SwissLife

Annual Report 2010

Financial Statement Section

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Corporate Governance

The Swiss Life Group is legally obliged to implement the accepted principles of responsible corporate conduct and continually adapts its corporate governance practices to current developments.

In the interests of its shareholders, policyholders and staff, Swiss Life attaches great importance to corporate governance and the requirements it entails in terms of the management and organisation of the Swiss Life Group. The corporate governance of Swiss Life Holding Ltd (Swiss Life Holding) is based on the Directive on Information Relating to Corporate Governance issued by the SIX Swiss Exchange and the circulars 2008/32 on corporate governance, risk management and internal control systems for insurance companies and 2010/1 on minimum standards for remuneration schemes of financial institutions published by the Swiss Financial Market Supervisory Authority FINMA. It is also modelled on leading national and international corporate governance standards, in particular the Swiss Code of Best Practice for Corporate Governance issued by the Swiss Business Federation, economiesuisse, as well as the Organization for Economic Cooperation and Development's (OECD) principles on corporate governance.

The measures and mechanisms introduced by Swiss Life to ensure good corporate governance work well in practice; however, specific adjustments are examined on an ongoing basis in order to adapt the management and control tools and disclosure to current circumstances and to implement further improvements.

This report describes the essential features of corporate governance within the Swiss Life Group. The structure below largely follows the Directive on Information Relating to Corporate Governance issued by the SIX Swiss Exchange, which came into force on 1 July 2002, and was revised on 1 January 2007 and 1 July 2009, and also takes into consideration the regulations on transparency stipulated in the Swiss Code of Obligations with regard to the compensation of members of the Board of Directors and the Corporate Executive Board and FINMA circular 2010/1 on minimum standards for remuneration schemes of financial institutions. Further information on the Code of Compliance and the values of the Swiss Life Group can be found in the section "Values" (page 38) in the Business Review.

Group Structure and Shareholders

GROUP STRUCTURE — The public limited company Swiss Life Holding was established in 2002 and is incorporated under Swiss law. Its registered office is located in Zurich and it has been listed on the SIX Swiss Exchange since 19 November 2002. Swiss Life Holding brings together all the Swiss Life Group companies and activities under a single holding company. The holding company structure makes it easier to effect investments, enter into partnerships or cooperation agreements and execute capital market transactions. Transparency is also improved by separating the interests of shareholders from those of policyholders.

The companies falling within the Group's scope of consolidation are presented in the Consolidated Financial Statements (Note 38). Information on the listing on the SIX Swiss Exchange and market capitalisation can be found on page 72 in the Business Review. The organisational structure of the Group shows the key business markets and areas. The resulting operational responsibilities are reflected in the allocation of responsibilities among the Corporate Executive Board. With regard to insurance operations, one person with responsibility for the market and results is assigned to each specific area.

The operational management structure as at 31 December 2010 is shown on page 16.

SHAREHOLDERS — Shareholdings in companies that are domiciled in Switzerland and have their shares listed in Switzerland must be reported to the company in question and the SIX Swiss Exchange if the shareholdings exceed, fall below or reach certain thresholds. The relevant thresholds are 3, 5, 10, 15, 20, 25, 33 $^1/_3$, 50 and 66 $^2/_3$% of the voting rights. Details are set out in the Federal Act on Stock Exchanges and Securities Trading (SESTA) and Stock Exchange Ordinance-FINMA (SESTO-FINMA).

The relevant disclosures of significant shareholdings can be found on the publication platform of the SIX Swiss Exchange's disclosure office at www.six-exchange-regulation.com, "Obligations" area, "Disclosure of Shareholdings" section and "Significant Shareholders" subsection (www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html).

The latest disclosures of shareholdings on the balance sheet date, which exceed the disclosure threshold, are shown below. In accordance with the disclosure requirements, the percentage figures given relate to the share capital/number of outstanding shares pursuant to the Articles of Association applicable at the time of the relevant disclosure.

Dodge & Cox, 555 California Street, 40th Floor, San Francisco, CA 94104, USA, reported in the publication of 6 March 2008 that it held through the Dodge & Cox International Stock Fund 1 645 000 registered shares or 4.71% of the voting rights of Swiss Life Holding.

Carsten Maschmeyer, Hanebuthwinkel 17, 30655 Hanover, Germany, reported in the publication of 23 December 2008, that he and his two sons, Marcel Jo Maschmeyer and Maurice Jean Maschmeyer, as well as the asset management firms CM Vermögensverwaltung GmbH & Co. KG and CM Vermögensverwaltungs-Geschäftsführungs GmbH, held a total of 2 174 616 purchase positions, corresponding at the time to a 6.22% share of the voting rights: 1 944 616 registered shares of Swiss Life Holding (5.56% of the voting rights), in addition to 80 000 short puts (corresponding to 0.23% of the voting rights) and 150 000 discount certificates (corresponding to 0.43%) on the shares of Swiss Life Holding (cf. also on page 26 details on share ownership as at 31 December 2010 of currently serving Board of Directors and Corporate Executive Board members).

Talanx AG, Riethorst 2, 30659 Hanover, Germany, reported in a publication of 20 May 2009, that one of its groups held 2 987 988 shares of Swiss Life Holding, equivalent on that day to 8.52% of the voting rights. The group consists of: AmpegaGerling Investment GmbH, Hohenzollernring 72, 50672 Cologne, Talanx AG, Riethorst 2, 30659 Hanover and Talanx Beteiligungs-GmbH & Co. KG, Riethorst 2, 30659 Hanover. Talanx Beteiligungs-GmbH & Co. KG is managed by the beneficial owner (HDI V.a.G.) as follows: The limited partner is Talanx AG, Riethorst 2, 30659 Hanover. As the sole shareholder, Talanx AG is the beneficial owner (HDI V.a.G.). The general partner is Hannover Beteiligungsgesellschaft mbH, Riethorst 2, 30659 Hanover. Talanx AG is the sole partner of Hannover Beteiligungsgesellschaft m.b.H. AmpegaGerling Investment GmbH is managed by the beneficial owner as follows: 94.9% is controlled by AmpegaGerling

Asset Management GmbH, Hohenzollernring 72, 50672 Cologne (Talanx AG is AmpegaGerling Asset Management GmbH's sole partner) and 5.1% by Alstertor Erste Beteiligungs- und Investitionssteuerungs-GmbH & Co. KG, Hamburg. Alstertor Erste Beteiligungs- und Investitionssteuerungs-GmbH & Co. KG's sole limited partner is Talanx AG.

BlackRock, Inc., 40 East 52nd Street, New York 10022, USA reported in a publication of 9 January 2010 that a group consisting of BlackRock Asset Management Japan Limited, Marunouchi Trust Tower Main, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-8217, BlackRock Advisors UK Ltd, Murray House, 1 Royal Mint Court, London EC3N 4HH, BlackRock Investment Management (UK) Ltd., 33 King William Street, London EC4R 9AS, BlackRock International Ltd., 40 Torphichen Street, Edinburgh EH3 8JB, BlackRock Investment Management (Australia) Limited, Level 43, Grosvenor Place, 225 George Street, Sydney NSW 2000, BlackRock Fund Managers Ltd., 33 King William Street, London EC4R 9AS, BlackRock Investment Management LLC, 800 Scudders Mill Road, Plainsboro NJ 08536, BlackRock Financial Management Inc., 40 East 52nd Street, New York NY 10022, BlackRock Asset Management Australia Limited, Level 43, Grovesnor Place, 225 George Street Sydney NSW 2000, BlackRock Fund Advisors, 400 Howard Street, San Francisco, CA 94105, BlackRock Institutional Trust Company, N.A., 400 Howard Street, San Francisco, CA 94105-2618, BlackRock Investment Management (Dublin) Ltd., First Floor, Fitzwilton House, Wilton Place, Dublin 2 and BlackRock Asset Management Canada Limited, 161 Bay Street, Suite 2500, Toronto, Ontario M5J 2S1, held a total of 1 190 832 shares and 775 other purchase positions of Swiss Life Holding, corresponding to 3.71% of the voting rights.

No cross participations exceeding the 3% threshold exist between Swiss Life Holding or its subsidiaries and other listed companies.

SHAREHOLDER STRUCTURE — On the balance sheet date a total of 188 603 shareholders and nominees were listed in the Swiss Life Holding share register, of which about 4500 were institutional shareholders. Taken together, the shareholders entered in the share register held around 55% of the shares issued. Around half of these shares were owned by shareholders domiciled in Switzerland. Around one third of the registered shares were in private hands.

A table showing the shareholder structure is provided in the section "Information on Share Performance and Historical Comparison" on page 73 in the Business Review.

Capital Structure

CAPITAL AND CHANGES IN CAPITAL — The capital structure of Swiss Life Holding was as follows on the balance sheet date:

- Ordinary share capital: CHF 307 978 118.40, divided into 32 081 054 fully paid registered shares with a par value of CHF 9.60 each
- Conditional share capital: CHF 22 650 105.60 divided into 2 359 386 registered shares with a par value of CHF 9.60 each
- Authorised share capital: none

The conditional share capital is at the disposal of the holders of conversion or option rights granted by Swiss Life Holding or by companies belonging to the Group in connection with straight bonds or similar bonds issued by Swiss Life Holding or companies belonging to the Group. The shareholders are excluded from subscription rights, but their preemptive subscription rights remain safeguarded. The Board of Directors sets the conversion and option conditions.

Since the establishment of Swiss Life Holding on 17 September 2002, a number of capital market transactions have been conducted. A detailed description of the transactions carried out up to and including the end of 2007 can be found in the Corporate Governance section of the annual reports for the relevant years. The annual reports can be accessed at www.swisslife.com, "Shareholders & Analysts" area, "Archive Reports" section (www.swisslife.com/en/annualreports).

On 8 May 2008 the General Meeting of Shareholders decided to reduce the par value by CHF 17, i.e. from CHF 34 to CHF 17 per registered share, thereby decreasing the share capital to CHF 594 327 463, divided into 34 960 439 registered shares. As a result of the par value reduction, the conditional capital fell to CHF 42 219 517, divided into 2 483 501 registered shares with a par value of CHF 17 each. The 0.625% convertible bond issue (2004–2010) was partially converted in 2008, creating 124 115 new registered shares. As at 31 December 2008 the ordinary share capital thus increased to CHF 596 437 418, divided into 35 084 554 registered shares with a par value of CHF 17 each, and the conditional capital decreased to CHF 40 109 562, divided into 2 359 386 registered shares with a par value of CHF 17 each.

On 7 May 2009 the General Meeting of Shareholders of Swiss Life Holding decided on a capital reduction of CHF 51 059 500 by cancelling 3 003 500 shares with a par value of CHF 17, which were acquired under the share buyback programme approved on 8 May 2008. As a result the share capital decreased from CHF 596 437 418 to CHF 545 377 918. The General Meeting of Shareholders also decided to pay a dividend of CHF 5 per registered share, in the form of a reduction in par value. The share capital thus decreased from CHF 545 377 918 (32 081 054 registered shares, each with par value of CHF 17) to CHF 384 972 648 (32 081 054 registered shares, each with par value of CHF 12). At the same time the conditional share capital was reduced to CHF 28 312 632 (2 359 386 registered shares, each with par value of CHF 12). In 2009 no conversions were made on the 0.625% convertible bond (2004–2010).

At Swiss Life Holding's General Meeting of Shareholders on 6 May 2010, the shareholders approved a motion to reduce the par value by CHF 2.40 per registered share. Consequently, the share capital fell to CHF 307 978 118.40, divided into 32 081 054 fully paid registered shares with a par value of CHF 9.60 each, and the conditional capital decreased to CHF 22 650 105.60, divided into 2 359 386 registered shares with a par value of CHF 9.60 each. Again in 2010 no conversions were made on the 0.625% convertible bond (2004–2010).

Further information on the convertible bond can be found in the "Convertible Bonds and Options" section on page 8.

SHARES — 32 081 054 fully paid Swiss Life Holding registered shares with a par value of CHF 9.60 each were outstanding on the balance sheet date. Subject to the 10% limit on voting rights set out in the Articles of Association (cf. the section on "Shareholders' participation rights" on page 30), each share grants the right to one vote at the General Meeting of Shareholders.

There are no outstanding shares with either increased or limited voting rights, privileged or restricted voting rights, privileged dividend entitlements or other preferential rights.

There are no other equity securities besides the registered shares mentioned above, nor do any participation certificates or dividend right certificates exist.

Regulations are in place to govern transactions in Swiss Life Holding shares carried out by Swiss Life Group employees. Pursuant to the Code of Compliance and the Swiss Life Group's Directive on Insider Information, all purchases and sales of Swiss Life Holding securities made by members of senior management or employees who are privy to confidential information are subject to a reporting requirement. In addition, blackout periods are imposed annually from 1 January until 24 hours after the year-end results have been presented and from 1 July until 24 hours after the half-year results have been presented.

Additional information on the Swiss Life share is available in the section "Information on Share Performance and Historical Comparison" on pages 72 and 73 in the Business Review.

LIMITATIONS ON TRANSFERABILITY AND NOMINEE REGISTRATIONS — Swiss Life Holding shares are not subject to any limitations on transferability. According to the Articles of Association, resolutions for the introduction, amendment or repeal of limitations on transferability must be put before the General Meeting of Shareholders and must be approved by two thirds of the voting shares represented and by an absolute majority of the share par value represented.

The Board of Directors may refuse to recognise an acquirer as a shareholder with voting rights if, upon request, the acquirer does not expressly declare that he has acquired the registered shares in his own name and for his own account.

Swiss and foreign banks, securities brokers and companies acting on their behalf may be entered in the share register as nominees if they are holding shares of Swiss Life Holding in their custody for the account of the beneficial owners. Professional asset managers may also be registered as nominees if, in a fiduciary capacity, they have deposited Swiss Life Holding shares for the account of third parties with Swiss or foreign banks or securities brokers in their own name. Nominees are required to be subject to banking or financial market supervision. A request must be filed to register as a nominee. The voting right representation is restricted to 10% of the share capital overall, whereby nominees who are connected with regard to capital or voting rights under uniform management or contractual agreement will be counted as a single shareholder. The Board of Directors may approve exceptions to these restrictions on registration, observing the principle of responsible judgement. No such exceptions were granted during the period under review.

CONVERTIBLE BONDS AND OPTIONS — No convertible bond issues were outstanding on the balance sheet date. The Swiss Life Holding 0.625% issue (2004–2010) amounting to CHF 317 000 000 expired on 10 June 2010; the unconverted portion of the convertible bond on that day was repaid.

On the balance sheet date neither Swiss Life Holding nor the Group companies had granted options on rights to participate in Swiss Life Holding.

Board of Directors

FUNCTION — The Board of Directors is responsible for all matters that are not reserved for the consideration of the General Meeting of Shareholders (formally the supreme decision-making body of a public limited company) under the terms of the law (Art. 698 of the Swiss Code of Obligations OR) or by the company's Articles of Association. In line with its non-transferable duties prescribed by law the Board of Directors is responsible, in particular, for the ultimate direction of the Group, as well as the supervision of the Corporate Executive Board.

ELECTIONS AND TERMS OF OFFICE — Pursuant to the Articles of Association, the Board of Directors shall consist of no fewer than five and no more than fourteen members. The members of the Board are elected by the General Meeting of Shareholders for a maximum term of three years, and on an individual basis. The Organisational Regulations stipulate that a member of the Board of Directors shall automatically resign from the Board at the General Meeting of Shareholders in the year in which the member reaches the age of 70.

STAGGERED TERMS OF OFFICE — Due to the staggered terms of office, it is ensured that, in so far as possible, an equal number of members will come up for re-election every year. If a member resigns during his term of office, the successor will serve only for the rest of that term. Thus, with respect to the annual re-elections, an important prerequisite has been established for ensuring continuity on the Board of Directors.

COMPOSITION — In the year under review, no member of Swiss Life Holding's Board of Directors exercised any duties relating to operational management within the Swiss Life Group. Furthermore, no such duties were exercised by any Board members during the three financial years preceding the reporting period, with two exceptions: Rolf Dörig, who held the position of Chairman of the Group's Corporate Executive Board until his election to the Board of Directors in May 2008, and Carsten Maschmeyer, who was Co-CEO of AWD until March 2009.

No member of the Board has any significant business relationship with Swiss Life Holding or any other Group companies. The members of the Board of Directors of Swiss Life Holding also make up the Board of Directors of Swiss Life Ltd.

Prior to accepting appointments to the Board of Directors of other companies, the members of Swiss Life Holding's Board of Directors must receive the approval of the Board of Directors at Swiss Life Holding. Information on additional board mandates held by individual members of the Board of Directors is presented in the following.

MEMBERS OF THE BOARD OF DIRECTORS – On the balance sheet date of 31 December 2010, the Board of Directors was composed of the following members:

Name	Main function	Additional functions	Year appointed/ re-elected	Elected until
Rolf Dörig	Chairman	Chairman's and Corporate Governance Committee, Chairman	2008	2011
Gerold Bührer	1st Vice Chairman	Chairman's and Corporate Governance Committee Investment and Risk Committee, Chairman Nomination and Compensation Committee	2002/2003/2005/2008[1]	2011
Frank Schnewlin	2nd Vice Chairman	Chairman's and Corporate Governance Committee Investment and Risk Committee Nomination and Compensation Committee, Chairman	2009	2012
Volker Bremkamp	Member	Audit Committee, Chairman	2003/2004/2007/2010	2013
Paul Embrechts	Member	Investment and Risk Committee	2003/2005/2008	2011
Carsten Maschmeyer	Member	Investment and Risk Committee	2009	2012
Henry Peter	Member	Audit Committee	2006/2009	2012
Peter Quadri	Member	Audit Committee	2003/2004/2007/2010	2013
Franziska Tschudi	Member	Audit Committee Nomination and Compensation Committee	2003/2005/2008	2011

[1] Member of the Board of Directors of Swiss Life Ltd since 2000

ROLF DÖRIG — Born 1957, Swiss national
Chairman of the Board of Directors

Rolf Dörig laid the groundwork for his professional career by obtaining a doctorate in law (Dr. iur.) from the University of Zurich before being called to the bar in Zurich. Joining Credit Suisse in 1986, he assumed a number of executive responsibilities in various areas of banking and in different geographical markets. As a Member of the Executive Board, he was assigned responsibility for Swiss Corporate and Retail Banking from 2000 onwards. In 2002 he assumed the role of Chairman Switzerland of Credit Suisse. Following his move to Swiss Life, Rolf Dörig held the positions of Chairman of the Corporate Executive Board from November 2002 to May 2008 and Delegate of the Board of Directors from May 2008 to May 2009.

He became Chairman of the Board of Directors of Swiss Life Holding Ltd in May 2009.

Rolf Dörig will be put forward for re-election at the General Meeting of Shareholders of Swiss Life Holding Ltd on 5 May 2011.

Other appointments:
- Adecco S.A., Glattbrugg, Chairman of the Board of Directors
- Kaba Holding Ltd, Rümlang, Vice Chairman of the Board of Directors
- economiesuisse, Zurich, Member of the Board Committee
- Danzer AG, Baar, Chairman of the Board of Directors

GEROLD BÜHRER — Born 1948, Swiss national
First Vice Chairman of the Board of Directors

Gerold Bührer graduated in economics (lic. oec. publ.) from the University of Zurich in 1972. Following 17 years with the Union Bank of Switzerland as a member of senior management in its financial sector and a Member of the Executive Board of its fund investment company, he joined Georg Fischer Ltd in 1991, where he served as a Member of its Executive Board (Finances) from 1991 until 2000. He began working as an independent economic consultant in 2001 and, since the end of 2006, has held the office of Chairman of economiesuisse. Gerold Bührer was a Member of the Grand Council of the Canton of Schaffhausen from 1982 to 1991 and, from 1991 to 2007, a Member of the Swiss Parliament (National Councillor).

Gerold Bührer will be put forward for re-election at the General Meeting of Shareholders of Swiss Life Holding Ltd on 5 May 2011.

Other appointments:
- economiesuisse, Zurich, Chairman
- Bank Sal. Oppenheim jr. & Cie. (Schweiz) Ltd, Zurich, Member of the Board of Directors
- Cellere AG, St. Gallen, Member of the Board of Directors
- Georg Fischer Ltd, Schaffhausen, Member of the Board of Directors
- Swiss National Bank, Berne, Member of the Bank Council
- Züblin Real Estate Holding Ltd, Zurich, Member of the Board of Directors

FRANK SCHNEWLIN — Born 1951, Swiss national
Second Vice Chairman of the Board of Directors

Frank Schnewlin studied at the University of St. Gallen (lic. oec. HSG), the London School of Economics (Master of Science) and the Harvard Business School (MBA) before earning his doctorate in economics in 1983 at the University of Lausanne (Dr. ès sc. écon). From 1983 to 2001 he held various positions at the Zurich Financial Services Group in Switzerland and the USA, including Head of Corporate Center and Head of the Business Division Southern Europe, Asia/Pacific, Middle East, Africa and Latin America. From 1993 he served on the Zurich Financial Services Group's Executive Committee. From 2002 to 2007, Frank Schnewlin chaired the Baloise Group's Corporate Executive Committee as CEO and was, at the same time, Head of the International Division.

Following his election to the Board of Directors of Swiss Life Holding in May 2009, he assumed the role of Chairman of the newly established Nomination and Compensation Committee.

Other appointments:
- Vontobel Holding Ltd, Zurich, Member of the Board of Directors/Chairman of the Audit Committee
- Drosos Foundation, Zurich, Member of the Board of Trustees/Chairman of the Finance Committee

VOLKER BREMKAMP — Born 1944, German national
Member of the Board of Directors

Volker Bremkamp joined Albingia Versicherungs AG in Hamburg (a subsidiary of Guardian Royal Exchange plc, London) in 1963, receiving his qualifications as an insurance expert in 1965. Between 1969 and 1971 he was employed by various insurance companies and brokers in London and Paris. He returned to Albingia Versicherungs AG, Hamburg, in 1971, serving as an Executive Director from 1978 to 1989 and, from 1989 to 2000, as Chief Executive Officer of Albingia Lebensversicherungs AG and of Albingia Versicherungs AG. Between 1995 and 1999 Volker Bremkamp was an Executive Director and, at the same time, Group Executive Director, Continental Europe, of Guardian Royal Exchange plc, London, which was taken over by the AXA Group in 1999. From 1999 to 2000 he held the position of Executive Director of AXA Colonia Konzern AG, Cologne (holding company of AXA Germany). He has been Managing Director of BMB Bremkamp Management- und Beteiligungs-GmbH since 2000.

Other appointments:
- AON International Insurance Broker, Hamburg, Chairman of the Supervisory Board
- Everpublic AG, Hamburg, Chairman of the Supervisory Board
- WAVE Management AG, Hamburg, Chairman of the Supervisory Board
- HanseMerkur Krankenversicherungsgruppe, Hamburg, Vice Chairman of the Supervisory Board

PAUL EMBRECHTS — Born 1953, Belgian national
Member of the Board of Directors

Paul Embrechts received his master's degree in mathematics from the University of Antwerp (Belgium) in 1975 and his doctorate (Dr. sc. Math.) from the Catholic University of Leuven (Belgium) in 1979. Between 1975 and 1983 he held a post as Research Assistant at the Catholic University of Leuven. From 1983 to 1985 he was a Lecturer in Statistics at Imperial College London, before taking up a position as Lecturer at the University of Limburg (Belgium) from 1985 to 1989. Since 1989 he has held the position of Professor of Mathematics at the Swiss Federal Institute of Technology (ETH) in Zurich.

Paul Embrechts will be resigning from the Board of Directors after eight years of office with effect from the General Meeting of Shareholders of Swiss Life Holding Ltd on 5 May 2011.

CARSTEN MASCHMEYER — Born 1959, German national
Member of the Board of Directors

After studying medicine and gaining many years of sales experience in the financial services sector in various management positions, in 1988 Carsten Maschmeyer founded the company Allgemeiner Wirtschaftsdienst Gesellschaft für Wirtschaftsberatung und Finanzbetreuung mbH. In 1998 he was appointed Chairman of the Board of Management of AWD Holding AG and, in 2000, launched an initial public offering of shares in AWD. Carsten Maschmeyer sold AWD to Swiss Life at the end of 2007 and, as Co-CEO of AWD from September 2008 until March 2009, he was responsible for strategic development and opening up new markets. In January 2010 he founded MaschmeyerRürup AG – an independent and internationally focused advisor concentrating on retirement provisions for key players in banking and insurance. He heads the company as Chairman of the Board. He is also expanding CM Vermögensverwaltung GmbH & Co. KG. At the end of December 2010, Carsten Maschmeyer founded HolsboerMaschmeyer NeuroChemie GmbH together with Professor Florian Holsboer, Director of the Max Planck Institute of Psychiatry in Munich.

Other appointments:
- AWD Children's Aid Foundation, Hanover, Chairman of the Election Committee
- International Neurobionics Foundation, Hanover, Chairman of the Board
- "Germany – Land of Ideas" initiative, Hanover, Member of the Advisory Board
- Leibniz University, Hanover, Honorary Senator

HENRY PETER — Born 1957, Swiss and French national
Member of the Board of Directors

Henry Peter completed his studies in law at the University of Geneva in 1979, and in 1981 he was called to the Geneva bar. Following a pupillage in Geneva, a period of study as a visiting scholar at the University of California in Berkeley and legal work in Lugano, he obtained his PhD at the University of Geneva in 1988. Since 1988 he has been a partner in a law firm in Lugano, currently Peterlegal SA. In addition, he has held the position of Professor of Business Law at the University of Geneva since 1997. He became a Member of the Swiss Takeover Board in 2004 and a Member of the Sanction Commission of the SIX Swiss Exchange in 2007.

Other appointments:
- Sigurd Rück Ltd, Zurich, Chairman of the Board of Directors
- Cassa Pensioni della Città di Lugano, Member of the Board of Directors
- Casino de Montreux SA, Montreux, Vice Chairman of the Board of Directors/Chairman of the Audit Committee
- Otis, Fribourg, Member of the Board of Directors
- Autogrill Switzerland LTD, Olten, Member of the Board of Directors
- Swiss Olympic Association, Berne, Vice Chairman of the disciplinary chamber in charge of doping cases

PETER QUADRI — Born 1945, Swiss national
Member of the Board of Directors

Peter Quadri received his master's degree in economics and business administration (lic. oec. publ.) in 1969 from the University of Zurich. In 1970 he joined IBM as a systems engineer and software/operating systems specialist. Following various periods in the USA, Denmark and Switzerland, he held the position of CEO of IBM Switzerland from 1998 to April 2006. He now works as a management and technology consultant.

Other appointments:
- Vontobel Holding Ltd, Zurich, Member of the Board of Directors
- Bühler AG, Uzwil, Member of the Board of Directors
- Zurich Chamber of Commerce, Chairman
- Unitectra Ltd, Zurich and Berne, Chairman of the Board of Directors
- economiesuisse, Zurich, Member of the Board

FRANZISKA TSCHUDI — Born 1959, Swiss national
Member of the Board of Directors

Franziska Tschudi graduated in law at the University of Berne and passed her bar exam there in 1984. She studied law at Georgetown University, Washington DC, earning an LL.M., and passed the bar exam for the US states of New York and Connecticut in 1987. Franziska Tschudi completed postgraduate studies at the University of St. Gallen (1991 to 1993), receiving an Executive MBA. After initially working as an Assistant for Media Law at the Institute for Constitutional and Administrative Law at the University of Berne, and practising business and media law in Zurich, Washington DC and Geneva, she served as Secretary General at SIG Holding AG from 1992 to 1995. She then became a Member of the Executive Board of WICOR HOLDING AG ("WEIDMANN Group"), Rapperswil in 1995, where she was Head of Corporate Development and, from 1998, Head of the Business Area Electrical Technology Asia/Pacific. She has held the positions of Chief Executive Officer and Delegate of the Board of Directors of WICOR HOLDING AG since 2001.

Franziska Tschudi will be put forward for re-election at the General Meeting of Shareholders of Swiss Life Holding Ltd on 5 May 2011.

Other appointments:
- BIOMED AG, Dübendorf, Member of the Board of Directors
- Swiss-American Chamber of Commerce, Zurich, Member of the Board
- St. Gallen – Appenzell Chamber of Commerce and Industry, St. Gallen, Vice Chairperson
- economiesuisse, Zurich, Member of the Board of Directors
- Swissmem, Zurich, Member of the Board of Directors

RESIGNATIONS — After serving for seven years on Swiss Life's Board of Directors, Rudolf Kellenberger did not stand for re-election at the General Meeting of Shareholders in 2010 and no longer serves on the Board of Directors.

INTERNAL ORGANISATIONAL STRUCTURE — In accordance with the Articles of Association, the Board of Directors has issued Organisational Regulations setting forth the internal organisational structure and the duties and competencies of the Board of Directors, the Board of Directors' committees, the Chairman of the Board of Directors and the Corporate Executive Board. The Organisational Regulations are reviewed regularly and adjusted where necessary, most recently on 8 May 2009. They are available on the internet at www.swisslife.com, "About Swiss Life" area, "Organisation" section (www.swisslife.com/en/organisation).

The Chairman of the Board of Directors coordinates the work of the Board and the committees, and ensures reporting from the Corporate Executive Board to the Board of Directors. In urgent situations, the Chairman may also determine the necessary measures and take steps falling within the scope of the competencies of the Board until the Board of Directors takes a decision. If a timely decision cannot be reached by the Board of Directors, the Chairman is empowered to take a decision.

The Board of Directors meets as often as business requires, generally at least six times a year. Meetings are generally called by the Chairman of the Board of Directors. However, any member of the Board of Directors may request that a meeting be called, as may the Corporate Executive Board. In addition to the members of the Board of Directors, the Group CEO also generally attends the meetings or parts of meetings in an advisory capacity, as do other members of the Corporate Executive Board when required.

The Board of Directors met eight times during the year under review. The meetings lasted around three and a half hours on average. There was full attendance at all meetings, with the exception of one meeting, which one member was unable to attend. The Group CEO and the other members of the Corporate Executive Board attended all the meetings. The Board of Directors conducted parts of the meetings among themselves.

The Board of Directors regularly performs a self-assessment. Furthermore, discussions take place between the Chairman of the Board and its members on an individual basis.

Four standing committees support the work of the Board of Directors as a whole: the Chairman's and Corporate Governance Committee, the Nomination and Compensation Committee, the Investment and Risk Committee, and the Audit Committee. The Board of Directors may establish other committees to be entrusted with special tasks.

The committees of the Board of Directors sometimes call on the services of external consultants and assess their own work once a year. If the Chairman of the Board of Directors is not a member of a committee of the Board of Directors, he has the right to attend meetings (without voting rights).

CHAIRMAN'S AND CORPORATE GOVERNANCE COMMITTEE — The Chairman's and Corporate Governance Committee (Chairman's Committee) assists both the Chairman of the Board of Directors in performing his leadership and coordination duties and the Board of Directors with issues relating to corporate governance. The Committee also supports the Board of Directors in key strategic decisions.

The Chairman of the Board of Directors presides over meetings. As a rule, the Group CEO attends the Chairman's Committee meetings or parts of the meetings in an advisory capacity. Further members of the Corporate Executive Board and in-house or external specialists may also be invited to attend. The Chairman's Committee meets at least six times a year.

The Chairman's Committee held nine meetings during the year under review. The average duration of an ordinary meeting was around two hours. There was full attendance at all meetings, and the Group CEO was also present on each occasion.

NOMINATION AND COMPENSATION COMMITTEE – The Nomination and Compensation Committee (NCC) supports the Board of Directors with regard to setting the compensation policy and in key personnel decisions regarding appointments to the highest levels of management and related performance-based and market consistent compensation.

The NCC consists of at least three members, all of which are independent members of the Board of Directors. A Board of Director member is regarded as being independent if he has not exercised any operational management role within the Swiss Life Group for at least three years and has no or only a minor business relationship with the Group.

The NCC may invite the Group CEO to part or all of its meetings in an advisory capacity. Other members of the Corporate Executive Board and in-house or external specialists may also be invited. The NCC generally meets three times a year.

During the year under review the NCC convened a total of seven times. Each session lasted for around two hours on average. There was full attendance at all meetings.

INVESTMENT AND RISK COMMITTEE – The Investment and Risk Committee assists the Board of Directors in matters concerning investment management, financial management and risk management within the Group. The tasks of the Investment and Risk Committee include drafting proposals on the principal features of asset and liability management (ALM) and submitting them to the Board of Directors, determining the investment policy, assessing capital adequacy, verifying compliance with guidelines on investments, and establishing the risk tolerance in insurance and investment operations. The Investment and Risk Committee is vested with the authority to define various regulations and directives pertaining to the investment activities of the Swiss Life Group and must inform the Board of Directors accordingly. In addition, the Investment and Risk Committee is free to decide itself on investments at a particular level and specifies the terms of significant intra-Group financing.

Generally, the Group CIO and Group CFO attend the Investment and Risk Committee meetings or parts of meetings in an advisory capacity. The Group CEO may attend the meetings of the Investment and Risk Committee (without voting rights). Further members of the Corporate Executive Board and in-house specialists may also be invited to attend. The Investment and Risk Committee meets at least four times a year.

Seven (ordinary and extraordinary) meetings of the Investment and Risk Committee were held in the year under review. Each session lasted for around two hours on average. The attendance rate was 96%. The Chairman of the Board of Directors attended four meetings of the Investment and Risk Committee. The Group CEO was present at all meetings, with the exception of one. The Group CFO and Group CIO attended all meetings.

AUDIT COMMITTEE – The Audit Committee assists the Board of Directors in its supervision of the accounting function and financial reporting activities, as well as compliance with the legal framework. It reviews the appropriateness of the internal control structures and processes used to comply with the legal requirements. It monitors the activities of Corporate Internal Audit and the external audit services, and takes due note of their reports and recommendations. The Committee is empowered to make decisions with respect to defining the terms and conditions for mandates to external auditors and keeps the Board of Directors appropriately informed. Moreover, the Audit Committee issues the regulations for Corporate Internal Audit and sets its annual programme of activities.

Generally, the Group CFO and the Head of Corporate Internal Audit attend the Audit Committee meetings or parts of the meetings in an advisory capacity. The Group CEO may attend the meetings of the Audit Committee (without voting rights). Representatives from the external audit services are also regularly invited (cf. also "Supervisory and control instruments vis-à-vis the auditors", page 31). In addition, further members of the Corporate Executive Board or in-house specialists may also be invited to attend. The Audit Committee meets at least four times a year. The frequency of meetings depends on the financial budgeting and reporting process.

In the year under review, the Audit Committee convened four times, with a meeting lasting around three and a half hours on average. There was full attendance at all meetings. The Group CEO was present at all meetings, with the exception of one. The Group CFO, the Head of Corporate Internal Audit and representatives from the external audit services attended all meetings. To prepare for the meetings relating to the annual and half-year reports, the Audit Committee regularly calls on the services of an independent financial and business expert.

DELINEATION OF COMPETENCIES BETWEEN THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE BOARD — The Organisational Regulations of Swiss Life Holding provide for the comprehensive delegation of the executive management responsibilities of the company to the Group CEO and the Corporate Executive Board, with the exception of those duties reserved for other bodies in accordance with the law, the Articles of Association or the Organisational Regulations themselves.

The Articles of Association of Swiss Life Holding can be found at www.swisslife.com, "Shareholders & Analysts" area, "Swiss Life Share" section, "Articles of Association" subsection (www.swisslife.com/association). The Organisational Regulations are also published on Swiss Life's internet site in the "About Swiss Life" area, "Organisation" section (www.swisslife.com/en/organisation).

The Corporate Executive Board bears responsibility in particular for the implementation of the corporate strategy, for the conditions governing business operations and for financial guidance. It is further responsible for preparing the resolutions for the Board of Directors and its committees, and for monitoring the implementation of these decisions in the Group. It is vested with the authority to rule on business referred to it by the Board of Directors, the Board of Directors' committees and the Chairman of the Board of Directors, insofar as approval or a decision is not reserved exclusively to the delegating body.

INFORMATION AND CONTROL INSTRUMENTS OF THE BOARD OF DIRECTORS VIS-À-VIS THE CORPORATE EXECUTIVE BOARD — The Board of Directors is continually and comprehensively briefed on the activities of the Corporate Executive Board. The Group CEO regularly informs the Chairman of the Board of Directors and the Board of Directors and its committees on the course of business, new business activities and significant projects. The Group CEO informs the Chairman of the Board of Directors immediately of any extraordinary matters. Considerable expenditure which is unbudgeted for and amounts to more than 10% of the relevant budget must be submitted to the Chairman's and Corporate Governance Committee for approval. Similarly, significant investments and divestments require the approval of the Investment and Risk Committee or, when they reach a certain level, the approval of the Board of Directors as a whole.

If required, the Board of Directors and its individual committees regularly invite all or some members of the Corporate Executive Board and in-house specialists to its meetings. Outside the meetings, each member of the Board of Directors may request information about the course of business from the Corporate Executive Board subject to the prior notification of the Chairman of the Board of Directors. Requests for information on individual transactions require the prior approval of the Chairman of the Board of Directors.

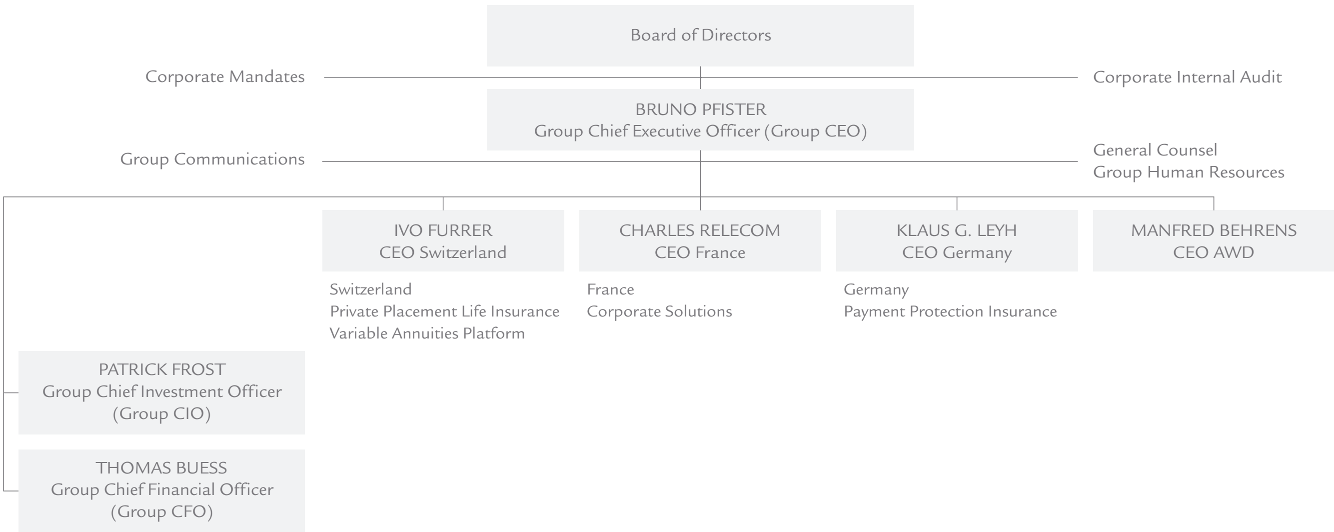
The Chairman of the Board of Directors may participate (without voting rights) in the meetings of the Corporate Executive Board. He receives the invitations and the minutes of the meetings.

Corporate Internal Audit, which reports directly to the Chairman of the Board, represents a suitable means of independent monitoring and information gathering for the Board of Directors. Regular meetings take place between the Chairman of the Board of Directors and the Head of Corporate Internal Audit, as well as between the Chairman of the Audit Committee and the Head of Corporate Internal Audit. Implementation of the measures recommended by Corporate Internal Audit is monitored by Group Compliance & Operational Risk Management. The Audit Committee regularly receives a report on operational risk management within the Swiss Life Group. Swiss Life's Internal Control System (ICS) also serves the

Board of Directors for information and controlling purposes. Further details on this system are available in the "Risk Management" section on page 33.

The performance of the Corporate Executive Board and the contributions made by the individual members are regularly discussed and evaluated by the Chairman's and Corporate Governance Committee, the Nomination and Compensation Committee and the Board of Directors, with no members of the Corporate Executive Board being present. The acceptance of directorships and senior political or military roles by members of the Corporate Executive Board is subject to the consent of the Chairman of the Board of Directors.

Management structure as at 31 December 2010



Corporate Executive Board

The Group CEO directs the business operations of the Group. The Group CEO, together with the Corporate Executive Board, works out the long-term objectives and strategic orientation of the Group for submission to the Board of Directors and, based on the resolutions of the Board of Directors, ensures the goal-oriented leadership and development of the Group. The Corporate Executive Board can form committees to address specific areas and can delegate competencies to such Corporate Executive Board committees.

The organisation and division of tasks within the Corporate Executive Board reflects the key business areas and functions. The members of the Corporate Executive Board have a direct management role with functional management responsibility for cross-divisional competencies. The members of the Corporate Executive Board are responsible for setting objectives, financial planning, HR management and achievement of objectives within their division. They issue directives for their division within the context of legal and regulatory requirements, the relevant regulations and the Group directives valid for the Group as a whole.

The Corporate Executive Board is responsible for implementation of the corporate strategy, for the establishment of conditions governing business operations and for financial guidance. It is responsible for the preparation of the resolutions for the Board of Directors and its committees, and for monitoring the implementation of these decisions in the Group. The Corporate Executive Board is vested with the authority to rule on business referred to it by the Board of Directors, the Board of Directors committees and the Chairman of the Board of Directors, insofar as decision or approval is not reserved exclusively to one of these.

The Corporate Executive Board may delegate operational responsibility for the management of subsidiaries to individual members of the Corporate Executive Board.

MEMBERS OF THE CORPORATE EXECUTIVE BOARD — On 31 December 2010 the Corporate Executive Board of Swiss Life Holding was composed of the following members:

Name	Function	Member of the Corporate Executive Board since
Bruno Pfister	Group CEO	01.08.2002
Ivo Furrer	CEO Switzerland	01.09.2008
Klaus G. Leyh	CEO Germany	01.10.2008
Thomas Buess	Group CFO	01.08.2009
Charles Relecom	CEO France	01.07.2008
Patrick Frost	Group CIO	01.07.2006
Manfred Behrens	CEO AWD	08.05.2008

BRUNO PFISTER – Born 1959, Swiss national
Group Chief Executive Officer (Group CEO)

Bruno Pfister graduated from the University of Geneva with a master's degree in law before being called to the bar in Geneva. Following completion of his business management studies (MBA from the UCLA Graduate School of Management in Los Angeles), the initial stages of his career saw him working for Chase Manhattan Bank in London and Geneva. From 1988 onwards he was a management consultant for McKinsey & Co in Zurich. In 1996 Bruno Pfister became Chief of Staff of the Private Banking division at Liechtenstein Global Trust (LGT) where he managed a global strategic project before being appointed Chief Financial Officer of LGT Group and LGT Bank in Liechtenstein in 1998. In 1999, as a Member of the Credit Suisse Group Executive Board, he took over as Head of Customer Segment Management and Product Management at Credit Suisse.

Bruno Pfister has been with the Swiss Life Group since August 2002, initially as Group Chief Financial Officer (Group CFO) and, as of 1 January 2006, Chief Executive Officer International (CEO International). He assumed the position of Group Chief Executive Officer (Group CEO) of the Swiss Life Group in May 2008.

Other appointments:
- Gottex Fund Management Holdings Limited, St. Peter Port, Guernsey, Member of the Board of Directors
- Swiss Insurance Association (SIA), Zurich, Member of the Board and the Board Committee
- SIX Exchange Regulation, Zurich, Member of the Regulatory Board and Issuers Committee (until June 2010)
- Avenir Suisse, Member of the Board of Trustees and Member of the Finance Committee

IVO FURRER – Born 1957, Swiss national
Chief Executive Officer Switzerland (CEO Switzerland)

Ivo Furrer graduated in law from the universities of Zurich and Fribourg and earned his PhD with a thesis on employee benefits. He joined Winterthur Life in 1982, initially working in group insurance marketing and later assuming various project management roles relating to strategy development and expansion of Winterthur's international insurance business in Europe, Canada and the USA. In 1992 he relocated to the USA, where he worked in underwriting. From 1994 to 1997 he held a number of management positions at Winterthur International in London (including that of Managing Director) before being appointed Chief Underwriting Officer of this business area in 1998. In 1999 he moved to Credit Suisse Group, where he developed and implemented an internet bank in Luxembourg and was subsequently appointed Head of e-Investment Services Europe and member of the Personal Financial Services' management. Ivo Furrer began working for Zurich Financial Services in 2002, initially in Germany as head of the international key account business, and in 2005 as a Member of the Global Corporate Executive Committee with responsibility for the development of key account and distribution management at global level. In 2007 he was appointed CEO Life Switzerland and Member of the Global Life Executive Committee of Zurich Financial Services.

On 1 September 2008 Ivo Furrer joined the Swiss Life Group as Member of the Corporate Executive Board and Chief Executive Officer Switzerland (CEO Switzerland).

Other appointments:
- Swiss Insurance Association (SIA), Zurich, Chairman of the Life Insurance Committee
- German-Swiss Chamber of Commerce, Zurich, Member of the Board

KLAUS G. LEYH — Born 1966, German national
Chief Executive Officer Germany (CEO Germany)

After graduating with a degree in economics from the University of Augsburg, Klaus G. Leyh worked for two years as a market researcher and advisor in the consumer goods industry. In 1995 he changed to the insurance sector, building up Generali's Market Research department in Munich. He subsequently held management positions in marketing, product management and e-business at Generali Lloyd Versicherung AG, AXA Colonia Konzern and ARAG Lebens- und Krankenversicherung, and received a Master of Business Research (MBR) from the Ludwig Maximilian University of Munich. In 2001 Klaus G. Leyh joined Swiss Life in Germany as the head of its e-commerce and e-business activities and was assigned responsibility for distribution service, control and promotion in 2002. From January 2006 to September 2008 he held the position of Chief Market Officer and Member of the Executive Board of Swiss Life in Germany with responsibility for the entire sales force, distribution management, service and control.

On 1 October 2008 Klaus G. Leyh was appointed Chief Executive Officer of Swiss Life in Germany (CEO Germany) and Member of the Swiss Life Group's Corporate Executive Board.

Other appointments:
– German Insurance Association (GDV), Berlin, Member of the Main Committee Life Insurance
– DEPFA Holding Verwaltungsgesellschaft mbH, Düsseldorf, Member of the Supervisory Board

THOMAS BUESS — Born 1957, Swiss national
Group Chief Financial Officer (Group CFO)

After completing his business administration and economics studies at the University of St. Gallen and a two-year research activity at the Institute of International Economics, Thomas Buess launched his career in insurance in 1985. From 1985 to 1993 he assumed various positions in the area of finance at the ELVIA Group. In 1994 he joined Zurich Financial Services Group as Chief Financial Officer and Member of the Executive Committee of the Swiss P&C business unit. From 1997 to 1999 he was Chief Financial Officer of all Swiss operations. In 1999 Thomas Buess moved to the USA as Chief Financial Officer of Zurich Financial Services Group's North American business area. In 2002 he was appointed Group Chief Financial Officer and Member of the Group Management Board. Thomas Buess went on to head the reorganisation of the life insurance business before assuming the role of Chief Operating Officer of Zurich Financial Services Global Life in 2004. In January 2009 he moved to Allianz Group as Head of Operational Transformation.

In August 2009 Thomas Buess joined the Swiss Life Group as Group Chief Financial Officer (Group CFO) and Member of the Corporate Executive Board.

Other appointments:
– Swiss Insurance Association (SIA), Zurich, Member of the Finance and Regulation Committee

CHARLES RELECOM — Born 1953, Belgian national
Chief Executive Officer France (CEO France)

Charles Relecom graduated from the University of Namur (Belgium) with a degree in mathematics and went on to gain a master's degree in Actuarial Science at the University of Louvain (Belgium). He began his career in 1978 as Chief Actuary and Chief Technology Officer at Swiss Life in Belgium. In 1984 he moved to the head office in Zurich, where he played a significant role in setting up the International Division. From 1988 to 1994 he worked for ELVIA Life as Director of Sales in the key accounts business. In 1994 he moved to «La Suisse» and, in 1998, was appointed CEO of the non-life business and Chief Actuary. In 2000 he became the CEO of «La Suisse», a position he held until 2005 when the company was integrated into the Swiss Life Group. Following the integration, Charles Relecom returned to Swiss Life in Belgium, initially as the CEO of Zelia S.A. and, from February 2006, as CEO for the entire Belgian business.

On 1 July 2008 Charles Relecom was appointed Chief Executive Officer France (CEO France) of the Swiss Life Group and Member of the Corporate Executive Board.

Other appointments:
- Member of the French Insurance Association (FFSA), Paris

PATRICK FROST — Born 1968, Swiss national
Group Chief Investment Officer (Group CIO)

Patrick Frost studied at the ETH in Zurich and the universities of Cologne, Basel and Zurich, obtaining degrees in natural science (dipl. Natw. ETH, 1993), economics (Dr. rer. pol., 1998) and law (lic. iur., 2001). He began his professional career in 1996 as a portfolio manager and analyst in financial engineering at Winterthur Group. Between 1999 and 2001 he was employed as a Senior Bond Portfolio Manager at Winterthur Investment Management Corp. in New York. He became the Head of Global Fixed Income at Winterthur Group in 2001, where he played a key role in the further strategic development of its asset management.

In July 2006 Patrick Frost was appointed Group Chief Investment Officer (Group CIO) of the Swiss Life Group and Member of the Corporate Executive Board.

Other appointments:
- Castle Alternative Invest AG, Freienbach, Member of the Board of Directors (until 17 May 2011)
- Technopark Zurich, Member of the Board of Trustees

MANFRED BEHRENS —Born 1955, German national
Chief Executive Officer AWD (CEO AWD)

After graduating in law, Manfred Behrens initially worked as an attorney in a Hamburg-based law firm. In 1984 he moved to Hamburg Mannheimer AG, where he assumed various leading positions in the areas of law and sales and went on to become regional manager. He joined Volksfürsorge Deutsche Lebensversicherungs-AG in May 1996 and, in 1998, was appointed Member of the Board of Directors with responsibility for sales and marketing. Manfred Behrens moved to Swiss Life in January 2004, where he held the position of Chief Executive Officer of Swiss Life in Germany (CEO Germany) until August 2008. He was appointed Co-Chief Executive Officer of AWD (Co-CEO AWD) in September 2008. In April 2009 he assumed the role of Chief Executive Officer of AWD (CEO AWD).

Manfred Behrens has been a Member of Swiss Life's Corporate Executive Board since May 2008.

Other appointments:
- Aareal Bank, Wiesbaden, Member of the Supervisory Board
- Commerzbank, Frankfurt am Main, Member of the Regional Advisory Committee North

RESIGNATIONS — There were no resignations from the Corporate Executive Board during the period under review.

Transfer of Management Tasks

No management tasks have been contractually delegated to third parties by Swiss Life Holding.

Report on Compensation

The specifications below follow the directives on information relating to corporate governance issued by the SIX Swiss Exchange and take into consideration the transparency regulations set out in the Swiss Code of Obligations Art. 663b^{bis} and Art. 663c as well as Circular 2010/1 of the Swiss Financial Market Supervisory Authority FINMA on minimum standards for remuneration schemes of financial institutions. Further information on compensation and benefit expenditure for the management and employees of the Swiss Life Group can be found in the Consolidated Financial Statements (Notes 24 and 31). In addition, the compensation of the members of the Board of Directors and the Corporate Executive Board, and their participation interests, are shown in the Notes to the Swiss Life Holding Financial Statements.

The information in this report is presented in the same way as the previous year. Also included in the information on compensation disclosed for the period under review is the variable compensation to Corporate Executive Board members as a cash bonus for the 2010 financial year, determined and payable at the beginning of 2011. Likewise, the variable compensation payable for the 2010 financial year in the form of blocked shares amounting to 10% of the fixed compensation, which was allocated to members of the Board of Directors at the beginning of 2011, is shown as part of the compensation for 2010.

In accordance with the transparency requirements, the compensation received by each member of the Board of Directors and the Chairman of the Corporate Executive Board (Group CEO) is disclosed individually.

COMPENSATION POLICY PRINCIPLES — The Board of Directors as a whole is responsible for establishing the guidelines on the Group's compensation policy (incl. bonus and equity compensation plans) and on employee benefit institutions. The compensation policy underpins the performance culture required by the corporate strategy and is part of the HR policy. The aim is to retain well-qualified employees and gain new, highly skilled staff. The compensation system must be competitive and in line with the market environment. The individual overall compensation takes into account the employee's professional skills, engagement and personal performance. It is made up of a basic salary, a variable bonus based on achievement of the annual objectives, which is generally paid in cash and possibly in shares, as well as a deferred mid- to long-term salary component (equity compensation plan) and contributions to occupational provisions and risk insurance.

The salary is determined according to the employee's function and skill set, and is annually re-assessed and adjusted if appropriate. Salary comparison studies and recognised job evaluation systems are used to check appropriateness and to ensure internal and external comparability.

The variable compensation components are linked to the strategic objectives of the Group and the individual divisions, and the associated financial and HR-related targets. The variable bonus in cash and possibly in shares is based on achievement of the annual objectives. It is determined on the basis of the actual performance of individuals or teams (performance-linked payment) in relation to the objectives set and the Swiss Life Group's annual result (share in the company's success). Quantitative and qualitative performance is also always assessed on the basis of the competencies required for the function held, such as professional expertise, entrepreneurship, task fulfilment, cooperation and leadership. The percentage weighting between the individual and/or team performance and the share in the company's success depends on the position and responsibilities of the function holder.

The share in the company's success is measured using quantitative Group objectives (Key Performance Indicators, KPIs). The main KPIs, besides the key figures relating to annual profit, costs, business volume, return on equity and solvency, are the profitability of in-force and new business and margin development.

Personal performance based on the specified quantitative and qualitative objectives is assessed annually in the employee appraisal procedure implemented throughout the Group (Group Performance System, GPS). Two assessment elements/models are used for determining objectives and evaluating performance: The Group Objectives Model (GOM) relating to qualitative and quantitative objectives and the Group Competency Model (GCM) for measuring and assessing individual competencies.

For persons responsible for risk management and risk control, the quantitative objectives are set in such a way that performance is not linked to the result of the monitored business unit, specific products or transactions.

In order to be eligible for any variable compensation, a GPS target achievement of at least 80% is required.

Permanent employment contracts in Switzerland contain notice periods of between three and twelve months, depending on position and seniority. All current employment contracts with members of the Corporate Executive Board in Switzerland specify a notice period of twelve months. Contracts abroad are adapted to local circumstances.

PRACTICE AND PROCEDURE — Pursuant to the Organisational Regulations, the Board of Directors as a whole is responsible for determining the level and make-up of compensation for its members, whereas the Nomination and Compensation Committee is responsible for putting forward appropriate proposals. The Board of Directors also establishes the guidelines for the company's compensation policy. In doing so, it takes into consideration the compensation policies of other companies in the financial services industry, drawing its findings from publicly available information and, as necessary, studies by external experts. Comparable companies in the insurance sector in Switzerland used for the purposes of providing relevant information for the current compensation policy included Allianz, AXA, Baloise Insurance, Swiss Re and Zurich Financial Services.

The Board of Directors as a whole sets the level and distribution of the variable compensation pool for all employees on the basis of its compensation policy guidelines upon a proposal by the Nomination and Compensation Committee. When determining the level of the allocation to the compensation pool, it takes into consideration the annual result, as well as the degree of achievement of medium-term planning targets. The Board of Directors as a whole is also responsible for determining the individual compensation of members of the Corporate Executive Board. It carries out a semi-annual performance assessment of all members of the Corporate Executive Board, based on preparatory work by the Nomination and Compensation Committee. In addition, current aspects of HR policy and in particular succession planning are regularly discussed at meetings of the Board of Directors.

An equity compensation plan exists as a mid- to long-term salary component within the framework of the compensation arrangements for members of the Corporate Executive Board and other key performers within the Swiss Life Group, who are determined by the Corporate Executive Board with the approval of the Nomination and Compensation Committee. Based on this plan, participants are granted future subscription rights to Swiss Life Holding shares in the form of Performance Share Units (PSUs). These subscription rights entitle them to receive Swiss Life Holding shares free of charge after a period of three years has elapsed, provided that the prerequisites under the plan have been satisfied at that point. The granting of this compensation component is in any case deferred for three years from the date of allocation and thus takes into consideration development in the meantime (deferred compensation).

Pursuant to the regulations of the 2008, 2009 and 2010 equity compensation plans, two objective performance criteria have been defined, each weighted at 50%. The first criterion is the Total Shareholder Return on the Swiss Life Holding share (TSR Swiss Life Holding), requiring a performance of over 20% for a subscription right to shares to arise after three years. The second criterion involves a comparison of the Swiss Life Holding share's TSR with the TSRs of the shares of the companies included in the Dow Jones STOXX 600 Insurance Index

(TSR Outperformance). A subscription right arises if the performance on expiry of the three-year term is above the first quartile in comparison with the companies in question. Depending on the fulfilment of the two performance criteria within the three-year period, the number of PSUs can increase by up to a factor of 1.5 and 2.0 respectively, or drop to zero. Performance requirements for the 2010 equity compensation plan have been increased over the 2008 and 2009 plans to the extent that 35% performance (previously 30%) is required in the TSR Swiss Life Holding for factor 1 and at least 50% performance (previously 40%) for the maximum factor. The maximum factor has in turn been increased from 1.5 or 150% to 2 or 200%.

47 members of the Swiss Life Group senior management, including members of the Corporate Executive Board, participated in the 2008 equity compensation plan. A total of 52 618 PSUs were allocated, 23 695 to the Corporate Executive Board, of which 5924 to Bruno Pfister as Group CEO. In 2009, 65 members of the Swiss Life Group senior management took part in the plan, in which a total of 53 216 PSUs were allocated; 22 200 to the Corporate Executive Board, of which 6500 to Bruno Pfister in his capacity as Group CEO. In the period under review, 69 members of the Swiss Life Group senior management participated in the 2010 equity compensation plan, which came into effect on 1 April 2010. A total of 68 510 PSUs were allocated; 24 700 to the Corporate Executive Board, of which 6500 to Group CEO, Bruno Pfister.

From 2011, participants in the equity compensation plan will be allocated Restricted Share Units (RSUs) instead of PSUs. As with PSUs, RSUs grant the holder future subscription rights, entitling them to receive Swiss Life Holding shares free of charge after a three-year period has elapsed, but without any additional performance leverage. The attribution of shares after the expiry of the three-year deferral period will be effected in future on a 1:1 basis (1 RSU = 1 share); the plan is therefore very simple and the process transparent throughout the whole term. The value of RSUs during the three-year term develops linear with the Swiss Life Holding share price and thus systematically corresponds with shareholder interests. The plan also provides for adjustment and reclaiming mechanisms (clawback).

COMPENSATION PAID TO ACTING MEMBERS OF GOVERNING BODIES — The following compensation in cash was received by acting members of the Board of Directors and the Corporate Executive Board during the period under review:

In CHF

	2010	2009
Board of Directors	**1 979 503**	2 426 217
Corporate Executive Board	**9 600 995**[1]	9 573 342[2]

1 Incl. cash bonus of CHF 4 475 000 for the 2010 financial year, determined at the beginning of 2011.
2 Incl. cash bonus of CHF 3 550 000 for the 2009 financial year, determined at the beginning of 2010.

Two members of the Board of Directors resigned in the 2009 financial year. Bruno Gehrig resigned from his position as Chairman of the Board of Directors of Swiss Life Holding after the General Meeting of Shareholders on 7 May 2009 due to his election to the Board of Directors of UBS AG in October 2008. After serving for six years, Pierfranco Riva stepped down from the Board of Directors at the 2009 General Meeting of Shareholders after reaching the statutory age limit. Two new members were appointed: Frank Schnewlin and Carsten Maschmeyer. Rolf Dörig ceded the position of Delegate of the Board of Directors with effect from 7 May 2009 to take over from Bruno Gehrig as Chairman of the Board of Directors.

There was one resignation from the Board of Directors in the period under review. After serving for seven years on the Swiss Life Board of Directors, Rudolf Kellenberger announced his resignation with effect from the General Meeting of Shareholders of 6 May 2010.

In the 2009 financial year, the composition of the Corporate Executive Board changed as follows: Reto Himmel, Group Chief Technology & Operations Officer (Group CTO), left the Corporate Executive Board with effect from 31 March 2009 due to the discontinuation of the Group CTO function. Thomas Buess joined the Board as of 1 August 2009 as Group Chief Financial Officer (Group CFO), replacing Thomas Müller who resigned from the Corporate Executive Board with effect from 30 June 2009.

There were no personnel changes on the Corporate Executive Board during the year under review.

Compensation remitted to members of the Board of Directors comprises the basic compensation, additional compensation in cash and possibly variable compensation in the form of blocked shares. The basic compensation, which is paid 80% in cash and 20% in blocked Swiss Life Holding shares, takes into account membership of the Board of Directors of Swiss Life Holding and its subsidiary Swiss Life Ltd as well as membership of the individual Board Committees. The additional compensation in cash is commensurate to the function and workload and is determined annually by the Board of Directors. If Swiss Life Group's business operations have proved successful, a further, variable compensation component of up to a maximum of 15% of the fixed compensation may be remitted in the form of blocked Swiss Life Holding shares; this is decided by the Board of Directors, taking into consideration the business results.

The acting members of the Board of Directors of Swiss Life Holding on the balance sheet date received the following compensation for the period under review:

	Compensation in cash in CHF	Shares with three-year blocking period		
		Part of basic compensation	Part of variable compensation for the 2010 financial year[1]	Total
Rolf Dörig	**960 000**	1 970	761	**2 731**
Gerold Bührer	**254 000**	297	184	**481**
Frank Schnewlin	**174 000**	297	134	**431**
Volker Bremkamp	**126 000**	198	96	**294**
Paul Embrechts	**82 000**	149	64	**213**
Carsten Maschmeyer	**72 668**	131	56	**187**
Henry Peter	**82 000**	149	64	**213**
Peter Quadri	**82 000**	149	64	**213**
Franziska Tschudi	**92 668**	169	72	**241**

[1] Allocated at the beginning of 2011 with value of 04.03.2011

Until leaving the Board of Directors at the General Meeting of Shareholders of 6 May 2010, Rudolf Kellenberger was paid compensation in cash to the amount of CHF 54 167 and, as part of the basic compensation, 110 shares, which were subject to a three-year blocking period.

As Chairman of the Board, Rolf Dörig is affiliated to the employee benefits institutions of Swiss Life for the purpose of occupational provisions. No such affiliation exists for other members of the Board of Directors and no contributions have been made on their behalf.

Compensation remitted to members of the Corporate Executive Board comprises the basic salary, a variable bonus in cash, other compensation (child allowances, allowance for years of service, company cars, premium contributions to 3rd pillar pension plans), as well as possible variable compensation in the form of shares. The members of the Corporate Executive Board also take part in a mid- to long-term equity compensation plan which, as mentioned above, entitles them to Swiss Life Holding shares after a period of three years has elapsed, provided that the relevant requirements have been satisfied at that point.

Salary is determined annually by the Board of Directors, on the basis of a proposal by the Nomination and Compensation Committee, taking into account the individual member's function-related responsibility.

The cash bonus is determined by the Board of Directors in accordance with the described compensation policy principles and based on the company result and the achievement of personal goals assessed in the employee appraisal procedure implemented throughout the Group (Group Performance System, GPS). The bonus is set at a maximum of 35% of total compensation ("bonus cap") and requires that all objectives have been considerably exceeded.

At Corporate Executive Board level, the amount of the bonus depends 60% directly on the company's success. As mentioned above, the following key figures are included in the Key Performance Indicators (KPIs) used to assess company success: The annual profit, costs, business volume, return on equity and solvency, as well as the profitability of in-force and new business and margin performance. The weighting of the individual KPIs is determined by the Board of Directors. 40% of the bonus is based on Corporate Executive Board members' achievement of specified personal goals. On the one hand, these personal goals are linked back to the company's success, in that each Corporate Executive Board member has to meet personal quantitative objectives contributing to the company's success in relation to his division. On the other hand, the personal goals cover qualitative factors, namely project targets, risk management and compliance goals, as well as requirements relating to leadership and to supporting and further developing corporate culture.

COMPENSATION PAID TO FORMER MEMBERS OF GOVERNING BODIES — None.

SHARE ALLOTMENT IN THE YEAR UNDER REVIEW — Some of the shares allotted to the members of the Board of Directors in the period under review form part of their basic compensation, 80% of which was granted in cash and 20% in blocked Swiss Life Holding shares. The remaining shares were allotted at the beginning of 2011 as variable compensation amounting to 10% of the fixed compensation based on the good business results in the 2010 financial year. All shares are subject to a three-year blocking period.

No variable compensation in shares was granted to the members of the Corporate Executive Board for the 2010 financial year. As described, they are participating in the current equity compensation plan.

For the 2010 financial year, the members of the Board of Directors were allotted the following shares, subject to a three-year blocking period:

Board of Directors	5114 shares, allocated at values of CHF 95.464, CHF 110.242 and CHF 132.492[1]. The shares are subject to a three-year blocking period.
Corporate Executive Board	none

[1] Economic value equal to the tax value, taking the blocking period into account. The share prices (closing prices) on the days of allocation of 18.06.2010, 15.12.2010 and 04.03.2011 were CHF 113.70, CHF 131.30 and CHF 157.80 respectively.

No shares were allocated to closely linked parties[2] within the meaning of the law.

[2] "Closely linked parties" are natural persons and legal entities pursuant to Art. 678 of the Swiss Code of Obligations that have close personal, economic, legal or de facto ties with members of the governing body. This typically includes spouses, minor children, companies controlled by members of the governing body, and natural or legal persons serving the members of the governing body in a fiduciary capacity.

SHARE OWNERSHIP — On the balance sheet date of 31 December 2010, acting members of the Board of Directors and the Corporate Executive Board (including closely linked parties) held the following number of Swiss Life Holding registered shares:

	SLH shares 31.12.2010
Rolf Dörig	**35 247**
Gerold Bührer	**2 782**
Frank Schnewlin	**485**
Volker Bremkamp	**1 465**
Paul Embrechts	**1 094**
Carsten Maschmeyer	**1 620 861**
Henry Peter	**2 174**
Peter Quadri	**1 874**
Franziska Tschudi	**1 114**
TOTAL BOARD OF DIRECTORS	**1 667 096**

	SLH shares 31.12.2010
Bruno Pfister	**9 068**
Ivo Furrer	**0**
Klaus G. Leyh	**53**
Charles Relecom	**0**
Thomas Buess	**2 500**
Patrick Frost	**4 013**
Manfred Behrens	**698**
TOTAL CORPORATE EXECUTIVE BOARD	**16 332**

The number of future subscription rights to Swiss Life Holding shares allocated in the context of the above-mentioned equity compensation plan to members of the Corporate Executive Board in the form of Performance Share Units (PSUs), the exercise of which depends on the fulfilment of specific performance criteria, is shown in table form in the Notes to the Swiss Life Holding Financial Statements.

OPTIONS — No share options have been granted in the Swiss Life Group since 2003 and no options are outstanding.

ADDITIONAL HONORARIUMS AND REMUNERATIONS — In the period under review no additional honorarium or remuneration payments were made to the members of the Board of Directors or the Corporate Executive Board.

AWD Holding AG and its subsidiaries paid a total of EUR 44 625 in consulting fees for services provided to the AWD Group to a company in which the Board of Directors member Carsten Maschmeyer has an important shareholding.

LOANS — On the balance sheet date, there were no loans outstanding to members of the Board of Directors or the Corporate Executive Board:

	31.12.2010
Board of Directors	**none**
Corporate Executive Board	**none**

EXPENDITURE FOR OCCUPATIONAL PROVISIONS — Details on the company's benefit expenditure can be found in the Consolidated Financial Statements (Notes 24 and 31) and the Notes to the Swiss Life Holding Financial Statements. For reasons of transparency, information on the following benefits is provided here.

As Chairman of the Board of Directors, Rolf Dörig is affiliated to the employee benefits institutions of Swiss Life for the purpose of occupational provisions. The regular annual employer contribution in the period under review amounted to CHF 195 656.

No such affiliation to employee benefits institutions of Swiss Life exists for other members of the Board of Directors and no contributions have been made on their behalf.

For Group CEO Bruno Pfister, the regular employer contribution in the period under review totalled CHF 234 220. This amount comprises the annual contribution of CHF 185 239 and a supplementary payment of CHF 48 990 in accordance with the pension fund regulations due to an increase in insured salary.

Expenditure for occupational provisions on behalf of the remaining members of the Corporate Executive Board totalled CHF 976 910 (regular annual contributions of CHF 848 645 and supplementary payments of CHF 128 265 in accordance with the pension fund regulations due to an increase in insured salary).

HIGHEST TOTAL COMPENSATION, BOARD OF DIRECTORS — As Chairman of the Board of Directors, Rolf Dörig received the highest total compensation for a member of the Board of Directors of Swiss Life Holding in 2010.

The basic compensation of members of the Board of Directors is paid 80% in cash and 20% in blocked Swiss Life Holding shares. As a result of the good business results, variable compensation for the 2010 financial year was paid to members of the Board of Directors at the beginning of 2011 in the form of blocked shares amounting to 10% of the fixed compensation. No variable compensation components in shares had been allocated to members of the Board of Directors for the 2009 financial year.

The compensation granted to Rolf Dörig in the period under review in the form of cash, shares and contributions to occupational provisions was as follows:

In CHF

Compensation in cash	**960 000**	
Shares [1]	**302 399**	2731 SLH shares with three-year blocking period[1]
Share options	**none**	
Total compensation 2010		
in cash and shares	**1 262 399**	
including annual contribution to occupational provisions of CHF 195 656	**1 458 054**	
Total compensation 2009		
in cash and shares	1 238 690	
including annual contribution to occupational provisions of CHF 195 656	1 434 346	

[1] On the one hand as part of the basic compensation and, on the other, as variable compensation in blocked shares for the 2010 financial year allocated at the beginning of 2011. The allocation was effected on 18.06.2010, 15.12.2010 and 04.03.2011 at an economic value of CHF 95.454, CHF 110.242 and CHF 132.492, which is equal to the tax value, taking into account the blocking period of three years. The share prices on the days of allocation were CHF 113.70, CHF 131.30 and CHF 157.80 respectively.

HIGHEST TOTAL COMPENSATION, CORPORATE EXECUTIVE BOARD — As Group CEO, Bruno Pfister received the highest total compensation for a member of the Corporate Executive Board in the period under review.

The compensation granted in 2010 to Bruno Pfister in the form of cash, shares and contributions to occupational provisions was as follows:

In CHF	
Compensation in cash [1]	**2 485 435**
Shares	**none**
Share options	**none**
Total compensation 2010 [2]	
in cash and shares	**2 485 435**
including regular contribution to occupational provisions of CHF 234 220 [3]	**2 719 655**
Total compensation 2009 [4]	
in cash and shares	2 178 553
including annual contribution to occupational provisions of CHF 175 801	2 354 354

1 Including cash bonus of CHF 1 200 000 for the 2010 financial year, determined at the beginning of 2011, and other compensation in cash (child allowances, company car, premium contribution).

2 Excluding the mathematical value of the PSUs allocated in 2010; incl. the mathematical value of CHF 974 870, total compensation amounted to CHF 3 694 525.

3 Annual contribution of CHF 185 230 and a supplementary payment of CHF 48 990 due to an increase in insured salary.

4 Excluding the mathematical value of the PSUs allocated in 2009; incl. the mathematical value of CHF 332 930, total compensation amounted to CHF 2 687 284.

In addition to compensation in the form of cash, shares and contributions to occupational provisions, Bruno Pfister was allocated 6500 future subscription rights in the form of Performance Share Units (PSUs) as part of the three-year equity compensation plan. These entitle him to Swiss Life Holding shares as at 1 April 2013, provided that the relevant requirements have been satisfied at that point (deferred compensation). Depending on how the two defined performance criteria develop, the number of PSUs can increase by a factor of 2 or drop to zero. On the allocation date of 1 April 2010, the fair value of one PSU was CHF 149.98.

Taking into consideration the mathematical value of the PSUs allocated in 2010, which came to CHF 974 870, Bruno Pfister's total compensation for 2010 amounted to CHF 3 694 525.

In 2009 Bruno Pfister was allocated 6500 future subscription rights in the form of Performance Share Units (PSUs). On the allocation date of 1 April 2009, the fair value of one PSU was CHF 51.22. Taking into consideration the mathematical value of the PSUs allocated in 2009, which came to CHF 332 930, Bruno Pfister's total compensation for 2009 amounted to CHF 2 687 284.

Shareholders' Participation Rights

RESTRICTIONS ON VOTING RIGHTS — In exercising voting rights, no shareholder can collect more than 10% of the total share capital directly or indirectly in respect of his own shares and those he represents. Legal entities and partnerships which are connected through capital, voting rights, uniform management or in any other way, as well as individuals or legal entities and partnerships which act in concert by virtue of agreement, as a syndicate or in any other way, are deemed to be a single person. Any amendment to or revocation of restrictions on voting rights must be approved by at least two thirds of the voting shares represented at the General Meeting of Shareholders and an absolute majority of the share par value represented. The Board of Directors can permit exceptions to this limit on the basis of its discretionary powers; during the year under review, no such exceptions were granted.

RIGHT OF REPRESENTATION — The Articles of Association stipulate that a shareholder may be represented by a legal representative, or, if a written power of attorney exists, by another shareholder entitled to vote, by a management representative, by an independent voting representative or by a representative of deposited shares.

REQUIRED MAJORITIES — In addition to the resolutions provided for by law, a qualified majority (corresponding to at least two thirds of the voting shares represented and an absolute majority of the share par value represented) is required to:

- change provisions concerning restrictions on voting rights
- dissolve the company (liquidation)
- dismiss more than one third of the members of the Board of Directors
- change these provisions of the Articles of Association

CONVOCATION OF THE GENERAL MEETING OF SHAREHOLDERS AND AGENDA — The rules set out in the Articles of Association for convening a General Meeting of Shareholders and drawing up the agenda comply with the stipulations of the law. Shareholders who represent at least 0.25% of the share capital can submit a written request within a time limit published in advance by Swiss Life Holding for the inclusion on the agenda of an item for discussion, together with the relevant motions. The written application must be accompanied by a blocking certificate issued by a bank to confirm that the shares are deposited with it until after the General Meeting of Shareholders is held.

ENTRY IN THE SHARE REGISTER — Entries can be made in the share register up to the day before the General Meeting of Shareholders. In all cases, however, the company reserves the right to adhere to the legal maximum period of 20 days for recognition of entries in the share register in accordance with Art. 685g of the Swiss Code of Obligations. For administrative reasons (postal delivery times), the deadline for registering to participate in the General Meeting of Shareholders is usually seven calendar days before the event takes place.

VOTING SYSTEM AND PROCEDURES — Based on a corresponding authorisation in the Articles of Association, the presiding officer at Swiss Life Holding's General Meeting of Shareholders generally requests that votes to be taken electronically. Swiss Life Holding uses a certified electronic voting system which permits balloting with remote-controlled handsets and records the exact number of voting shares represented.

Changes of Control and Defence Measures

DUTY TO MAKE AN OFFER — Swiss Life Holding's Articles of Association provide for neither an "opting up" nor an "opting out" clause within the meaning of Art. 32 and 22 of the Federal Act on Stock Exchanges and Securities Trading (SESTA).

CLAUSES ON CHANGES OF CONTROL — No contractual provisions exist in favour of the Board of Directors or the Corporate Executive Board with regard to control of the company.

Auditors

PricewaterhouseCoopers (PwC) serves as external statutory auditor for all (prior year: 68%) Swiss Life Group companies that are directly or indirectly held by Swiss Life Holding under its scope of consolidation.

PwC confirms that it meets the legal requirements concerning professional qualification and independence.

DURATION OF THE MANDATE AND TERM OF OFFICE OF THE LEAD AUDITOR — The Articles of Association stipulate that the external auditor is to be elected by the General Meeting of Shareholders for one financial year at a time. When Swiss Life Holding was established in 2002, PwC was named as statutory auditor and Group auditor. Since then PwC has been re-elected without fail. PwC has also acted as statutory auditor and Group auditor for Swiss Life Ltd since 1994. Swiss Life Holding last invited tenders for its statutory auditor and Group auditor mandate for the 2008 financial year. On completion of the evaluation process, the Board of Directors, in accordance with the proposal of the Audit Committee, again nominated PwC as its statutory auditor and Group auditor at the General Meeting of Shareholders.

The partner at PwC in charge of auditing the Swiss Life Holding annual financial statements and consolidated financial statements (lead auditor) has held that function since the 2004 financial year. In compliance with the term of office regulations stipulated by the Swiss Code of Obligations, the independency guidelines set forth by the Swiss Institute of Certified Accountants and Tax Consultants, and internal guidelines at PwC, it has appointed a new lead auditor who will take over responsibility for auditing the Swiss Life Holding annual financial statements and consolidated financial statements as of the 2011 financial year.

AUDITING FEES — In 2010 the auditing fees credited to PwC came to CHF 9.2 million (2009: CHF 7.8 million). This includes the fees for reviewing the 2010 half-year accounts.

ADDITIONAL FEES — In 2010 PwC received additional fees totalling around CHF 3.7 million for advisory services (2009: CHF 3.0 million), approximately CHF 1.6 million of which was for actuarial advisory services, CHF 1.7 million for fiscal and financial advisory services and CHF 0.3 million for strategic advisory services. The remainder resulted from legal and other advisory services. The advisory services were performed in compliance with the relevant independency regulations set forth in the Swiss Code of Obligations and the Audit Supervision Act.

SUPERVISORY AND CONTROL INSTRUMENTS VIS-À-VIS THE AUDITORS — The Audit Committee maintains regular contact with the external auditors. It evaluates the independence of the external auditors and identifies possible conflicts of interest. It also examines the terms and conditions of the external audit mandates and assesses the audit plan and strategy for the year in question.

The external auditors submit regular written reports on the status of the auditing work. They also submit detailed reports on the half-year and annual financial statements. At the end of the year, the external auditors draw up a comprehensive report for the attention of the General Meeting of Shareholders and a detailed report on the financial year just completed for the attention of the Audit Committee, the Board of Directors and the Swiss Financial Market Supervisory Authority FINMA.

The Audit Committee also acknowledges and approves the various recommendations of the external auditors, including the Management Letter. If required, the committee discusses with representatives of the external auditors any issues which could have a major impact, either collectively or individually, on the financial situation or the result of the audit.

In the year under review, representatives of the external auditors attended all Audit Committee meetings, either in their entirety or for specific items on the agenda.

Information Policy

Swiss Life communicates actively and openly both within and outside the company. The Investor Relations and Public Relations areas provide up-to-date reports to private and institutional investors, financial analysts, journalists and the public.

Key facts and figures about the Swiss Life Group, info kits on previous financial statements and all the details on events relevant to the shareholders, analysts and the media (general meeting of shareholders, media conferences, etc.), can be accessed at www.swisslife.com in the areas "Shareholders & Analysts" (www.swisslife.com/analysts) and "News & Media" (www.swisslife.com/media).

Furthermore, all interested parties can subscribe to the company's mailing list so as to receive timely ad hoc reports and media releases free of charge via the e-mail distribution system (www.swisslife.com/subscription). These releases are also published on the Swiss Life website at the same time as they are sent to subscribers, and are available online for at least two years (www.swisslife.com/media).

In addition to its comprehensive Annual Report and Financial Statements, Swiss Life Holding also publishes its half-year results. Furthermore, in May and November of each year, it publishes specific details on the previous quarter. All Swiss Life's annual and half-year reports since 1997 can be accessed on the website, "Shareholders & Analysts" area, "Archive Reports" section (www.swisslife.com/en/annualreports). A report detailing the key facts and figures on business operations is sent out on an annual basis to all the shareholders listed in the share register. For the last seven years, the company has been holding an annual Investor's Day; the most recent was held on 24 November 2010.

Contact details are available at the end of the Financial Statements.

Risk Management

Swiss Life pursues an integrated, value-oriented risk management approach, involving both quantitative and qualitative elements. The goal is to protect customers' funds and ensure the best possible investment of risk capital, while complying with the regulatory requirements.

Risk management is a key component of the Swiss Life Group's management process. The respective committees of the Corporate Executive Board and the Board of Directors monitor and make decisions in the area of risk management; these are then incorporated into the annual planning process. On the one hand, they comprise qualitative assessments relating to the strategy, to operational risks and to the internal control system (ICS). On the other hand, quantitative elements for each insurance unit, such as risk budgeting and investment strategy, are included in asset and liability management. Based on risk capacity and risk appetite, limits are set in the individual units for the financial risks incurred, according to which the investment targets are set.

The qualitative risk management elements mentioned above are presented and discussed below. Detailed information on the risk budgeting process and asset and liability management is provided in Note 5 (Risk Management Policies and Procedures) of the Consolidated Financial Statements.

STRATEGIC RISK MANAGEMENT — Swiss Life uses various analytical methods to ensure that strategic risks are dealt with adequately in today's very demanding economic environment. In its strategic risk management process, Swiss Life incorporates all the information on risks and the risk/return characteristics in its strategic decisions. An understanding of the interplay of individual risks is essential in order to take due account of the factors influencing risks during strategy development so that these factors can be steered appropriately.

OPERATIONAL RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM — Operational risk management (ORM) at Swiss Life includes the methods and processes used for the identification, assessment and steering or avoidance of operational risks. ORM defines operational risk as the danger that losses may result from shortcomings or failures in internal processes, people or systems, or from external events.

Swiss Life's internal control system (ICS) consists of the totality of procedures, methods and measures prescribed by the Board of Directors and the Corporate Executive Board to ensure the orderly conduct of business. The focus is on the reliability of financial reporting, the effectiveness of business processes and compliance with laws and regulations issued to protect the company's assets.

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 business valued by its IFRS net asset value.

Contents

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 2010; 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 Principles©[1]. 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 are given in section 4.

PricewaterhouseCoopers have audited this market consistent embedded value report. Their opinion is part of this report and can be found in section 6.

1.2 COVERED BUSINESS AND NON-COVERED BUSINESS

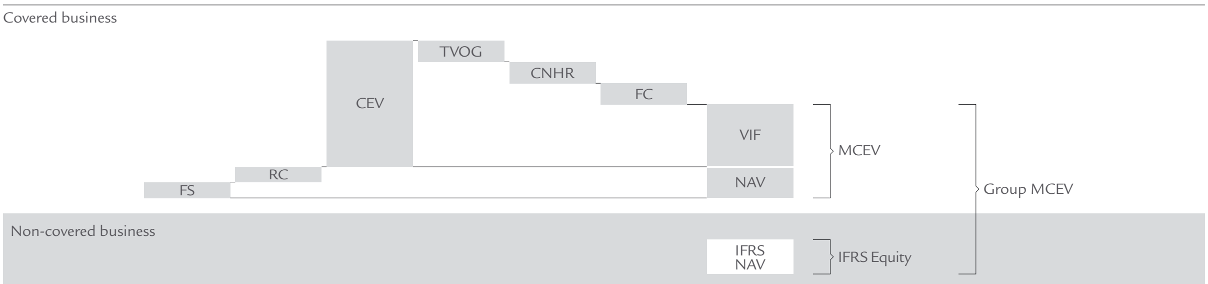
Covered business includes all of Swiss Life's life, health and pension business as well as assumed external reinsurance, with the exception of Swiss Life Insurance Solutions AG and Swiss Life Products (Luxembourg) S.A., which are not yet material for MCEV purposes. MCEV (and Group MCEV) are net of ceded external reinsurance. Included are namely operations in Switzerland, France, Germany, Luxembourg, Liechtenstein and Singapore. All other businesses such as investment management and AWD 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.

Components of Group MCEV



[1] Copyright © Stichting CFO Forum Foundation 2008

The MCEV for covered business is broken down into 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 more 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

During 2010, the capital markets were characterised by strong movements of the relevant interest rates and a decline of the euro and the US dollar against the Swiss franc. While interest rates recovered from their historic lows in the third quarter, they are still below their levels as per end of year 2009 while their volatilities increased. In the context of the ongoing margin management and to preserve current and future margins, the company has, among various reassessments performed during 2010, adjusted its approach to policyholder participation.

All results and components are shown in CHF million. Rounding differences may occur.

2.1 GROUP MCEV

The following table shows MCEV key results as at 31.12.2010 compared to the results as at 31.12.2009:

In CHF million	Net asset value	Value of in-force business	Total 2010	Total 2009
Covered business	***1 928***	***3 032***	***4 959***	*4 132*
Non-covered business	***2 636***	***n/a*** [1]	***2 636***	*2 745*
GROUP MCEV	**4 563**	**3 032**	**7 595**	6 877
Value of new business			**209**	123
Total MCEV earnings			**1 424**	651

1 n/a: not applicable

The Group MCEV includes the covered as well as the non-covered business. The covered business is valued according to the MCEV methodology. The value of the non-covered business included in the Group MCEV is the unadjusted IFRS net asset value.

The Group MCEV increased by 10%. The value of the non-covered business is slightly below the previous year's level. Despite the adverse economic environment and the weakened euro, the value of covered business increased by 20%.

Drivers for the increase are the profitable new business, margin management measures and favourable demographic experience.

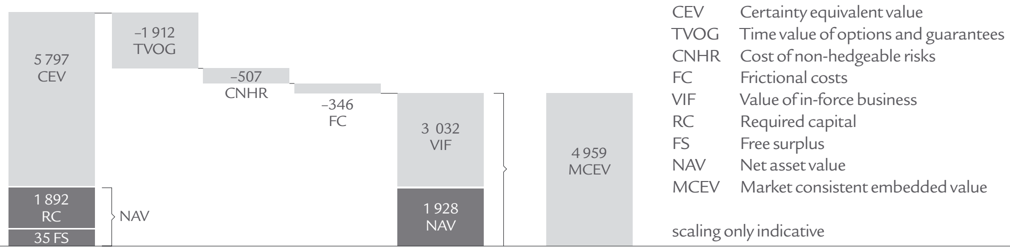
The increase in value of new business by 70% and of the new business margin from 0.9% to 1.4% is driven by change in business mix, change to the profit sharing approach and the continuous margin management.

2.2 MCEV OF COVERED BUSINESS

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

MCEV of Covered Business 2010

CHF million



In CHF million

	2010	2009
NET ASSET VALUE	1 928	2 324
Free surplus	35	319
Required capital	1 892	2 005
VALUE OF IN-FORCE BUSINESS	3 032	1 808
Certainty equivalent value	5 797	4 848
Time value of financial options and guarantees	–1 912	–1 984
Cost of residual non-hedgeable risks	–507	–631
Frictional costs of required capital	–346	–425
MCEV	4 959	4 132

The net asset value (NAV) of the covered business is the market value of assets allocated to the covered business, which are not backing liabilities. Goodwill and intangibles are not included in the net asset value, with the exception of France (see section 4.7). The required capital (RC) is that part of the net asset value whose distribution to shareholders is restricted. The free surplus (FS) is calculated as the difference between the total net asset value and the required capital. The decrease in free surplus is mainly a consequence of reassessments performed during 2010. These include reserve strengthening in Switzerland (driven by low interest rate environment) and France (retirement age reform).

The value of in-force business (VIF) is the sum of the certainty equivalent value, TVOG, CNHR, and FC. Thus MCEV is the sum of net asset value and value of in-force business, or the sum of free surplus, required capital and value of in-force business. Despite lower interest rates and higher interest rate volatilities, the value of in-force business increased strongly. This reflects the company's approach to profit sharing, margin management, improved demographic assumptions, and other reassessments.

The certainty equivalent value (CEV) is the present value of future shareholder profits – net of tax – under the certainty equivalent scenario. This scenario is derived from reference rates as at the respective valuation date. The CEV contains that part of the value of financial options and guarantees which materialises in the underlying scenario (also called intrinsic value of the financial options and guarantees).

The time value of financial options and guarantees (TVOG) is calculated as the difference between the market consistent expected present value of future shareholder profits with all stochastic economic scenarios and the certainty equivalent value. The TVOG therefore represents the additional cost of financial options and guarantees in excess of the intrinsic value which is already allowed for in the certainty equivalent scenario. As a consequence of the measures mentioned, the TVOG decreased slightly despite adverse changes in the economic environment. The TVOG also includes the cost of credit risk related to investments in corporate bonds. The amount of credit risk on group level is CHF –469 million for 2010 compared to CHF –476 million for 2009.

The cost of residual non-hedgeable risks (CNHR) represents the value of risks which is calculated by way of a cost of capital approach because there are no liquid markets, such as insurance risks, expense risks, and risks from variances to assumed rules for policyholder decisions.

The frictional costs of required capital (FC) represents the present value of costs incurred by shareholders due to investment management expenses and taxes on investment returns of restricted assets. They are calculated based on the required capital.

2.3 VALUE OF NEW BUSINESS

The value of new business (VNB) represents the value added by new business written in 2010. It is calculated consistently with the methodology and assumptions used for the business in force. The value of new business is calculated as the effect on MCEV from writing new business, i.e., it is the difference between the MCEV at year end and the MCEV which would have resulted, had no new business been written during the year.

The following sections show the premium volumes, measured in present value of new business premiums (PVNBP) and annual premium equivalent (APE), the value of new business and the new business margins on the basis of PVNBP and APE. Furthermore there is an analysis of change showing the development of value of new business from last year to the current year.

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

2.3.1 VALUE OF NEW BUSINESS, PREMIUMS AND MARGINS

Amounts in CHF million

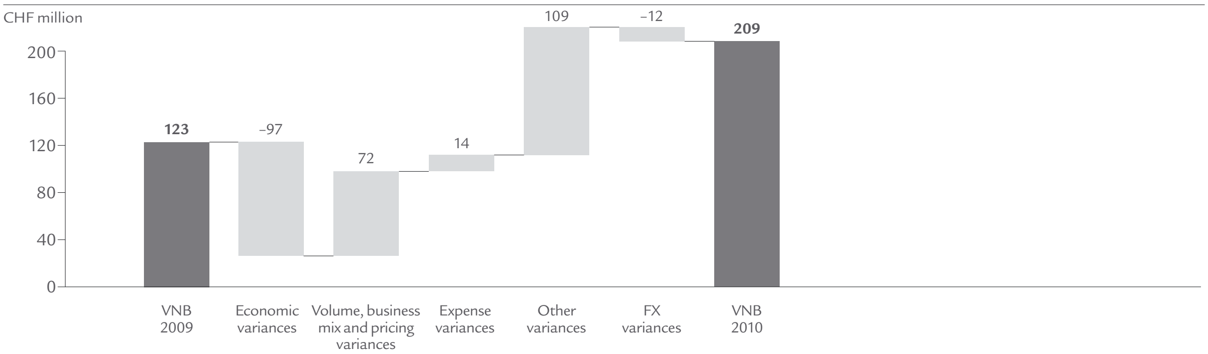
	2010	2009
VALUE OF NEW BUSINESS	**209**	123
New business strain [1]	***–124***	*–133*
Value of new business before new business strain	***333***	*225*
Annual premiums	**706**	678
Single premiums	**7 798**	8 146
PRESENT VALUE OF NEW BUSINESS PREMIUMS (PVNBP)	**14 607**	14 390
Average annual premium multiplier	**9.6**	9.2
New business annual premium equivalent (APE)	**1 486**	1 493
NEW BUSINESS MARGIN (% PVNBP)	**1.4%**	0.9%
New business margin (% APE)	**14.0%**	8.2%

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

This table shows the value of new business together with the new business premium volumes and margins. Within MCEV reporting, PVNBP is used to measure the premium volume of new business. For better comparison with previous disclosures, the measure of APE is also shown. The annual premium equivalent is defined as new annual premiums plus 10% of new single premiums. The present value of new business premiums is equal to new single premiums plus the present value of new annual premiums which is calculated on the same assumptions as the value of new business.

2.3.2 VALUE OF NEW BUSINESS — ANALYSIS OF CHANGE

Value of New Business – Analysis of Change



Amounts in CHF million	PVNBP	VNB	NBM (% PVNBP)	Change in NBM (% PVNBP)
VALUE OF NEW BUSINESS 2009	14 390	**123**	**0.9%**	
Economic variances	–450	**–97**		**-0.7%**
Volume, business mix and pricing variances	967	**72**		**0.5%**
Expense variances	–2	**14**		**0.1%**
Other variances	741	**109**		**0.7%**
FX variances	–1 039	**–12**		**0.0%**
VALUE OF NEW BUSINESS 2010	14 607	**209**	**1.4%**	

New business values as well as new business margins are significantly higher than in the previous year. Main drivers are pricing measures, changes in business mix, expense reductions, experience driven changes to demographic assumptions, and changes to the profit sharing approach. Negative effects resulted from capital market conditions and currency effects, notably the weakened euro.

2.4 GROUP MCEV — ANALYSIS OF EARNINGS

The table below shows the change in Group MCEV split by components from 31 December 2009 to 31 December 2010.

In CHF million	Covered business MCEV	Non-covered business IFRS	Total Group MCEV	Total Group MCEV
			2010	2009
OPENING GROUP MCEV	***4 132***	***2 745***	**6 877**	6 321
Opening adjustments	***–139***	***64***	**–75**	–161
ADJUSTED OPENING GROUP MCEV	***3 993***	***2 809***	**6 803**	6 161
Operating MCEV earnings	***2 301***	***52***	**2 353**	120
Non-operating MCEV earnings	***–904***	***–25***	**–929**	531
TOTAL MCEV EARNINGS	***1 397***	***27***	**1 424**	651
Other movements in IFRS net equity	***n/a***	***1***	**1**	43
Closing adjustments	***–431***	***–202***	**–633**	22
CLOSING GROUP MCEV	***4 959***	***2 636***	**7 595**	6 877

[1] n/a: not applicable

The opening adjustments represent dividend payments from the covered and non-covered business, resulting in the reduction of par value of CHF 2.40 per share or a total of CHF 77 million as shown in the Consolidated Financial Statements (Note 1) and currency exchange rate effects of CHF –2 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 results from Swiss Life Holding, AWD, Investment Management and insurance business not within the scope of covered business. The strong operating earnings compared to 2009 originate mainly from covered business. Non-covered business also contributed to the increase.

The non-operating MCEV earnings relate to borrowing costs and tax effects for the non-covered business. The change in non-operating MCEV earnings compared to 2009 originates almost entirely from the covered business.

The other movements in IFRS net equity (non-covered business only) include the change in unrealised capital gains and losses and currency exchange rate effects on goodwill.

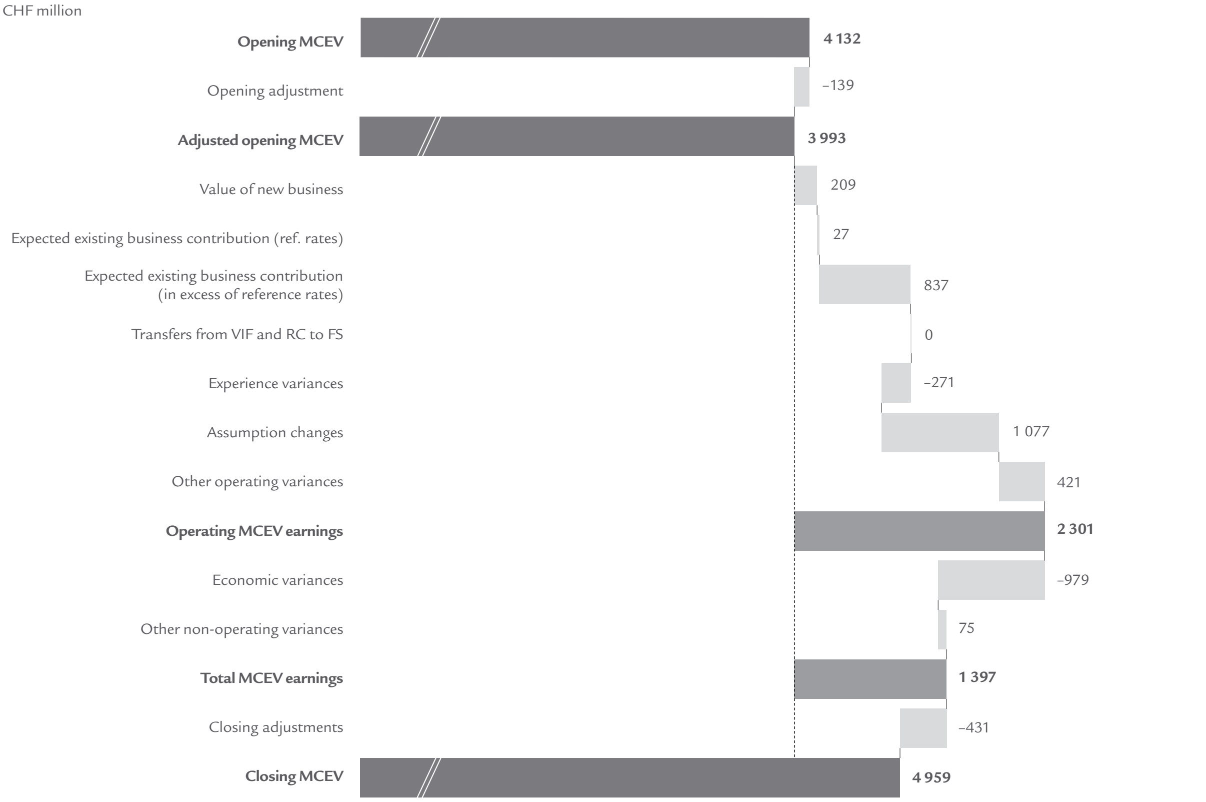
The closing adjustments result mainly from currency exchange rate developments.

2.5 COVERED BUSINESS — ANALYSIS OF EARNINGS

The table below shows the analysis of earnings for the covered business in 2010:

Covered Business – Analysis of Earnings for 2010

CHF million



In CHF million	Free surplus	Required capital	VIF	MCEV 2010	MCEV 2009
OPENING MCEV	319	2 005	1 808	4 132	3 569
Opening adjustments	–139	–	–	–139	–1
ADJUSTED OPENING MCEV	180	2 005	1 808	3 993	3 567
Value of new business	–380	256	333	209	123
Expected existing business contribution (reference rate)	–	10	17	27	80
Expected existing business contribution (in excess of reference rate)	9	–5	833	837	–
Transfers from VIF and required capital to free surplus	666	–162	–504	–	–
Experience variances	–376	60	45	–271	–174
Assumption changes	–47	–	1 125	1 077	180
Other operating variance	–328	72	677	421	–15
OPERATING MCEV EARNINGS	–456	230	2 527	2 301	194
Economic variances	258	–119	–1 117	–979	581
Other non-operating variances	86	–	–12	75	–13
TOTAL MCEV EARNINGS	–112	111	1 398	1 397	763
Closing adjustments	–32	–224	–174	–431	–198
CLOSING MCEV	35	1 892	3 032	4 959	4 132

OPENING ADJUSTMENTS represent dividend payments from covered to non-covered business.

VALUE OF NEW BUSINESS contributions from free surplus and required capital sum up to the new business strain of CHF –124 million (2009: CHF –133 million). This represents the shareholders' share in acquisition expenses for new business. The VIF-component of CHF 333 million (2009: CHF 255 million) is the value of future risk-adjusted profits from new business.

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 components of the net asset value is included.

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. In Swiss Life's previous MCEV reporting, this step was not separated; its effects were part of economic variances. The expected business contribution depends on asset allocation and capital market conditions at start of the year.

TRANSFERS FROM VALUE IN FORCE AND REQUIRED CAPITAL TO FREE SURPLUS include the transfer of the results of the preceding step to free surplus and subsequent split between free surplus and required capital. The total effect in this line is zero. As this step is carried out after taking into account the contributions in excess of reference rates the effect on free surplus is positive.

EXPERIENCE VARIANCES aggregate the impact of actual performance versus expectations on insurance contracts regarding non-economic assumptions such as mortality, expenses, lapses, as well as the deviations in handling of additional reserves. As a result of the low interest rate environment the situation in Switzerland was reassessed and subsequently reserves were strengthened.

ASSUMPTION CHANGES refer to the impact of the change on assumptions such as future mortality, morbidity, longevity rates, changes in anticipated surrenders and expenses, and the approach to future profit sharing. These are commented on in section 3.2.

OTHER OPERATING VARIANCE includes effects from strategic management decisions, modelling improvements and other reassessments. Comments are provided in the section 3 (results per market unit).

ECONOMIC VARIANCES represent the change in embedded value by replacing the starting economic scenarios by the closing ones. The effects from expected investment income over and above the reference rates are no longer included here – as was the case in Swiss Life's previous MCEV reporting – but in a preceding step. These do not contribute directly to economic variances anymore. Therefore, effects from deviations between actual and expected investment returns are included here. Drivers are lower reference rates and higher swaption implied volatilities compared to the 2009 closing. Foreign exchange rate fluctuations from a market unit's assets and liabilities in foreign currencies also contribute to economic variances.

OTHER NON-OPERATING VARIANCES consists mainly of tax variances.

CLOSING ADJUSTMENTS represent mainly currency exchange rate translation effects resulting from the consolidation in Swiss francs.

2.6 SENSITIVITIES

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

SENSITIVITIES AS AT 31 DECEMBER 2010

Amounts in CHF million

	Change in MCEV	+/–	Change in value of new business	+/–
BASE VALUE	**4 959**		**209**	
Economic				
100 bp increase of interest rates (reference rates)	**473**	**10%**	**28**	**13%**
100 bp decrease of interest rates (reference rates)	**–824**	**–17%**	**–56**	**–27%**
10% increase in equity / property market values	**723**	**15%**		[1]
10% decrease in equity / property market values	**–808**	**–16%**		[1]
25% increase in equity / property implied volatilities	**–276**	**–6%**	**–14**	**–7%**
25% decrease in equity / property implied volatilities	**227**	**5%**	**10**	**5%**
25% increase in swaption implied volatilities	**–247**	**–5%**	**–6**	**–3%**
25% decrease in swaption implied volatilities	**397**	**8%**	**13**	**6%**
Operational				
10% increase in maintenance expenses	**–251**	**–5%**	**–22**	**–11%**
10% decrease in maintenance expenses	**249**	**5%**	**22**	**11%**
10% proportionate increase in lapse rates	**–145**	**–3%**	**–26**	**–12%**
10% proportionate decrease in lapse rates	**156**	**3%**	**28**	**13%**
Demographic				
5% proportionate increase in mortality rates (death cover)	**–14**	**–0%**	**–3**	**–1%**
5% proportionate decrease in mortality rates (annuities)	**–118**	**–2%**	**–5**	**–2%**
5% increase of longevity driver (annuities)	**–28**	**–1%**	**–1**	**–0%**
5% proportionate increase in morbidity rates	**–78**	**–2%**	**–6**	**–3%**
5% proportionate decrease in morbidity rates	**81**	**2%**	**6**	**3%**
Other				
Required capital 100% statutory solvency capital	**157**	**3%**	**15**	**7%**

[1] not available

Overall, sensitivities are significantly reduced with respect to the ones for 2009. Management actions such as duration measures, cost reductions, strengthening of buffers and changes to the profit sharing approach contributed to this effect.

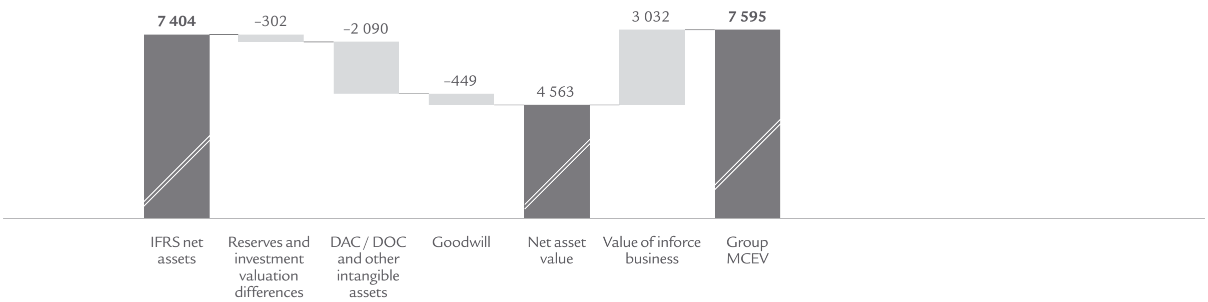
2.7 RECONCILIATION OF IFRS NET ASSET VALUE TO GROUP MCEV

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 bonus 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, but adjusted at market value.

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

Reconciliation of IFRS Net Asset Value to Group MCEV

CHF million



RECONCILIATION OF IFRS NET ASSETS TO GROUP MCEV AS AT 31 DECEMBER 2010

In CHF million

	2010
IFRS NET ASSETS	**7 404**
Adjustments	**–2 841**
Reserves and investments valuation differences	***–302***
DAC / DOC and other intangible assets	***–2 090***
Goodwill [1]	***–449***
Net asset value	**4 563**
Value of in-force business	**3 032**
GROUP MCEV [2]	**7 595**

[1] Goodwill adjustments correspond to goodwill of covered business with the exception of CHF 72 million from French operations (see section 3.2).

[2] Group MCEV includes CHF 1 443 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 Insurance Other)

This breakdown by market unit essentially coincides with the IFRS insurance segments in the annual report. There are minor differences since the MCEV classification 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 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. The individual business includes traditional savings, risk and annuity products, as well as modern savings and retirement products with flexible guarantees. Swiss Life's own sales force plays the major role in distribution, followed by AWD. The business for assumed external reinsurance is included in the covered business as of this year.

FRANCE – Insurance products include savings, annuity, and risk products as well as health insurance products. New business for life insurance focuses on multi-support products, combining traditional savings and unit-linked components. The main distribution channels are independent financial advisors and private banking.

GERMANY – Swiss Life sells traditional and modern products within individual and group life business. Disability insurance plays an important role. The main distribution channel is independent brokers, followed by financial advisors such as AWD.

INSURANCE OTHER – Swiss Life offers private placement life insurance (PPLI) through Liechtenstein, Singapore and Luxembourg. In Luxembourg, Swiss Life also provides group insurance solutions for international and local corporate clients through Corporate Solutions.

3.2 RESULTS BY MARKET UNIT

MCEV BY MARKET UNIT FOR THE YEAR 2010

In CHF million

	Switzerland	France[1]	Germany	Insurance Other	Total
NET ASSET VALUE	557	1 056	335	–20	1 928
Free surplus	103	43	–43	–68	35
Required capital	454	1 013	378	48	1 892
VALUE OF IN-FORCE BUSINESS	1 655	824	271	282	3 032
Certainty equivalent value	3 485	1 431	536	346	5 797
Time value of financial options and guarantees	–1 407	–315	–180	–10	–1 912
Cost of residual non-hedgeable risks	–234	–195	–38	–40	–507
Frictional costs of required capital	–188	–97	–47	–14	–346
MCEV	2 212	1 879	606	262	4 959

[1] The value for France includes CHF 72 million in goodwill and intangible assets orginating from the non-life and non-health insurance operations.

MCEV BY MARKET UNIT FOR THE YEAR 2009

In CHF million

	Switzerland	France[1]	Germany	Insurance Other	Total
NET ASSET VALUE	741	1 247	379	–43	2 324
Free surplus	300	134	–28	–87	319
Required capital	441	1 114	407	45	2 005
VALUE OF IN-FORCE BUSINESS	772	678	125	233	1 808
Certainty equivalent value	2 884	1 153	513	298	4 848
Time value of financial options and guarantees	–1 602	–148	–227	–7	–1 984
Cost of residual non-hedgeable risks	–267	–222	–99	–44	–631
Frictional costs of required capital	–243	–105	–63	–14	–425
MCEV	1 513	1 926	503	190	4 132

[1] The value for France includes CHF 93 million in goodwill and intangible assets orginating from the non-life and non-health insurance operations.

SWITZERLAND — The net asset value is influenced by the hybrid debt. It includes the – negative – difference between the market value of assets covering the hybrid debt in the statutory balance sheet and the marked-to-model value of the hybrid debt which is calculated as described in section 4.3. The decrease in net asset value is mainly a consequence of assessments alluded to before.

The increase in value of in-force business is driven by the reduced expense base, changes in the profit sharing approach, and updated demographic assumptions. In aggregate, these changes also lead to lower time value of options and guarantees and to lower sensitivities.

FRANCE — In local currency, the net asset value remained at previous year's level despite a considerable new business strain and regulatory changes, such as retirement age reform and specific taxation, that lead to a reduced free surplus.

The higher TVOG of Swiss Life France at 31.12.2010 compared to the one reported a year ago, is mainly a consequence of higher interest rate volatilities and a changed strategic asset allocation, which is partly offset by hedges.

As the health business does not contain financial options and guarantees, it does not contribute to the time value of financial options and guarantees.

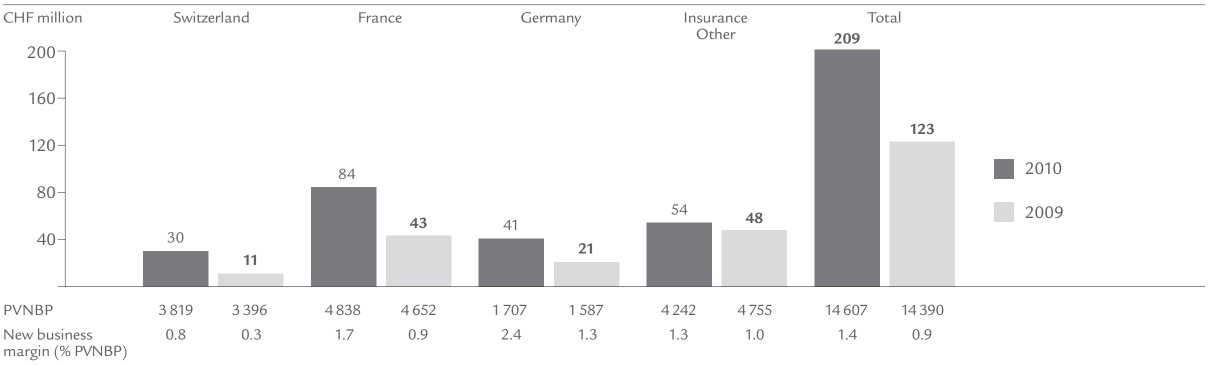
GERMANY — The negative free surplus stems from the assumed required coverage of 150% of statutory solvency. The free surplus would be positive at a 100% requirement of statutory solvency.

The value in-force increased considerably despite deteriorating capital market conditions, partly due to profitable new business, expense reductions and improved disability experience.

INSURANCE OTHER — The contributions of PPLI business to the total MCEV of Insurance Other accounts for about 80% of the value.

The negative net asset value is explained by not taking into account the goodwill for the acquired insurance company CapitalLeben as part of Liechtenstein. The business in force of PPLI contains only very small financial guarantees, so the TVOG is negligible.

Value of New Business by Market Unit



VALUE OF NEW BUSINESS BY MARKET UNIT – PREMIUMS AND MARGINS FOR THE YEAR 2010

Amounts in CHF million

	Switzerland	France	Germany	Insurance Other	Total
VALUE OF NEW BUSINESS	**30**	**84**	**41**	**54**	**209**
New business strain [1]	***–41***	***–66***	***–9***	***–7***	***–124***
Value of new business before new business strain	***71***	***150***	***50***	***61***	***333***
Annual premiums	**189**	**382**	**129**	**6**	**706**
Single premiums	**1 164**	**2 099**	**333**	**4 202**	**7 798**
PRESENT VALUE OF NEW BUSINESS PREMIUMS (PVNBP)	**3 819**	**4 838**	**1 707**	**4 242**	**14 607**
Average annual premium multiplier	**14.0**	**7.2**	**10.7**	**6.7**	**9.6**
New business annual premium equivalent (APE)	**306**	**592**	**163**	**426**	**1 486**
NEW BUSINESS MARGIN (% PVNBP)	**0.8%**	**1.7%**	**2.4%**	**1.3%**	**1.4%**
New business margin (% APE)	**9.8%**	**14.2%**	**25.0%**	**12.7%**	**14.0%**

[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 2009

Amounts in CHF million

	Switzerland	France	Germany	Insurance Other	Total
VALUE OF NEW BUSINESS	11	43	21	48	123
New business strain [1]	*–55*	*–54*	*–9*	*–15*	*–133*
Value of new business before new business strain	*65*	*96*	*30*	*63*	*255*
Annual premiums	161	360	154	3	678
Single premiums	1 352	1 867	193	4 734	8 146
PRESENT VALUE OF NEW BUSINESS PREMIUMS (PVNBP)	3 396	4 652	1 587	4 755	14 390
Average annual premium multiplier	12.7	7.7	9.1	6.2	9.2
New business annual premium equivalent (APE)	296	547	173	477	1 493
NEW BUSINESS MARGIN (% PVNBP)	0.3%	0.9%	1.3%	1.0%	0.9%
New business margin (% APE)	3.6%	7.8%	12.2%	10.1%	8.2%

[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 contracts are not accounted for as new business.

Worsening economic conditions were successfully counteracted by margin management including pricing initiatives and lower guaranteed interest rates resulting in better new business margins. In addition, assumed external reinsurance contributed positively.

FRANCE – The value of new business for Swiss Life in France is determined as the sum of the value of new business for the life business and for the health business.

The value of new business for the health business remained stable compared to 2009, whereas the value of new business for the life operations increased considerably. Higher volumes of contracts sold and the related economies of scale on acquisition expenses, a higher share of unit-linked vs. traditional saving products as well as a reassessed profit sharing contributed positively to this increase.

GERMANY – The value of new business as well as the new business margin for the German operations have increased compared with the values reported for 2009. The higher volume of risk and supplementary disability insurance contracts written, the improved disability experience and the reduced expense base contributed substantially to this enhancement as well as a change in the profit sharing approach.

INSURANCE OTHER – The business of private placement life insurance (PPLI) generated almost the entire value of new business which improved by 12.5% despite the unfavourable EUR exchange rate. The new business margin increased considerably compared to the previous year. This is related to pricing initiatives, cost savings and higher average premium amounts. Because of the weight of PPLI within Insurance Other, by far the biggest share of new business premiums consists of single premiums. The premium volume is lower than in 2009 only because of the strong Swiss franc. Using last year's foreign exchange rates, the current premium of CHF 4.2 billion would amount to CHF 4.9 billion.

ANALYSIS OF EARNINGS BY MARKET UNIT FOR THE YEAR 2010

In CHF million

	Switzerland	France	Germany	Insurance Other	Total
OPENING MCEV	1 513	1 926	503	190	4 132
Opening adjustments	–96	–31	–12	–	–139
ADJUSTED OPENING MCEV	1 417	1 895	491	190	3 993
New business value	30	84	41	54	209
Expected existing business contribution (reference rate)	11	12	3	1	27
Expected existing business contribution (in excess of reference rate)	599	155	63	20	837
Experience variances	–232	–29	–6	–4	–271
Assumption changes	795	–19	300	1	1 077
Other operating variance	130	237	45	10	421
OPERATING MCEV EARNINGS	1 333	440	445	82	2 301
Economic variances	–633	–87	–237	–22	–979
Other non-operating variances	95	–20	–	–	75
TOTAL MCEV EARNINGS	795	333	209	59	1 397
Closing adjustments	–	–349	–93	12	–431
CLOSING MCEV	2 212	1 879	606	262	4 959

All market units contributed to the value creation with a positive value of new business and favourable impacts from margin management: The expected business contribution of CHF 864 million was increased to a total of CHF 2 301 million operating MCEV earnings. The deteriorating capital market environment reduced MCEV earnings by CHF 979 million.

SWITZERLAND – The experience variances stem mainly from strengthening of policyholder reserves and funds as well as persistency variances in group life business.

The assumption changes are dominated by a favourable experience driven update of demographic assumptions, the ongoing cost reduction programme, and a revised policyholder participation approach in the light of the low interest rate environment.

Other operating variances include forward looking decisions, scope enhancement with the assumed external reinsurance, modelling refinements, and other reassessments.

Other non-operating variances consist mainly of tax variances.

FRANCE – One driver of the operating MCEV earnings is the value of new business which has been described above.

The negative experience variance is explained by the current year effect of the transition to a new policyholder participation approach for the life business and by deviations between expectation and experience for demography and expenses in 2010 for the health operations.

In other operating variance, the long-term effects of the transition mentioned above, an increase in the scope of modelled business and modelling refinements as well as other reassessments are shown.

Closing adjustments reflect the decrease of the euro exchange rate in 2010.

GERMANY – The operating return is driven by lower expenses, an experience driven update of biometric assumptions and a change to the policyholder participation approach.

Furthermore, the low interest rates experienced triggered a reassessment of the anticipated policyholder surrender behaviour in such environments.

Closing adjustments reflect the decrease of the euro exchange rate in 2010.

INSURANCE OTHER – The value of new business represents, at CHF 54 million, the main driver for the considerable increase in embedded value of Insurance Other.

Much of PPLI's business is not written in Swiss francs but in other currencies, especially in EUR and USD. Compared to 2009, the particularly strong Swiss franc resulted in a lower value of assets under control. Since this is one of the main drivers for PPLI's value in force, a negative economic variance resulted.

Closing adjustments have a positive impact. A capital increase is partly offset by the currency exchange rate effect from Corporate Solutions (Luxembourg).

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 the 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 shareholders' 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 any 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 balance sheet projections consisting of 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 values

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 scenario, future market returns are determined as the forward rates implied in the reference rates at the valuation date. Discounting is done 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
- 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 price 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 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 present value of future profits 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. The same charge for annual cost of capital has been applied to the resulting projected capital at risk.

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 risk.

The initial capital for the CNHR has been calculated using the standard approach within the Swiss Solvency Test applied to Swiss Life's MCEV framework. Therefore the corresponding economic capital is calculated by aggregating the stand-alone economic capital that corresponds 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 based on the statutory solvency margin.

A capital charge of 4% per annum 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

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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.

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 of the 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 equities) are modelled separately using appropriate indices for the corresponding geographical regions (Switzerland, Europe and USA) and currencies.

Actual initial market values of assets have been taken where available ("marked-to-market"), or estimated where there is no 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 incorporated in the model.

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

INSURANCE LIABILITIES — Liabilities are calculated 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 — The going-concern assumption stipulates that for MCEV the hybrid debt allocated to the covered business is valued assuming that the coupons and nominal are paid with certainty. The hybrid debt is valued in a market consistent way by discounting the corresponding liability cash flows using the reference rates without any credit spreads. This leads to a difference to the fair value reported in the Notes to the Consolidated Financial Statements.

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 swap 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, a UK based financial consulting company. For variable annuity products another economic scenario generator is used.

Since the assets and liabilities within the Swiss Life Group are mostly denominated in Swiss francs, euros or US dollars, the economic scenarios model these three economies in a market consistent way. 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, 1000–2000 economic scenarios (also referred to as simulations) are used, ensuring a satisfactory 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 time period, economic scenario considered, 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 with regard to the covered business are passed to the corresponding entity, and consequently passed to the present value of future profits.

Look-through adjustments are applied on the asset management services and corporate centre costs. The future profits or losses taken into account for this adjustment are 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. 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.

Covered business relates to the operations in:

- Switzerland
- Germany
- France: sub-consolidated
- Luxembourg
- Liechtenstein
- 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 unit AWD or investment management, financing and holding companies. Non-covered business is added to the MCEV results from the covered business to form the Group MCEV.

For future MCEV publications, other units will be included under covered business as soon as their MCEV is significant.

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 IFRS financial statements.

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 has not been available or the market has not been liquid enough, the model calibration has been based on best estimate assumptions. This notably includes correlations, exchange rate volatilities and real estate volatility.

5.1.1 REFERENCE RATES — The reference rates used for the calculation of the MCEV 2010 are based on the swap rates as at 31 December 2010.

The MCEV principles permit the use of liquidity premiums. Given the continued development of a suitable methodology to quantify liquidity premiums, Swiss Life decided to set liquidity premiums at zero for the calculation of the MCEV 2010 and 2009.

5.1.1.1 SWAP RATES AS AT 31 DECEMBER 2010

Economy	1 year	2 year	5 year	10 year	15 year	30 year
Switzerland	**0.18%**	**0.52%**	**1.40%**	**2.16%**	**2.41%**	**2.19%**
Euro Zone	**1.33%**	**1.56%**	**2.48%**	**3.31%**	**3.64%**	**3.50%**
United States	**0.44%**	**0.80%**	**2.15%**	**3.36%**	**3.83%**	**4.10%**

5.1.1.2 SWAP RATES AS AT 31 DECEMBER 2009

Economy	1 year	2 year	5 year	10 year	15 year	30 year
Switzerland	0.49%	0.87%	1.71%	2.50%	2.85%	2.83%
Euro Zone	1.31%	1.88%	2.81%	3.59%	3.96%	3.94%
United States	0.66%	1.43%	2.98%	3.97%	4.36%	4.53%

5.1.2 VOLATILITY ASSUMPTIONS — Volatility assumptions for the year-end 2010 and 2009 calculations are derived from market data as at 31 December 2010 and 2009.

The interest rate volatilities are based on implied volatilities of at-the-money receiver swaptions. The tenors are 20 years for the euro and the US dollar and 10 years for the Swiss franc.

5.1.2.1 SWAPTION IMPLIED VOLATILITIES AS AT 31 DECEMBER 2010

Economy	1 year option	2 year option	5 year option	10 year option	15 year option	30 year option
Switzerland	**30.0%**	**27.8%**	**26.2%**	**31.0%**	**n/a**[1]	**n/a**[1]
Euro Zone	**24.1%**	**22.0%**	**18.7%**	**18.2%**	**20.5%**	**20.5%**
United States	**25.1%**	**23.4%**	**20.2%**	**16.3%**	**15.2%**	**14.4%**

[1] n/a: not available

5.1.2.2 SWAPTION IMPLIED VOLATILITIES AS AT 31 DECEMBER 2009

Economy	1 year option	2 year option	5 year option	10 year option	15 year option	30 year option
Switzerland	27.4%	25.1%	21.7%	19.9%	n/a[1]	n/a[1]
Euro Zone	21.0%	20.5%	17.4%	15.6%	16.2%	16.5%
United States	25.9%	24.7%	20.6%	16.3%	14.3%	12.5%

[1] n/a: not available

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 2010 AND 31 DECEMBER 2009

Economy	Index	Volatility 2010	Volatility 2009
Switzerland	SMI	**21.0%**	23.7%
Euro Zone	EuroStoxx 50	**27.3%**	28.6%
United States	S&P 500	**27.4%**	29.0%

For 31 December 2010 Swiss Life reassessed the property volatilities considering historical data.

5.1.2.4 PROPERTY VOLATILITIES USED FOR THE CALCULATION AS AT 31 DECEMBER 2010 AND 31 DECEMBER 2009

Economy	Volatility 2010	Volatility 2009
Switzerland	**8.0%**	10.0%
Euro Zone	**13.0%**	15.0%

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 16% for 2010 and 2009.

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 2010

Economy	1 year	2 year	5 year	10 year	15 year	30 year
Switzerland	**0.6%**	**0.6%**	**1.2%**	**1.8%**	**1.4%**	**1.2%**
Euro Zone	**2.1%**	**1.5%**	**1.7%**	**2.4%**	**2.6%**	**1.9%**

5.1.4.2 FORWARD INFLATION RATES USED FOR THE CALCULATION AS AT 31 DECEMBER 2009

Economy	1 year	2 year	5 year	10 year	15 year	30 year
Switzerland	0.6%	0.6%	1.0%	1.9%	2.2%	1.6%
Euro Zone	1.7%	2.0%	2.1%	2.8%	3.2%	2.5%

5.1.5 REAL WORLD ASSUMPTIONS — These assumptions are used for the step "expected business contribution in excess of reference rates" introduced in 2010.

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 historic data.

Fixed risk premiums are used for other risky assets. Return assumptions for equity and property are derived from the 10-year reference 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	2010	2009
Equity	**400 bp**	n/a[1]
Property (Switzerland and Europe)	**200 bp**	n/a[1]

[1] n/a: not applicable

5.2 TAXATION AND LEGISLATION

Tax assumptions have been set in line with the local tax regime. Tax losses carried forward are considered in the projections. 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

	2010	2009
Switzerland	**22.3%**	22.3%
France	**34.4%**	34.4%
Germany	**32.6%**	32.6%
Luxembourg	**22.0%**	22.0%
Liechtenstein	**13.0%**	13.0%
Singapore	**18.0%**	n/a[1]

[1] n/a: not applicable

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 External Auditors’ Statement

To the Board of Directors of
Swiss Life Holding AG
General-Guisan-Quai 40
8002 Zürich

Report of the Auditor on Embedded Value Report 2010

As requested, we have audited the accompanying Embedded Value Report 2010 of Swiss Life Group for the period ended 31 December 2010. The Embedded Value Report has been prepared in accordance with the Market Consistent Embedded Value (“MCEV”) Principles issued in June 2008 and amended in October 2009 by the European Insurance CFO Forum as described in Section 1.

The Board of Directors of Swiss Life Holding AG is responsible for the preparation of the Embedded Value Report in accordance with the MCEV Principles as described in Section 1. Our responsibility is to express an opinion on the Embedded Value Report based on our audit.

We conducted our audit in accordance with Swiss Auditing Standards and with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Embedded Value Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures of the Embedded Value Report. An audit also includes assessing the principles used, significant estimates made by management, as well as evaluating the overall presentation of the Embedded Value Report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Embedded Value Report at 31 December 2010 has been properly prepared on the basis of the MCEV Principles. Without qualifying our opinion, we draw your attention to the fact that areas of non-compliance with the guidance underlying the MCEV Principles have been disclosed by Swiss Life Holding AG in accordance with G1.4 of the MCEV Principles.

This report has been prepared solely for the Board of Directors of Swiss Life Holding AG 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 AG.

PricewaterhouseCoopers AG

Peter Lüssi　　　　Michael Köhler
Audit expert

Zurich, 28 February 2011

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

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 AWD, 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.

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.

Consolidated Financial Statements

Consolidated Statement of Income

CONSOLIDATED STATEMENT OF INCOME FOR THE YEARS ENDED 31 DECEMBER

In CHF million

	Notes	2010	2009
CONTINUING OPERATIONS			
INCOME			
Premiums earned on insurance contracts		11 456	11 987
Premiums earned on investment contracts with discretionary participation		523	118
Premiums ceded to reinsurers		–226	–238
Net earned premiums	7	11 753	11 867
Policy fees earned on insurance contracts		41	56
Policy fees earned on investment and unit-linked contracts		257	212
Net earned policy fees	7	298	268
Commission income	8	922	934
Investment income	5, 8	4 242	4 207
Net gains/losses on financial assets	5, 8	–4 430	–118
Net gains/losses on financial instruments at fair value through profit or loss	5, 8	4 250	315
Net gains/losses on investment property	5, 15	306	184
Other income	8	503	159
TOTAL INCOME		17 844	17 816
EXPENSES			
Benefits and claims under insurance contracts		–12 289	–11 858
Benefits and claims under investment contracts with discretionary participation		–543	–129
Benefits and claims recovered from reinsurers		128	103
Net insurance benefits and claims	8	–12 704	–11 884
Policyholder participation		–1 073	–1 539
Interest expense	8	–311	–353
Commission expense	8	–1 008	–1 008
Employee benefits expense	8	–846	–1 049
Depreciation and amortisation expense	8	–594	–633
Impairment of property and equipment and intangible assets	17, 18	–5	–24
Other expenses	8	–609	–764
TOTAL EXPENSES		–17 150	–17 254
PROFIT FROM OPERATIONS		694	562
Borrowing costs		–104	–141
Share of results of associates	5, 16	6	6
PROFIT BEFORE INCOME TAX		596	427
Income tax expense	25	–36	–103
NET PROFIT FROM CONTINUING OPERATIONS		560	324
DISCONTINUED OPERATIONS			
NET RESULT FROM DISCONTINUED OPERATIONS	30	–	–47
NET PROFIT		560	277
Net profit attributable to			
equity holders of Swiss Life Holding		557	278
non-controlling interests		3	–1
NET PROFIT		560	277
Earnings per share from continuing operations attributable to equity holders of Swiss Life Holding			
Basic earnings per share (in CHF)	6	17.46	10.36
Diluted earnings per share (in CHF)	6	17.37	10.33
Earnings per share attributable to equity holders of Swiss Life Holding			
Basic earnings per share (in CHF)	6	17.46	8.86
Diluted earnings per share (in CHF)	6	17.37	8.83

Consolidated Statement of Comprehensive Income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER

In CHF million

	2010	2009
NET PROFIT	**560**	277
OTHER COMPREHENSIVE INCOME		
Exchange differences on translating foreign operations	**–553**	–18
Financial assets available for sale	**594**	1 356
Cash flow hedges	**2**	–
Revaluation surplus on owner-occupied property transferred to investment property	**–18**	–
Share of other comprehensive income of associates	**–**	0
Financial assets reclassified to loans and receivables	**237**	242
Policyholder participation	**–482**	–979
Shadow accounting	**–26**	–64
Income tax relating to other comprehensive income	**–57**	–151
NET OTHER COMPREHENSIVE INCOME	**–303**	386
TOTAL NET COMPREHENSIVE INCOME	**257**	663
Total net comprehensive income attributable to		
equity holders of Swiss Life Holding	**261**	661
non-controlling interests	**–4**	2
TOTAL NET COMPREHENSIVE INCOME	**257**	663

Consolidated Balance Sheet

CONSOLIDATED BALANCE SHEET

In CHF million

	Notes	31.12.2010	31.12.2009
ASSETS			
Cash and cash equivalents		**6 940**	8 683
Derivatives	9	**2 965**	790
Assets held for sale	30	**94**	2
Financial assets at fair value through profit or loss	10	**23 395**	21 997
Financial assets available for sale	11	**57 950**	51 855
Loans and receivables	13, 33	**29 713**	34 125
Financial assets held to maturity	14, 33	**5 229**	6 432
Financial assets pledged as collateral	12, 35	**1 060**	330
Investment property	15	**14 142**	13 292
Investments in associates	16	**63**	71
Reinsurance assets	23	**365**	412
Property and equipment	17	**569**	696
Intangible assets including intangible insurance assets	18	**3 982**	4 576
Current income tax assets		**10**	26
Deferred income tax assets	25	**150**	80
Other assets	19	**576**	581
TOTAL ASSETS		**147 203**	143 948

CONSOLIDATED BALANCE SHEET

In CHF million

	Notes	31.12.2010	31.12.2009
LIABILITIES AND EQUITY			
LIABILITIES			
Derivatives	9	**498**	282
Financial liabilities at fair value through profit or loss	10	**17 571**	16 001
Investment contracts	20	**11 279**	12 089
Borrowings	21, 33	**2 142**	2 731
Other financial liabilities	22, 33	**10 920**	6 385
Insurance liabilities	23	**90 305**	92 317
Policyholder participation liabilities		**3 436**	3 109
Employee benefit liabilities	24	**2 049**	2 121
Current income tax liabilities		**295**	286
Deferred income tax liabilities	25	**821**	756
Provisions	26	**131**	201
Other liabilities	19	**319**	425
TOTAL LIABILITIES		**139 766**	136 703
EQUITY			
Share capital		**308**	385
Share premium		**1 646**	1 697
Treasury shares		**–18**	–25
Foreign currency translation differences	27	**–762**	–216
Gains/losses recognised directly in equity	27	**209**	–41
Retained earnings		**6 021**	5 408
TOTAL SHAREHOLDERS' EQUITY		**7 404**	7 208
Non-controlling interests		**33**	37
TOTAL EQUITY		**7 437**	7 245
TOTAL LIABILITIES AND EQUITY		**147 203**	143 948

Consolidated Statement of Cash Flows

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

In CHF million

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums, policy fees and deposits received, net of reinsurance	**13 868**	13 959
Benefits and claims paid, net of reinsurance	**–12 781**	–13 412
Interest received	**3 558**	3 521
Dividends received	**133**	139
Commissions received	**1 202**	905
Rentals received	**722**	737
Interest paid	**–51**	–67
Commissions, employee benefit and other payments	**–3 787**	–3 084
Net cash flows from		
derivatives	**2 269**	356
financial instruments at fair value through profit or loss	**266**	1 487
financial assets available for sale	**–11 984**	–7 501
loans	**2 929**	2 637
financial assets held to maturity	**92**	675
investment property	**–997**	–386
other operating assets and liabilities	**3 831**	–92
NET CASH FLOWS FROM OPERATING ACTIVITIES BEFORE INCOME TAX	**–730**	–126
Income taxes paid	**–56**	–84
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	**–786**	–210

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

In CHF million

	Notes	2010	2009
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES		**–786**	–210
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments in associates	16	**–**	–2
Sales of investments in associates		**2**	123
Dividends received from associates	16	**3**	5
Purchases of property and equipment		**–24**	–45
Sales of property and equipment		**41**	3
Purchases of computer software and other intangible assets		**–21**	–14
Acquisitions of subsidiaries, net of cash and cash equivalents	29	**–**	–13
Disposals of subsidiaries, net of cash and cash equivalents	29	**0**	38
TOTAL NET CASH FLOWS FROM INVESTING ACTIVITIES		**1**	95
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of debt instruments		**50**	90
Repurchase of debt instruments		**–**	–113
Redemption of debt instruments		**–280**	–277
Reduction in par value		**–77**	–159
Purchases of treasury shares		**–1**	–127
Sales of treasury shares		**10**	227
Purchases of non-controlling interests		**–**	–64
Capital contributions from non-controlling interests		**0**	0
Borrowing costs paid		**–109**	–159
Dividends paid to non-controlling interests		**0**	0
TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES		**–407**	–582
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		**–1 192**	–697
Cash and cash equivalents as at 1 January		**8 683**	9 408
Foreign currency differences		**–551**	–28
Total change in cash and cash equivalents		**–1 192**	–697
CASH AND CASH EQUIVALENTS AS AT END OF PERIOD		**6 940**	8 683
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash on hand and demand deposits		**3 120**	5 724
Cash equivalents		**1 487**	1 049
Cash and cash equivalents for the account and risk of the Swiss Life Group’s customers		**2 333**	1 910
TOTAL CASH AND CASH EQUIVALENTS AS AT END OF PERIOD		**6 940**	8 683

Consolidated Statement of Changes in Equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

In CHF million	Notes	Share capital	Share premium	Treasury shares	Foreign currency translation differences	Gains/losses recognised directly in equity	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Balance as at 1 January		385	1 697	–25	–216	–41	5 408	7 208	37	7 245
Total net comprehensive income	27	–	–	–	–546	250	557	261	–4	257
Reduction in par value	27	–77	0	–	–	–	–	–77	–	–77
Convertible debt, reclassification of equity component at maturity		–	–56	–	–	–	56	–	–	–
Equity-settled share-based payments		–	3	–	–	–	–	3	–	3
Purchases of treasury shares		–	–	–1	–	–	–	–1	–	–1
Sales of treasury shares		–	2	8	–	–	–	10	–	10
Capital contributions from non-controlling interests		–	–	–	–	–	–	–	0	0
Dividends		–	–	–	–	–	–	–	0	0
BALANCE AS AT END OF PERIOD		308	1 646	–18	–762	209	6 021	7 404	33	7 437

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

In CHF million	Notes	Share capital	Share premium	Treasury shares	Foreign currency translation differences	Gains/losses recognised directly in equity	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Balance as at 1 January		596	2 690	–1 167	–195	–445	5 130	6 609	43	6 652
Total net comprehensive income	27	–	–	–	–21	404	278	661	2	663
Reduction in par value	27	–160	1	–	–	–	–	–159	–	–159
Equity-settled share-based payments		–	1	–	–	–	–	1	0	1
Purchases of treasury shares		–	–	–127	–	–	–	–127	–	–127
Sales of treasury shares		–	–360	583	–	–	–	223	–	223
Cancellation of treasury shares	27	–51	–635	686	–	–	–	–	–	–
Disposals of subsidiaries		–	–	–	–	–	–	–	0	0
Acquisitions of subsidiaries		–	–	–	–	–	–	–	1	1
Purchases of non-controlling interests		–	–	–	–	–	–	–	–9	–9
Capital contributions from non-controlling interests		–	–	–	–	–	–	–	0	0
Dividends		–	–	–	–	–	–	–	0	0
BALANCE AS AT END OF PERIOD		385	1 697	–25	–216	–41	5 408	7 208	37	7 245

Notes to the Consolidated Financial Statements

1 General Information

The Swiss Life Group is one of Europe's leading providers of life insurance and pension solutions. In Switzerland, France and Germany, the Group offers individuals and corporations comprehensive advice and a broad range of products through its own sales force as well as brokers and banks. Swiss Life provides international corporations with employee benefits solutions from a single source, and is one of the global leaders in structured life and pension products for international high net worth individuals. The AWD Group has been part of the Swiss Life Group since 2008. Hanover-based AWD is one of the leading European financial services providers in the medium and high-income client segments and offers its clients personal and holistic financial planning in eight countries.

The following events had an influence on the period under review:

REDUCTION IN PAR VALUE
As approved by the shareholders at the General Meeting of Swiss Life Holding Ltd (hereinafter referred to as "Swiss Life Holding") on 6 May 2010, a reduction in par value of CHF 2.40 per registered share was effected in 2010. The payout took place on 29 July 2010 and amounted to CHF 77 million.

APPROVAL OF FINANCIAL STATEMENTS
On 29 March 2011, 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 with 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.

2.2 CHANGES IN ACCOUNTING POLICIES

STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE CURRENT PERIOD – In January 2008, the International Accounting Standards Board issued a revised version of IFRS 3 Business Combinations and related revisions to IAS 27 Consolidated and Separate Financial Statements. One of the main changes is an option which has been added to IFRS 3 Business Combinations to permit the acquirer in business combinations in which control is achieved without buying all of the equity of the acquiree to recognise 100% of the goodwill, not just the acquirer's portion of the goodwill ("full goodwill method"). The revised Standard requires that acquisition-related costs are expensed. Another change relates to partial disposals of an investment in a subsidiary while control is retained and to the acquisition of additional shares in a subsidiary after control was obtained. Such transactions are accounted for within equity. The amendments are effective for annual periods beginning on or after 1 July 2009. IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Revised) have been applied prospectively with effect from 1 January 2010 and therefore there is no impact on comparative figures in the 2010 consolidated financial statements.

In July 2008, the International Accounting Standards Board published Eligible Hedged Items (an amendment to IAS 39 Financial Instruments: Recognition and Measurement). The amendment provides clarification on how hedge accounting should be performed with regard to identifying inflation as a hedged risk and hedging with options. The amendment is effective for annual periods beginning on or after 1 July 2009. No impact on the consolidated financial statements arose from the adoption of this amendment.

The following amendments to Standards and new Interpretations are mandatory for the first time for the financial year beginning on 1 January 2010, but are not currently relevant for the Swiss Life Group:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Revised Version
- IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers
- Annual improvements to IFRS as published in April 2009.

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 in which Swiss Life Holding owns directly or indirectly more than 50% of the voting rights, or in which it otherwise has the power to exercise control over operations. 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 38. The financial effect of acquisitions and disposals of subsidiaries is shown in note 29. Associates for which the Group has between 20% and 50% of the voting rights and/or exercises significant influence are accounted for using the equity method. The Group's share of net income for the year is recognised as a share of results 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. A listing of the Group's principal associates is shown in note 16.

Non-controlling interest is the part of profit or loss and net assets of a subsidiary attributable to equity interest that is not owned, 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 and the proportion of changes in equity not attributable, directly or indirectly, to the parent since the date of acquisition.

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

	31.12.2010	31.12.2009	Average 2010	Average 2009
1 British pound (GBP)	**1.4560**	1.6639	**1.6111**	1.6958
1 Croatian kuna (HRK)	**0.1691**	0.2043	**0.1893**	0.2062
1 Czech koruna (CZK)	**0.0498**	0.0564	**0.0546**	0.0573
1 Euro (EUR)	**1.2483**	1.4837	**1.3827**	1.5102
100 Hungarian forint (HUF)	**0.4490**	0.5480	**0.5008**	0.5410
100 Polish zloty (PLN)	**31.5608**	36.0500	**34.5489**	35.0370
1 Romanian new leu (RON)	**0.2916**	0.3523	**0.3276**	0.3576
1 Singapore dollar (SGD)	**0.7276**	0.7348	**0.7649**	0.7465
1 US dollar (USD)	**0.9339**	1.0300	**1.0423**	1.0857

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 agreement 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 directly in equity as cumulative translation adjustments. On disposal of foreign entities, such translation differences are recognised in income 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.

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 the income statement, 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 income. 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). In a qualifying fair value hedge, the change in fair value of a hedging derivative is recognised in income. 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 income.

In a qualifying cash flow hedge, the effective portion of the gain or loss on the hedging derivative is recognised directly in equity. Any ineffective portion of the gain or loss is recognised immediately in the income statement. For a hedged forecast transaction that results in the recognition of a financial asset or liability, the associated gain or loss recognised in equity 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 gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in income. However, when a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to income.

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 on investments is computed using the effective interest method and is recognised in income 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 which share a risk with other financial instruments and give rise to opposite changes in fair value that tend to offset each other ("economic hedges").

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 equity. On disposal of an AFS investment, the cumulative gain or loss is transferred from equity to income 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 HELD TO MATURITY (HTM) — Financial assets which the Group has the ability and positive intent to hold to maturity are carried at amortised cost using the effective interest method.

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.

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 the income statement. 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 income.

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 equity and recognised in the income statement. After recognition of an impairment loss, any further declines in fair value are recognised in the income statement, and subsequent increases in fair value are recognised directly in equity.

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 the income statement.

Impairment losses are recognised in income 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 income. 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 every three years. Rental income is recognised on a straight-line basis over the lease term.

Investment property under construction is also measured at fair value with changes in fair value being recognised in the income statement. 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 equity as a revaluation surplus. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. 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 surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through income.

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 accounting 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 (US GAAP).

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 directly in equity.

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 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 directly in equity when, and only when, the valuation differences on the assets arise from gains or losses recognised directly in equity ("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 – 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 total investment result less 100% of the minimum guaranteed interest on the policyholder account, a minimum of 75% of the risk result and a minimum of 50% of the positive expense result is allocated to the policyholder.

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.

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, initially by reducing the unamortised DAC or intangible assets and subsequently by increasing the insurance liabilities. The liability adequacy test is performed 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.

POLICYHOLDER DEPOSITS – For investment contracts with discretionary participation, savings premiums collected are reported as deposits (deposit accounting). The liabilities relating to these contracts are not calculated actuarially; they move in line with premiums paid by the policyholders plus interest credited less expenses and mortality charges and withdrawals.

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 the income statement 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 and 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 2.15 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 the income statement.

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 LEASES

OPERATING LEASE – The Group primarily enters into operating leases for the rental of equipment. 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.

2.13 INVESTMENT MANAGEMENT

Revenue consists principally of investment management fees, commission revenue from distribution, sales of investment fund units and custody account fees. 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.

2.14 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, employee benefits attributable to advisory services and other expenses.

2.15 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 directly in equity (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 equity and is also reflected in the amount of PVP in the balance sheet ("shadow accounting").

PVP is subject to recoverability 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 directly in equity (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 equity 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 income.

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 investment management contracts are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered.

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 purchase method. Goodwill acquired prior to 1995 was charged directly to equity. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities, if applicable, 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 annually for impairment and 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.

BRANDS AND OTHER — Other intangible assets consist of trademarks, computer software and other.

Brands and trademarks with a definite useful life of generally 5 to 20 years are amortised using the straight-line method over their useful lives. Brands with an indefinite useful life are tested for impairment on an annual basis as part of the cash-generating unit to which they belong. They are carried at cost less accumulated impairment.

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.

2.16 IMPAIRMENT OF NON-FINANCIAL ASSETS

For non-financial assets the recoverable amount is measured as the higher of the fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's-length transaction between knowledgeable, willing parties, 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 other assets are recognised in operating expenses.

2.17 INCOME TAXES

Current and deferred income taxes are recognised in income 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.

2.18 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.

2.19 DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale and represents a major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. A discontinued operation is classified as such upon disposal or when it meets the criteria for the classification as held for sale. The consolidated statement of income is represented for prior periods as if the operation had been discontinued from the start of the earliest period presented.

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 for the account and risk of the Swiss Life Group's customers 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 (structured products).

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 the income statement 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 at issuance is recorded in equity. The fair value of the debt 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 bank deposits, insurance and investment contract deposits and repurchase agreements.

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 the income statement 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 service costs are determined at each balance sheet date by a qualified actuary, using the Projected Unit Credit Method.

The amount recognised in the balance sheet represents the present value of the defined benefit obligations, reduced by the fair value of plan assets and adjusted for unrecognised actuarial gains and losses and unrecognised past service costs. The recognition of a resulting asset is limited to the total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the plans or reductions in future contributions to the plans.

Unrecognised actuarial gains and losses which exceed 10% of the greater of the present value of the defined benefit obligations and the fair value of plan assets at the end of the previous reporting period are recognised in income over the expected average remaining working lives of the employees participating in the plans.

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. These plans are accounted for as partially funded plans.

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 income 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 income 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 2010, an amendment to IAS 12 Income Taxes was issued by the International Accounting Standards Board. The amendment is set out in Deferred Tax: Recovery of Underlying Assets. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will normally be through sale. The amendment applies to annual periods beginning on or after 1 January 2012. The Swiss Life Group is currently analysing the impact of these new requirements.

In October 2010, the International Accounting Standards Board issued requirements on the accounting for financial liabilities. These requirements are part of IFRS 9 Financial Instruments. The new requirements address the problem of volatility in profit or loss arising from an issuer choosing to measure its own debt at fair value. An entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income. IFRS 9 Financial Instruments applies to annual periods beginning on or after 1 January 2013. The

Swiss Life Group is currently analysing the impact of these new requirements.

In October 2010, amendments to IFRS 7 Financial Instruments: Disclosures were issued. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments apply to annual periods beginning on or after 1 July 2011. The Swiss Life Group does not expect a significant impact of these amendments on its consolidated financial statements.

In May 2010, the International Accounting Standards Board issued annual improvements to IFRS. The improvements will be effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate. The Swiss Life Group is currently analysing the impact of these changes on its financial statements.

In November 2009, an amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement was issued. The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The Interpretation will be effective for annual periods beginning on or after 1 January 2011. The Swiss Life Group is currently not affected by the amendment.

In November 2009, IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments was issued. The Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Interpretation will be effective for annual periods beginning on or after 1 July 2010. The Swiss Life Group does currently not have such extinguishments.

In November 2009, IFRS 9 Financial Instruments was issued by the International Accounting Standards Board. The Standard represents the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 Financial Instruments covers classification and measurement of financial assets. The classification and measurement approach in IFRS 9 Financial Instruments is based on how an entity manages its financial instruments (business model) and the contractual cash flow characteristics of the financial assets. A financial asset is measured at amortised cost or fair value. The Standard will be effective for annual periods beginning on or after 1 January 2013. The Swiss Life Group is currently analysing the impact of these changes on its financial statements.

In November 2009, amendments to IAS 24 Related Party Disclosures were issued by the International Accounting Standards Board. The amendments apply to annual periods beginning on or after 1 January 2011 and clarify and simplify the definition of a related party. The requirements for government-related entities to disclose details of all transactions with the government and other government-related entities are removed. The Swiss Life Group does not expect a significant impact of these changes on its disclosures.

In October 2009, an amendment to IAS 32 Financial Instruments: Presentation was issued. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. Provided certain conditions are met, such rights issues are classified as equity under the amendment regardless of the currency in which the exercise price is denominated. The amendment will be effective for annual periods beginning on or after 1 February 2010. The Swiss Life Group does not currently have such rights issues.

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

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Severe hyperinflation and removal of fixed dates
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendment relating to the cost of an investment on first-time adoption and amendment to the retrospective application of IFRS for first-time adopters

– IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first-time adopters

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.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is determined based on quoted market prices, where available, or on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is based either on estimates obtained from independent experts or quoted market prices of comparable instruments. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, could not be realised immediately.

The principal methods and assumptions used by the Group in estimating the fair value of the following financial instruments are as follows:

– Fair values for debt and equity securities are generally based upon quoted prices in active markets, if available. In inactive markets, information about prices from recent transactions with the same or similar instruments, quotes from brokers, indices and other input are taken into consideration in the determination of fair values. A market is deemed no longer active if prices available do not represent regularly occurring market transactions on an arm's length basis. Furthermore, the volume of trading activity has declined significantly and bid/ask spreads have widened above a certain level.
– Fair values for derivative financial instruments are obtained from quoted market prices and/or option pricing models as appropriate. Quoted market prices are sourced from well-known price providers such as Bloomberg. Fair values for over-the-counter derivatives are established based on well established valuation models. Market quotes of the input variables are generally used as the parameters for the models. In certain cases these market quotes may be slightly adjusted to better reflect specific market behaviour, e.g. volatility smiles.
– Private equity investments are classified as available for sale and are valued at fair value. The fair values 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 responsibility for determining the fair values lies exclusively with the general partner in the partnership. 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.
– The fair values of loans, which are carried at amortised cost, are estimated using discounted cash flows based upon 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.
– The fair value of hedge funds is based on their quoted market prices, if available. If 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.
– The fair value of financial reinsurance assets and liabilities, which are carried at amortised cost, is estimated

using discounted cash flow calculations.

- The fair value of investment contracts and deposits, which are carried at amortised cost, 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 demand or savings 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.
- The fair value of borrowings, which are carried at amortised cost, 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. The fair value of hybrid debt is estimated based on a discounted cash flow approach, assuming guaranteed coupon payments until maturity or until the next call date for perpetual instruments. Swap rates plus a Swiss Life-specific spread are used for discounting.
- The fair value of liabilities arising from insurance and investment contracts for the account and risk of the Swiss Life Group's customers is calculated based on the valuation of the underlying assets.
- It is impracticable to determine the fair value of investment contracts with discretionary participation features due to the lack of a reliable basis to measure such supplemental discretionary returns. IFRS 4 Insurance Contracts is silent on the measurement of the amounts identified as DPF.

FAIR VALUE OF NON-FINANCIAL INSTRUMENTS

The fair value of investment property is based on current prices in an active market for properties of a similar nature, condition or location – suitably adjusted. Recent prices for similar properties on less active markets, with suitable adjustments for differences, are also used for the estimation of the fair values. Furthermore, investment property is valued using discounted cash flow projections if reliable estimates and reasonable assumptions (such as rental income and operating expenses) can be made, based on external evidence. Future expenditure that will improve the property is not included in the fair value. The risk-adjusted discount rates used in the cash flow projections reflect the specific nature and location of the individual properties. The cash flows used in the projections are based on actual rental income on a sustainable basis. Cost is reflected in the cash flows based on experience and budgets approved by management. The cash flows include inflation. External valuations for individual real estate assets are performed on a rotating basis, but at a minimum each property is evaluated every three years.

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.

Insurance liabilities are established by using appropriate estimates and assumptions on mortality, morbidity, exercise of policyholder options and investment returns. With regard to mortality for example these estimates are typically based on standard industry tables. Management makes allowance for expected improvements due to continued advances in medical science and social conditions.

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 each year in order to determine whether the values of the liabilities so established are adequate in the light of these latest estimates. 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 18.

DEFINED BENEFIT LIABILITIES

The Swiss Life Group uses certain assumptions relating to the calculation of the defined benefit liabilities. These assumptions comprise the expected return on plan assets as well as future salary increases and future pension increases which have been derived from estimates based on past experience. The expected return on the plan assets takes into consideration the investment policy relating to the assets and their projected returns.

The assumptions are set out in note 24.

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 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 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:

- Insurance Switzerland
- Insurance France
- Insurance Germany
- Insurance Other
- Investment Management
- AWD
- Other
- Insurance (Discontinued)
- Banking (Discontinued)

The insurance segments primarily consist of life insurance operations. These operations offer a broad range of life, pension, 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, Singapore and Dubai. The insurance segments also include a number of companies which hold investments primarily pertaining to life insurance.

"Insurance Other" comprises insurance operations in Liechtenstein, Luxembourg, Austria, Singapore and Dubai, as well as payment protection insurance.

Non-life operations involve operations in France and Luxembourg and mainly include property and casualty, liability and motor insurance, accident and health insurance, as well as payment protection insurance. These operations are included in the segment "Insurance France" and "Insurance Other".

"Investment Management" 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.

"AWD" comprises the Hanover-based AWD Group, which was acquired by the Swiss Life Group on 19 March 2008. The AWD Group specialises in personal and holistic financial planning for medium and high-income customer segments.

"Other" refers principally to various finance and service companies.

The insurance operations in the Netherlands and Belgium, which were disposed of on 29 April 2008, are presented in the separate segment "Insurance (Discontinued)".

Banca del Gottardo, Lugano, was disposed of on 7 March 2008. For the purposes of segment reporting, Banca del Gottardo, Lugano, is presented in the separate segment "Banking (Discontinued)".

The statement of income and the balance sheet for the segments are provided in the following:

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

In CHF million

	Insurance Switzerland	Insurance France	Insurance Germany	Insurance Other
INCOME				
Premiums earned on insurance contracts	6 831	2 740	1 814	95
Premiums earned on investment contracts with discretionary participation	513	10	–	–
Premiums ceded to reinsurers	–26	–171	–20	–33
Net earned premiums	7 318	2 579	1 794	62
Policy fees earned on insurance contracts	16	25	–	0
Policy fees earned on investment and unit-linked contracts	31	120	20	86
Net earned policy fees	47	145	20	86
Commission income	18	89	34	1
Investment income	2 763	704	741	33
Net gains/losses on financial assets	–4 636	41	200	37
Net gains/losses on financial instruments at fair value through profit or loss	4 185	25	51	–36
Net gains/losses on investment property	200	108	–2	–
Other income	487	6	5	–1
TOTAL INCOME	10 382	3 697	2 843	182
of which inter-segment	43	–1	–4	–6
EXPENSES				
Benefits and claims under insurance contracts	–8 095	–2 188	–1 974	–38
Benefits and claims under investment contracts with discretionary participation	–528	–15	–	–
Benefits and claims recovered from reinsurers	14	103	5	12
Net insurance benefits and claims	–8 609	–2 100	–1 969	–26
Policyholder participation	–429	–251	–378	–19
Interest expense	–91	–183	–20	–17
Commission expense	–264	–365	–91	–45
Employee benefits expense	–260	–188	–94	–61
Depreciation and amortisation expense	–139	–254	–152	–8
Impairment of property and equipment and intangible assets	–3	–	–2	–
Other expenses	–99	–274	–35	–41
TOTAL EXPENSES	–9 894	–3 615	–2 741	–217
of which inter-segment	–137	–5	–50	–42
SEGMENT RESULT	488	82	102	–35
of which inter-segment	–94	–6	–54	–48
Unallocated corporate costs				
RESULT FROM OPERATIONS				
Borrowing costs	–107	0	–5	–6
Share of results of associates	1	3	0	–
Income tax expense				
NET RESULT				
Additions to non-current assets	857	65	224	12

Investment Management	AWD	Other	Insurance (Discontinued)	Banking (Discontinued)	Eliminations	Total	Less: discontinued operations	Continuing operations
–	–	–	–	–	–24	11 456	–	11 456
–	–	–	–	–	–	523	–	523
–	–	–	–	–	24	–226	–	–226
–	–	–	–	–	0	11 753	–	11 753
–	–	–	–	–	–	41	–	41
–	–	–	–	–	–	257	–	257
–	–	–	–	–	–	298	–	298
268	756	10	–	–	–254	922	–	922
1	2	27	–	–	–29	4 242	–	4 242
–1	–5	–66	–	–	–	–4 430	–	–4 430
–	0	25	–	–	–	4 250	–	4 250
–	–	0	–	–	–	306	–	306
1	7	2	–	–	–4	503	–	503
269	760	–2	–	–	–287	17 844	–	17 844
182	41	32	–	–	–287			
–	–	–	–	–	6	–12 289	–	–12 289
–	–	–	–	–	–	–543	–	–543
–	–	–	–	–	–6	128	–	128
–	–	–	–	–	0	–12 704	–	–12 704
–	–	–	–	–	4	–1 073	–	–1 073
0	–2	0	–	–	2	–311	–	–311
–29	–457	–1	–	–	244	–1 008	–	–1 008
–90	–118	–3	–	–	–2	–816	–	–816
–1	–40	0	–	–	–	–594	–	–594
–	0	–	–	–	–	–5	–	–5
–46	–100	–7	–	–	11	–591	–	–591
–166	–717	–11	–	–	259	–17 102	–	–17 102
–17	–1	–7	–	–	259			
103	43	–13	–	–	–28	742	–	742
165	40	25	–	–	–28			
						–48	–	–48
						694	–	694
–	–	–14	–	–	28	–104	–	–104
0	–	2	–	–	–	6	–	6
						–36	–	–36
						560	–	560
1	7	0	–	–	–	1 166		

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

In CHF million	Insurance Switzerland	Insurance France	Insurance Germany	Insurance Other
INCOME				
Premiums earned on insurance contracts	7 167	2 982	1 744	109
Premiums earned on investment contracts with discretionary participation	105	13	–	–
Premiums ceded to reinsurers	–15	–181	–17	–40
Net earned premiums	7 257	2 814	1 727	69
Policy fees earned on insurance contracts	13	43	–	–
Policy fees earned on investment and unit-linked contracts	18	95	26	73
Net earned policy fees	31	138	26	73
Commission income	31	77	24	1
Investment income	2 631	703	823	36
Net gains/losses on financial assets	–264	79	85	2
Net gains/losses on financial instruments at fair value through profit or loss	237	117	–46	2
Net gains/losses on investment property	100	84	0	–
Other income	103	26	26	4
TOTAL INCOME	10 126	4 038	2 665	187
of which inter-segment	44	–2	2	–6
EXPENSES				
Benefits and claims under insurance contracts	–7 774	–2 203	–1 833	–55
Benefits and claims under investment contracts with discretionary participation	–117	–12	–	–
Benefits and claims recovered from reinsurers	4	80	4	22
Net insurance benefits and claims	–7 887	–2 135	–1 829	–33
Policyholder participation	–806	–407	–305	–21
Interest expense	–106	–206	–21	–19
Commission expense	–232	–325	–106	–46
Employee benefits expense	–349	–239	–100	–52
Depreciation and amortisation expense	–145	–282	–147	–12
Impairment of property and equipment and intangible assets	–23	–	–	–
Other expenses	–111	–285	–65	–47
TOTAL EXPENSES	–9 659	–3 879	–2 573	–230
of which inter-segment	–117	–11	–58	–34
SEGMENT RESULT	467	159	92	–43
of which inter-segment	–73	–13	–56	–40
Unallocated corporate costs				
RESULT FROM OPERATIONS				
Borrowing costs	–147	–1	–6	–6
Share of results of associates	0	4	0	0
Income tax expense				
NET RESULT				
Additions to non-current assets	707	215	61	8

Investment Management	AWD	Other	Insurance (Discontinued)	Banking (Discontinued)	Eliminations	Total	Less: discontinued operations	Continuing operations
–	–	–	–	–	–15	11 987	–	11 987
–	–	–	–	–	–	118	–	118
–	–	–	–	–	15	–238	–	–238
–	–	–	–	–	0	11 867	–	11 867
–	–	–	–	–	–	56	–	56
–	–	–	–	–	0	212	–	212
–	–	–	–	–	0	268	–	268
253	789	9	–	–	–250	934	–	934
2	3	42	–	–	–33	4 207	–	4 207
1	–4	–17	–	–	–	–118	–	–118
–	1	4	–	–	0	315	–	315
–	–	0	–	–	–	184	–	184
1	15	–5	–	–47	–11	112	47	159
257	804	33	–	–47	–294	17 769	47	17 816
172	46	38	–	–	–294			
–	–	–	–	–	7	–11 858	–	–11 858
–	–	–	–	–	–	–129	–	–129
–	–	–	–	–	–7	103	–	103
–	–	–	–	–	0	–11 884	–	–11 884
–	–	–	–	–	0	–1 539	–	–1 539
0	–4	0	–	–	3	–353	–	–353
–25	–502	–4	–	–	232	–1 008	–	–1 008
–97	–173	–3	–	–	–2	–1 015	–	–1 015
–1	–46	0	–	–	–	–633	–	–633
–	–1	–	–	–	–	–24	–	–24
–57	–170	–13	–	–	20	–728	–	–728
–180	–896	–20	–	–	253	–17 184	–	–17 184
–23	–2	–8	–	–	253			
77	–92	13	–	–47	–41	585	47	632
149	44	30	–	–	–41			
						–70	–	–70
						515	47	562
–	–	–22	–	–	41	–141	–	–141
0	–	2	–	–	–	6	–	6
						–103	–	–103
						277	47	324
0	72	–	–	–	–	1 063		

BALANCE SHEET AS AT 31 DECEMBER 2010

In CHF million	Insurance Switzerland	Insurance France
ASSETS		
Cash and cash equivalents	2 790	950
Derivatives	2 803	32
Assets held for sale	94	–
Financial assets at fair value through profit or loss	2 494	6 499
Financial assets available for sale	40 184	12 091
Loans and receivables	17 197	1 629
Financial assets held to maturity	3 726	1 462
Financial assets pledged as collateral	279	781
Investment property	11 893	1 399
Reinsurance assets	31	278
Property and equipment	285	142
Intangible assets including intangible insurance assets	929	491
Other assets	620	23
SEGMENT ASSETS	83 325	25 777
Investments in associates		
Income tax assets		
TOTAL ASSETS		
LIABILITIES AND EQUITY		
LIABILITIES		
Derivatives	447	35
Financial liabilities at fair value through profit or loss	1 228	312
Investment contracts	1 104	9 537
Other financial liabilities	7 201	2 892
Insurance liabilities	62 907	10 991
Policyholder participation liabilities	2 359	438
Employee benefit liabilities	1 905	64
Provisions	25	21
Other liabilities	256	38
SEGMENT LIABILITIES	77 432	24 328
Borrowings		
Income tax liabilities		
EQUITY		
TOTAL LIABILITIES AND EQUITY		

Insurance Germany	Insurance Other	Investment Management	AWD	Other	Insurance (Discontinued)	Banking (Discontinued)	Eliminations	Total
175	2 470	65	118	372	–	–	0	6 940
102	4	–	–	43	–	–	–19	2 965
0	–	–	–	–	–	–	–	94
933	13 402	–	9	58	–	–	–	23 395
4 319	830	30	–	496	–	–	–	57 950
10 993	95	109	170	563	–	–	–1 043	29 713
38	3	–	–	–	–	–	–	5 229
–	–	–	–	–	–	–	–	1 060
847	–	–	–	3	–	–	–	14 142
29	34	–	–	–	–	–	–7	365
68	1	2	54	17	–	–	–	569
1 287	192	0	1 083	–	–	–	–	3 982
2	3	21	2	1	–	–	–96	576
18 793	17 034	227	1 436	1 553	–	–	–1 165	146 980
								63
								160
								147 203
16	0	–	–	19	–	–	–19	498
417	15 614	–	–	–	–	–	–	17 571
127	511	–	–	–	–	–	–	11 279
530	262	26	257	157	–	–	–405	10 920
16 173	260	–	–	–	–	–	–26	90 305
617	24	–	–	–	–	–	–2	3 436
37	7	36	–	–	–	–	–	2 049
20	6	6	53	–	–	–	–	131
0	3	2	49	0	–	–	–29	319
17 937	16 687	70	359	176	–	–	–481	136 508
								2 142
								1 116
								7 437
								147 203

BALANCE SHEET AS AT 31 DECEMBER 2009

In CHF million

	Insurance Switzerland	Insurance France
ASSETS		
Cash and cash equivalents	4 420	958
Derivatives	703	0
Assets held for sale	2	–
Financial assets at fair value through profit or loss	2 013	7 265
Financial assets available for sale	33 230	13 041
Loans and receivables	19 447	1 592
Financial assets held to maturity	4 536	1 834
Financial assets pledged as collateral	–	330
Investment property	10 997	1 499
Reinsurance assets	30	318
Property and equipment	355	165
Intangible assets including intangible insurance assets	1 024	535
Other assets	605	18
SEGMENT ASSETS	77 362	27 555
Investments in associates		
Income tax assets		
TOTAL ASSETS		
LIABILITIES AND EQUITY		
LIABILITIES		
Derivatives	260	–
Financial liabilities at fair value through profit or loss	1 171	899
Investment contracts	884	10 456
Other financial liabilities	3 676	1 814
Insurance liabilities	61 661	11 984
Policyholder participation liabilities	1 690	564
Employee benefit liabilities	1 896	73
Provisions	51	30
Other liabilities	360	23
SEGMENT LIABILITIES	71 649	25 843
Borrowings		
Income tax liabilities		
EQUITY		
TOTAL LIABILITIES AND EQUITY		

Insurance Germany	Insurance Other	Investment Management	AWD	Other	Insurance (Discontinued)	Banking (Discontinued)	Eliminations	Total
331	2 041	49	90	794	–	–	0	8 683
97	7	–	–	–	–	–	–17	790
0	–	–	–	–	–	–	–	2
1 042	11 686	–	6	5	–	–	–20	21 997
4 485	857	32	–	210	–	–	–	51 855
13 159	123	107	211	549	–	–	–1 063	34 125
58	4	–	–	–	–	–	–	6 432
–	–	–	–	–	–	–	–	330
788	–	–	–	8	–	–	–	13 292
37	35	–	–	–	–	–	–8	412
86	2	2	70	16	–	–	–	696
1 512	189	0	1 316	–	–	–	–	4 576
–	1	67	6	1	–	–	–117	581
21 595	14 945	257	1 699	1 583	–	–	–1 225	143 771
								71
								106
								143 948
22	0	–	–	17	–	–	–17	282
399	13 552	–	–	–	–	–	–20	16 001
227	522	–	–	–	–	–	–	12 089
607	190	31	282	81	–	–	–296	6 385
18 455	290	–	–	–	–	–	–73	92 317
844	15	–	–	–	–	–	–4	3 109
49	8	95	–	–	–	–	–	2 121
24	4	6	86	–	–	–	–	201
0	1	1	63	0	–	–	–23	425
20 627	14 582	133	431	98	–	–	–433	132 930
								2 731
								1 042
								7 245
								143 948

PREMIUMS AND POLICY FEES FROM EXTERNAL CUSTOMERS

In CHF million	Net earned premiums		Net earned policy fees	
	2010	2009	2010	2009
LIFE				
Individual life	4 031	4 145	288	243
Group life	7 309	7 228	10	25
TOTAL LIFE	11 340	11 373	298	268
NON-LIFE				
Accident and health	15	16	–	–
Property, casualty and other	398	478	–	–
TOTAL NON-LIFE	413	494	–	–
TOTAL	11 753	11 867	298	268

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	
	2010	2009	31.12.2010	31.12.2009
Switzerland	10 466	10 216	12 282	11 448
France	3 695	4 031	1 869	2 004
Germany	3 292	3 166	2 327	2 575
Liechtenstein	48	51	172	175
Luxembourg	157	147	38	37
Other countries	186	158	3	6
TOTAL	17 844	17 769	16 691	16 245

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. Monthly reports covering interest rate risk, equity price risk, currency risk, credit risk and insurance risk are prepared on a consolidated basis. Additionally, market risks and financial risk limits are reported for the largest operations in the insurance business. 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 different 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	31.12.2010	31.12.2009
Cash and cash equivalents		**2 333**	1 910
Derivatives	9	**–**	10
Financial assets at fair value through profit or loss			
Debt securities	10	**5 848**	5 077
Equity securities	10	**3 054**	2 616
Investment fund units	10	**8 656**	7 355
Other	10	**1 384**	1 693
TOTAL ASSETS FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS		**21 275**	18 661

LIABILITIES FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS

In CHF million

	Notes	31.12.2010	31.12.2009
Financial liabilities at fair value through profit or loss	10	**17 259**	15 101
Investment contracts	20	**2 788**	2 788
Insurance liabilities	23	**961**	742
TOTAL LIABILITIES FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS		**21 008**	18 631

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		For the account and risk of the Swiss Life Group		For the account and risk of the Swiss Life Group's customers		Total	
	Notes	2010	2009	2010	2009	2010	2009
Investment income	8	**4 242**	4 207	**0**	0	**4 242**	4 207
Net gains/losses on financial assets	8	**–4 465**	–118	**35**	0	**–4 430**	–118
Net gains/losses on financial instruments at fair value through profit or loss (FVPL)	8	**4 249**	291	**1**	24	**4 250**	315
Net gains/losses on investment property		**306**	184	**–**	–	**306**	184
Share of results of associates		**6**	6	**–**	–	**6**	6
FINANCIAL RESULT		**4 338**	4 570	**36**	24	**4 374**	4 594

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 with an appropriate discount rate or by direct observation of market values. The available risk capital is defined as the difference of the economic value of the assets compared to liabilities. The available risk 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.

Risk capital and exposure limits are defined to control and limit the exposure to these risks. The limit systems and processes are set in a way that the sublimits are not utilised simultaneously in full.

The main focus of these limits is on overall market risk, credit risk and, more specifically, on interest rate risk as well as on currency risk and equity price risk.

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 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 benefit from the ensuing investment returns in the form of discretionary participation, while shareholders 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 relevant 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 strongly 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 should 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 have been introduced to harmonise the local guidelines and to ensure that they are in line with the guidelines of the Group. 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 price risk, credit risk, currency risk and liquidity risk.

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

INSURANCE LIABILITIES WITH EMBEDDED DERIVATIVES NOT SEPARATED AND FAIR VALUED

In CHF million

	31.12.2010	31.12.2009
Interest rate risk	**83 406**	86 135
Equity price risk	**17**	2
Elimination of duplications	**–17**	–2
TOTAL INSURANCE LIABILITIES WITH EMBEDDED DERIVATIVES NOT SEPARATED AND FAIR VALUED	**83 406**	86 135
Other insurance liabilities	**5 938**	5 440
Insurance liabilities for the account and risk of the Swiss Life Group's customers	**961**	742
TOTAL INSURANCE LIABILITIES	**90 305**	92 317

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 equity securities, interest rates, counterparties and foreign exchange rates. The main instruments include index futures and option structures in stock markets, bond futures and swaps in order to manage duration, currency forwards in order to manage currency risk and credit default swaps 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 as well as "economic hedging". "Economic hedges" comprise financial assets and financial liabilities which share a risk with derivatives 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 2010				
Minimum guaranteed interest rate 0 – < 2%	**11 937**	**2 834**	**1**	**14 772**
Minimum guaranteed interest rate 2 – < 3%	**27 243**	**5 398**	**4**	**32 645**
Minimum guaranteed interest rate 3 – < 4%	**18 616**	**8 854**	**66**	**27 536**
Minimum guaranteed interest rate 4 – < 5%	**339**	**8 071**	**29**	**8 439**
Minimum guaranteed interest rate 5 – < 6%	**–**	**6**	**5**	**11**
Minimum guaranteed interest rate 6 – 8%	**–**	**–**	**3**	**3**
TOTAL INTEREST-SENSITIVE INSURANCE LIABILITIES	**58 135**	**25 163**	**108**	**83 406**
Non-interest-sensitive insurance liabilities	**–**	**–**	**–**	**5 938**
Insurance liabilities for the account and risk of the Swiss Life Group’s customers	**–**	**–**	**–**	**961**
TOTAL INSURANCE LIABILITIES	**–**	**–**	**–**	**90 305**
CARRYING AMOUNTS AS AT 31 DECEMBER 2009				
Minimum guaranteed interest rate 0 – < 2%	11 374	2 927	0	14 301
Minimum guaranteed interest rate 2 – < 3%	25 927	5 497	4	31 428
Minimum guaranteed interest rate 3 – < 4%	19 380	10 655	65	30 100
Minimum guaranteed interest rate 4 – < 5%	808	9 433	29	10 270
Minimum guaranteed interest rate 5 – < 6%	–	22	5	27
Minimum guaranteed interest rate 6 – 8%	–	–	9	9
TOTAL INTEREST-SENSITIVE INSURANCE LIABILITIES	57 489	28 534	112	86 135
Non-interest-sensitive insurance liabilities	–	–	–	5 440
Insurance liabilities for the account and risk of the Swiss Life Group’s customers	–	–	–	742
TOTAL INSURANCE LIABILITIES	–	–	–	92 317

The insurance liabilities with minimum guaranteed interest rates between 0% and 4% are primarily denominated in Swiss francs and euros, and the insurance liabilities with minimum guaranteed interest rates between 4% and 8% are primarily denominated in euros.

Most 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 2% in 2010 and will remain at 2% for 2011.

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 and volatility 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. To the extent that 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. Strategically, a minimum interest rate risk will remain, since a perfect interest rate hedge can either not be achieved or would not be targeted.

In addition to the strategic optimisation of the net interest rate risk exposure at an economic level, the Group has designated a portion of assets to be held to maturity and matching the maturity profile of the associated liabilities to minimise the interest risk arising from these positions. The assets to be held to maturity fund the insurance and investment contracts that will not be surrendered or will not require the payment of a death benefit.

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 has been established. 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. As leverage is not permitted, certain coverage rules apply with regard to cash or long positions. 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 the ongoing period 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 managed through the holding of credit default swaps or 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 exchange-traded derivative.

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. The individual operations maintain records of the payment history for the significant contract holders with whom they conduct regular business. 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, 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 large part of the mortgages a risk class system is in place which allows 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 at least approved 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	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
DEBT INSTRUMENTS						
Debt instruments at fair value through profit or loss	**964**	2 634	**5 848**	5 077	**6 812**	7 711
Debt instruments available for sale	**53 908**	47 166	**–**	–	**53 908**	47 166
Loans and receivables	**29 713**	34 125	**–**	–	**29 713**	34 125
Financial assets held to maturity	**5 229**	6 432	**–**	–	**5 229**	6 432
Debt instruments pledged as collateral	**1 060**	330	**–**	–	**1 060**	330
TOTAL DEBT INSTRUMENTS	**90 874**	90 687	**5 848**	5 077	**96 722**	95 764
OTHER ASSETS						
Cash and cash equivalents	**4 607**	6 773	**2 333**	1 910	**6 940**	8 683
Derivatives	**2 965**	780	**–**	10	**2 965**	790
Reinsurance assets	**365**	412	**–**	–	**365**	412
TOTAL OTHER ASSETS	**7 937**	7 965	**2 333**	1 920	**10 270**	9 885
UNRECOGNISED ITEMS						
Financial guarantees	**354**	362	**–**	–	**354**	362
Loan commitments	**107**	100	**–**	–	**107**	100
TOTAL UNRECOGNISED ITEMS	**461**	462	**–**	–	**461**	462
TOTAL EXPOSURE TO CREDIT RISK	**99 272**	99 114	**8 181**	6 997	**107 453**	106 111

EXPOSURE TO CREDIT RISK OF DEBT INSTRUMENTS

In CHF million	At fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity	Pledged as collateral	Total
CATEGORIES BY COUNTERPARTY AS AT 31 DECEMBER 2010						
Governments	**94**	**25 983**	**4 657**	**4 191**	**1 007**	**35 932**
Sovereign/supranational	**–**	**3 522**	**1 164**	**–**	**4**	**4 690**
Corporates	**807**	**19 080**	**11 010**	**649**	**27**	**31 573**
Collateralised debt	**63**	**5 218**	**9 092**	**389**	**22**	**14 784**
Other debt	**0**	**105**	**3 790**	**–**	**–**	**3 895**
TOTAL	**964**	**53 908**	**29 713**	**5 229**	**1 060**	**90 874**
CATEGORIES BY COUNTERPARTY AS AT 31 DECEMBER 2009						
Governments	450	22 991	4 868	5 178	121	33 608
Sovereign/supranational	–	1 658	124	–	–	1 782
Corporates	2 123	19 120	16 036	1 254	–	38 533
Collateralised debt	50	3 360	10 842	–	209	14 461
Other debt	11	37	2 255	–	–	2 303
TOTAL	2 634	47 166	34 125	6 432	330	90 687

EXPOSURE TO CREDIT RISK OF DEBT INSTRUMENTS

In CHF million

	AAA	AA	A	BBB	Below BBB or not rated	Past due or impaired	Total
CREDIT RATING BY COUNTERPARTY AS AT 31 DECEMBER 2010							
Governments	**28 283**	**4 362**	**2 712**	**424**	**151**	**–**	**35 932**
Sovereign/supranational	**2 221**	**757**	**829**	**669**	**214**	**–**	**4 690**
Corporates	**1 395**	**5 462**	**13 863**	**7 452**	**3 393**	**8**	**31 573**
Collateralised debt	**7 681**	**583**	**612**	**170**	**5 682**	**56**	**14 784**
Other debt	**150**	**98**	**472**	**3**	**3 138**	**34**	**3 895**
TOTAL	**39 730**	**11 262**	**18 488**	**8 718**	**12 578**	**98**	**90 874**
CREDIT RATING BY COUNTERPARTY AS AT 31 DECEMBER 2009							
Governments	25 966	4 282	1 779	1 187	360	34	33 608
Sovereign/supranational	1 617	6	95	5	59	–	1 782
Corporates	4 462	6 361	14 785	8 320	4 554	51	38 533
Collateralised debt	7 989	81	116	33	6 157	85	14 461
Other debt	247	176	250	1	1 584	45	2 303
TOTAL	40 281	10 906	17 025	9 546	12 714	215	90 687

FINANCIAL ASSETS PAST DUE (NOT IMPAIRED)

In CHF million

	Up to 3 months	3–6 months	6–12 months	More than 1 year	Total
AGE ANALYSIS BY COUNTERPARTY AS AT 31 DECEMBER 2010					
Collateralised debt	**11**	**15**	**1**	**4**	**31**
TOTAL	**11**	**15**	**1**	**4**	**31**
Fair value of collateral and credit enhancements					**33**
Financial assets with renegotiated terms					**2**
AGE ANALYSIS BY COUNTERPARTY AS AT 31 DECEMBER 2009					
Collateralised debt	9	15	3	5	32
TOTAL	9	15	3	5	32
Fair value of collateral and credit enhancements					36
Financial assets with renegotiated terms					2

FINANCIAL ASSETS INDIVIDUALLY DETERMINED AS IMPAIRED

In CHF million	Gross amount		Impairment losses		Carrying amount	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
ANALYSIS BY COUNTERPARTY						
Governments	–	45	–	–11	–	34
Corporates	**91**	158	**–83**	–107	**8**	51
Collateralised debt	**42**	98	**–17**	–45	**25**	53
Other debt	**549**	596	**–515**	–551	**34**	45
TOTAL	**682**	897	**–615**	–714	**67**	183
Fair value of collateral and credit enhancements					**29**	58

Collateral and credit enhancements primarily consist of property collateral for mortgage loans.

FINANCIAL ASSETS INDIVIDUALLY DETERMINED AS IMPAIRED

In CHF million	Balance as at 1 January	Reclassification	Impairment losses recognised	Write-offs and disposals	Foreign currency translation differences	Balance as at end of period
IMPAIRMENT LOSS ALLOWANCE BY COUNTERPARTY 2010						
Governments	**11**	–	**–5**	**–6**	**0**	–
Corporates	**107**	–	**6**	**–30**	**0**	**83**
Collateralised debt	**45**	–	**–4**	**–24**	**0**	**17**
Other debt	**551**	–	**5**	**–40**	**–1**	**515**
TOTAL	**714**	–	**2**	**–100**	**–1**	**615**
IMPAIRMENT LOSS ALLOWANCE BY COUNTERPARTY 2009						
Governments	0	–	11	0	0	11
Corporates	787	–554	47	–174	1	107
Collateralised debt	34	–	15	–4	0	45
Other debt	3	554	–4	–2	0	551
TOTAL	824	–	69	–180	1	714

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 or not rated	Total
CREDIT RATING AS AT 31 DECEMBER 2010						
Cash and cash equivalents	977	1 872	1 162	1	595	4 607
Derivatives	50	2 415	310	–	190	2 965
Reinsurance assets	–	300	5	–	60	365
TOTAL	1 027	4 587	1 477	1	845	7 937
of which collateralised					–	
CREDIT RATING AS AT 31 DECEMBER 2009						
Cash and cash equivalents	4 058	881	1 410	0	424	6 773
Derivatives	18	552	86	11	113	780
Reinsurance assets	–	345	6	–	61	412
TOTAL	4 076	1 778	1 502	11	598	7 965
of which collateralised					115	

EXPOSURE TO CREDIT RISK OF UNRECOGNISED ITEMS

In CHF million	AAA	AA	A	BBB	Below BBB or not rated	Total
CREDIT RATING AS AT 31 DECEMBER 2010						
Financial guarantees	–	0	–	220	134	354
Loan commitments	–	–	–	–	107	107
TOTAL	–	0	–	220	241	461
of which collateralised					53	
CREDIT RATING AS AT 31 DECEMBER 2009						
Financial guarantees	–	0	10	262	90	362
Loan commitments	–	–	–	–	100	100
TOTAL	–	0	10	262	190	462
of which collateralised					56	

CURRENCY RISK — The Swiss Life Group operates internationally and its exposures to currency risk primarily arise with respect to the euro, US dollar and British pound. 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 Group's hedging arrangements are directed at covering its exposure mainly from an economic perspective. 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, 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. The following table shows the foreign currency exposure before hedging on the Group's balance sheet against the major functional currencies Swiss franc and euro:

BALANCE SHEET CURRENCY EXPOSURE AS AT 31 DECEMBER 2010

In CHF million

	CHF	EUR	USD	GBP	JPY	Other
BALANCE SHEET CURRENCY EXPOSURE						
Functional currency CHF	–	**14 342**	**11 699**	**2 685**	**111**	**2 769**
Functional currency EUR	**8**	–	**446**	**55**	**0**	**154**

BALANCE SHEET CURRENCY EXPOSURE AS AT 31 DECEMBER 2009

In CHF million

	CHF	EUR	USD	GBP	JPY	Other
BALANCE SHEET CURRENCY EXPOSURE						
Functional currency CHF	–	17 764	9 742	422	111	284
Functional currency EUR	11	–	308	0	0	35

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 full 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. The analysis is made for amounts for the account and risk of the Swiss Life Group.

EXPOSURE TO LIQUIDITY RISK AS AT 31 DECEMBER 2010

In CHF million		Cash flows					
	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: contractual outflows	498	1 628	1 589	1 684	134	112	30
Derivatives: contractual inflows	–	–1 605	–1 771	–1 662	–73	–123	–30
Financial liabilities at fair value through profit or loss	312	–	–	312	–	–	–
Investment contracts with discretionary participation	8 313	25	45	241	1 925	1 952	4 127
Investment contracts without discretionary participation	178	0	26	102	22	11	17
Borrowings	2 142	–	–	220	1 628	823	–
Other financial liabilities	10 920	788	1 302	7 627	394	235	575
TOTAL FINANCIAL LIABILITIES	22 363	836	1 191	8 524	4 030	3 010	4 719
INSURANCE AND POLICYHOLDER PARTICIPATION LIABILITIES							
Insurance liabilities	89 344	235	270	3 082	7 333	13 275	65 149
Policyholder participation liabilities	3 436	23	9	860	1 715	127	702
TOTAL INSURANCE AND POLICYHOLDER PARTICIPATION LIABILITIES	92 780	258	279	3 942	9 048	13 402	65 851
GUARANTEES AND COMMITMENTS							
Loan commitments	–	66	13	22	6	0	–
Capital commitments	–	534	–	–	272	0	–
Financial guarantees	–	–	–	116	–	63	175
TOTAL GUARANTEES AND COMMITMENTS	–	600	13	138	278	63	175

EXPOSURE TO LIQUIDITY RISK AS AT 31 DECEMBER 2009

In CHF million		Cash flows					
	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: contractual outflows	282	1 009	1 400	2 336	3 535	80	18
Derivatives: contractual inflows	–	–989	–1 355	–2 104	–3 165	–	–
Financial liabilities at fair value through profit or loss	900	–	–	951	0	–	–
Investment contracts with discretionary participation	8 868	29	51	274	2 130	2 754	3 630
Investment contracts without discretionary participation	433	29	77	273	26	18	10
Borrowings	2 731	23	0	183	1 678	1 563	–
Other financial liabilities	6 385	724	135	4 221	420	263	622
TOTAL FINANCIAL LIABILITIES	19 599	825	308	6 134	4 624	4 678	4 280
INSURANCE AND POLICYHOLDER PARTICIPATION LIABILITIES							
Insurance liabilities	91 575	311	331	3 259	7 952	14 288	65 434
Policyholder participation liabilities	3 109	24	32	998	1 265	41	749
TOTAL INSURANCE AND POLICYHOLDER PARTICIPATION LIABILITIES	94 684	335	363	4 257	9 217	14 329	66 183
GUARANTEES AND COMMITMENTS							
Loan commitments	–	45	–	55	0	–	–
Capital commitments	–	303	–	–	396	0	–
Financial guarantees	–	–	–	63	26	67	206
TOTAL GUARANTEES AND COMMITMENTS	–	348	–	118	422	67	206

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	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
ASSETS								
Cash and cash equivalents	**4 607**	6 773	**–**	–	**2 333**	1 910	**6 940**	8 683
Derivatives	**2 434**	696	**531**	84	**–**	10	**2 965**	790
Assets held for sale	**94**	2	**–**	–	**–**	–	**94**	2
Financial assets at fair value through profit or loss	**2 381**	1 998	**2 072**	3 258	**18 942**	16 741	**23 395**	21 997
Financial assets available for sale	**2 945**	3 735	**55 005**	48 120	**–**	–	**57 950**	51 855
Loans and receivables	**7 149**	6 442	**22 564**	27 683	**–**	–	**29 713**	34 125
Financial assets held to maturity	**178**	114	**5 051**	6 318	**–**	–	**5 229**	6 432
Financial assets pledged as collateral	**33**	–	**1 027**	330	**–**	–	**1 060**	330
Investment property	**–**	–	**14 142**	13 292	**–**	–	**14 142**	13 292
Investments in associates	**–**	–	**63**	71	**–**	–	**63**	71
Reinsurance assets	**304**	371	**61**	41	**–**	–	**365**	412
Property and equipment	**–**	–	**569**	696	**–**	–	**569**	696
Intangible assets including intangible insurance assets	**–**	–	**3 982**	4 576	**–**	–	**3 982**	4 576
Current income tax assets	**10**	26	**–**	–	**–**	–	**10**	26
Deferred income tax assets	**–**	–	**150**	80	**–**	–	**150**	80
Other assets	**407**	414	**169**	167	**–**	–	**576**	581
TOTAL ASSETS	**20 542**	20 571	**105 386**	104 716	**21 275**	18 661	**147 203**	143 948
LIABILITIES								
Derivatives	**282**	213	**216**	69	**–**	–	**498**	282
Financial liabilities at fair value through profit or loss	**312**	900	**–**	–	**17 259**	15 101	**17 571**	16 001
Investment contracts	**439**	732	**8 052**	8 569	**2 788**	2 788	**11 279**	12 089
Borrowings	**125**	98	**2 017**	2 633	**–**	–	**2 142**	2 731
Other financial liabilities	**9 716**	5 134	**1 204**	1 251	**–**	–	**10 920**	6 385
Insurance liabilities	**3 586**	3 916	**85 758**	87 659	**961**	742	**90 305**	92 317
Policyholder participation liabilities	**893**	1 053	**2 543**	2 056	**–**	–	**3 436**	3 109
Employee benefit liabilities	**84**	89	**1 965**	2 032	**–**	–	**2 049**	2 121
Current income tax liabilities	**295**	286	**–**	–	**–**	–	**295**	286
Deferred income tax liabilities	**–**	–	**821**	756	**–**	–	**821**	756
Provisions	**67**	123	**64**	78	**–**	–	**131**	201
Other liabilities	**297**	400	**22**	25	**–**	–	**319**	425
TOTAL LIABILITIES	**16 096**	12 944	**102 662**	105 128	**21 008**	18 631	**139 766**	136 703

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 of risk taken must be in line with the Group's strategy and risk policy, 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 generally 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.

In Switzerland, the Swiss occupational pensions (BVG) segment of the group life insurance business 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 6.95% for men (retirement age 65) and 6.9% for women (retirement age 64) for retirements in 2011 (7.00% for men and 6.95% for women for retirements in 2010). Under an amendment to the BVG legislation, which took effect on 1 January 2005, the rate will be reduced in stages to 6.8% by 2014.

With regard to mortality, morbidity and longevity risk the most important annuities payable and sums insured are as follows:

ANNUITIES PAYABLE PER ANNUM BY TYPE OF ANNUITY – INDIVIDUAL LIFE

In CHF million

	31.12.2010	31.12.2009
Life annuities – in payment	**568**	582
Life annuities – deferred	**1 084**	892
Annuities certain – in payment	**17**	18
Annuities certain – deferred	**49**	49
Disability income and other annuities – in payment	**233**	296
Disability income and other annuities – deferred	**7 556**	7 964
TOTAL INDIVIDUAL LIFE	**9 507**	9 801

ANNUITIES PAYABLE PER ANNUM BY TYPE OF ANNUITY – GROUP LIFE

In CHF million

	31.12.2010	31.12.2009
Retirement annuities – in payment	562	566
Retirement annuities – deferred	422	474
Survivors' annuities – in payment	107	106
Survivors' annuities – deferred	2 110	2 103
Disability income and other annuities – in payment	404	379
Disability income and other annuities – deferred	14 176	13 907
TOTAL GROUP LIFE	17 781	17 535

LIFE BENEFITS INSURED BY TYPE OF INSURANCE – INDIVIDUAL LIFE

In CHF million

	31.12.2010	31.12.2009
Whole life and term life	12 157	12 729
Disability lump-sum payment	22	26
Other	5 709	5 970
TOTAL INDIVIDUAL LIFE	17 888	18 725

LIFE BENEFITS INSURED BY TYPE OF INSURANCE – GROUP LIFE

In CHF million

	31.12.2010	31.12.2009
Term life	71 413	84 729
Disability lump-sum payment	501	780
Other	1 085	1 571
TOTAL GROUP LIFE	72 999	87 080

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 assumed to be aggravated by such behaviour. For example, it is likely 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 (adverse selection).

UNDERWRITING STRATEGY — Underwriting is the process of selecting and classifying insurable risks. The underwriting strategy attempts to ensure that the risks underwritten are 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 consistent with 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 roughly equivalent 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 a specific investment and risk committee or senior management. Contracts exceeding the set limits must be tested 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.

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 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 (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										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
At end of year of loss occurrence	535	447	454	447	407	519	474	388	437	358	n/a
1 year later	586	496	458	425	461	436	414	427	410	–	n/a
2 years later	565	463	432	449	420	404	383	334	–	–	n/a
3 years later	550	451	461	428	387	389	322	–	–	–	n/a
4 years later	548	480	563	380	368	324	–	–	–	–	n/a
5 years later	581	470	465	366	309	–	–	–	–	–	n/a
6 years later	530	450	435	308	–	–	–	–	–	–	n/a
7 years later	492	445	382	–	–	–	–	–	–	–	n/a
8 years later	490	378	–	–	–	–	–	–	–	–	n/a
9 years later	412	–	–	–	–	–	–	–	–	–	n/a
CURRENT ESTIMATE OF CUMULATIVE CLAIMS	412	378	382	308	309	324	322	334	410	358	3 537
Cumulative payments to date	–368	–328	–321	–250	–248	–255	–235	–227	–244	–147	–2 623
LIABILITIES BEFORE DISCOUNTING	44	50	61	58	61	69	87	107	166	211	914
Effect of discounting	–	–	–	–	–	–	–	–	–	–	–
LIABILITIES FOR THE CURRENT AND 9 PREVIOUS YEARS	44	50	61	58	61	69	87	107	166	211	914
Liabilities for prior years											84
TOTAL GROSS CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS											998

The development of claims under non-life insurance contracts comprises the non-life business in France. CEAT, Paris, is no longer included in the figures above due to the sale in 2009.

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 have been introduced.

The life insurance operations limit exposure to loss on any single life. Retention limits vary by country. For the coverage of loss accumulation in the life insurance business, reinsurance contracts covering catastrophe risk are in place. This type of reinsurance cover is organised at Group level. In the non-life insurance business, reinsurance coverage of loss accumulation is organised at the level of the individual insurance operations.

As far as non-life insurance is concerned, the reinsurance arrangements mostly include non-proportional coverage on any single risk and/or event, adapted to the specifications of each contract. This includes excess of loss, stop-loss and catastrophe coverage. Facultative reinsurance is also written 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 1.9% of insurance in force from continuing operations in terms of earned insurance premiums was ceded as at 31 December 2010 (2009: 2.0%).

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 Principles©[1], 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 7.6 billion as at 31 December 2010 (2009: CHF 6.9 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 classic 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 relating to continuing operations 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 respective reductions in policyholder bonuses. Therefore, this sensitivity is considered not significant as an adverse risk for the embedded value.

At 31 December 2010, if the longevity improvement parameter had increased by 5%, the embedded value would have been CHF 28 million lower (2009: CHF 50 million lower).

At 31 December 2010, if morbidity had been 5% higher, the embedded value would have been CHF 78 million lower (2009: CHF 107 million lower).

At 31 December 2010, if morbidity had been 5% lower, the embedded value would have been CHF 81 million higher (2009: CHF 105 million higher).

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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 2010, if the interest rates had been 100 basis points higher, the embedded value would have been CHF 473 million higher (2009: CHF 982 million higher).

At 31 December 2010, if the interest rates had been 100 basis points lower, the embedded value would have been CHF 824 million lower (2009: CHF 1535 million lower).

At 31 December 2010, if the swaption implied volatilities had been 25% higher, the embedded value would have been CHF 247 million lower (2009: CHF 347 million lower).

At 31 December 2010, if the swaption implied volatilities had been 25% lower, the embedded value would have been CHF 397 million higher (2009: CHF 345 million higher).

At 31 December 2010, if the market value of equity securities and property had been 10% higher, the embedded value would have been CHF 723 million higher (2009: CHF 901 million higher).

At 31 December 2010, if the market value of equity securities and property had been 10% lower, the embedded value would have been CHF 808 million lower (2009: CHF 997 million lower).

At 31 December 2010, if the equity securities and property implied volatilities had been 25% higher, the embedded value would have been CHF 276 million lower (2009: CHF 392 million lower).

At 31 December 2010, if the equity securities and property implied volatilities had been 25% lower, the embedded value would have been CHF 227 million higher (2009: CHF 302 million higher).

At 31 December 2010, if the euro had strengthened by 10% against the Swiss franc, the embedded value of the foreign life and health insurance companies would have been CHF 254 million higher (2009: CHF 249 million higher).

At 31 December 2010, if the euro had weakened by 10% against the Swiss franc, the embedded value of the foreign life and health insurance companies would have been CHF 254 million lower (2009: CHF 249 million lower).

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)	Continuing operations		Discontinued operations		Group	
	2010	2009	**2010**	2009	**2010**	2009
BASIC EARNINGS PER SHARE						
Net result attributable to equity holders of Swiss Life Holding	**557**	325	–	–47	**557**	278
Weighted average number of shares outstanding	**31 904 887**	31 374 354	–	31 374 354	**31 904 887**	31 374 354
BASIC EARNINGS PER SHARE FOR THE NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF SWISS LIFE HOLDING (IN CHF)	**17.46**	10.36	–	–1.50	**17.46**	8.86
DILUTED EARNINGS PER SHARE						
Net result attributable to equity holders of Swiss Life Holding	**557**	325	–	–47	**557**	278
Elimination of interest expense on convertible bonds	–	2	–	–	–	2
RESULT USED TO DETERMINE DILUTED EARNINGS PER SHARE	**557**	327	–	–47	**557**	280
Weighted average number of shares outstanding	**31 904 887**	31 374 354	–	31 374 354	**31 904 887**	31 374 354
Adjustments (number of shares)						
Assumed conversion of convertible bonds	–	201 113	–	–	–	201 113
Equity compensation plans	**170 522**	130 958	–	–	**170 522**	130 958
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE	**32 075 409**	31 706 425	–	31 374 354	**32 075 409**	31 706 425
DILUTED EARNINGS PER SHARE FOR THE NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF SWISS LIFE HOLDING (IN CHF)	**17.37**	10.33	–	–1.50	**17.37**	8.83

7 Premiums, Policy Fees and Deposits Received

WRITTEN PREMIUMS

In CHF million	**2010**	2009
Direct	**11 728**	11 865
Assumed	**252**	239
GROSS WRITTEN PREMIUMS	**11 980**	12 104
Ceded	**–225**	–239
NET WRITTEN PREMIUMS	**11 755**	11 865

EARNED PREMIUMS

In CHF million

	2010	2009
Direct	**11 727**	11 865
Assumed	**252**	240
GROSS EARNED PREMIUMS	**11 979**	12 105
Ceded	**–226**	–238
NET EARNED PREMIUMS	**11 753**	11 867

WRITTEN POLICY FEES

In CHF million

	2010	2009
Direct	**293**	267
Assumed	**4**	2
GROSS WRITTEN POLICY FEES	**297**	269
Ceded	**0**	0
NET WRITTEN POLICY FEES	**297**	269

EARNED POLICY FEES

In CHF million

	2010	2009
Direct	**294**	266
Assumed	**4**	2
GROSS EARNED POLICY FEES	**298**	268
Ceded	**0**	0
NET EARNED POLICY FEES	**298**	268

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

	2010	2009
Net earned premiums	**11 753**	11 867
Net earned policy fees	**298**	268
Deposits received under insurance and investment contracts	**7 914**	7 846
NET EARNED PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	**19 965**	19 981
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	**20 191**	20 219

8 Details of Certain Items in the Consolidated Statement of Income

COMMISSION INCOME

In CHF million

	2010	2009
Brokerage commissions	716	736
Asset management commissions	96	95
Other commissions and fees	110	103
TOTAL COMMISSION INCOME	922	934

INVESTMENT INCOME

In CHF million

	2010	2009
Interest income on financial assets held to maturity and available for sale	2 201	1 814
Interest income on loans and receivables	1 352	1 694
Other interest income	13	19
Dividend income on financial assets available for sale	111	103
Net income on investment property	565	577
TOTAL INVESTMENT INCOME	4 242	4 207

NET GAINS/LOSSES ON FINANCIAL ASSETS

In CHF million

	Notes	2010	2009
Sale of			
financial assets available for sale	27	385	495
loans		17	–64
Net gains/losses from sales		402	431
Impairment losses on			
debt securities available for sale	27	4	6
equity securities available for sale	27	–68	–180
loans and receivables	13	–9	–83
Impairment losses on financial assets		–73	–257
Foreign currency gains/losses		–4 759	–292
TOTAL NET GAINS/LOSSES ON FINANCIAL ASSETS		–4 430	–118

NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

In CHF million

	2010	2009
Interest rate derivatives	42	22
Equity derivatives	–32	–328
Currency derivatives	4 185	190
Other derivatives	–14	–31
Financial assets designated as at fair value through profit or loss	57	445
Financial liabilities designated as at fair value through profit or loss	11	–8
Financial instruments held for trading	–	1
Financial instruments for the account and risk of the Swiss Life Group's customers	1	24
TOTAL NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	4 250	315

OTHER INCOME

In CHF million

	2010	2009
Realised gains/losses on sales of subsidiaries and other assets	15	13
Net gains on repurchased financial liabilities	–	95
Other foreign currency gains/losses	469	7
Other	19	44
TOTAL OTHER INCOME	503	159

NET INSURANCE BENEFITS AND CLAIMS

In CHF million

	2010	2009
Benefits and claims under insurance contracts		
Life benefits and claims paid, gross	9 451	10 781
Change in liability for future life policyholder benefits, gross	2 543	700
Non-life claims paid, gross	306	343
Change in reserve for non-life claims, gross	–11	34
Benefits and claims recovered from reinsurers	–128	–103
Net benefits and claims under insurance contracts	12 161	11 755
Benefits and claims under investment contracts with discretionary participation		
Life benefits and claims paid, gross	164	111
Change in liability for future life policyholder benefits, gross	379	18
Benefits and claims recovered from reinsurers	–	–
Net benefits and claims under investment contracts with discretionary participation	543	129
TOTAL NET INSURANCE BENEFITS AND CLAIMS	12 704	11 884

INTEREST EXPENSE

In CHF million

	Notes	2010	2009
Interest expense on deposits		40	36
Interest expense on investment contracts	20	120	136
Interest expense on deposits under insurance contracts	23	118	139
Other interest expense		33	42
TOTAL INTEREST EXPENSE		311	353

COMMISSION EXPENSE

In CHF million

	2010	2009
Insurance agent and broker commissions	917	916
Asset management and banking commissions	49	47
Other commissions and fees	42	45
TOTAL COMMISSION EXPENSE	1 008	1 008

EMPLOYEE BENEFITS EXPENSE

In CHF million

	Notes	2010	2009
Wages and salaries		587	674
Social security		138	172
Defined benefit plans	24	72	118
Defined contribution plans		1	1
Other employee benefits		48	84
TOTAL EMPLOYEE BENEFITS EXPENSE		846	1 049

DEPRECIATION AND AMORTISATION EXPENSE

In CHF million

	Notes	2010	2009
Depreciation of property and equipment	17	35	47
Amortisation of present value of future profits (PVP)	18	1	1
Amortisation of deferred acquisition costs (DAC)	18	503	533
Amortisation of deferred origination costs (DOC)	18	14	7
Amortisation of other intangible assets	18	41	45
TOTAL DEPRECIATION AND AMORTISATION EXPENSE		594	633

OTHER EXPENSES

In CHF million

	2010	2009
Marketing and advertising	69	111
Information technology and systems	62	107
Rental, maintenance and repair expenses	75	83
Professional services	183	206
Premium taxes and other non-income taxes	132	129
Other	88	128
TOTAL OTHER EXPENSES	609	764

Net gains/losses on financial instruments at fair value through profit or loss from continuing operations include interest and dividend income of CHF 48 million for the period ended 31 December 2010 (2009: CHF 84 million). Net gains/losses on liabilities designated as at fair value through profit or loss from continuing operations include changes attributable to credit risk: nil for the period ended 31 December 2010 (2009: nil).

9 Derivatives

In CHF million	Notes	Fair value assets 31.12.2010	Fair value assets 31.12.2009	Fair value liabilities 31.12.2010	Fair value liabilities 31.12.2009	Contract/notional amount 31.12.2010	Contract/notional amount 31.12.2009
CURRENCY DERIVATIVES							
Forward contracts		**2 354**	475	**47**	84	**34 573**	35 571
Futures		**2**	–	**–**	–	**25**	–
Options (exchange-traded)		**51**	6	**83**	5	**5 478**	2 000
TOTAL CURRENCY DERIVATIVES		**2 407**	481	**130**	89	**40 076**	37 571
INTEREST RATE DERIVATIVES							
Swaps		**195**	22	**209**	32	**15 647**	5 341
Futures		**1**	–	**1**	0	**249**	0
Options (over-the-counter)		**47**	–	**–**	–	**1 061**	–
Other		**0**	–	**–**	–	**6**	–
TOTAL INTEREST RATE DERIVATIVES		**243**	22	**210**	32	**16 963**	5 341
EQUITY/INDEX DERIVATIVES							
Forward contracts		**32**	–	**34**	–	**544**	–
Futures		**3**	8	**3**	3	**287**	284
Options (over-the-counter)		**51**	–	**15**	–	**884**	–
Options (exchange-traded)		**222**	233	**105**	121	**7 257**	11 275
Other		**7**	–	**1**	–	**120**	–
TOTAL EQUITY/INDEX DERIVATIVES		**315**	241	**158**	124	**9 092**	11 559
OTHER DERIVATIVES							
Credit derivatives		**–**	–	**–**	37	**–**	583
Derivatives embedded in insurance contracts		**–**	–	**0**	0	**6**	6
Other		**–**	36	**–**	–	**–**	74
TOTAL OTHER DERIVATIVES		**–**	36	**0**	37	**6**	663
DERIVATIVES FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS	5	**–**	10	**–**	–	**–**	36
TOTAL DERIVATIVES		**2 965**	790	**498**	282	**66 137**	55 170
of which derivatives designated and accounted for as hedging instruments							
Derivatives designated as fair value hedges		**11**	10	**3**	15	**822**	2 068
Derivatives designated as cash flow hedges		**2**	–	**–**	–	**25**	–
Derivatives designated as net investment hedges		**29**	–	**–**	–	**374**	–

DERIVATIVES HELD FOR TRADING

Derivatives held for trading 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").

To manage the risks associated with derivative trading, 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 primarily comprise derivatives associated with fair value hedges and cash flow 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	
	31.12.2010	31.12.2009	**31.12.2010**	31.12.2009	**31.12.2010**	31.12.2009	**31.12.2010**	31.12.2009	**31.12.2010**	31.12.2009
Interest rate risk										
Interest rate swaps to hedge available-for-sale bond portfolios	**–**	–	**–**	2	**–17**	–45	**16**	44	**–**	734
Interest rate swaps to hedge note loans and registered bonds	**–**	–	**3**	–	**–3**	–	**4**	–	**518**	–
Foreign currency risk										
Currency forwards to hedge investments in hedge funds	**11**	10	**–**	13	**33**	49	**–35**	–49	**304**	1 334
TOTAL DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES	**11**	10	**3**	15	**13**	4	**–15**	–5	**822**	2 068

In 2010 and 2009 the Group entered into interest rate swaps to hedge the available-for-sale fixed-rate bond portfolios in CHF, USD and EUR against changes in the fair value attributable to interest rate risk. The fair value of the bond portfolios as at 31 December 2009 was CHF 0.8 billion in total. In 2010 hedge accounting was discontinued with regard to the interest rate risk of available-for-sale fixed-rate bond portfolios.

In 2010 the Group entered into interest rate swaps to hedge euro-denominated fixed-rate note loans and registered bonds carried at amortised cost against changes in the fair value attributable to interest rate risk. The fair value of the hedged assets as at 31 December 2010 was EUR 442 million.

Forward contracts are used as hedging instruments to protect investments in hedge funds against adverse movements in EUR and USD exchange rates.

DERIVATIVES DESIGNATED AS CASH FLOW HEDGES

In CHF million	Fair value assets	Fair value liabilities	Amounts recognised in equity	Ineffectiveness recognised in profit or loss	Amounts transferred to the income statement	Contract/ notional amount	Cash flows expected to occur (year)	Cash flows expected to affect profit or loss (year)
31 DECEMBER 2010								
Interest rate risk								
Interest rate swaps	–	–	–	–	–	–	–	–
Foreign currency risk								
Currency futures	**2**	**–**	**2**	**–**	**–**	**25**	**2011**	**2011**
TOTAL DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	**2**	**–**	**2**	**–**	**–**	**25**	**n/a**	**n/a**

In 2010 the Group entered into futures to hedge the cash flows in EUR arising from policy fees earned on investment and unit-linked contracts against foreign currency movements.

DERIVATIVES DESIGNATED AS NET INVESTMENT HEDGES

In CHF million	Fair value assets		Fair value liabilities		Amounts recognised in equity		Ineffectiveness recognised in profit or loss		Notional amount	
	31.12.2010	31.12.2009	**31.12.2010**	31.12.2009	**31.12.2010**	31.12.2009	**31.12.2010**	31.12.2009	**31.12.2010**	31.12.2009
Currency forwards	**29**	–	**–**	–	**44**	–	**–**	–	**374**	–
Currency options	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
TOTAL DERIVATIVES DESIGNATED AS NET INVESTMENT HEDGES	**29**	–	**–**	–	**44**	–	**–**	–	**374**	–

In 2010 the Group entered into a forward contract to hedge EUR 300 million of the investment in AWD Holding.

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

In CHF million	Notes	Designated as at fair value through profit or loss	
		31.12.2010	31.12.2009
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			
Debt securities		**963**	2 634
Money market instruments		**1**	–
Equity securities		**554**	842
Investment fund units – debt		**1 294**	418
Investment fund units – equity		**1 301**	1 032
Investment fund units – mixed		**68**	71
Private equity		**13**	14
Hedge funds		**215**	239
Commodity funds		**44**	–
Assets for the account and risk of the Swiss Life Group’s customers	5	**18 942**	16 741
Other		**–**	6
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		**23 395**	21 997
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS			
Liabilities for the account and risk of the Swiss Life Group’s customers	5	**17 259**	15 101
Share of net assets of investment funds attributable to minority unitholders		**312**	900
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		**17 571**	16 001

The carrying amounts and the contractual redemption amounts at maturity of financial liabilities designated as at fair value through profit or loss are as follows:

In CHF million	Carrying amount		Redemption amount	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Debentures	–	–	–	–
Share of net assets of investment funds attributable to minority unitholders	312	900	312	900
TOTAL FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS	312	900	312	900

11 Financial Assets Available for Sale

In CHF million	Cost/amortised cost		Net unrealised gains/losses		Fair value (carrying amount)	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Debt securities	52 942	46 905	938	230	53 880	47 135
Money market instruments	28	31	–	–	28	31
Equity securities	1 537	1 570	38	4	1 575	1 574
Investment fund units – debt	266	178	–4	6	262	184
Investment fund units – equity	1 094	851	67	83	1 161	934
Investment fund units – mixed	236	269	0	9	236	278
Private equity	355	280	0	11	355	291
Hedge funds	350	1 228	103	198	453	1 426
Other	0	2	–	0	0	2
TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE	56 808	51 314	1 142	541	57 950	51 855

No held-to-maturity securities were transferred to the available-for-sale category and no available-for-sale securities were transferred to the held-to-maturity category in the period under review.

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.

The effect of the reclassification of financial assets available for sale to loans as at 1 July 2008 is shown in Note 13.

12 Financial Assets Pledged as Collateral

In CHF million	Notes	Carrying amount 31.12.2010	31.12.2009
Financial assets reclassified from			
financial assets available for sale		**972**	330
financial assets held to maturity	33	**88**	–
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL		**1 060**	330

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 Swiss Life. 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	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
LOANS							
Mortgages		**5 192**	5 446	**–25**	–29	**5 167**	5 417
Policy loans		**360**	470	**–**	–	**360**	470
Other originated loans		**600**	967	**–7**	–	**593**	967
Debt securities not quoted in an active market		**9 704**	11 412	**–**	–	**9 704**	11 412
Debt securities previously classified as available for sale		**8 831**	12 169	**–47**	–79	**8 784**	12 090
TOTAL LOANS	33	**24 687**	30 464	**–79**	–108	**24 608**	30 356
RECEIVABLES							
Insurance receivables		**1 038**	1 143	**–23**	–20	**1 015**	1 123
Receivables from reinsurers		**132**	157	**–**	–	**132**	157
Investment contracts ceded to reinsurers		**34**	49	**–**	–	**34**	49
Accrued income		**1 682**	1 768	**–**	–	**1 682**	1 768
Other		**2 243**	672	**–1**	0	**2 242**	672
TOTAL RECEIVABLES	33	**5 129**	3 789	**–24**	–20	**5 105**	3 769
TOTAL LOANS AND RECEIVABLES		**29 816**	34 253	**–103**	–128	**29 713**	34 125

ALLOWANCE FOR IMPAIRMENT LOSSES

In CHF million	Individual evaluation of impairment		Collective evaluation of impairment		Total	
	2010	2009	2010	2009	2010	2009
LOANS						
Balance as at 1 January	**108**	80	**–**	–	**108**	80
Impairment losses	**1**	71	**–**	–	**1**	71
Write-offs and reclassifications	**–40**	–43	**9**	–	**–31**	–43
Foreign currency translation differences	**1**	0	**–**	–	**1**	0
BALANCE AS AT END OF PERIOD	**70**	108	**9**	–	**79**	108
RECEIVABLES						
Balance as at 1 January	**5**	3	**15**	15	**20**	18
Impairment losses	**5**	4	**3**	8	**8**	12
Write-offs	**–2**	–1	**0**	–8	**–2**	–9
Foreign currency translation differences	**0**	–1	**–2**	0	**–2**	–1
BALANCE AS AT END OF PERIOD	**8**	5	**16**	15	**24**	20
TOTAL ALLOWANCE FOR IMPAIRMENT LOSSES	**78**	113	**25**	15	**103**	128

An allowance is recognised for the difference between the carrying value and the estimated recoverable amount, if lower.

Interest income accrued on impaired loans from continuing operations was CHF 1 million as at 31 December 2010 (2009: CHF 2 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 equity 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	2010	2009
Carrying amount as at 31 December	**8 784**	12 090
Fair value as at 31 December	**9 687**	12 664
Gains/losses that would have been recognised in equity if the assets had not been reclassified (excluding adjustments for income tax and policyholder participation)	**564**	3 159
Gains/losses recognised in profit or loss (including impairment)	**–92**	–240
Interest income	**633**	877

14 Financial Assets Held to Maturity

In CHF million		Gross amount		Allowance for impairment losses		Cost/amortised cost (carrying amount)	
	Notes	**31.12.2010**	31.12.2009	**31.12.2010**	31.12.2009	**31.12.2010**	31.12.2009
Debt securities		**5 229**	6 432	**–**	–	**5 229**	6 432
Other		**–**	–	**–**	–	**–**	–
TOTAL FINANCIAL ASSETS HELD TO MATURITY	33	**5 229**	6 432	**–**	–	**5 229**	6 432

Financial assets held to maturity 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.

15 Investment Property

In CHF million

	Notes	2010	2009
Balance as at 1 January		**13 292**	12 663
Effect of amendment to IAS 40		**–**	92
Additions		**880**	694
Capitalised subsequent expenditure		**212**	215
Classification as assets held for sale and other disposals		**–187**	–524
Gains/losses from fair value adjustments		**306**	184
Transfers from/to property and equipment	17	**38**	–16
Foreign currency translation differences		**–399**	–16
BALANCE AS AT END OF PERIOD		**14 142**	13 292
Investment property consists of			
completed investment property		**13 817**	12 966
investment property under construction		**325**	326
TOTAL INVESTMENT PROPERTY		**14 142**	13 292

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 from continuing operations was CHF 718 million for the period ended 31 December 2010 (2009: CHF 735 million). Operating expenses arising from investment property from continuing operations that generated rental income stood at CHF 153 million for the period ended 31 December 2010 (2009: CHF 158 million). Operating expenses arising from investment property from continuing operations that did not generate rental income during the period stood at CHF 0.1 million for the period ended 31 December 2010 (2009: CHF 0.1 million).

The adoption of an amendment to IAS 40 Investment Property and a consequential amendment to IAS 16 Property, Plant and Equipment led to the reclassification of property under construction or development for future use as investment property from property and equipment to investment property as at 1 January 2009. The amount reclassified came to CHF 92 million.

16 Investments in Associates

In CHF million

	Notes	2010	2009
Balance as at 1 January		71	437
Additions		–	2
Reduction due to loss of significant influence		–	–373
Classification as assets held for sale and other disposals		–2	0
Share of results		6	7
Share of amounts recognised directly in equity	27	–	0
Impairment losses		–	–1
Dividends paid		–3	–5
Foreign currency translation differences		–9	4
BALANCE AS AT END OF PERIOD		63	71

Goodwill relating to investments in associates is included in the carrying amount of investments in associates in accordance with IAS 28 (revised) Investment in Associates.

INVESTMENTS IN ASSOCIATES: SUMMARISED FINANCIAL INFORMATION

Amounts in CHF million

	Assets	Liabilities	Net assets	Share of net assets	Revenues	Results	Share of results	Direct share
2010								
Crédit et services financiers (CRESERFI), Paris	239	110	129	43	56	9	3	33.4%
Technopark Immobilien, Zürich	102	57	45	15	14	3	1	33.3%
LGT Swiss Life Non Traditional Advisers, Vaduz	7	1	6	3	6	4	2	43.7%
Parking de Bellefontaine, Lausanne	6	5	1	0	2	0	0	38.3%
Other	17	13	4	2	32	0	0	n/a
TOTAL	371	186	185	63	110	16	6	n/a
2009								
Crédit et services financiers (CRESERFI), Paris	313	169	144	48	65	13	4	33.4%
Technopark Immobilien, Zürich	101	57	44	15	14	3	1	33.3%
LGT Swiss Life Non Traditional Advisers, Vaduz	9	3	6	3	7	5	2	43.7%
Parking de Bellefontaine, Lausanne	6	5	1	0	2	0	0	38.3%
Other	24	13	11	5	12	–2	–1	n/a
TOTAL	453	247	206	71	100	19	6	n/a

In May 2009, Aviga AG, Zurich, was founded.

In April 2009, 8.4% of the share in MLP, Wiesloch, was sold. The investment in MLP was thus reclassified to financial assets available for sale.

17 Property and Equipment

PROPERTY AND EQUIPMENT FOR THE YEAR 2010

In CHF million

	Notes	Land and buildings	Furniture and fixtures	Hardware	Other equipment	Total
COST						
Balance as at 1 January		**835**	**84**	**62**	**10**	**991**
Additions		**14**	**3**	**6**	**1**	**24**
Classification as assets held for sale and other disposals		**–28**	**–19**	**–14**	**–2**	**–63**
Transfers from/to investment property	15	**–45**	**–**	**–**	**–**	**–45**
Revaluation in respect of transfers to investment property		**3**	**–**	**–**	**–**	**3**
Foreign currency translation differences		**–59**	**–7**	**–6**	**–1**	**–73**
BALANCE AS AT END OF PERIOD		**720**	**61**	**48**	**8**	**837**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance as at 1 January		**–197**	**–49**	**–43**	**–6**	**–295**
Depreciation		**–19**	**–6**	**–8**	**–2**	**–35**
Impairment losses		**0**	**–3**	**–**	**–**	**–3**
Classification as assets held for sale and other disposals		**5**	**18**	**14**	**2**	**39**
Transfers to investment property	15	**7**	**–**	**–**	**–**	**7**
Foreign currency translation differences		**10**	**5**	**3**	**1**	**19**
BALANCE AS AT END OF PERIOD		**–194**	**–35**	**–34**	**–5**	**–268**
TOTAL PROPERTY AND EQUIPMENT AS AT END OF PERIOD		**526**	**26**	**14**	**3**	**569**
of which assets held under a finance lease		**–**	**–**	**2**	**–**	**2**

PROPERTY AND EQUIPMENT FOR THE YEAR 2009

In CHF million

	Notes	Land and buildings	Furniture and fixtures	Hardware	Other equipment	Total
COST						
Balance as at 1 January		896	113	95	15	1 119
Effect of amendment to IAS 40		–96	–	–	–	–96
Additions		21	7	18	1	47
Additions from business combinations	29	–	0	0	0	0
Classification as assets held for sale and other disposals		0	–35	–51	–6	–92
Transfers from/to investment property	15	16	–	–	–	16
Foreign currency translation differences		–2	–1	0	0	–3
BALANCE AS AT END OF PERIOD		835	84	62	10	991
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance as at 1 January		–179	–68	–61	–9	–317
Effect of amendment to IAS 40		4	–	–	–	4
Depreciation		–21	–9	–16	–1	–47
Impairment losses		–1	–7	–15	–1	–24
Classification as assets held for sale and other disposals		0	35	49	4	88
Foreign currency translation differences		0	0	0	1	1
BALANCE AS AT END OF PERIOD		–197	–49	–43	–6	–295
TOTAL PROPERTY AND EQUIPMENT AS AT END OF PERIOD		638	35	19	4	696
of which assets held under a finance lease		–	–	3	–	3

No borrowing costs were capitalised in property and equipment in 2010 and 2009.

The adoption of an amendment to IAS 40 Investment Property and a consequential amendment to IAS 16 Property, Plant and Equipment led to the reclassification of property under construction or development for future use as investment property from property and equipment to investment property as at 1 January 2009. The amount reclassified came to CHF 92 million.

18 Intangible Assets including Intangible Insurance Assets

In CHF million	31.12.2010	31.12.2009
Intangible insurance assets	**2 033**	2 338
Other intangible assets	**1 949**	2 238
TOTAL INTANGIBLE ASSETS	**3 982**	4 576

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	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Balance as at 1 January	**20**	21	**2 299**	2 417	**19**	8	**2 338**	2 446
Additions	**–**	–	**441**	481	**29**	18	**470**	499
Amortisation	**–1**	–1	**–503**	–533	**–14**	–7	**–518**	–541
Impairment	**–**	–	**–2**	–	**–**	–	**–2**	–
Effect of shadow accounting	**0**	0	**–32**	–59	**–**	–	**–32**	–59
Classification as assets held for sale and other disposals	**–**	–	**–**	–1	**–**	–	**–**	–1
Foreign currency translation differences	**–3**	0	**–217**	–6	**–3**	0	**–223**	–6
BALANCE AS AT END OF PERIOD	**16**	20	**1 986**	2 299	**31**	19	**2 033**	2 338

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. These amounts, representing the present value of future profits amortised in proportion to gross profits over the effective life of the acquired insurance and investment contracts, relate to contracts acquired in Germany and France.

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

In CHF million	Notes	Goodwill 2010	Goodwill 2009	Customer relationships 2010	Customer relationships 2009	Brands and other 2010	Brands and other 2009	Total 2010	Total 2009
COST									
Balance as at 1 January		**1 947**	1 890	**370**	368	**261**	253	**2 578**	2 511
Additions		**–**	60	**–**	–	**21**	14	**21**	74
Additions from business combinations	29	**–**	11	**–**	4	**–**	0	**–**	15
Classification as assets held for sale and other disposals		**–**	–6	**0**	–	**–10**	–4	**–10**	–10
Foreign currency translation differences		**–202**	–8	**–54**	–2	**–42**	–2	**–298**	–12
BALANCE AS AT END OF PERIOD		**1 745**	1 947	**316**	370	**230**	261	**2 291**	2 578
ACCUMULATED AMORTISATION AND IMPAIRMENT									
Balance as at 1 January		**–157**	–163	**–63**	–29	**–120**	–114	**–340**	–306
Amortisation		**–**	–	**–32**	–35	**–9**	–10	**–41**	–45
Impairment losses		**–**	–	**–**	–	**–**	0	**–**	0
Classification as assets held for sale and other disposals		**–**	6	**0**	–	**7**	4	**7**	10
Foreign currency translation differences		**–**	–	**12**	1	**20**	0	**32**	1
BALANCE AS AT END OF PERIOD		**–157**	–157	**–83**	–63	**–102**	–120	**–342**	–340
TOTAL OTHER INTANGIBLE ASSETS AS AT END OF PERIOD		**1 588**	1 790	**233**	307	**128**	141	**1 949**	2 238

GOODWILL — Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of identifiable assets, liabilities and contingent liabilities, if applicable, at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on associates is included in the carrying amount of the investment.

In November 2009, the squeeze-out of the remaining AWD Holding shareholders representing 3.3% of the shares was completed. The purchase price of the shares amounted to CHF 58 million and led to additional goodwill of CHF 55 million.

Goodwill of CHF 11 million was recognised in 2009 on the acquisition of a financial advisory business in France.

Also in 2009, the remaining 49.4% of the non-controlling interests of CEGEMA, France, were acquired, which led to additional goodwill of CHF 5 million.

Goodwill relating to Lloyd Continental and goodwill relating to "Other" have been allocated to the "Insurance France" segment. Goodwill relating to CapitalLeben has been allocated to the "Insurance Other" segment.

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 four-year period for Lloyd Continental. Due to the duration of the insurance and investment contracts a six-year period was used for CapitalLeben. The calculations for Lloyd Continental and CapitalLeben 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 were as follows:

In CHF million	Lloyd Continental		CapitalLeben		Other	
	31.12.2010	31.12.2009	**31.12.2010**	31.12.2009	**31.12.2010**	31.12.2009
Net carrying amount of goodwill	**287**	287	**149**	149	**12**	15
KEY ASSUMPTIONS USED FOR IMPAIRMENT TESTS						
Growth rate	**1.0%**	1.0%	**1.0%**	1.5%	**1.0%**	1.0%
Discount rate	**10.7%**	9.0%	**9.6%**	10.5%	**10.7%**	9.0%

Goodwill relating to the acquisitions of AWD Holding AG and Deutsche Proventus AG has been allocated to the "Insurance Switzerland", "Insurance Germany" and "AWD" segments.

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 Insurance Switzerland and Insurance Germany and a five-year period for AWD. 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 relating to AWD were as follows:

In CHF million	Insurance Switzerland		Insurance Germany		AWD	
	31.12.2010	31.12.2009	**31.12.2010**	31.12.2009	**31.12.2010**	31.12.2009
Net carrying amount of goodwill	**81**	81	**265**	314	**794**	944
KEY ASSUMPTIONS USED FOR IMPAIRMENT TESTS						
Growth rate	**1.0%**	1.0%	**1.0%**	1.0%	**1.0%**	1.0%
Discount rate	**9.6%**	10.5%	**10.7%**	12.0%	**10.7%**	12.0%

No impairment losses were recognised in 2010 and 2009. A reasonably possible change in the key assumptions would not cause an impairment loss of the goodwill allocated to the "AWD" segment.

CUSTOMER RELATIONSHIPS — As at 31 December 2010 customer relationships comprise customer relationships relating to AWD CHF 186 million (2009: CHF 248 million), France CHF 25 million (2009: CHF 34 million) and CapitalLeben CHF 22 million (2009: CHF 25 million).

A customer relationship asset of CHF 4 million was recognised on the acquisition of a financial advisory business in France in 2009.

BRANDS AND OTHER — Consists of brands, trademarks, computer software and other intangible assets relating to AWD CHF 103 million (2009: CHF 124 million) and other CHF 24 million (2009: CHF 17 million).

19 Other Assets and Liabilities

OTHER ASSETS

In CHF million

	Notes	31.12.2010	31.12.2009
Deferred charges and prepaid expenses		**318**	355
Employee benefit assets	24	**168**	167
Sundry assets		**90**	59
TOTAL OTHER ASSETS		**576**	581

OTHER LIABILITIES

In CHF million

	31.12.2010	31.12.2009
Deferred income	**266**	360
Sundry liabilities	**53**	65
TOTAL OTHER LIABILITIES	**319**	425

20 Investment Contracts

In CHF million

	Notes	31.12.2010	31.12.2009
Investment contracts with discretionary participation with deposit accounting		**9 694**	10 566
Investment contracts with discretionary participation with actuarial valuation		**1 179**	820
Investment contracts without discretionary participation at amortised cost	33	**170**	433
Investment contracts without discretionary participation at fair value through profit or loss		**236**	270
TOTAL INVESTMENT CONTRACTS		**11 279**	12 089
of which for the account and risk of the Swiss Life Group's customers			
investment contracts with discretionary participation		**2 559**	2 518
investment contracts without discretionary participation		**229**	270

INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION WITH DEPOSIT ACCOUNTING

In CHF million

	2010	2009
Balance as at 1 January	**10 566**	9 686
Deposits received	**2 451**	2 195
Interest credited	**111**	119
Participating bonuses	**221**	247
Policy fees	**–118**	–92
Deposits released	**–1 280**	–1 220
Other movements	**223**	–302
Reclassifications and other disposals	**–724**	–
Foreign currency translation differences	**–1 756**	–67
BALANCE AS AT END OF PERIOD	**9 694**	10 566

INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION WITH ACTUARIAL VALUATION

In CHF million

	2010	2009
Balance as at 1 January	**820**	802
Savings premiums	**521**	116
Accretion of interest	**21**	17
Liabilities released for payments on death, surrender and other terminations during the year	**–164**	–111
Effect of changes in actuarial assumptions and other movements	**2**	–4
Foreign currency translation differences	**–21**	0
BALANCE AS AT END OF PERIOD	**1 179**	820

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 and France.

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

	2010	2009
Balance as at 1 January	**433**	355
Deposits received	**173**	336
Interest credited	**9**	17
Policy fees	**0**	0
Deposits released	**–411**	–272
Other movements	**–1**	0
Foreign currency translation differences	**–33**	–3
BALANCE AS AT END OF PERIOD	**170**	433

INVESTMENT CONTRACTS WITHOUT DISCRETIONARY PARTICIPATION AT FAIR VALUE THROUGH PROFIT OR LOSS

In CHF million

	2010	2009
Balance as at 1 January	**270**	292
Deposits received	**12**	46
Fair value changes	**23**	20
Policy fees	**–3**	–3
Deposits released	**–20**	–15
Other movements	**–4**	–67
Foreign currency translation differences	**–42**	–3
BALANCE AS AT END OF PERIOD	**236**	270

21 Borrowings

In CHF million

	Notes	31.12.2010	31.12.2009
Money market instruments		**–**	23
Hybrid debt		**2 141**	2 487
Convertible debt		**–**	34
Bank loans		**–**	184
Finance lease obligations		**1**	3
TOTAL BORROWINGS	33	**2 142**	2 731

HYBRID DEBT

In 2010 the change in the carrying amount was primarily due to foreign currency effects. In 2009, hybrid debt was repurchased. The gain on the repurchase, calculated as the difference between the carrying amount and the amount paid to extinguish the liability, amounted to CHF 95 million and was included in other income.

On 12 April 2007, ELM B.V., a Dutch repackaging vehicle, issued EUR 700 million in fixed/floating rate subordinated perpetual notes at a price of par to finance loan notes granted to Swiss Life AG, which are guaranteed by Swiss Life Holding. Swiss Life AG 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 17 April 2017, the interest will be the aggregate of 2.5% and Euribor 3-month deposits.

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 AG. Swiss Life AG 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 2.43% and Euribor for 3-month deposits.

In 2001, Swiss Life AG issued a subordinated step-up loan of EUR 100 million with a time to maturity of 20 years that can be repaid after 10 years. The interest rate equals Euribor plus a margin of 1.75% for the first ten years and 2.75% thereafter.

In March 1999, Swiss Life AG 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%, increasing by 100 basis points as from April 2009), CHF 290 million (at a rate of interest of Libor plus a margin of 1.05%, increasing by 100 basis points as from April 2009) and EUR 215 million (at a rate of interest of 5.3655%, as from October 2009 the rate of interest is an aggregate of Euribor plus a margin of 2.05%). In 2009, Swiss Life AG renounced the right to call the loan on its first call date. Swiss Life AG can next call the EUR 443 million floating rate loan and the CHF 290 million floating rate loan on 6 April 2014 and the EUR 215 million loan on 6 October 2014 or at five-year intervals thereafter, 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 31.12.2010	Interest rate	Year of issue	Optional redemption	Carrying amount	Carrying amount
Issuer						**31.12.2010**	31.12.2009
Swiss Life AG [1]	EUR 700	EUR 590	5.849%	2007	2017	**733**	871
Swiss Life AG [2]	EUR 350	EUR 343	5.000%	2005	2015	**421**	499
Swiss Life AG	EUR 100	EUR 100	Euribor +1.750%	2001	2011	**125**	148
Swiss Life AG	EUR 443	EUR 443	Euribor +2.050%	1999	2014	**553**	657
Swiss Life AG	CHF 290	CHF 290	Libor +2.050%	1999	2014	**290**	290
Swiss Life AG	EUR 215	EUR 15	Euribor +2.050%	1999	2014	**19**	22
TOTAL						**2 141**	2 487

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

On 10 June 2004, Swiss Life Holding issued CHF 317 million in 0.625% convertible bonds due in 2010. The bonds could be converted into registered shares of Swiss Life Holding at any time at the option of the holder. Bondholders exercising their conversion right were entitled to receive the number of shares equal to the principal amount of CHF 1000 divided by the original conversion price of CHF 209.625 (subject to adjustments, with effect from 29 July 2008 conversion price of CHF 200.20).

No convertible bonds were converted in 2010 or in 2009. On 10 June 2010, the remaining CHF 34 million in convertible debt matured and was redeemed (2009: repurchased CHF 8 million).

BANK LOANS

On 25 July 2008, Swiss Life Insurance Finance Ltd entered into a EUR 500 million loan agreement with a syndicate of banks. The syndicated loan has a three-year maturity and was originally split into a EUR 200 million fully drawn loan bearing an interest rate of Euribor plus a margin of 0.70% and a EUR 300 million undrawn credit facility against a commitment fee of 0.225%. The drawn part of the loan was reduced by repayments of EUR 100 million in 2009 and EUR 100 million in 2010.

Amounts in CHF million	Currency	Interest rate	Maturity	Carrying amount	Carrying amount
Type				**31.12.2010**	**31.12.2009**
Mortgage loan	CHF	1.09%	2010	**–**	38
Syndicated loan	EUR	Euribor +0.70%	–	**–**	146
TOTAL				**–**	184

FINANCE LEASE OBLIGATIONS

In CHF million	Minimum lease payments		Present value of minimum lease payments	
	31.12.2010	31.12.2009	**31.12.2010**	31.12.2009
Not later than 1 year	**1**	0	**0**	0
Later than 1 year and not later than 5 years	**1**	4	**1**	3
TOTAL	**2**	4	**1**	3
Future finance charges	**1**	1		

22 Other Financial Liabilities

In CHF million	Notes	**31.12.2010**	31.12.2009
Insurance payables		**2 451**	2 511
Policyholder deposits		**1 674**	1 589
Amounts due to reinsurers		**170**	185
Demand deposits		**984**	707
Repurchase agreements		**1 111**	334
Amounts due to banks		**2 783**	474
Accrued expenses		**196**	184
Other		**1 551**	401
TOTAL OTHER FINANCIAL LIABILITIES	33	**10 920**	6 385

23 Insurance Liabilities and Reinsurance Assets

In CHF million	Notes	Gross 31.12.2010	Gross 31.12.2009	Reinsurance assets 31.12.2010	Reinsurance assets 31.12.2009	Net 31.12.2010	Net 31.12.2009
Claims under non-life insurance contracts		**998**	1 197	**203**	228	**795**	969
Unearned premiums non-life		**68**	81	**0**	1	**68**	80
Claims under life insurance contracts		**6 274**	6 505	**66**	81	**6 208**	6 424
Future life policyholder benefits		**77 173**	78 528	**95**	101	**77 078**	78 427
Unearned premiums life		**50**	59	**1**	1	**49**	58
Deposits under insurance contracts		**5 742**	5 947	**–**	–	**5 742**	5 947
TOTAL INSURANCE LIABILITIES AND REINSURANCE ASSETS		**90 305**	92 317	**365**	412	**89 940**	91 905
of which for the account and risk of the Swiss Life Group's customers	5	**961**	742	**–**	–	**961**	742

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	2010	2009
BALANCE AS AT 1 JANUARY		
Gross claims under non-life insurance contracts	**1 197**	1 181
Less: reinsurance recoverable	**–228**	–220
NET CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS	**969**	961
CLAIMS AND CLAIM SETTLEMENT COSTS INCURRED		
Reporting period	**381**	447
Prior reporting periods	**–90**	–78
TOTAL CLAIMS AND CLAIM SETTLEMENT COSTS INCURRED	**291**	369
CLAIMS AND CLAIM SETTLEMENT COSTS PAID		
Reporting period	**–157**	–188
Prior reporting periods	**–158**	–157
TOTAL CLAIMS AND CLAIM SETTLEMENT COSTS PAID	**–315**	–345
Reclassifications and other disposals	**–**	–10
Foreign currency translation differences	**–150**	–6
BALANCE AS AT END OF PERIOD		
NET CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS	**795**	969
Plus: reinsurance recoverable	**203**	228
TOTAL GROSS CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS	**998**	1 197

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	
	2010	2009	2010	2009	2010	2009
Balance as at 1 January	**6 505**	6 632	**81**	74	**6 424**	6 558
Accretion of interest	**110**	114	**1**	1	**109**	113
Claims incurred, benefits paid and surrenders	**–72**	–206	**–2**	7	**–70**	–213
Effect of changes in actuarial assumptions and other movements	**89**	–23	**–2**	0	**91**	–23
Foreign currency translation differences	**–358**	–12	**–12**	–1	**–346**	–11
BALANCE AS AT END OF PERIOD	**6 274**	6 505	**66**	81	**6 208**	6 424

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	
	2010	2009	2010	2009	2010	2009
Balance as at 1 January	**78 528**	77 831	**101**	151	**78 427**	77 680
Savings premiums	**7 250**	7 716	**143**	155	**7 107**	7 561
Accretion of interest	**1 966**	2 048	**1**	1	**1 965**	2 047
Claims incurred, benefits paid and surrenders	**–7 738**	–8 929	**–246**	–132	**–7 492**	–8 797
Effect of changes in actuarial assumptions and other movements	**938**	–11	**108**	–75	**830**	64
Foreign currency translation differences	**–3 771**	–127	**–12**	1	**–3 759**	–128
BALANCE AS AT END OF PERIOD	**77 173**	78 528	**95**	101	**77 078**	78 427

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	2010	2009
Balance as at 1 January	**5 947**	5 233
Deposits received	**390**	1 329
Interest credited	**118**	139
Participating bonuses	**38**	47
Policy fees and insurance charges	**–39**	–56
Deposits released for payments on death, surrender and other terminations during the year	**–666**	–716
Other movements	**0**	4
Reclassifications and other disposals	**724**	–
Foreign currency translation differences	**–770**	–33
BALANCE AS AT END OF PERIOD	**5 742**	5 947

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

	31.12.2010	31.12.2009
Insurance liabilities with discretionary participation	**79 306**	80 459
Insurance liabilities without discretionary participation	**10 038**	11 116
Insurance liabilities for the account and risk of the Swiss Life Group's customers	**961**	742
TOTAL INSURANCE LIABILITIES	**90 305**	92 317

24 Employee Benefits

DEFINED BENEFIT PLANS

Employees are covered under various funded and unfunded pension plans. When a third party will reimburse some or all of the expenditure for employee benefits and the rights to reimbursement do not qualify as plan assets, they are treated as a separate asset rather than as a deduction from the obligation. In all other respects the treatment is the same as for plan assets. Participation in the various plans is based either on completion of a specific period of continuous service or on the date of hire. Benefits are based on the employee's credited years of service and average compensation in the years preceding retirement. Annual funding requirements are determined based on actuarial methods or local requirements.

Due to the requirements of IFRS 4 Insurance Contracts in combination with IAS 19 Employee Benefits, insurance contracts issued to defined benefit plans covering own employees are eliminated. Insurance contracts issued to defined benefit plans covering own employees have been issued in Switzerland and France. Certain assets relating to these plans qualify as plan assets and are therefore not eliminated. To the extent these plans are not funded by amounts included in the plan assets, 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.

The net asset/liability position does not incorporate any reimbursement rights.

The major part of the defined benefit liability arises from plans covering employees in Switzerland. The primary benefit of those plans is an old-age pension paid out after reaching retirement age. The amount of the pension is defined in relation to final salary and depends on completion of years of service (including years of service purchased by the employee with transferred funds from plans of former employers). There are options for early retirement (with reduction of the pension amount determined with actuarial methods) and for choosing to receive a lump-sum payment instead of a pension. Other benefits comprise survivors'/orphans' pensions in case of death as well as disability pensions (if disabled before retirement age). The plans are funded by the employer through ordinary contributions determined with actuarial methods where, under Swiss law, a part (generally less than 50% of the total contribution) is deducted from the employee's gross salary. Further funding comprises mandatory transfers of funds made by new employees from plans of former employers, discretionary contributions by employees (within plan restrictions) and the earnings on the plan assets.

In September 2010, the Swiss Life Group announced an amendment of the terms of two major defined benefit plans in Switzerland. The amendments mainly relate to old age pension benefits that change from benefit-oriented to contribution-oriented, changes in the level of certain long-term death and disability benefits, and to a reduction in benefits for early retirements. The curtailment gain amounted to CHF 39 million.

The contributions relating to the continuing operations expected to be paid for the year ending 31 December 2011 are CHF 53 million. These contributions include amounts paid to insurance contracts issued to defined benefit plans covering own employees.

AMOUNTS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET

In CHF million

	31.12.2010	31.12.2009
Present value of defined benefit obligation	–2 370	–2 385
Fair value of plan assets	289	296
Unrecognised actuarial gains (–)/losses (+)	284	231
NET DEFINED BENEFIT ASSET (+)/LIABILITY (–)	–1 797	–1 858
The net defined benefit asset/liability consists of		
gross defined benefit liabilities	–1 965	–2 025
gross defined benefit assets	168	167
Employee benefit liabilities consist of		
gross defined benefit liabilities	–1 965	–2 025
other employee benefit liabilities	–84	–96
TOTAL EMPLOYEE BENEFIT LIABILITIES	–2 049	–2 121
Amount of insurance contracts not included in plan assets	2 137	2 047

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF INCOME

In CHF million

	2010	2009
Current service cost	69	72
Interest cost	73	75
Expected return on plan assets	–11	–10
Net actuarial gains (–)/losses (+)	4	5
Employee contributions	–24	–24
Effect of curtailments or settlements	–39	–
TOTAL DEFINED BENEFIT EXPENSE	72	118
Actual return on plan assets (gains (–)/losses (+))	–3	–36

DEFINED BENEFIT PLANS

In CHF million

	2010	2009
CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION		
Balance as at 1 January	**–2 385**	–2 292
Current service cost	**–69**	–72
Interest cost	**–73**	–75
Contributions by plan participants	**–95**	–79
Actuarial gains (+)/losses (–)	**–57**	–98
Benefits paid	**230**	205
Past service cost	**–**	21
Curtailments and settlements	**45**	4
Foreign currency translation differences	**34**	1
BALANCE AS AT END OF PERIOD	**–2 370**	–2 385
CHANGES IN THE FAIR VALUE OF PLAN ASSETS		
Balance as at 1 January	**296**	268
Expected return on plan assets	**11**	10
Actuarial gains (+)/losses (–)	**–8**	26
Contributions by the employer	**37**	32
Contributions by plan participants	**–20**	–25
Benefits paid	**–10**	–11
Curtailments and settlements	**–**	–4
Foreign currency translation differences	**–17**	0
BALANCE AS AT END OF PERIOD	**289**	296
CATEGORIES OF PLAN ASSETS		
Equity instruments	**103**	87
Debt instruments	**97**	101
Other assets	**89**	108
TOTAL PLAN ASSETS	**289**	296
Plan assets include		
own equity instruments	**56**	55

DEFINED BENEFIT PLANS

In CHF million

	2010	2009	2008	2007	2006
HISTORICAL INFORMATION					
Present value of defined benefit obligation	**–2 370**	–2 385	–2 292	–2 320	–3 065
Fair value of plan assets	**289**	296	268	371	496
DIFFERENCE	**–2 081**	–2 089	–2 024	–1 949	–2 569
Experience adjustments on plan liabilities	**33**	–23	5	18	–57
Experience adjustments on plan assets	**–8**	26	–108	–47	43

PRINCIPAL ACTUARIAL ASSUMPTIONS (WEIGHTED AVERAGES)

	2010	2009
Discount rate	**3.2%**	3.4%
Expected rate of return on plan assets	**3.9%**	4.0%
Future salary increases	**1.6%**	1.6%
Future pension increases	**0.8%**	0.9%

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 from continuing operations amounted to CHF 1 million in 2010 (2009: CHF 1 million).

OTHER LONG-TERM EMPLOYEE BENEFITS

The liability for long-term employee benefits amounted to CHF 0.1 million as at 31 December 2010 (2009: CHF 7 million). It relates to part-time employment contracts prior to retirement and to profit-sharing arrangements for certain employees.

TERMINATION BENEFITS

The termination benefit liability totalling CHF 0.05 million for the year ended 31 December 2010 (2009: CHF 0.1 million) arose as a result of early retirements.

EQUITY COMPENSATION PLANS

A share-based payment programme was established which gives the members of the Corporate Executive Board and senior employees the right to receive a certain number of Swiss Life Holding shares (performance share units, PSUs) after three years of service if certain conditions are fulfilled. The number of the shares allocated depends on two criteria. One criterion is the performance of the share price of the Swiss Life Holding share during the vesting period of three years. The other criterion is the performance of the share price of the Swiss Life Holding share during the vesting period of three years compared to the performance of the Dow Jones STOXX 600 Insurance Index. For the PSUs issued in 2010, a maximum possible factor of 2.0 applies. For the PSUs issued in 2007, 2008 and 2009, the maximum possible factor is 1.5. No minimum possible factor is applied in 2007, 2008, 2009 and 2010 so that the number of PSUs could drop to zero after three years.

In 2007, the number of PSUs granted under this programme amounted to 56 222. The fair value at the measurement date amounted to CHF 189.22. The date of grant was 1 April 2007.

In 2008, the number of PSUs granted under this programme amounted to 52 618. The fair value at the measurement date amounted to CHF 179.30. The date of grant was 1 April 2008.

In 2009, the number of PSUs granted under this programme amounted to 53 216. The fair value at the measurement date amounted to CHF 51.22. The date of grant was 1 April 2009.

In 2010, the number of PSUs granted under this programme amounted to 68 510. The fair value at the measurement date amounted to CHF 149.98. The date of grant was 1 April 2010.

The Group determines the fair value of the PSUs granted for each programme at the grant date. The fair value was determined using the Black-Scholes formula and Monte Carlo simulations. 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 5 million in 2010 (2009: CHF 2 million).

SHARE-BASED PAYMENT PROGRAMMES (PERFORMANCE SHARE UNITS)

Number of performance share units	Balance as at 1 January	Issued	Employee departures	Vested	Balance as at end of period
2010					
Granted in 2007	**37 124**	**–**	**–3 732**	**–33 392**	**–**
Granted in 2008	**41 365**	**–**	**–6 447**	**–**	**34 918**
Granted in 2009	**51 301**	**–**	**–2 962**	**–**	**48 339**
Granted in 2010	**–**	**68 510**	**–**	**–**	**68 510**
2009					
Granted in 2007	45 080	–	–7 956	–	37 124
Granted in 2008	51 237	–	–9 872	–	41 365
Granted in 2009	–	53 216	–1 915	–	51 301
2008					
Granted in 2007	55 141	–	–10 061	–	45 080
Granted in 2008	–	52 618	–1 381	–	51 237
2007					
Granted in 2007	–	56 222	–1 081	–	55 141

OTHER BENEFITS

Related expenses in 2010 were CHF 10 million (2009: CHF 11 million).

25 Income Taxes

INCOME TAX EXPENSE

In CHF million	2010	2009
Current income tax expense	**101**	128
Deferred income tax expense	**–65**	–25
TOTAL INCOME TAX EXPENSE	**36**	103

The expected weighted-average tax rate for the continuing operations of the Group was 26.7% in 2010 (2009: 30.7%). 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

	2010	2009
PROFIT BEFORE INCOME TAX	596	427
Income tax calculated using the expected weighted-average tax rate	159	131
Increase/reduction in taxes resulting from		
lower taxed income	–277	–188
non-deductible expenses	104	142
other income taxes (incl. withholding taxes)	15	43
change in unrecognised tax losses	40	38
adjustments for current tax of prior periods	17	17
changes in tax rates	0	0
intercompany effects	–21	–80
other	–1	0
INCOME TAX EXPENSE	36	103

In 2010, a positive one-off income tax effect amounting to CHF 87 million was realised due to a change in the French tax legislation. The intercompany effects in 2010 were based on tax grouping and intragroup income and expense.

In 2009, other income taxes (incl. withholding taxes) of CHF 43 million were mainly based on a transaction at a lower income tax rate compared to the ordinary income tax rate. Positive intercompany effects of CHF 80 million in 2009 were primarily due to tax group effects and to intragroup income and expense.

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	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Financial assets	149	192	192	109
Investment property	–	–	455	429
Intangible assets	34	39	308	354
Property and equipment	28	29	3	1
Financial liabilities	13	8	19	23
Insurance liabilities	55	37	60	56
Employee benefits	23	32	55	56
Deferred income	2	0	3	5
Other	137	45	31	66
Tax losses	14	41		
DEFERRED INCOME TAX ASSETS/LIABILITIES	455	423	1 126	1 099
Offset	–305	–343	–305	–343
TOTAL DEFERRED INCOME TAX ASSETS/LIABILITIES	150	80	821	756

The increase in the deferred tax asset relating to "Other" in 2010 is primarily due to a change in the French tax legislation.

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 income	Recognised in equity	Business combinations and disposals	Foreign currency translation differences	Balance as at end of period
MOVEMENTS BY TYPE OF TEMPORARY DIFFERENCE DURING THE YEAR 2010						
Financial assets	**83**	**–49**	**–70**	**0**	**–7**	**–43**
Investment property	**–429**	**–33**	**0**	**–**	**7**	**–455**
Intangible assets	**–315**	**13**	**8**	**0**	**20**	**–274**
Property and equipment	**28**	**0**	**–**	**–**	**–3**	**25**
Financial liabilities	**–15**	**7**	**–**	**0**	**2**	**–6**
Insurance liabilities	**–19**	**19**	**–1**	**–**	**–4**	**–5**
Employee benefits	**–24**	**–5**	**–**	**–**	**–3**	**–32**
Deferred income	**–5**	**3**	**–**	**0**	**1**	**–1**
Other	**–21**	**133**	**0**	**–**	**–6**	**106**
Tax losses	**41**	**–23**	**–**	**–**	**–4**	**14**
NET DEFERRED INCOME TAX ASSETS/LIABILITIES	**–676**	**65**	**–63**	**0**	**3**	**–671**
MOVEMENTS BY TYPE OF TEMPORARY DIFFERENCE DURING THE YEAR 2009						
Financial assets	158	86	–161	0	0	83
Investment property	–430	1	0	–	0	–429
Intangible assets	–339	13	11	–1	1	–315
Property and equipment	30	–2	–	–	0	28
Financial liabilities	19	–34	–	–	0	–15
Insurance liabilities	3	–22	0	–	0	–19
Employee benefits	–12	–12	–	–	0	–24
Deferred income	2	–7	–	–	0	–5
Other	4	–26	0	0	1	–21
Tax losses	14	28	–	–	–1	41
NET DEFERRED INCOME TAX ASSETS/LIABILITIES	–551	25	–150	–1	1	–676

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 and does not expect to repatriate these earnings in the foreseeable future. The amount of such temporary differences was approximately CHF 1.7 billion as at 31 December 2010 (2009: CHF 1.7 billion). If such earnings 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	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
2011	6	19	10.5%	9.5%
2012	2	24	13.0%	13.2%
2013	7	40	8.7%	14.7%
Thereafter	1 136	1 055	13.6%	23.1%
TOTAL	1 151	1 138	n/a	n/a

26 Provisions

In CHF million	Restructuring	Other	Total 2010	Total 2009
Balance as at 1 January	79	122	201	93
Additional provisions made during the reporting period	10	18	28	169
Amounts used during the reporting period	–38	–24	–62	–43
Unused amounts reversed during the reporting period	–2	–15	–17	–17
Foreign currency translation differences	–4	–15	–19	–1
BALANCE AS AT END OF PERIOD	45	86	131	201

RESTRUCTURING COSTS

Under the MILESTONE initiative, provisions for restructuring were set up in Switzerland, Germany and AWD in 2009. The outflow of the amounts is expected within the following one to two years.

Other provisions primarily relate to warranties and litigation.

27 Equity

SHARE CAPITAL

As approved by the shareholders at the General Meeting of Swiss Life Holding (SLH) on 6 May 2010, a reduction in the par value of CHF 2.40 per registered SLH share was effected in 2010 (2009: CHF 5 per registered share). The payout took place on 29 July 2010 and led to a reduction in the share capital of SLH of CHF 77 million (2009: CHF 160 million).

On 7 May 2009, the General Meeting of Shareholders authorised the Board of Directors to cancel the 3 003 500 SLH shares bought back through a second trading line as part of the share buyback programme. The reduction in share capital due to the share cancellation amounted to CHF 51 million.

No convertible bonds were converted in 2010 or in 2009.

As at 31 December 2010, the share capital of SLH consisted of 32 081 054 fully-paid shares with a par value of CHF 9.60 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. As at 31 December 2009, SLH had 32 081 054 registered shares with a par value of CHF 12 per share. Conditional share capital was CHF 22 650 105.60 as at 31 December 2010 (2009: CHF 28 312 632.00).

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.

Due to the reduction in the par value of CHF 2.40 per registered SLH share in 2010 (2009: CHF 5 per registered SLH share), an amount of CHF 0.4 million was credited to share premium in respect of treasury shares (2009: CHF 1 million).

In 2009, the reduction in share premium due to the cancellation of the SLH shares bought back through a second trading line amounted to CHF 635 million.

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

	2010	2009
SHARES ISSUED		
Balance as at 1 January	**32 081 054**	35 084 554
Cancellation of treasury shares	–	–3 003 500
BALANCE AS AT END OF PERIOD	**32 081 054**	32 081 054
TREASURY SHARES		
Balance as at 1 January	**232 158**	4 619 466
Purchases of treasury shares	**11 217**	1 965 033
Sales of treasury shares	**–74 819**	–3 348 841
Cancellation of treasury shares	–	–3 003 500
BALANCE AS AT END OF PERIOD	**168 556**	232 158

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.

GAINS/LOSSES RECOGNISED DIRECTLY IN EQUITY

Gains/losses recognised directly in equity comprise fair value changes of available-for-sale investments, revaluation surpluses on the transfer of owner-occupied property to investment property and the effective portion of the gain or loss on hedging derivatives in qualifying cash flow hedges. These amounts are net of certain policyholder bonuses and other policyholder liabilities and deferred acquisition costs, deferred income taxes and non-controlling interests.

AMOUNTS RECOGNISED DIRECTLY IN EQUITY FOR THE YEAR 2010

In CHF million	Notes	Foreign currency translation differences	Gains/losses recognised directly in equity			
			Financial assets available for sale	Cash flow hedges	Other	Total
Net balance as at 1 January		–216	232	–	–273	–41
Gains/losses arising during the period		–596	917	–	–	917
Hedging gains/losses arising during the period	9	44	–	2	–	2
Revaluation surplus on owner-occupied property transferred to investment property	17	–	–	–	3	3
Gains/losses transferred to the income statement	8	–	–321	–	232	–89
Effects of						
policyholder participation		–	–355	–	–133	–488
shadow accounting		–	–62	–	36	–26
income tax		–1	–35	0	–25	–60
disposals of subsidiaries		0	–	–	–	–
foreign currency translation differences		–	–7	–	–2	–9
non-controlling interests		7	0	–	0	0
NET BALANCE AS AT END OF PERIOD		–762	369	2	–162	209

AMOUNTS RECOGNISED DIRECTLY IN EQUITY FOR THE YEAR 2009

In CHF million	Notes	Foreign currency translation differences	Gains/losses recognised directly in equity			
			Financial assets available for sale	Cash flow hedges	Other	Total
Net balance as at 1 January		–195	–89	–	–356	–445
Gains/losses arising during the period		–22	1 689	–	–	1 689
Share of gains/losses of associates	16	–	–	–	0	0
Gains/losses transferred to the income statement	8	–	–321	–	241	–80
Effects of						
policyholder participation		–	–933	–	–54	–987
shadow accounting		–	12	–	–76	–64
income tax		3	–125	–	–28	–153
disposals of subsidiaries		1	–	–	–	–
foreign currency translation differences		–	–1	–	–	–1
non-controlling interests		–3	0	–	0	0
NET BALANCE AS AT END OF PERIOD		–216	232	–	–273	–41

The gains/losses transferred to the income statement of CHF 232 million in 2010 (2009: CHF 241 million) shown in “Other” relate to financial assets reclassified to loans and receivables.

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.

28 Capital Management

The Group's objectives when managing capital are as follows: to comply with the regulatory capital requirements, to define and manage economic capital and to fulfill 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, the Swiss Life Group reports as an insurance group 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 intragroup 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. At 31 December 2010 and 2009, the Group was compliant with the legal requirements.

The requirement that insurers establish – over and above the technical provisions – a buffer against unforeseen events such as higher than expected claims or unfavourable investment results is a key element for the protection of the policyholders. The Swiss Life Group's Solvency I ratio amounted to 172% as at 31 December 2010 (2009: 164%). Following regulatory requirements, the available solvency margin consists of the IFRS equity and other equity-type instruments such as hybrid capital or unattributed policyholder reserves, minus foreseen dividend payments and intangible assets such as goodwill. The basic formula for the required solvency margin of a life insurance company is 4% of mathematical reserves plus 0.3% of the capital sum-at-risk.

The Swiss Solvency Test (SST) is the new Swiss legislation which governs the future capital requirements of insurance companies. It was enacted in 2006 with the revised Insurance Supervision Law and corresponding Insurance Supervision Ordinance and solely constituted a reporting requirement during a five-year transition period before the capital requirements ultimately became binding from 1 January 2011. The SST is a principles-based framework where the main objective is the alignment of the required capital with the underlying risks of an insurance company. The SST capital requirement underpins a high level of confidence that insurers will meet their obligations towards policyholders even in adverse circumstances.

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.

ECONOMIC CAPITAL

The value of a life insurance company for its shareholders comprises the economic net worth and the present value of future profits. The optimal amount of economic capital an insurance company needs to hold to maximise the company value is a trade-off between benefits and costs. For risk and capital management decisions, the Swiss Life Group uses an integrated approach. The economic risk capital is determined bottom up for each large business unit and takes into account market risk, credit risk and insurance risk. These risks are calculated using a loss distribution approach from which risk measures can be derived. The overall capital requirement is obtained by taking into account appropriate diversification benefits among the above-mentioned risk categories.

Elements of the bottom-up risk capital per business unit allow for a monthly estimate of the SST solvency situation. The calibration is done based on the full SST calculations as at the beginning of each calendar year and as at mid-year.

Economic and statutory capital constraints and the profit target are the main elements determining the risk budgets. Based on these risk budgets, the Corporate Executive Board (Group Risk Committee) defines the risk limits for each country and business unit. Monitoring the limits is performed monthly.

STANDARD & POOR'S RATING CAPITAL

Swiss Life has defined a target capitalisation in line with its rating ambition. In the Standard & Poor's risk-based insurance capital model the total adjusted capital (TAC) is the measure used for capital available to meet a company's capital requirements. TAC is set against the capital required given the company's targeted rating category (target capital). The factor-based model takes into account, among other factors, insurance risks, asset value volatility and credit risks. Within the capitalisation analysis, in addition to assessing capital adequacy, Standard & Poor's also assesses the quality of capital in its various dimensions such as debt, hybrid and reinsurance leverage.

In line with its active capital management, the Swiss Life Group uses hybrid instruments to optimise its capital structure.

29 Acquisitions and Disposals of Subsidiaries

ASSETS AND LIABILITIES FROM ACQUISITIONS

In CHF million

	Notes	2010	2009
CONSIDERATION			
Cash consideration		–	15
Non-cash consideration		–	–
TOTAL CONSIDERATION TRANSFERRED		–	15
IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED			
Cash and cash equivalents		–	2
Loans and receivables		–	2
Property and equipment	17	–	0
Intangible assets including intangible insurance assets	18	–	4
Other financial liabilities		–	–1
Deferred income tax liabilities		–	–1
Other liabilities		–	–1
TOTAL IDENTIFIABLE NET ASSETS		–	5
Non-controlling interests		–	–1
Goodwill	18	–	11
TOTAL		–	15
ACQUIRED LOANS AND RECEIVABLES			
Fair value		–	2
Gross contractual amounts receivable		–	2
Estimated uncollectible cash flows		–	0

In 2009, a financial advisory business in France was acquired by the Swiss Life Group. The purchase consideration amounted to CHF 15 million.

ASSETS AND LIABILITIES FROM DISPOSALS

In CHF million

	2010	2009
CONSIDERATION		
Consideration received in cash	**0**	38
Deferred consideration	**–**	–
TOTAL CONSIDERATION RECEIVED	**0**	38
ASSETS AND LIABILITIES DISPOSED		
Cash and cash equivalents	**0**	0
Financial assets available for sale	**–**	28
Loans and receivables	**1**	7
Investment property	**–**	1
Intangible assets including intangible insurance assets	**0**	1
Other assets	**0**	–
Other financial liabilities	**–1**	–2
Insurance liabilities	**–**	–15
Employee benefit liabilities	**–**	–1
Other liabilities	**0**	–1
NET ASSETS DISPOSED OF	**0**	18
GAIN/LOSS ON DISPOSALS		
Consideration received	**0**	38
Net assets disposed of	**0**	–18
Amounts recognised directly in equity	**0**	–1
GAIN (+)/LOSS (–) ON DISPOSALS	**0**	19

In September 2009, the sale of CEAT, Paris, was completed. The gain realised on the sale amounted to CHF 19 million.

30 Assets Held for Sale and Discontinued Operations

As at 31 December 2010, assets held for sale comprised CHF 94 million investment property reclassified as held for sale (2009: CHF 2 million). The sales were effected in January 2011.

In November 2007, the Swiss Life Group entered into a sale agreement to dispose of Banca del Gottardo, Lugano. The transaction was completed on 7 March 2008. Banca del Gottardo, Lugano, is presented as a separate segment "Banking (Discontinued)" for segment reporting purposes.

In 2009, a settlement payment of CHF 33 million and a provision of CHF 14 million were made with regard to the sale of Banca del Gottardo.

Also in November 2007, the Swiss Life Group announced the sale of its Dutch and Belgian businesses. The transaction was completed on 29 April 2008. For the purposes of segment reporting the Dutch and Belgian businesses are presented as a separate segment "Insurance (Discontinued)".

Banca del Gottardo, Lugano, as well as the insurance operations in the Netherlands and in Belgium are presented as discontinued operations in the consolidated statement of income.

RESULTS FROM DISCONTINUED OPERATIONS

In CHF million	Insurance (Discontinued)		Banking (Discontinued)		Total	
	2010	2009	**2010**	2009	**2010**	2009
Income	–	–	–	–	–	–
Expenses	–	–	–	–	–	–
Gain/loss on disposal of operations	–	–	–	–47	–	–47
RESULT BEFORE INCOME TAX	–	–	–	–47	–	–47
Income tax expense on result from ordinary activities from discontinued operations	–	–	–	–	–	–
Income tax expense on the gain/loss on remeasurement to fair value less costs to sell/disposal of operations	–	–	–	–	–	–
NET RESULT FROM DISCONTINUED OPERATIONS	–	–	–	–47	–	–47

NET CASH FLOWS FROM DISCONTINUED OPERATIONS

In CHF million	Insurance (Discontinued)		Banking (Discontinued)		Total	
	2010	2009	**2010**	2009	**2010**	2009
Net cash flows from operating activities	–	–	–	–	–	–
Net cash flows from investing activities	–	–	–	–33	–	–33
Net cash flows from financing activities	–	–	–	–	–	–
NET CASH FLOWS FROM DISCONTINUED OPERATIONS	–	–	–	–33	–	–33

31 Related Party Transactions

CONSOLIDATED STATEMENT OF INCOME

In CHF million	Associates	Key management personnel	Other	Total 2010	Total 2009
Asset management and other commission income	–	–	0	0	–
Investment income	1	–	2	3	2
Net gains/losses on financial assets	–	–	–1	–1	–22
Net gains/losses on financial instruments at fair value through profit or loss	–	–	46	46	40
Interest expense	–	–	0	0	0
Employee benefits expense	–	–17	–	–17	–16
Other expenses	–	–	0	0	–

CONSOLIDATED BALANCE SHEET

Amounts in CHF million	Associates	Key management personnel	Other	Total 31.12.2010	Total 31.12.2009
Equity investments	–	–	184	184	171
Loans and receivables	21	–	–	21	22
Other liabilities	–	–	0	0	–
SLH shares issued to key management under equity compensation plans (number)	–	5 114	–	5 114	2 940

Sales to and purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement is made in cash. There have been no guarantees provided or received for any related party receivables. For the year ended 31 December 2010, 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.

Financial assets associated with other related parties primarily comprise strategic investments in a German bank conglomerate.

AWD Holding and its subsidiaries paid a total of EUR 0.045 million in consulting fees for services provided by a company in which Carsten Maschmeyer, member of the Board of Directors of Swiss Life Holding, has an important shareholding. Additionally, revenue of EUR 0.2 million and expenses of EUR 0.2 million were incurred by AWD Holding and its subsidiaries in relation to Carsten Maschmeyer and companies in which he has an important shareholding. All transactions were at arm's length.

KEY MANAGEMENT COMPENSATION

In CHF million

	2010	2009
Short-term employee benefits	**12**	12
Post-employment benefits	**1**	1
Other long-term benefits	**–**	–
Equity-settled share-based payments	**4**	3
TOTAL	**17**	16

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, are set out in the Swiss Life Holding financial statements.

32 Assets under Management

In CHF million

	31.12.2010	31.12.2009
ON-BALANCE-SHEET ASSETS		
Cash and cash equivalents	**6 940**	8 683
Derivatives	**2 965**	790
Financial assets at fair value through profit or loss	**23 395**	21 997
Debt securities available for sale	**53 880**	47 135
Money market instruments available for sale	**28**	31
Equity securities available for sale	**1 575**	1 574
Investment funds available for sale	**1 659**	1 396
Private equity available for sale	**355**	291
Hedge funds available for sale	**453**	1 426
Other financial assets available for sale	**0**	2
Loans	**24 608**	30 356
Financial assets held to maturity	**5 229**	6 432
Financial assets pledged as collateral	**1 060**	330
Investment property	**14 142**	13 292
Investments in associates	**63**	71
TOTAL ON-BALANCE-SHEET ASSETS	**136 352**	133 806
Fair value adjustments of assets reported at amortised cost		
Loans	**1 562**	1 176
Financial assets held to maturity	**–130**	–528
Financial assets pledged as collateral	**–5**	–
Third-party off-balance-sheet assets	**12 120**	13 732
TOTAL ASSETS UNDER CONTROL	**149 899**	148 186
Minus externally managed on-balance-sheet assets		
Assets under unit-linked/private placement life insurance business	**–16 109**	–13 814
Externally managed alternative investments	**–691**	–1 682
Externally managed other assets	**–99**	–668
TOTAL ASSETS UNDER MANAGEMENT	**133 000**	132 022

Assets under control are taken to comprise:

- assets stated as investments in the balance sheet and cash and cash equivalents
- assets included in the balance sheet for the account and risk of the Swiss Life Group's customers (separate account/unit-linked investments, private placement life insurance)
- assets managed for third parties by the Group

For the purposes of determining assets under management, externally managed on-balance-sheet assets have been deducted from assets under control.

33 Fair Value of Financial Instruments

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

In CHF million	Quoted prices (level 1)	Valuation technique – observable inputs (level 2)	Valuation technique – unobservable inputs (level 3)	Total
FAIR VALUE HIERARCHY AS AT 31 DECEMBER 2010				
FINANCIAL ASSETS				
Derivatives	**260**	**2 705**	**–**	**2 965**
Debt securities at fair value through profit or loss	**245**	**525**	**194**	**964**
Debt securities available for sale	**52 301**	**1 595**	**12**	**53 908**
Equity securities at fair value through profit or loss	**2 943**	**533**	**13**	**3 489**
Equity securities available for sale	**2 861**	**369**	**812**	**4 042**
Financial assets pledged as collateral	**972**	**–**	**–**	**972**
Financial assets for the account and risk of the Swiss Life Group's customers	**17 668**	**990**	**284**	**18 942**
TOTAL FINANCIAL ASSETS	**77 250**	**6 717**	**1 315**	**85 282**
FINANCIAL LIABILITIES				
Derivatives	**109**	**389**	**–**	**498**
Investment contracts	**–**	**8**	**–**	**8**
Other financial liabilities	**–**	**312**	**–**	**312**
Financial liabilities for the account and risk of the Swiss Life Group's customers	**–**	**17 487**	**–**	**17 487**
TOTAL FINANCIAL LIABILITIES	**109**	**18 196**	**–**	**18 305**
FAIR VALUE HIERARCHY AS AT 31 DECEMBER 2009				
FINANCIAL ASSETS				
Derivatives	175	570	35	780
Debt securities at fair value through profit or loss	2 055	353	226	2 634
Debt securities available for sale	45 166	1 954	46	47 166
Equity securities at fair value through profit or loss	2 018	604	–	2 622
Equity securities available for sale	2 501	502	1 686	4 689
Financial assets pledged as collateral	330	–	–	330
Financial assets for the account and risk of the Swiss Life Group's customers	15 671	780	300	16 751
TOTAL FINANCIAL ASSETS	67 916	4 763	2 293	74 972
FINANCIAL LIABILITIES				
Derivatives	85	197	–	282
Other financial liabilities	–	900	–	900
Financial liabilities for the account and risk of the Swiss Life Group's customers	–	15 071	300	15 371
TOTAL FINANCIAL LIABILITIES	85	16 168	300	16 553

The fair value of financial instruments included in level 1 is based on unadjusted quoted prices in active markets for identical assets or liabilities.

The fair value of financial instruments 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 financial instruments are included in level 2.

If one or more significant inputs to these valuation techniques are not observable in the market, the financial instruments 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.

No significant transfers were made between level 1 and level 2 of the fair value hierarchy.

FINANCIAL ASSETS MEASURED AT FAIR VALUE BASED ON LEVEL 3 FOR THE YEAR 2010

In CHF million		Debt securities		Equity securities		
	Derivatives	At fair value through profit or loss	Available for sale	At fair value through profit or loss	Available for sale	Financial assets for the account and risk of the Swiss Life Group's customers
Balance as at 1 January	**35**	**226**	**46**	**–**	**1 686**	**300**
Total gains/losses recognised in the income statement	**1**	**4**	**16**	**0**	**188**	**–105**
Total gains/losses recognised directly in equity	**–**	**–**	**–49**	**–**	**–187**	**–**
Purchases	**–**	**–**	**–**	**13**	**83**	**89**
Sales	**–34**	**–**	**–1**	**0**	**–944**	**–**
Foreign currency translation differences	**–2**	**–36**	**–**	**–**	**–14**	**–**
BALANCE AS AT END OF PERIOD	**–**	**194**	**12**	**13**	**812**	**284**
Total gains/losses recognised in the income statement are presented in						
net gains/losses on financial assets	**–**	**–**	**16**	**–**	**188**	**–**
net gains/losses on financial instruments at fair value through profit or loss	**1**	**4**	**–**	**0**	**–**	**–105**
Gains/losses for assets held at end of period recognised in the income statement are presented in						
net gains/losses on financial assets	**–**	**–**	**0**	**–**	**–5**	**–**
net gains/losses on financial instruments at fair value through profit or loss	**–**	**4**	**–**	**0**	**–**	**–105**

FINANCIAL ASSETS MEASURED AT FAIR VALUE BASED ON LEVEL 3 FOR THE YEAR 2009

In CHF million		Debt securities		Equity securities		
	Derivatives	At fair value through profit or loss	Available for sale	At fair value through profit or loss	Available for sale	Financial assets for the account and risk of the Swiss Life Group's customers
Balance as at 1 January	33	380	607	–	2 495	–
Total gains/losses recognised in the income statement	2	19	–24	–	–64	0
Total gains/losses recognised directly in equity	–	–	7	–	213	–
Purchases	–	0	51	–	4 094	300
Sales	–	–173	–595	–	–5 052	–
Foreign currency translation differences	0	0	–	–	0	–
BALANCE AS AT END OF PERIOD	35	226	46	–	1 686	300
Total gains/losses recognised in the income statement are presented in						
net gains/losses on financial assets	–	–	–24	–	–64	–
net gains/losses on financial instruments at fair value through profit or loss	2	19	–	–	–	0
Gains/losses for assets held at end of period recognised in the income statement are presented in						
net gains/losses on financial assets	–	–	–20	–	–150	–
net gains/losses on financial instruments at fair value through profit or loss	2	13	–	–	–	0

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented in the Group's balance sheet at fair value:

In CHF million	Carrying amount		Fair value	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
ASSETS				
Loans	24 608	30 356	26 170	31 532
Receivables	5 105	3 769	5 104	3 769
Financial assets held to maturity	5 229	6 432	5 099	5 904
Financial assets held to maturity pledged as collateral	88	–	83	–
LIABILITIES				
Investment contracts without discretionary participation	170	433	170	433
Borrowings	2 142	2 731	2 167	2 302
Other financial liabilities	10 920	6 385	10 919	6 385

34 Guarantees and Commitments

In CHF million	31.12.2010	31.12.2009
Financial guarantees	354	362
Loan commitments	107	100
Private equity commitments	331	470
Other capital commitments	475	229
Operating lease commitments	13	12
Contractual obligations to purchase or construct investment property	247	394
Other contingent liabilities and commitments	74	88
TOTAL	1 601	1 655

FUTURE MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASES – LESSEE

In CHF million	31.12.2010	31.12.2009
Not later than 1 year	3	2
Later than 1 year and not later than 5 years	10	10
TOTAL	13	12

GUARANTEES

The Group has issued financial guarantees and transaction-related 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 2010, committed principal amounts stood at EUR 4 million and CHF 52 million (2009: EUR 16 million and CHF 56 million). The range of committed interest rates is 3.34% to 5.69% for commitments in EUR and 1.18% to 3.11% for commitments in CHF.

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.

OPERATING LEASE COMMITMENTS

The Group has entered into various operating leases as a lessee. Rental expenses relating to continuing operations recognised in income for these items totalled CHF 43 million for the year ended 31 December 2010 (2009: CHF 48 million). Minimum lease payments totalled CHF 43 million in 2010 (2009: CHF 48 million).

OTHER CONTINGENT LIABILITIES AND COMMITMENTS

Contractual obligations for repairs and maintenance of investment property amounted to CHF 60 million as at 31 December 2010, which are included in this line item (2009: CHF 70 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.

35 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.

CARRYING AMOUNT OF ASSETS PLEDGED AS COLLATERAL

In CHF million

	31.12.2010	31.12.2009
Securities under repurchase and securities lending transactions	**1 060**	330
Securities under other transactions	**1 240**	1 614
Other financial assets	**3**	11
Investment property	**–**	49
TOTAL	**2 303**	2 004
of which can be sold or repledged by transferee	**1 060**	330

36 Future Minimum Lease Payments under Non-Cancellable Operating Leases – Lessor

In CHF million

	31.12.2010	31.12.2009
Not later than 1 year	**105**	136
Later than 1 year and not later than 5 years	**414**	489
Later than 5 years	**530**	469
TOTAL	**1 049**	1 094
Contingent rents recognised in income	**0**	0

Leased assets where the Group is a lessor primarily relate to investment property leased to third parties under operating leases.

37 Events after the Reporting Period

The Swiss Life Group announced in January 2011 that the entire group life business of Nationale Suisse will be taken over. This transaction is expected to be completed in the first half of 2011 and is subject to approval by the Swiss Financial Market Supervisory Authority (FINMA).

In March 2011 the Swiss Life Group issued hybrid debt of CHF 325 million, first callable in October 2016. The coupon has been fixed for the first five and a half years at 5.25%.

38 Scope of Consolidation

	Segment [1]	Consolidation period		Group share	Direct share	Currency	Authorised share capital in 1000
SWITZERLAND							
Adroit Private Equity AG, Zürich	Ins. CH			100.0%	100.0%	CHF	5 000
AWD Allgemeiner Wirtschaftsdienst AG, Zug	AWD			100.0%	100.0%	CHF	5 600
Livit AG, Zürich	IM			100.0%	100.0%	CHF	3 000
Livit FM Services AG, Zürich	IM			100.0%	100.0%	CHF	100
Long Term Strategy AG in liquidation, Zug	Other	until	21.01.2010	–	–		
Neue Warenhaus AG, Zürich	Ins. CH			100.0%	100.0%	CHF	5 000
Oscar Weber AG, Zürich	Ins. CH			100.0%	100.0%	CHF	5 000
Rentenanstalt Holding AG, Zürich	Other	until	13.12.2010	–	–		
S.I. Eaux-Vives 2000 AG, Zürich	Ins. CH	until	24.06.2010	–	–		
S.I. Eaux-Vives Office AG, Zürich	Ins. CH	until	24.06.2010	–	–		
Swiss Life AG, Zürich	Ins. CH			100.0%	100.0%	CHF	587 350
Swiss Life Asset Management AG, Zürich	IM			100.0%	100.0%	CHF	250
Swiss Life Capital Holding AG, Zürich	Other			100.0%	100.0%	CHF	5 514
Swiss Life Funds AG, Lugano	IM			100.0%	100.0%	CHF	20 000
Swiss Life Holding AG, Zürich	Other			–	–	CHF	307 978
Swiss Life Intellectual Property Management AG, Zürich	Other			100.0%	100.0%	CHF	250
Swiss Life International Holding AG, Zürich	Other			100.0%	100.0%	CHF	1 000
Swiss Life Investment Management Holding AG, Zürich	IM			100.0%	100.0%	CHF	50 000
Swiss Life (Liechtenstein) Services AG, Schaan, Branch Zürich, Zürich	Ins. Other			100.0%	100.0%	–	–
Swiss Life Pension Services AG, Zürich	Ins. CH			100.0%	100.0%	CHF	250
Swiss Life Private Equity Partners AG, Zürich	IM			100.0%	100.0%	CHF	250
Swiss Life Products (Luxembourg) S.A., Strassen, Branch Zürich, Zürich	Ins. Other			100.0%	100.0%	–	–
Swiss Life Property Management AG, Zürich	IM			100.0%	100.0%	CHF	250
Swiss Life Selection AG, Zürich	Ins. CH	until	02.06.2010	–	–		
Swissville Centers Holding AG, Zürich	Ins. CH			100.0%	100.0%	CHF	7 100
Swissville Commerce AG, Zürich	Ins. CH			100.0%	100.0%	CHF	150 900
Swissville Commerce Holding AG, Zürich	Ins. CH	until	17.06.2010	–	–		

[1] Segment (Ins. CH = Insurance Switzerland, IM = Investment Management, Ins. Other = Insurance Other, Ins. FR = Insurance France, Ins. DE = Insurance Germany)

	Segment [1]	Consolidation period	Group share	Direct share	Currency	Authorised share capital in 1000
LIECHTENSTEIN						
Swiss Life (Liechtenstein) AG, Schaan	Ins. Other		100.0%	100.0%	CHF	5 000
Swiss Life (Liechtenstein) Services AG, Schaan	Ins. Other		100.0%	100.0%	CHF	100
FRANCE						
AGAMI SA, Paris	Ins. FR		100.0%	100.0%	EUR	1 250
Carte Blanche Partenaires S.A., Paris	Ins. FR		94.7%	95.1%	EUR	2 300
CEAT, Paris	Ins. FR	until 30.09.2009	–	–		
CEGEMA S.A., Villeneuve-Loubet	Ins. FR		100.0%	100.0%	EUR	300
Financière du Capitole SAS, Balma	Ins. FR		80.0%	80.0%	EUR	1 700
Financière du Patrimoine SARL, Balma	Ins. FR		80.0%	100.0%	EUR	8
Garantie Assistance S.A., Paris	Ins. FR		99.7%	100.0%	EUR	1 850
MA Santé Facile S.A., Paris	Ins. FR	from 10.06.2010	100.0%	100.0%	EUR	332
Placement Direct SAS, Pau	Ins. FR		100.0%	100.0%	EUR	40
Swiss Life Asset Management (France), Paris	IM		100.0%	100.0%	EUR	3 000
Swiss Life Assurance et Patrimoine S.A., Paris	Ins. FR		99.9%	100.0%	EUR	169 036
Swiss Life Assurances de Biens S.A., Paris	Ins. FR		100.0%	100.0%	EUR	80 000
Swiss Life Banque Privée S.A., Paris	Ins. FR		60.0%	60.0%	EUR	36 471
Swiss Life Dynapierre, Paris	Ins. FR		99.9%	100.0%	EUR	7 317
Swiss Life France S.A., Paris	Ins. FR		100.0%	100.0%	EUR	267 767
Swiss Life Gestion Privée SA, Paris	Ins. FR		60.0%	100.0%	EUR	205
Swiss Life Immobilier SA, Paris	Ins. FR	from 02.06.2009	98.3%	100.0%	EUR	37
Swiss Life Prestigimmo, Paris	Ins. FR		100.0%	100.0%		
Swiss Life Prévoyance et Santé S.A., Paris	Ins. FR		99.4%	99.4%	EUR	150 000
GERMANY						
Allgemeiner Wirtschaftsdienst Gesellschaft für Wirtschaftsberatung und Finanzbetreuung mbH, Hannover	AWD		100.0%	100.0%	EUR	2 700
AWD Beteiligungstreuhand GmbH, Hannover	AWD	until 29.11.2010	–	–		
AWD Gastronomie GmbH, Hannover	AWD		100.0%	100.0%	EUR	25
AWD Gruppe Deutschland GmbH, Hannover	AWD		100.0%	100.0%	EUR	1 501
AWD Holding AG, Hannover	AWD		100.0%	100.0%	EUR	38 639
AWD Vermögensverwaltungsgesellschaft mbH, Hannover	AWD		100.0%	100.0%	EUR	100
AWD – Versicherungsmakler und -beratungs GmbH, Hannover	AWD		100.0%	100.0%	EUR	31
AWD Zweite Vermögensverwaltungsgesellschaft mbH, Hannover	AWD		100.0%	100.0%	EUR	25

[1] Segment (Ins. CH = Insurance Switzerland, IM = Investment Management, Ins. Other = Insurance Other, Ins. FR = Insurance France, Ins. DE = Insurance Germany)

	Segment[1]	Consolidation period		Group share	Direct share	Currency	Authorised share capital in 1000
GERMANY (CONTINUED)							
Bizztools GmbH, Bremen	AWD			100.0%	100.0%	EUR	50
DEUTSCHE PROVENTUS AG, Bremen	AWD			100.0%	100.0%	EUR	511
Financial Solutions AG Service & Vermittlung, München	Ins. Other			100.0%	100.0%	EUR	200
Horbach Wirtschaftsberatung GmbH, Köln	AWD			100.0%	100.0%	EUR	260
PROFIDUS Assekuranzmakler GmbH, Bremen	AWD	until	01.01.2010	–	–		
PROFIDUS Vermittlung- und Verwaltungs-GmbH, Bremen	AWD	until	11.03.2010	–	–		
PROFIDUS Vertriebsgesellschaft mbh, Bremen	AWD	until	01.01.2010	–	–		
ProVentus Akademie- und Vertriebs GmbH, Bremen	AWD			100.0%	100.0%	EUR	25
SEKO, München	Ins. DE	until	17.08.2010	–	–		
SEPIS, München	Ins. DE	until	20.10.2009	–	–		
SL Beteiligungs-GmbH & Co. Grundstücksverwaltung KG, München	Ins. DE			100.0%	100.0%	EUR	50
SL Beteiligungs-GmbH & Co. Immobilien I KG, München	Ins. DE			100.0%	100.0%	EUR	10
SL Beteiligungs-GmbH & Co. Immobilien II KG, München	Ins. DE			100.0%	100.0%	EUR	10
SL Beteiligungs-GmbH & Co. Immobilien III KG, München	Ins. DE			100.0%	100.0%	EUR	10
SL Beteiligungs-GmbH & Co. Immobilien Ost KG, München	Ins. DE			100.0%	100.0%	EUR	50
SL-Immobilien-Beteiligungs-Gesellschaft mbH, München	Ins. DE			100.0%	100.0%	EUR	25
SL Private Equity GmbH, Frankfurt am Main	Ins. DE			98.9%	98.9%	EUR	91
SLPM Schweizer Leben PensionsManagement GmbH, München	Ins. DE			100.0%	100.0%	EUR	150
Swiss Life AG, München (Branch Swiss Life AG)	Ins. DE			100.0%	100.0%	–	–
Swiss Life Asset Management GmbH, München	IM			100.0%	100.0%	EUR	1 000
Swiss Life Beteiligungs GmbH, Hannover	Other			100.0%	100.0%	EUR	25
Swiss Life Cooperations GmbH in liquidation, Hamburg	Ins. DE	until	03.11.2010	–	–		
Swiss Life Grundstücksmanagement, München	Ins. DE			100.0%	100.0%	EUR	26
Swiss Life Grundstücksmanagement GmbH & Co. Münchner Tor KG, München	Ins. DE			100.0%	100.0%	EUR	52 935
Swiss Life Insurance Solutions AG, München	Ins. Other			100.0%	100.0%	EUR	7 500
Swiss Life Partner AG, München	Ins. DE	until	16.12.2009	–	–		
Swiss Life Partner Service- und Finanzvermittlungs GmbH, München	Ins. DE			100.0%	100.0%	EUR	300
Swiss Life Pensionsfonds AG, München	Ins. DE			100.0%	100.0%	EUR	3 000
Swiss Life Pensionskasse AG, München	Ins. DE			100.0%	100.0%	EUR	3 000
Swiss Life Products (Luxembourg) S.A. Branch Germany, München	Ins. Other			100.0%	100.0%	–	–
Swiss Life Service GmbH, Leipzig	Ins. DE	from	23.11.2010	100.0%	100.0%	EUR	100
Swiss Life Vermittlungs GmbH, München	Ins. DE			100.0%	100.0%	EUR	50
tecis Finanzdienstleistungen AG, Hamburg	AWD			100.0%	100.0%	EUR	500
Thomas Beteiligungsgesellschaft mbH, Bremen	AWD	until	01.01.2010	–	–		

[1] Segment (Ins. CH = Insurance Switzerland, IM = Investment Management, Ins. Other = Insurance Other, Ins. FR = Insurance France, Ins. DE = Insurance Germany)

	Segment [1]	Consolidation period	Group share	Direct share	Currency	Authorised share capital in 1000
LUXEMBOURG						
Heralux S.A., Luxembourg	Ins. FR		99.4%	100.0%	EUR	3 500
Swiss Life (Luxembourg) S.A., Strassen	Ins. Other		100.0%	100.0%	EUR	23 000
Swiss Life Assurance Solutions S.A., Strassen	Ins. Other		100.0%	100.0%	EUR	6 000
Swiss Life Funds (Lux) Management Company S.A., Luxembourg	IM		100.0%	100.0%	CHF	400
Swiss Life Immo-Arlon S.A., Strassen	Other		100.0%	100.0%	EUR	1 000
Swiss Life Insurance Solutions S.A., Strassen	Ins. Other		100.0%	100.0%	EUR	18 450
Swiss Life International Pension Fund ASBL, Strassen	Ins. Other		–	–	–	–
Swiss Life Invest Luxembourg S.A., Strassen	Other		100.0%	100.0%	EUR	35 000
Swiss Life Participations Luxembourg S.A., Strassen	Other		100.0%	100.0%	EUR	70 000
Swiss Life Products (Luxembourg) S.A., Strassen	Ins. Other		100.0%	100.0%	EUR	65 031
Swiss Life Solutions S.A., Strassen	Ins. Other		100.0%	100.0%	EUR	22 450

[1] Segment (Ins. CH = Insurance Switzerland, IM = Investment Management, Ins. Other = Insurance Other, Ins. FR = Insurance France, Ins. DE = Insurance Germany)

	Segment [1]	Consolidation period		Group share	Direct share	Currency	Authorised share capital in 1000
UNITED KINGDOM							
Active Net Solutions Limited, Manchester	AWD	until	12.05.2009	–	–		
AWD Chase de Vere Consulting Limited, London	AWD			100.0%	100.0%	GBP	1 935
AWD Chase de Vere Corporate Services Limited, Manchester	AWD			100.0%	100.0%	GBP	0
AWD Chase de Vere Direct Limited (formerly AWD Direct Limited), Manchester	AWD			100.0%	100.0%	GBP	9
AWD Chase de Vere Limited (formerly AWD Chase de Vere Wealth Management Limited), London	AWD			100.0%	100.0%	GBP	23 088
AWD Chase de Vere Financial Services Ltd, Manchester	AWD	until	04.05.2010	–	–		
AWD Chase de Vere Limited, London	AWD	until	04.05.2010	–	–		
AWD Consultancy Limited, Manchester	AWD	until	04.05.2010	–	–		
AWD Group Plc, London	AWD			100.0%	100.0%	GBP	5 000
AWD Group Services Limited, London	AWD			100.0%	100.0%	GBP	0
AWD Limited, Manchester	AWD	until	04.05.2010	–	–		
AWD Loans Limited, Manchester	AWD			100.0%	100.0%	GBP	1 000
AWD Private Client Trustees Limited, London	AWD			100.0%	100.0%	GBP	0
AWD Trustees Limited, Leicestershire	AWD			100.0%	100.0%	GBP	0
AWD Wealth Management Limited, Manchester	AWD	until	04.05.2010	–	–		
Chase de Vere Financial Solutions Limited, Manchester	AWD			100.0%	100.0%	GBP	10
Jaffrey Financial Services Limited, Dundee	AWD	until	08.05.2010	–	–		
Read Independent Financial Advisers Ltd, Manchester	AWD	until	31.03.2009	–	–		
AUSTRIA							
AWD CEE Holding GmbH, Wien	AWD			100.0%	100.0%	EUR	35
AWD Gesellschaft für Wirtschaftsberatung GmbH, Wien	AWD			100.0%	100.0%	EUR	727
Swiss Life Österreich AG, Wien	Ins. Other	from	29.07.2009	100.0%	100.0%	EUR	70
Swiss Life Products (Luxembourg) S.A., Branch Austria, Wien	Ins. Other	from	01.01.2010	100.0%	100.0%	–	–
CAYMAN ISLANDS							
Adroit Investment (Offshore) Ltd., Grand Cayman	Ins. CH			100.0%	100.0%	CHF	0
Adroit Partnerships (Offshore) L.P., Grand Cayman	Ins. CH			100.0%	100.0%	CHF	6 580
Swiss Life Financial Services (Cayman) Ltd., Grand Cayman	Other			100.0%	100.0%	CHF	50
Swiss Life Insurance Finance Ltd., Grand Cayman	Other			100.0%	100.0%	EUR	5

[1] Segment (Ins. CH = Insurance Switzerland, IM = Investment Management, Ins. Other = Insurance Other, Ins. FR = Insurance France, Ins. DE = Insurance Germany)

	Segment [1]	Consolidation period		Group share	Direct share	Currency	Authorised share capital in 1000
CROATIA							
AWD Savjetovanje d.o.o. za poslovno savjetovanje, Zagreb	AWD	until	24.06.2010	–	–		
AWD zastupanje u osiguranju d.o.o., Zagreb	AWD	until	24.06.2010	–	–		
CZECH REPUBLIC							
AWD Česká republika s.r.o., Brno	AWD			100.0%	100.0%	CZK	1 000
HUNGARY							
AWD Magyarország Pénzügyi Szolgáltató Korlátolt Felelősségű Társaság, Budapest	AWD			100.0%	100.0%	HUF	5 000
ECG Oktatási Korlátolt Felelősségű Társaság, Budapest	AWD			100.0%	100.0%	HUF	5 000
IRELAND							
Swiss Life Private Placement (Ireland) Limited, Dublin	Other	from	07.01.2009	100.0%	100.0%	EUR	50 000
ITALY							
Swiss Life Insurance Solutions AG, Branch Italy, Milano	Ins. Other	from	28.01.2010	100.0%	100.0%	–	–
POLAND							
AWD Sp.z o.o., Warszawa	AWD			100.0%	100.0%	PLN	250
European Consulting Group Sp.z o.o., Warszawa	AWD			100.0%	100.0%	PLN	498
ROMANIA							
AWD Consultanta Financiara SRL, Târgu Mureş	AWD			100.0%	100.0%	RON	1
AWD Romania Broker de Asigurare Srl, Târgu Mureş	AWD			100.0%	100.0%	RON	50
SINGAPORE							
Swiss Life (Liechtenstein) AG, Singapore Branch, Singapore	Ins. Other	until	27.04.2010	–	–		
Swiss Life Network (Asia) Pte.Ltd., Singapore	Ins. Other			100.0%	100.0%	SGD	0
Swiss Life Private Placement (Singapore) Pte.Ltd., Singapore	Ins. Other	from	28.07.2009	100.0%	100.0%	SGD	11 000
SLOVAKIA							
AWD s.r.o., Bratislava	AWD			100.0%	100.0%	EUR	33
UNITED ARAB EMIRATES							
Swiss Life Private Placement (Middle East) Limited, Dubai	Ins. Other			100.0%	100.0%	USD	6 100

[1] Segment (Ins. CH = Insurance Switzerland, IM = Investment Management, Ins. Other = Insurance Other, Ins. FR = Insurance France, Ins. DE = Insurance Germany)

Report of the Statutory Auditor

Report of the Statutory Auditor
to the General Meeting of
Swiss Life Holding Ltd
Zurich

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Swiss Life Holding Ltd, which comprise the consolidated statement of income, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements (pages 66 to 175), for the year ended 31 December 2010.

BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. 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 consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Lüssi	Reto Zemp
Audit expert	Audit expert
Auditor in charge	

Zurich, 29 March 2011

Swiss Life Holding Financial Statements

Review of Operations – Swiss Life Holding generated a profit of CHF 200 million in the 2010 financial year compared with CHF 40 million the previous year.

This marked improvement in annual profit vis-à-vis the previous year was largely achieved as a result of higher dividend payouts by subsidiaries, which climbed from CHF 57 million in 2009 to CHF 197 million in 2010.

Total income for Swiss Life Holding Ltd (Swiss Life Holding) was CHF 209 million in 2010, and total expenditure, including tax, declined to CHF 9 million compared with the previous year's figure of CHF 58 million. The substantial reduction in expenditure is mainly on the back of extraordinary charges in the previous year in connection with the strategic disposal of business units in 2008.

A new loan for EUR 60 million was granted to Swiss Life Insurance Finance Ltd in the period under review. The total value of loans made in euros came to EUR 430.5 million as at the end of 2010. As a result of the strong Swiss franc, an unrealised currency loss of CHF 42 million was incurred after hedging operations. Interest received on loans fell to around CHF 40 million due to the lower euro. Since the end of the second quarter of 2010, the EUR/CHF exchange rate risk has been fully hedged with forward contracts.

In order to finance ongoing business operations, Swiss Life Holding made capital increases at Swiss Life International Holding AG of CHF 50 million in 2010. With foreign insurance companies grouped together in Swiss Life International Holding AG, the participation in Swiss Life Products (Luxembourg) SA was transferred to Swiss Life International Holding AG and not recognised through profit or loss. In addition, by merging its stake in Swiss Life Selection Ltd with Swiss Life Asset Management Ltd, Swiss Life Holding continued to streamline Group structure. The total value of participations amounted to CHF 3258 million.

Swiss Life Holding's profit distribution to shareholders in the period under review came to CHF 77 million or CHF 2.40 per share. This took the form of a reduction in par value of the Swiss Life Holding share from CHF 12.00 to CHF 9.60. The company's share capital thus totals CHF 308 million.

The convertible bond issued in 2004 for CHF 317 million was bought back on 10 June 2010. The outstanding nominal value was CHF 43 million. As a result, Swiss Life Holding is exclusively financed by equity.

Swiss Life Holding's liquid assets (liquid funds plus time deposits) contracted to CHF 306 million, down from CHF 624 million. Conversely, a portfolio of easily tradable bonds and money market book claims for CHF 394 million was built up at the Swiss National Bank in the period under review. These share certificates are all eligible for repos and can generate liquidity at any time.

Statement of Income

STATEMENT OF INCOME FOR THE YEARS ENDED 31 DECEMBER

In CHF million

	2010	2009
Dividends received	**197**	57
Realised gain/loss on non-current assets	**2**	–5
Unrealised gain/loss on non-current assets	**3**	–2
Other finance income	**42**	44
Other financial expense	**–1**	–3
Foreign currency gains/losses	**–42**	–3
NET INVESTMENT INCOME	**201**	88
OPERATING EXPENSE	**–7**	–8
OTHER INCOME	**7**	7
OTHER EXPENSES	**–**	–47
INCOME TAX	**–1**	0
NET PROFIT	**200**	40

Balance Sheet

BALANCE SHEET

In CHF million

	31.12.2010	31.12.2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**266**	313
Time deposits and similar investments	**40**	311
Receivables from Group companies	**19**	4
Receivables from third parties	**–**	1
Accrued income	**5**	0
TOTAL CURRENT ASSETS	**330**	629
NON-CURRENT ASSETS		
Shares	**16**	22
Debt securities	**394**	83
Hedge funds	**–**	8
Participations	**3 258**	3 207
Loans to Group companies	**653**	666
Other assets	**93**	–
TOTAL NON-CURRENT ASSETS	**4 414**	3 986
TOTAL ASSETS	**4 744**	4 615
LIABILITIES AND EQUITY		
LIABILITIES		
Payables to Group companies	**2**	1
Liabilities towards third parties	**86**	39
Convertible securities	**–**	43
Total short-term liabilities	**88**	83
TOTAL LIABILITIES	**88**	83
EQUITY		
Share capital	**308**	385
General reserves	**1 139**	1 139
Reserve for treasury shares	**19**	25
Total legal reserves	**1 158**	1 164
Free reserves	**2 986**	2 939
Balance carried forward from previous year	**4**	4
Net profit	**200**	40
Total profit shown in the balance sheet	**204**	44
TOTAL EQUITY	**4 656**	4 532
TOTAL LIABILITIES AND EQUITY	**4 744**	4 615

Notes to the Financial Statements
Accounting Rules

Assets and liabilities are stated in the balance sheet in accordance with the provisions of the Swiss Code of Obligations (CO).

EXPLANATIONS ON THE BALANCE SHEET AND STATEMENT OF INCOME
PARTICIPATIONS

	Currency	Authorised share capital in 1000	Direct share	Currency	Authorised share capital in 1000	Direct share
		31.12.2010			31.12.2009	
Swiss Life AG, Zürich	**CHF**	**587 350**	**100.00%**	CHF	587 350	100.00%
Swiss Life Beteiligungs GmbH, Hannover	**EUR**	**25**	**100.00%**	EUR	25	100.00%
Swiss Life Intellectual Property Management AG, Zürich	**CHF**	**250**	**100.00%**	CHF	250	100.00%
Swiss Life International Holding AG, Zürich	**CHF**	**1 000**	**100.00%**	CHF	1 000	100.00%
Swiss Life Investment Management Holding AG, Zürich	**CHF**	**50 000**	**100.00%**	CHF	50 000	100.00%
Swiss Life Products (Luxembourg) S.A., Strassen	–	–	–	EUR	60 031	100.00%
Swiss Life Selection AG, Zürich	–	–	–	CHF	250	100.00%

PARTICIPATIONS – The foreign insurance companies are grouped together in Swiss Life International Holding AG. For this reason, equity participation in Swiss Life Products (Luxembourg) SA was transferred to Swiss Life International Holding AG and not recognised in profit or loss. In addition, equity participation in Swiss Life Selection Ltd was merged with Swiss Life Asset Management Ltd.

LOANS TO GROUP COMPANIES – CHF 178 million of the loans to Group companies is classified as subordinated.

MAJOR SHAREHOLDERS – The following shareholders hold over 5% of Swiss Life Holding's share capital:

As % of total share capital

	31.12.2010	31.12.2009
Talanx AG	**9.31%**	9.31%
Carsten Maschmeyer & Sons	**5.05%**	5.05%

SHARE CAPITAL – As at 31 December 2010, the share capital of Swiss Life Holding consisted of 32 081 054 fully-paid shares with a par value of CHF 9.60 each. In exercising voting rights, no shareholder can collect more than 10% of the total share capital directly or indirectly in respect of his own shares and those he represents. As at 31 December 2009, Swiss Life Holding had 32 081 054 registered shares outstanding with a par value of CHF 12 per share. Conditional share capital was CHF 22 650 105.60 as at 31 December 2010 (2009: CHF 28 312 632.00).

LEGAL RESERVES – Legal reserves comprise the general reserves (plus the additional paid-in capital in excess of the par value, net of transaction costs) and the reserve for treasury shares (equivalent in value to own Swiss Life Holding shares held by the Swiss Life Group).

FREE RESERVES AND RETAINED EARNINGS – Free reserves and retained earnings comprise accumulated retained earnings which have not been distributed to the shareholders, or which have not been allocated to the reserve for treasury shares.

ISSUANCE OF CONVERTIBLE DEBT IN 2004 – On 10 June 2004 Swiss Life Holding issued CHF 317 million in 0.625% convertible bonds (2004 to 2010), convertible into Swiss Life Holding registered shares. The convertible bonds were repaid on 10 June 2010. The outstanding nominal value was CHF 43 million.

In 2010, no convertible bonds were converted into Swiss Life Holding shares.

TREASURY SHARES – In the year under review the companies in the Swiss Life Group purchased a total of 11 217 Swiss Life Holding shares at an average price of CHF 106.16. In the same period, they sold 74 819 shares at an average price of CHF 131.82. As at 31 December 2010, the Swiss Life Group held 168 556 treasury shares.

PERSONNEL EXPENSES – No direct staff costs are included under operating expenses.

CONTINGENCIES – Swiss Life Holding acts as warrant or for all Swiss Life Ltd liabilities with regard to the various tranches of the subordinated perpetual step-up loan (hybrid debt), which amounted to an equivalent value of CHF 1847 million at the balance sheet date.

Swiss Life Holding further gives several capital guarantees for a maximum net asset value of CHF 150 million to Swiss Life Funds, CHF 150 million to Swiss Life Funds (Lux) Management Company, CHF 100 million to Swiss Life Products and CHF 400 million to Swiss Life Ltd.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER

In CHF million

	2010	2009
SHARE CAPITAL		
Balance as at 1 January	385	596
Reduction in par value (incl. cancellation of treasury shares)	–77	–211
TOTAL SHARE CAPITAL	308	385
LEGAL RESERVES		
General reserves		
Balance as at 1 January	1 139	1 139
Total general reserves	1 139	1 139
Reserve for treasury shares		
Balance as at 1 January	25	1 167
Allocation to reserve for treasury shares	–6	–1 142
Total reserve for treasury shares	19	25
TOTAL LEGAL RESERVES	1 158	1 164
FREE RESERVES		
Balance as at 1 January	2 939	43
Allocation to free reserves	40	1 920
Reserve for own shares (incl. reduction in par value)	7	976
TOTAL FREE RESERVES	2 986	2 939
PROFIT SHOWN IN THE BALANCE SHEET		
Balance as at 1 January	44	1 924
Allocation to free reserves	–40	–1 920
Net profit	200	40
TOTAL PROFIT SHOWN IN THE BALANCE SHEET	204	44
TOTAL EQUITY	4 656	4 532

RISK ASSESSMENT – For information on risk assessment, please refer to Note 5 of the Swiss Life Group's Consolidated Financial Statements.

DISCLOSURE OF COMPENSATION TO THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE BOARD IN ACCORDANCE WITH THE SWISS CODE OF OBLIGATIONS (CO) ART. 663B^BIS AND ART. 663C

COMPENSATION IN 2010 – The specifications below take into consideration the transparency regulations relating to compensation set out in the Swiss Code of Obligations Art. 663b^{bis} and Art. 663c and the directives on information relating to corporate governance issued by the SIX Swiss Exchange as well as Circular 2010/1 of the Swiss Financial Market Supervisory Authority FINMA on minimum standards for remuneration schemes of financial institutions. Further information on compensation and benefit expenditure can be found in the Corporate Governance chapter and in the Consolidated Financial Statements (Notes 24 and 31).

The description of the compensation received by the members of the Board of Directors and the Corporate Executive Board and the tables showing the relevant amounts are based on those of 2009. The variable compensation to the Corporate Executive Board members, payable as a cash bonus for the 2010 financial year, which was determined by the Board of Directors at the beginning of 2011, is published in the compensation tables on an accrual basis as compensation for 2010. Likewise, the variable compensation payable in the form of blocked shares amounting to 10% of the fixed compensation, which was allocated to members of the Board of Directors at the beginning of 2011, is shown as part of the compensation for 2010.

The compensation received by each member of the Board of Directors and the Chairman of the Corporate Executive Board (Group CEO) is disclosed individually.

COMPENSATION POLICY PRINCIPLES – The Board of Directors as a whole is responsible for establishing guidelines on the Group's compensation policy (incl. bonuses and equity compensation plans) and on employee benefit institutions. The compensation policy underpins the performance culture required by the corporate strategy and forms part of the HR policy. The aim is to retain well-qualified employees and gain new, highly skilled staff. The compensation system is in line with the market environment and must be competitive. The individual overall compensation takes into account the employee's professional skills, engagement and personal performance. It is made up of a basic salary, a variable bonus based on achievement of the annual objectives, which is generally paid in cash and possibly in shares, as well as a deferred mid- to long-term salary component (equity compensation plan) and contributions for occupational provisions and risk insurance.

The salary is determined according to the employee's function and skill set, and is annually reassessed and adjusted if appropriate. Salary comparison studies and recognised job evaluation systems are used to check appropriateness and to ensure internal and external comparability.

Salary	
Variable compensation	
Compensation component based on achievement of annual objectives (Bonus in cash and possibly in shares)	Deferred mid- to long-term compensation component (Equity compensation plan)
Contributions to occupational provisions and risk insurance	

The variable compensation components are linked to the strategic objectives of the Group and the individual divisions, and the associated financial and HR-related targets. The variable bonus in cash and possibly in shares is based on achievement of the annual objectives. It is determined on the basis of the actual performance of individuals or teams (performance-linked payment) in relation to the objectives set and the Swiss Life Group's annual result (share in the company's success). Quantitative and qualitative performance is also always assessed on the basis of the competencies required for the function held, such as professional expertise, entrepreneurship, task fulfilment, cooperation and leadership. The percentage weighting between the individual and/or team performance and the share in the company's success depends on the position and responsibilities of the function holder.

The share in the company's success is measured using quantitative Group objectives (Key Performance Indicators, KPIs). The main KPIs, besides the key figures relating to annual profit, costs, business volume, return on equity and solvency, are the profitability of in-force and new business and margin development.

Personal performance based on the specified quantitative and qualitative objectives is assessed annually in the employee appraisal procedure implemented throughout the Group (Group Performance System, GPS). Two assessment elements/models are used for determining objectives and evaluating performance: the Group Objectives Model (GOM) relating to qualitative and quantitative objectives and the Group Competency Model (GCM) for measuring and assessing individual competencies.

For persons responsible for risk management and risk control, the quantitative objectives are set in such a way that performance is not linked to the result of the monitored business unit, specific products or transactions.

In order to be eligible for any variable compensation, a GPS target achievement of at least 80% is required.

Permanent employment contracts in Switzerland contain notice periods of between three and twelve months, depending on position and seniority. All current employment contracts with members of the Corporate Executive Board in Switzerland specify a notice period of twelve months. Contracts abroad are adapted to local circumstances.

PRACTICE AND PROCEDURE – Pursuant to the Organisational Regulations, the Board of Directors as a whole is responsible for determining the level and make-up of compensation for its members, whereas the Nomination and Compensation Committee (NCC) is responsible for putting forward appropriate proposals. The Board of Directors also establishes the guidelines for the Group's compensation policy. In doing so, it takes into consideration the compensation policies of other companies in the financial services industry, drawing its findings from publicly available information and, as necessary, studies by external experts. Comparable companies in the insurance sector in Switzerland used for the purposes of providing relevant information for the current compensation policy included Allianz, AXA, Baloise Insurance, Swiss Re and Zurich Financial Services.

The Board of Directors as a whole sets the level and distribution of the variable compensation pool for all employees on the basis of its compensation policy guidelines and taking into consideration a proposal by the Nomination and Compensation Committee. When determining the level of the allocation to the compensation pool, it takes into consideration the annual result, as well as medium-term planning and the degree of target achievement. The Board of Directors as a whole is also responsible for determining the individual compensation of members of the Corporate Executive Board. It carries out a semi-annual performance assessment of all members of the Corporate Executive Board, based on preparatory work by the Nomination and Compensation Committee. In addition, current aspects of HR policy and in particular succession planning are regularly discussed at meetings of the Board of Directors.

COMPENSATION TO MEMBERS OF THE BOARD OF DIRECTORS – Compensation remitted to members of the Board of Directors in the year under review comprises the basic compensation, additional compensation in cash and a variable compensation component in the form of blocked shares amounting to 10% of the fixed compensation.

The basic compensation, which is paid 80% in cash and 20% in blocked Swiss Life Holding shares, takes into account membership of the Board of Directors of Swiss Life Holding and its subsidiary Swiss Life Ltd as well as membership of the individual Board Committees. The additional compensation in cash is commensurate to the function and workload and is determined annually by the Board of Directors. If the Swiss Life Group's business operations have proved successful, a further, variable compensation component of up to a maximum of 15% of the fixed compensation may be remitted in the form of blocked Swiss Life Holding shares; this is decided upon by the Board of Directors, taking into consideration the business results. The shares are allocated at economic value, which is equal to the tax value, taking a blocking period of three years into account. The respective share price is also always published upon allocation.

As Chairman of the Board of Directors, Rolf Dörig is affiliated to the employee benefits institutions of Swiss Life for the purpose of occupational provisions. No such affiliation exists for other members of the Board of Directors and no contributions have been made on their behalf.

COMPENSATION TO MEMBERS OF THE CORPORATE EXECUTIVE BOARD – Compensation remitted to members of the Corporate Executive Board in the year under review comprises the basic salary, a variable bonus in cash and other compensation (child allowances, company cars, premium contributions to 3rd pillar pension plans). The members of the Corporate Executive Board also take part in a medium to long-term equity compensation plan, which is described in more detail below. They are insured for occupational benefits with Swiss Life's employee benefits institutions.

Salary is determined annually by the Board of Directors, on the basis of a proposal by the Nomination and Compensation Committee, taking into account the individual member's function-related responsibility and the current market conditions.

The variable cash bonus is determined by the Board of Directors in accordance with the described compensation policy principles and based on the company result and the achievement of personal goals assessed in the employee appraisal procedure implemented throughout the Group (Group Performance System, GPS). The bonus is set at a maximum of 35% of total compensation ("bonus cap") and requires that all objectives have been considerably exceeded.

At Corporate Executive Board level, the amount of the bonus depends 60% directly on the company's success. As mentioned above, the following key figures are included in the Key Performance Indicators (KPIs) used to assess company success: the annual profit, costs, business volume, return on equity and solvency, as well as the profitability of in-force and new business and margin performance. The weighting of the individual KPIs is determined by the Board of Directors. 40% of the bonus is based on Corporate Executive Board members' achievement of specified personal goals. On the one hand, these personal goals are linked back to the company's success, in that each Corporate Executive Board member has to meet personal quantitative objectives contributing to the company's success in relation to his division. On the other hand, the personal goals cover qualitative factors, namely project targets, risk management and compliance goals, as well as requirements relating to leadership and to supporting and further developing corporate culture.

Total compensation 100%		
Salary	Variable compensation	
	Cash bonus max. 35%	Equity compensation plan max. 35%

An equity compensation plan exists as a mid- to long-term remuneration component for members of the Corporate Executive Board and other senior management members of the Swiss Life Group. Based on this plan, participants are granted future subscription rights to Swiss Life Holding shares in the form of Performance Share Units (PSUs). These subscription rights entitle them to receive Swiss Life Holding shares free of charge after a period of three years has elapsed, insofar as the relevant prerequisites have been satisfied at that point. The granting of this compensation component is in any case deferred for three years from the date of allocation until possible subscription of the shares and thus takes into consideration development in the meantime.

Pursuant to the regulations of the 2008, 2009 and 2010 equity compensation plans, two objective performance criteria have been defined, each weighted at 50%. The first criterion is the Total Shareholder Return on the Swiss Life Holding share (TSR Swiss Life Holding), requiring a performance of over 20% for a subscription right to shares to arise after three years. The second criterion involves a comparison of the Swiss Life Holding share's TSR with the TSRs of the shares of the companies included in the Dow Jones STOXX 600 Insurance Index (TSR Outperformance). A subscription right arises if the performance on expiry of the three-year term is above the first quartile in comparison with the companies in question. Depending on the fulfilment of the two performance criteria within the three-year period, the number of PSUs can increase by up to a factor of 1.5 (2008 and 2009 plans) or 2.0 (2010 plan) or drop to zero.

The number of PSUs entitling the participant to receive shares after the three-year term is determined in accordance with the following: One half of the PSUs allocated is multiplied by the factor resulting from the TSR Swiss Life Holding target being met, and the other half by the factor resulting from the TSR Outperformance target being met. The factor is 1 or 100%, if a performance of 30% (2008 and 2009 plans) or 35% (2010 plan) is achieved for the first performance criterion, the TSR Swiss Life Holding. Interim values are determined by linear interpolation. In the case of the second performance criterion, TSR Outperformance, the factor is 1 or 100%, if the TSR Swiss Life Holding is equal to the median of the benchmark index (Dow Jones STOXX 600 Insurance Index). Here, too, interim values are determined by linear interpolation. The results (factor TSR Swiss Life Holding multiplied by one half of the PSUs and the factor TSR Outperformance multiplied by the other half) are added up. The sum is the number of PSUs, which translates into an entitlement to an equal number of Swiss Life Holding shares.

Performance requirements for the 2010 equity compensation plan have been increased over the 2008 and 2009 plans to the extent that 35% performance (previously 30%) is required in the TSR Swiss Life Holding for factor 1 and at least 50% performance (previously 40%) for the maximum factor. The maximum factor has in turn been increased from 1.5 or 150% to 2 or 200%.

The value of the PSUs allocated equals the fair value as at 1 April of the year of allocation. It is determined by an independent consultancy company. The value of the PSUs allocated is a maximum of 35% of total compensation and requires that all objectives have been considerably exceeded.

2010 equity compensation plan

50% of PSU x Factor

TSR SWISS LIFE HOLDING	FACTOR
≤ 20%	0%
= 35%	100%
≥ 50%	200%

50% of PSU x Factor

TSR OUTPERFORMANCE	FACTOR
≤ 1st quartile	0%
= Median	100%
≥ 3rd quartile	200%

From 2011, participants in the equity compensation plan will be allocated Restricted Share Units (RSUs) instead of PSUs. As with PSUs, RSUs grant the holder future subscription rights, entitling them to receive Swiss Life Holding shares free of charge after a three-year period has elapsed, but without any additional performance leverage. The attribution of shares after the expiry of the three-year deferral period will be effected in future on a 1:1 basis (1 RSU = 1 share): the plan is therefore very simple and the process transparent throughout the whole term. The value of RSUs during the three-year term develops linear with the Swiss Life Holding share price and thus systematically corresponds with shareholder interests.

If the participant's employment relationship is terminated during the term of the RSU, the future subscription rights expire worthless. The plan also provides for adjustment and reclaiming mechanisms (clawback) in the following cases: negative impact of the key figures applying to the allocation of RSUs due to a restatement of the annual accounts or damage to Swiss Life as a result of a violation of statutory, regulatory or compliance standards by participants of the RSU plan.

PERSONNEL CHANGES TO THE BOARD OF DIRECTORS AND THE CORPORATE EXECUTIVE BOARD IN 2010 — There was one resignation from the Board of Directors in the period under review. After serving for seven years on the Swiss Life Board of Directors, Rudolf Kellenberger announced his resignation with effect from the General Meeting of Shareholders of 6 May 2010.

There were no personnel changes on the Corporate Executive Board during the year under review.

COMPENSATION TO THE BOARD OF DIRECTORS IN 2010 – The compensation table below shows the variable compensation in blocked shares for the 2010 financial year which was determined by the Board of Directors at the beginning of 2011. It is disclosed on an accrual basis as compensation for 2010.

For comparison purposes, the corresponding details of the compensation for 2009, as published in the Annual Report 2009, are shown in a separate table below the compensation table for 2010.

Amounts in CHF	Compensation in cash			Compensation in blocked shares[2]				Expenditure for occupational provisions		
	Basic compensation	Additional compensation	Total compensation in cash	As part of basic compensation Number	As variable compensation for 2010 financial year Number	Amount	Total compensation in cash and shares (amount)	Regular contributions[3]	Extraordinary contributions	Aggregate total (amount)
Rolf Dörig, Chairman of the Board of Directors	960 000	0	**960 000**	1 970	761	302 399	**1 262 399**	195 656	–	**1 458 055**
Gerold Bührer	144 000	110 000	**254 000**	297	184	54 771	**308 771**			
Frank Schnewlin	144 000	30 000	**174 000**	297	134	48 146	**222 146**			
Volker Bremkamp	96 000	30 000	**126 000**	198	96	20 262	**146 262**			
Paul Embrechts	72 000	10 000	**82 000**	149	64	23 723	**105 723**			
Rudolf Kellenberger[1]	50 000	4 167	**54 167**	110	0	10 501	**64 668**			
Carsten Maschmeyer[5]	62 668	10 000	**72 668**	131	56	20 723	**93 391**			
Henry Peter	72 000	10 000	**82 000**	149	64	23 723	**105 723**			
Peter Quadri	72 000	10 000	**82 000**	149	64	23 723	**105 723**			
Franziska Tschudi	82 668	10 000	**92 668**	169	72	26 988	**119 656**			
TOTAL BOARD OF DIRECTORS	1 755 336	224 167	**1 979 503**	3 619	1 495	554 959	**2 534 462**[4]	195 656	–	**2 730 118**

1 Left 06.05.2010.

2 The compensation in shares was, on the one hand, part of the basic compensation (3619 shares in total) and, on the other, variable compensation in shares for the 2010 financial year, allocated in 2011 (1495 shares in total). The allocation of shares was effected on 18.06.2010, 15.12.2010 and 04.03.2011 at economic value, which is equal to the tax value (CHF 95.464, CHF 110.242 and CHF 132.492 respectively), taking into account the blocking period of three years. The share prices (closing prices) on the days of allocation were CHF 113.70, CHF 131.30 and CHF 157.80 respectively.

3 Pursuant to the fund regulations, occupational provisions were financed by the employer and the employee at a ratio of $^2/_3$ to $^1/_3$.

4 All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV/FAK amounted to a total of CHF 139 793 in the year under review.

5 In the year under review, AWD Holding AG paid a total of EUR 44 625 in consulting fees for services provided to the AWD Group to a company in which the Board of Directors member Carsten Maschmeyer has an important shareholding.

COMPENSATION TO THE BOARD OF DIRECTORS IN 2009 – The members of the Board of Directors did not receive any variable compensation in shares for the 2009 financial year. All shares allotted in this financial year form part of the basic compensation, which was paid 80% in cash and 20% in shares with a blocking period of three years.

Amounts in CHF	Compensation in cash			Compensation in blocked shares[5]				Expenditure for occupational provisions		
	Basic compensation	Additional compen-sation	Total compen-sation in cash	As part of basic compen-sation Number	As variable compen-sation for 2009 finan-cial year Number	Amount	Total compen-sation in cash and shares (amount)	Regular contributions[6]	Extra-ordinary contri-butions	Aggregate total (amount)
Rolf Dörig, Chairman of the Board of Directors [1]	1 121 132	0	**1 121 132**	1 093	–	117 558	**1 238 690**	195 656	–	**1 434 346**
Gerold Bührer	138 667	110 000	**248 667**	319	–	29 139	**277 806**			
Frank Schnewlin [2]	96 000	20 000	**116 000**	188	–	20 220	**136 220**			
Volker Bremkamp	96 000	30 000	**126 000**	224	–	20 207	**146 207**			
Paul Embrechts	72 000	10 000	**82 000**	169	–	15 248	**97 248**			
Rudolf Kellenberger	114 667	10 000	**124 667**	264	–	24 180	**148 847**			
Carsten Maschmeyer [2]	48 000	6 667	**54 667**	94	–	10 110	**64 777**			
Henry Peter	72 000	10 000	**82 000**	169	–	15 248	**97 248**			
Peter Quadri	72 000	10 000	**82 000**	169	–	15 248	**97 248**			
Franziska Tschudi	72 000	10 000	**82 000**	169	–	15 248	**97 248**			
Bruno Gehrig [3]	231 250	41 667	**272 917**	–	–	0	**272 917**	43 678	–	**316 595**
Pierfranco Riva [4]	30 000	4 167	**34 167**	82	–	6 369	**40 536**			
TOTAL BOARD OF DIRECTORS	2 163 716	262 501	**2 426 217**	2 940	–	288 775	**2 714 992**[7]	239 334	–	**2 954 326**

1 BoD Delegate until 07.05.2009 / BoD Chairman from 07.05.2009. As BoD Delegate until 07.05.2009, Rolf Dörig received compensation of CHF 19 662 for a company car and a premium contribution of CHF 41 470 to his 3rd-pillar pension plan. This total of CHF 61 132 was added to his basic compensation of CHF 1 060 000.

2 BoD member from 07.05.2009.

3 BoD Chairman until 07.05.2009.

4 BoD member until 07.05.2009.

5 The compensation in shares was part of the basic compensation (2940 shares in total). The allocation of shares was effected on 24.06.2009 and 18.12.2009 at economic value, which is equal to the tax value (CHF 77.6649 and CHF 107.5553 respectively), taking into account the blocking period of three years. The share prices (closing prices) on the days of allocation were CHF 92.50 and CHF 128.10 respectively. No variable compensation in shares was granted for the 2009 financial year.

6 Pursuant to the pension fund regulations, occupational provisions were financed by the employer and the employee at a ratio of $^2/_3$ to $^1/_3$.

7 All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV/FAK amounted to a total of CHF 188 645 in the year under review.

COMPENSATION TO THE CORPORATE EXECUTIVE BOARD IN 2010 — The compensation table below shows the bonus in cash for the 2010 financial year which was determined by the Board of Directors at the beginning of 2011. It is disclosed on an accrual basis as compensation for 2010.

The members of the Corporate Executive Board did not receive any compensation in shares for the 2010 financial year. They are participating in the current equity compensation plan, which provides for the allocation of Performance Share Units.

For comparison purposes, the corresponding details of the compensation for 2009, as published in the Annual Report 2009, are shown in a separate table below the compensation table for 2010.

Amounts in CHF	Compensation in cash				Compensation in shares 2010		
	Salary	Bonus for 2010 paid in 2011 [2]	Other compensation [3]	Total compensation in cash	Number	Amount	Total compensation in cash and shares (amount)
Bruno Pfister, Group CEO	1 237 530	1 200 000	47 905	**2 485 435**	–	0	**2 485 435**
Other members of Corporate Executive Board [1]	3 627 025	3 275 000	213 535	**7 115 560**	–	0	**7 115 560**
TOTAL CORPORATE EXECUTIVE BOARD	4 864 555	4 475 000	261 440	**9 600 995**	–	0	**9 600 995**

1 Six individuals were taken into account in the period under review.
2 The bonus paid in 2011 relates to the 2010 financial year.
3 Child allowances (CHF 12 150), allowance for years of service (CHF 45 840), company cars (CHF 102 363), premium contributions to 3rd pillar pension plans (CHF 91 413), other (CHF 9674), each in total.

Amounts in CHF	Expenditure for occupational provisions		
	Regular contributions [4]	Extra-ordinary contributions	Aggregate total compensation in cash and in shares and occupational provisions expense (amount) [7]
Bruno Pfister, Group CEO [5]	234 220	0	**2 719 655**
Other members of Corporate Executive Board [6]	976 910	0	**8 092 470**
TOTAL CORPORATE EXECUTIVE BOARD	1 211 130	0	**10 812 125**

4 Pursuant to the pension fund regulations, occupational provisions were financed by the employer and the employee at a ratio of $^2/_3$ to $^1/_3$.
5 Regular contribution of CHF 185 230 and supplementary payment of CHF 48 990 in accordance with the pension fund regulations due to an increase in insured salary.
6 Regular contribution of CHF 848 645 and supplementary payment of CHF 128 265 in accordance with the pension fund regulations due to an increase in insured salary.
7 All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV/FAK amounted to a total of CHF 401 435 in the year under review.

Amounts in CHF	Performance Share Units (PSU) [8,9]		
	Number	Amount	Aggregate total incl. PSUs (amount)
Bruno Pfister, Group CEO	6 500	974 870	**3 694 525**
Other members of Corporate Executive Board	18 200	2 729 636	**10 822 106**
TOTAL CORPORATE EXECUTIVE BOARD	24 700	3 704 506	**14 516 631**

8 The PSUs represent future subscription rights that entitle the individuals concerned to receive Swiss Life Holding shares after a period of three years provided the relevant conditions are then met. Depending on the fulfilment during the three-year term of the two performance criteria defined, the number of PSUs can increase by a factor of 2.0 or drop to zero.
9 The allocation of PSUs as at 01.04.2010 was effected at a fair value of CHF 149.98, as calculated by an independent consultancy firm.

COMPENSATION TO THE CORPORATE EXECUTIVE BOARD IN 2009 — The compensation table below shows the bonus in cash for the 2009 financial year which was determined by the Board of Directors at the beginning of 2010. It is disclosed on an accrual basis as compensation for 2009.

The members of the Corporate Executive Board did not receive any compensation in shares for the 2009 financial year.

Amounts in CHF	Compensation in cash				Compensation in shares for 2009		
	Salary	Bonus for 2009 paid in 2010[2]	Other compensation[3]	Total compensation in cash	Number	Amount	Total compensation in cash and shares (amount)
Bruno Pfister, Group CEO	1 200 000	925 000	53 553	**2 178 553**	–	0	**2 178 553**
Other members of Corporate Executive Board [1]	4 552 366	2 625 000	217 423	**7 394 789**	–	0	**7 394 789**
TOTAL CORPORATE EXECUTIVE BOARD	5 752 366	3 550 000	270 976	**9 573 342**	–	0	**9 573 342**

1 Eight individuals were taken into account in the period under review. In the case of Reto Himmel (left 31.03.2009), Thomas Müller (left 30.06.2009) and Thomas Buess (joined 01.08.2009), the compensation for 2009 membership of the Corporate Executive Board is disclosed on a pro-rata basis. The departing members of the Corporate Executive Board had a contractual twelve-month notice period, for which the agreed benefits were paid. The compensation given in this regard to former members of the Corporate Executive Board totalled CHF 1 515 379 (salary, other compensation and pension contributions).

2 The bonus paid in 2010 relates to the 2009 financial year. No bonus was paid for the 2008 financial year.

3 Child allowances (CHF 8700), company cars (CHF 121 318), premium contributions to 3rd pillar pension plans (CHF 88 730), other (CHF 52 228), each in total.

Amounts in CHF	Expenditure for occupational provisions		
	Regular contributions[4]	Extraordinary contributions	Aggregate total compensation in cash and in shares and occupational provisions expense (amount)[5]
Bruno Pfister, Group CEO	175 801		**2 354 354**
Other members of Corporate Executive Board	630 099		**8 024 888**
TOTAL CORPORATE EXECUTIVE BOARD	805 900		**10 379 242**

4 Pursuant to the pension fund regulations, occupational provisions were financed by the employer and the employee at a ratio of $^2/_3$ to $^1/_3$.

5 All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV/FAK amounted to a total of CHF 402 994 in the year under review.

Amounts in CHF	Performance Share Units (PSUs)[6,7]		
	Number	Amount	Aggregate total incl. PSUs (amount)
Bruno Pfister, Group CEO	6 500	332 930	**2 687 284**
Other members of Corporate Executive Board	15 700	804 154	**8 829 042**
TOTAL CORPORATE EXECUTIVE BOARD	22 200	1 137 084	**11 516 326**

6 The PSUs represent future subscription rights that entitle the individuals concerned to receive Swiss Life Holding shares after a period of three years, provided the relevant conditions are then met. Depending on the fulfilment during the three-year term of the two performance criteria defined, the number of PSUs can increase by a factor of 1.5 or drop to zero.

7 The allocation of PSUs as at 01.04.2009 was effected at a fair value of CHF 51.22, as calculated by an independent consultancy firm.

SHARE OWNERSHIP/PARTICIPATION RIGHTS AS AT 31.12.2010 – As at the balance sheet date, acting members of the Board of Directors and the Corporate Executive Board (including closely related parties) held the following number of registered Swiss Life Holding shares and future subscription rights to Swiss Life Holding shares in the form of Performance Share Units (PSUs).

BOARD OF DIRECTORS

	SLH shares 31.12.2010
Rolf Dörig, Chairman of the Board of Directors	35 247
Gerold Bührer	2 782
Frank Schnewlin	485
Volker Bremkamp	1 465
Paul Embrechts	1 094
Carsten Maschmeyer	1 620 861
Henry Peter	2 174
Peter Quadri	1 874
Franziska Tschudi	1 114
TOTAL BOARD OF DIRECTORS	1 667 096

CORPORATE EXECUTIVE BOARD

	SLH shares 31.12.2010
Bruno Pfister, Group CEO	9 068
Manfred Behrens	698
Thomas Buess	2 500
Patrick Frost	4 013
Ivo Furrer	0
Klaus Leyh	53
Charles Relecom	0
TOTAL CORPORATE EXECUTIVE BOARD	16 332

	Performance Share Units (PSUs) as future subscription rights to SLH shares 31.12.2010[1]
Bruno Pfister, Group CEO	18 924
Manfred Behrens	8 407
Thomas Buess	4 800
Patrick Frost	9 149
Ivo Furrer	7 675
Klaus Leyh	4 196
Charles Relecom	5 400
TOTAL CORPORATE EXECUTIVE BOARD	58 551

[1] Total number of PSUs allocated in the years 2008, 2009 and 2010 in connection with the relevant equity compensation plan. The PSUs represent future subscription rights that entitle the individuals concerned to receive SLH shares after a period of three years, provided that the relevant conditions are then met.

SHARE OWNERSHIP/PARTICIPATION RIGHTS AS AT 31.12.2009 — As at the balance sheet date, acting members of the Board of Directors and the Corporate Executive Board (including closely related parties) held the following number of registered Swiss Life Holding shares and future subscription rights to Swiss Life Holding shares in the form of Performance Share Units (PSUs).

BOARD OF DIRECTORS

	SLH shares
	31.12.2009
Rolf Dörig, Chairman of the Board of Directors [1]	33 277
Gerold Bührer	2 485
Frank Schnewlin	188
Volker Bremkamp	1 267
Paul Embrechts	945
Rudolf Kellenberger	1 286
Carsten Maschmeyer	1 620 730
Henry Peter	2 025
Peter Quadri	1 725
Franziska Tschudi	945
TOTAL BOARD OF DIRECTORS	1 664 873

[1] Rolf Dörig owns an additional 6717 PSUs, which were allocated to him under the 2007 equity compensation plan for his former role of Group CEO. They represent future subscription rights that entitle him to receive SLH shares after a period of three years, provided that the relevant conditions are then met. Following his election to the Board of Directors on 8 May 2008 and resultant resignation from the Corporate Executive Board, Rolf Dörig was not allocated any further PSUs in 2008 or 2009.

CORPORATE EXECUTIVE BOARD

	SLH shares
	31.12.2009
Bruno Pfister, Group CEO	9 068
Manfred Behrens	698
Thomas Buess	1 000
Patrick Frost	2 013
Ivo Furrer	0
Klaus Leyh	53
Charles Relecom	0
TOTAL CORPORATE EXECUTIVE BOARD	12 832

	Performance Share Units (PSUs) as future subscription rights to SLH shares
	31.12.2009[1]
Bruno Pfister, Group CEO	18 022
Manfred Behrens	6 092
Thomas Buess	1 600
Patrick Frost	7 815
Ivo Furrer	4 475
Klaus Leyh	1 873
Charles Relecom	3 385
TOTAL CORPORATE EXECUTIVE BOARD	43 262

[1] Total number of PSUs allocated in the years 2007, 2008 and 2009 in connection with the relevant equity compensation plan. The PSUs represent future subscription rights that entitle the individuals concerned to receive SLH shares after a period of three years, provided that the relevant conditions are then met.

Appropriation of Profit
Profit and Appropriation of Profit

The net profit for the year amounts to CHF 200 184 288. The Board of Directors proposes to the General Meeting of Shareholders that the profit be appropriated in accordance with the table below. If this proposal is adopted, a distribution in the form of a par value reduction of CHF 4.50 per share will be paid.

PROFIT SHOWN IN THE BALANCE SHEET

In CHF

	2010	2009
Balance carried forward from previous year	**3 609 395**	3 958 859
Net profit	**200 184 288**	39 650 536
TOTAL PROFIT SHOWN IN THE BALANCE SHEET	**203 793 683**	43 609 395

APPROPRIATION OF PROFIT

In CHF

	2010	2009
Dividend	**–**	–
Allocation to legal reserves	**–**	–
Allocation to free reserves	**200 000 000**	40 000 000
Balance carried forward to new account	**3 793 683**	3 609 395
TOTAL PROFIT SHOWN IN THE BALANCE SHEET	**203 793 683**	43 609 395

Zurich, 29 March 2011

For the Swiss Life Holding Board of Directors

Rolf Dörig Gerold Bührer

Report of the Statutory Auditor

Report of the Statutory Auditor
to the General Meeting of
Swiss Life Holding Ltd
Zurich

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Swiss Life Holding Ltd, which comprise the statement of income, balance sheet and notes to the financial statements (pages 180 to 194), for the year ended 31 December 2010.

BOARD OF DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. 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 financial statements for the year ended 31 December 2010 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of profit complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Lüssi	Reto Zemp
Audit expert	Audit expert
Auditor in charge	

Zurich, 29 March 2011

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ANNUAL REPORT 2010

The **Business Review** is published in German, English and French.
The English text is definitive for the extract from the Financial Statements.

The **Financial Statements** are available in German and English, and contain 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 Business Review and the Financial Statements for 2010 can be found at:
www.swisslife.com/report

IMPRESSUM

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

IMPORTANT DATES

INTERIM STATEMENT Q1 2011

3 May 2011

ANNUAL GENERAL MEETING 2011

5 May 2011, Hallenstadion Zurich

HALF-YEAR RESULTS 2011

17 August 2011

INTERIM STATEMENT Q3 2011

15 November 2011

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