external reinsurance, and 75% to all participating and other businesses, including traditional annuities. Liquidity premiums are applied over a term of 10 years for Swiss franc, 15 years for euro and 30 years for US dollar, and phased out over the following five years.

As some of Swiss Life's liabilities are running longer than asset durations are available on financial markets in sufficient depth and liquidity, an extrapolation of yields is needed to assess swap rates beyond this horizon. Swiss Life uses the approach for extrapolation prescribed by EIOPA for QIS 5.

The spread (over swap rates) applied for the valuation of the hybrid debt was updated based on a subordinated bond index and amounts to 287bp as at 31 December 2014. For the opening MCEV the spread amounted to 96bp.

The whole yield curve is shifted for the 100bp increase/decrease in reference rate sensitivity including the extrapolated part beyond terms where market data is used for calibration of the reference rates.

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5.1.1.1 Swap rates as at 31 December 2014

Economy	1 year	2 year	5 year	10 year	15 year	30 year
Switzerland	-0.11%	-0.13%	0.06%	0.52%	0.79%	1.16%
Euro Zone	0.16%	0.18%	0.36%	0.82%	1.15%	1.47%
United States	0.44%	0.89%	1.75%	2.27%	2.49%	2.69%

5.1.1.2 Swap rates as at 31 December 2013

Economy	1 year	2 year	5 year	10 year	15 year	30 year
Switzerland	0.06%	0.16%	0.77%	1.64%	2.03%	2.17%
Euro Zone	0.41%	0.54%	1.26%	2.16%	2.59%	2.73%
United States	0.31%	0.49%	1.77%	3.06%	3.57%	3.90%

5.1.1.3 100% Liquidity premium, relative to swap rates, as at 31 December 2014 and 31 December 2013

Economy	2014 ¹	2013
Switzerland	20bp	22bp
Euro Zone	24bp	29bp
United States	63bp	47bp

¹ Liquidity premium for British pound: 69bp (2013: 56bp), for Canadian dollar: 25bp (2013: 24bp)

5.1.2 Volatility assumptions

Volatility assumptions for the year-end 2014 and 2013 calculations are derived from market data as at 31 December 2014 and 2013.

The interest rate volatilities are based on implied volatilities of at-the-money receiver swaptions. The tables below show rates for euro and US dollar with 20-year tenors and rates for Swiss franc with 10-year tenors.

5.1.2.1 Swaption implied volatilities as at 31 December 2014

Economy	1 year option	2 year option	5 year option	10 year option	15 year option	30 year option
Switzerland	65.7%	61.8%	59.4%	49.7%	43.1%	49.0%
Euro Zone	43.5%	41.1%	35.9%	32.6%	30.7%	26.6%
United States	27.6%	27.4%	26.1%	23.4%	20.8%	21.3%

5.1.2.2 Swaption implied volatilities as at 31 December 2013

Economy	1 year option	2 year option	5 year option	10 year option	15 year option	30 year option
Switzerland	25.2%	26.1%	27.9%	29.0%	30.4%	21.8%
Euro Zone	23.7%	24.3%	24.0%	21.7%	20.2%	15.3%
United States	20.5%	20.1%	18.0%	15.2%	14.1%	15.2%

The equity implied volatilities are derived from the 10-year at-the-money equity put option prices.

5.1.2.3 Equity option implied volatilities as at 31 December 2014 and 31 December 2013

Economy	Index	Volatility	
		2014	2013
Switzerland	SMI	18.5%	18.7%
Euro Zone	EuroStoxx 50	20.8%	20.6%
United States	S&P 500	25.9%	24.5%

The property volatilities are based on best estimate assumptions considering historical data.

5.1.2.4 Property volatilities used for the calculation as at 31 December 2014 and 31 December 2013

Economy	Volatility	
	2014	2013
Switzerland	8.0%	8.0%
Euro Zone	13.0%	13.0%

5.1.3 Correlation assumptions

The correlation assumptions between different asset classes are based on historical market data. The correlations between returns on equities and on 10-year zero coupon bonds are assumed to be 15% for 2014 and 17% for 2013.

5.1.4 Inflation assumptions

The inflation assumptions have been derived from inflation-linked bond prices, where inflation-linked bonds are traded. For the Swiss economy, the real interest rate model is calibrated on the inflation forecast by Consensus Economics, an international economic survey organisation.

5.1.4.1 Forward inflation rates used for the calculation as at 31 December 2014

Economy	1 year	2 year	5 year	10 year	15 year	30 year
Switzerland	0.1%	-0.1%	-0.2%	0.5%	0.7%	0.4%
Euro Zone	0.1%	0.3%	0.9%	1.6%	1.6%	0.9%

5.1.4.2 Forward inflation rates used for the calculation as at 31 December 2013

Economy	1 year	2 year	5 year	10 year	15 year	30 year
Switzerland	0.2%	-0.3%	0.1%	1.0%	1.1%	1.2%
Euro Zone	1.4%	1.0%	1.4%	2.3%	2.4%	2.1%

5.1.5 Real world assumptions

These assumptions are used for the step “expected existing business contribution in excess of reference rates”.

For fixed interest assets, the “real world” investment return assumptions are based on the gross redemption yield on the assets less a rating-dependent allowance for expected defaults derived from historical data.

Fixed risk premiums are used for other risky assets. Return assumptions for equity and property are derived from the 10-year swap rates, plus a risk premium; see table 5.1.5.1 below.

5.1.5.1 Equity and property assumptions for real world projection

Risk premiums by asset class	2014	2013
Equity	400bp	400bp
Property (Switzerland and Europe)	200bp	200bp

5.2 Taxation and legislation

Tax assumptions for the projection of annual results have been set in line with the local tax regime. Tax losses carried forward are considered. Taxation rules are based on individual companies' total results. Tax impact of future new business has not been allowed for. The following table 5.2.1 shows the corporate tax rates applied.

5.2.1 Tax assumptions

	2014	2013
Switzerland	21.1%	21.1%
France	34.4% ¹	34.4% ²
Germany	28.3%	28.3%
Luxembourg	22.0%	22.0%
Liechtenstein	12.5%	12.5%
Singapore	17.0%	17.0%

¹ Following French legislation the tax rate assumption applied for 2015 is 38.0%.

² Following French legislation the tax rate assumption applied for 2014 is 38.0%.

5.3 Operating assumptions

Non-economic assumptions such as mortality, morbidity and lapse rates have been determined by the respective business units based on their best estimate as at the valuation date. Best estimate assumptions are set by considering past and current experience.

Expense assumptions are reconciled with past and current experience. They do not account for future cost reductions. Projected expenses are subject to inflation. All the expected expense overruns affecting the covered business, such as overhead expenses and development costs in new markets have been allowed for in the calculations. Corporate costs are included in the expenses of market units by means of a "look-through" procedure (see section 4.6).

6 Auditor's Report on Embedded Value

To the Board of Directors of
Swiss Life Holding Ltd

We have audited the Market Consistent Embedded Value Report ("MCEV Report") of Swiss Life Holding Ltd for the year ended 31 December 2014. The embedded value information included in the MCEV Report has been prepared in accordance with the Market Consistent Embedded Value ("MCEV") Principles issued by the European Insurance CFO Forum, as described in sections 1 and 4 of the MCEV Report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the MCEV Report in accordance with the MCEV Principles, including the applied methodology and the assumptions used and for such internal controls as determined necessary to enable the preparation of the MCEV Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on whether the MCEV Report has been properly prepared in accordance with the MCEV Principles. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the MCEV Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the MCEV Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the MCEV Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the MCEV Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the principles used and the reasonableness of significant estimates made, as well as evaluating the adequacy of the overall presentation of the MCEV Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the MCEV Report of Swiss Life Holding Ltd for the year ended 31 December 2014 is prepared, in all material respects, in accordance with the MCEV Principles.

Basis of preparation

Without modifying our opinion, we draw attention to sections 4 and 5 of the MCEV Report, which describe the basis of MCEV methodology and assumptions.

This report has been prepared solely for the Board of Directors of Swiss Life Holding Ltd in accordance with the terms of our engagement letter. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown except where explicitly agreed by our prior consent in writing. This report does not extend to any financial statements of Swiss Life Holding Ltd.

PricewaterhouseCoopers AG

Ray Kunz
Audit expert

Thomas Hull

Zurich, 26 February 2015

7 Glossary and List of Abbreviations

Annual premium equivalent (APE)

Volume measure for new business. Sum of regular premiums from new business +10% of single premiums on business written during the period.

Average annual premium multiplier

The average annual premium multiplier is determined as the difference between PVNBP and the new business single premiums, divided by new business annual premiums.

Best estimate assumptions

A best estimate assumption should equal the mean estimate (probability weighted average) of outcomes of that risk variable.

Certainty equivalent scenario

Economic scenario under which asset returns are equal to the reference rates.

Certainty equivalent value (CEV)

Certainty equivalent value is defined as the present value of the future shareholders' statutory profits (net of tax) under the certainty equivalent scenario.

CFO Forum

The CFO Forum is a high-level discussion group formed and attended by the Chief Financial Officers of major European listed, and some non-listed, insurance companies. Its aim is to discuss issues relating to proposed new accounting regulations for their businesses and how they can create greater transparency for investors. It published the MCEV Principles together with a detailed Basis for Conclusions on 4 June 2008 and an amendment in October 2009.

Cost of credit risk

The cost of credit risk accounts for the credit risk of investments in bonds that would otherwise have been unaccounted for in other MCEV components.

Cost of residual non-hedgeable risks (CNHR)

The cost of residual non-hedgeable risks accounts for risk factors such as mortality, morbidity, expenses and lapse rates.

Covered business

Covered business includes all of Swiss Life's major life, health and pension business as well as assumed external reinsurance. In the case of France, all business operations are included in the covered business.

Free surplus (FS)

The free surplus is the market value of any assets allocated to, but not required to support, the in-force covered business at the valuation date.

Frictional costs of required capital (FC)

The additional investment and taxation cost incurred by shareholders through investing required capital in the company compared to direct investment as individuals.

Group MCEV

The Group MCEV for Swiss Life comprises MCEV results for covered business and IFRS net asset values for non-covered business of the Swiss Life Group (as explained above under point 4.7).

IFRS

International Financial Reporting Standards

“Legal quote”

Statutory minimum policyholder participation ratio

Liquidity premium

As stipulated in the MCEV Principles, liquidity premiums are included in swap yield curves in cases where liabilities are not liquid.

Look-through principle

Method by which profits or losses from service companies within the Swiss Life Group, which are directly related to managing the covered business, are included in the MCEV and in the value of new business.

Market consistent embedded value (MCEV)

Market consistent embedded value is a measure of the consolidated value of shareholders' interests in the in-force covered business of the Swiss Life Group.

Net asset value (NAV)

The net asset value is the market value of assets attributed to the covered business over and above that required to back liabilities for covered business.

New business margin

The value of new business divided by the present value of new business premiums (PVNBP) or divided by the annual premium equivalent (APE), respectively.

Non-covered business

All businesses of the Swiss Life Group which are not accounted for under covered business, such as investment management and Swiss Life Select, are included in the non-covered business of the Group MCEV by means of their IFRS net asset values.

Non-traditional business

Unit-linked-type contracts, with or without additional financial guarantees and policyholder options.

Operating MCEV earnings

Change in MCEV and in Group MCEV in the reporting period after initial and closing adjustments, economic variances and other non-operating variances, as well as other movements in IFRS net equity.

Present value of new business premiums (PVNBP)

Volume measure for new business. It represents the present value of premiums from new business. It is the sum of single premiums and the present value of periodic premiums from new business.

QIS 5

EIOPA's fifth quantitative impact study for Solvency II.

Reference rate

The reference rates used for the calculation of the MCEV are based on the swap rates at the valuation date.

Required capital (RC)

The required capital is the market value of assets, attributed to the covered business over and above that required to back liabilities for covered business, whose distribution to shareholders is restricted based on statutory solvency.

Time value of financial options and guarantees (TVOG)

The TVOG represents the additional market price of those financial options and guarantees in excess of the intrinsic value of options and guarantees which is already allowed for in the certainty equivalent value.

Total MCEV earnings

Change in MCEV and in Group MCEV in the reporting period after initial and closing adjustments and other movements in IFRS net equity.

Value of in-force business (VIF)

The value of in-force business represents the net present value of future profits emerging from operations and assets backing liabilities, after accounting for TVOG, CNHR and FC.

Value of new business (VNB)

The value of new business reflects the additional value to shareholders created by writing new business during the reporting period.

Variable annuities

Unit-linked contracts with additional guarantees and policyholder options.

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Consolidated Statement of Income (unaudited)

Consolidated statement of income for the years ended 31 December

In CHF million

	Notes	2014	2013
INCOME			
Premiums earned on insurance contracts		13 075	12 344
Premiums earned on investment contracts with discretionary participation		893	798
Premiums ceded to reinsurers		-192	-198
Net earned premiums	7	13 776	12 944
Policy fees earned on insurance contracts		24	25
Policy fees earned on investment and unit-linked contracts		284	278
Net earned policy fees	7	308	304
Commission income	8	998	840
Investment income	5, 8	4 448	4 280
Net gains/losses on financial assets	5, 8	2 631	-259
Net gains/losses on financial instruments at fair value through profit or loss	5, 8	-1 992	844
Net gains/losses on investment property	5, 14	288	505
Share of profit or loss of associates	5, 15	3	7
Other income	8	15	-2
TOTAL INCOME		20 474	19 462
EXPENSES			
Benefits and claims under insurance contracts		-14 385	-13 201
Benefits and claims under investment contracts with discretionary participation		-932	-826
Benefits and claims recovered from reinsurers		98	107
Net insurance benefits and claims	8	-15 218	-13 920
Policyholder participation		-1 146	-1 361
Interest expense	8	-205	-222
Commission expense	8	-940	-870
Employee benefits expense	8	-867	-862
Depreciation and amortisation expense	8	-383	-537
Impairment of property and equipment and intangible assets	16, 17	-12	-6
Other expenses	8	-532	-533
TOTAL EXPENSES		-19 304	-18 312
PROFIT FROM OPERATIONS		1 169	1 149
Borrowing costs		-157	-148
PROFIT BEFORE INCOME TAX		1 012	1 002
Income tax expense	24	-194	-218
NET PROFIT		818	784
Net profit attributable to			
equity holders of Swiss Life Holding		814	781
non-controlling interests		4	3
NET PROFIT		818	784
Earnings per share attributable to equity holders of Swiss Life Holding			
Basic earnings per share (in CHF)	6	25.52	24.45
Diluted earnings per share (in CHF)	6	24.11	24.22

Consolidated Statement of Comprehensive Income (unaudited)

Consolidated statement of comprehensive income for the years ended 31 December

In CHF million

	Notes	2014	2013
NET PROFIT		818	784
OTHER COMPREHENSIVE INCOME			
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT			
Exchange differences on translating foreign operations		-48	34
Financial assets available for sale		10 104	-5 161
Cash flow hedges		847	-656
Financial assets reclassified to loans		61	63
Share of other comprehensive income of associates		0	0
Adjustments relating to items that may be reclassified:			
Policyholder participation		-6 516	3 222
Shadow accounting		-195	104
Income tax		-980	539
TOTAL	26	3 274	-1 855
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT			
Revaluation surplus on investment property		-3	6
Remeasurements on defined benefit pension liability		-297	-2
Adjustments relating to items that will not be reclassified:			
Policyholder participation		176	-3
Shadow accounting		1	0
Income tax		27	-1
TOTAL	26	-96	-1
NET OTHER COMPREHENSIVE INCOME		3 178	-1 856
TOTAL NET COMPREHENSIVE INCOME		3 996	-1 072
Total net comprehensive income attributable to			
equity holders of Swiss Life Holding		3 993	-1 075
non-controlling interests		3	3
TOTAL NET COMPREHENSIVE INCOME		3 996	-1 072

Consolidated Balance Sheet (unaudited)

Consolidated balance sheet

In CHF million

	Notes	31.12.2014	31.12.2013
ASSETS			
Cash and cash equivalents		6 062	6 088
Derivatives	9, 31	2 358	1 268
Financial assets at fair value through profit or loss	10	32 389	31 486
Financial assets available for sale	11	97 162	81 071
Loans and receivables	13, 30	27 948	25 548
Financial assets pledged as collateral	12, 33	2 763	1 999
Investment property	14	19 596	18 517
Investments in associates	15	284	271
Reinsurance assets	22	397	396
Property and equipment	16	442	448
Intangible assets including intangible insurance assets	17	2 972	2 937
Current income tax assets		14	3
Deferred income tax assets	24	34	96
Other assets	18	431	402
TOTAL ASSETS		192 854	170 530

Consolidated balance sheet

In CHF million

	Notes	31.12.2014	31.12.2013
LIABILITIES AND EQUITY			
LIABILITIES			
Derivatives	9, 31	2 165	814
Financial liabilities at fair value through profit or loss	10	25 415	24 794
Investment contracts	19	14 070	13 130
Borrowings	20, 30	3 798	3 677
Other financial liabilities	21, 30	12 056	9 040
Insurance liabilities	22	106 136	101 432
Policyholder participation liabilities		12 152	5 481
Employee benefit liabilities	23	1 821	1 553
Current income tax liabilities		78	104
Deferred income tax liabilities	24	1 913	973
Provisions	25	128	200
Other liabilities	18	289	314
TOTAL LIABILITIES		180 023	161 511
EQUITY			
Share capital		164	164
Share premium		1 237	1 414
Treasury shares		-31	-26
Accumulated other comprehensive income	26	3 067	-112
Retained earnings		8 319	7 505
TOTAL SHAREHOLDERS' EQUITY		12 755	8 945
Non-controlling interests		76	74
TOTAL EQUITY		12 831	9 018
TOTAL LIABILITIES AND EQUITY		192 854	170 530

Consolidated Statement of Cash Flows

(unaudited)

Consolidated statement of cash flows for the years ended 31 December

In CHF million

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums, policy fees and deposits received, net of reinsurance	15 239	14 385
Benefits and claims paid, net of reinsurance	-11 539	-12 223
Interest received	3 658	3 621
Dividends received	191	119
Commissions received	939	827
Rentals received	850	800
Interest paid	-40	-41
Commissions, employee benefit and other payments	-2 971	-2 050
Net cash flows from		
derivatives	-1 294	452
financial instruments at fair value through profit or loss	566	833
financial assets available for sale	-4 572	-6 562
loans	-1 249	264
investment property	-1 030	-2 107
deposits	2 125	1 032
other operating assets and liabilities	-52	-74
Income taxes paid	-171	-139
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	650	-863

Consolidated statement of cash flows for the years ended 31 December

In CHF million

	Notes	2014	2013
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES		650	-863
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments in associates		-	0
Sales of investments in associates		4	2
Dividends received from associates	15	10	2
Purchases of property and equipment		-80	-45
Sales of property and equipment		6	4
Purchases of computer software and other intangible assets		-11	-22
Acquisitions of subsidiaries, net of cash and cash equivalents	28	-222	-63
TOTAL NET CASH FLOWS FROM INVESTING ACTIVITIES		-291	-121
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of debt instruments		5	915
Redemption of debt instruments		-50	-19
Distribution out of capital contribution reserve		-176	-144
Purchases of treasury shares		-15	-13
Sales of treasury shares		-	1
Borrowing costs paid		-146	-136
Dividends paid to non-controlling interests		-1	0
TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES		-383	605
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		-24	-379
Cash and cash equivalents as at 1 January		6 088	6 480
Foreign currency differences		-3	-13
Total change in cash and cash equivalents		-24	-379
CASH AND CASH EQUIVALENTS AS AT END OF PERIOD		6 062	6 088
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash on hand and demand deposits		3 740	3 201
Cash equivalents		14	388
Cash and cash equivalents for the account and risk of the Swiss Life Group's customers		2 309	2 499
TOTAL CASH AND CASH EQUIVALENTS AS AT END OF PERIOD		6 062	6 088

Consolidated Statement of Changes in Equity (unaudited)

Consolidated statement of changes in equity for the year ended 31 December 2014

In CHF million									
	Notes	Share capital	Share premium	Treasury shares	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Balance as at 1 January		164	1 414	-26	-112	7 505	8 945	74	9 018
Total net comprehensive income	26	-	-	-	3 179	814	3 993	3	3 996
Distribution out of capital contribution reserve	26	-	-176	-	-	-	-176	-	-176
Equity-settled share-based payments		-	9	-	-	-	9	-	9
Purchases of treasury shares		-	-	-15	-	-	-15	-	-15
Allocation of treasury shares under equity compensation plans		-	-10	10	-	-	-	-	-
Acquisitions of subsidiaries		-	-	-	-	-	-	0	0
Dividends		-	-	-	-	-	-	-1	-1
BALANCE AS AT END OF PERIOD		164	1 237	-31	3 067	8 319	12 755	76	12 831

Consolidated statement of changes in equity for the year ended 31 December 2013

In CHF million									
	Notes	Share capital	Share premium	Treasury shares	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Balance as at 1 January		164	1 507	-17	1 745	6 724	10 122	33	10 155
Total net comprehensive income	26	-	-	-	-1 857	781	-1 075	3	-1 072
Distribution out of capital contribution reserve	26	-	-144	-	-	-	-144	-	-144
Issuance of convertible debt (equity component)	26	-	46	-	-	-	46	-	46
Equity-settled share-based payments		-	8	-	-	-	8	-	8
Purchases of treasury shares		-	-	-13	-	-	-13	-	-13
Sales of treasury shares		-	0	1	-	-	1	-	1
Allocation of treasury shares under equity compensation plans		-	-3	3	-	-	-	-	-
Acquisitions of subsidiaries		-	-	-	-	-	-	37	37
Dividends		-	-	-	-	-	-	0	0
BALANCE AS AT END OF PERIOD		164	1 414	-26	-112	7 505	8 945	74	9 018

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.

Distribution out of capital contribution reserve

For the 2013 financial year, a distribution was made to the shareholders of Swiss Life Holding Ltd (hereinafter referred to as "Swiss Life Holding") from the capital contribution reserve instead of a dividend payment from profit. This amounted to CHF 176 million (CHF 5.50 per registered share) and was paid in the first half of 2014.

Approval of financial statements

On 11 March 2015, the Board of Directors approved the annual financial statements and the financial report and authorised them for issue. The financial report, therefore, only reflects events up to that date.

2 Summary of Significant Accounting Policies

The principal accounting policies are set out below. These policies have been applied consistently to all the periods presented unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Swiss Life have been prepared in accordance and comply with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which are stated at their fair value: derivatives, financial assets and liabilities at fair value through profit or loss, financial assets classified as available for sale and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Figures may not add up exactly due to rounding.

2.2 Changes in accounting policies

Offsetting Financial Assets and Liabilities (Amendments to IAS 32)

In December 2011, application guidance was added to IAS 32 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria. This included clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. No significant impact arose from the implementation of the amendments as at 1 January 2014 on the consolidated balance sheet of the Swiss Life Group.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

In June 2013, Novation of Derivatives and Continuation of Hedge Accounting (Amendment to IAS 39 Financial Instruments: Recognition and Measurement) was issued in order to provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendment is applicable for annual periods beginning on or after 1 January 2014. No significant impact arose from the implementation of the amendments on the consolidated financial statements of the Swiss Life Group.

IFRIC 21 Levies

In May 2013, the International Accounting Standards Board issued IFRIC 21 Levies. This Interpretation addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain. The Interpretation is applicable for annual periods beginning on or after 1 January 2014. The implementation of the Interpretation did not have a material impact on the consolidated financial statements.

The following amended Standards and Interpretations are not relevant to the Swiss Life Group:

– Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

2.3 Consolidation principles

The Group's consolidated financial statements include the assets, liabilities, income and expenses of Swiss Life Holding and its subsidiaries. A subsidiary is an entity over which Swiss Life Holding has control. Control is achieved if Swiss Life Holding has the power over the subsidiary, is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to use its power to affect its returns. Subsidiaries are consolidated from the date on which effective control is obtained. All intercompany balances, transactions and unrealised gains and losses on such transactions have been eliminated. A listing of the Group's subsidiaries is set out in note 36. The financial effect of acquisitions and disposals of subsidiaries is shown in note 28. Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

The Swiss Life Group acts as a fund manager for various investment funds. In order to determine if the Group controls an investment fund, aggregate economic interest (including performance fees, if any) is taken into account. Third-party rights to remove the fund manager without cause (kick-out rights) are also taken into account.

Associates for which the Group has significant influence are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those decisions. The Group's share of net income for the year is recognised as a share of profit or loss of associates and the ownership interest in the investment is recorded in the balance sheet at an amount that reflects its share of the net assets. The Group's share of net income is included from the date on which significant influence begins until the date on which significant influence ceases. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The carrying amount includes goodwill on the acquisition.

The Group has elected to measure certain associates held by venture capital entities and investment-linked insurance funds at fair value through profit or loss, as permitted by IAS 28 Investments in Associates and Joint Ventures. Changes in the fair value of such investments are included in net gains/losses on financial instruments at fair value through profit or loss.

A listing of the Group's principal associates is shown in note 15.

Non-controlling interest is the part of profit or loss and net assets of a subsidiary attributable to equity interest that is not controlled, directly or indirectly, through subsidiaries by the parent. The amount of non-controlling interest comprises the proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities not attributable, directly or indirectly, to the parent at the date of the original acquisition, goodwill attributable to non-controlling interest, if any, and the proportion of changes in equity not attributable, directly or indirectly, to the parent since the date of acquisition. Summarised financial information of subsidiaries with material non-controlling interests is set out in note 26.

2.4 Foreign currency translation and transactions

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

	31.12.2014	31.12.2013	Average 2014	Average 2013
1 British pound (GBP)	1.5485	1.4721	1.5082	1.4503
1 Czech koruna (CZK)	0.0434	0.0448	0.0441	0.0474
1 Euro (EUR)	1.2026	1.2253	1.2163	1.2311
100 Polish zloty (PLN)	28.0772	29.4873	29.0058	29.3310
1 Singapore dollar (SGD)	0.7502	0.7039	0.7225	0.7408
1 US dollar (USD)	0.9939	0.8886	0.9155	0.9268

Foreign currency translation

On consolidation, assets and liabilities of Group entities denominated in foreign currencies are translated into Swiss francs at year-end exchange rates. Income and expense items are translated into Swiss francs at the annual average exchange rate. Goodwill reported before 1 January 2005 is translated at historical exchange rates. Goodwill for which the acquisition date is on or after 1 January 2005 is carried in the foreign operation's functional currency and is translated into Swiss francs at year-end exchange rates. The resulting translation differences are recorded in other comprehensive income as cumulative translation adjustments. On disposal of foreign entities, such translation differences are recognised in profit or loss as part of the gain or loss on the sale.

Foreign currency transactions

For individual Group entities, foreign currency transactions are accounted for using the exchange rate at the date of the transaction. Outstanding balances in foreign currencies at year-end arising from foreign currency transactions are translated at year-end exchange rates for monetary items while historical rates are used for non-monetary items. Those non-monetary items in foreign currencies recorded at fair values are translated at the exchange rate on the revaluation date.

2.5 Cash and cash equivalents

Cash amounts represent cash on hand and demand deposits. Cash equivalents are primarily short-term highly liquid investments with an original maturity of 90 days or less. Cash and cash equivalents include cash and cash equivalents for the account and risk of the Swiss Life Group's customers.

2.6 Derivatives

The Group enters into forward contracts, futures, forward rate agreements, currency and interest rate swaps, options and other derivative financial instruments for hedging risk exposures or for trading purposes. The notional amounts or contract volumes of derivatives, which are used to express the volume of instruments outstanding and to provide a basis for comparison with other financial instruments, do not, except for certain foreign exchange contracts, represent the amounts that are effectively exchanged by the parties and, therefore, do not measure the Group's exposure to credit risk. The amounts exchanged are calculated on the basis of the notional amounts or contract volumes and other terms of the derivatives that relate to interest or exchange rates, securities prices and the volatility of these rates and prices.

All derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value as assets when favourable to the Group and as liabilities when unfavourable. Gains and losses arising on remeasurement to fair value are recognised immediately in profit or loss, except for derivatives that are used for cash flow hedging.

Derivatives embedded in other financial instruments or in insurance contracts which are not closely related to the host contract are separated and measured at fair value, unless they represent surrender options with a fixed strike price embedded in host insurance contracts and host investment contracts with discretionary participation features. Changes in the fair value are included in profit or loss. Derivatives embedded in insurance contracts which are closely related or which are insurance contracts themselves, such as guaranteed annuity options or guaranteed interest rates, are reflected in the measurement of the insurance liabilities. Options, guarantees and other derivatives embedded in an insurance contract that do not carry any insurance risk are recognised as derivatives.

Derivatives and other financial instruments are also used to hedge or modify exposures to interest rate, foreign currency and other risks if certain criteria are met. Such financial instruments are designated to offset changes in the fair value of an asset or liability and unrecognised firm commitments (fair value hedge), or changes in future cash flows of an asset, liability or a highly probable forecast transaction (cash flow hedge) or hedges of net investments in foreign operations. In a qualifying fair value hedge, the change in fair value of a hedging derivative is recognised in profit or loss. The change in fair value of the hedged item attributable to the hedged risk adjusts the carrying value of the hedged item and is also recognised in profit or loss.

In a qualifying cash flow hedge, the effective portion of the gain or loss on the hedging derivative is recognised in other comprehensive income. Any ineffective portion of the gain or loss is recognised immediately in profit or loss. For a hedged forecast transaction that results in the recognition of a financial asset or liability, the associated gain or loss recognised in other comprehensive income is reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. When a hedging instrument expires or is sold, or a hedge no longer meets the criteria for hedge accounting, any cumulative hedging gain or loss at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in profit or loss. However, when a forecast transaction is no longer expected to occur, the cumulative hedging gain or loss is immediately transferred from other comprehensive income to profit or loss.

Hedges of net investments in foreign operations (net investment hedges) are accounted for similarly to cash flow hedges, i.e. the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income and any ineffective portion is recognised immediately in profit or loss. On the disposal of the foreign operation, the gains or losses included in other comprehensive income are reclassified to profit or loss.

When a hedge relationship is no longer effective, expires or is terminated, hedge accounting is discontinued from that point on.

2.7 Financial assets

“Regular way” purchases and sales of financial assets are recorded on the trade date. The amortisation of premiums and discounts is computed using the effective interest method and is recognised in profit or loss as an adjustment of yield. Dividends are recorded as revenue on the ex-dividend date. Interest income is recognised on an accrual basis.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset have expired or substantially all risks and rewards of ownership have been transferred or the risks and rewards have neither been transferred nor retained, but control of the asset has been transferred.

Financial assets at fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss comprise financial assets held for trading and financial assets designated as at fair value through profit or loss. Financial assets which the Group buys with the intention to resell in the near term are classified as held for trading. Financial assets designated as at fair value through profit or loss are irrevocably designated as such when initially recognised. Financial assets are primarily designated as at fair value through profit or loss in the following instances:

- Financial assets backing insurance liabilities and liabilities arising from investment contracts for the account and risk of the Swiss Life Group’s customers (contracts with unit-linked features, separate accounts, private placement life insurance) in order to avoid measurement inconsistencies with the corresponding liabilities.
- Certain equity instruments with a quoted price in an active market which are managed on a fair value basis.
- Certain financial assets with embedded derivatives which otherwise would have to be separated.
- Certain financial assets and financial liabilities where a measurement or recognition inconsistency can be avoided (“accounting mismatch”) that would otherwise arise from measuring those assets or liabilities or recognising the gains and losses on them on different bases.

Interest, dividend income and realised and unrealised gains and losses are included in net gains/losses on financial instruments at fair value through profit or loss.

Financial assets available for sale (AFS)

Financial assets classified as available for sale are carried at fair value. Financial assets are classified as available for sale if they do not qualify as held to maturity, held for trading, loans and receivables or if they are not designated as at fair value through profit or loss. Gains and losses arising from

fair value changes, being the difference between fair value and cost/amortised cost, are reported in other comprehensive income. On disposal of an AFS investment, the cumulative gain or loss is transferred from other comprehensive income to profit or loss for the period. Gains and losses on disposal are determined using the average cost method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. Loans include loans originated by the Group and investments in debt instruments which are not quoted in an active market and for which no intention of sale in the near term exists. Loans are initially recognised at fair value, net of transaction costs, or direct origination costs. Subsequent measurement is at amortised cost using the effective interest method.

Financial assets reclassified from financial assets available for sale to loans due to the disappearance of an active market are not reclassified back to financial assets available for sale if the market becomes active again.

Financial assets pledged as collateral

Transfers of securities under repurchase agreements or under lending agreements continue to be recognised if substantially all the risks and rewards of ownership are retained. They are accounted for as collateralised borrowings, i.e. the cash received is recognised with a corresponding obligation to return it, which is included in other financial liabilities.

Financial assets that have been sold under a repurchase agreement or lent under an agreement to return them, and where the transferee has the right to sell or repledge the securities given as collateral, are reclassified to financial assets pledged as collateral.

Measurement rules are consistent with the ones for corresponding unrestricted financial assets.

2.8 Impairment of financial assets

The Group reviews the carrying value of financial assets regularly for indications of impairment.

Financial assets at amortised cost

The Group assesses at each balance sheet date if there is objective evidence that a financial asset or a group of financial assets is impaired. It is assessed whether there is objective evidence of impairment individually for financial assets that are individually significant and collectively for financial assets that are not individually significant.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Held-to-maturity securities and loans and receivables are assessed for impairment when a significant decrease in market value related to credit risk arises, namely after a downgrade of a debtor’s rating below single B– after initial recognition (i.e. CCC or lower according to Standard and Poor’s or equivalent) or when payments of principal and/or interest are overdue by more than 90 days. If there is objective evidence that an impairment loss

on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows from groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by the amount that represents the difference between the carrying amount and the new amortised cost value by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Financial assets carried at fair value (available for sale)

At each balance sheet date, an assessment is made whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of an equity instrument classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence of impairment. In this respect, a decline of 30% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. In such a situation, the impairment loss – measured as the difference between the acquisition cost and the current fair value – is removed from other comprehensive income and recognised in profit or loss. After recognition of an impairment loss, any further declines in fair value are recognised in profit or loss, and subsequent increases in fair value are recognised in other comprehensive income.

Available-for-sale debt securities are assessed for impairment when a significant decrease in market value related to credit risk arises, namely after a downgrade of a debtor's rating below single B– after initial recognition (i.e. CCC or lower according to Standard and Poor's or equivalent) or when payments of principal and/or interest are overdue by more than 90 days. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event after the impairment loss was recognised, the impairment loss is reversed through profit or loss.

Impairment losses are presented in the income statement as part of net gains and losses on financial assets.

2.9 Investment property

Investment property is property (land or a building or both) held by the Group to earn rentals or for capital appreciation or both, rather than for administrative purposes.

Investment property includes completed investment property and investment property under construction. Completed investment property consists of investments in residential, commercial and mixed-use properties primarily located within Switzerland.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for administrative purposes. If these portions could be sold separately, they are accounted for separately. If these portions could not be sold separately, the portion is investment property only if an insignificant portion is held for administrative purposes.

Investment property is carried at fair value and changes in fair values are recognised in profit or loss. Fair values are determined either on the basis of periodic independent valuations or by using discounted cash flow projections. The valuation of each investment property is reviewed by an independent recognised valuer at least once every three years. Rental income is recognised on a straight-line basis over the lease term. The fair value of an investment property is measured based on its highest and best use. The highest and best use of an investment property takes into account the use of the asset that is physically possible, legally permissible and financially feasible.

Investment property under construction is also measured at fair value with changes in fair value being recognised in profit or loss. However, where the fair value is not reliably determinable, the property is measured at cost until either its fair value becomes reliably measurable or construction is completed.

Investment property being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

If an item of property and equipment becomes an investment property because its use has changed, the positive difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as a revaluation surplus. However, to the extent a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Any resulting decrease in the carrying amount of the property is recognised in net profit or loss for the period. Upon the disposal of such investment property, any revaluation surplus included in other comprehensive income is transferred to retained earnings; the transfer is not made through profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for subsequent measurement purposes.

2.10 Insurance operations

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 insured 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 that the Group issues and reinsurance contracts that the Group holds. As a 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 that transfer insurance risk 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.

Investment contracts with and without discretionary participation features

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

Recognition and measurement principles

Subject to certain limitations, the Group uses its existing accounting policies for the recognition and measurement of insurance contracts and investment contracts with discretionary participation features that it issues (including related deferred acquisition costs and related intangible assets) and reinsurance contracts that it holds. The existing accounting policies for recognition and measurement have primarily been based on the requirements of the Generally Accepted Accounting Principles in the United States (status of US GAAP as of the first application of IFRS 4 Phase I).

The accounting policies for insurance contracts and investment contracts with discretionary participation features have been modified as appropriate to be consistent with the IFRS requirements. Guidance dealing with similar and related issues, definitions, recognition and measurement criteria for assets, liabilities, income and expenses as set out in the IASB Framework for the Preparation and Presentation of Financial Statements has been considered.

Discretionary participation features (DPF)

Discretionary participation features are defined in IFRS 4 Insurance Contracts as contractual rights to receive, as a supplement to guaranteed benefits, additional benefits which are likely to be

a significant portion of the total contractual benefits and whose amount or timing is contractually at the discretion of the issuer. These DPF are contractually based on the performance of a specified pool of contracts or a specified type of contract or on the realised and unrealised investment returns on a specified pool of assets held by the issuer or on the profit or loss of the company. The unrealised investment returns comprise gains/losses recognised in other comprehensive income.

The bonuses which are allocated to the policyholders in the participating insurance business (insurance and investment contracts) in Switzerland, France, Germany, Luxembourg and Liechtenstein generally follow the definition of DPF as set out in IFRS 4 Insurance Contracts.

IFRS 4 Insurance Contracts is silent on the measurement of the amounts identified as DPF. This topic will be solved in phase II of the project of the International Accounting Standards Board on insurance contracts.

The accounting for the amounts identified as DPF has been done as follows:

In jurisdictions where no statutory minimum distribution ratio (“legal quote”) exists, the contractual right to receive, as a supplement to guaranteed benefits, additional benefits which are likely to be a significant portion of the total contractual benefits arises when management ratifies the allocation of policyholder bonuses. When ratified by management, a corresponding liability is set up. To the extent discretion with regard to amount and/or timing is involved, these amounts are included within policyholder participation liabilities. In that respect the policyholder bonus reserve set up in the statutory accounts for these contracts is regarded as discretionary. For these contracts the entire DPF is classified as a liability.

In other jurisdictions, a statutory minimum distribution ratio (“legal quote”) exists for certain types of business. Geographical areas in which the Swiss Life Group is present and in which such a statutory minimum distribution ratio (“legal quote”) exists are as follows: Switzerland (only group business subject to “legal quote”), France (life insurance business) and Germany. For these contracts the Swiss Life Group defines DPF as the policyholder bonus reserve set up in the statutory accounts and the amount of temporary valuation differences between the IFRS basis and statutory basis on the assets and liabilities relating to the respective insurance portfolio measured using the statutory minimum distribution ratio (“legal quote”). The policy of the Swiss Life Group is to classify as a liability the entire DPF as defined.

When such temporary valuation differences disappear (e.g. management decides to realise certain unrealised gains and losses on assets), additional benefits which arise from the application of the statutory minimum distribution ratio (“legal quote”) are allocated to the policyholders and become part of their guaranteed benefits. These amounts are always accounted for as liabilities.

Because there is a direct effect on the measurement of DPF liabilities when asset gains or losses are realised, changes in these liabilities are recognised in other comprehensive income when, and only when, the valuation differences on the assets arise from gains or losses recognised in other comprehensive income (“shadow accounting”).

As the liabilities to policyholders arising from the insurance business are fully recognised, no further liabilities relating to the rights arising from DPF have been set up.

The statutory minimum distribution ratios (“legal quote”) relating to the Swiss Life Group’s operations are as follows:

Switzerland

Group business subject to “legal quote”: At least 90% of the calculated income on the savings, risk and cost components minus the expenses thereof must be allocated to the policyholders. All other business: No “legal quote”.

France

In life insurance business, 85% of the investment result and 90% of any other results are allocated to the policyholders as a minimum.

Germany

A minimum of 90% of the net investment returns less 100% of the minimum guaranteed interest on the policyholder account (“interest result”), a minimum of 90% of the risk result and a minimum of 50% of the positive expense result is allocated to the policyholder. A negative investment result can be offset with positive other profit sources.

Luxembourg/Liechtenstein

No statutory minimum distribution ratios are in place.

Non-discretionary participation features

Certain policyholder participation systems do not satisfy the criteria for discretionary participation features. These policyholder bonuses might be guaranteed elements. Some policyholder bonuses are based on benchmark interest rates which are credited to the policyholders. For certain products, policyholder bonuses are based on the development of biometric parameters such as mortality and morbidity. These policyholder bonuses are allocated based on the risk result of the contracts involved. The amount and timing of these bonuses are not subject to management discretion and are accrued to the policyholders’ liabilities based on the relevant contractual terms and conditions.

For investment-type products bonuses are only accrued on deposits under policyholder accounts if the policyholders were entitled to receive those bonuses upon surrender at the balance sheet date.

Income and related expenses from insurance contracts and investment contracts with discretionary participation features

Premiums from traditional life insurance contracts are recognised when due from the policyholder. Insurance liabilities are established in order to recognise future benefits and expenses. Benefits are recognised as an expense when due.

Amounts collected as premiums from investment-type contracts such as universal life and unit-linked contracts are reported as deposits. Only those parts of the premiums used to cover the insured risks and associated costs are treated as premium income. These include fees for the cost of insurance, administrative charges and surrender charges. Benefits recognised under expenses include claims for benefits incurred in the period under review that exceed the related deposits under policyholder contracts and interest that is credited to the appropriate insurance policy accounts.

For contracts with a short duration (e.g. most non-life contracts), premiums are recorded as written upon inception of the contract and are earned primarily on a pro-rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage.

Insurance liabilities and liabilities from investment contracts with discretionary participation features

Future life policyholder benefit liabilities

These liabilities are determined by using the net-level-premium method. Depending on the type of profit participation, the calculations are based on various actuarial assumptions as to mortality, interest rates, investment returns, expenses and persistency, including a margin for adverse deviation. The assumptions are initially set at contract issue and are locked in except for deficiency.

Policyholder deposits

For investment-type contracts, savings premiums collected are reported as deposits (deposit accounting). The liabilities relating to these contracts comprise the accumulation of deposits received plus interest credited less expenses, insurance charges, and withdrawals.

Liability adequacy test

If the actual results show that the carrying amount of the insurance liabilities together with anticipated future revenues (less related deferred acquisition costs (DAC) and related intangible assets) are not adequate to meet the future obligations and to recover the unamortised DAC or intangible assets, the entire deficiency is recognised in profit or loss, either by reducing the unamortised DAC or intangible assets or by increasing the insurance liabilities. The liability adequacy test is performed at portfolio level at each reporting date in accordance with a loss recognition test considering current estimates of future cash flows including those resulting from embedded options and guarantees.

Liabilities for claims and claim settlement costs

Liabilities for unpaid claims and claim settlement costs are for future payment obligations under insurance claims for which normally either the amount of benefits to be paid or the date when payments must be made is not yet fixed. They include claims reported at the balance sheet date, claims incurred but not yet reported and claim settlement expenses. Liabilities for unpaid claims and claim settlement costs are calculated at the estimated amount considered necessary to settle future claims in full, using actuarial methods. These methods are continually reviewed and updated. Claim reserves are not discounted except for claims with determinable and fixed payment terms.

Embedded options and guarantees in insurance contracts

Insurance contracts often contain embedded derivatives. Embedded derivatives which are not closely related to their host insurance contracts are separated and measured separately at fair value. Exposure to embedded options and guarantees in insurance contracts which are closely related or which are insurance contracts themselves, such as guaranteed annuity options or guaranteed interest rates, is reflected in the measurement of the insurance liabilities.

Reinsurance

The Group assumes and/or cedes insurance in the normal course of business. Reinsurance assets principally include receivables due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts recoverable or due under reinsurance contracts are recognised in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contract. Reinsurance is presented in the consolidated balance sheet and income statement on a gross basis unless a right and the intention to offset exist.

Reinsurance contracts that do not transfer insurance risk are accounted for as financial reinsurance and are included in financial assets or liabilities. A deposit asset or liability is recognised based on the consideration paid or received, less any explicitly identified premiums or fees retained by the reinsured. These contracts are primarily measured at amortised cost using the effective interest method with future cash flows being estimated to calculate the effective interest rate.

If a reinsurance asset is impaired, the impairment loss is recognised in profit or loss and the carrying amount is reduced accordingly.

Separate account/unit-linked contracts/private placement life insurance

Separate account contracts represent life insurance contracts with a separated part that is invested in assets managed for the account and risk of the Swiss Life Group's customers according to their specific investment objectives. Separate account liabilities are included in insurance liabilities. Separate account liabilities include the right of the policyholder to participate in the performance of the underlying assets.

Unit-linked contracts are insurance or investment contracts where the insurance benefits are linked to the unit values of investment funds. Certain unit-linked contracts contain guaranteed minimum insurance benefits. The deposit components of unit-linked liabilities are included in financial liabilities designated as at fair value through profit or loss ("unbundling of deposit components"). The components of the unit-linked liabilities that cover insurance risk, if any, are carried under insurance liabilities.

Liabilities relating to private placement life insurance are included in financial liabilities designated as at fair value through profit or loss.

Assets associated with separate account/unit-linked contracts and private placement life insurance are included in financial assets designated as at fair value through profit or loss, investment property, derivatives and cash and cash equivalents. The related income and gains or losses are included in the income statement under the respective line items. The Group has allocated on a rational basis the proportion of acquisition costs related to the insurance and deposit components, respectively. The accounting policy for deferred acquisition costs applies to the portion of acquisition costs associated with the insurance component, and the policy for deferred origination costs applies to the other portion (see 2.16 Intangible assets).

Administrative and surrender charges are included in policy fee income.

2.11 Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Land is carried at cost and not depreciated. Depreciation is principally calculated using the straight-line method to allocate their cost to their residual values over the assets' estimated useful life as follows: buildings 25 to 50 years; furniture and fixtures five to ten years; computer hardware three to five years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred. Borrowing costs directly attributable to the construction or acquisition of a qualifying asset are capitalised as part of the cost of that asset. Realised gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in profit or loss.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

2.12 Inventory property

Inventory property comprises land and buildings that are intended for sale in the ordinary course of business or in the process of construction or development for such a sale, primarily property acquired with a view to subsequent disposal in the near future or for development and resale. Such property is included in other assets.

Inventory property is measured at the lower of cost and net realisable value. Acquisition costs comprise the purchase price and other costs directly attributable to the acquisition of the property (notary fees, etc.). Construction costs include costs directly related to the process of construction of a property. Construction and other related costs are included in inventory property until disposal.

The estimated net realisable value is the proceeds expected to be realised from the sale in the ordinary course of business, less estimated costs to be incurred for renovation, refurbishment and disposal.

Revenue from sales is recognised when construction is complete and legal title to the property has been transferred to the buyer. Revenue and related costs of sales are presented in other income as realised gains/losses from sales of inventory property.

2.13 Leases

Operating lease

The Group primarily enters into operating leases for the rental of equipment and property. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period the lease becomes onerous.

Finance lease

If the lease agreement transfers the risks and rewards of the assets, the lease is recorded as a finance lease and the related asset is capitalised. At inception, the asset is recognised at the lower of the present value of the minimum lease payments or fair value and is depreciated over its estimated useful life. The corresponding finance lease obligations are recorded as liabilities.

2.14 Investment management

Revenue consists principally of investment management fees, commission revenue from distribution and sales of investment fund units. Such revenue is recognised when earned, i.e. when the services are rendered.

Incremental costs that are directly attributable to securing an investment management contract are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered. Such deferred origination costs are included in intangible assets. Deferred investment management fees are included in other liabilities.

2.15 Commission income and expense

Revenue consists principally of brokerage fees, recurring fees for existing business and other fees. Such revenue is recognised when earned, i.e. when the services are rendered. Cancellations are recorded as a deduction of fee income.

Costs primarily comprise commissions paid to independent financial advisors, fees for asset management and other (advisory) services.

2.16 Intangible assets

Present value of future profits (PVP) arising from acquired insurance contracts and investment contracts with discretionary participation features

On acquisition of a portfolio of insurance contracts or a portfolio of investment contracts with discretionary participation features (DPF), either directly from another insurer or through the acquisition of a subsidiary undertaking, the Group recognises an intangible asset representing the present value of future profits (PVP) embedded in the contracts acquired. The PVP represents

the difference between the fair value of the contractual rights acquired and insurance obligations assumed and a liability measured in accordance with the accounting policies for insurance contracts and investment contracts with DPF. The PVP is determined by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. For acquired insurance and investment contracts with DPF, future positive cash flows generally include net valuation premiums while future negative cash flows include policyholders' benefits and certain maintenance expenses.

PVP is amortised in proportion to gross profits or gross margins over the effective life of the acquired contracts, which generally ranges from 20 to 30 years. Realised gains/losses are thereby taken into account as well as gains/losses recognised in other comprehensive income (unrealised gains/losses). If these unrealised gains/losses were to be realised, the gross profits or gross margins used to amortise PVP would be affected. Therefore, an adjustment relating to these unrealised gains/losses is recognised in other comprehensive income and is also reflected in the amount of PVP in the balance sheet ("shadow accounting").

PVP is subject to impairment tests. The effect of changes in estimated gross profits or margins on unamortised PVP is reflected as an expense in the period in which such estimates of expected future profits or margins are revised.

Deferred acquisition costs (DAC)

Costs that vary with and are directly related to the acquisition of new and renewed insurance contracts and investment contracts with discretionary participation features, including commissions, underwriting costs, agency and policy issue expenses, are deferred. Deferred acquisition costs are periodically reviewed to ensure that they are recoverable from future revenues.

For participating life insurance contracts, where the contribution principle applies to the allocation of the policyholder bonus, the deferred acquisition costs are amortised over the life of the contract based on the present value of the estimated gross margin amounts which are expected to be realised. Expected gross margins include expected premiums and investment results less expected benefit claims and administrative expenses, anticipated changes to future life policyholder benefit liabilities and expected annual policyholder bonuses.

Deferred acquisition costs for other traditional life insurance contracts and annuities with life contingencies are amortised in proportion to the expected premiums.

Deferred acquisition costs for investment-type contracts such as universal life contracts are amortised over the life of the contract based on the present value of the estimated gross profits or gross margins expected to be realised. The estimated gross profits are made up of margins available from mortality charges and contract-administration costs, investment earnings spreads, surrender charges and other expected assessments and credits.

When DAC is amortised in proportion to gross profits or gross margins on the acquired contracts, realised gains/losses are taken into account as well as gains/losses recognised in other comprehensive income (unrealised gains/losses). If these gains/losses were to be realised, the gross profits or gross margins used to amortise DAC would be affected. Therefore, an adjustment relating to these unrealised gains/losses is recognised in other comprehensive income and is also reflected in the amount of DAC in the balance sheet ("shadow accounting").

Assumptions used to estimate the future value of expected gross margins and profits are evaluated regularly and adjusted if estimates change. Deviations of actual results from estimated experience are reflected in profit or loss.

For short-duration contracts acquisition costs are amortised over the period in which the related premiums written are earned, in proportion to premium revenue.

Deferred origination costs (DOC)

Incremental costs directly attributable to securing rights to receive fees for asset management services sold with investment contracts without DPF are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered. These incremental costs are costs that would not have been incurred if the Group had not secured the investment contracts. All other origination costs are recognised as an expense when incurred.

Deferred origination costs are generally amortised on a straight-line basis over the life of the contracts.

Goodwill

The Group's acquisitions of other companies are accounted for under the acquisition method.

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. The Group has the option for each business combination, in which control is achieved without buying all of the equity of the acquiree, to recognise 100% of the goodwill in business combinations, not just the acquirer's portion of the goodwill ("full goodwill method"). Goodwill on acquisitions of subsidiaries is included in intangible assets. Acquisition-related costs are expensed. Goodwill on associates is included in the carrying amount of the investment.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. Goodwill is tested for impairment annually and whenever there is an indication that the unit may be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in subsequent periods.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Negative goodwill is immediately recognised in profit and loss.

Customer relationships

Customer relationships consist of established relationships with customers through contracts that have been acquired in a business combination or non-contractual customer relationships that meet the requirement for separate recognition. They have a definite useful life of generally 5 to 20 years. Amortisation is calculated using the straight-line method over their useful lives.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis for the expected useful life up to three years. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly associated with identifiable software products controlled by the Group and that will probably generate future economic benefits are capitalised. Direct costs include the software development team's employee costs. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of three years.

Brands and other

Brands and other intangible assets with a definite useful life of generally 5 to 20 years are amortised using the straight-line method over their useful lives.

2.17 Impairment of non-financial assets

For non-financial assets the recoverable amount is measured as the higher of the fair value less costs of disposal and its value in use. Fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit from its continuing use.

Impairment losses and reversals on non-financial assets are recognised in profit or loss.

2.18 Income taxes

Current and deferred income taxes are recognised in profit or loss except when they relate to items recognised directly in equity. Income taxes are calculated using the tax rates enacted or substantively enacted as of the balance sheet date.

Deferred income taxes are recognised for all temporary differences between the carrying amounts of assets and liabilities in the consolidated balance sheet and the tax bases of these assets and liabilities using the balance sheet liability method. Current income taxes and deferred income taxes are charged or credited directly to equity if the income taxes relate to items that are credited or charged in the same or a different period, directly to equity.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be used. For unused tax losses a deferred tax asset is recognised to the extent that it is probable that these losses can be offset against future taxable profits. Deferred tax liabilities represent income taxes payable in the future in respect of taxable temporary differences.

A deferred tax liability is recognised for taxable temporary differences relating to investments in subsidiaries, branches and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Where the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority, the corresponding assets and liabilities are presented on a net basis.

2.19 Assets held for sale and associated liabilities

A disposal group consists of a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with these assets. Non-current assets classified as held for sale and disposal groups are measured at the lower of the carrying amount and the fair value less costs to sell. The carrying amount will be recovered through a highly probable sale transaction rather than through continuing use. Assets held for sale and the associated liabilities are presented separately in the balance sheet.

2.20 Financial liabilities

Financial liabilities are recognised in the balance sheet when the Swiss Life Group becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value are irrevocably designated as at fair value at initial recognition. Financial liabilities are designated as at fair value through profit or loss in the following instances:

- Financial liabilities where the insurance benefits are linked to unit values of investment funds or relate to private placement life insurance.
- Financial liabilities related to assets measured at fair value in order to reduce or eliminate a measurement or recognition inconsistency.
- Financial liabilities with embedded derivatives.

Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings.

Based on the terms and conditions, such as repayment provisions and contractual interest payments, hybrid instruments are considered as financial liabilities.

Debt instruments with embedded conversion options to a fixed number of shares of the Group are separated into a debt and an equity component. The difference between the proceeds and fair value of the debt component at issuance is recorded in equity. The fair value of the debt component at issuance is determined using a market interest rate for similar instruments with no conversion rights. The Group does not recognise any change in the value of these options in subsequent reporting periods.

Borrowing costs presented in the consolidated statement of income relate to the interest expense on the financial liabilities classified as borrowings whilst interest expense presented in the consolidated statement of income relates to interest expense on insurance and investment contract deposits and other financial liabilities.

Other financial liabilities

For deposits with fixed and guaranteed terms the amortised cost basis is used. Initial recognition is at the proceeds received, net of transaction costs incurred. Subsequently, they are stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the deposits. For repurchase agreements, initial recognition is at the amount of cash received, net of transaction costs incurred. Subsequently, the difference between the amount of cash initially received and the amount of cash exchanged upon maturity is amortised over the life of the agreement using the effective interest method.

2.21 Employee benefits

Post-employment benefits

The Swiss Life Group provides post-employment benefits under two types of arrangement: defined benefit plans and defined contribution plans.

The assets of these plans are generally held separately from the Group's general assets in trustee-administered funds. Defined benefit plan contributions are based upon regulatory requirements and/or plan terms. The Group's defined benefit obligations and the related defined benefit costs are determined at each balance sheet date by a qualified actuary using the Projected Unit Credit Method.

The amount recognised in the consolidated balance sheet represents the present value of the defined benefit obligations reduced by the fair value of plan assets. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Remeasurements, comprising actuarial gains and losses, the effect of the changes of the asset ceiling and the return on plan assets (excluding interest) are reflected immediately in the consolidated balance sheet and in other comprehensive income in the period in which they occur. Such remeasurements recognised in other comprehensive income will subsequently not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit asset or liability. Defined benefit costs comprise service costs and net interest expense which are presented in the income statement under employee benefits expense.

Insurance contracts issued to a defined benefit pension plan covering own employees have generally been eliminated. However, certain assets relating to these plans qualify as plan assets and are therefore not eliminated.

The Group recognises the contribution payable to a defined contribution plan in exchange for the services of the employees rendered during the period as an expense.

Healthcare benefits

Some Group companies provide healthcare benefits to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to the retirement age and the completion of a minimum service period. The expected costs of these benefits are accounted for in the same manner as for defined benefit plans.

Share-based payments

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the shares is recognised in profit or loss with a corresponding increase in equity. As the fair value of the services received cannot reliably be measured, the value is measured by reference to the fair value of the equity instruments granted and the price the employees are required to pay.

2.22 Provisions and contingent liabilities

Provisions are liabilities with uncertainties as to the amount or timing of payments. Provisions are recognised if there is a present obligation that probably requires an outflow of resources and a reliable estimate can be made at the balance sheet date and be measured on a best estimate basis. Contingent liabilities are disclosed in the Notes if there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources or the amount of the obligation cannot be measured with sufficient reliability.

2.23 Treasury shares

Treasury shares are presented in the consolidated balance sheet as a deduction from equity and are recorded at cost. The difference between the purchase price and the sales proceeds is included in share premium.

2.24 Earnings per share

Basic earnings per share are calculated by dividing net profit or loss available to shareholders by the weighted average number of shares in issue during the reporting period, excluding the average number of shares purchased by the Group and held as treasury shares.

For diluted earnings per share the profit and the weighted average number of shares in issue are adjusted to assume conversion of all dilutive potential shares, such as convertible debt and share options issued. Potential or contingent share issuance is treated as dilutive when conversion to shares would decrease earnings per share.

2.25 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.26 Forthcoming changes in accounting policies

In December 2014, the International Accounting Standards Board issued amendments to IAS 1 Presentation of Financial Statements. The amendments are part of the initiative to improve presentation and disclosure in financial statements. They are designed to encourage companies to apply professional judgement in determining what information to disclose in their financial statements. They clarify that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments become mandatory for annual periods beginning on or after 1 January 2016. The Swiss Life Group is currently analysing the effect of the amendments on its financial statements.

In September 2014, Annual Improvements to IFRSs 2012-2014 Cycle was issued. These amendments are effective for annual periods beginning on or after 1 January 2016. The Swiss Life Group is currently analysing the effect of the amendments on its financial statements.

The International Accounting Standards Board published in September 2014 amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments relate to sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective prospectively for annual periods beginning on or after 1 January 2016.

In July 2014, the International Accounting Standards Board completed IFRS 9 Financial Instruments. The new standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 covers classification and measurement of financial instruments, impairment of financial assets and hedge accounting. Classification determines how financial assets and financial liabilities are accounted for in financial statements, and, how they are measured on an ongoing basis. Financial assets are classified on the basis of the business model within which they are held and their contractual cash flow characteristics. An expected-loss impairment model is introduced. Under the new model, it is no longer necessary for a credit event to have occurred before an impairment loss is recognised. The new model for hedge accounting aligns accounting treatment more closely with risk management activities. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Swiss Life Group is currently analysing the effect of the amendments on its financial statements.

IFRS 15 Revenue from Contracts with Customers was published in May 2014. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also introduces disclosure requirements that provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after 1 January 2017. The Swiss Life Group is currently analysing the effect of the amendments on its financial statements.

In May 2014, the International Accounting Standards Board issued Amendments to IFRS 11 Joint Arrangements. The amendments provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendment is effective prospectively for annual periods beginning on or after 1 January 2016.

In December 2013, Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle were published. These amendments are effective for annual periods beginning on or after 1 July 2014. The Swiss Life Group does not expect a material impact on its financial statements.

In November 2013, an amendment to IAS 19 Employee Benefits was issued. The amendment covers the treatment of contributions from employees or third parties and should simplify the accounting for contributions that are independent of the number of years of employee service. The amendment is effective for annual periods beginning on or after 1 July 2014. The Swiss Life Group does not expect a material impact on its financial statements.

The following amended Standards and Interpretations are not relevant to the Swiss Life Group:

- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (Investment Entities: Applying the Consolidation Exception)
- Amendments to IAS 27 Separate Financial Statements (Equity Method in Separate Financial Statements)
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods for Depreciation and Amortisation)
- IFRS 14 Regulatory Deferral Accounts

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

Certain reported amounts of assets and liabilities are subject to estimates and assumptions. Estimates and judgements by management are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The sensitivity analysis with regard to insurance risk and market risk is set out in note 5.

Estimates and judgements in applying fair value measurement to financial instruments and investment property are described in note 30.

Impairment of held-to-maturity and available-for-sale debt instruments and loans and receivables

As a Group policy, held-to-maturity and available-for-sale debt securities and loans and receivables are assessed for impairment when a significant decrease in market value related to credit risk arises, namely after a downgrade of a debtor's rating below single B- after initial recognition (i.e. CCC or lower according to Standard and Poor's or equivalent) or when payments of principal and/or interest are overdue by more than 90 days.

Impairment of available-for-sale equity instruments

At each balance sheet date, an assessment is made whether there is objective evidence that an available-for-sale equity instrument is impaired. A significant or prolonged decline in the fair value of the security below its cost is considered objective evidence of impairment. In this respect, a decline of 30% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged.

Insurance liabilities

Past experience, adjusted for the effect of current developments and probable trends, is assumed to be an appropriate basis for predicting future events. Actuarial estimates for incurred but not reported losses are continually reviewed and updated and adjustments resulting from this review are reflected in income.

For insurance contracts and investment contracts with discretionary participation features with fixed and guaranteed terms, the definition of estimates occurs in two stages. At inception of the contract, estimates of future deaths, surrender, exercise of policyholder options, investment returns and administrative expenses are made and form the assumptions used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty (adverse deviation) is added to these assumptions. These assumptions are "locked-in" for the duration of the contract. Subsequently, new estimates are made at each reporting date in order to determine whether the values of the liabilities so established are adequate in the light of these latest estimates (liability adequacy test). If the valuation of the liabilities is deemed adequate, the assumptions are not altered. However, if the valuation of the liabilities is deemed inadequate, the assumptions underlying the valuation of the liabilities are altered ("unlocked") to reflect the latest estimates; no margin is added to the assumptions in this event.

For insurance contracts and investment contracts with discretionary participation features without fixed and guaranteed terms, future premiums can be increased in line with experience. The assumptions used to determine the liabilities do not contain margins and are not locked-in but are updated at each reporting date to reflect the latest estimates.

Mortality and longevity

Pricing and valuation assumptions for mortality and longevity are generally based on the statistics provided by national insurance associations and complemented with internal claims experience reflecting own company records.

In Switzerland, mortality tables are usually reviewed every five years when new statistics from the Swiss Insurance Association become available. The tables are updated for significant changes.

Morbidity and disability

For the individual and group life business in Switzerland internal tables are in place. In the individual life business, the internal disability rates are based on the Swiss Insurance Association statistics and reflect the average situation of the past in the Swiss market. In the individual life business, only reactivation is considered, whereas increased mortality is also taken into account in group life business. In the individual life business, disability tables are usually reviewed every five years when new statistics from the Swiss Insurance Association become available.

In the group life business, tariffs can be adjusted due to loss experience with regard to disability each year. In the group life business, the tables are based on own company records reflecting loss experience. Especially in the group life business, changes in the labour market may have a significant influence on disability. The tables are updated for significant changes.

In other markets, standard industry disability tables, national statistics and own company records are applied. Standard valuation pricing principles are typically validated against the client-specific disability experience.

Policyholder options

Policyholders are typically offered products which include options such as the right to terminate the contract early or to convert the accumulated funds into a life annuity at maturity. In case of early termination the policyholder receives a specified surrender value or a value which varies in response to the change in financial variables such as an equity price or an index. In the case of the conversion option, the policyholder has the right to convert an assured sum into a fixed life annuity. The option values typically depend on both biometric assumptions and market variables such as interest rates or the value of the assets backing the liabilities. In certain countries and markets policyholder behavioural assumptions are based on own company records. The assumptions vary by product type and policy duration.

Expenses and inflation

In Switzerland, expenses are taken into account in the pricing of the contracts using internal statistics. Such calculated amounts are allocated to the different lines of business. Inflation is reflected in these calculations.

In certain markets, expense allocation is based on an activity-based cost methodology. Recurrent costs are subdivided into the following main cost categories: acquisition costs, administration costs and asset management costs.

Investment returns

Assumptions relating to investment returns are based on the strategic asset allocation. From this gross investment return, projected asset management fees are deducted to obtain a net investment return.

The interest rates used in actuarial formulae to determine the present value of future benefits and contributions caused by an insurance contract are called technical interest rates. The technical interest rates have to be approved by the regulator. In certain countries, the insurance liabilities are based on the technical interest rates.

Impairment of goodwill

Goodwill is tested for impairment annually (in autumn), or more frequently if events or changes in circumstances indicate that goodwill might be impaired. The recoverable amounts of the business relating to the goodwill have been determined based on value-in-use calculations. These calculations require the use of estimates which are set out in note 17.

Defined benefit liabilities

The Swiss Life Group uses certain assumptions relating to the calculation of the defined benefit liabilities. These assumptions comprise future salary increases and future pension increases which have been derived from estimates based on past experience. Assumptions are also made for mortality, employee turnover and discount rates. In determining the discount rate, the Swiss Life Group takes into account published rates of well-known external providers. The discount rates reflect the expected timing of benefit payments under the plans and are based on a yield curve approach.

The assumptions are set out in note 23.

Income taxes

Deferred tax assets are recognised for unused tax-loss carryforwards and unused tax credits to the extent that realisation of the related tax benefit is probable. The assessment of the probability with regard to the realisation of the tax benefit involves assumptions based on the history of the entity and budgeted data for the future.

Provisions

The recognition of provisions involves assumptions about the probability, amount and timing of an outflow of resources embodying economic benefits. A provision is recognised to the extent that an outflow of resources embodying economic benefits is probable and a reliable estimate can be made.

4 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. Inter-segmental 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

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, Czech Republic and Poland as well as Chase de Vere operating in the United Kingdom.

Non-life operations involve operations in France and Luxembourg and mainly include property and casualty, liability and motor insurance, accident and health insurance and payment protection insurance. These operations are included in the segments “France” and “Other”.

“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” refers principally 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 in the following pages:

Statement of income for the year ended 31 December 2014

In CHF million									
	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
INCOME									
Premiums earned on insurance contracts	8 789	2 815	1 491	49	-	11	13 156	-81	13 075
Premiums earned on investment contracts with discretionary participation	893	-	-	-	-	-	893	-	893
Premiums ceded to reinsurers	-28	-190	-44	-11	-	0	-273	81	-192
Net earned premiums	9 654	2 625	1 447	38	-	11	13 776	0	13 776
Policy fees earned on insurance contracts	9	15	0	0	-	-	24	-	24
Policy fees earned on investment and unit-linked contracts	40	132	23	88	-	-	284	-	284
Net earned policy fees	49	147	23	88	-	-	308	-	308
Commission income	133	113	401	152	450	75	1 325	-328	998
Investment income	3 064	688	666	35	2	60	4 516	-68	4 448
Net gains/losses on financial assets	2 025	112	463	16	0	15	2 631	-	2 631
Net gains/losses on financial instruments at fair value through profit or loss	-1 787	15	-198	2	0	-25	-1 992	-	-1 992
Net gains/losses on investment property	217	43	27	-	-	0	288	-	288
Share of profit or loss of associates	0	4	0	-	-1	0	3	-	3
Other income	14	1	2	-11	8	8	22	-7	15
TOTAL INCOME	13 370	3 750	2 832	321	459	145	20 877	-403	20 474
of which inter-segment	102	-49	57	-75	238	130	403	-403	
EXPENSES									
Benefits and claims under insurance contracts	-10 418	-2 413	-1 613	-11	-	5	-14 450	65	-14 385
Benefits and claims under investment contracts with discretionary participation	-932	-	-	-	-	-	-932	-	-932
Benefits and claims recovered from reinsurers	16	125	22	2	-	-3	163	-65	98
Net insurance benefits and claims	-11 333	-2 288	-1 591	-9	-	2	-15 218	0	-15 218
Policyholder participation	-427	-139	-557	-26	-	0	-1 150	4	-1 146
Interest expense	-56	-124	-14	-17	0	0	-211	6	-205
Commission expense	-412	-388	-303	-119	-46	-2	-1 270	331	-940
Employee benefits expense	-254	-198	-150	-65	-152	-5	-823	2	-821
Depreciation and amortisation expense	-118	-235	-18	-4	-6	-2	-383	-	-383
Impairment of property and equipment and intangible assets	0	-	-12	-	-	-	-12	-	-12
Other expenses	-114	-162	-94	-47	-67	-24	-508	-3	-512
TOTAL EXPENSES	-12 714	-3 534	-2 740	-287	-272	-31	-19 577	339	-19 238
of which inter-segment	-296	44	-44	-5	-27	-10	-339	339	
SEGMENT RESULT	657	216	92	34	188	114	1 300	-65	1 236
of which inter-segment	-194	-5	13	-80	211	120	65	-65	
Unallocated corporate costs									-66
PROFIT FROM OPERATIONS									1 169
Borrowing costs	-176	0	-5	-2	-4	-35	-222	65	-157
Income tax expense									-194
NET PROFIT									818
Additions to non-current assets	1 080	300	163	4	206	0	1 754	-	1 754

Statement of income for the year ended 31 December 2013

In CHF million									
	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
INCOME									
Premiums earned on insurance contracts	7 955	2 865	1 571	55	-	0	12 446	-102	12 344
Premiums earned on investment contracts with discretionary participation	798	-	-	-	-	-	798	-	798
Premiums ceded to reinsurers	-29	-213	-47	-11	-	0	-300	102	-198
Net earned premiums	8 723	2 652	1 523	44	-	0	12 944	0	12 944
Policy fees earned on insurance contracts	9	16	-	0	-	-	25	-	25
Policy fees earned on investment and unit-linked contracts	43	121	28	86	-	-	278	-	278
Net earned policy fees	52	138	28	86	-	-	304	-	304
Commission income	114	97	355	145	373	74	1 159	-320	840
Investment income	2 942	642	674	35	1	72	4 366	-86	4 280
Net gains/losses on financial assets	-504	45	209	-7	0	-3	-259	-	-259
Net gains/losses on financial instruments at fair value through profit or loss	614	87	142	0	0	1	844	-	844
Net gains/losses on investment property	439	43	23	-	-	0	505	-	505
Share of profit or loss of associates	1	4	0	-	2	0	7	-	7
Other income	-4	1	5	7	0	1	9	-12	-2
TOTAL INCOME	12 376	3 709	2 960	310	377	147	19 879	-417	19 462
of which inter-segment	125	-56	-23	3	232	135	417	-417	
EXPENSES									
Benefits and claims under insurance contracts	-9 456	-2 149	-1 644	-25	-	10	-13 265	63	-13 201
Benefits and claims under investment contracts with discretionary participation	-826	-	-	-	-	-	-826	-	-826
Benefits and claims recovered from reinsurers	14	133	26	4	-	-5	171	-64	107
Net insurance benefits and claims	-10 268	-2 017	-1 617	-22	-	5	-13 920	-1	-13 920
Policyholder participation	-417	-405	-532	-15	-	0	-1 369	8	-1 361
Interest expense	-63	-130	-18	-17	0	0	-228	6	-222
Commission expense	-402	-389	-249	-112	-37	-2	-1 192	322	-870
Employee benefits expense	-264	-183	-174	-65	-122	-2	-810	-1	-811
Depreciation and amortisation expense	-134	-235	-157	-6	-2	-3	-537	-	-537
Impairment of property and equipment and intangible assets	-1	-	-6	0	-	-	-6	-	-6
Other expenses	-112	-156	-110	-57	-49	-37	-521	2	-519
TOTAL EXPENSES	-11 661	-3 515	-2 864	-294	-211	-39	-18 583	336	-18 247
of which inter-segment	-299	38	-38	-8	-21	-8	-336	336	
SEGMENT RESULT	716	194	96	16	166	108	1 295	-81	1 215
of which inter-segment	-174	-18	-61	-6	211	128	81	-81	
Unallocated corporate costs									-65
PROFIT FROM OPERATIONS									1 149
Borrowing costs	-177	0	-24	-2	-	-25	-228	81	-148
Income tax expense									-218
NET PROFIT									784
Additions to non-current assets	2 258	252	130	3	5	0	2 648	-	2 648

Balance sheet as at 31 December 2014

In CHF million

	Switzer- land	France	Germany	Inter- national	Asset Managers	Other	Total before elim- inations	Elimi- nations	Total
ASSETS									
Cash and cash equivalents	1 819	642	629	2 489	160	322	6 062	0	6 062
Derivatives	1 769	439	113	68	-	-	2 389	-30	2 358
Financial assets at fair value through profit or loss	4 133	8 478	1 172	18 607	0	-	32 389	-	32 389
Financial assets available for sale	68 179	18 749	8 080	1 219	45	891	97 162	-	97 162
Loans and receivables	15 903	3 292	9 815	272	157	1 588	31 027	-3 079	27 948
Financial assets pledged as collateral	1 682	1 081	-	-	-	-	2 763	-	2 763
Investment property	16 385	2 026	1 182	-	-	3	19 596	-	19 596
Investments in associates	9	60	202	-	3	11	284	-	284
Reinsurance assets	31	389	64	4	-	2	490	-93	397
Property and equipment	225	41	156	2	3	15	442	-	442
Intangible assets including intangible insurance assets	606	429	1 484	239	213	3	2 972	-	2 972
Other assets	331	40	5	3	124	1	504	-73	431
SEGMENT ASSETS	111 072	35 667	22 900	22 901	705	2 836	196 081	-3 275	192 807
Income tax assets									48
TOTAL ASSETS									192 854
LIABILITIES AND EQUITY									
LIABILITIES									
Derivatives	1 865	18	247	8	-	57	2 195	-30	2 165
Financial liabilities at fair value through profit or loss	3 233	651	847	20 684	-	-	25 415	-	25 415
Investment contracts	2 714	10 444	1	911	-	-	14 070	-	14 070
Other financial liabilities	7 246	4 167	881	384	99	149	12 925	-869	12 056
Insurance liabilities	74 202	14 547	17 277	209	-	18	106 253	-117	106 136
Policyholder participation liabilities	6 838	3 217	2 063	36	-	0	12 154	-2	12 152
Employee benefit liabilities	1 504	77	149	5	86	0	1 821	-	1 821
Provisions	18	13	57	30	9	2	128	-	128
Other liabilities	153	74	45	10	8	1	290	-1	289
SEGMENT LIABILITIES	97 773	33 207	21 566	22 276	203	227	175 251	-1 018	174 233
Borrowings									3 798
Income tax liabilities									1 991
EQUITY									12 831
TOTAL LIABILITIES AND EQUITY									192 854

Balance sheet as at 31 December 2013

In CHF million

	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
ASSETS									
Cash and cash equivalents	1 504	713	320	2 668	109	774	6 089	-1	6 088
Derivatives	1 068	109	118	0	-	0	1 296	-28	1 268
Financial assets at fair value through profit or loss	3 673	9 626	1 008	17 180	0	-	31 486	-	31 486
Financial assets available for sale	56 954	16 022	6 493	1 104	37	461	81 071	-	81 071
Loans and receivables	14 331	2 100	10 267	163	180	1 454	28 496	-2 947	25 548
Financial assets pledged as collateral	826	1 173	-	-	-	-	1 999	-	1 999
Investment property	15 600	1 874	1 040	-	-	3	18 517	-	18 517
Investments in associates	12	59	185	-	4	10	271	-	271
Reinsurance assets	31	391	51	4	-	6	482	-86	396
Property and equipment	230	44	154	2	3	16	448	-	448
Intangible assets including intangible insurance assets	702	463	1 512	238	16	5	2 937	-	2 937
Other assets	426	40	6	2	25	1	501	-99	402
SEGMENT ASSETS	95 359	32 615	21 153	21 361	374	2 731	173 593	-3 161	170 432
Income tax assets									99
TOTAL ASSETS									170 530
LIABILITIES AND EQUITY									
LIABILITIES									
Derivatives	785	4	16	9	-	28	842	-28	814
Financial liabilities at fair value through profit or loss	2 809	1 784	713	19 488	-	-	24 794	-	24 794
Investment contracts	2 188	10 146	24	772	-	-	13 130	-	13 130
Other financial liabilities	5 183	3 573	747	275	22	170	9 969	-930	9 040
Insurance liabilities	70 454	13 580	17 258	220	-	30	101 541	-109	101 432
Policyholder participation liabilities	2 957	1 455	1 046	24	-	0	5 483	-2	5 481
Employee benefit liabilities	1 327	71	100	5	48	1	1 553	-	1 553
Provisions	23	12	91	66	5	3	200	-	200
Other liabilities	185	88	49	11	2	1	336	-22	314
SEGMENT LIABILITIES	85 910	30 715	20 044	20 869	78	232	157 848	-1 091	156 757
Borrowings									3 677
Income tax liabilities									1 077
EQUITY									9 018
TOTAL LIABILITIES AND EQUITY									170 530

Premiums and policy fees from external customers

In CHF million	Net earned premiums		Net earned policy fees	
	2014	2013	2014	2013
LIFE				
Individual life	3 857	3 907	297	294
Group life	9 524	8 649	10	10
TOTAL LIFE	13 381	12 556	308	304
NON-LIFE				
Accident and health	14	13	–	–
Property, casualty and other	381	375	–	–
TOTAL NON-LIFE	395	388	–	–
TOTAL	13 776	12 944	308	304

The Swiss Life Group operates in selected countries. The Group's income and non-current assets by geographical location are detailed below:

In CHF million	Total income		Non-current assets	
	2014	2013	31.12.2014	31.12.2013
Switzerland	13 228	12 373	16 773	15 994
France	3 811	3 776	2 430	2 287
Germany	2 807	2 966	2 052	1 744
Liechtenstein	37	35	149	149
Luxembourg	386	136	58	62
Other countries	205	175	84	83
TOTAL	20 474	19 462	21 546	20 319

Non-current assets for this purpose consist of investment property, property and equipment and intangible assets (except for intangible assets arising from insurance contracts).

Information about major customers

No revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue.

5 Risk Management Policies and Procedures

The Group's core business is life insurance and pensions. A life insurance and pensions contract represents a long-term promise to the policyholder. To fulfil its future payment obligations to the policyholders, the insurance entities of the Group must be financially sound over an extended period of time. The ability to remain financially sound and strong depends on a number of risk factors. The Group's risk map can be broadly divided into financial, insurance, strategic and operational risks. All of these risk categories can impact the financial stability of the Group.

Risks must be identified, assessed, managed and monitored locally and aggregated at Group level. Monthly reports covering interest rate risk, equity and real estate price risk, currency risk, credit risk and insurance risk are prepared on a consolidated basis. Strategic and operational risks are assessed and reported on an annual basis.

The risk appetite for the largest operations in the insurance business is defined with the help of local risk budgets which are used as a basis for the determination of the individual risk limits. These limits are used as a framework for the asset and liability management process, the objective of which is to define a strategic asset allocation. From this strategic asset allocation a scenario-based expected return is calculated which forms the basis for the mid-term planning of the Group.

Risk management functions are performed at several levels by corresponding bodies within the Swiss Life Group, such as the Investment and Risk Committee at the level of the Board of Directors of the Swiss Life Group and the Group Risk Committee at the level of the Corporate Executive Board of the Swiss Life Group. The risk management functions at the level of the individual operations of the Swiss Life Group are organised accordingly.

Group risk management is responsible for the definition of the Group-wide methodology for the measurement of the risks and produces a consolidated risk report which consolidates the main quantitative elements of the risk management of the Swiss Life Group's operations. Furthermore, Group risk management also produces consolidated views on the operational and strategic risks of the Swiss Life Group.

The information below focuses first on the risk budgeting and asset and liability management process before covering in an extensive way the principal risk categories faced by the Swiss Life Group.

5.1 Contracts for the account and risk of the Swiss Life Group's customers

The assets relating to certain life insurance and investment contracts are managed for the account and risk of the Swiss Life Group's customers (separate account/unit-linked contracts, private placement life insurance). They are segregated and managed to meet specific investment objectives of the policyholders. The assets back the insurance liabilities and the financial liabilities arising from these contracts. The fair values of the liabilities reflect the fair values of the assets. Certain contracts with unit-linking features contain financial and insurance guarantees. The liabilities relating to this part are included in the financial and insurance liabilities.

The assets and liabilities from separate account/unit-linked contracts and private placement life insurance are generally excluded from the Swiss Life Group's financial risk management considerations to the extent that the risks are borne by the customers.

Assets for the account and risk of the Swiss Life Group's customers

In CHF million			
	Notes	31.12.2014	31.12.2013
Cash and cash equivalents		2 309	2 499
Derivatives with positive fair value	9	0	0
Financial assets at fair value through profit or loss ¹			
Debt securities	10	6 240	5 607
Equity securities	10	6 154	4 639
Investment funds	10	16 580	15 813
Other	10	1	-
TOTAL ASSETS FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS		31 284	28 559

¹ Comparative amounts adjusted due to reclassification of CHF 614 million from other to equity securities (CHF 462 million) and to investment funds (CHF 152 million) as at 1 January 2014.

Liabilities linked to assets for the account and risk of the Swiss Life Group's customers

In CHF million			
	Notes	31.12.2014	31.12.2013
Unit-linked contracts	10	24 325	22 436
Investment contracts	19	4 107	3 762
Insurance liabilities	22	2 760	2 200
TOTAL LIABILITIES LINKED TO ASSETS FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS		31 192	28 398

The financial result for the years ended 31 December for the account and risk of the Swiss Life Group and the Swiss Life Group's customers was as follows:

In CHF million							
	Notes	For the account and risk of the Swiss Life Group		For the account and risk of the Swiss Life Group's customers		Total	
		2014	2013	2014	2013	2014	2013
Investment income	8	4 448	4 280	-	-	4 448	4 280
Net gains/losses on financial assets	8	2 631	-259	-	-	2 631	-259
Net gains/losses on financial instruments at fair value through profit or loss (FVPL)	8	-2 016	846	24	-2	-1 992	844
Net gains/losses on investment property		288	505	-	-	288	505
Share of profit or loss of associates		3	7	-	-	3	7
FINANCIAL RESULT		5 354	5 379	24	-2	5 378	5 376

5.2 Risk budgeting and limit setting

The risk capacity and the risk appetite of the Swiss Life Group's insurance operations are primarily defined based on economic principles. Consequently, the market values or best estimates of both the assets and the liabilities are obtained by discounting the cash flows generated by these assets and liabilities by direct observation of market values or with another appropriate discount rate. The available economic capital is defined as the difference of the economic value of the assets compared to liabilities. The available economic capital is used to cover the different risks to which the Swiss Life Group's insurance operations are exposed by the nature of their activities. The final decision on the risk appetite for each insurance operation rests with the Corporate Executive Board.

To control and limit exposure to risks, capital and exposure limits are defined. They include overall market risk capital, credit risk capital and, more specifically, interest rate risk capital and credit spread risk capital as well as equity exposure.

5.3 Asset and liability management (ALM)

The main objective of the ALM process is to ensure that the Swiss Life Group's insurance operations can meet their commitments to policyholders at all times while also adequately compensating shareholders for making risk capital available. Based on the economic principles of risk management and on the risk appetite definition applied in the risk budgeting process, ALM comprises the following main activities: the determination of the strategic asset allocation and of the risk capital and exposure sublimits.

The ALM process is centrally coordinated and steered at Group level by means of local asset and liability management committees with representatives from local senior management and representatives from the Group. The local units are in charge of implementing the decisions. The process requires the involvement of investment management, finance, actuarial and risk functions.

Compliance with external constraints

Aspects other than the purely economic view must also be considered in the ALM process, such as regulatory requirements including statutory minimum distribution ratios ("legal quote"), funding ratios, solvency, local accounting rules and International Financial Reporting Standards, liquidity requirements and rating targets. Some of these views may lead to results that are not aligned with the economic approach, but nevertheless need to be taken into account.

Depending on the regulatory framework in which the Swiss Life Group's insurance operations evolve, the asset portfolios might need to be split to reflect the different categories of insurance products. The asset portfolios of the insurance operations in Switzerland have been separated to distinguish between individual life and group life. As a consequence, such separation is also reflected in the ALM process.

Strategic asset allocation

Defining the strategic asset allocation is the first major task of the ALM process and aims at achieving an efficient risk capital allocation, i.e. optimising the returns on the asset portfolio for the available risk capital defined within the risk budgeting process, taking into account all known constraints.

The liabilities are largely predefined in terms of amount and timing of the payments and the associated assumptions are regularly reviewed. The corresponding asset portfolios mainly comprise fixed-income instruments. This way, the impact of interest rate fluctuations and the risk capital consumption are strategically optimised under a risk/return point of view, thus ensuring that the policyholders receive the benefits consistent with their products. Policyholders may benefit from the ensuing investment returns in the form of discretionary participation, while shareholders may benefit from an increase in the value of their investment in the Swiss Life Group.

The strategic asset allocation is therefore determined on the basis of the individual existing commitments and the risk capacity of the Swiss Life Group's insurance operations. The strategic asset allocation is reviewed at least once a year and adjusted if necessary.

The ALM process has been applied in all large insurance operations of the Swiss Life Group.

Distribution policy

The distribution policy seeks to align the interests of the different groups of stakeholders. Holders of traditional life insurance policies favour a guaranteed minimum interest rate coupled with regular and appropriate discretionary participation whereas shareholders place greater emphasis on returns commensurate with the level of risk they are exposed to. The focus of the Swiss Life Group lies on the sustainability of the business model and should balance the policyholders' and shareholders' expectations.

External constraints must be considered in the definition of the distribution policy. Important elements which influence such policy are minimum guaranteed interest rates and the statutory minimum distribution ratio ("legal quote"), which depend on the regulatory environments of the Swiss Life Group's insurance operations.

Product design

The targets of risk management are supported by product design principles. Product design defines which guarantees and benefits are built into a specific product to respond to the demand from and expectations of customers. The actuarial bases used for this purpose ensure that each individual product generates a sufficient contribution margin. To ensure that the Group's principles are observed, guidelines on product management and underwriting are in place. As the Group's insurance entities operate in a number of different countries, the local regulatory constraints may have an impact on the business units' product range. These constraints must always be obeyed.

5.4 Financial risk management objectives and policies

The Group is exposed to financial risk through its financial assets, financial liabilities (primarily investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from the financial assets are not sufficient to fund the obligations arising from the insurance and investment contracts, as well as from borrowings and other liabilities. The most important components of the financial risk are interest rate risk, equity and real estate price risk, credit risk, currency risk and liquidity risk.

The risk budgeting and limit setting described above ensure that the corresponding risks remain under control. The market risk capital, interest rate risk capital, credit spread risk capital and credit risk capital limits as well as exposure limits for currencies and net equity for each large insurance operation are defined based on the risk appetite per operation. These limits are assessed and reported on a monthly basis.

Hedging

The Swiss Life Group uses derivatives within the strict limits set by the applicable insurance legislation and by internal guidelines. Derivatives are primarily used to manage the exposure to foreign exchange rates, interest rates, equity securities and counterparties. The main instruments include index futures and option structures in stock markets, bond futures and swaps in order to manage duration, currency forwards and options in order to manage currency risk and credit default swaps or credit default swap indices and options on credit default swap indices in order to manage counterparty risk. Within certain limits, derivatives are used to enhance returns on the existing portfolio. The types of derivatives generally permitted for usage within the Swiss Life Group as well as the list of allowed over-the-counter trading partners have been approved by the Group Risk Committee.

Hedging strategies involve hedge accounting in accordance with International Financial Reporting Standards as well as “economic hedging”. “Economic hedges” comprise derivatives in combination with financial assets and financial liabilities which have a common risk factor and give rise to opposite changes in fair value that tend to offset each other.

Interest rate risk relating to financial instruments and insurance contracts

The Group’s primary interest rate exposure is to contracts with guaranteed benefits and the risk that the interest rates of the financial assets purchased with the consideration received from the contract holders is insufficient to fund the guaranteed benefits and expected discretionary participation payable to them.

Interest-sensitive insurance liabilities

In CHF million

	CHF	EUR	Other	Total
CARRYING AMOUNTS AS AT 31 DECEMBER 2014				
Minimum guaranteed interest rate 0 - < 2%	34 925	5 954	5	40 884
Minimum guaranteed interest rate 2 - < 3%	11 486	6 210	32	17 729
Minimum guaranteed interest rate 3 - < 4%	19 511	6 724	23	26 259
Minimum guaranteed interest rate 4 - < 5%	72	6 713	26	6 812
Minimum guaranteed interest rate 5 - < 6%	-	-	2	2
TOTAL INTEREST-SENSITIVE INSURANCE LIABILITIES	65 995	25 602	89	91 686
Insurance liabilities with no minimum guaranteed interest rate				11 690
Insurance liabilities linked to assets for the account and risk of the Swiss Life Group's customers				2 760
TOTAL INSURANCE LIABILITIES				106 136

CARRYING AMOUNTS AS AT 31 DECEMBER 2013

Minimum guaranteed interest rate 0 - < 2%	31 940	5 480	5	37 425
Minimum guaranteed interest rate 2 - < 3%	11 248	6 016	37	17 301
Minimum guaranteed interest rate 3 - < 4%	19 880	7 123	22	27 024
Minimum guaranteed interest rate 4 - < 5%	78	6 916	25	7 019
Minimum guaranteed interest rate 5 - < 6%	-	-	2	2
TOTAL INTEREST-SENSITIVE INSURANCE LIABILITIES	63 146	25 534	90	88 771
Insurance liabilities with no minimum guaranteed interest rate				10 461
Insurance liabilities linked to assets for the account and risk of the Swiss Life Group's customers				2 200
TOTAL INSURANCE LIABILITIES				101 432

Many life insurance products with a savings component and investment contracts are subject to minimum guaranteed interest rates. The guaranteed rate differs according to the type of contract. In Switzerland for instance the minimum guaranteed interest rate for the occupational pensions segment (mandatory BVG savings account) stood at 1.75% in 2014 and will remain at 1.75% for 2015 (2013: 1.5%).

In addition to these fixed and guaranteed payments which are exposed to interest rate risk, contractual rights exist for certain contracts to receive additional benefits whose amount and/or timing is contractually at the discretion of the issuer. The determination of the discretionary participation is highly dependent on future investment returns.

The Group manages interest rate and interest rate volatility risk by managing the interest rate sensitivity of its investment portfolio against the corresponding sensitivity of liabilities issued. The interest rate and volatility exposure of the liabilities is determined by projecting the expected cash flows from the contracts using best estimates of mortality, disability, expenses, surrender and exercise of policyholder options in combination with interest rate and volatility scenarios. The ALM process defines the strategic asset allocation optimising the net interest rate sensitivity of the investment and liability portfolios. Where this is not practicable, swap contracts and other instruments are used to hedge interest rate risk. In certain markets payer swaptions are used to hedge the risk of fair value changes of interest-sensitive financial assets. A minimum interest rate risk is accepted, since a perfect interest rate hedge can either not be achieved or may not be targeted.

Regarding interest rate risk exposure existing on contracts with guaranteed benefits where the risk is that the interest rates earned on the assets are insufficient to fund the guaranteed payments, puttable bonds are used to counter the impact of increasing interest rates.

In certain businesses, a large part of the impact of interest rate changes is for the account and risk of the policyholders based on the specific profit-sharing systems.

Equity price risk

A decline in the equity market may lead to a reduction of the Swiss Life Group's realised and unrealised gains/losses, which also negatively affects the Swiss Life Group's results of operations and financial condition.

Hedges in place with respect to the Swiss Life Group's equity investments are designed to reduce the exposure to declines in equity values but would not prevent an impairment loss in the event that the impairment criteria were met.

A portion of Swiss Life's investment portfolio comprises investments in funds which hold securities issued by non-public companies (private equity). These investments may be illiquid or may only be disposed of over time or at a loss, and they may not produce adequate returns or capital gains. If Swiss Life were required to liquidate some or all of the investments in its private equity portfolio, the proceeds of such liquidation may be significantly less than the amount paid for, or the carrying amount of, such investments.

Swiss Life's investment portfolios also include investments in hedge funds. The liquidity of such investments can vary according to market conditions, and the investment styles of such hedge funds could amplify any factors affecting the performance of any particular class of funds or investments.

Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- Counterparty risk with respect to bonds purchased
- Counterparty risk with respect to loans and mortgages granted
- Counterparty risk with respect to money market and cash positions
- Counterparty risk with respect to derivative transactions
- Reinsurance share of insurance liabilities
- Amounts due from reinsurers in respect of claims already paid
- Amounts due from insurance contract holders
- Amounts due from insurance intermediaries

To reduce the credit exposure relating to derivatives a collateral management process is in place. Contractually all outstanding positions must be fully collateralised if they reach a very low agreed minimum transfer amount. The collateral is called at least weekly, but in times of turbulent markets the frequency is increased. Counterparties for derivative transactions, over-the-counter and exchange-traded, have to be approved by both the Group Chief Risk Officer and the Group Chief Investment Officer. The minimum rating for a counterparty is A- (Standard & Poor's or equivalent) for the Swiss Life Group's insurance operations. During periods of market turmoil

reliance on ratings is of limited value; therefore an additional qualitative and quantitative counterparty monitoring process has been established to allow for immediate proactive measures.

Counterparty risk is primarily managed by counterparty exposure limits and diversification in a broad debtor universe. The specific credit risk is managed through the holding of credit default swaps or credit default swap indices and options on credit default swap indices. A credit default swap provides insurance to the debt holder against a default of the debt issuer. It is traded over-the-counter and itself underlies the collateral management process described above. The credit default swap index is a hedge on credit risk of a basket of counterparties and is an over-the-counter derivative. A put option on a credit default swap index provides protection against adverse credit spread movements in the underlying basket of counterparties and is traded over-the-counter.

The Group is also exposed to credit risk associated with reinsurance recoverables. As a consequence, the financial strength of reinsurers is monitored. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength and also prior to any contract being signed. The general policy of the Swiss Life Group is to reinsure its insurance risks only with counterparties rated A- or above (Standard & Poor's or equivalent). In exceptional cases, reinsurers with a lower rating may be considered. Additionally, the Group holds substantial collateral under related reinsurance agreements in the form of deposited funds and securities.

No single reinsurer is a material reinsurer to the Group, nor is the Group's business substantially dependent upon one single reinsurer.

For fixed-income assets the total exposure per counterparty is aggregated and reported to the Group Risk Committee. Ratings and single positions above a certain level with regard to fixed-income assets are reported to management on a regular basis. The exposure to individual counterparties is also managed by other mechanisms such as the right to offset where counterparties are both debtors and creditors of the Group. In addition, limits regarding single counterparty exposure are in place which depend on the rating and amount of exposure in relation to total investments. Information reported to management includes assessment of bad debts. Where there exists a certain exposure to individual policyholders due to size of the contract, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out.

The non-rated loans primarily comprise mortgages and policy loans. For the bulk of the mortgages a risk class system is in place which allows the company to identify, measure, monitor and manage the risks at the level of portfolios, borrowers and loans at all times. The risk class system also enables a risk-adequate pricing of the loans. Implementation, parametrisation and control of the system are set out in an internal directive which has been approved by the Group Chief Investment Officer.

In certain countries, specific additional guidelines and rules have been defined locally to monitor credit risk. Such guidelines cover investments in fixed-income securities which are mostly based on the average rating of the issuers (calculated by weighting default probabilities). Minimum and maximum thresholds apply with regard to permitted investments in non-government bonds. For investments in government bonds with a rating lower than AA- (according to Standard & Poor's or equivalent) and non-government bonds, additional exposure limits are in place. For certain businesses, credit risk is monitored and controlled with a risk limit framework whereby maximum limits are reviewed and approved at least annually. The majority of the bond portfolio is invested in government bonds (including supranational and sovereigns) and bonds issued by the financial sector covered by collateral or government guarantees.

Maximum exposure to credit risk

In CHF million	For the account and risk of the Swiss Life Group		For the account and risk of the Swiss Life Group's customers		Total	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
DEBT SECURITIES						
Debt securities at fair value through profit or loss	595	857	6 240	5 607	6 835	6 465
Debt securities available for sale	90 038	76 845	-	-	90 038	76 845
Debt securities pledged as collateral	2 763	1 999	-	-	2 763	1 999
Debt securities classified as loans	6 088	6 365	-	-	6 088	6 365
TOTAL DEBT SECURITIES	99 483	86 066	6 240	5 607	105 723	91 673
LOANS AND RECEIVABLES						
Mortgages	6 145	5 935	-	-	6 145	5 935
Policy and other originated loans	3 171	1 227	-	-	3 171	1 227
Note loans	7 944	8 259	-	-	7 944	8 259
Receivables	4 600	3 763	-	-	4 600	3 763
TOTAL LOANS AND RECEIVABLES	21 860	19 184	-	-	21 860	19 184
OTHER ASSETS						
Cash and cash equivalents	3 753	3 588	2 309	2 499	6 062	6 088
Derivatives	2 358	1 268	0	0	2 358	1 268
Reinsurance assets	397	396	-	-	397	396
TOTAL OTHER ASSETS	6 509	5 253	2 309	2 499	8 818	7 752
UNRECOGNISED ITEMS						
Financial guarantees	42	45	-	-	42	45
Loan commitments	242	170	-	-	242	170
TOTAL UNRECOGNISED ITEMS	283	214	-	-	283	214
TOTAL EXPOSURE TO CREDIT RISK	128 135	110 717	8 549	8 106	136 684	118 823

The following table shows the extent to which collateral and other credit enhancements mitigate credit risk in respect of the maximum exposure to credit risk:

Credit risk mitigation – collateral held and other credit enhancements as at 31 December 2014

In CHF million							
	Debt securities	Loans and receivables	Cash and cash equivalents	Derivatives (assets)	Reinsurance assets	Financial guarantees and loan commitments	Total
SECURED BY							
Cash collateral	-	-	-	1 756	95	-	1 851
Securities collateral	-	479	-	-	230	74	782
Mortgage collateral	9 991	8 511	-	-	-	202	18 703
Other collateral	-	254	-	-	-	4	258
Guarantees	779	1 179	600	-	-	-	2 558
Netting agreements	-	134	-	571	-	-	706
TOTAL SECURED	10 769	10 557	600	2 327	324	280	24 858
UNSECURED							
Governments and supranationals	46 671	4 444	634	-	-	-	51 749
Corporates	41 881	3 776	2 519	31	73	4	48 284
Other	161	3 084	-	-	-	-	3 245
TOTAL UNSECURED	88 713	11 304	3 153	31	73	4	103 277
TOTAL	99 483	21 860	3 753	2 358	397	283	128 135

Credit risk mitigation – collateral held and other credit enhancements as at 31 December 2013

In CHF million							
	Debt securities	Loans and receivables	Cash and cash equivalents	Derivatives (assets)	Reinsurance assets	Financial guarantees and loan commitments	Total
SECURED BY							
Cash collateral	-	-	-	693	99	-	792
Securities collateral	-	345	-	-	229	69	643
Mortgage collateral	9 557	8 690	-	-	-	142	18 389
Other collateral	-	278	-	-	-	4	281
Guarantees	658	908	288	-	-	-	1 855
Netting agreements	-	111	-	498	-	-	609
TOTAL SECURED	10 215	10 332	288	1 191	328	214	22 569
UNSECURED							
Governments and supranationals	37 084	4 661	866	-	-	-	42 612
Corporates	38 605	1 801	2 433	77	69	-	42 984
Other	162	2 390	-	-	-	-	2 552
TOTAL UNSECURED	75 851	8 852	3 300	77	69	-	88 148
TOTAL	86 066	19 184	3 588	1 268	396	214	110 717

Exposure to credit risk of debt instruments – credit rating by class as at 31 December 2014

In CHF million								
	AAA	AA	A	BBB	Below BBB	Not rated	Past due or impaired	Total
DEBT SECURITIES								
Supranational	2 091	160	–	32	–	–	–	2 283
Governments	16 277	20 092	2 915	1 151	176	2	–	40 613
Sovereign	210	1 156	816	1 486	107	–	–	3 775
Covered/guaranteed	8 093	1 721	662	248	42	2	–	10 769
Corporates	494	4 763	17 923	16 496	2 171	1	33	41 881
Other	22	62	61	–	15	–	–	161
TOTAL DEBT SECURITIES	27 186	27 956	22 377	19 413	2 512	6	33	99 483
MORTGAGES								
Commercial	–	–	–	–	–	2 306	1	2 307
Residential	–	–	–	–	–	3 816	23	3 838
TOTAL MORTGAGES	–	–	–	–	–	6 122	23	6 145
OTHER LOANS AND RECEIVABLES								
Policy and other originated loans	3	311	1 447	64	–	1 340	6	3 171
Note loans	3 164	3 121	1 111	450	94	4	–	7 944
Receivables	49	80	208	67	10	4 118	68	4 600
TOTAL OTHER LOANS AND RECEIVABLES	3 215	3 512	2 766	581	104	5 463	74	15 715

Exposure to credit risk of debt instruments – credit rating by class as at 31 December 2013

In CHF million								
	AAA	AA	A	BBB	Below BBB	Not rated	Past due or impaired	Total
DEBT SECURITIES								
Supranational	1 816	132	18	42	–	–	–	2 009
Governments	14 162	13 646	2 087	1 615	215	10	–	31 735
Sovereign	179	971	679	1 337	175	–	–	3 340
Covered/guaranteed	8 389	910	633	275	–	7	–	10 215
Corporates	419	4 763	16 230	14 952	2 194	46	1	38 605
Other	56	36	37	19	–	14	–	162
TOTAL DEBT SECURITIES	25 022	20 458	19 685	18 241	2 584	77	1	86 066
MORTGAGES								
Commercial	–	–	–	–	–	2 426	4	2 430
Residential	–	–	–	–	–	3 482	23	3 505
TOTAL MORTGAGES	–	–	–	–	–	5 907	28	5 935
OTHER LOANS AND RECEIVABLES								
Policy and other originated loans	183	62	344	4	–	634	–	1 227
Note loans	3 637	3 437	649	441	96	–	–	8 259
Receivables	63	84	103	63	10	3 392	48	3 763
TOTAL OTHER LOANS AND RECEIVABLES	3 883	3 582	1 097	508	105	4 026	48	13 249

Financial assets past due (not impaired) – age analysis as at 31 December 2014

In CHF million					
	Up to 3 months	3–6 months	6–12 months	More than 1 year	Total
MORTGAGES					
Residential	11	2	2	4	20
TOTAL	11	2	2	4	20
OTHER LOANS AND RECEIVABLES					
Receivables	11	8	6	17	42
TOTAL	11	8	6	17	42

Financial assets past due (not impaired) – age analysis as at 31 December 2013

In CHF million					
	Up to 3 months	3–6 months	6–12 months	More than 1 year	Total
MORTGAGES					
Commercial	–	0	–	–	0
Residential	11	6	2	2	22
TOTAL	11	6	2	2	22
OTHER LOANS AND RECEIVABLES					
Receivables	14	3	5	3	25
TOTAL	14	3	5	3	25

Financial assets individually determined as impaired

In CHF million	Gross amount		Impairment losses		Carrying amount	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
DEBT SECURITIES						
Corporates	102	52	–69	–51	33	1
TOTAL	102	52	–69	–51	33	1
MORTGAGES						
Commercial	1	5	0	–1	1	4
Residential	3	2	0	–1	3	1
TOTAL	4	7	–1	–2	3	5
OTHER LOANS AND RECEIVABLES						
Policy and other originated loans	8	–	–2	–	6	–
Receivables	32	30	–6	–7	26	23
TOTAL	40	30	–8	–7	32	23

Financial assets individually determined as impaired – impairment loss allowance for the year 2014

In CHF million					
	Balance as at 1 January	Impairment losses/ reversals	Write-offs and disposals	Foreign currency translation differences	Balance as at end of period
DEBT SECURITIES					
Corporates	51	18	–	–	69
TOTAL	51	18	–	–	69
MORTGAGES					
Commercial	1	–1	–	–	0
Residential	1	0	–1	0	0
TOTAL	2	0	–1	0	1
OTHER LOANS AND RECEIVABLES					
Policy and other originated loans	–	2	–	0	2
Receivables	7	1	–1	0	6
TOTAL	7	3	–1	0	8

Financial assets individually determined as impaired – impairment loss allowance for the year 2013

In CHF million					
	Balance as at 1 January	Impairment losses/ reversals	Write-offs and disposals	Foreign currency translation differences	Balance as at end of period
DEBT SECURITIES					
Governments	0	–	0	0	–
Corporates	76	0	–25	–	51
Other	466	–	–466	–	–
TOTAL	542	0	–492	0	51
MORTGAGES					
Commercial	14	–13	–	–	1
Residential	1	0	0	0	1
TOTAL	15	–13	0	0	2
OTHER LOANS AND RECEIVABLES					
Policy and other originated loans	8	–4	–3	–	–
Receivables	5	2	0	0	7
TOTAL	13	–2	–3	0	7

The criteria used for the assessment of financial assets for impairment are described in note 2.8.

Exposure to credit risk of other assets

In CHF million

	AAA	AA	A	BBB	Below BBB	Not rated	Total
CREDIT RATING AS AT 31 DECEMBER 2014							
Cash and cash equivalents	640	1 182	1 861	4	0	68	3 753
Derivatives	543	726	894	3	–	192	2 358
Reinsurance assets	–	228	115	18	–	35	397
TOTAL	1 183	2 136	2 870	25	0	295	6 509

CREDIT RATING AS AT 31 DECEMBER 2013

	AAA	AA	A	BBB	Below BBB	Not rated	Total
Cash and cash equivalents	1 055	1 219	1 214	40	0	59	3 588
Derivatives	14	102	946	29	–	176	1 268
Reinsurance assets	1	185	159	9	–	43	396
TOTAL	1 069	1 506	2 319	79	0	278	5 253

At 31 December 2014 and 2013, no reinsurance assets were past due or impaired.

Exposure to credit risk of unrecognised items

In CHF million

	AAA	AA	A	BBB	Below BBB	Not rated	Total
CREDIT RATING AS AT 31 DECEMBER 2014							
Financial guarantees	–	–	–	–	–	42	42
Loan commitments	–	–	–	–	–	242	242
TOTAL	–	–	–	–	–	283	283

CREDIT RATING AS AT 31 DECEMBER 2013

	AAA	AA	A	BBB	Below BBB	Not rated	Total
Financial guarantees	–	–	–	–	–	45	45
Loan commitments	–	–	–	–	–	170	170
TOTAL	–	–	–	–	–	214	214

Currency risk

The Swiss Life Group operates internationally and its exposures to currency risk primarily arise with respect to the euro, US dollar, British pound and Canadian dollar. Most of the investments and liabilities are denominated in Swiss francs, euros and US dollars, the values of which are subject to exchange rate fluctuations. The Group operates with various functional currencies (predominantly Swiss francs and euros). Its financial position and earnings could be significantly affected by a weakening of said foreign currencies against the Swiss franc.

The Swiss Life Group's European insurance and investment operations (excluding Switzerland) generally invest in assets denominated in the same currency as their insurance and investment contract liabilities, which mitigates the currency risk for these operations. As a result, currency risk arises from recognised assets and liabilities denominated in other currencies and net investments

in foreign operations. Although the Swiss Life Group actively engages in currency management to reduce the effect of exchange rate fluctuations on its assets and liabilities, particularly by hedging against the risk of such movements in relation to part of its investments denominated in euros and in US dollars, significant movements in exchange rates could adversely affect the Swiss Life Group's earnings and financial position, including the value of its investment portfolio. Foreign exchange exposure is hedged to a large extent in line with the strategic asset allocation. The instruments which the Swiss Life Group uses to hedge exposure may not be perfectly correlated to the related assets, so the Group will still be exposed to losses if the value of the hedge and the value of the underlying asset or liability do not correspond appropriately.

Due to the limitations of the Swiss capital market with regard to liquidity and duration, investments in Switzerland are also made in currencies other than the Swiss franc.

The balance sheet currency exposure is to a large extent hedged using foreign currency derivatives. Hedging is done on an overall basis for monetary and non-monetary items.

The following table shows the Group's foreign currency exposure on monetary items against the major functional currencies Swiss franc and euro:

Currency exposure as at 31 December 2014

In CHF million	CHF	EUR	USD	GBP	JPY	Other
BALANCE SHEET CURRENCY EXPOSURE						
Entities with functional currency CHF	-	6 593	17 617	2 697	91	3 227
Entities with functional currency EUR	-1 457	-	2 969	443	4	25
HEDGING EFFECT						
Entities with functional currency CHF	-	-6 475	-17 607	-2 527	-60	-2 942
Entities with functional currency EUR	-	-	-2 837	-422	-	-23

Currency exposure as at 31 December 2013

In CHF million	CHF	EUR	USD	GBP	JPY	Other
BALANCE SHEET CURRENCY EXPOSURE						
Entities with functional currency CHF	-	6 409	14 808	2 900	99	3 123
Entities with functional currency EUR	-881	-	2 166	289	0	59
HEDGING EFFECT						
Entities with functional currency CHF	-	-6 342	-13 596	-2 642	-80	-2 936
Entities with functional currency EUR	-	-	-2 190	-289	-	-20

Liquidity risk

Liquidity risk is the risk that not enough cash resources may be available to pay obligations when due (primarily obligations arising from the insurance business and debt) at a reasonable cost. The Swiss Life Group is exposed to liquidity risk which primarily arises on calls on its cash resources from claims, amounts payable at maturity and surrenders arising from insurance and investment contracts. The Swiss Life Group faces the risk of not being able to refinance its debt obligations due to unexpected long-term market disruptions.

At operational level, rolling forecasts are in place to address situational liquidity risk, which primarily arises on unexpected calls on cash resources from claims, amounts payable at maturity and surrenders arising from insurance and investment contracts. To overcome unexpected liquidity shortfalls at times asset disposals are not desired, repurchase agreements are used to ensure short-term refinancing at minimal cost.

At strategic level, the Swiss Life Group holds substantial liquidity and uses active debt maturity planning to ensure financial flexibility and efficient liquidity management.

The liquidity analysis of financial liabilities and commitments is based on undiscounted cash flows by remaining contractual maturities, whereas insurance and policyholder participation liabilities are analysed by estimated timing of net cash outflows. Cash outflows of derivative liabilities designated as cash flow hedging instruments are analysed on the basis of expected settlement dates for forward starting swaps, and on the basis of contractual maturity for forward starting bonds. The analysis is made for amounts for the account and risk of the Swiss Life Group.

Exposure to liquidity risk as at 31 December 2014

In CHF million	Cash flows							Total	Carrying amount
	Up to 1 month	1-3 months	3-12 months	1-5 years	5-10 years	More than 10 years			
FINANCIAL LIABILITIES									
Derivatives designated as cash flow hedges	-	-	301	612	-	-	913	-	
Investment contracts with discretionary participation	24	41	229	2 322	1 818	5 435	9 869	9 869	
Investment contracts without discretionary participation	0	0	1	3	4	87	95	94	
Borrowings	1	20	585	2 478	1 291	-	4 376	3 798	
Other financial liabilities	3 396	2 067	5 643	353	245	408	12 113	12 000 ¹	
TOTAL	3 421	2 129	6 759	5 768	3 357	5 931	27 366	25 761	
INSURANCE AND POLICYHOLDER PARTICIPATION LIABILITIES									
Insurance liabilities	241	221	2 779	6 632	12 796	80 707	103 376	103 376	
Policyholder participation liabilities	116	170	3 699	6 145	36	1 986	12 152	12 152	
TOTAL	358	391	6 478	12 777	12 832	82 693	115 529	115 529	
GUARANTEES AND COMMITMENTS									
Financial guarantees	42	-	-	-	-	-	42	-	
Loan commitments	76	58	98	8	0	2	242	-	
Capital commitments	453	-	42	79	32	-	606	-	
TOTAL	571	58	139	87	32	2	889	-	

¹ excluding accrued interest

Exposure to liquidity risk as at 31 December 2013

In CHF million	Cash flows						Total	Carrying amount
	Up to 1 month	1-3 months	3-12 months	1-5 years	5-10 years	More than 10 years		
FINANCIAL LIABILITIES								
Derivatives designated as cash flow hedges	-	-	298	931	42	-	1 271	144
Investment contracts with discretionary participation	24	42	228	2 129	1 856	5 042	9 321	9 321
Investment contracts without discretionary participation	12	2	11	4	3	15	47	47
Borrowings	0	2	397	2 185	1 793	-	4 376	3 677
Other financial liabilities	3 787	813	3 449	342	254	442	9 087	8 982 ¹
TOTAL	3 823	859	4 383	5 591	3 949	5 498	24 102	22 172
INSURANCE AND POLICYHOLDER PARTICIPATION LIABILITIES								
Insurance liabilities	271	225	2 807	6 824	12 648	76 458	99 232	99 232
Policyholder participation liabilities	58	77	1 506	2 831	30	979	5 481	5 481
TOTAL	328	302	4 313	9 655	12 677	77 437	104 713	104 713
GUARANTEES AND COMMITMENTS								
Financial guarantees	45	-	-	-	-	-	45	-
Loan commitments	90	29	34	9	0	8	170	-
Capital commitments	494	-	179	136	33	-	842	-
TOTAL	628	29	213	145	33	8	1 057	-

¹ excluding accrued interest

Current and non-current assets and liabilities

The table below shows the expected recovery or settlement of assets and liabilities. Assets are classified as current if they are expected to be realised within twelve months after the balance sheet date. Liabilities are classified as current if they are due to be settled within twelve months after the balance sheet date. All other assets and liabilities are classified as non-current.

In CHF million	Current		Non-current		For the account and risk of the Swiss Life Group's customers		Total	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013		
ASSETS								
Cash and cash equivalents	3 753	3 588	–	–	2 309	2 499	6 062	6 088
Derivatives	577	547	1 781	721	0	0	2 358	1 268
Financial assets at fair value through profit or loss	1 420	3 534	1 994	1 892	28 975	26 059	32 389	31 486
Financial assets available for sale	6 306	5 293	90 857	75 777	–	–	97 162	81 071
Loans and receivables	9 041	5 703	18 907	19 846	–	–	27 948	25 548
Financial assets pledged as collateral	72	74	2 691	1 925	–	–	2 763	1 999
Investment property	–	–	19 596	18 517	–	–	19 596	18 517
Investments in associates	–	–	284	271	–	–	284	271
Reinsurance assets	333	343	64	53	–	–	397	396
Property and equipment	–	–	442	448	–	–	442	448
Intangible assets including intangible insurance assets	–	–	2 972	2 937	–	–	2 972	2 937
Current income tax assets	14	3	–	–	–	–	14	3
Deferred income tax assets	–	–	34	96	–	–	34	96
Other assets	203	270	228	132	–	–	431	402
TOTAL ASSETS	21 719	19 356	139 851	122 615	31 285	28 559	192 854	170 530
LIABILITIES								
Derivatives	1 288	221	876	593	–	–	2 165	814
Financial liabilities at fair value through profit or loss	468	1 784	622	573	24 325	22 436	25 415	24 794
Investment contracts	296	320	9 667	9 048	4 107	3 762	14 070	13 130
Borrowings	461	255	3 338	3 422	–	–	3 798	3 677
Other financial liabilities	11 135	8 097	921	943	–	–	12 056	9 040
Insurance liabilities	3 241	3 303	100 135	95 929	2 760	2 200	106 136	101 432
Policyholder participation liabilities	3 985	1 641	8 167	3 839	–	–	12 152	5 481
Employee benefit liabilities	140	117	1 681	1 436	–	–	1 821	1 553
Current income tax liabilities	78	104	–	–	–	–	78	104
Deferred income tax liabilities	–	–	1 913	973	–	–	1 913	973
Provisions	52	105	76	95	–	–	128	200
Other liabilities	265	286	25	28	–	–	289	314
TOTAL LIABILITIES	21 408	16 232	127 422	116 881	31 192	28 398	180 023	161 511

5.5 Insurance risk management objectives and policies

Insurance contracts are contracts under which one party (the insurer) agrees to compensate the other party (the policyholder) if a specified uncertain future event affects the policyholder. The Group's insurance entities neither generally accept nor generally deny insurance coverage to applicants, but ensure that all the insurance risks are identified and thoroughly assessed, and that the insurance premiums accurately reflect the risk taken. The amount and type of risk taken must be in line with the Group's risk policy and strategy, and must also meet the profitability targets.

Nature of insurance risk

When designing a new product or reviewing an existing one, care has to be taken that the product neither includes systemic risk nor provides incentives for adverse selection. The product should meet the market's needs. The Swiss Life Group favours transparent and simple product design with a reliable pricing basis with sufficient statistical data available. Insurance risk arises when biometric parameters deviate adversely from expectations. The uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts is due to the unpredictability of long-term changes in overall levels of mortality and disability, for instance. Furthermore, deviations from the expected outcome of a portfolio can also arise because of random fluctuations. The impact of random fluctuations depends on the extent of diversification within a portfolio of contracts, that is, on the size of the portfolio.

The quantification of life insurance risk is based on a sensitivity analysis. Insurance risk is thus measured as the deviation of (the realisations of) the insurance risk factors from the corresponding best estimate values. Life insurance risk factors include mortality rates, disability rates and longevity, among others.

The nature of insurance risk can be summarised as follows:

Mortality and longevity

Mortality and longevity risks respectively reflect the financial consequences of insured people dying sooner or living longer than expected. For example, a life insurer with an annuity portfolio making payments to the policyholders until their death is financially exposed to those individuals who live longer than expected. Conversely, an insurer writing life insurance business that pays out amounts contingent on death of the policyholders is exposed to increases in mortality levels.

The Swiss occupational pensions (BVG) segment of the group life insurance business in Switzerland is a significant part of the Group's overall life insurance business. The BVG business provides an example of a minimum return guarantee. The guarantee takes the form of the right to convert an assured sum into a life annuity at a guaranteed conversion rate. The prevalent annuity conversion rate for the mandatory part of the BVG business is set at 6.8% for men (retirement age 65) and 6.8% for women (retirement age 64).

With regard to mortality, morbidity and longevity risk the most important annuities payable (annuities in payment phase) or insured (annuities in deferral phase) as well as sums insured are as follows:

Annuities payable per annum by type of annuity – individual life

In CHF million	31.12.2014	31.12.2013
Life annuities – in payment	593	595
Life annuities – deferred	604	637
Annuities certain – in payment	8	10
Annuities certain – deferred	41	43
Disability income and other annuities – in payment	237	239
Disability income and other annuities – deferred	7 526	7 643
TOTAL INDIVIDUAL LIFE	9 008	9 166

Annuities payable per annum by type of annuity – group life

In CHF million	31.12.2014	31.12.2013
Retirement annuities – in payment	778	741
Retirement annuities – deferred	410	414
Survivors' annuities – in payment	126	122
Survivors' annuities – deferred	2 537	2 454
Disability income and other annuities – in payment	368	377
Disability income and other annuities – deferred	15 000	14 750
TOTAL GROUP LIFE	19 219	18 858

Life benefits insured by type of insurance – individual life

In CHF million	31.12.2014	31.12.2013
Whole life and term life	25 571	25 484
Disability lump-sum payment	30	33
Other	5 046	5 086
TOTAL INDIVIDUAL LIFE	30 647	30 603

Life benefits insured by type of insurance – group life

In CHF million	31.12.2014	31.12.2013
Term life	60 760	60 383
Disability lump-sum payment	465	566
Other	1 119	1 078
TOTAL GROUP LIFE	62 344	62 027

Morbidity and disability

Disability risk reflects the financial consequences of groups of individuals getting disabled more often and/or recovering less quickly than expected. With regard to morbidity, the most significant risk factors are epidemics, widespread changes in lifestyle, such as eating, smoking and exercise habits or economic effects.

Embedded options

The ability of a policyholder to pay reduced or no future premiums under a contract, to terminate the contract completely or to exercise a guaranteed annuity option means that the insurer's liability is also subject to policyholder behaviour to a certain extent. On the assumption that a certain part of policyholders will make decisions rationally, overall insurance risk can be aggravated by such behaviour. For example, it is conceivable that policyholders whose health has deteriorated significantly will be less inclined to terminate contracts insuring disability or death benefits than those policyholders remaining in good health, thus resulting in an increasing trend in the expected mortality of policyholders, as the portfolio of insurance contracts is reduced due to surrender.

Underwriting strategy

Underwriting is the process of selecting and classifying insurable risks. The underwriting strategy attempts to ensure that the risks underwritten are profitable and well diversified in terms of type of risk and level of insured benefits. Life insurance underwriting is performed to ensure that the premiums and the general conditions of the insurance policies are adequate for the risks to be insured. The first step in the underwriting process is to determine which individual risks can be accepted. The second step is to place the accepted risks into groups of similar levels of risk. Both processes must be conducted objectively and consistently. The Group sets limits for the acceptance of insurance coverage arising from new and renewal business. Medical selection is part of the Group's underwriting procedures, whereby premiums are charged to reflect the health condition and family medical history of the applicants. The limits relate to sums at risk, maximum insured losses or present value of premiums at the contract or insured person level. Depending on the type of business and the limit exceeded, the new or renewed contract must be approved by the corresponding risk committee or senior management. Contracts exceeding the set limits are tested individually for profitability according to predefined procedures before approval. Certain contracts which include specific risks relating to derivatives or demographic risk factors for which no reliable data is available must be submitted for approval irrespective of the amount of coverage offered. Insurance coverage exceeding set limits is subject to regular internal reporting requirements. Additionally, it must be ensured that the underwriting practices are in line with local laws.

For certain group life business, local law is relevant with regard to medical examinations required before any business is written. For certain individual life business, agreements exist with regard to medical examinations of applicants before business is written. If the risk is assessed as high, exclusion of specific risks, premium adjustments and reinsurance are considered or the application may be rejected.

In the accident and health business, the underwriting strategy comprises biometric and financial data of the persons to be insured, type of contract and experience.

Non-life

The Swiss Life Group has non-life operations mainly in France covering risks associated with accident and health (disability) as well as property and casualty.

Claims arising from the accident and health business primarily cover refunds for medical treatment, daily allowances in the case of sick leave, annuities and long-term medical care. The most significant factors that could increase the overall liabilities in health insurance are the increase in the claim frequency due to an increase in the average age of the insured persons and negative economic and social factors. The insurance liabilities arising from accident and health insurance contracts must consider outstanding claims and claims incurred but not reported (IBNR). A large part of the insurance liabilities arising from these contracts relates to IBNR, and experience shows that health insurance contracts are sensitive to late reporting of claims in both number of claims and amounts.

The Group manages the risks arising from these contracts by means of its underwriting strategy and reinsurance arrangements.

Development of claims under non-life insurance contracts

In CHF million	Estimate of ultimate claim costs by year of loss occurrence										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
At end of year of loss occurrence	384	447	416	345	392	323	311	303	335	342	n/a
1 year later	360	403	383	387	373	369	362	330	361	-	n/a
2 years later	377	365	353	310	320	314	324	331	-	-	n/a
3 years later	360	350	296	275	293	286	336	-	-	-	n/a
4 years later	341	292	272	259	276	301	-	-	-	-	n/a
5 years later	287	266	261	242	297	-	-	-	-	-	n/a
6 years later	268	256	239	232	-	-	-	-	-	-	n/a
7 years later	255	231	260	-	-	-	-	-	-	-	n/a
8 years later	238	268	-	-	-	-	-	-	-	-	n/a
9 years later	253	-	-	-	-	-	-	-	-	-	n/a
CURRENT ESTIMATE OF CUMULATIVE CLAIMS	253	268	260	232	297	301	336	331	361	342	2 979
Cumulative payments to date	-240	-248	-231	-200	-248	-252	-247	-233	-223	-130	-2 253
LIABILITIES BEFORE DISCOUNTING	13	20	29	31	49	49	88	98	138	211	726
Effect of discounting	-	-	-	-	-	-	-	-	-	-	-
LIABILITIES FOR THE CURRENT AND 9 PREVIOUS YEARS	13	20	29	31	49	49	88	98	138	211	726
Liabilities for prior years											227
TOTAL GROSS CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS											953

The development of claims under non-life insurance contracts comprises the non-life business in France. A minor part of the non-life business is very short-tailed. The claims incurred for this minor part are almost completely settled within one year. The amount of unpaid claims as at the balance sheet date is therefore not material and does not underlie any significant variation in its temporal development. The claims data regarding this type of business is not included in the figures above.

Acceptance rules for risks are consistent with both the Code des Assurances and the French regulations. Underwriting guidelines and tariffs are reviewed on an annual basis.

The monitoring of the risks taken is made on a monthly basis with regard to related premiums and claims. An automated claims supervision system is used for the adjustment of tariffs for risks with loss ratios above a certain level.

Reinsurance

Reinsurance is used to limit the Group's exposure to insurance risk. This does not, however, discharge the Group's liability as a primary insurer, and, if a reinsurer fails to pay a claim, the Group remains liable for the payments to the policyholder. A loss allowance would be recognised for any estimated unrecoverable reinsurance.

In addition, the Group holds substantial collateral under related reinsurance agreements in the form of deposited funds and securities. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for the underlying policy benefits and are presented in the balance sheet as a component of the reinsurance assets.

Management reviews reinsurance programmes covering treaty, type, risks covered and retention on a regular basis. A process, competencies and limits are set up for the approval of reinsurance programmes and their modification. To ensure that the Group's principles are observed, guidelines on reinsurance are in place.

In accordance with its retention policy, for mortality and disability benefits, the Group limits its exposure to CHF 5 million per life. Retention limits can be lower for other products (e.g. critical illness or long-term care) or for exposure in international markets. In addition, catastrophe reinsurance is in place to protect against accumulation of losses from a single event or a series of connected events.

The reinsurance team at Group level is responsible for implementing the retention policy by way of intra-group reinsurance. Intra-group reinsurance is transacted at arm's length.

As far as property and casualty insurance is concerned, the reinsurance arrangements mostly include non-proportional coverage on any single risk and/or event, and are adapted to the specific exposure. This includes excess of loss, stop-loss and catastrophe coverage, as well as facultative reinsurance for protection against specific risks.

No single reinsurer is a material reinsurer to the Group, nor is the Group's business substantially dependent upon one single reinsurer.

Approximately 1.4% in terms of earned insurance premiums was ceded as at 31 December 2014 (2013: 1.5%).

Other risk transfer

Risk transfer primarily takes the form of reinsurance. Alternative forms of risk transfer (such as securitisation) require the formal approval of the Group Risk Committee. No significant alternative form of risk transfer is used by the Group at present.

Insurance risks are regularly reported to the Group Risk Committee.

Sensitivity analysis

The Swiss Life Group uses the market consistent embedded value (MCEV) following the guidelines of the European Insurance CFO Forum Market Consistent Embedded Value Principles¹, as one of the main management tools, for its sensitivity analysis with regard to insurance risk and market risk. From the shareholders' point of view, the embedded value serves as an indicator of the value of the existing insurance portfolios. It is composed of two components: the net asset value (NAV) attributable to shareholders and the value of in-force business (VIF). Future new business is not included.

The market consistent embedded value of the Swiss Life Group amounted to CHF 12.9 billion as at 31 December 2014 (2013: CHF 11.4 billion). Due to different valuation principles, changes in the embedded value are typically not reflected to the same extent in the consolidated balance sheet and consolidated statement of income of the Swiss Life Group and vice versa.

The market consistent embedded value calculations are based on economic scenarios which are calibrated to market conditions at valuation date. Best estimate assumptions were made regarding a number of factors, in particular asset allocation, policyholder participation, development of costs and claims, policyholder behaviour, mortality and morbidity. Business is assumed to be continuing at the same level (going concern) and the current cost ratios – adjusted for inflation – are thus assumed to hold good for the future as well. Future costs for maintaining solvency capital funded by the shareholders and which underpins the insurance business are charged to the MCEV. The Swiss Life Group calculates the embedded value for all its life and health insurance companies. All other companies are taken into account at their IFRS net asset value. As a consequence, embedded value sensitivities do not affect the value of these companies.

An analysis of sensitivity indicates to what extent the embedded value is affected by variations in risk factors. The analysis is based on changes in the assumptions used in the embedded value calculation whereby a specific risk factor is changed while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. In the event of a change in a specific risk factor, the effect of different allocations to policyholder participation as a consequence is considered in the analysis. The changes in a specific risk factor are applied to the entire projection period.

The sensitivity analysis with regard to insurance risk is as follows:

Higher overall mortality would have a significant positive effect on the embedded value of life annuities (survival risk) whereas the negative effect on the embedded value of contracts with mortality risk is comparatively limited due to corresponding reductions in policyholder bonuses. Therefore, this sensitivity is considered not significant as an adverse risk for the embedded value.

At 31 December 2014, if the longevity improvement parameter had increased by 5%, the embedded value would have been CHF 22 million lower (2013: CHF 15 million lower).

At 31 December 2014, if morbidity had been 5% higher, the embedded value would have been CHF 59 million lower (2013: CHF 48 million lower).

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At 31 December 2014, if morbidity had been 5% lower, the embedded value would have been CHF 54 million higher (2013: CHF 47 million higher).

The sensitivity analysis with regard to market risk is as follows:

The MCEV calculations of the Swiss Life Group are based on economic scenarios which are calibrated to market conditions at valuation date.

At 31 December 2014, if the interest rates had been 100 basis points higher, the embedded value would have been CHF 530 million higher (2013: CHF 413 million higher).

At 31 December 2014, if the interest rates had been 100 basis points lower, the embedded value would have been CHF 1068 million lower (2013: CHF 700 million lower).

At 31 December 2014, if the swaption implied volatilities (interest rates) had been 25% higher, the embedded value would have been CHF 61 million lower (2013: CHF 202 million higher).

At 31 December 2014, if the swaption implied volatilities (interest rates) had been 25% lower, the embedded value would have been CHF 79 million lower (2013: CHF 157 million lower).

At 31 December 2014, if the market value of equity securities and property had been 10% higher, the embedded value would have been CHF 722 million higher (2013: CHF 624 million higher).

At 31 December 2014, if the market value of equity securities and property had been 10% lower, the embedded value would have been CHF 818 million lower (2013: CHF 693 million lower).

At 31 December 2014, if the equity securities and property implied volatilities had been 25% higher, the embedded value would have been CHF 322 million lower (2013: CHF 245 million lower).

At 31 December 2014, if the equity securities and property implied volatilities had been 25% lower, the embedded value would have been CHF 263 million higher (2013: CHF 189 million higher).

The sensitivity of insurance liabilities is also analysed on an economic basis for internal risk management purposes and to satisfy regulatory requirements (Swiss Solvency Test).

6 Earnings per Share

Basic earnings per share (EPS) are calculated on the weighted average number of shares outstanding during the reporting period, excluding the average number of shares purchased by the Group and held as treasury shares.

Diluted earnings per share include the dilutive effect of convertible bonds and share options issued. In the diluted EPS calculation, the convertible debt is assumed to have been converted into shares and the profit attributable to shareholders is adjusted for the applicable interest expense minus the related taxes. Share options are dilutive when they would result in the issuance of shares for less than the average market price during the period. Dilutive share options are assumed to have been exercised. The assumed proceeds are regarded as having been received from the issuance of shares at the average market price during the period. The difference between the number of shares issued and the number of shares that would have been issued at the average market price during the period is considered as an issuance of shares for no consideration.

In CHF million (if not noted otherwise)

	2014	2013
BASIC EARNINGS PER SHARE		
Net result attributable to equity holders of Swiss Life Holding	814	781
Weighted average number of shares outstanding	31 904 630	31 947 309
BASIC EARNINGS PER SHARE FOR THE NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF SWISS LIFE HOLDING (IN CHF)	25.52	24.45
DILUTED EARNINGS PER SHARE		
Net result attributable to equity holders of Swiss Life Holding	814	781
Elimination of interest expense on convertible bonds	7	1
RESULT USED TO DETERMINE DILUTED EARNINGS PER SHARE	821	782
Weighted average number of shares outstanding	31 904 630	31 947 309
Adjustments (number of shares)		
Assumed conversion of convertible bonds	1 998 862	170 786
Equity compensation plans	162 271	156 158
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE	34 065 763	32 274 253
DILUTED EARNINGS PER SHARE FOR THE NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF SWISS LIFE HOLDING (IN CHF)	24.11	24.22

7 Premiums, Policy Fees and Deposits Received

Written premiums

In CHF million		
	2014	2013
Direct	13 633	12 853
Assumed	332	296
GROSS WRITTEN PREMIUMS	13 965	13 149
Ceded	-192	-197
NET WRITTEN PREMIUMS	13 774	12 951

Earned premiums

In CHF million		
	2014	2013
Direct	13 636	12 848
Assumed	332	294
GROSS EARNED PREMIUMS	13 968	13 142
Ceded	-192	-198
NET EARNED PREMIUMS	13 776	12 944

Written policy fees

In CHF million		
	2014	2013
Direct	306	302
GROSS WRITTEN POLICY FEES	306	302
Ceded	-	0
NET WRITTEN POLICY FEES	306	302

Earned policy fees

In CHF million		
	2014	2013
Direct	308	304
GROSS EARNED POLICY FEES	308	304
Ceded	-	0
NET EARNED POLICY FEES	308	304

Under the accounting principles adopted, deposits received under insurance and investment contracts for which deposit accounting is used are not recognised as income:

In CHF million		
	2014	2013
Gross written premiums and policy fees	14 271	13 451
Deposits received under insurance and investment contracts	4 831	4 518
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	19 102	17 969

8 Details of Certain Items in the Consolidated Statement of Income

Commission income

In CHF million

	2014	2013
Brokerage commissions	578	519
Asset management commissions	185	154
Other commissions and fees	234	167
TOTAL COMMISSION INCOME	998	840

Investment income

In CHF million

	Notes	2014	2013
Interest income on financial assets available for sale		2 812	2 681
Interest income on loans and receivables		836	901
Other interest income		3	9
Dividend income on financial assets available for sale		119	52
Net income on investment property		677	637
TOTAL INVESTMENT INCOME	5	4 448	4 280

Net gains/losses on financial assets

In CHF million

	Notes	2014	2013
Sale of			
financial assets available for sale	26	264	249
loans		168	241
Net gains/losses from sales		432	490
Impairment losses on			
debt securities available for sale	26	-18	0
equity securities available for sale	26	-23	-10
loans and receivables	13	-6	10
Impairment losses on financial assets		-47	0
Foreign currency gains/losses		2 246	-749
TOTAL NET GAINS/LOSSES ON FINANCIAL ASSETS	5	2 631	-259

Net gains/losses on financial instruments at fair value through profit or loss

In CHF million

	Notes	2014	2013
Interest rate derivatives		168	72
Equity derivatives		-18	-62
Currency derivatives		-2 306	515
Other derivatives		-8	-1
Financial assets designated as at fair value through profit or loss ¹		169	236
Financial liabilities designated as at fair value through profit or loss ²		-50	12
Associates at fair value through profit or loss ¹		28	75
Financial instruments for the account and risk of the Swiss Life Group's customers ¹		24	-2
TOTAL NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	5	-1 992	844

¹ includes interest and dividend income of CHF 103 million (2013: CHF 111 million)

² includes changes attributable to credit risk: nil (2013: nil)

Other income

In CHF million

	2014	2013
Realised gains/losses on sales of subsidiaries and other assets	0	17
Realised gains/losses on sales of inventory property	14	-
Other foreign currency gains/losses	-5	-16
Other	6	-3
TOTAL OTHER INCOME	15	-2

Net insurance benefits and claims

In CHF million

	2014	2013
Benefits and claims under insurance contracts		
Life benefits and claims paid, gross	9 648	9 732
Change in liability for future life policyholder benefits, gross	4 484	3 207
Non-life claims paid, gross	262	251
Change in reserve for non-life claims, gross	-9	11
Benefits and claims recovered from reinsurers	-98	-107
Net benefits and claims under insurance contracts	14 287	13 095
Benefits and claims under investment contracts with discretionary participation		
Life benefits and claims paid, gross	475	331
Change in liability for future life policyholder benefits, gross	457	495
Benefits and claims recovered from reinsurers	-	-
Net benefits and claims under investment contracts with discretionary participation	932	826
TOTAL NET INSURANCE BENEFITS AND CLAIMS	15 218	13 920

Interest expense

In CHF million

	Notes	2014	2013
Interest expense on deposits		25	25
Interest expense on investment contracts	19	81	83
Interest expense on deposits under insurance contracts	22	69	79
Other interest expense		29	36
TOTAL INTEREST EXPENSE		205	222

Commission expense

In CHF million

	2014	2013
Insurance agent and broker commissions	839	783
Asset management and banking commissions	64	65
Other commissions and fees	37	22
TOTAL COMMISSION EXPENSE	940	870

Employee benefits expense

In CHF million

	Notes	2014	2013
Wages and salaries		588	570
Social security		133	125
Defined benefit plans	23	86	86
Defined contribution plans		1	1
Other employee benefits		60	81
TOTAL EMPLOYEE BENEFITS EXPENSE		867	862

Depreciation and amortisation expense

In CHF million

	Notes	2014	2013
Depreciation of property and equipment	16	26	25
Amortisation of present value of future profits (PVP)	17	1	1
Amortisation of deferred acquisition costs (DAC)	17	314	474
Amortisation of deferred origination costs (DOC)	17	11	11
Amortisation of other intangible assets	17	32	27
TOTAL DEPRECIATION AND AMORTISATION EXPENSE		383	537

Other expenses

In CHF million

	2014	2013
Marketing and advertising	58	73
Information technology and systems	80	76
Rental, maintenance and repair	66	65
Professional services	185	176
Premium taxes and other non-income taxes	54	53
Other	88	91
TOTAL OTHER EXPENSES	532	533

9 Derivatives and Hedge Accounting

In CHF million	Notes	Fair value assets		Fair value liabilities		Contract/notional amount	
		31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
CURRENCY DERIVATIVES							
Forward contracts		16	361	1 104	118	34 728	29 929
Futures		1	0	2	0	155	24
Options (over-the-counter)		48	–	81	–	1 895	–
TOTAL CURRENCY DERIVATIVES		66	361	1 187	118	36 778	29 953
INTEREST RATE DERIVATIVES							
Forward contracts		266	53	–	2	913	1 130
Swaps		1 577	536	868	610	48 617	43 153
Options (over-the-counter)		37	51	–	–	1 611	1 862
Other		–	1	–	1	–	221
TOTAL INTEREST RATE DERIVATIVES		1 880	641	868	612	51 142	46 366
EQUITY/INDEX DERIVATIVES							
Futures		3	2	12	13	803	661
Options (exchange-traded)		405	264	70	71	3 561	2 192
Other		4	0	1	–	154	386
TOTAL EQUITY/INDEX DERIVATIVES		412	267	83	84	4 517	3 239
OTHER DERIVATIVES							
Credit derivatives		–	–	27	–	1 911	–
TOTAL OTHER DERIVATIVES		–	–	27	–	1 911	–
DERIVATIVES FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS							
	5	0	0	–	–	0	0
TOTAL DERIVATIVES		2 358	1 268	2 165	814	94 348	79 558
of which derivatives designated and accounted for as hedging instruments							
Derivatives designated as fair value hedges		–	126	46	1	1 312	2 521
Derivatives designated as cash flow hedges		744	76	–	144	3 584	4 284

Derivatives held for risk management

Derivatives held for risk management primarily comprise derivatives that share a risk with other financial instruments and give rise to opposite changes in fair value that tend to offset each other (“economic hedges”). The timing of the offset does not match in all cases.

To manage the risks associated with derivative activity, the Group establishes risk levels and monitors these exposures. Exposure to price risk on both derivatives and their underlyings is managed in accordance with risk limits set by management for buying or selling instruments or closing out positions. The risks arise from open positions in interest rates, currencies and equity instruments, all of which are exposed to general and specific market movements.

Derivatives designated and accounted for as hedging instruments

Derivatives designated and accounted for as hedging instruments comprise derivatives associated with fair value hedges, cash flow hedges and net investment hedges that qualify for hedge accounting.

Derivatives designated as fair value hedges

In CHF million	Fair value assets		Fair value liabilities		Gains/losses on hedging instruments		Gains/losses on hedged items		Contract/notional amount	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Interest rate risk										
Interest rate swaps to hedge available-for-sale bond portfolios	-	121	-	-	-96	210	101	-231	-	1 331
Foreign currency risk										
Currency forwards to hedge investments in hedge funds	-	5	46	1	-139	4	136	-4	1 312	1 189
TOTAL DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES	-	126	46	1	-234	214	238	-235	1 312	2 521

The Swiss Life Group used interest rate swaps to hedge available-for-sale fixed-rate bonds in USD against changes in the fair value attributable to interest rate risk. The nominal amount of these bonds as at 31 December 2014 was nil (2013: USD 1.6 billion).

Forward contracts are used as hedging instruments to protect investments in hedge funds against adverse movements in British pound and US dollar exchange rates.

Derivatives designated as cash flow hedges as at 31 December 2014

In CHF million (if not noted otherwise)

	Fairvalue assets	Fairvalue liabilities	Amounts recognised in other comprehen- sive income	Ineffective- ness recognised in profit or loss	Amounts transferred to profit or loss	Contract/ notional amount	Cash flows expected to occur (year)	Cash flows expected to affect profit or loss (year)
INTEREST RATE RISK								
Forward starting swaps/bonds								
Switzerland	371	-	464	0	0	2 250	2015-2021	2015-2047
France	299	-	305	0	-1	1 094	2015-2018	2015-2038
Germany	74	-	84	0	-	241	2015-2017	2015-2047
Total interest rate risk	744	-	853	0	-1	3 584	n/a	n/a
TOTAL DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	744	-	853	0	-1	3 584	n/a	n/a

Derivatives designated as cash flow hedges as at 31 December 2013

In CHF million (if not noted otherwise)

	Fairvalue assets	Fairvalue liabilities	Amounts recognised in other comprehen- sive income	Ineffective- ness recognised in profit or loss	Amounts transferred to profit or loss	Contract/ notional amount	Cash flows expected to occur (year)	Cash flows expected to affect profit or loss (year)
INTEREST RATE RISK								
Forward starting swaps/bonds								
Switzerland	21	132	-611	0	-	2 725	2014-2021	2014-2047
France	55	4	-38	-	0	1 314	2014-2018	2014-2038
Germany	-	9	-9	-	-	245	2015-2017	2015-2047
Total interest rate risk	76	144	-658	0	0	4 284	n/a	n/a
TOTAL DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	76	144	-658	0	0	4 284	n/a	n/a

In 2014 and 2013, the Group used forward starting swaps and forward starting bonds to hedge the exposure to variability in interest cash flows arising on the highly probable purchase of bonds in order to achieve an adequate yield level for reinvestments.

In 2014, CHF 1 million was reclassified from other comprehensive income to profit or loss and included in investment income (2013: CHF 0 million).

10 Financial Assets and Liabilities at Fair Value through Profit or Loss

In CHF million

		31.12.2014	31.12.2013
FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS			
	Notes		
Debt securities		595	856
Money market instruments		0	1
Equity securities		6	7
Investment funds – debt		642	1 470
Investment funds – equity		266	288
Investment funds – balanced		59	14
Real estate funds		389	338
Private equity		–	3
Hedge funds		6	14
Infrastructure investments		361	77
Assets attributable to non-controlling interests of investment funds		1 090	2 358
Assets for the account and risk of the Swiss Life Group's customers	5	28 975	26 059
TOTAL FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS		32 389	31 486
FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Unit-linked contracts	5	24 325	22 436
Share of net assets of investment funds attributable to non-controlling interests		1 090	2 358
TOTAL FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS		25 415	24 794

In 2014, investment funds were deconsolidated due to loss of control. This resulted in a significant decrease in the amount of assets attributable to non-controlling interests of investment funds and of the related liability.

11 Financial Assets Available for Sale

In CHF million	Cost/amortised cost		Net unrealised gains/losses		Fair value (carrying amount)	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Debt securities	78 126	74 307	11 912	2 533	90 038	76 841
Money market instruments	–	4	–	–	–	4
Equity securities	1 727	731	236	109	1 963	841
Investment funds – debt	2 351	728	73	–1	2 424	728
Investment funds – equity	1 118	1 362	139	57	1 257	1 418
Investment funds – balanced	14	13	0	0	14	13
Real estate funds	675	511	55	4	730	515
Private equity	463	504	138	80	601	583
Hedge funds	93	81	44	47	137	128
TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE	84 567	78 242	12 595	2 829	97 162	81 071

Financial assets available for sale that have been sold under a repurchase agreement or lent under an agreement to return them, and where the transferee has the right to sell or repledge the financial assets given as collateral, were reclassified to financial assets pledged as collateral.

12 Financial Assets Pledged as Collateral

In CHF million	Carrying amount	
	31.12.2014	31.12.2013
Debt securities reclassified from financial assets available for sale	2 763	1 999
TOTAL DEBT SECURITIES PLEDGED AS COLLATERAL	2 763	1 999
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	2 763	1 999

Financial assets that have been sold under a repurchase agreement or lent under an agreement to return them are not derecognised when substantially all the risks and rewards of ownership are retained by the Swiss Life Group. If the transferee has the right to sell or repledge the financial assets given as collateral, they are reclassified in the balance sheet as financial assets pledged at their respective carrying amounts.

13 Loans and Receivables

In CHF million		Gross amount		Allowance for impairment losses		Cost/amortised cost (carrying amount)	
	Notes	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
LOANS							
Mortgages		6 157	5 947	-11	-12	6 145	5 935
Policy loans		253	265	-	-	253	265
Other originated loans		2 920	962	-2	-	2 918	962
Note loans		7 944	8 259	-	-	7 944	8 259
Debt securities previously classified as available for sale		5 617	5 863	-6	-6	5 611	5 857
Other debt securities classified as loans		477	508	-	-	477	508
TOTAL LOANS	30	23 368	21 804	-20	-18	23 348	21 786
RECEIVABLES							
Insurance receivables		1 323	1 174	-19	-22	1 304	1 152
Reinsurance receivables		356	206	-	-	356	206
Accrued income		1 668	1 664	-	-	1 668	1 664
Settlement accounts		534	273	-	-	534	273
Other		740	469	-3	-1	737	468
TOTAL RECEIVABLES	30	4 622	3 786	-22	-23	4 600	3 763
TOTAL LOANS AND RECEIVABLES		27 990	25 590	-42	-41	27 948	25 548

Allowance for impairment losses

In CHF million		Individual evaluation of impairment		Collective evaluation of impairment		Total	
		2014	2013	2014	2013	2014	2013
LOANS							
Balance as at 1 January		8	54	10	9	18	63
Impairment losses/reversals		3	-18	0	1	3	-17
Write-offs and disposals		-1	-28	-	-	-1	-28
Foreign currency translation differences		0	0	-	-	0	0
BALANCE AS AT END OF PERIOD		9	8	11	10	20	18
RECEIVABLES							
Balance as at 1 January		7	5	16	14	23	20
Impairment losses/reversals		1	2	3	4	3	7
Write-offs and disposals		-1	0	-3	-2	-4	-2
Foreign currency translation differences		0	0	0	0	0	0
BALANCE AS AT END OF PERIOD		6	7	16	16	22	23
TOTAL ALLOWANCE FOR IMPAIRMENT LOSSES		15	15	26	26	42	41

Interest income accrued on impaired loans was CHF 0.4 million as at 31 December 2014 (2013: CHF 0.5 million). The Group's loan portfolio is monitored closely through the review of information such as debt service, annual reports and assessments. This information is evaluated in light of current economic conditions and other factors such as diversification of the property portfolio. This evaluation is part of the regular review to determine whether the allowance for potential loan losses is warranted. Management believes that the allowance for loan losses is sufficient. However, management cannot predict with assurance the impact of future economic circumstances or how the mortgage and real estate portfolios would be affected by various economic circumstances.

As at 1 July 2008, certain financial assets were reclassified from financial assets available for sale to loans due to the disappearance of an active market. The financial assets reclassified primarily consist of corporate debt instruments and debt instruments relating to emerging markets. The fair value as at 1 July 2008 of the financial assets reclassified amounted to CHF 14 966 million. At the date of reclassification the effective interest rate ranged from 0.8% to 9.7%, and the amount of cash flows expected to be recovered was estimated at CHF 32 658 million. In 2008, unrealised losses of CHF 740 million were recognised in other comprehensive income in respect of these assets.

Further details with regard to the financial assets reclassified are as follows:

Debt securities previously classified as available for sale

In CHF million

	2014	2013
Carrying amount as at 31 December	5 611	5 857
Fair value as at 31 December	6 539	6 711
Gains (+)/losses (-) that would have been recognised in other comprehensive income if the assets had not been reclassified (excluding adjustments for income tax and policyholder participation)	136	-327
Gains (+)/losses (-) recognised in profit or loss (including impairment)	0	7
Interest income	330	363

14 Investment Property

In CHF million			
	Notes	2014	2013
Balance as at 1 January		18 517	16 225
Additions		1 219	2 104
Additions from business combinations	28	–	183
Capitalised subsequent expenditure		232	257
Classification as assets held for sale and other disposals		–654	–805
Gains/losses from fair value adjustments		288	505
Transfers from own-use property	16	54	7
Foreign currency translation differences		–58	41
BALANCE AS AT END OF PERIOD		19 596	18 517
Investment property consists of			
completed investment property		19 166	18 204
investment property under construction		430	312
TOTAL INVESTMENT PROPERTY		19 596	18 517

Investment property held by the Group includes residential, commercial and mixed-use properties primarily located within Switzerland, and comprises both completed investment property and investment property under construction. Property held for investment purposes comprises land and buildings owned by the Group to earn rentals and/or for capital appreciation. Property that is used by the Group itself or leased to, and occupied by, another entity of the Group is classified as owner-occupied property under property and equipment. Property acquired with a view to its subsequent disposal in the near future is carried under assets held for sale.

Rental income from investment property was CHF 850 million for the period ended 31 December 2014 (2013: CHF 811 million). Operating expenses arising from investment property that generated rental income stood at CHF 173 million for the period ended 31 December 2014 (2013: CHF 174 million). Operating expenses arising from investment property that did not generate rental income during the period stood at nil for the period ended 31 December 2014 (2013: nil).

Due to the adoption of IFRS 13 Fair Value Measurement, the Swiss Life Group adjusted the fair value measurement of certain investment properties taking into account highest and best use. The impact of these adjustments to fair value was an increase of CHF 176 million (before policyholder participation and income tax expense) which was recognised in profit or loss in 2013.

15 Investments in Associates

In July 2013, the Swiss Life Group increased its share in TECHNOPARK Real Estate LTD, Zurich, from 33.3% to 66.6%. From that date, TECHNOPARK Real Estate LTD, Zurich, is fully consolidated and no longer included in investments in associates.

Summarised financial information for the year 2014

Amounts in CHF million	Ownership interest	Carrying amount	Dividends received	Share of profit or loss	Share of other comprehensive income	Share of total comprehensive income	Fair value of quoted associates
EQUITY METHOD ASSOCIATES							
Crédit et services financiers (CRESERFI), Paris	33.4%	47	0	1	–	1	–
Groupe Assuristance, Paris	34.0%	12	2	3	0	3	–
Other associates	n/a	6	1	–1	–	–1	–
TOTAL	n/a	65	3	3	0	3	–
ASSOCIATES AT FAIR VALUE THROUGH PROFIT OR LOSS							
DEPFA Holding Verwaltungsgesellschaft mbH, Düsseldorf	20.4%	212	7	n/a	n/a	n/a	n/a
Other associates	n/a	7	–	n/a	n/a	n/a	n/a
TOTAL	n/a	219	7	n/a	n/a	n/a	n/a

Summarised financial information for the year 2013

Amounts in CHF million	Ownership interest	Carrying amount	Dividends received	Share of profit or loss	Share of other comprehensive income	Share of total comprehensive income	Fair value of quoted associates
EQUITY METHOD ASSOCIATES							
Crédit et services financiers (CRESERFI), Paris	33.4%	47	–	1	–	1	–
Groupe Assuristance, Paris	34.0%	12	–	2	0	2	–
Other associates	n/a	7	1	2	0	2	–
TOTAL	n/a	66	1	5	0	5	–
ASSOCIATES AT FAIR VALUE THROUGH PROFIT OR LOSS							
DEPFA Holding Verwaltungsgesellschaft mbH, Düsseldorf	20.4%	195	1	n/a	n/a	n/a	n/a
Other associates	n/a	10	–	n/a	n/a	n/a	n/a
TOTAL	n/a	205	1	n/a	n/a	n/a	n/a

Summarised financial information relating to material associates was as follows:

In CHF million	Crédit et services financiers (CRESERFI) Paris		Groupe Assurance Paris		DEPFA Holding Verwaltungs- gesellschaft mbH, Düsseldorf	
	2014	2013	2014	2013	2014	2013
SUMMARISED FINANCIAL INFORMATION						
Current assets	185	182	19	20	130	2
Non-current assets	14	15	41	43	483	471
Current liabilities	-37	-19	-23	-27	-15	0
Non-current liabilities	-20	-37	-2	-2	-	-
Revenue	42	41	53	48	2	2
Profit or loss	4	3	8	7	150	1
Other comprehensive income	-	-	0	-1	0	1
Total comprehensive income	4	3	8	6	149	2
RECONCILIATION						
Net assets	142	141	35	34	n/a	n/a
Ownership interest	33.4%	33.4%	34.0%	34.0%	n/a	n/a
Share of net assets (carrying amount)	47	47	12	12	n/a	n/a
UNRECOGNISED SHARE OF LOSS						
for the period	-	-	-	-	n/a	n/a
cumulatively	-	-	-	-	n/a	n/a

16 Property and Equipment

Property and equipment for the year 2014

In CHF million						
	Notes	Land and buildings	Furniture and fixtures	Hardware	Other equipment	Total
COST						
Balance as at 1 January		603	53	59	27	742
Additions		56	11	11	1	80
Additions from business combinations	28	–	1	1	0	1
Disposals ¹		–3	–10	–9	–1	–23
Transfers to investment property	14	–81	–	–	–	–81
Revaluation in respect of transfers to investment property		0	–	–	–	0
Foreign currency translation differences		–4	0	–1	0	–5
BALANCE AS AT END OF PERIOD		570	54	61	27	713
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance as at 1 January		–196	–39	–46	–12	–294
Depreciation		–12	–5	–7	–2	–26
Impairment losses		–	0	–	–	0
Disposals ¹		3	9	7	1	19
Transfers to investment property	14	27	–	–	–	27
Foreign currency translation differences		1	0	0	0	1
BALANCE AS AT END OF PERIOD		–177	–35	–46	–14	–271
TOTAL PROPERTY AND EQUIPMENT AS AT END OF PERIOD		394	20	16	13	442
of which assets held under a finance lease		–	–	1	–	1
of which buildings in the course of construction		0	–	–	–	–

¹ includes elimination of fully depreciated assets

Property and equipment for the year 2013

In CHF million						
	Notes	Land and buildings	Furniture and fixtures	Hardware	Other equipment	Total
COST						
Balance as at 1 January		576	53	54	25	708
Additions		37	1	5	2	46
Additions from business combinations	28	-	0	0	0	0
Disposals ¹		-6	-2	-1	0	-9
Transfers to investment property	14	-11	-	-	-	-11
Revaluation in respect of transfers to investment property		4	-	-	-	4
Foreign currency translation differences		3	0	0	0	4
BALANCE AS AT END OF PERIOD		603	53	59	27	742
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance as at 1 January		-189	-37	-39	-10	-275
Depreciation		-12	-4	-7	-2	-25
Impairment losses		-	0	0	-	0
Disposals ¹		2	2	1	0	4
Transfers to investment property	14	4	-	-	-	4
Foreign currency translation differences		-1	0	0	0	-1
BALANCE AS AT END OF PERIOD		-196	-39	-46	-12	-294
TOTAL PROPERTY AND EQUIPMENT AS AT END OF PERIOD		407	14	13	14	448
of which assets held under a finance lease		-	-	3	-	3
of which buildings in the course of construction		60				

¹ includes elimination of fully depreciated assets

No borrowing costs were capitalised in property and equipment in 2014 and 2013.

17 Intangible Assets including Intangible Insurance Assets

In CHF million		
	31.12.2014	31.12.2013
Intangible insurance assets	1 497	1 618
Other intangible assets	1 475	1 319
TOTAL INTANGIBLE ASSETS	2 972	2 937

Intangible insurance assets

In CHF million	Present value of future profits from acquired insurance portfolios (PVP)		Deferred acquisition costs (DAC)		Deferred origination costs (DOC)		Total	
	2014	2013	2014	2013	2014	2013		
Balance as at 1 January	16	15	1 567	1 554	35	36	1 618	1 605
Additions	–	2	394	381	9	11	403	393
Amortisation	–1	–1	–314	–474	–11	–11	–326	–486
Impairment	–	–	–1	–5	–	–	–1	–5
Effect of shadow accounting	0	0	–177	94	–	–	–178	94
Disposals	–	0	–	–	–	–	–	0
Foreign currency translation differences	0	0	–18	16	–1	1	–19	17
BALANCE AS AT END OF PERIOD	14	16	1 450	1 567	33	35	1 497	1 618

Present value of future profits (PVP)

The present value of future profits relates to portfolios of insurance contracts and investment contracts with discretionary participation acquired in a business combination or transfer of portfolios. It relates to contracts acquired in Germany and France and is amortised in proportion to gross profits or margins over the effective life of the acquired insurance and investment contracts.

Deferred acquisition costs (DAC)

Certain acquisition costs relating to new and renewed insurance contracts and investment contracts with discretionary participation are deferred.

Deferred origination costs (DOC)

These costs are recoverable and are directly attributable to securing the right for investment management services within investment contract policies. They relate to contracts in Luxembourg and Switzerland.

Other intangible assets for the year 2014

In CHF million						
	Notes	Goodwill	Customer relationships	Computer software	Brands and other	Total
COST						
Balance as at 1 January		1 743	223	183	3	2 151
Additions		–	–	10	–	10
Additions from business combinations	28	117	62	1	20	201
Additions from internal software development		–	–	2	–	2
Disposals ¹		–	–91	–2	–	–93
Foreign currency translation differences		–17	–3	–3	0	–24
BALANCE AS AT END OF PERIOD		1 843	191	190	23	2 247
ACCUMULATED AMORTISATION AND IMPAIRMENT						
Balance as at 1 January		–550	–164	–120	0	–833
Amortisation		–	–17	–15	0	–32
Impairment losses		–	–11	0	–	–11
Disposals ¹		–	91	2	–	93
Foreign currency translation differences		7	2	2	0	11
BALANCE AS AT END OF PERIOD		–542	–99	–131	0	–772
TOTAL OTHER INTANGIBLE ASSETS AS AT END OF PERIOD		1 301	91	59	23	1 475

¹ includes elimination of fully amortised/impaired assets

Other intangible assets for the year 2013

In CHF million						
	Notes	Goodwill	Customer relationships	Computer software	Brands and other	Total
COST						
Balance as at 1 January		1 726	309	163	95	2 293
Additions		-	-	13	3	16
Additions from business combinations	28	8	17	0	-	25
Additions from internal software development		-	-	6	-	6
Disposals ¹		-7	-107	-1	-97	-212
Foreign currency translation differences		16	4	2	2	22
BALANCE AS AT END OF PERIOD		1 743	223	183	3	2 151
ACCUMULATED AMORTISATION AND IMPAIRMENT						
Balance as at 1 January		-550	-255	-105	-95	-1 005
Amortisation		-	-13	-14	0	-27
Impairment losses		-	-	-1	-	-1
Disposals ¹		7	107	1	97	212
Foreign currency translation differences		-7	-4	-1	-2	-13
BALANCE AS AT END OF PERIOD		-550	-164	-120	0	-833
TOTAL OTHER INTANGIBLE ASSETS AS AT END OF PERIOD		1 193	59	64	3	1 319

¹ includes elimination of fully amortised/impaired assets

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 acquisitions of subsidiaries is included in intangible assets. Goodwill on associates is included in the carrying amount of the investment.

The acquisition of CORPUS SIREO Holding GmbH & Co. KG, Cologne, in October 2014 led to the recognition of goodwill of CHF 117 million. The goodwill has been allocated to the "Asset Managers" segment.

The acquisition of Prigest, Paris, in November 2013 led to the recognition of goodwill of CHF 8 million.

Goodwill relating to Lloyd Continental has been allocated to the "France" segment. Goodwill relating to CapitalLeben has been allocated to the "International" segment. Of the goodwill relating to other acquisitions, CHF 21 million (31.12.2013: CHF 21 million) has been allocated to the "France" segment and CHF 9 million (31.12.2013: CHF 9 million) to the "Asset Managers" segment as at 31 December 2014.

The calculations relating to the recoverable amounts, which have been determined on a value-in-use basis, use cash flow projections based on financial budgets approved by management. The

projection covers a three-year period for Lloyd Continental and CORPUS SIREO. Due to the duration of the insurance and investment contracts a five-year period was used for CapitalLeben. The calculations for Lloyd Continental, CORPUS SIREO and CapitalLeben are based on present values that traditionally use a single set of estimated cash flows and a single discount rate.

In CHF million	Lloyd Continental		CapitalLeben		CORPUS SIREO		Other	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Net carrying amount of goodwill	287	287	149	149	116	-	30	30
KEY ASSUMPTIONS USED FOR IMPAIRMENT TESTS								
Growth rate	2.0%	2.0%	1.0%	1.0%	2.0%	-	2.0%	2.0%
Discount rate	9.7%	12.4%	7.0%	8.8%	9.1%	-	9.7%	12.4%

In 2014, the method for determining the discount rates used for the value-in-use calculations was changed from cost of equity to weighted average cost of capital (WACC) derived from the Capital Asset Pricing Model. Peer group comparisons and the beta of the Swiss Life Group were used for determining the beta used in the calculation. Capital structure reflected in the WACC calculation is in line with the actual and target capital structure of the Swiss Life Group. The new calculation method better reflects the economic situation of the individual cash-generating units. The discount rates for 2013 have been represented accordingly.

The growth rates reflect the long-term inflation expectations of the International Monetary Fund for Switzerland and Liechtenstein and of the European Central Bank for the euro zone.

Goodwill relating to “Swiss Life Select” (acquisitions of AWD Holding AG and Deutsche Proventus AG) has been allocated to the “Switzerland”, “Germany” and “International” segments. The recoverable amounts have been determined on a value-in-use basis and use cash flow projections based on financial budgets approved by management. The projection covers a three-year period for Switzerland, Germany and International (AT/CEE, UK). The calculations are based on present values that traditionally use a single set of estimated cash flows and a single discount rate. The key assumptions used for the impairment testing on the carrying amount of goodwill are as follows:

Goodwill relating to “Swiss Life Select”

In CHF million	Switzerland		Germany		International		Total	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Net carrying amount of goodwill	152	152	485	494	82	81	719	727
KEY ASSUMPTIONS USED FOR IMPAIRMENT TESTS								
Growth rate	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	n/a	n/a
Discount rate	7.5%	9.4%	9.1%	11.6%	8.5%	10.6%	n/a	n/a

No impairment losses on the goodwill were recognised in 2014.

Customer relationships

The acquisition of CORPUS SIREO Holding GmbH & Co. KG, Cologne, in October 2014 led to the recognition of customer relationships of CHF 62 million.

The acquisition of Prigest, Paris, in November 2013 led to the recognition of additional customer relationships of CHF 17 million.

As at 31 December 2014, customer relationships comprise customer relationships relating to “Swiss Life Select”: CHF 5 million (31.12.2013: CHF 6 million) which were allocated to the “Switzerland” segment and nil allocated to the “Germany” segment (31.12.2013: CHF 21 million). The “France” segment comprises customer relationships of CHF 26 million (31.12.2013: CHF 31 million) and the “Asset Managers” segment CHF 60 million (31.12.2013: CHF 1 million).

Brands and other

The acquisition of CORPUS SIREO Holding GmbH & Co. KG, Cologne, in October 2014 led to the recognition of the brand “CORPUS SIREO” of CHF 20 million.

18 Other Assets and Liabilities

Other assets

In CHF million

	31.12.2014	31.12.2013
Deferred charges and prepaid expenses	62	159
Employee benefit assets	103	99
Inventory property	149	39
VAT and other tax receivables	103	104
Sundry assets	14	1
TOTAL OTHER ASSETS	431	402

Other liabilities

In CHF million

	31.12.2014	31.12.2013
Deferred income	189	205
VAT and other tax payables	100	107
Sundry liabilities	1	2
TOTAL OTHER LIABILITIES	289	314

19 Investment Contracts

In CHF million

	Notes	31.12.2014	31.12.2013
Investment contracts with discretionary participation with deposit accounting		11 167	10 728
Investment contracts with discretionary participation with actuarial valuation		2 630	2 173
Investment contracts without discretionary participation at amortised cost	30	11	36
Investment contracts without discretionary participation at fair value through profit or loss		262	193
TOTAL INVESTMENT CONTRACTS		14 070	13 130
of which for the account and risk of the Swiss Life Group's customers			
investment contracts with discretionary participation		3 928	3 580
investment contracts without discretionary participation		179	182

Investment contracts with discretionary participation with deposit accounting

In CHF million

	2014	2013
Balance as at 1 January	10 728	9 694
Addition from acquisition of insurance portfolio	-	194
Deposits received	2 227	1 891
Interest credited	81	81
Participating bonuses	189	209
Policy fees	-133	-123
Deposits released	-1 258	-1 163
Other movements	226	351
Reclassifications and other disposals	-702	-545
Foreign currency translation differences	-191	139
BALANCE AS AT END OF PERIOD	11 167	10 728

Investment contracts with discretionary participation with actuarial valuation

In CHF million

	2014	2013
Balance as at 1 January	2 173	1 678
Savings premiums	893	797
Accretion of interest	33	27
Liabilities released for payments on death, surrender and other terminations during the year	-476	-331
Effect of changes in actuarial assumptions and other movements	6	2
BALANCE AS AT END OF PERIOD	2 630	2 173

In the case of contracts that do not have significant insurance risk but contain discretionary participation features, the Swiss Life Group primarily bases its accounting policies on the requirements of the Generally Accepted Accounting Principles in the United States (US GAAP).

For investment-type contracts, savings premiums collected are reported as deposits (deposit accounting). These amounts relate to contracts issued in France and Luxembourg.

In the case of traditional contracts in the life insurance business, future life policy benefit liabilities are determined by using the net-level-premium method on the basis of actuarial assumptions as to mortality, persistency, expenses and investment return, including a margin for adverse deviation. For participating contracts where the contribution principle applies to the allocation of the policyholder bonus, future life policy benefit liabilities are determined by using the net-level-premium

method on the basis of appropriate mortality and interest rate assumptions. These amounts relate to contracts issued in Switzerland.

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

Investment contracts without discretionary participation at amortised cost

In CHF million

	2014	2013
Balance as at 1 January	36	43
Deposits received	1	33
Interest credited	0	2
Policy fees	0	0
Deposits released	-26	-42
Other movements	0	-1
Foreign currency translation differences	0	1
BALANCE AS AT END OF PERIOD	11	36

Investment contracts without discretionary participation at fair value through profit or loss

In CHF million

	2014	2013
Balance as at 1 January	193	138
Deposits received	24	110
Fair value changes	61	-46
Policy fees	-1	0
Deposits released	-13	-5
Other movements	0	-2
Reclassifications and other disposals	1	-3
Foreign currency translation differences	-3	1
BALANCE AS AT END OF PERIOD	262	193

20 Borrowings

In CHF million

	Notes	31.12.2014	31.12.2013
Hybrid debt		2 612	2 634
Convertible debt		452	445
Senior bonds		423	422
Bank loans		309	174
Other		3	3
TOTAL BORROWINGS	30	3 798	3 677

Hybrid debt

In November 2012, Swiss Life Insurance Finance Ltd. offered to existing lenders under the subordinated perpetual step-up loan placed in 1999 by Swiss Life Ltd to purchase their loan holdings against a consideration consisting of both a cash component and a credit component. Altogether, EUR 265 million and CHF 290 million were purchased from lenders. The cash component amounted to a total of CHF 139 million. The credit component consists of a tranche of a subordinated dated step-up loan newly issued by Swiss Life Ltd. The subordinated dated step-up loan placed in connection with the offer amounts to CHF 471 million, is guaranteed by Swiss Life Holding, has a tenor of thirty years and is first repayable on 30 November 2022 at the option of the issuer, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority. The interest rate is 6-month Libor plus a margin of 4.20% p.a. until 30 November 2022. If the loan is not redeemed on 30 November 2022, the margin increases by 1%.

On 22 October 2012, Swiss Life Ltd issued subordinated perpetual callable bonds in the amount of CHF 300 million. The bonds are guaranteed by Swiss Life Holding, have no fixed maturity date and are first callable on 22 August 2018 or at each interest payment date thereafter at the option of the issuer, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority. The interest has been fixed at 5.50% p.a. until 22 August 2018. If the bonds are not redeemed on 22 August 2018, the interest resets at a rate fixed for the subsequent five years, consisting of the aggregate of the then prevailing five-year CHF swap rate and the initial margin of 5.091%.

On 4 April 2011, Swiss Life Ltd issued subordinated perpetual callable bonds in the amount of CHF 325 million. CHF 75 million was additionally issued in June 2011 and CHF 100 million in October 2011. The bonds are guaranteed by Swiss Life Holding, have no fixed maturity date and are first callable on 4 October 2016 or at each interest payment date thereafter at the option of the issuer, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority. The interest has been fixed at 5.25% p.a. until 4 October 2016. If the bonds are not redeemed on 4 October 2016, the interest resets at a rate fixed for the subsequent five years, consisting of the aggregate of the then prevailing five-year CHF swap rate and the initial margin of 3.551%.

On 12 April 2007, ELM B.V., a Dutch repackaging vehicle, issued EUR 700 million in fixed/floating rate subordinated perpetual notes to finance loan notes granted to Swiss Life Ltd, which are guaranteed by Swiss Life Holding. Swiss Life Ltd may repay the loan notes in full on 12 April 2017 or on any interest payment date thereafter, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority. The notes bear interest from 12 April 2007 to 12 April 2017 at a rate of 5.849% p.a. If the notes are not redeemed on 12 April 2017, the interest will be the aggregate of Euribor 3-month deposits and a margin of 2.5%.

On 16 November 2005, J.P. Morgan Bank Luxembourg S.A. issued on a fiduciary basis EUR 350 million fixed/floating rate subordinated perpetual notes at a price of 99.423% to fund a loan made by it to Swiss Life Ltd. Swiss Life Ltd may repay the loan in full on 16 November 2015 or on any interest payment date thereafter, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority. The notes bear interest from 16 November 2005 to 16 November 2015 at a rate of 5% p.a. If the notes are not redeemed on 16 November 2015, the interest rate will be the aggregate of Euribor for 3-month deposits and a margin of 2.43%.

In March 1999, Swiss Life Ltd privately placed a subordinated perpetual step-up loan comprising three simultaneous advances of EUR 443 million (at a rate of interest of Euribor plus a margin of 1.05%, increased by 100 basis points as from April 2009), CHF 290 million (at a rate of interest of Libor plus a margin of 1.05%, increased by 100 basis points as from April 2009) and EUR 215 million (at a rate of interest of Euribor plus a margin of 1.05%, increased by 100 basis points as from October 2009). In 2009, Swiss Life Ltd renounced the right to call the loan on its first call date. Following the purchase offer by Swiss Life Insurance Finance Ltd. in 2012, EUR 192 million remain outstanding. Swiss Life Ltd renounced the right to call the loan on the second optional call date in April 2014 and can next call it in 2019 or at five-year intervals thereafter, at its discretion, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority.

Amounts in CHF million (if not noted otherwise)	Nominal value in year of issue	Nominal value at 31.12.2014	Interest rate	Year of issue	Optional redemption	Carrying amount 31.12.2014	Carrying amount 31.12.2013
Issuer							
Libor							
Swiss Life AG	CHF 471	CHF 471	+4.200%	2012	2022	468	468
Swiss Life AG	CHF 300	CHF 300	5.500%	2012	2018	298	298
Swiss Life AG	CHF 500	CHF 500	5.250%	2011	2016	496	494
Swiss Life AG ¹	EUR 700	EUR 590	5.849%	2007	2017	708	721
Swiss Life AG ²	EUR 350	EUR 343	5.000%	2005	2015	411	417
Euribor							
Swiss Life AG	EUR 443	EUR 192	+2.050%	1999	2019	231	236
TOTAL						2 612	2 634

¹ Hybrid loan notes granted by ELM B.V.

² Hybrid bank loan originally granted by J.P. Morgan Bank Luxembourg S.A.

Convertible debt

In December 2013, Swiss Life Holding issued CHF 500 million senior unsecured convertible bonds due in 2020. The coupon was set at 0%. The bonds may be converted into registered shares of Swiss Life Holding at the option of the holder. The initial conversion price was set at CHF 243.97 (later adjusted to CHF 242.84, valid since 25 April 2014). The proceeds from the issue of the convertible bonds have been split between a liability component and an equity component. The fair value of the liability component at issue date amounted to CHF 450 million and was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount of CHF 50 million represents the value of the option to convert the instrument into Swiss Life Holding shares and was included in share premium. Transaction costs of CHF 6 million were deducted from the liability and costs of CHF 1 million were recognised in share premium.

Senior bonds

In May 2013, Swiss Life Holding raised CHF 425 million debt through the issuance of a CHF public bond dual tranche transaction, split into a CHF 225 million tranche with a tenor of 6 years and a CHF 200 million tranche with a tenor of 10 years. The unsecured senior bonds bear coupons of 1.125% and 1.875%, respectively. Settlement took place on 21 June 2013.

Amounts in CHF million (if not noted otherwise)						
Issuer	Nominal value	Interest rate	Year of issue	Redemption	Carrying amount 31.12.2014	Carrying amount 31.12.2013
Swiss Life Holding AG	CHF 225	1.125%	2013	2019	224	223
Swiss Life Holding AG	CHF 200	1.875%	2013	2023	199	199
TOTAL					423	422

Bank loans

Bank loans relate to mortgage loans for real estate acquired.

Amounts in CHF million						
Type	Currency	Interest rate	Fixed or variable rate	Maturity	Carrying amount 31.12.2014	Carrying amount 31.12.2013
Mortgage loan	CHF	1.130%	fixed	2015	5	-
Mortgage loan	CHF	2.000%	fixed	2015	18	18
Mortgage loan	CHF	0.565%	variable	2015	21	-
Mortgage loan	CHF	0.500%	variable	2016	11	-
Mortgage loan	CHF	3.165%	fixed	2016	156	156
Mortgage loan	CHF	3.767%	fixed	2018	16	-
Mortgage loan	CHF	3.030%	fixed	2018	34	-
Mortgage loan	CHF	1.982%	fixed	2020	33	-
Mortgage loan	CHF	2.040%	fixed	2021	16	-
TOTAL					309	174

21 Other Financial Liabilities

In CHF million			
	Notes	31.12.2014	31.12.2013
Insurance payables		3 303	2 666
Policyholder deposits		1 364	1 435
Reinsurance deposits		126	115
Customer deposits		845	1 167
Repurchase agreements		2 780	2 054
Amounts due to banks		2 280	489
Accrued expenses		328	310
Settlement accounts		317	115
Other		715	689
TOTAL OTHER FINANCIAL LIABILITIES	30	12 056	9 040

22 Insurance Liabilities and Reinsurance Assets

In CHF million		Gross		Reinsurance assets		Net	
	Notes	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Claims under non-life insurance contracts		953	979	195	197	758	782
Unearned premiums non-life		63	67	0	0	63	66
Claims under life insurance contracts		6 193	6 270	85	90	6 108	6 180
Future life policyholder benefits		92 326	87 890	116	108	92 210	87 781
Unearned premiums life		42	44	0	0	41	44
Deposits under insurance contracts		6 559	6 182	-	-	6 559	6 182
TOTAL INSURANCE LIABILITIES AND REINSURANCE ASSETS		106 136	101 432	397	396	105 739	101 035
of which for the account and risk of the Swiss Life Group's customers	5	2 760	2 200	-	-	2 760	2 200

Unearned premiums

Unearned premiums represent the portion of the premiums written relating to the unexpired terms of coverage.

Claims under non-life insurance contracts

In CHF million	2014	2013
BALANCE AS AT 1 JANUARY		
Gross claims under non-life insurance contracts	979	954
Less: reinsurance recoverable	-197	-191
NET CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS	782	763
CLAIMS AND CLAIM SETTLEMENT COSTS INCURRED		
Reporting period	330	329
Prior reporting periods	-73	-64
TOTAL CLAIMS AND CLAIM SETTLEMENT COSTS INCURRED	257	265
CLAIMS AND CLAIM SETTLEMENT COSTS PAID		
Reporting period	-131	-129
Prior reporting periods	-137	-128
TOTAL CLAIMS AND CLAIM SETTLEMENT COSTS PAID	-267	-258
Foreign currency translation differences	-14	12
BALANCE AS AT END OF PERIOD		
NET CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS	758	782
Plus: reinsurance recoverable	195	197
TOTAL GROSS CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS	953	979

Claims under non-life insurance contracts represent the liability needed to provide for the estimated ultimate cost of settling claims relating to insured events that have occurred on or before the financial reporting date. The estimated liability includes the amount that will be required for future payments on both claims that have been reported to the insurer and claims relating to insured events that have occurred but have not been reported to the insurer as at the date the liability is estimated. Loss development tables are generally used to make these estimates.

Claims under life insurance contracts

In CHF million	Gross		Reinsurance assets		Net	
	2014	2013	2014	2013	2014	2013
Balance as at 1 January	6 270	6 414	90	87	6 180	6 328
Additions from acquisition of insurance portfolio	19	-	-	-	19	-
Accretion of interest	97	99	1	1	96	98
Claims incurred, benefits paid and surrenders	-112	-362	-1	3	-110	-366
Effect of changes in actuarial assumptions and other movements	-44	90	-3	-2	-41	92
Foreign currency translation differences	-38	29	-2	1	-36	28
BALANCE AS AT END OF PERIOD	6 193	6 270	85	90	6 108	6 180

Claims under life insurance contracts represent the liability for unpaid portions of claims incurred. It includes an estimate of the liability for claims incurred but not reported (IBNR). The measurement at reporting date is a best estimate of ultimate future claim payments.

Future life policyholder benefits

In CHF million	Gross		Reinsurance assets		Net	
	2014	2013	2014	2013	2014	2013
Balance as at 1 January	87 890	84 177	108	91	87 781	84 085
Additions from acquisition of insurance portfolio	293	-	-	-	293	-
Savings premiums	9 380	8 497	48	49	9 332	8 448
Accretion of interest	2 005	1 928	2	2	2 003	1 926
Claims incurred, benefits paid and surrenders	-8 093	-7 923	-37	-28	-8 056	-7 895
Effect of changes in actuarial assumptions and other movements	1 257	881	-4	-7	1 261	888
Reclassifications and other disposals	18	-	-	-	18	-
Foreign currency translation differences	-424	329	-2	1	-422	328
BALANCE AS AT END OF PERIOD	92 326	87 890	116	108	92 210	87 781

For participating contracts where the contribution principle applies to the allocation of the policyholder bonus, future life policy benefit liabilities are determined by using the net-level-premium method on the basis of appropriate mortality and interest rate assumptions.

The valuation of other long-duration contracts is also based on the net-level-premium method with actuarial assumptions as to mortality, persistency, expenses and investment returns including provisions for adverse deviation.

Deposits under insurance contracts

In CHF million

	2014	2013
Balance as at 1 January	6 182	5 825
Deposits received	169	188
Interest credited	69	79
Participating bonuses	17	19
Policy fees and insurance charges	-22	-24
Deposits released for payments on death, surrender and other terminations during the year	-469	-539
Other movements	34	18
Reclassifications and other disposals	683	548
Foreign currency translation differences	-104	68
BALANCE AS AT END OF PERIOD	6 559	6 182

For investment-type contracts with significant insurance risk, savings premiums collected are reported as deposits (deposit accounting).

Insurance liabilities with and without discretionary participation

In CHF million

	31.12.2014	31.12.2013
Insurance liabilities with discretionary participation	90 594	86 872
Insurance liabilities without discretionary participation	12 783	12 360
Insurance liabilities linked to assets for the account and risk of the Swiss Life Group's customers	2 760	2 200
TOTAL INSURANCE LIABILITIES	106 136	101 432

23 Employee Benefits

Employee benefit liabilities

In CHF million

	31.12.2014	31.12.2013
Employee benefit liabilities consist of		
gross defined benefit liabilities	1 677	1 434
other employee benefit liabilities	144	119
TOTAL EMPLOYEE BENEFIT LIABILITIES	1 821	1 553

Defined benefit plans

Employees are covered under various funded and unfunded pension plans which operate under local regulations and practice. The major part of the defined benefit liability recognised arises from the plans covering employees in Switzerland. The impact on the consolidated financial statements arising from the plans covering employees in Germany and France is far less significant. Generally, the level of benefits is based on years of service and average compensation preceding retirement, and the main benefit is a pension after retirement or a lump-sum payment at the time

of retirement. Most plans are funded and the funding is governed by local requirements and with respect to the liability (determined based on actuarial methods) based on the plans' benefit promises. For several plans, contributions are not only made by the employer, but also by the employee (generally as a part of gross salaries).

In Switzerland and France, insurance contracts have been issued to defined benefit plans covering own employees, which reinsure a part of the benefit promises made by the plans. Due to the requirements of IFRS 4 Insurance Contracts in combination with IAS 19 Employee Benefits, such insurance contracts are eliminated (self-insurance, non-eligibility as plan asset). To the extent the affected plans are funded by self-insurance, the defined benefit liabilities are backed by the investments relating to the eliminated insurance contracts. These investments are part of the investments presented in the consolidated balance sheet of the Swiss Life Group.

Plan descriptions

Switzerland

Pension plans in Switzerland are governed by the Swiss Federal Law on Occupational Retirement (BVG). Pension plans must be managed by independent, legally autonomous entities and are under regulatory supervision. The plans covering the Group's employees in Switzerland are set up as foundations. The foundation board as the most senior governing body must be composed of equal numbers of employee and employer representatives. Main responsibilities of the foundation board are the definition of plan benefits, funding system, setting of actuarial parameters and investment policies for the plan assets. The BVG defines minimum levels with regard to benefits (including conversion rate for old-age pensions), employer/employee contributions as well as the interest rate for the accrual of the employees' pension account. An annual actuarial report according to BVG requirements is prepared which shows the funding level of the respective plan. The measurement basis for the plan's assets and benefit obligations for this purpose is in accordance with BVG rules.

The primary benefit of Swiss Life's plans is an old-age pension after reaching retirement age. The level of the old-age pension is determined by the plan's conversion rate applied to the employees' individual pension account accumulated at retirement age. There are options for early retirement (with actuarially determined reduction of the conversion rate) and for choosing to receive a lump-sum payment instead of a pension. This old-age pension is funded by monthly contributions from the employer and the employee (deducted from salary) to an individual pension account which in addition is increased by a yearly interest accrual. The contributions are based on age and on a percentage of the contributory salary. Further funding of an individual pension account comprises mandatory transfers of funds made by new employees from plans of his/her former employers and discretionary contributions from the employee (with restrictions to maximum amounts). As a consequence of plan amendments in the past, certain age groups are granted guarantees of a minimum level of old-age pensions in case of early retirement. The cost with respect to early retirements of members from these age groups is borne by the employer.

Other benefits comprise survivors'/orphans' pensions and/or lump-sum payments in case of death as well as disability pensions (if disabled before retirement age). In these plans, which cover nearly all of the Group's employees in Switzerland, the cost of the benefits is funded by payment of insurance premiums to group insurance contracts issued by Swiss Life Ltd (self-insurance) and is borne by the employer. In addition, the administration expenses of the plans are also borne by the employer since the personnel managing the plans are Swiss Life employees.

France

Pension plans in France are covered by various national agreements. Defined benefit plans in France cover retirement benefits for employees, including executive officers, based on the last salary, length of service, cause of termination and the respective national agreement. Furthermore, service anniversary bonuses are paid based on employee category and length of service.

Germany

Pension plans in Germany are governed by the Law on Occupational Retirement (BetrAVG). The BetrAVG is part of the general labour legislation, which means that the BetrAVG establishes no rules on funding benefit obligations. It only describes the different possible ways of funding benefit obligations without further details on the practice of funding.

There are various defined benefit plans in place. They provide pension benefits after reaching retirement age.

For some plans, the level of the pension benefits is determined by the years of service and the last salary before retirement according to the benefit formula as defined in the pension plan. Other benefits comprise widows'/widowers' pensions in case of death as well as disability pensions (if disabled before retirement age). The levels of these benefits are determined similar to the old-age pensions assuming service up to normal retirement age. Widows'/widowers' pensions are 60% of the old age/disability pension benefits.

For some plans, the level of old-age pensions is determined by yearly amounts. Contributions are made in the form of premiums to an individual insurance contract with Swiss Life Germany. The premium is a fixed amount, determined by the rules of the pension plan, and depends on the employee's status. Every three years, there is an adjustment of the contribution amount due to the general development of salaries in the German insurance industry. There is a risk that the employer has to make additional payments in case that the benefits of the individual insurance contract do not cover the benefits promised by the plan. Other benefits comprise lump-sum payments in case of death as well as disability pensions (if disabled before retirement age). The levels of these benefits are determined as fixed amounts by the plan depending on the employee's status. This part of the plan is also covered by insurance contracts with Swiss Life Germany.

Risks covered

With respect to their defined benefit plans the Group faces the risks of adverse development of the prominent actuarial/financial assumptions such as discount rates, mortality assumptions and future salary growth inherent in the measurement of the plan liabilities. If the high-quality corporate bond yields (which are the basis for assessing the discount rate) decrease, the present value of the defined benefit obligation would increase which would lead to a higher defined benefit liability in the consolidated balance sheet. However, this effect would be partly offset by the increase in the value of bonds in the plan assets. A higher defined benefit obligation would also result if the average life expectancy (longevity) or the rate of future salary growth were higher than the corresponding values reflected in the financial/actuarial parameters.

With respect to funded plans, the Group faces investment risk. In general, the return of plan assets – together with contributions – must be sufficient to cover the plan's benefit promises. In particular, if the return is below the discount rate, an actuarial loss would be created with negative impact on the net benefit liability/asset and other comprehensive income. The mitigation of this risk depends on the nature of the benefit promises and the regulatory/legal framework of the plan, and is therefore country-specific.

Switzerland

The responsibility for maintaining a sufficient funding status lies with the foundations. In the case of underfunding (as assessed according to BVG rules, not IFRS) the foundations are required to take appropriate measures to restore a sufficient funding status. Potential measures that could be taken are adjustments to the pension accounts' interest rate, benefit levels and regular employer/employee contributions. Furthermore, the foundations could require additional contributions from the employer and the employees. Because the funding status of the foundations in Switzerland is sufficient, it is not expected that any such additional contributions will be required in the near future.

The investment risk inherent in achieving an adequate return on the plan assets covering the pension accounts of active employees is borne by the foundations. Also, the investment risk and actuarial risk relating to old-age pensions lie with the foundations. However, for the two major plans, all pensions which were already in payout before 1 January 2011 are fully covered under a group insurance contract issued by Swiss Life Ltd. In addition, all insurance risk relating to death/survivors'/disability benefits is fully covered by several group contracts issued by Swiss Life Ltd.

The objective of the investment process is to ensure that the return on the plan assets – together with the contributions – will be sufficient to fulfil the benefit promises. The investment strategy must be in line with the related BVG rules and regulations (e.g. requirements regarding diversification). The foundations are responsible for defining the investment strategy taking into account the objectives, benefit obligations and risk capacity. The implementation of the investment policy is delegated to an investment committee.

France

The investment risk inherent in achieving an adequate return on the plan assets in order to pay the promised benefits to employees as well as the mortality risk are borne by the company.

Germany

According to the German BetrAVG there are no specific rules regarding the funding of the pension obligations. The defined benefit plans are funded by individual insurance contracts with Swiss Life Germany that cover the promised benefits. Because of tax limitations, the individual insurance contracts do not cover the whole level of the benefit promises. Therefore, Swiss Life Germany has established a contractual trust arrangement to cover the additional risks from the pension plan. Plan risks mainly arise from salary increases and from an increase in pension payments.

Amounts recognised as defined benefit assets/liabilities

In CHF million		
	31.12.2014	31.12.2013
Present value of defined benefit obligation	-3 097	-2 700
Fair value of plan assets	1 519	1 361
NET DEFINED BENEFIT LIABILITY	-1 578	-1 339
Insurance contracts not eligible as plan assets under IFRS	1 440	1 424
NET DEFINED BENEFIT SURPLUS (+)/DEFICIT (-) (ECONOMIC VIEW)	-138	85
The net defined benefit liability consists of		
gross defined benefit liabilities	-1 677	-1 434
gross defined benefit assets	99	95

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 total deficit taking into consideration insurance contracts not eligible as plan assets under IFRS amounted to CHF 138 million as at 31 December 2014 (2013: surplus of CHF 85 million).

Amounts recognised in profit or loss

In CHF million		
	2014	2013
Current service cost	86	88
Past service cost	1	-6
Net interest cost	29	30
Employee contributions	-30	-26
TOTAL DEFINED BENEFIT EXPENSE	86	86

Amounts recognised in other comprehensive income

In CHF million		
	2014	2013
Actuarial gains and losses on the defined benefit obligation	-352	-25
Return on plan assets excluding interest income	53	23
TOTAL REMEASUREMENTS OF THE NET DEFINED BENEFIT LIABILITY	-299	-2

Defined benefit plans

In CHF million

	2014	2013
CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION		
Balance as at 1 January	-2 700	-2 615
Current service cost	-86	-88
Past service cost incl. gains/losses from settlements	-1	6
Interest cost	-57	-56
Contributions by plan participants	-57	-85
Actuarial gains (+)/losses (-) arising from		
experience adjustments	-16	-37
changes in demographic assumptions	4	-2
changes in financial assumptions	-340	14
Benefit payments	172	165
Effect of business combinations	-19	-
Effect of reclassifications and other disposals	-3	-
Foreign currency translation differences	5	-4
BALANCE AS AT END OF PERIOD	-3 097	-2 700
of which amounts owing to		
active plan participants	-1 483	-1 240
retired plan participants	-1 614	-1 460
CHANGES IN THE FAIR VALUE OF PLAN ASSETS		
Balance as at 1 January	1 361	1 213
Interest income	28	26
Return on plan assets	53	23
Contributions by the employer	97	83
Contributions by plan participants	56	78
Benefit payments	-77	-64
Effect of reclassifications and other disposals	3	-
Foreign currency translation differences	-2	1
BALANCE AS AT END OF PERIOD	1 519	1 361

Plan assets

In CHF million	Quoted market price		Other		Total	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Cash and cash equivalents	-	-	54	51	54	51
Debt securities						
Government	11	8	-	-	11	8
Corporates	15	16	-	-	15	16
Equity securities						
Oil and Gas	1	1	-	-	1	1
Industrials	3	2	-	-	3	2
Consumer Goods/Services	5	4	-	-	5	4
Health Care	4	3	-	-	4	3
Telecommunications	0	0	-	-	0	0
Utilities	0	0	-	-	0	0
Financials	12	10	-	-	12	10
Technology	2	1	-	-	2	1
Investment funds						
Debt	-	-	552	600	552	600
Equity	-	-	349	254	349	254
Balanced	6	5	61	55	67	60
Other	-	-	346	255	346	255
Property						
located in Switzerland	-	-	9	7	9	7
Qualifying insurance policies	-	-	91	87	91	87
TOTAL PLAN ASSETS	58	51	1 461	1 310	1 519	1 361
Plan assets include						
own equity instruments	8	7	-	-	8	7

Principal actuarial assumptions

	Switzerland/Liechtenstein		Other countries	
	2014	2013	2014	2013
Discount rate	1.2%	2.0%	1.5–2.4%	2.9–3.6%
Future salary increases	1.3–1.5%	1.3–1.5%	1.5–2.5%	1.5–3.0%
Future pension increases	0.0%	0.0%	1.2–2.0%	1.4–2.9%
Ordinary retirement age-women	64	64	62–65	62–65
Ordinary retirement age-men	64–65	64–65	62–65	62–65
Average life expectation at ordinary retirement age-women	24.8	24.7	23.2–28.8	23.0–28.8
Average life expectation at ordinary retirement age-men	21.4–22.3	21.3–22.2	19.8–25.6	19.3–25.3

A sensitivity analysis was performed for each significant actuarial assumption that shows the impact on the defined benefit obligation of changes in the respective actuarial assumption that were reasonably possible at the balance sheet date. The calculation is done by leaving all other assumptions unchanged (i.e. at their value used in the calculation of the defined benefit obligation implicit in the net defined benefit asset/liability in the consolidated balance sheet as at end of period). In reality, it is unlikely that a change in assumption would happen in isolation. Some

assumptions may well be correlated. In addition, the net effect in the consolidated balance sheet would also be driven by the change in the value of the plan assets.

At 31 December 2014, if the discount rate had been 50 basis points higher (lower), the defined benefit obligation would have decreased by CHF 221 million (increase CHF 251 million). At 31 December 2013, if the discount rate had been 50 basis points higher (lower), the defined benefit obligation would have decreased by CHF 156 million (increase CHF 173 million).

At 31 December 2014, if the future expected salary growth had increased (decreased) by 0.5%, the defined benefit obligation would have increased by CHF 22 million (decrease CHF 22 million). At 31 December 2013, if the future expected salary growth had increased (decreased) by 0.5%, the defined benefit obligation would have increased by CHF 18 million (decrease CHF 18 million).

At 31 December 2014, if the average life expectancy had increased by one year (for both men and women), the defined benefit obligation would have increased by CHF 105 million. At 31 December 2013, if the average life expectancy had increased by one year (for both men and women), the defined benefit obligation would have increased by CHF 88 million.

Expected benefit payments

Amounts in CHF million (if not noted otherwise)

	2014	2013
Duration of the defined benefit obligation (weighted average no. of years)	15.4	13.0
Benefits expected to be paid (undiscounted amounts)		
within 12 months	139	135
between 1 and 2 years	135	135
between 3 and 5 years	393	379
between 6 and 10 years	616	608

The contributions expected to be paid for the year ending 31 December 2015 are CHF 63 million. These contributions include amounts payable under insurance contracts issued to defined benefit plans covering own employees.

Defined contribution plans

Certain subsidiaries sponsor various defined contribution plans. Participation in the various plans is based either on completion of a specific period of continuous service or on the date of hire. The plans stipulate contributions by both employers and employees. The expenses under these plans amounted to CHF 1 million in 2014 (2013: CHF 1 million).

Equity compensation plans

For 2014, 2013, 2012 and 2011, participants in the share-based payment programme are allocated restricted share units (RSUs). RSUs grant the holder future subscription rights, entitling him to receive Swiss Life Holding shares free of charge after a three-year period has elapsed and if certain conditions are fulfilled.

The RSUs granted in 2014 and 2013 are based on the Group-wide programme "Swiss Life 2015". On the basis of the medium-term planning 2013-2015, performance criteria relating to cost efficiency (50% weighting), risk and fee result (25% weighting) and IFRS profit (25% weighting) have been determined by the Board of Directors. After expiry of the three-year period of the RSU plan, the target value for each performance criterion according to the medium-term planning 2013-2015 is compared with the actual result achieved. The share allocation corresponds to the number of allocated RSUs (1 RSU = 1 share) if all three performance criteria have been achieved or exceeded after the three-year period has elapsed; overperformance does not lead to a higher share allocation. If the targets are only partly achieved, the share allocation is correspondingly reduced based on the weighting of the performance target concerned or the RSUs expire worthless.

The RSUs granted under the programmes in 2012 and 2011 are without additional performance leverage. The attribution of shares after the expiry of the three-year deferral period will be effected, if certain conditions are fulfilled, on a 1:1 basis (1 RSU = 1 share). The value of the RSUs during the three-year term develops linearly with the Swiss Life Holding share price and symmetrically corresponds with shareholder interests.

The RSU programmes also provides for adjustment and reclaiming mechanisms (clawback).

In 2011, the number of RSUs granted under this programme amounted to 68 730. The fair value at the measurement date amounted to CHF 140.05. The date of grant was 1 April 2011.

In 2012, the number of RSUs granted under this programme amounted to 94 040. The fair value at the measurement date amounted to CHF 93.77. The date of grant was 1 April 2012.

In 2013, the number of RSUs granted under this programme amounted to 74 630. The fair value at the measurement date amounted to CHF 127.34. The date of grant was 1 April 2013.

In 2014, the number of RSUs granted under this programme amounted to 58 800. The fair value at the measurement date amounted to CHF 203.54. The date of grant was 1 March 2014.

The fair value of the RSUs granted for each programme is determined at the grant date. The fair value was determined by an independent consulting company using the Black-Scholes formula. The associated expense during the vesting period is recognised under employee benefits expense with a corresponding increase in share premium.

The expense recognised for share-based payment amounted to CHF 12 million in 2014 (2013: CHF 11 million).

Share-based payment programmes (restricted share units)

Number of restricted share units	Balance as at 1 January	Issued	Employee departures	Vested	Balance as at end of period
2014					
Granted in 2011	66 770	-	-	-66 770	-
Granted in 2012	94 040	-	-	-	94 040
Granted in 2013	74 630	-	-	-	74 630
Granted in 2014	-	58 800	-	-	58 800
2013					
Granted in 2011	66 770	-	-	-	66 770
Granted in 2012	94 040	-	-	-	94 040
Granted in 2013	-	74 630	-	-	74 630
2012					
Granted in 2011	68 070	-	-1 300	-	66 770
Granted in 2012	-	94 040	-	-	94 040
2011					
Granted in 2011	-	68 730	-660	-	68 070

24 Income Taxes

Income tax expense

In CHF million

	2014	2013
Current income tax expense	140	170
Deferred income tax expense	54	48
TOTAL INCOME TAX EXPENSE	194	218

The expected weighted-average tax rate for the Group in 2014 was 26.6% (2013: 24.5%). This rate was derived by obtaining a weighted average of the expected income tax rates in the various jurisdictions in which the Group operates. The change of the weighted-average tax rate is due to the geographical allocation of the profits and the different tax rates in these jurisdictions. The actual income tax expense differs from the expected amount as follows:

Reconciliation of income tax expense

In CHF million

	2014	2013
PROFIT BEFORE INCOME TAX	1 012	1 002
Income tax calculated using the expected weighted-average tax rate	270	245
Increase/reduction in taxes resulting from		
lower taxed income	-45	-212
non-deductible expenses	45	167
other income taxes (incl. withholding taxes)	25	9
change in unrecognised tax losses	-57	-19
adjustments for current tax of prior periods	-49	-5
changes in tax rates	-2	-3
intercompany effects	12	35
other	-4	0
INCOME TAX EXPENSE	194	218

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

Deferred income tax assets and liabilities

In CHF million	Deferred tax assets		Deferred tax liabilities	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Financial assets	213	213	1 366	367
Investment property	8	8	636	613
Intangible assets	49	30	174	178
Property and equipment	17	17	1	1
Financial liabilities	39	41	23	21
Insurance liabilities	34	38	142	103
Employee benefits	93	67	75	70
Deferred income	2	2	0	1
Other	113	89	48	39
Tax losses	18	11		
DEFERRED INCOME TAX ASSETS/LIABILITIES	586	516	2 465	1 393
Offset	-552	-420	-552	-420
TOTAL DEFERRED INCOME TAX ASSETS/LIABILITIES	34	96	1 913	973

The movements in net deferred income tax assets/liabilities during the period were as follows:

In CHF million	Balance as at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in share premium	Acquisitions and disposals of subsidiaries	Foreign currency translation differences	Balance as at end of period
MOVEMENTS BY TYPE OF TEMPORARY DIFFERENCE DURING THE YEAR 2014							
Financial assets	-154	9	-1 010	-	0	2	-1 153
Investment property	-605	-24	0	-	0	1	-628
Intangible assets	-148	10	23	-	-11	1	-125
Property and equipment	16	0	-	-	0	0	16
Financial liabilities	20	9	-13	-	0	0	16
Insurance liabilities	-65	-44	1	-	-	0	-108
Employee benefits	-3	-7	27	-	2	0	18
Deferred income	1	1	-	-	0	0	2
Other	50	0	14	-	0	0	65
Tax losses	11	-8	-	-	15	0	18
NET DEFERRED INCOME TAX ASSETS/LIABILITIES	-877	-54	-957	-	6	3	-1 879

MOVEMENTS BY TYPE OF TEMPORARY DIFFERENCE DURING THE YEAR 2013

Financial assets	-684	-6	538	-	-	-1	-154
Investment property	-518	-63	0	-	-24	-1	-605
Intangible assets	-135	9	-16	-	-6	-1	-148
Property and equipment	16	0	-	-	-	0	16
Financial liabilities	11	-9	20	-3 ¹	-	0	20
Insurance liabilities	-60	-4	-1	-	-	0	-65
Employee benefits	3	-6	-1	-	-	0	-3
Deferred income	1	1	-	-	-	0	1
Other	21	28	0	-	-	0	50
Tax losses	9	3	-	-	-	0	11
NET DEFERRED INCOME TAX ASSETS/LIABILITIES	-1 336	-48	538	-3	-29	-1	-877

¹ relating to equity component of convertible debt

Deferred tax liabilities have not been recognised on the aggregate amount of temporary differences with consolidated investments in subsidiaries to the extent the Group considers such undistributed earnings as being indefinitely reinvested. The foreign entities are controlled by the Group and these earnings are not expected to be repatriated in the foreseeable future. The amount of such temporary differences was approximately CHF 8.0 billion as at 31 December 2014 (2013: CHF 4.4 billion). If such amounts are ever repatriated, no material tax liabilities would be incurred due to participation exemption rules, unrecognised tax loss carryforwards and applicable double taxation treaties.

Deferred tax assets are recognised for tax-loss carryforwards only to the extent that realisation of the related tax benefit is probable. Swiss tax assets are calculated in accordance with cantonal and municipal tax legislation. The uncertainty of the utilisation of tax losses is taken into account in establishing the valuation allowance. For the following tax-loss carryforwards, which will expire as follows, no deferred tax asset has been recognised:

Unrecognised tax losses

Amounts in CHF million	Tax losses		Tax rate	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
2015	0	1	19.0%	17.8%
2016	1	9	19.0%	15.8%
2017	1	6	19.0%	17.2%
Thereafter	441	1 063	17.5%	11.5%
TOTAL	443	1 079	n/a	n/a

25 Provisions

In CHF million	Notes	Restructuring		Litigation		Other		Total	
		2014	2013	2014	2013	2014	2013	2014	2013
Balance as at 1 January		54	32	129	138	17	18	200	188
Additions from business combinations	28	–	–	0	–	3	0	3	0
Additional provisions made		8	52	22	30	0	2	30	84
Amounts used		–33	–23	–49	–23	0	0	–82	–46
Unused amounts reversed		–1	–6	–21	–20	0	–3	–23	–29
Unwinding of discount and effect of change in discount rate		–	0	0	3	–	0	0	3
Reclassifications and other disposals		–	–	3	–	–3	–	–	–
Foreign currency translation differences		0	0	0	1	0	1	–1	1
BALANCE AS AT END OF PERIOD		28	54	84	129	16	17	128	200

Restructuring

Under the “Swiss Life 2015” programme, provisions for restructuring were set up in Germany, Switzerland, Liechtenstein and Luxembourg in 2014 and 2013. The outflow of the amounts is expected within the following one to two years.

Litigation

“Litigation” relates to several proceedings in several jurisdictions with uncertain outcome including customer claims relating to the distribution units in Germany. Litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. These provisions concern numerous cases that are not of public knowledge or whose detail disclosure could prejudice the interests of the Group.

Other

“Other” comprises various liabilities of uncertain timing or amount (e.g. indemnification provision relating to property development and management).

26 Equity

Share capital

As at 31 December 2014 and 2013, the share capital of SLH consisted of 32 081 054 fully-paid shares with a par value of CHF 5.10 each. In exercising voting rights, no shareholder can collect more than 10% of the total share capital directly or indirectly in respect of own shares or shares they represent. Conditional share capital was CHF 30 600 000.00 as at 31 December 2014 (2013: CHF 30 600 000.00).

Share premium

Share premium comprises additional paid-in capital in excess of the par value (net of transaction costs), gains/losses on own equity instruments and equity compensation benefits.

In 2014, a distribution to shareholders out of the capital contribution reserve of CHF 176 million (CHF 5.50 per registered share) was made (2013: CHF 144 million, CHF 4.50 per registered share).

Number of shares

The following table shows the development of SLH shares issued and treasury shares held by the Swiss Life Group during the period:

Number of shares	2014	2013
SHARES ISSUED		
Balance as at 1 January	32 081 054	32 081 054
SHARES ISSUED AS AT END OF PERIOD	32 081 054	32 081 054
TREASURY SHARES		
Balance as at 1 January	188 600	150 352
Purchases of treasury shares	74 739	68 162
Sales of treasury shares	–	–3 880
Allocation under equity compensation plans	–70 642	–26 034
BALANCE AS AT END OF PERIOD	192 697	188 600

Foreign currency translation differences

Foreign currency translation differences comprise the resulting differences arising on the translation of assets, liabilities, income and expenses of Group entities denominated in foreign currencies into Swiss francs.

Accumulated other comprehensive income

Accumulated other comprehensive income comprises items of income and expense that are recognised directly in equity rather than in profit or loss, as required or permitted by certain IFRSs.

Items presented in other comprehensive income are grouped on the basis of whether they will be reclassified subsequently to profit or loss when specific conditions are met, and those that will not be reclassified.

The amounts are presented net of certain policyholder bonuses and other policyholder liabilities, deferred acquisition costs, deferred income taxes and non-controlling interests.

Items that may be reclassified to profit or loss comprise:

- Foreign currency translation differences arising on the translation of assets, liabilities, income and expenses of Group entities denominated in foreign currencies into Swiss francs.
- Gains and losses from fair value changes of financial assets available for sale.
- Effective portion of gains and losses on hedging instruments in qualifying cash flow hedges.
- Other items consisting of unrealised losses on financial assets reclassified from available for sale to loans in 2008 due to the disappearance of an active market, and the Group's share of other comprehensive income of investments in associates accounted for using the equity method.

Items that will not be reclassified to profit or loss comprise:

- Revaluation surplus on the transfer of owner-occupied property to investment property following a change in use evidenced by the end of owner-occupation.
- Remeasurements of the net defined benefit liability relating to employee benefit plans.

The following table provides information relating to amounts recognised in accumulated other comprehensive income:

Accumulated other comprehensive income for the year 2014

In CHF million	Items that may be reclassified to the income statement					Items that will not be reclassified to the income statement				Total	
	Notes	Foreign currency translation differences	Gains/ losses financial assets available for sale	Gains/ losses cash flow hedges	Other items	Total	Revaluation surplus investment property	Remeasurements net defined benefit liability	Other items		Total
Net balance as at 1 January		-819	836	47	-107	-42	71	-140	-	-69	-112
Net other comprehensive income		-47	3 017	331	-26	3 275	0	-96	-	-96	3 179
NET BALANCE AS AT END OF PERIOD		-866	3 852	378	-132	3 232	71	-236	-	-165	3 067
NET OTHER COMPREHENSIVE INCOME IS COMPOSED OF THE FOLLOWING:											
Gains/losses arising during the period	9	-48	10 384	853	-	11 189	0	-299	-	-299	10 891
Share of other comprehensive income of associates	15	-	-	-	0	0	-	-	-	-	0
Gains/losses transferred to the income statement	8, 9	-	-223	-1	61 ¹	-163	-	-	-	-	-163
Effects of											
policyholder participation		-	-6 054	-418	-89	-6 562	0	175	-	175	-6 386
shadow accounting		-	-174	-17	-5	-197	0	-	-	0	-196
income tax		-	-907	-85	7	-984	0	27	-	27	-957
foreign currency translation differences		-	-9	-1	0	-9	0	0	-	0	-10
Net other comprehensive income before non-controlling interests		-48	3 017	331	-26	3 274	0	-96	-	-96	3 178
Non-controlling interests		1	0	0	0	0	0	0	-	0	1
NET OTHER COMPREHENSIVE INCOME		-47	3 017	331	-26	3 275	0	-96	-	-96	3 179

¹ Amount relates to debt securities reclassified to loans in 2008 (note 13)

Accumulated other comprehensive income for the year 2013

In CHF million	Items that may be reclassified to the income statement					Items that will not be reclassified to the income statement				Total
	Foreign currency translation differences	Gains/ losses financial assets available for sale	Gains/ losses cash flow hedges	Other items	Total	Revaluation surplus investment property	Remeasurements net defined benefit liability	Other items	Total	
Net balance as at 1 January	-853	2 494	299	-127	1 813	71	-139	-	-68	1 745
Net other comprehensive income	34	-1 658	-252	20	-1 856	0	-1	-	-1	-1 857
NET BALANCE AS AT END OF PERIOD	-819	836	47	-107	-42	71	-140	-	-69	-112

NET OTHER COMPREHENSIVE INCOME IS COMPOSED OF THE FOLLOWING:

Gains/losses arising during the period	9	34	-4 956	-658	-	-5 580	4	-2	-	1	-5 579
Share of other comprehensive income of associates	15	-	-	-	0	0	-	-	-	-	0
Gains/losses transferred to the income statement	8,9	-	-239	0	63 ¹	-175	-	-	-	-	-175
Effects of											
policyholder participation	-	2 962	323	-37	3 248	-3	2	-	-2	3 246	
shadow accounting	-	92	12	1	105	0	-	-	0	104	
income tax	0	478	71	-7	542	0	-1	-	-1	541	
foreign currency translation differences	-	6	0	0	6	1	0	-	1	6	
Net other comprehensive income before non-controlling interests	34	-1 658	-252	20	-1 855	0	-1	-	-1	-1 856	
Non-controlling interests	0	0	0	0	0	0	0	-	0	0	
NET OTHER COMPREHENSIVE INCOME	34	-1 658	-252	20	-1 856	0	-1	-	-1	-1 857	

¹ Amount relates to debt securities reclassified to loans in 2008 (note 13)

Retained earnings

Retained earnings comprise accumulated retained earnings of the Group entities which have not been distributed to the shareholders. The distribution of profit is subject to restrictions in the various jurisdictions where the Group entities are located.

The Group's insurance subsidiaries are subject to regulatory restrictions on the amount of dividends, cash loans and advances which can be remitted to the Group. Certain foreign jurisdictions have restrictions that allow the payment of dividends but may cause a delay in their remittance. Dividends payable are not accrued until they have been ratified at the General Meeting.

Non-controlling interests

Summarised financial information for subsidiaries with material non-controlling interests is as follows:

In CHF million	SwissLife Banque Privée Paris		TECHNOPARK Real Estate LTD Zurich	
	2014	2013	2014	2013
Principal place of business	France	France	Switzerland	Switzerland
Ownership interests held by non-controlling interests	40.0%	40.0%	33.3%	33.3%
Voting rights held by non-controlling interests	40.0%	40.0%	33.3%	33.3%
SUMMARISED FINANCIAL INFORMATION BEFORE INTRAGROUP ELIMINATIONS				
Current assets	768	1 287	11	11
Non-current assets	376	194	184	185
Current liabilities	-1 048	-1 389	-58	-58
Non-current liabilities	-9	-9	-19	-19
NET ASSETS	86	83	118	118
Accumulated non-controlling interests	35	33	39	39
Revenue	91	65	9	12
Profit or loss	6	1	4	6
Total comprehensive income	3	3	4	6
Profit or loss allocated to non-controlling interests	2	0	1	2
Net cash flows from operating activities	59	123	5	6
Net cash flows from investing activities	-10	-32	-1	0
Net cash flows from financing activities	6	0	-4	-1
NET CHANGE IN CASH AND CASH EQUIVALENTS	55	91	0	4
Dividends paid to non-controlling interests	-	-	1	-

27 Capital Management

Swiss Life's objectives when managing capital are as follows: to comply with the regulatory capital requirements, to define and manage economic capital and to fulfil the company's target on rating capital. The company also actively manages the composition and quality of the capital to continuously optimise its capital structure and interest cover ratio.

Regulatory requirements

In accordance with the federal act on the supervision of insurance companies and corresponding decree, Swiss Life reports to the Swiss Financial Market Supervisory Authority FINMA. The reporting covers risk management as outlined in note 5, Group Solvency I, legal structure, management organisation and intra-group transactions. The reporting is submitted on an ad-hoc, monthly, half-yearly or yearly basis depending on the topic and is reviewed on a yearly basis by the statutory auditor according to the legal requirements. As at 31 December 2014 and 2013, Swiss Life was compliant with the legal requirements.

In addition to the Group's solvency requirements, the Solvency I and other statutory constraints at local level are considered to address the specific situation of each country and business unit.

28 Acquisitions and Disposals of Subsidiaries

Assets and liabilities from acquisitions

In CHF million

	Notes	2014	2013
CONSIDERATION			
Cash consideration		251	68
TOTAL CONSIDERATION		251	68
Fair value of equity interest(s) held before acquisition		-	43
TOTAL		251	111
ACQUISITION-RELATED COSTS			
Commission expense		4	-
Other expenses		-	0
TOTAL		4	0
IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED			
Cash and cash equivalents		29	5
Financial assets available for sale		-	19
Loans and receivables		34	1
Investment property	14	-	183
Investments in associates		4	-
Property and equipment	16	1	0
Intangible assets including intangible insurance assets	17	83	17
Other assets		120	0
Derivatives		0	-
Borrowings		-	-54
Financial liabilities		-86	-4
Employee benefit liabilities		-27	-
Provisions	25	-3	0
Deferred income tax liabilities		-12	-24
Other liabilities		-9	-2
TOTAL IDENTIFIABLE NET ASSETS		134	141
Non-controlling interests		0	-38
Goodwill	17	117	8
TOTAL		251	111
ACQUIRED LOANS AND RECEIVABLES			
Fair value		34	1
Gross contractual amounts receivable		34	1
Estimated uncollectible cash flows		0	-

In October 2014, the Swiss Life Group acquired a 100% share in CORPUS SIREO Holding GmbH & Co. KG, Cologne, the leading independent real estate asset management service provider in Germany. Goodwill arose on the acquisition because of expected synergies and leveraging effects with existing business.

In November 2013, the Swiss Life Group increased its share in Prigest, Paris, from 25% to 100%.

In July 2013, the Swiss Life Group increased its share in TECHNOPARK Real Estate LTD, Zurich, from 33.3% to 66.6%.

In 2014 and 2013, no significant disposals of subsidiaries took place.

29 Related Party Transactions

Consolidated statement of income

In CHF million					
	Associates	Key management personnel	Other	Total	Total
				2014	2013
Net earned premiums	1	-	-	1	1
Asset management and other commission income	1	-	-	1	0
Investment income	0	-	-	0	0
Other income	0	-	-	0	-
Interest expense	-	-	0	0	0
Commission expense	-1	-	-	-1	-1
Employee benefits expense	-	-19	-	-19	-20

Consolidated balance sheet

In CHF million					
	Associates	Key management personnel	Other	Total	Total
				31.12.2014	31.12.2013
Loans and receivables	9	-	-	9	3
Borrowings	-	-	-1	-1	-1
Other financial liabilities	-2	-	-	-2	-1

For the years ended 31 December 2014 and 2013, no impairment allowance has been made for doubtful debts in respect of the amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Guarantees and commitments

In CHF million					
	Associates	Key management personnel	Other	Total	Total
				31.12.2014	31.12.2013
Guarantees provided	4	-	-	4	-

“Guarantees provided” relates to a bank loan granted to an associated company of the Group in relation to property under construction.

Key management compensation

In CHF million					
				2014	2013
Short-term employee benefits				13	14
Post-employment benefits				2	2
Equity-settled share-based payments				4	4
TOTAL				19	20

Key management comprises the members of the Board of Directors of Swiss Life Holding and the members of the Corporate Executive Board of Swiss Life Holding. These individuals have the authority and responsibility for planning, directing and controlling the activities of the Swiss Life Group, directly or indirectly.

The details regarding key management compensation in accordance with the Swiss Code of Obligations, Article 663b^{bis} and Article 663c and the Federal Ordinance against Excessive Compensation in Listed Stock Companies are set out in the Compensation Report, which forms part of the Corporate Governance section of the Annual Report 2014 of the Swiss Life Group.

30 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 that 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.

30.1 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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
FINANCIAL ASSETS								
Derivatives								
Currency	1	0	64	361	–	–	66	361
Interest rate	–	–	1 880	641	–	–	1 880	641
Equity	408	266	4	0	–	–	412	267
Total derivatives	409	266	1 949	1 002	–	–	2 358	1 268
Debt instruments								
Government/Supranational	44 115	34 254	419	478	–	–	44 534	34 732
Corporate	45 045	41 757	836	932	79	140	45 960	42 829
Other	123	127	15	14	–	–	139	141
Total debt instruments	89 283	76 138	1 270	1 425	79	140	90 633	77 702
Equity instruments								
Equity securities	1 673	549	67	64	229	235	1 969	848
Investment funds	4 368	4 046	845	235	568	504	5 781	4 784
Alternative investments	0	7	63	48	1 042	750	1 105	805
Total equity instruments	6 041	4 601	975	348	1 838	1 488	8 854	6 437
Financial assets pledged as collateral	2 763	1 999	–	–	–	–	2 763	1 999
Assets attributable to non-controlling interests of investment funds	364	2 078	299	–	427	280	1 090	2 358
Assets for the account and risk of the Swiss Life Group's customers	24 369	22 224	857	911	3 750	2 924	28 975	26 059
TOTAL FINANCIAL ASSETS	123 230	107 306	5 349	3 686	6 094	4 832	134 673	115 824
INVESTMENTS IN ASSOCIATES								
Associates at fair value through profit or loss	–	–	212	195	7	10	219	205
FINANCIAL LIABILITIES								
Derivatives								
Currency	2	0	1 185	118	–	–	1 187	118
Interest rate	–	–	868	612	–	–	868	612
Equity	82	84	1	–	–	–	83	84
Other	–	–	27	–	–	–	27	–
Total derivatives	85	84	2 080	730	–	–	2 165	814
Investment contracts without discretionary participation	–	–	262	193	–	–	262	193
Unit-linked contracts	–	–	24 212	22 329	113	107	24 325	22 436
Share of net assets of investment funds attributable to non-controlling interests	–	–	663	2 078	427	280	1 090	2 358
TOTAL FINANCIAL LIABILITIES	85	84	27 217	25 331	540	387	27 842	25 801

The fair value hierarchy of assets for the account and risk of the Swiss Life Group's customers is consistent with the categorisation of assets for the account and risk of the Swiss Life Group.

The following sections outline the valuation techniques and significant inputs used in the fair value measurement of financial instruments categorised within level 2 and level 3 of the fair value hierarchy.

Level 2: Valuation techniques and inputs

Level 2 financial instruments carried at fair value include debt instruments, equity securities, investment funds, alternative investments, over-the-counter derivatives as well as investments in associates.

Debt instruments: Debt instruments categorised as level 2 of the fair value hierarchy comprise government, supranational, and corporate bonds for which prices are only available on an irregular basis or with a significant time lag. The price for such assets is obtained from an independent, acknowledged market data provider, which refers to quotes of recent transactions with the same or similar, actively traded bonds and systematically derives a comparable price for those less liquid securities. Alternatively, if such a derived price is missing, level 2 fair values of debt instruments are measured on a discounted cash flow basis using risk-adjusted discount factors. Main inputs to determine the discount factor are zero coupon yield curves and observable, rating-implied flat spreads to account for credit risk.

Equity securities: Equity securities categorised as level 2 of the fair value hierarchy comprise unlisted equities for which the prices are not available in the exchange market. The instruments are evaluated by counterparties or third-party independent agencies based on market consistent valuation parameters.

Investment funds: Some fair value measurements of fund units, including unlisted fixed income funds, are only available on an irregular basis and are therefore categorised as level 2. Prices are provided by independent external market data providers who measure the fair value using market-consistent parameters.

Alternative investments: Alternative investments classified as level 2 assets comprise hedge fund of funds, infrastructure funds, and leveraged loans funds that are based on third-party quotes substantiated by observable market data such as recent transactions or valuation techniques that reflect the market participant's assumptions. The level 2 classification is chosen because those funds maintain an irregular basis of price and are evaluated with some time lag.

Over-the-counter derivatives: Level 2 fair values of over-the-counter derivatives on currencies, interest rates, and equities are based on theoretical valuations with observable market data from well-known data providers as inputs. The fair value measurement is based on acknowledged, well-established models. In certain cases, the market quotes used in those models may be slightly adjusted to better reflect specific market behaviour, e.g. volatility smiles.

Currency derivatives:

- Foreign currency options are valued on the basis of the Garman-Kohlhagen model with the spot foreign exchange rate, the interest rates of the underlying currencies and the foreign exchange rate volatility as main inputs.
- The fair value of foreign currency forwards is derived from the foreign exchange spot rate and actively traded foreign exchange ticks.

Interest rate derivatives:

- Interest rate swaps are valued on a discounted cash flow basis. Main inputs used to derive the discount factors are the overnight index/deposit/swap rates.
- Swaptions are theoretically valued with the Black model. Main inputs are the current par swap rate that is calculated out of the standard yield curve and the implied volatility that is derived from observable at-the-money swaption volatility curves.
- Forward starting bonds are valued on a cost-of-carry basis using the discounted cash flow method. Main inputs to calculate the current forward rate are the spot price of the underlying bond and the discount factors to coupon payment dates/maturity date.

Equity derivatives:

Over-the-counter equity-index options are theoretically valued using the Black-Scholes model. Main inputs are the current spot value and the dividend yield of the underlying index. The implied volatility is taken from similar exchange-traded equity index options.

Other derivatives:

Other derivatives mainly comprise credit default swap indices. CDS indices are valued using the discounted cash flow method for the fee and the contingent leg. Main inputs for the valuation are the swap curve and the CDS par spreads quoted in the market.

In the exceptional case that a theoretical valuation of an OTC derivative is not available in Swiss Life's asset management system the fair value is provided by counterparties. The appropriateness of such quotes is validated by Swiss Life off system based on established models using observable market data as input.

Investments in associates: The associate is categorised as level 2 of the fair value hierarchy as the entity holds investments that qualify inherently as level 1 financial instruments.

Level 3: Valuation techniques and inputs

The exposure of level 3 financial instruments primarily consists of alternative investments (private equity, hedge funds) and real estate funds.

Debt instruments: Debt instruments categorised as level 3 of the fair value hierarchy mainly comprise instruments with embedded derivatives to guarantee the participation on a defined underlying (hedge fund of fund or equity basket). The valuation, which is provided by banks, is derived from valuation techniques that take into account the market value of the underlying assets, transaction prices and other information such as market participants' assumptions.

Equity securities: The fair values of equity securities, which are not traded in an active market and are determined using unobservable inputs, classify as level 3 within the fair value hierarchy. These fair values are based on generally accepted valuation techniques. Valuation techniques aim at using a maximum of market inputs and include discounted cash flow analysis (e.g. profit situation, investment plans, investment property) and other valuation techniques commonly used by market participants.

Investment funds: Level 3 fair values of investment funds are primarily related to real estate funds. The valuation of the underlying property investments is done by independent appraisers using generally accepted valuation techniques (mainly discounted cash flow). The appraisers consider the general economic situation and the individual condition of the property investments. Main input factors applied in the discounted cash flow method are estimates on rental income and vacancies, projections of non-recoverable running costs (e.g. property taxes), maintenance costs, and risk-adjusted discount rates, which are determined individually for each property.

Alternative investments: The fair values of private equity investments are based on generally accepted valuation techniques. Valuation techniques use a maximum of market inputs and include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. Because of the inherent valuation uncertainty, those estimated fair values may differ significantly from the values that would be used if a ready market for the financial assets existed, and those differences could be material. The fair values are determined by the general partner in the partnership and reviewed by management. In determining the fair value of fund investments, the partnership considers the funds as transparent holding vehicles. The fair values of the underlying investments are determined using the general partner valuation. These fair value measurements are generally categorised as level 3 within the fair value hierarchy.

To measure the fair value of hedge funds for which no quoted market price is available, valuation techniques are used that take into account the market value of the underlying assets, transaction prices and other information.

Investments in associates: The valuation methods of investments in associates categorised as level 3 of the fair value hierarchy are identical to the methods outlined for level 3 private equity investments.

Financial liabilities

Investment contracts without discretionary participation: The fair value of investment contracts, which are carried at fair value, is measured using market consistent, risk-neutral economic option price models, i.e. Monte Carlo simulations based on scenarios of capital market variables (share price and interest rate indices, interest rates and foreign currency rates). These inputs to fair value measurements are generally categorised as level 2 within the fair value hierarchy.

Unit-linked contracts: The fair value of liabilities arising from unit-linked insurance and investment contracts is measured by reference to the fair value of the underlying assets. Unit-linked contract liabilities are generally categorised as level 2, except for contracts that are backed predominantly by assets categorised within level 3 of the fair value hierarchy.

Investment property

The following table shows the fair value hierarchy of investment property as at 31 December:

In CHF million	Quoted prices (level 1)		Valuation technique – observable inputs (level 2)		Valuation technique – unobservable inputs (level 3)			Total
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	
Commercial	–	–	–	–	6 642	6 519	6 642	6 519
Residential	–	–	–	–	7 215	6 677	7 215	6 677
Mixed use	–	–	–	–	5 739	5 321	5 739	5 321
TOTAL INVESTMENT PROPERTY	–	–	–	–	19 596	18 517	19 596	18 517

Level 3: Valuation techniques and inputs

Discounted cash flow models used for investment property consider the present value of net cash flows to be generated from the property, taking into account expected rent growth rate, vacancy rate, rent-free periods, other costs not paid by tenants, maintenance costs and investment plans. The expected net cash flows are discounted using risk-adjusted discount rates. Location- and property-related criteria are reflected in the discount rate for each property. The criteria reflect the micro- and macro-location characteristics as well as the relevant parameters of the current management situation.

Trends in fair value are determined by various fundamental parameters. A distinction has to be made between property-specific factors and exogenous factors that relate to the real estate and finance market environments. Changes in the property management situation on both the income and the cost side directly trigger an adjustment in the reported market value. Key determinants are new and expiring leases, change in the vacancy situation, as well as movements in running, maintenance and repair costs. Developments in the relevant local real estate market have an impact on the calculation of potential rental values. Changes in the capital or transaction markets have an influence on discount rates. Property ageing is another key factor.

Significant unobservable inputs

	Switzerland		Other countries	
	2014	2013	2014	2013
Rent growth p.a.	1.0–3.0%	1.0–3.0%	–	–
Long-term vacancy rate	4.0–7.0%	4.0–6.0%	–	–
Discount rate	3.1–5.0%	3.2–5.0%	3.3–9.1%	3.5–9.9%
Market rental value p.a. (price/m ² /year)	–	–	EUR 130–590	EUR 115–737

Significant increases or decreases in estimated rental value and rent growth per annum would result in a higher or lower fair value of the properties. Significant decreases or increases in long-term vacancy rate and discount rate would result in a higher or lower fair value.

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 year 2014

In CHF million

	Derivatives	Debt instruments		Equity instruments		Financial assets for the account and risk of the Swiss Life Group's customers	Associates at fair value through profit or loss	Investment property	Total
		At fair value through profit or loss	Available for sale	At fair value through profit or loss ¹	Available for sale				
Balance as at 1 January	-	139	1	665	1 103	2 924	10	18 517	23 359
Total gains/losses recognised in profit or loss	-	5	-18	27	36	577	0	288	915
Total gains/losses recognised in other comprehensive income	-	-	0	-	78	-	-	-	78
Purchases	-	0	50	555	56	521	-	1 659	2 841
Sales	-	-96	-	-58	-181	-238	-4	-809	-1 387
Foreign currency translation differences	-	-2	-	-7	-9	-35	-	-58	-110
BALANCE AS AT END OF PERIOD	-	46	33	1 182	1 083	3 750	7	19 596	25 697
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	-	3	-18	25	-20	577	0	278	845

¹ including assets attributable to non-controlling interests of investment funds

Assets measured at fair value based on level 3 for the year 2013

In CHF million

	Derivatives	Debt instruments		Equity instruments		Financial assets for the account and risk of the Swiss Life Group's customers	Associates at fair value through profit or loss	Investment property	Total
		At fair value through profit or loss	Available for sale	At fair value through profit or loss ¹	Available for sale				
Balance as at 1 January	-	154	4	308	759	68	11	16 225	17 529
Total gains/losses recognised in profit or loss	-	6	0	10	40	5	1	505	567
Total gains/losses recognised in other comprehensive income	-	-	0	-	33	-	-	-	33
Purchases	-	1	-	111	159	477	-	2 685	3 433
Sales	-	-43	-3	-34	-166	-14	-2	-938	-1 201
Transfers into level 3	-	20	-	271	276	2 416	-	-	2 982
Foreign currency translation differences	-	2	0	-1	1	-27	-	41	16
BALANCE AS AT END OF PERIOD	-	139	1	665	1 103	2 924	10	18 517	23 359
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	-	5	0	5	-9	4	1	481	488

¹ including assets attributable to non-controlling interests of investment funds

During 2014, debt securities of CHF 197 million were transferred from level 1 into level 2 due to reduced frequency of price quotations, and debt securities of CHF 321 million were transferred from level 2 into level 1 due to available quoted prices. Changes in fund pricing frequency (daily/weekly) resulted in the following transfers of investment funds during 2014: CHF 493 million from level 1 into level 2, and CHF 63 million from level 2 into level 1.

Due to the adoption of IFRS 13 Fair Value Measurement in 2013 the fair value hierarchy for equity instruments was subject to a review. This resulted in the transfers of equity securities of CHF 67 million from level 2 into level 3, and transfers of investment funds of CHF 480 million from levels 1 and 2 into level 3. In addition, assets for the account and risk of the Swiss Life Group's customers of CHF 2416 million were transferred from level 2 into level 3. Debt securities of CHF 20 million were transferred from level 2 into level 3 as the predominant inputs are no longer derived from market observable inputs.

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

Liabilities measured at fair value based on level 3 for the year 2014

In CHF million					
	Derivatives	Investment contracts without discretionary participation	Unit-linked contracts	Share of net assets of investment funds attributable to non-controlling interests	Total
Balance as at 1 January	-	-	107	280	387
Total gains/losses recognised in profit or loss	-	-	0	0	0
Issues	-	-	1	148	149
Settlements	-	-	5	-	5
Foreign currency translation differences	-	-	0	-1	-1
BALANCE AS AT END OF PERIOD	-	-	113	427	540
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	-	-	0	0	0

Liabilities measured at fair value based on level 3 for the year 2013

In CHF million					
	Derivatives	Investment contracts without discretionary participation	Unit-linked contracts	Share of net assets of investment funds attributable to non-controlling interests	Total
Balance as at 1 January	-	-	68	-	68
Total gains/losses recognised in profit or loss	-	-	39	7	46
Issues	-	-	1	291	292
Settlements	-	-	-	-19	-19
Foreign currency translation differences	-	-	0	-	0
BALANCE AS AT END OF PERIOD	-	-	107	280	387
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	-	-	39	7	46

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	Net gains/losses on financial assets		Net gains/losses on financial instruments at fair value through profit or loss		Net gains/losses on investment property	
	2014	2013	2014	2013	2014	2013
ASSETS						
Total gains/losses recognised in profit or loss	18	40	609	22	288	505
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	-38	-9	605	15	278	481
LIABILITIES						
Total gains/losses recognised in profit or loss	-	-	0	-46	-	-
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	-	-	0	-46	-	-

30.2 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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
ASSETS				
Loans	23 348	21 786	27 107	23 405
Receivables ¹	4 600	3 763	4 600	3 763
LIABILITIES				
Investment contracts without discretionary participation	11	36	11	36
Borrowings	3 798	3 677	4 021	3 991
Other financial liabilities ¹	12 056	9 040	12 056	9 040

¹ Carrying amount approximates fair value

Fair value hierarchy

In CHF million	Quoted prices (level 1)		Valuation technique – observable inputs (level 2)		Valuation technique – unobservable inputs (level 3)		Total fair value	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
ASSETS								
Loans	6 991	7 170	12 058	9 432	8 058	6 804	27 107	23 405
LIABILITIES								
Investment contracts without discretionary participation	–	–	11	36	–	–	11	36
Borrowings	2 494	2 583	1 527	1 409	–	–	4 021	3 991

Receivables and other financial liabilities

The carrying amounts of receivables and other financial liabilities represent a reasonable estimate of fair value as the effect of discounting is immaterial and changes in credit risk are not significant. Such instruments include insurance receivables and payables, demand and short-term deposits and repurchase agreements. The disclosure of the fair value hierarchy is not applicable for these instruments.

Loans

Level 1: This category consists of debt securities reclassified from financial assets available for sale due to the disappearance of an active market and where the market has become active again. Additionally, debt securities not quoted in an active market at initial recognition and where the market has become active again are included in this category.

Level 2: This category mainly consists of note loans (Schuldscheindarlehen) classified as loans. The fair values are measured on a discounted cash flow basis with zero coupon yield curves and credit spreads as main inputs.

Level 3: The fair values of mortgages and other loans are estimated using the discounted cash flow method.

For mortgages, the discount factors are derived from the libor/swap curve and a flat spread. Contract-specific spreads are based on an internal model that covers both risk and administration costs. Main inputs to that model are characteristics of the underlying property, the financial situation of the debtor, and the duration of the contract. If no contract-specific spread is available a standard spread is applied that shall cover the marketability disadvantages and the administration costs as mortgages are less standardised and tradable than exchanged-traded bonds.

The discount factors for other loans are derived from the Group's current lending rates for similar loans. For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values equal the carrying values.

Investment contracts without discretionary participation

Level 2: The fair value of investment contracts without discretionary participation is estimated using discounted cash flow calculations based upon interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. The fair values of deposits are equal to the amount payable on demand or the carrying amount. The carrying amounts of variable-rate deposits approximate their fair values at the reporting date.

Borrowings

Level 1: This category consists of hybrid debt listed on the stock exchange.

Level 2: Privately placed hybrid debt, the liability component of the convertible debt and bank loans are categorised as level 2. The fair value of Swiss Life's privately placed hybrid debt (subordinated step-up loans) is calculated as the present value of the prospective cash flows to the lenders. The discount rate used for the calculation consists of a relevant government bond rate plus a credit spread. The fair value of the liability component of the convertible debt is calculated as the present value of the prospective cash flows to the bondholders. The discount rate used for the calculation is based on the yield-to-maturity of outstanding straight senior bonds issued by Swiss Life Holding. The fair value of the bank loans secured by mortgage is estimated using discounted cash flow calculations based upon the Group's current borrowing rates for similar borrowings with remaining maturities consistent with the debt being valued.

31 Offsetting Financial Assets and Liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

Offsetting financial assets

In CHF million						
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net amounts
				Financial instruments	Cash collateral received	
AMOUNTS AS AT 31 DECEMBER 2014						
Derivatives	2 358	–	2 358	–571	–1 756	31
TOTAL	2 358	–	2 358	–571	–1 756	31

AMOUNTS AS AT 31 DECEMBER 2013

Derivatives	1 268	–	1 268	–498	–693	77
Other financial instruments	92	–92	–	–	–	–
TOTAL	1 360	–92	1 268	–498	–693	77

Offsetting financial liabilities

In CHF million						
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amounts
				Financial instruments	Cash collateral pledged	
AMOUNTS AS AT 31 DECEMBER 2014						
Derivatives	2 165	–	2 165	–571	–1 265	329
Repurchase agreements	2 780	–	2 780	–2 763	–	17
TOTAL	4 944	–	4 944	–3 334	–1 265	345

AMOUNTS AS AT 31 DECEMBER 2013

Derivatives	814	–	814	–498	–264	53
Repurchase agreements	2 054	–	2 054	–1 999	–	55
Other financial instruments	92	–92	–	–	–	–
TOTAL	2 960	–92	2 868	–2 497	–264	107

32 Guarantees and Commitments

In CHF million

	31.12.2014	31.12.2013
Financial guarantees	42	45
Loan commitments	242	170
Private equity commitments	95	115
Other capital commitments	511	727
Operating lease commitments	136	100
Contractual obligations to purchase or construct investment property	1 253	210
Other contingent liabilities and commitments	451	437
TOTAL	2 730	1 804

Future minimum lease payments under non-cancellable operating leases – lessee

In CHF million

	31.12.2014	31.12.2013
Not later than 1 year	38	20
Later than 1 year and not later than 5 years	93	66
Later than 5 years	5	14
TOTAL	136	100

Financial guarantees

The Group has issued financial guarantees and similar instruments. Financial guarantees provide for specified payments to be made to reimburse the holder for a loss incurred in the event that a client fails to make payment when due.

Loan commitments

The Group has also entered into irrevocable commitments to extend credit in the form of loans and other instruments. They represent undrawn credit lines which are available to clients to secure their liquidity needs. With respect to credit risk, these commitments are contingent upon clients maintaining certain credit standards, and the Group monitors its exposure on a regular basis.

The total amount of credit commitments includes commitments to lend at fixed rates, which expose the Group to interest rate risk. These commitments are entered into for restricted periods of time. As at 31 December 2014, committed principal amounts stood at EUR 30 million and CHF 165 million (2013: EUR 57 million and CHF 72 million). The range of committed interest rates is 2.5% to 4.7% for commitments in euro and 1.0% to 2.7% for commitments in Swiss francs.

Private equity commitments

Private equity commitments represent unfunded commitments to make investments in direct private equity or private equity funds. Such commitments do not involve credit or market risk, as the Group purchases investments at market value at the time the commitments are invoked.

Other capital commitments

Other capital commitments include commitments to make investments (capital calls) and agreements to provide liquidity to protection funds in the insurance industry.

Operating lease commitments

The Group has entered into various operating leases as a lessee. Rental expenses recognised in income for these items totalled CHF 39 million for the year ended 31 December 2014 (2013: CHF 39 million). Minimum lease payments totalled CHF 39 million in 2014 (2013: CHF 39 million).

Other contingent liabilities and commitments

Contractual obligations for repairs and maintenance of investment property amounted to CHF 182 million as at 31 December 2014, which are included in this line item (2013: CHF 89 million).

Legal proceedings

The Group is involved in various legal proceedings, claims and litigation generally relating to its insurance operations. The outcome of such current legal proceedings, claims and litigation could have a material effect on operating results or cash flows when resolved in a future period. However, in the opinion of the management these matters are adequately provided for as at the balance sheet date.

33 Collateral

Assets pledged as collateral

The following table provides details of financial assets which have been sold or otherwise transferred, but which do not qualify for derecognition because substantially all risks and rewards of ownership are retained. Repurchase agreements and securities lending transactions are discussed in notes 2.7 and 12. Securities pledged under other transactions include debt securities pledged as collateral under reinsurance contracts issued and debt securities pledged as collateral under prime broker contracts to cover margins due in respect of derivative transactions. Other financial assets pledged include cash collateral provided for OTC derivative liabilities.

In CHF million	Pledged amount		Fair value	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Securities under repurchase agreements ¹	2 763	1 999	2 763	1 999
Securities lent in exchange for securities received	4 571	3 624	4 571	3 624
Securities under derivative and other transactions	2 392	2 041	2 392	2 041
Other financial assets	1 299	315	1 299	315
Investment property	428	192	-	-
Inventory property	124	-	-	-
TOTAL	11 577	8 171	11 025	7 979
1) of which can be sold or repledged by transferee	2 763	1 999	2 763	1 999

Collateral held

The Group holds marketable securities as collateral in respect of the following transactions:

In CHF million	Fair value	
	31.12.2014	31.12.2013
Securities received as collateral in exchange for securities lent	4 810	3 840
Securities received under derivative and other transactions	1 853	744
TOTAL	6 662	4 584

34 Future Minimum Lease Payments under Non-Cancellable Operating Leases – Lessor

In CHF million		
	31.12.2014	31.12.2013
Not later than 1 year	336	348
Later than 1 year and not later than 5 years	1 014	1 249
Later than 5 years	952	1 434
TOTAL	2 303	3 032
Contingent rents recognised in profit or loss	0	0

Leased assets where the Group is a lessor primarily relate to investment property leased to third parties under operating leases.

35 Events after the Reporting Period

On 15 January 2015 the Swiss National Bank announced that it was discontinuing the minimum exchange rate of 1.20 Swiss francs per euro. The amounts reported in these Consolidated Financial Statements do not reflect any changes in foreign currency exchange rates after 31 December 2014. At the balance sheet date the Swiss insurance operation was to a large extent hedged with regard to foreign currency exposure against the euro.

The weakening of the euro against the Swiss franc since 15 January 2015 has negatively impacted foreign currency translation differences in equity as well as the results of the Group's foreign operations when reported in Swiss francs. If at the balance sheet date the exchange rate had been 1.05 Swiss francs per euro, total equity would have been lower by approx. CHF 440 million. The negative effect on total equity is compensated by the decision of the Swiss National Bank to lower interest rates and the resulting effect on fair value gains/losses on the Group's debt securities.

Translation of the Group's net profit would have been lower by approx. CHF 35 million in 2014 if the average exchange rate had been 1.05 Swiss francs per euro.

36 Scope of Consolidation

Switzerland

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
Adroit Private Equity AG, Zürich	CH		100.0%	100.0%	Private equity
aXenta AG, Baden-Dättwil	CH		100.0%	100.0%	Information technology
GENBLAN AG, Zürich	CH		100.0%	100.0%	Real estate
Livit AG, Zürich	AM		100.0%	100.0%	Asset management & Real estate
Livit FM Services AG, Zürich	AM		100.0%	100.0%	Services
Neue Warenhaus AG, Zürich	CH		100.0%	100.0%	Real estate
Oscar Weber AG, Zürich	CH		100.0%	100.0%	Real estate
Oscar Weber Holding AG, Zürich	CH		100.0%	100.0%	Asset management & Real estate
Swiss Life AG, Zürich	CH		100.0%	100.0%	Life insurance
Swiss Life Asset Management AG, Zürich	AM		100.0%	100.0%	Asset management
Swiss Life Capital Holding AG, Zürich	Other		100.0%	100.0%	Holding
Swiss Life Funds AG, Lugano	AM		100.0%	100.0%	Finance
Swiss Life Holding AG, Zürich	Other		-	-	Holding
Swiss Life Intellectual Property Management AG, Zürich	Other		100.0%	100.0%	Services
Swiss Life International Holding AG, Zürich	Other		100.0%	100.0%	Holding
Swiss Life International Services AG, Schaan, Branch Zürich, Zürich	IN		100.0%	100.0%	Services
Swiss Life Investment Management Holding AG, Zürich	AM		100.0%	100.0%	Holding
Swiss Life Pension Services AG, Zürich	CH		100.0%	100.0%	Services
Swiss Life Private Equity Partners AG, Zürich	AM		100.0%	100.0%	Asset management
Swiss Life REIM (Switzerland) AG (formerly Swiss Life Property Management AG), Zürich	AM		100.0%	100.0%	Asset management
Swiss Life Products (Luxembourg) S.A., Strassen, Branch Zürich, Zürich	DE	until 26.08.2014	-	-	
Swiss Life Schweiz Holding AG, Zürich	CH		100.0%	100.0%	Holding
Swiss Life Select International Holding AG, Zürich	IN	from 01.02.2013	100.0%	100.0%	Holding
Swiss Life Select Schweiz AG, Zug	CH		100.0%	100.0%	Services
Swissville Centers Holding AG, Zürich	CH		100.0%	100.0%	Holding
Swissville Commerce AG, Zürich	CH		100.0%	100.0%	Real estate
TECHNOPARK Immobilien AG, Zürich	CH	from 23.07.2013	66.7%	66.7%	Real estate

Liechtenstein

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
Swiss Life (Liechtenstein) AG, Schaan	IN		100.0%	100.0%	Life insurance
Swiss Life International Services AG, Schaan	IN		100.0%	100.0%	Services

¹ Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

France

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
AGAMI, Levallois-Perret	FR		100.0%	100.0%	Services and broker
ATIM Université SCI, Levallois-Perret	FR		100.0%	100.0%	Real estate
AXYALIS PATRIMOINE, Valence	FR		76.8%	96.0%	Services
Carte Blanche Partenaires, Paris	FR		61.0%	61.1%	Services
Cegema, Villeneuve-Loubet	FR		99.0%	99.0%	Broker
CGPI 2014, Levallois-Perret	FR		100.0%	100.0%	Asset management
Financière du Capitole, Balma	FR		80.0%	80.0%	Finance
Financière du Patrimoine, Balma	FR		80.0%	100.0%	Real estate
MA Santé Facile, Levallois-Perret	FR		100.0%	100.0%	Services and broker
PRIGEST, Paris	FR	until 29.04.2014	-	-	
SAS Placement Direct, Pau	FR		100.0%	100.0%	Services and broker
SCI SWISSLIFE 148 UNIVERSITE, Levallois-Perret	FR		100.0%	100.0%	Real estate
Swiss Life Asset Management (France), Levallois-Perret	AM		100.0%	100.0%	Asset management
SWISS LIFE REIM (France) (formerly Viveris REIM), Marseille	AM		70.1%	70.1%	Asset management
SwissLife Assurance et Patrimoine, Levallois-Perret	FR		100.0%	100.0%	Life insurance
SwissLife Assurances de Biens, Levallois-Perret	FR		100.0%	100.0%	Non-Life insurance
SwissLife Banque Privée, Paris	FR		60.0%	60.0%	Bank
SwissLife Dynapierre, Levallois-Perret	FR		100.0%	100.0%	Real estate
SwissLife France, Levallois-Perret	FR		100.0%	100.0%	Holding
SwissLife Gestion Privée, Paris	FR		60.0%	100.0%	Bank
SwissLife Immobilier, Levallois-Perret	FR		100.0%	100.0%	Real estate
SwissLife Prestigimmo, Levallois-Perret	FR		100.0%	100.0%	Real estate
SwissLife Prévoyance et Santé, Levallois-Perret	FR		99.8%	99.8%	Non-Life insurance

Germany

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
Anatol Acquisition GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
AWD Zweite Vermögensverwaltungsgesellschaft mbH, Hannover	DE		100.0%	100.0%	Services
CitCor Commercial Properties Management GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CitCor Residential Verwaltungs GmbH, Düsseldorf	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Asset Management Commercial GmbH, Heusenstamm	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Asset Management Residential GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Asset Management Retail GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Broadway Acquisition GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Holding GmbH & Co. KG, Köln	AM	from 01.10.2014	100.0%	100.0%	Holding
CORPUS SIREO Holding GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Commercial No. 6 GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Residential Berlin GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Residential No. 2 GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Residential No. 24 S.à.r.l. – Branch Köln, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Residential No. 30 GmbH & Co. KG, Köln	AM	from 01.10.2014	99.0%	100.0%	Asset management & Real estate
CORPUS SIREO Makler Frankfurt GmbH, Frankfurt am Main	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Makler GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Düsseldorf GmbH, Köln	AM	from 01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Frankfurt-Mitte GmbH, Köln	AM	from 01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Köln-West GmbH, Köln	AM	from 01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Lessingstrasse GmbH, Köln	AM	from 01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung München GmbH, Köln	AM	from 01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Neuenhöfer Allee GmbH, Köln	AM	from 01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Wohnen Bonner Strasse GmbH, Köln	AM	from 01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Wohnen GmbH, Köln	AM	from 01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Wohnen Residenz GmbH, Köln	AM	from 01.10.2014	99.9%	100.0%	Asset management & Real estate

¹ Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Germany (continued)

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
DEUTSCHE PROVENTUS AG, Hannover	DE		100.0%	100.0%	Services
Faircompare GmbH, Hannover	DE		100.0%	100.0%	Services
Financial Solutions AG Service & Vermittlung, Garching b. München	DE		100.0%	100.0%	Services
FRECOR Projektentwicklung und Wohnbau GmbH, Köln	AM	from 01.10.2014	76.0%	76.0%	Asset management & Real estate
Horbach Wirtschaftsberatung GmbH, Köln	DE		100.0%	100.0%	Services
IC Investment Commercial No. 5 GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
Maicor Projektentwicklung Winterhafen GmbH, Mainz	AM	from 01.10.2014	74.2%	74.2%	Asset management & Real estate
Pegasus Acquisition GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
ProVentus Akademie- und Vertriebs GmbH, Hannover	DE		100.0%	100.0%	Services
SELECT Bauprojektentwicklung GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
SL Beteiligungs-GmbH & Co. Grundstücksverwaltung KG, Garching b. München	DE		100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien I KG, Garching b. München	DE		100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien II KG, Garching b. München	DE		100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien III KG, Garching b. München	DE		100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien IV KG, Garching b. München	DE	from 22.01.2014	100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien Ost KG, Garching b. München	DE		100.0%	100.0%	Real estate
SL-Immobilien-Beteiligungs-Gesellschaft mbH, Garching b. München	DE		100.0%	100.0%	Holding
SL Private Equity GmbH, Frankfurt am Main	DE		98.9%	98.9%	Private equity
SLPM Schweizer Leben PensionsManagement GmbH, Garching b. München	DE		100.0%	100.0%	Services
SolViva Immobilien GmbH, Köln	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
Swiss Life AG, Garching b. München (Branch Swiss Life AG)	DE		100.0%	100.0%	Life insurance
Swiss Life Asset Management GmbH, Garching b. München	AM		100.0%	100.0%	Services
Swiss Life Assurance Solutions S.A., Branch Germany, München	Other	until 10.03.2014	-	-	
Swiss Life Beteiligungen GmbH, Garching b. München	DE		100.0%	100.0%	Holding
Swiss Life Deutschland erste Vermögensverwaltungs AG (formerly Swiss Life Solutions AG), Garching b. München	DE		100.0%	100.0%	Services
Swiss Life Deutschland Holding GmbH, Hannover	DE		100.0%	100.0%	Holding
Swiss Life Deutschland Operations GmbH, Hannover	DE	from 21.08.2013	100.0%	100.0%	Services
Swiss Life Deutschland Vertriebsgruppe GmbH, Hannover	DE	until 12.11.2013	-	-	
Swiss Life Deutschland Vertriebsholding GmbH, Hannover	DE	until 12.11.2013	-	-	
Swiss Life Deutschland Vertriebsservice GmbH, Hannover	DE	from 21.08.2013	100.0%	100.0%	Services
Swiss Life Gastronomie GmbH, Hannover	DE		100.0%	100.0%	Staff restaurant/Canteen
Swiss Life Insurance Solutions S.A. Branch Germany, München	Other		100.0%	100.0%	Life insurance/Reinsurance
Swiss Life Invest GmbH, München	AM	from 06.06.2013	100.0%	100.0%	Asset management
Swiss Life Partner Service- und Finanzvermittlungs GmbH, Garching b. München	DE		100.0%	100.0%	Services
Swiss Life Pensionsfonds AG, Garching b. München	DE		100.0%	100.0%	Life insurance
Swiss Life Pensionskasse AG, Garching b. München	DE		100.0%	100.0%	Life insurance
Swiss Life Products (Luxembourg) S.A. Branch Germany, München	DE		100.0%	100.0%	Life insurance/Reinsurance
Swiss Life Select Deutschland GmbH, Hannover	DE		100.0%	100.0%	Services
Swiss Life Service GmbH, Leipzig	DE		100.0%	100.0%	Services
Swiss Life Vermittlungs GmbH, Garching b. München	DE		100.0%	100.0%	Services
tecis Finanzdienstleistungen AG, Hamburg	DE		100.0%	100.0%	Services

¹ Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Luxembourg

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
Basket Fonds (LUX), Luxembourg	AM		-	-	Investment funds
CORPUS SIREO Investment Management S.à.r.l., Luxembourg	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Residential No. 24 S.à.r.l., Luxembourg	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung München II S.à.r.l., Luxembourg	AM	from 26.11.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO RetailCenter Management S.à.r.l., Luxembourg	AM	from 17.12.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO RetailCenter-Fonds Deutschland SICAV-FIS, Luxembourg	AM	from 22.12.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Trust No. 1 S.à.r.l., Luxembourg	AM	from 01.10.2014	100.0%	100.0%	Asset management & Real estate
Heralux S.A., Luxembourg	FR		99.8%	100.0%	Reinsurance
SWISS LIFE (LUXEMBOURG) S.A., Strassen	IN		100.0%	100.0%	Life insurance
Swiss Life Assurance Solutions S.A., Strassen	Other		100.0%	100.0%	Non-Life insurance
Swiss Life Fund Management (LUX) S.A. (formerly Swiss Life REIM (Luxembourg) S.A.), Strassen	AM		100.0%	100.0%	Investment funds
Swiss Life Funds (Lux) Global Infrastructure Opportunities Management S.à.r.l., Strassen	AM	from 29.04.2013	100.0%	100.0%	Asset management
Swiss Life Funds (Lux) Global Infrastructure Opportunities S.C.A., SICAV-SIF, Luxembourg	AM	from 29.04.2013	100.0%	100.0%	Asset management
Swiss Life Funds (LUX), Luxembourg	AM		-	-	Investment funds
Swiss Life Funds (Lux) Management Company S.A., Luxembourg	AM	until 17.12.2014	-	-	
Swiss Life GIO Holdings S.à.r.l., Strassen	AM	from 07.11.2013	100.0%	100.0%	Asset management
Swiss Life GIO S.à.r.l., Strassen	AM	from 07.11.2013	100.0%	100.0%	Asset management
Swiss Life Immo-Arlon, Société Anonyme, Strassen	Other		100.0%	100.0%	Real estate
Swiss Life Insurance Solutions S.A., Strassen	Other		100.0%	100.0%	Life insurance/Reinsurance
Swiss Life International Pension Fund ASBL, Strassen	IN		-	-	Pension Funds
Swiss Life Invest Luxembourg S.A., Strassen	Other		100.0%	100.0%	Holding
Swiss Life Participations Luxembourg S.A., Strassen	Other		100.0%	100.0%	Holding
Swiss Life Products (Luxembourg) S.A., Strassen	DE		100.0%	100.0%	Life insurance/Reinsurance
Swiss Life Real Estate Management Funds I S.C.S., Strassen	DE	from 05.11.2014	100.0%	100.0%	Real estate
Swiss Life Real Estate Management I S.à.r.l., Strassen	DE	from 03.11.2014	100.0%	100.0%	Real estate

United Kingdom

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
Chase de Vere Consulting Limited, Manchester	IN		100.0%	100.0%	Dormant
Chase de Vere Financial Solutions Limited, Manchester	IN		100.0%	100.0%	Dormant
Chase de Vere IFA Group Plc, London	IN		100.0%	100.0%	Finance
Chase de Vere IFA Services Limited, Manchester	IN		100.0%	100.0%	Dormant
Chase de Vere Independent Financial Advisers Limited, Manchester	IN		100.0%	100.0%	Life insurance/Reinsurance
Chase de Vere Loans Limited, Manchester	IN		100.0%	100.0%	Dormant
Chase de Vere Private Client Trustees Limited, London	IN		100.0%	100.0%	Dormant
Chase de Vere Trustees Limited, Leicestershire	IN	until 01.09.2014	-	-	

Austria

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
Swiss Life International Services AG, Branch Austria, Wien	CH		100.0%	100.0%	Services
Swiss Life Products (Luxembourg) S.A., Branch Austria, Wien	DE		100.0%	100.0%	Life insurance/Reinsurance
Swiss Life Select CEE Holding GmbH, Wien	IN		100.0%	100.0%	Holding
Swiss Life Select Österreich GmbH, Wien	IN		100.0%	100.0%	Services
Swiss Life Österreich GmbH, Wien	CH	until 22.08.2013	-	-	

¹ Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Belgium

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
RENAISSANCE OFFICE SPRL, Bruxelles	FR		100.0%	100.0%	Real estate
RENAISSANCE RESIDENTIAL, Bruxelles	FR		100.0%	100.0%	Real estate

Canada

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
Swiss Life GIO Canada Group Ltd, Montréal	AM	from 14.11.2013	100.0%	100.0%	Asset management

Cayman Islands

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
Adroit Investment (Offshore) Ltd., Grand Cayman	CH		100.0%	100.0%	Private equity
Adroit Partnerships (Offshore) L.P., Grand Cayman	CH		100.0%	100.0%	Private equity
Swiss Life Financial Services (Cayman) Ltd., Grand Cayman	Other		100.0%	100.0%	Services
Swiss Life Insurance Finance Ltd., Grand Cayman	Other		100.0%	100.0%	Finance

Czech Republic

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
Swiss Life Select Ceska Republika s.r.o., Brno	IN		100.0%	100.0%	Services

Hungary

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
AWD Magyarország Pénzügyi Szolgáltató Korlátolt Felelősségű Társaság, Budapest	AWD	until 01.01.2013	-	-	

Italy

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
Swiss Life Insurance Solutions AG, Branch Italy, Milano	Other	until 11.03.2013	-	-	

¹ Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Poland

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
Swiss Life Select Spółka z ograniczoną odpowiedzialnością, Warszawa	IN		100.0%	100.0%	Services

Singapore

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
Swiss Life (Singapore) Pte. Ltd., Singapore	IN		100.0%	100.0%	Life insurance
Swiss Life Network (Asia) Pte. Ltd., Singapore	IN		100.0%	100.0%	Services

United Arab Emirates

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity
Swiss Life Private Placement (Middle East) Limited, Dubai	IN	until 22.04.2013	-	-	

¹ Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Contacts

Swiss Life

General-Guisan-Quai 40

P.O. Box 2831

CH-8022 Zurich

Tel. +41 43 284 33 11

www.swisslife.com

Investor Relations

Tel. +41 43 284 52 76

Fax +41 43 284 44 41

E-mail investor.relations@swisslife.ch

Shareholder Services

Tel. +41 43 284 61 10

Fax +41 43 284 61 66

E-mail shareholder.services@swisslife.ch

Media Relations

Tel. +41 43 284 77 77

Fax +41 43 284 48 84

E-mail media.relations@swisslife.ch

Annual Report 2014

The Annual Report is published in German and English and contains additional information on risk management, market consistent embedded value (in English only), corporate governance and the annual accounts.

The English text is definitive for the Consolidated Financial Statements.

The Annual Report can be found online at: www.swisslife.com/report

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

Important dates**Annual General Meeting 2015**

27 April 2015, Hallenstadion Zurich

Interim Statement Q1 2015

12 May 2015

Half-year Results 2015

14 August 2015

Interim Statement Q3 2015

12 November 2015

The future starts here.

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

*Tel. +41 43 284 33 11
www.swisslife.com*