Swiss Life

Annual Report 2014

Contents

The Swiss Life Group's 2014 financial year at a glance:

Course of business — Swiss Life can look back on a successful 2014: The Group steadily expanded its market position due to the resilience of its business model. In 2014, Swiss Life posted adjusted profit from operations of CHF 1182 million, a rise of 4% compared to the previous year. Net profit came to CHF 818 million (2013: CHF 784 million). The Group generated 7% growth in premium income in local currency to CHF 19.1 billion. At the same time fee and commission income rose by 15% in local currency to CHF 1.3 billion. Swiss Life is also well on track with the implementation of its Group-wide programme "Swiss Life 2015": The majority of its targets had already been achieved by the end of 2014.

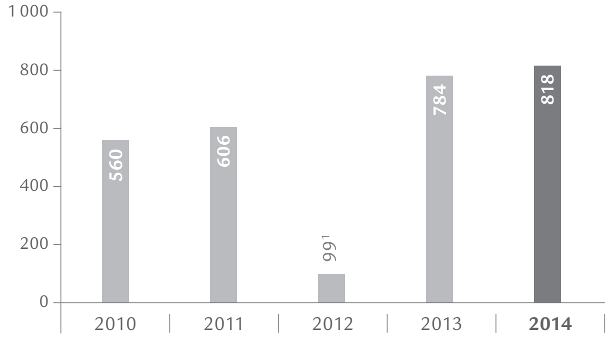
Markets — The Swiss Life Group operates in Switzerland, Germany and France and has competency centres in Luxembourg, Liechtenstein and Singapore. The Swiss Life Select, tecis, HORBACH, Proventus and Chase de Vere advisors use the Best Select approach in various European markets to choose suitable products for customers. Swiss Life Asset Managers gives institutional and private investors in Switzerland, France and Germany access to institutional and asset management solutions. Swiss Life provides multinational corporations with employee benefits solutions and high net worth individuals with structured life and pensions products. The two subsidiaries Livit and CORPUS SIREO are also part of the Group.

Workforce — 7500 employees and approximately 4500 certified financial advisors were working for the Swiss Life Group worldwide at the end of 2014.

The latest information about Swiss Life on the internet
Would you like to learn more about the Swiss Life Group? Are you looking for information on our corporate strategy, business activities or brand? Maybe you want to know more about our role as a responsible company or the principles governing Swiss Life's conduct as an employer? We want to ensure that the information we provide in this context is always up to date. For this reason, complementary to the annual report, we also provide extensive and updated information on our website in the "About us" section (www.swisslife.com/aboutus).

Net profit

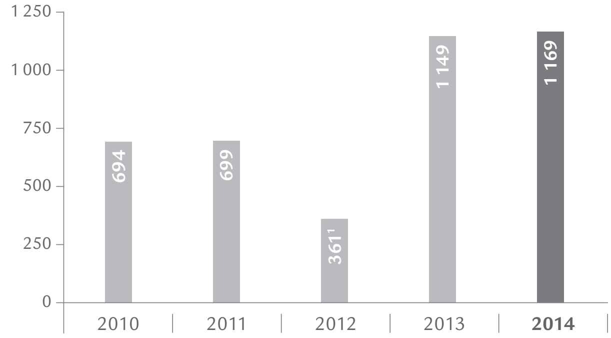
In CHF million



[1] restated

Profit from operations

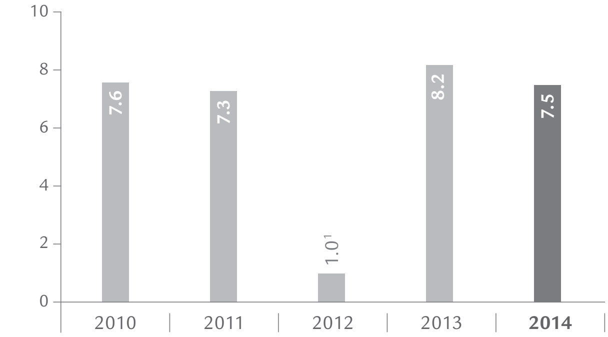
In CHF million



[1] restated

Return on equity

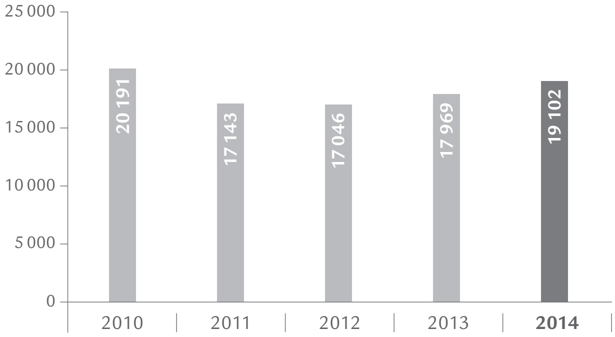
in %



[1] restated

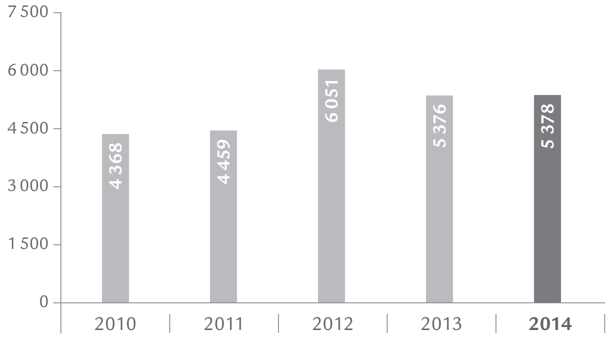
Gross written premiums, policy fees and deposits received

In CHF million



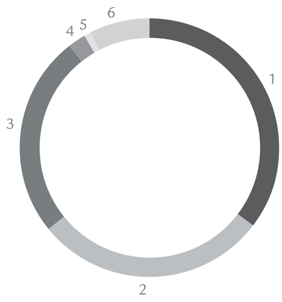
Financial result

In CHF million



Swiss Life employees by country

Total 7492 full-time equivalents as at 31.12.2014



1	Switzerland	2 645
2	France	2 163
3	Germany	1 902
4	Luxembourg	167
5	Liechtenstein	68
6	Other	547

Dear Shareholders

Rolf Dörig and Patrick Frost

2014 proved to be a very successful year for Swiss Life. Once again this year our results clearly demonstrate that, thanks to the resilience of our business model, we have achieved steady and profitable growth. Swiss Life is in good shape, has a strong capital base and is close to its customers. Recent developments have again testified to the importance of our robust business model: The abolition of the minimum exchange rate by the Swiss National Bank will not stop us from achieving the goals under our Group-wide programme "Swiss Life 2015" during the current financial year.

The progress we have made with "Swiss Life 2015" is reflected in our figures for the past financial year. Let us pick out a few key points: Swiss Life has grown profitably and increased its premium income by 7% in local currency to CHF 19.1 billion. Our growth stems mainly from the home market of Switzerland, where we made significant gains in both group life and individual life business.

In spite of the persistent low interest rate environment, Swiss Life achieved a net investment result of 3.8% (2013: 3.9%). The Group's fee and commission income also developed well, increasing significantly by 15% in local currency to CHF 1.3 billion. As a result, adjusted profit from operations stood at CHF 1182 million and net profit was up 4% to CHF 818 million (2013: CHF 784 million).

The success factors for Swiss Life's promising figures are many and varied. They include our expertise in the field of comprehensive life and pensions advice, our competitive products and solutions, our asset and liability management, by which we match our long-term liabilities with a high-quality investment portfolio, our risk management, as well as our above-average investment performance and our ability to continuously improve our efficiency. It is our employees who have made this possible, and once again we would like to thank them warmly for their engagement.

The main driver of the investment business result is our exceptional know-how in the areas of corporate and government bonds and real estate. Our experience and our reputation in the market were the basis for the very successful expansion of our services for external customer assets. At the end of 2014 we achieved a further net new asset inflow of CHF 4.5 billion. This brought total assets under management for external customers to CHF 33.7 billion, up 22%.

In view of the successful financial year 2014 we will be proposing that the General Meeting of Shareholders approve in April this year an 18% increase in the dividend from CHF 5.50 to CHF 6.50 per share – once again in the form of a withholding tax-free distribution from the capital contribution reserves.

Yet, despite all these positive trends, challenges remain. We will continue to advocate fair and sustainable framework conditions for our business in the interests of our shareholders, our customers and our employees. The debate surrounding employee pension fund reform, which is also ongoing outside Switzerland in one form or another, has grown more urgent against a background of low interest rates and volatile markets. Furthermore, the impact of an ageing society cannot and should not be ignored. As a company we share in the responsibility of ensuring that we do not bequeath an impossibly heavy burden to future generations.

Where will our journey take us as we look beyond 2015? Of course, the main emphasis this year remains on achieving the goals we set ourselves under "Swiss Life 2015". At the same time we would like to present our goals for the period up to 2018 to you and the broader public in late autumn. The following elements are crucial in this regard:

- We are placing the sustainability of our earnings at the heart of our ambitions.
- We will continue to prioritise profitable growth.
- We want to further develop existing business and to be very selective about any new initiatives.

We will take advantage of our solid position to steadily evolve Swiss Life – always in the best interests of our customers, employees and, of course, you our shareholders. On behalf of the Board of Directors and the Corporate Executive Board, we would like to thank you for your trust.

Rolf Dörig
Chairman of the Board of Directors

Patrick Frost
CEO

Summary of Group Results

Swiss Life can look back on a successful financial year 2014: Thanks to the resilience of its business model, the Group grew profitably despite the difficult low interest rate environment. Net profit increased by 4% to CHF 818 million and adjusted profit from operations rose by 4% to CHF 1.2 billion.

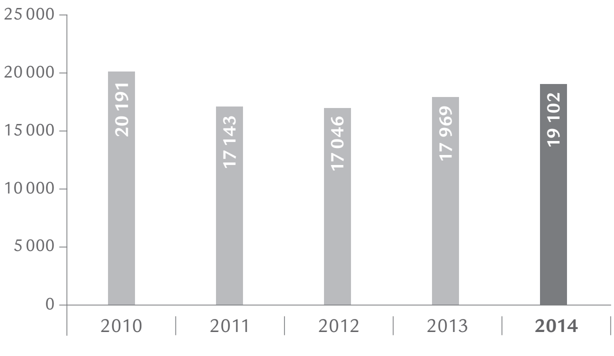
Swiss Life grew profitably and above the market average in 2014. The company increased premium income by 7% in local currency to CHF 19.1 billion (2013: CHF 18.0 billion). The Group also made good progress in fee and commission income, posting 15% growth to CHF 1.3 billion in local currency, to which all business units contributed.

Swiss Life expands its market position

The key driver of growth was the home market of Switzerland, where total premium volume increased by 11% from CHF 9.0 billion to CHF 10.0 billion. Particularly in group life business, the high demand from SMEs for full insurance solutions in 2nd pillar occupational benefits (BVG) business continued unabated, with Swiss Life growing by 11% in this area, compared to just 1% for the market as a whole. In individual life business, premiums rose by 12%. At the same time, Swiss Life increased fee and commission income in the home market by 10% to CHF 182 million. Swiss Life in France also posted growth, with a 10% rise in premiums to EUR 4.2 billion. Its fee and commission income also increased, up 11% to EUR 223 million. In Germany, the strict focus on profitable business led to a 5% decline in premiums to EUR 1.3 billion. At the same time however, Swiss Life Germany recorded strong growth in fee and commission income with a 12% increase to EUR 349 million. Swiss Life International reported a 6% fall in premiums in local currency to CHF 2.5 billion, while growing fee and commission income by 4% to CHF 240 million.

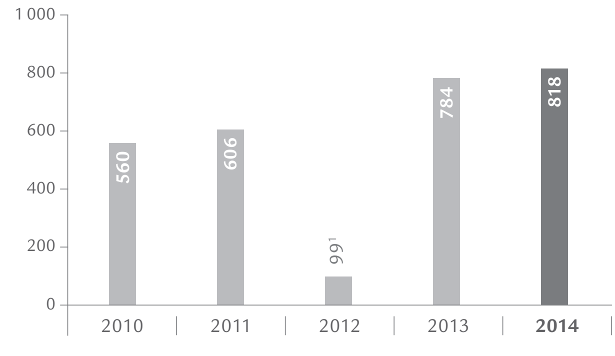
Gross written premiums, policy fees and deposits received

In CHF million



Net profit

In CHF million



[1] restated

In its external customer business, Swiss Life Asset Managers achieved organic net new assets of CHF 4.5 billion. Assets under management for external customers thus came to CHF 33.7 billion (+22%). Together with insurance mandates (CHF 149.3 billion), total assets under management at Swiss Life Asset Managers stood at CHF 183.0 billion as at the end of 2014, 18% up on the previous year. Of this amount, CHF 32.5 billion is invested in real estate. In addition, Swiss Life has real estate under administration for third-party clients amounting to a total of CHF 31.5 billion: CHF 16.7 billion of which originates from Livit and CHF 14.8 billion from CORPUS SIREO, a group acquired by Swiss Life on 1 October 2014. Total real estate under management and administration as at the end of 2014 thus came to CHF 63.9 billion.

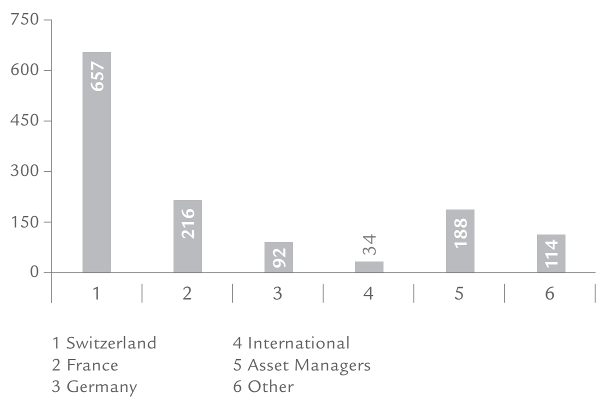
Swiss Life achieves another strong net investment result

Swiss Life reports adjusted profit from operations of CHF 1182 million, up 4% on the previous year. Net profit rose from CHF 784 million to CHF 818 million (+4%). The profit increase was achieved despite further strengthening of the insurance reserves by CHF 1.2 billion. Swiss Life Asset Managers generated direct investment income of CHF 4.5 billion in 2014 – a rise of 4% on the previous year. The net investment result improved by almost CHF 200 million to CHF 5.1 billion, producing a net investment return of 3.8% (2013: 3.9%).

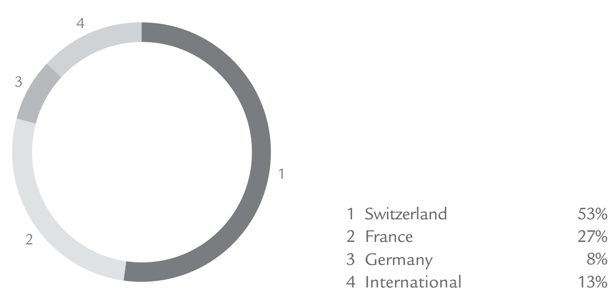
Swiss Life Switzerland confirmed its high earnings power of the previous year with a contribution of CHF 657 million. Changes in the accounting standards (IFRS 13) during the prior-year period had a positive impact of CHF 60 million. Adjusted for this one-off effect, the result would be on a par with the previous year. In France, Swiss Life posted an increase in profits of 13% to EUR 178 million. Swiss Life Germany contributed EUR 76 million, almost on a par with the previous year (–2%). Significant progress was made at Swiss Life International: The segment result more than doubled from CHF 16 million in the previous year to CHF 34 million. The segment result for Swiss Life Asset Managers also showed a positive trend, up 13% to CHF 188 million (2013: CHF 166 million), with CHF 14 million originating from CORPUS SIREO.

Segment results

In CHF million



Gross written premiums, policy fees and deposits received by segment



Most of the "Swiss Life 2015" goals achieved ahead of schedule

The Group again made operational progress in the second year of implementing its Group-wide programme "Swiss Life 2015". Efficiency ratios improved again in all insurance units. Swiss Life made overall cost savings of CHF 160 million, thereby achieving its 2015 cost savings target of CHF 130–160 million one year ahead of schedule. As a result of the interest rate situation, the new business margin fell from 2.2% to 1.8% – although it still stands above our target of 1.5%. The value of new business in 2014 amounted to CHF 255 million (2013: CHF 289 million), The Group generated adjusted return on equity of 9.6% in the year under review (2013: 10.0%). Shareholders' equity climbed from CHF 8.9 billion to CHF 12.8 billion (+43%). In the same period, the Group's solvency ratio rose from 210% to 269%.

Events after the Reporting Period

For events of particular significance after the end of the reporting period, please refer to note 35 "Events after the Reporting Period" in the Consolidated Financial Statements.

Key figures for the Swiss Life Group

Amounts in CHF million

	2014	2013	+/–
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	**19 102**	17 969	6.3%
Net earned premiums	**13 776**	12 944	6.4%
Fee and commission income	**1 305**	1 143	14.2%
Financial result	**5 378**	5 376	0.0%
Other income	**15**	–2	n/a
TOTAL INCOME	**20 474**	19 462	5.2%
Net insurance benefits and claims	**–15 218**	–13 920	9.3%
Policyholder participation	**–1 146**	–1 361	–15.8%
Interest expense	**–205**	–222	–7.7%
Operating expense	**–2 735**	–2 809	–2.6%
TOTAL EXPENSE	**–19 304**	–18 312	5.4%
PROFIT FROM OPERATIONS	**1 169**	1 149	1.8%
NET PROFIT	**818**	784	4.3%
Equity	**12 831**	9 018	42.3%
Insurance reserves	**156 684**	142 479	10.0%
Assets under management	**199 750**	171 662	16.4%
Assets under control	**224 593**	192 855	16.5%
Return on equity (in %)	**7.5**	8.2	–0.7 Ppkt.
Number of employees (full-time equivalents)	**7 492**	6 992	7.2%

Asset allocation on a fair value basis as at 31 December (insurance portfolio at own risk)

Amounts in CHF million

	2014	2014	2013	2013
Equity securities and equity funds	**4 044**	**2.7%**	2 435	1.9%
Alternative investments	**1 088**	**0.7%**	808	0.6%
Real estate	**20 712**	**13.8%**	19 367	15.2%
Mortgages	**6 647**	**4.4%**	6 069	4.8%
Loans	**12 820**	**8.5%**	9 634	7.6%
Bonds	**101 827**	**67.9%**	89 040	69.8%
Cash and cash equivalents and other	**2 819**	**1.9%**	241	0.2%
TOTAL	**149 957**	**100.0%**	127 595	100.0%
Net equity exposure		**1.9%**		1.8%
Duration of bonds		**11.3 years**		9.8 years

Segment Reporting

In 2014, Swiss Life generated adjusted profit from operations across all segments of CHF 1182 million. This 4% increase over the previous year is due to higher premium income, the growth of fee and commission income and the further improvement of efficiency ratios. Net profit came to CHF 818 million in the period under review.

Swiss Life reports by country: Switzerland, France and Germany. It also discloses separately the results of its cross-border segments: International and Asset Managers. In the Swiss domestic market, Swiss Life achieved a segment result of CHF 657 million (–8%); allowing for a positive one-off effect during the previous year the result remained stable at a high level. France increased its segment result to CHF 216 million (+12%), Germany contributed CHF 92 million (2013: CHF 96 million). The International market unit generated a segment result of CHF 34 million (2013: CHF 16 million). Swiss Life Asset Managers increased its contribution to the results by 13% to CHF 188 million. Net profit over all segments rose by 4% to CHF 818 million (2013: CHF 784 million).

In the 2014 financial year, the Swiss Life Group maintained its focus on profitable growth and diversification of profit sources. Gross written premiums, policy fees and deposits received across all segments grew by 7% in local currency to CHF 19.1 billion (2013: CHF 18 billion). At the same time fee and commission income rose by 15% in local currency to CHF 1.3 billion.

Switzerland

In the year under review Swiss Life Switzerland posted a segment result of CHF 657 million (2013: CHF 716 million). Adjusted for one-off effects during the previous year (IFRS 13), Swiss Life Switzerland maintained a stable result driven by excellent premium development and a further reduction in operating expense, despite the ongoing low interest rate environment.

Long-term initiatives including further optimisation of the multichannel strategy, the development of the service and product offering, improved customer centricity and renewed sustained cost reduction contributed to this pleasing result. The financial result of CHF 3.5 billion was 1% above the previous year. Net investment income rose 4% to CHF 3.1 billion.

According to the Swiss Insurance Association (SIA), life insurance premiums in Switzerland rose to CHF 32.5 billion, up 1.6% on the previous year. Market growth in group life business came to 1.4% and premiums for individual life business were up 2.0%. Swiss Life increased its premium volume by 11% in total to CHF 10.0 billion, thus again significantly outperforming the market as a whole. Group life business accounted for 84% of this result. Swiss Life increased its market share of group life business to 33.2% (2013: 30.3%) and of individual life business to 20.1% (2013: 18.5%), regaining its position as domestic market leader.

Swiss Life Switzerland reduced its operating expense by 2% in the year under review to CHF 898 million. This reduction was due to lower amortisation of deferred acquisition costs and another reduction in operational administrative costs.

Insurance benefits, including changes in insurance reserves, rose by 10% to CHF 11.3 billion. This increase was mainly due to higher savings premiums.

The ongoing strategic optimisation of the product offering was a key driver for premium growth. In 2014, Swiss Life launched Swiss Life ProtectCare, a long-term care insurance solution for private clients, guaranteeing a lifelong pension in the event of a long-term care need. This product was developed in close cooperation with the health insurer Sanitas. The product family Swiss Life FlexSave, which has proved extremely popular among customers for years, received its latest addition with the Swiss Life FlexSave Junior Plan. The two established products Swiss Life FlexSave Invest and Swiss Life Protect have also been available to the cooperation partner Valiant since 2014. As a full-range provider, Swiss Life offers its corporate customers solutions to all their occupational pension requirements. The product offering, expanded over recent years, was further optimised in the year under review and aligned even more closely to customer requirements.

Swiss Life Switzerland is evolving from a pure life insurer to a comprehensive life and pensions and financial solutions provider, with a focus on developing its product and service offering and on closer customer interaction. The broker services offering for private residential property, Swiss Life Immopulse, launched in 2012, is a specific example of the drive to develop into a comprehensive life and pensions and financial solutions provider. In 2014, Swiss Life Immopulse further strengthened its position in the Swiss real estate market. The distribution successes – both in the core business and in the additional product categories of comprehensive life and pensions provision – testify to Swiss Life's increased customer orientation. In 2014, the company started developing the online portal Swiss Life myWorld. In an initial phase, the employees of Swiss Life's corporate customers will be able, from 2015, to access online via the portal all the information and documents pertaining to their occupational provisions and carry out simulations. With the addition of further functionalities, the online portal will be made available to Swiss Life Switzerland's private clients in the second quarter of 2015.

In the course of 2015, Swiss Life Switzerland will continue to pursue its long-term initiatives of broadening its service, product and advisory offering, enhancing its distribution capacity, expanding digital customer access and achieving further efficiency gains.

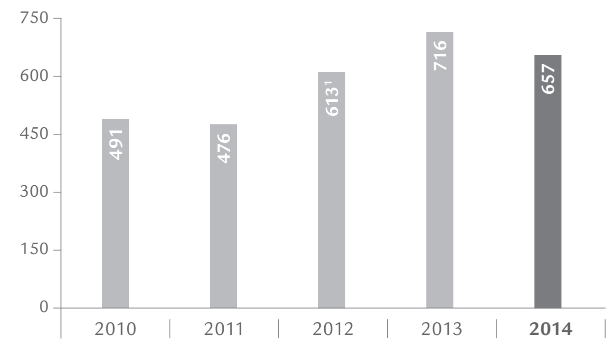
Key figures for Switzerland

Amounts in CHF million

	2014	2013	+/–
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	**10 038**	9 020	11.3%
Net earned premiums	**9 654**	8 723	10.7%
Fee and commission income	**182**	166	9.6%
Financial result	**3 520**	3 492	0.8%
Other income	**14**	–4	n/a
TOTAL INCOME	**13 370**	12 376	8.0%
Net insurance benefits and claims	**–11 333**	–10 268	10.4%
Policyholder participation	**–427**	–417	2.5%
Interest expense	**–56**	–63	–11.0%
Operating expense	**–898**	–913	–1.7%
TOTAL EXPENSE	**–12 714**	–11 661	9.0%
SEGMENT RESULT	**657**	716	–8.2%
Assets under control	**108 182**	92 434	17.0%
Insurance reserves	**86 365**	77 835	11.0%
Number of employees (full-time equivalents)	**1 972**	1 991	–0.9%

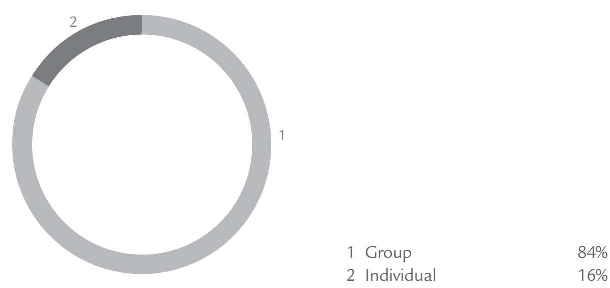
Segment result Switzerland

In CHF million



¹ restated

Premiums for Switzerland, by type of insurance



France

Swiss Life in France increased its segment result to CHF 216 million (previous year: CHF 194 million). This increase resulted from the strong momentum in sales, the further improvement in the quality of new business and the higher technical and financial margins in all business areas.

The French insurance market recorded 6% growth in local currency. Savings and pension premiums increased by 8%, health, death and disability insurance by 2% and property and casualty business by 2%. The premium volume of Swiss Life in France grew by 10% in local currency, thereby again outperforming the market at CHF 5.1 billion (2013: CHF 4.7 billion). The diversification of business activities, multichannel distribution and the strong positioning in life insurance business with high net worth individuals all contributed to this performance. Premium income in savings and retirement provisions rose by 17% in local currency. The share of premium income from unit-linked contracts of 41% was above the market average of 17% thanks to the successful private insurer strategy and the bonus distribution policy for customers in the premium segment. In the hotly contested and rapidly changing health, death and disability insurance market, Swiss Life remained stable by focusing on profitable business and the ongoing repositioning in favour of group business. Swiss Life Banque Privée confirmed its profitability and concluded the integration of the asset management company Prigest. The bank has now evolved into an important component of the private insurer strategy.

In 2015, Swiss Life in France will continue to pursue the expansion of its product and service offering in life insurance for high net worth individuals and the development of its group business offering.

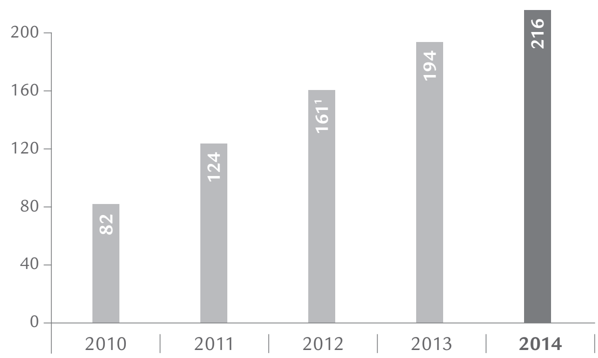
Key figures for France

Amounts in CHF million

	2014	2013	+/–
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	**5 069**	4 685	8.2%
Net earned premiums	**2 625**	2 652	–1.0%
Fee and commission income	**260**	235	11.0%
Financial result	**863**	821	5.1%
Other income	**1**	1	34.7%
TOTAL INCOME	**3 750**	3 709	1.1%
Net insurance benefits and claims	**–2 288**	–2 017	13.4%
Policyholder participation	**–139**	–405	–65.7%
Interest expense	**–124**	–130	–4.6%
Operating expense	**–983**	–963	2.0%
TOTAL EXPENSE	**–3 534**	–3 515	0.5%
SEGMENT RESULT	**216**	194	11.6%
Assets under control	**36 770**	31 863	15.4%
Insurance reserves	**28 391**	25 182	12.7%
Number of employees (full-time equivalents)	**2 088**	2 082	0.3%

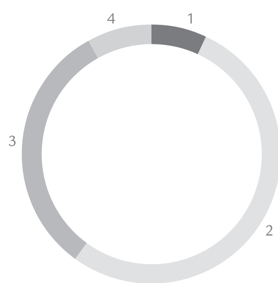
Segment result France

In CHF million



[1] restated

Premiums for France, by type of insurance



1	Group	7%
2	Individual	53%
3	Health insurance	32%
4	Property	8%

Germany

Swiss Life is positioning itself in Germany as a financial advisory and insurance company under one roof by managing all production and distribution organisations from a single source. The segment information comprises local insurance activities and the financial advisory companies operating in Germany under Swiss Life Select, tecis, HORBACH and Deutsche Proventus.

During the year under review, Swiss Life Germany maintained its segment result more or less on a par with last year at CHF 92 million – in spite of a challenging operating environment due mainly to a sustained low interest rate environment and new operating conditions resulting from the Life Insurance Reform Act. The result is attributable to much higher fee and commission income, a good financial result and further cost savings.

Swiss Life Germany generated premium volume of CHF 1.6 billion in 2014, equivalent to a fall of 6% (5% in local currency). The core product areas of Swiss Life Germany are occupational disability insurance, occupational pensions, long-term care insurance and modern guarantee concepts. Premium volume was affected by declining single-premium contributions in individual insurance due to the consistent focus on profitability before growth. Insurance benefits and bonus distributions remained almost unchanged from the previous year.

Fee and commission income increased by 11% in 2014 to CHF 425 million, mainly due to higher advisor productivity.

At the end of 2014 the proprietary financial advisory companies in Germany had 3012 trained and registered financial advisors under contract. Higher training and registration requirements in the financial services sector are making it harder to increase advisor headcount, although they are also improving the quality and sustainability of the advice on offer.

Administrative costs adjusted for one-offs fell by 2% in local currency to CHF 255 million. Swiss Life Germany thus continued its strict cost management and achieved additional cost savings.

The challenging market conditions look set to persist in 2015. Nevertheless, Swiss Life expects a rise in new business due to the introduction of several new products and a new distribution structure phased in over the course of 2014. In financial advisory services, Swiss Life expects the number of advisors to increase, which will have a positive impact on business performance.

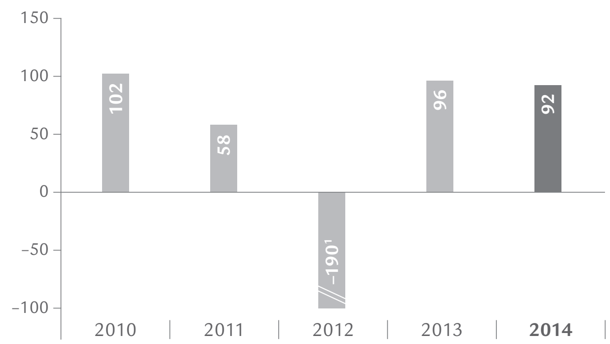
Key figures for Germany

Amounts in CHF million

	2014	2013	+/–
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	**1 618**	1 724	–6.2%
Net earned premiums	**1 447**	1 523	–5.0%
Fee and commission income	**425**	383	10.8%
Financial result	**958**	1 048	–8.6%
Other income	**2**	5	–54.6%
TOTAL INCOME	**2 832**	2 960	–4.3%
Net insurance benefits and claims	**–1 591**	–1 617	–1.6%
Policyholder participation	**–557**	–532	4.7%
Interest expense	**–14**	–18	–23.3%
Operating expense	**–577**	–696	–17.1%
TOTAL EXPENSE	**–2 740**	–2 864	–4.3%
SEGMENT RESULT	**92**	96	–3.6%
Assets under control	**22 956**	19 470	17.9%
Insurance reserves	**20 187**	19 040	6.0%
Number of employees (full-time equivalents)	**1 368**	1 401	–2.3%

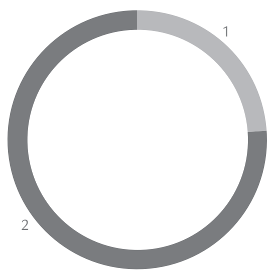
Segment result Germany

In CHF million



[1] restated

Premiums for Germany, by type of insurance



1 Group 24%
2 Individual 76%

International

The International segment covers business with international high net worth individuals (PPLI), multinationals (Corporate Clients) and the financial advisory companies Swiss Life Select in Austria, the Czech Republic and Poland as well as Chase de Vere in the United Kingdom.

In the year under review, the segment achieved a result of CHF 34 million, which was more than twice as much as during the previous year (CHF 16 million). This encouraging development is due to operational progress, particularly the ongoing cost discipline and the growth in fee and commission income. Fee and commission income increased in all business areas to a total of CHF 240 million (2013: CHF 231 million). Gross written premiums, policy fees and deposits received came to CHF 2.5 billion in 2014 (2013: CHF 2.6 billion).

The PPLI area with carriers based in Luxembourg, Liechtenstein and Singapore specialises in life insurance solutions for high net worth individuals. The identification and development of new markets in Europe and Asia further underpinned the sustained growth: The strong market position of the business in Europe led to an increase in the portfolio resulting in higher fee income.

Corporate Clients specialises in global life and pensions solutions for multinationals. Thanks to the positive risk development and improved investment result, the profitability of its own balance sheet in Luxembourg was consolidated further. The Swiss Life Network, a leading independent provider of global employee benefits solutions, also consolidated its strong market position in 2014.

Fee income from the financial advisory companies rose markedly by CHF 7 million to CHF 140 million. UK business was the largest contributor to this result following its conversion to a fully fee-based advisory model in the wake of the ban on commission payments imposed by the Retail Distribution Review (RDR) since 2013. The units in Austria and the Czech Republic also increased their fee income.

In 2015, the main focus in all business areas will lie on continued business development and increasing fee and commission income.

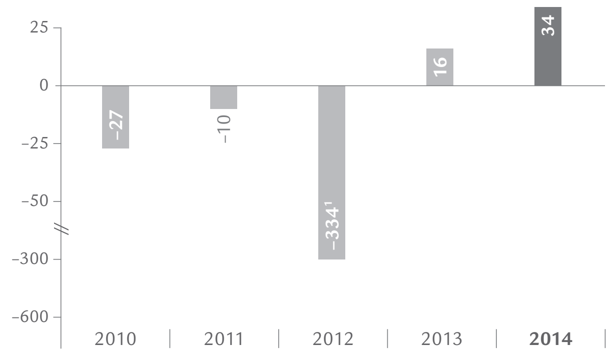
Key figures for International

Amounts in CHF million

	2014	2013	+/–
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	**2 451**	2 643	–7.2%
Net earned premiums	**38**	44	–14.5%
Fee and commission income	**240**	231	3.9%
Financial result	**54**	27	97.9%
Other income	**–11**	7	n/a
TOTAL INCOME	**321**	310	3.7%
Net insurance benefits and claims	**–9**	–22	–60.1%
Policyholder participation	**–26**	–15	76.9%
Interest expense	**–17**	–17	–2.8%
Operating expense	**–235**	–240	–2.1%
TOTAL EXPENSE	**–287**	–294	–2.4%
SEGMENT RESULT	**34**	16	n/a
Assets under control	**22 393**	20 975	6.8%
Insurance reserves	**21 841**	20 504	6.5%
Number of employees (full-time equivalents)	**761**	767	–0.8%

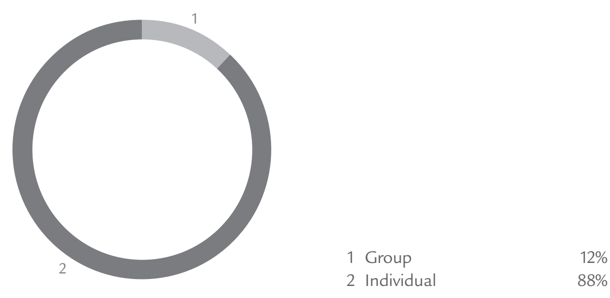
Segment result International

In CHF million



[1] restated

Premiums for International, by type of insurance



Asset Managers

The Asset Managers segment comprises Group-wide institutional asset management activities. The German real estate asset management service provider CORPUS SIREO, acquired in the summer of 2014, is accounted for from 1 October 2014.

In 2014, Swiss Life Asset Managers achieved a segment result of CHF 187.5 million, corresponding to an increase of CHF 21.3 million or 12.8% compared to the previous year. Thanks to new asset inflows and positive market development, assets under management increased by a total of CHF 27.9 billion to CHF 183.0 billion. Proprietary assets increased to CHF 149.3 billion and assets invested in investment funds and external customer mandates increased to CHF 33.7 billion. Thanks to a greater volume of assets under management, income rose by 20.6%. At the same time, operating costs grew by 30.1% due to business expansion, particularly in external customer business.

The expansion of business with external customers led to a net inflow of assets under management of CHF 6.9 billion. This was due principally to the growth of institutional mandates in fixed income and real estate. This also includes CHF 2.4 billion in assets following the acquisition of CORPUS SIREO.

Swiss Life Asset Managers significantly strengthened its position in Germany through the acquisition of CORPUS SIREO and, at the same time, positioned itself as a leading European real estate service provider with over CHF 60 billion in real estate under management and administration. Swiss Life Asset Managers can use this solid platform to further its growth strategy in external customer business and strengthen its position in core markets.

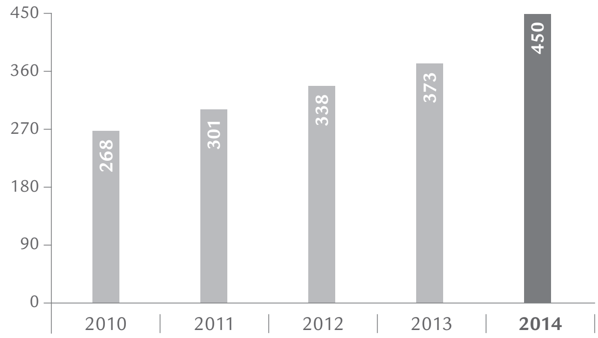
Key figures for Asset Managers

Amounts in CHF million

	2014	2013	+/–
Fee and commission income	**450**	373	20.6%
Financial result	**0**	3	–88.7%
Other income	**8**	0	n/a
TOTAL INCOME	**459**	377	21.8%
Interest expense	**–0**	–0	n/a
Operating expense	**–271**	–211	28.8%
SEGMENT RESULT	**188**	166	12.8%
Assets under management	**182 992**	155 081	18.0%
Number of employees (full-time equivalents)	**1 261**	706	78.5%

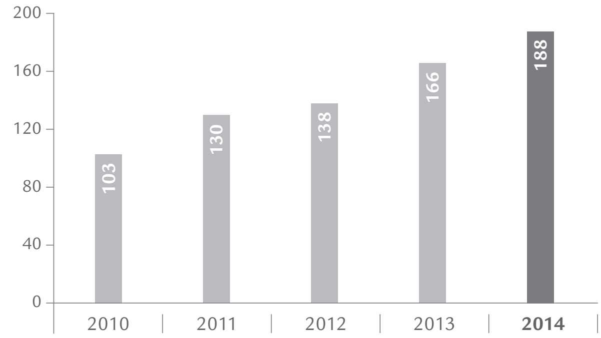
Fee and commission income Asset Managers

In CHF million



Segment result Asset Managers

In CHF million



Corporate Governance

The Swiss Life Group is committed to risk-based and transparent corporate governance in line with nationally and internationally recognised standards of corporate governance.

Swiss Life complies with accepted standards of corporate governance and, in the interests of its shareholders, policyholders and staff, attaches great importance to the requirements entailed 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 relevant directives issued by the SIX Swiss Exchange and the Swiss Financial Market Supervisory Authority FINMA and is 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 implemented by Swiss Life to ensure good corporate governance work well in practice. Specific adjustments are examined on an ongoing basis, however, in order to adapt the management and control tools and disclosure to current circumstances and to implement further improvements.

In order to implement the Ordinance against Excessive Compensation in Listed Stock Companies (Compensation Ordinance, VegüV), which came into force on 1 January 2014, the General Meeting of Shareholders on 23 April 2014 approved a corresponding amendment to the Articles of Association as proposed by the Board of Directors. With reference to corporate governance and in compliance with the Compensation Ordinance, the members of the Board of Directors are to be elected for a one-year term of office, as had already been introduced by Swiss Life at the 2013 General Meeting and implemented at the General Meeting of last year. Also the Chairman of the Board of Directors, as well as the members of the Compensation Committee and the independent voting representative are now to be appointed by the General Meeting of Shareholders. As far as the Swiss Life Group's compensation system is concerned, the principles of the existing system were incorporated into the revised Articles of Association. Furthermore, the Articles specify the maximum number of additional mandates, which members of the Board of Directors and the Corporate Executive Board are permitted to hold. They also include provisions on the granting of loans and credit to members of the Board of Directors and the Corporate Executive Board as well as further stipulations regarding corporate governance.

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 October 2014. The compensation report on pages 48 to 66 takes into consideration the regulations on transparency stipulated in the Compensation Ordinance and FINMA circular 2010/1 on minimum standards for remuneration schemes of financial institutions.

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 36). Information on the listing on the SIX Swiss Exchange and market capitalisation can be found in the section "Share Performance and Historical Comparison" on pages 271 and 272. 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 2014 is shown on page 42.

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, 33⅓, 50 and 66⅔% 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 disclosures of shareholdings that exceed the disclosure threshold on the balance sheet date of 31 December 2014 are shown below. In accordance with the disclosure requirements, the percentage figures given relate to the share capital and number of outstanding shares pursuant to the Articles of Association applicable at the time of the relevant disclosure.

BlackRock Inc., 55 East 52nd Street, New York 10055, USA, reported in a publication of 13 December 2014 that it held through various Group companies a total of 1 750 937 shares of Swiss Life Holding, equivalent to 5.58% of the voting rights.

Deutsche Bank AG, Taunusanlage 12, 60325 Frankfurt am Main, Germany, reported in a publication of 12 December 2014 that it held 1 621 298 shares of Swiss Life Holding, equivalent to a 5.05% share of the voting rights. At the same time Deutsche Bank AG held sales positions in the amount of 4.72% of the voting rights (1 512 727 equity swaps).

UBS Fund Management (Switzerland) AG, P.O. Box, 4002 Basel, Switzerland, reported in a publication of 19 November 2014 that it held 990 414 shares of Swiss Life Holding, equivalent to a 3.09% share of the voting rights.

AQR Capital Management LLC, 2 Greenwich Plaza, 4th Floor, Greenwich CT 06830, USA, reported in a publication of 30 September 2014, that it controlled through various managed funds a total of 3.01% of the voting rights of Swiss Life Holding (950 453 shares of Swiss Life Holding and 14 963 equity swaps).

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

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 166 153 shareholders and nominees were listed in the Swiss Life Holding share register, of which about 3900 were institutional shareholders. Taken together, the shareholders entered in the share register held around 50% of the shares issued. Over half of these shares were owned by shareholders domiciled in Switzerland. Around a quarter of the registered shares were in private hands.

A table showing the shareholder structure is provided in the section "Share Performance and Historical Comparison" on page 272.

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 163 613 375.40, divided into 32 081 054 fully paid registered shares with a par value of CHF 5.10 each
– Conditional share capital: CHF 30 600 000, divided into 6 000 000 registered shares with a par value of CHF 5.10 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 the the issuing of new or existing convertible bonds, bonds with option rights, loans or other financing instruments ("equity-linked financing instruments"). The shareholders are excluded from subscription rights. The respective owners of the equity-linked financing instruments are entitled to subscribe to the new shares. The Board of Directors is entitled to limit or exclude the preemptive subscription rights of the existing shareholders in connection with the issuing of equity-linked financing instruments up to a value of 3 000 000 registered shares or up to a maximum amount of CHF 15 300 000, if the equity-linked financing instruments are placed on national or international capital markets or with selected strategic investors or are used in connection with the financing or refinancing of the acquisition of companies, parts of companies, participations or new investment projects. If the preemptive subscription rights are not granted either directly or indirectly when issuing equity-linked financing instruments, the equity-linked financing instruments must be issued according to the prevailing market conditions and the exercise period may not exceed 7 years for option rights and 15 years for conversion rights from the time of issuance of the relevant equity-linked financing instruments.

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 2011 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, "Investors" area, "Results & Reports" section, "Archive Reports" and "Annual Reports" subsections (www.swisslife.com/annualreports).

There were no changes in capital in 2012. The distribution of CHF 4.50 per share, which was approved by the General Meeting of Shareholders on 19 April 2012, was made out of the capital contribution reserve.

In 2013 the General Meeting of Shareholders of Swiss Life Holding decided on 23 April 2013 to change the conditional share capital: The previous conditional share capital of 2 359 386 registered shares or CHF 12 032 868.60 was increased to 6 000 000 registered shares or CHF 30 600 000 (clause 4.9 of the Articles of Association). The ordinary share capital remained unchanged; as in 2012 the decision was taken at the General Meeting of Shareholders on 23 April 2013 to make a distribution of CHF 4.50 per share out of the capital contribution reserve.

There were no changes in capital in 2014. The distribution of CHF 5.50 per share, which was approved by the General Meeting of Shareholders on 23 April 2014, was made out of the capital contribution reserve.

Shares

32 081 054 fully paid Swiss Life Holding registered shares with a par value of CHF 5.10 each were outstanding on the balance sheet date. Subject to the ten per cent limit on voting rights set out in the Articles of Association (cf. the section on "Shareholders' participation rights" on page 67), 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 Conduct 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. Transactions by persons who, by virtue of their position, have regular access to insider information are also subject to a prior approval requirement. A general blackout period is 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, as well as from 20 days before until 24 hours after publication of the interim statements for the first and third quarters.

Additional information on the Swiss Life share is available in the section "Share Performance and Historical Comparison" on pages 271 and 272.

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

One convertible bond issue of Swiss Life Holding was outstanding on the balance sheet date: the 0% convertible bond (2013–2020) issued by Swiss Life Holding Ltd in the amount of CHF 500 000 000. The specific conditions attached to this convertible bond and further details on it can be found in the Consolidated Financial Statements, note 20, on page 206 and in the issue prospectus of 13 November 2013.

As at 31 December 2014, Swiss Life Holding and its Group companies had not granted any 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 CO) 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

The Board of Directors consists of no fewer than 5 and no more than 14 members in accordance with the Articles of Association. The Chairman, other members of the Board of Directors and members of the Compensation Committee of the Board of Directors are elected by the General Meeting of Shareholders on an individual basis for a one-year period. The term of one year is deemed to signify the period from one Annual General Meeting up to and including the next. Members whose terms of office are expiring are eligible to stand for immediate re-election.

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.

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.

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.

The number of external mandates for members of the Board of Directors and the Corporate Executive Board is limited in the Articles of Association as revised on 23 April 2014 as follows: Members of the Board of Directors may hold no more than 15 additional mandates, a maximum of 4 of which in other listed companies; members of the Corporate Executive Board may hold no more than 5 additional mandates, a maximum of 1 of which in another listed company. Mandates in different legal entities that are under joint control or same beneficial ownership are deemed one mandate. This restriction does not apply to mandates that a member of the Board of Directors or the Corporate Executive Board assumes at the request of the company or to mandates in associations, charitable foundations, family foundations and occupational benefit institutions.

The acceptance of appointments to the Board of Directors of other companies requires the consent of the Board of Directors at Swiss Life Holding; the Chairman of the Board of Directors is to be informed of any intention to accept an additional board mandate. Information on additional board mandates held by individual members of the Board of Directors is presented in the following section.

Members of the Board of Directors

On the balance sheet date of 31 December 2014, the Board of Directors was composed of the following members:

Name	Main function	Additional functions	Year appointed[1]
Rolf Dörig	Chairman	Chairman's and Corporate Governance Committee, Chairman	2008
Gerold Bührer	1st Vice Chairman	Chairman's and Corporate Governance Committee Investment and Risk Committee, Chairman Compensation Committee	2002[2]
Frank Schnewlin	Vice Chairman	Chairman's and Corporate Governance Committee Investment and Risk Committee Compensation Committee, Chairman	2009
Wolf Becke	Member	Audit Committee	2012
Adrienne Corboud Fumagalli	Member	Audit Committee	2014
Ueli Dietiker	Member	Audit Committee	2013
Damir Filipovic	Member	Investment and Risk Committee	2011
Frank W. Keuper	Member	Investment and Risk Committee	2013
Henry Peter	Member	Audit Committee, Chairman	2006
Franziska Tschudi	Member	Compensation Committee	2003
Klaus Tschütscher	Member	Audit Committee	2013

[1] In order to implement the Federal Ordinance against Excessive Compensation in Listed Stock Companies (Compensation Ordinance, VegüV), which came into force on 1 January 2014, the General Meeting of Shareholders on 23 April 2014 passed a resolution to amend the Articles of Association. Under the revised Articles of Association, members of the Board of Directors are to be elected for a one-year term of office, as had already been introduced by Swiss Life at the 2013 General Meeting and also implemented at the 2014 General Meeting.

[2] 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 in May 2009.

Rolf Dörig will be put forward for re-election as member and Chairman at the General Meeting of Shareholders of Swiss Life Holding on 27 April 2015.

Other appointments:
– Adecco S.A., Chairman of the Board of Directors
– Kaba Holding Ltd, Vice Chairman of the Board of Directors
– Danzer Holding AG, Member of the Supervisory Board
– Walter Frey Holding AG, Member 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, from 2006 until September 2012, he 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 on 27 April 2015.

Other appointments:
– Cellere AG, Member of the Board of Directors
– Georg Fischer Ltd, Vice Chairman of the Board of Directors
– J.P. Morgan, Member of the European Advisory Council
– FehrAdvice & Partners AG, Chairman of the Board of Directors

Frank Schnewlin — Born 1951, Swiss national
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.

Frank Schnewlin will be put forward for re-election at the General Meeting of Shareholders of Swiss Life Holding on 27 April 2015.

Other appointments:
- Vontobel Holding Ltd and Bank Vontobel Ltd, Vice Chairman of the Board of Directors/Chairman of the Risk and Audit Committee
- Twelve Capital AG, Member of the Board of Directors
- Drosos Foundation, Vice Chairman of the Board of Trustees/Chairman of the Finance Committee

Wolf Becke — Born 1947, German national
Member of the Board of Directors

Wolf Becke studied mathematics, physics and economics at the Universities of Bonn and Freiburg and obtained a degree in mathematics. Between 1973 and 1977, he worked as a research assistant at the Mathematical Institute of the University of Freiburg and earned a doctorate in science. In 1978 Wolf Becke joined Hamburger Internationale Rückversicherung AG (HIR), where he was employed in various positions until 1990, ultimately responsible for the Life and Health Reinsurance, Finance and Accounting and Investments divisions. He then moved to Hannover Re and E+S Rück. From 1992 to 1999, as a member of the Executive Board, he was responsible for both global life and health insurance business, and for non-life business in Asia, Africa and Australasia. From 1999 until his retirement for age reasons at the end of 2011, Wolf Becke concentrated on his responsibilities as CEO of the life and reinsurance business area (Hannover Life Re).

Wolf Becke will be put forward for re-election at the General Meeting of Shareholders of Swiss Life Holding on 27 April 2015.

Other appointments:
- Hannover Life RE America, Vice Chairman of the Board of Directors
- Hannover Life RE Bermuda, Member of the Board of Directors
- Hannover Life RE Ireland, Member of the Board of Directors
- Hannover Life RE Australasia, Member of the Board of Directors
- AEGON Blue Square Re N.V., Member of the Board of Directors

Adrienne Corboud Fumagalli — Born 1958, Swiss and Italian national
Member of the Board of Directors

Adrienne Corboud Fumagalli is a Doctor of Economics and Social Sciences and a graduate of the University of Fribourg. In 1996 she joined the PTT in the management team of Radiocom (radio, TV, mobile) in charge of New Business Development and the international market. The PTT then became Swisscom and Adrienne Corboud Fumagalli held various positions from 1997 to 2000, ultimately becoming Director of Product Marketing in Radio Broadcasting Services. In November 2000, Adrienne Corboud Fumagalli joined the Kudelski Group as Corporate Secretary and Member of the Corporate Executive Board. In January 2004, she was appointed Executive Vice President in charge of Business Development. In July 2008 the ETH Board appointed Adrienne Corboud Fumagalli as Vice-President for Innovation and Technology Transfer at EPF Lausanne (EPFL) with a special focus on the development of the EPFL Innovation Park Foundation and industrial partnerships.

Adrienne Corboud Fumagalli will be put forward for re-election at the General Meeting of Shareholders of Swiss Life Holding on 27 April 2015.

Other appointments:
- Federal Communications Commission (ComCom), Member
- CSEM Swiss Center for Electronics and Microtechnology Inc, Member of the Board of Directors
- Plumettaz SA, Member of the Board of Directors
- Fondation pour l'innovation technologique (FIT) in Lausanne, President
- Fondation EPFL Innovation Park, President

Ueli Dietiker — Born 1953, Swiss national
Member of the Board of Directors

Certified accountant Ueli Dietiker started his career at Ernst & Young. He later assumed management responsibility in the finance division at Motor-Columbus Ltd. From 1995 to 2001 he worked at Cablecom Holdings Ltd, most recently as CEO. In 2001 he switched to the Swiss telecommunications company Swisscom Ltd where he held several positions of responsibility. From 2002 until 2006 he was CFO and deputy CEO of the Swisscom Group. In 2006 and the first half of 2007 he was CEO of Swisscom Fixnet Ltd and afterwards became CFO and deputy CEO of the Swisscom Group until the end of 2012 and, from 1 January 2013, the Head of Group Related Businesses.

Ueli Dietiker will be put forward for re-election at the General Meeting of Shareholders of Swiss Life Holding on 27 April 2015.

Other appointments:
- Sanitas Krankenversicherung and Sanitas Beteiligungen AG, Member of the Board of Trustees and the Board of Directors and Chairman of the Audit Committee
- Wincare health insurance, Member of the Board of Directors and Chairman of the Audit Committee
- Zuckermühle Rupperswil AG, Member of the Board of Directors
- thunerSeespiele AG, Member of the Board of Directors
- BLS Ltd. and BLS Netz AG, Member of the Board of Directors and Member of the Audit Committee

The following mandates in the Swisscom Group:
- Fastweb AG, Member of the Board of Directors
- Swisscom Energy Solutions Ltd, Chairman of the Board of Directors
- Belgacom International Carrier Services Ltd, Member of the Board of Directors
- Cinetrade Group, Chairman of the Board of Directors
- PubliGroupe Ltd, Chairman of the Board of Directors

Damir Filipovic — Born 1970, Swiss national
Member of the Board of Directors

Damir Filipovic studied mathematics at the Swiss Federal Institute of Technology in Zurich (ETHZ), where he qualified in 1995 and gained a doctorate in financial mathematics in 2000. He then held research posts at various universities abroad, including the US universities of Stanford, Columbia and Princeton. He was appointed assistant professor at the University of Princeton in 2002, and then from 2003 to 2004 he worked on the development of the Swiss Solvency Test at the Federal Office of Private Insurance (now FINMA) in Switzerland. Damir Filipovic went on to hold the chair of financial and actuarial mathematics at the Ludwig Maximilian University of Munich from 2004 to 2007. From 2007 to 2009 he was head of the Vienna Institute of Finance, a research institute affiliated to the University of Vienna and the Vienna University of Economics and Business. In 2010 he was appointed Swissquote Chair in Quantitative Finance and Swiss Finance Institute Professor at the Swiss Federal Institute of Technology in Lausanne (EPFL).

Damir Filipovic will be put forward for re-election at the General Meeting of Shareholders of Swiss Life Holding on 27 April 2015.

Frank W. Keuper — Born 1953, German national
Member of the Board of Directors

Frank W. Keuper studied social and economic sciences at Vienna University of Economics and Business and obtained a doctorate in the same subject. He started his career in the insurance sector in 1985 at the Albingia insurance group as assistant to the Management Board and later became Head of Sales and Marketing. After switching to the Zurich insurance group he returned to Albingia in 1992 and served as a member of the Management Board from 1994 until 2000. He later assumed responsibility as a member of the Management Board at AXA Versicherung AG for the Private and Corporate Clients division as well as Damages. From 2004 until 2007 he managed DBV Winterthur Holding AG as Chairman of the Management Board and was simultaneously a member of the Management Board of Winterthur Group. From 2007 until 2012 Frank W. Keuper was CEO of AXA Konzern AG and a member of the Executive Committee of AXA Group in Paris.

Frank W. Keuper will be put forward for re-election at the General Meeting of Shareholders of Swiss Life Holding on 27 April 2015.

Other appointments:
– HanseMerkur Lebensversicherung AG, Member of the Supervisory Board
– HanseMerkur Allgemeine Versicherung AG, Member of the Supervisory Board
– JCK Holding GmbH Textil KG, Chairman of the Advisory Committee
– HVP Hanse Vertriebspartner AG, Chairman of the Supervisory Board

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 PSM Law 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.

Henry Peter will be put forward for re-election at the General Meeting of Shareholders of Swiss Life Holding on 27 April 2015.

Other appointments:
– Sigurd Rück Ltd, Chairman of the Board of Directors
– Casino de Montreux SA, Chairman of the Board of Directors and Member of the Audit Committee
– Consitex SA, Member of the Board of Directors
– Ermenegildo Zegna Holditalia SpA, Member of the Board of Directors and Chairman of the Compensation Committee

– Banque Morval SA, Member of the Board of Directors
– PKB Privatbank AG, Chairman of the Board of Directors and the Executive Committee
– Sowind Group Ltd, Member of the Board of Directors
– Global Petroprojects Services Ltd, Member of the Board of Directors
– Bank Lombard Odier & Co Ltd, Member of the Board of Directors and Chairman of the Audit Committee
– Swiss Olympic Association, Vice Chairman of the disciplinary chamber in charge of doping cases

Franziska Tschudi Sauber — 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. in 1986, 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 on 27 April 2015.

Other appointments:
– BIOMED AG, Member of the Board of Directors
– economiesuisse, Member of the Executive Board
– Swissmem, Member of the Executive Board

Klaus Tschütscher — Born 1967, Liechtenstein national
Member of the Board of Directors

Klaus Tschütscher studied law at the University of St. Gallen and obtained a doctorate (Dr. iur.) in 1996. In 2004 he also completed a postgraduate LL.M. degree in International Business Law at the University of Zurich. He started his career in 1993 as a research assistant at the University of St. Gallen. Two years later he became Head of Legal Services and Deputy Director of Liechtenstein Tax Administration. In this function he was notably a member of the Liechtenstein OECD delegation and Governor of the European Bank for Reconstruction and Development (EBRD) in London for four years. Klaus Tschütscher went on to start his political career as a member of government of the Principality of Liechtenstein. Initially he was Deputy Prime Minister from 2005 to 2009, responsible in particular for Justice and Economic Affairs. From 2009 to 2013 Klaus Tschütscher was Prime Minister and Finance Minister of Liechtenstein. He has received various awards and international distinctions. Since his withdrawal from politics, Klaus Tschütscher has been a member of the Board of Directors of Swiss Life Holding Ltd. Klaus Tschütscher is an honorary member of the Board of Trustees of the charitable foundation “Football is more” (FIM). Since his withdrawal from politics, Klaus Tschütscher has been a member of the Board of Directors of Swiss Life Holding Ltd.

Klaus Tschütscher will be put forward for re-election at the General Meeting of Shareholders of Swiss Life Holding on 27 April 2015.

Other appointments:
– Büchel Holding AG, Member of the Board of Directors
– Grand Resort Bad Ragaz Ltd., Member of the Board of Directors
– Montfort Werbung AG, Member of the Board of Directors
– Tschütscher Networks & Expertise AG, Owner and Chairman of the Board of Directors
– Instinctif Partners, Senior Advisor

Resignations and new members

After serving for 11 years on Swiss Life Holding’s Board of Directors, Peter Quadri stepped down from the Board of Directors with effect from the General Meeting of Shareholders on 23 April 2014. Adrienne Corboud Fumagalli was newly elected to the Board of Directors.

Changes in the Board of Directors with effect from the 2015 General Meeting of Shareholders

None

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. They are available on the internet at www.swisslife.com, “About us” 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, usually at least six times a year. Meetings are generally called by the Chairman. 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 over three hours on average. All members of the Board of Directors attended all the meetings, with the exception of one meeting, where individual members were excused. The Group CEO and the other members of the Corporate Executive Board were present at all the meetings, with the exception of three meetings, at each one of which one Corporate Executive Board member was excused. 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 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).

The members of the Board of Directors or a committee of the Board of Directors are obliged to leave meetings when issues are discussed that affect their own interests or the interests of natural or legal persons close to them.

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 eleven meetings during the year under review. The average duration of a meeting was around two hours. The meetings were attended by all members, including the Group CEO and the Group CFO.

Compensation Committee
The Compensation Committee 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 fundamental duties and responsibilities of the Compensation Committee are set out in Article 12 of the Articles of Association as amended on 23 April 2014.

The Compensation Committee generally consists of three members, who are elected by the Annual General Meeting of Shareholders. All members of the Compensation Committee are independent members of the Board of Directors. A Board of Directors 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 Board of Directors appoints the Chairman of the Compensation Committee from among the latter's members and issues regulations for the Compensation Committee.

The Compensation Committee 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 Compensation Committee meets at least three times a year.

During the year under review, the Compensation Committee convened a total of seven times. Each session lasted for around two hours on average. There was full attendance at all meetings. In the year under review, the Chairman of the Board of Directors also attended meetings of the Compensation Committee in relation to nomination and succession planning issues in the Board of Directors and Corporate Executive Board.

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 responsible for making decisions on investments above a certain amount and specifies the terms of significant intra-Group financing.

Generally, the Group CIO, the Group CFO and the Group CRO attend the Investment and Risk Committee meetings or parts of meetings in an advisory capacity. The Group CEO may attend (without the right to vote) the meetings of the Investment and Risk Committee. 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.

Eight meetings of the Investment and Risk Committee were held in the year under review. Each session lasted for around two hours on average. All members attended all the meetings. The Chairman of the Board of Directors attended six meetings of the Investment and Risk Committee. The Group CEO was present at seven, the Group CIO at six, and the Group CFO and Group CRO at all meetings of the Investment and Risk Committee.

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, takes due note of their reports and recommendations, and oversees any further measures that may prove necessary. 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 70). 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 five times, with a meeting lasting around three hours on average. There was full attendance at all meetings, with the exception of two meetings, at each one of which one member was unable to attend. The Chairman of the Board of Directors was present at four meetings of the Audit Committee. The Group CEO was present at all meetings with the exception of one, and the Group CFO and the Head of Corporate Internal Audit, as well as 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, "About us" area, "Organisation" section, "Corporate Governance" and "Articles" subsections (www.swisslife.com/association). The Organisational Regulations are also published on Swiss Life's internet site in the "About us" area, "Organisation" section, "Corporate Governance" and "Organisational Regulations" subsections (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 their 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. The Internal Control System (ICS) is another instrument available to the Board of Directors for information and controlling purposes. Further details are available in the "Risk Management" section on page 72.

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 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.

Corporate Executive Board

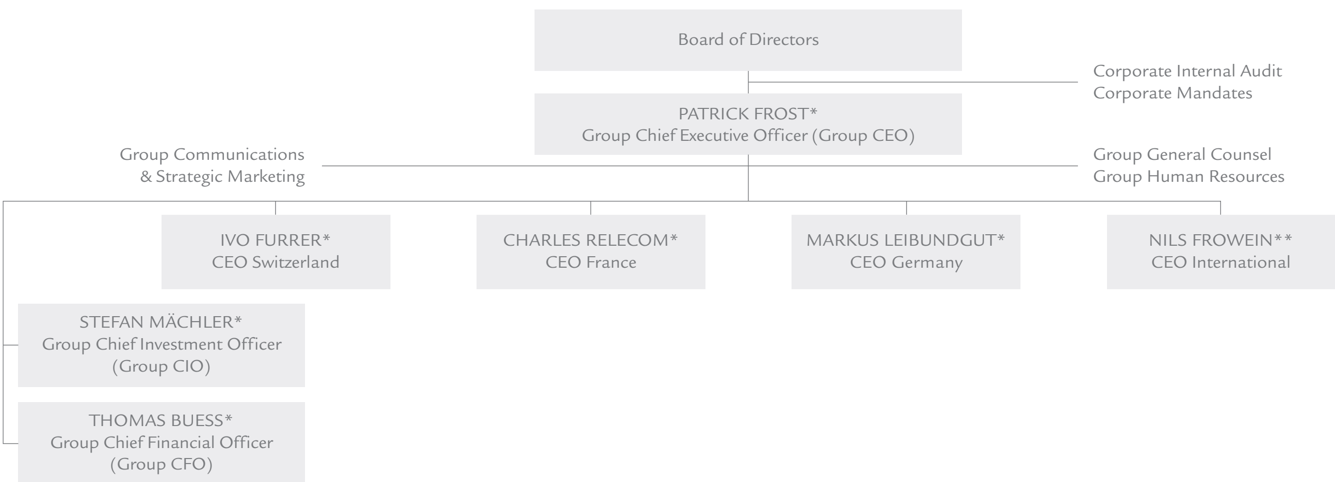
The Group CEO directs the business operations of the Group. The Group CEO, together with the Corporate Executive Board, works out the long-term objectives and strategic orientation of the Group for submission to the Board of Directors and, based on the resolutions of the Board of Directors, ensures the 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 generally 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 area. They issue directives for their area 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 the 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.

Management structure of the Swiss Life Group as at 31 December 2014



* Member of the Corporate Executive Board
** Member of the Corporate Executive Board since 1 January 2015

Members of the Corporate Executive Board

On 31 December 2014 the Corporate Executive Board of Swiss Life Holding was composed of the following members:

Name	Function	Member of the Corporate Executive Board since
Patrick Frost	Group CEO	01.07.2006
Ivo Furrer	CEO Switzerland	01.09.2008
Thomas Buess	Group CFO	01.08.2009
Charles Relecom	CEO France	01.07.2008
Markus Leibundgut	CEO Germany	01.04.2014
Stefan Mächler	Group CIO	01.09.2014

Patrick Frost — Born 1968, Swiss national
Group Chief Executive Officer (Group CEO)

Patrick Frost studied at the ETH in Zurich and the universities of Cologne, Basel and Zurich, obtaining degrees in natural science (dipl. Natw. ETH), economics (Dr. rer. pol.) and law (lic. iur.). He began his career in the mid-nineties as an analyst and subsequently as a Portfolio Manager in asset management for Winterthur Group. After two years in the US as a Corporate Bond Manager, he was appointed Head of Fixed Income at Winterthur Group in 2001.

In 2006 Patrick Frost was appointed Member of the Corporate Executive Board and Group Chief Investment Officer of Swiss Life and in this capacity was responsible for the investment management of the Swiss Life Group. On 1 July 2014 he was appointed Group Chief Executive Officer (Group CEO) of the Swiss Life Group.

Other appointments:
- PostFinance Ltd, Member of the Board of Directors and Chairman of the Risk Committee (until December 2014)
- Stiftung Technopark Zürich, Member of the Board of Trustees (until December 2014)
- TECHNOPARK Management Ltd, Vice Chairman of the Board of Trustees (until December 2014)
- economiesuisse, Member of the Executive Board
- American Chamber of Commerce, Member of the Financial Services Chapter Board

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 in Switzerland. After joining Winterthur Life in 1982, he worked for several years in international industrial insurance in Switzerland, the UK and the USA. In 1998 he was appointed Chief Underwriting Officer at Winterthur International. He subsequently moved to Credit Suisse Group, where he was Head of e-Investment Services Europe and member of the management of Personal Financial Services. 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. In 2007 he was appointed CEO Life Switzerland and Member of the Global Life Executive Committee of Zurich Financial Services.

In 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:
- Sanitas Krankenversicherung and Sanitas Beteiligungen AG, Member of the Board of Trustees and the Board of Directors
- Valiant Holding AG and Valiant Bank AG, Vice Chairman of the Board of Directors
- Swiss Insurance Association (SIA), Member of the Managing Board
- Zurich Chamber of Commerce, Member of the Board
- German-Swiss Chamber of Commerce, Member of the Board
- Financial Market Authority (FMA) Liechtenstein, Member of the Board of Directors

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), Chairman of the Finance and Regulation Committee (from 5 September 2014, previously member)

Charles Relecom — Born 1953, Belgian and Swiss 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.

In 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:
– French Insurance Association (FFSA), Member of the Board of Directors

Markus Leibundgut — Born 1969, Swiss national
Chief Executive Officer Germany (CEO Germany)

Markus Leibundgut studied Physics and Mathematics at the University of Bern and gained his doctorate in quantum field theory. Having joined McKinsey & Company in 1999 he worked in various positions as a strategic advisor for companies in a number of sectors including technology, telecommunications and management. During his career at McKinsey & Company, Markus Leibundgut focused on consulting in the insurance sector in Europe and Switzerland. He was elected a partner in 2005. From 2009 to 2011 Markus Leibundgut also managed the McKinsey European Life Insurance Center of Competence. He joined Swiss Life in 2012, initially heading the Finance & Actuarial Services business area as CFO and Member of the Executive Board at Swiss Life Switzerland. In 2013 Markus Leibundgut was appointed Chief Operating Officer and Member of the Executive Board of Swiss Life Germany.

In April 2014 Markus Leibundgut was appointed CEO Germany and Member of the Corporate Executive Board of the Swiss Life Group.

Stefan Mächler — Born 1960, Swiss national
Group Chief Investment Officer (Group CIO)

After studying law at the University of St. Gallen, Stefan Mächler (lic. iur. HSG) spent 18 years working for the Credit Suisse Group in the capital market and asset management areas. After nine years abroad and various posts in Tokyo, Osaka, Seoul and Frankfurt, he returned to Switzerland in early 1999 and was appointed Managing Director of Sales & Marketing Europe and Switzerland at Credit Suisse Asset Management. At the same time, he was the driving force behind the foundation of the listed real estate company Swiss Prime Site AG, where he served as Chairman of the Board of Directors until 2005. From 2005 until 2009 he worked for Deutsche Bank, initially assuming responsibility for managing family offices in Switzerland and in the final two years serving as CEO of Privatbank Rüd, Blass & Cie AG. As Chief Investment Officer and Member of the Group Executive Board, Stefan Mächler was in charge of asset management at the Swiss Mobiliar Group from 2009 until 2014.

On 1 September 2014 Stefan Mächler was appointed Group Chief Investment Officer and Member of the Corporate Executive Board of the Swiss Life Group.

Other appointments:
– Corporate Private Care AG, Member of the Board of Directors
– Rüegg-Naegeli AG, Member of the Board of Directors
– Stiftung Technopark Zürich, Member of the Board of Trustees

Member of the Corporate Executive Board as of 1 January 2015

Nils Frowein — Born 1964, German national
Chief Executive Officer International (CEO International)

Nils Frowein is an economics graduate with German and American accountancy certification. He is a skilled banker and has extensive expertise in the financial services sector and many years of capital market experience. From 1997 until 2004 he worked at the auditing firm BDO Deutsche Warentreuhand AG where he was responsible for the Financial Advisory Services division, most recently as partner. From 2004 to 2007 Nils Frowein was CFO of financial services provider MLP, where he was heavily involved in laying the strategic foundations for the company. Nils Frowein joined AWD as deputy Chief Executive Officer in January 2008. He was initially Chief Financial Officer and was appointed Chief Operating Officer on 1 September 2008. Between 2009 and 2010 he additionally took charge of the Swiss business of AWD as acting CEO. Since 2010 he has also been Chairman of the Swiss Life subsidiary Chase de Vere in the UK and since 2011 Chairman of the Supervisory Board of Swiss Life Select Austria.

Nils Frowein was appointed Chief Executive Officer of the International market unit (CEO International) on 1 January 2013, and Member of the Corporate Executive Board of the Swiss Life Group on 1 January 2015.

Resignations and new members

Bruno Pfister, Group CEO until 30 June 2014, decided to take a new career path after 12 years at Swiss Life and handed over to Patrick Frost, Group CIO until 30 June 2014, on 1 July 2014. Stefan Mächler succeeded Patrick Frost as Group CIO on 1 September 2014. Manfred Behrens, CEO Germany until 31 March 2014, retired. His responsibilities on the Corporate Executive Board were assumed by Markus Leibundgut, previously Chief Operating Officer of Swiss Life Germany, on 1 April 2014. Nils Frowein, CEO International since January 2013, was appointed Member of the Corporate Executive Board of the Swiss Life Group on 1 January 2015.

Transfer of Management Tasks

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

Swiss Life Compensation Report for the Financial Year 2014

Revised Articles of Association

The Ordinance against Excessive Compensation in Listed Stock Companies (Compensation Ordinance, VegüV) came into force on 1 January 2014. In order to implement these provisions, the General Meeting of Shareholders of Swiss Life Holding resolved on 23 April 2014 on a corresponding proposal by the Board of Directors to amend the Articles of Association. The amendments take account of the new requirements and powers of the General Meeting of Shareholders in relation to corporate governance and compensation.

With regard to the compensation system, the key principles of the compensation policy of the Swiss Life Group have been incorporated into the Articles of Association. The members of the Board of Directors are granted exclusively fixed compensation. This is paid partly in blocked Swiss Life Holding shares, with the amount, date of allocation and duration of the blocking period set by the Board of Directors. The members of the Corporate Executive Board are entitled to a fixed basic salary and, if applicable, a short- and long-term variable compensation component. The variable compensation for members of the Corporate Executive Board has been limited under the Articles of Association to a maximum 181% of the fixed basic salary.

Pursuant to the revised Articles of Association, the General Meeting of Shareholders is responsible for approving the maximum total amount of fixed compensation for the Board of Directors until the next ordinary General Meeting. The General Meeting of Shareholders also votes on a prospective basis on the maximum amount of the fixed compensation and the long-term variable compensation component (equity compensation plan) for the Corporate Executive Board for the next financial year. By contrast, the short-term variable compensation component for the Corporate Executive Board is submitted for approval to the General Meeting of Shareholders on a retrospective basis for the previous financial year, in full cognisance of the respective business figures.

Since 2009, Swiss Life has given shareholders the opportunity to hold a separate advisory vote at the General Meeting on the compensation report for the relevant financial year. The outcome of the vote is important for the Board of Directors in their assessment and structuring of compensation. A vote on the compensation report will continue to be held in the future in line with good corporate governance practice.

On the basis of the new powers of the General Meeting of Shareholders in relation to compensation under the Articles of Association, which came into effect on 1 January 2015, the compensation for the Board of Directors and the Corporate Executive Board will be submitted for approval to the General Meeting of Shareholders on 27 April 2015 for the first time.

– For the Board of Directors: The exclusively fixed compensation until the 2016 ordinary General Meeting.
– For the Corporate Executive Board: The short-term variable compensation component for the 2014 financial year and the maximum total amount of the fixed compensation and the long-term variable compensation (equity compensation plan) for the 2016 financial year.

The proposed budget/maximum amount for the fixed and long-term variable compensation for the Corporate Executive Board for the 2016 financial year represents an upper limit, which would only be exhausted in the case of exceptional business performance. The Board of Directors will determine the fixed compensation and the long-term variable compensation component for the

Corporate Executive Board at the beginning of 2016 and will detail the key underlying factors in the respective compensation report, on which the shareholders can in turn hold an advisory vote.

The revised Articles of Association of Swiss Life Holding can be viewed online and printed out at www.swisslife.com, "About us" area, "Organisation" section, "Corporate Governance" and "Articles" subsections (www.swisslife.com/association). For stipulations on compensation and on the approval of compensation for the Board of Directors and the Corporate Executive Board, particular reference is made to Articles 14, 15 and 16 of the Articles of Association.

Guidelines and standards

The following information takes into account the requirements under the directive of the SIX Swiss Exchange on information relating to corporate governance and Circular 2010/1 of the Swiss Financial Market Supervisory Authority FINMA on minimum standards for remuneration schemes of financial institutions, as well as the transparency requirements under the Compensation Ordinance.

Additional 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 23 and 29) on pages 210 to 219 and 231 to 232. The information according to Art. 663c of the Swiss Code of Obligations regarding the shareholdings of members of the Board of Directors and the Corporate Executive Board is shown in the Notes to the Swiss Life Holding Financial Statements on pages 265 to 267.

The information on compensation granted to Corporate Executive Board members also includes the variable compensation, which was determined by the Board of Directors at the beginning of 2015 and is published on an accrual basis as compensation for the 2014 financial year. The members of the Board of Directors are granted exclusively fixed compensation, payable 70% in cash and 30% in Swiss Life Holding shares; the allocated shares are subject to a three-year blocking period.

The compensation received by each member of the Board of Directors, and that of the acting Chairman of the Corporate Executive Board (Group CEO), who in the period under review received the highest compensation of the members of the Corporate Executive Board, is disclosed on an individual basis.

Compensation policy principles

The compensation policy principles are governed by the Articles of Association of Swiss Life Holding. Within this framework, the Board of Directors as a whole establishes the compensation policy guidelines for the Group (incl. variable compensation and equity compensation plans) and relevant guidelines for the 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 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 the basic salary, a short-term variable compensation component based on achievement of the annual objectives, which is generally paid in cash and possibly in shares and, if applicable, as deferred compensation in cash, and a long-term variable compensation component in the form of an equity compensation plan, as well as contributions to occupational provisions and risk insurance.

Salary	
Variable compensation	
Short-term variable compensation component *(Bonus in cash and possibly in shares and, if applicable, deferred compensation in cash)*	Long-term variable compensation component *(Equity compensation plan, RSU plan)*
Contributions to 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.

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. They are based on the achievement of annual objectives defined in advance for a period of three years as part of medium-term planning and determined on the basis of the actual performance of individuals or teams in relation to the objectives set (performance-linked payment) and on the degree of achievement of the Swiss Life Group targets as reflected in its annual result (share in the company's success). Quantitative and qualitative performance is assessed also 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 targets (Key Performance Indicators, KPIs), which are defined in advance for the following three years as part of medium-term planning. The main KPIs for the medium-term planning are, besides the annual profit, the planned cost savings, the risk and fee result, new business profitability, the return on equity and solvency (Swiss Solvency Test, SST). In order to avoid conduct aimed at the short-term achievement of key indicators with a higher weighting, the individual KPIs are not mechanistically weighted in advance. Their individual weighting is determined at the end of each financial year by the Board of Directors as a whole on the basis of a proposal by the Compensation Committee taking all developments into account and consideration (discretionary decision).

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 and behaviour, including the compliance regulations.

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 specify a notice period of twelve months. Members of the Corporate Executive Board have no contractual entitlements to severance payments. Likewise members of the Board of Directors have no such entitlements.

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 Compensation Committee is responsible for putting forward appropriate proposals (for the internal organisation of the Board of Directors see "Internal organisational structure", pages 37 to 40). The Board of Directors as a whole 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 studies by independent 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 Insurance Group.

The Board of Directors as a whole also sets the level and distribution of the variable compensation pool for all employees on the basis of its compensation policy guidelines based on a proposal by the Compensation Committee. When determining the level of the allocation to the compensation pool, it takes into consideration the annual result, as well as the medium-term planning and the degree of target achievement.

Finally the Board of Directors as a whole is responsible for determining the individual compensation of members of the Corporate Executive Board.

As part of the implementation of the Compensation Ordinance and based on the amended Articles of Association as in force on 1 January 2015, the General Meeting of Shareholders approves, on the basis of a proposal by the Board of Directors, the maximum total amount of fixed compensation and long-term variable compensation for the Corporate Executive Board for the following financial year. This prospective approval excludes the short-term variable compensation component for the Corporate Executive Board, which is approved by the General Meeting of Shareholders retrospectively for the previous financial year. In addition, the General Meeting of Shareholders can, under Article 16 of the Articles of Association, pass a resolution at any time to retrospectively increase an approved total amount. If new members of the Corporate Executive Board are appointed after a resolution approving the compensation has been passed, the Articles of Association stipulate that a supplementary amount of a maximum 40% of the total amount for the year in question is available for their compensation and to offset any disadvantages in connection with the change of job; this does not require the approval of the General Meeting of Shareholders.

The Board of Directors carries out an annual performance assessment of all members of the Corporate Executive Board, based on preparatory work by the Compensation Committee. In addition, current aspects of HR policy and, in particular, succession planning are regularly discussed at meetings of the Compensation Committee and the Board of Directors as a whole.

The Board of Directors may consult independent professionals where deemed appropriate. In the year under review, Swiss Life was advised on specific compensation-related matters by PricewaterhouseCoopers (PwC).

Within the framework of the compensation arrangements for members of the Corporate Executive Board, "deferred compensation in cash" was introduced as a new compensation component on 1 January 2012. On the basis of the corresponding regulations, a portion of the short-term variable cash compensation determined by the Board of Directors is not paid immediately but after a period of three years has elapsed and provided that the regulatory requirements are satisfied at that point. The allocated deferred compensation in cash represents an entitlement during the three-year deferral period. The underlying "deferred cash plan" also provides for adjustment and reclaiming mechanisms (clawback). A full or partial reduction of the deferred compensation is provided for in the following cases: negative impact of the key figures applying to the allocation of deferred compensation 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 in the plan. If the employment relationship is terminated by a participant during the three-year deferral period for deferred compensation in cash, the entitlements expire worthless (retention component). For the 2014 financial year, the Board of Directors has determined that, as in the previous year, as from a variable compensation amount in cash of CHF 500 000, 23% of the total variable compensation in cash is to be allocated as deferred compensation in cash.

As a long-term variable compensation component linked to the performance of the Swiss Life Holding share price and to the medium-term planning and degree of target achievement, an equity compensation plan has been in place since 2004 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 Compensation Committee. Based on this plan, participants are granted future subscription rights to Swiss Life Holding shares. These subscription rights entitle the participants to receive Swiss Life Holding shares free of charge after a period of three years has elapsed and provided that the requirements under the plan are satisfied at that point.

Since 2011 participants in the equity compensation plan have been allocated Restricted Share Units (RSUs) on 1 April (2011–2013 equity compensation plans) or on 1 March (equity compensation plans from 2014). The 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. The attribution of shares after the expiry of the three-year deferral period is effected on a 1:1 basis (1 RSU = 1 share): the plan is therefore very simple, transparent throughout the whole term and directly linked to the performance of the Swiss Life Holding share price. The value of RSUs during the three-year term develops linear with the Swiss Life Holding share price and thus symmetrically corresponds with shareholder interests. 55 members of Swiss Life Group senior management participated in the 2012 equity compensation plan, in which a total of 94 040 RSUs were allocated; 28 460 in total to the Corporate Executive Board, of which 7100 to Bruno Pfister, in his capacity as Group CEO at the time. 56 members of Swiss Life Group senior management participated in the 2013 equity compensation plan. A total of 74 630 RSUs were allocated; 18 590 in total to the members of the Corporate Executive Board, of which 3360 to Bruno Pfister as Group CEO at the time. Altogether 57 members participated in the 2014 equity compensation plan, in which a total of 57 223 RSUs were allocated; 14 432 in total to the Corporate Executive Board, of which 4226 to Bruno Pfister as Group CEO at the time. A total of 51 members of Swiss Life Group senior management participated in the 2015 equity compensation plan. A total of 51 660 RSUs were allocated; 13 288 in total to the members of the Corporate Executive Board, of which 3644 to Patrick Frost in his capacity as Group CEO since 1 July 2014.

The 2013–2015 equity compensation plans are based on the Group-wide programme "Swiss Life 2015", which was announced at the Swiss Life Group's Investors' Day on 28 November 2012 (see www.swisslife.com/investorsday2012). On the basis of the medium-term planning 2013–2015 (2013 equity compensation plan) and 2014–2016 (2014 equity compensation plan), performance criteria relating to cost efficiency (50% weighting), the risk and fee result (25% weighting) and IFRS profit (25% weighting) have been determined by the Board of Directors. With regard to the 2015 equity compensation plan, the Board of Directors has set the following performance criteria on the basis of the medium-term planning 2015–2017: IFRS profit (50% weighting), the risk and fee result (25% weighting) and Cash to Swiss Life Holding for further strengthening of the financial substance and payout capacity (25% weighting). After expiry of the thee-year period of the RSU plan, the target value for each performance criterion according to the medium-term planning is compared with the actual result achieved. The share allocation corresponds to the number of allocated RSUs (1 RSU = 1 share) if all three performance criteria have been achieved or exceeded after the three-year period has elapsed; overperformance does not lead to a higher share allocation. If the targets are only partly achieved, the share allocation is correspondingly reduced in accordance with the weighting of the performance target concerned or the RSUs expire worthless.

The attribution of the long-term variable compensation component (equity compensation plan, RSU plan) is deferred for a period of three years from the date of allocation as is the case with the deferred compensation in cash. Likewise, the RSU plans provide for adjustment and reclaiming mechanisms (clawback). These apply in the case of a negative impact of the key figures applying to the allocation of deferred compensation due to a restatement of the annual accounts and in the case of damage to Swiss Life as a result of a violation of statutory, regulatory or compliance standards. If the employment relationship is terminated by a participant during the three-year term of the RSU plan, the future entitlements expire worthless.

Compensation to members of the Board of Directors

The members of the Board of Directors are granted exclusively fixed compensation. This is paid 70% in cash and 30% in Swiss Life Holding shares; the shares are subject to a three-year blocking period.

The compensation 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, and is commensurate with the individual's function and workload.

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.

For the period from the 2014 Annual General Meeting of Shareholders to the 2015 General Meeting, the Board of Directors determined the compensation for the members of the Board of Directors, with the exception of the Chairman, at the same level as for the 2012 and 2013 financial years. For the Chairman of the Board of Directors the fixed compensation in cash and in blocked shares was reduced by CHF 240 000 to CHF 1 200 000 as from the 2014 General Meeting of Shareholders. In relation to the 2014 calendar year, this amounts to compensation in cash and in blocked shares of CHF 1 280 401.

The compensation paid to members of the Board of Directors in the 2014 financial year is shown on an individual basis in the 2014 compensation table below. For comparison purposes, the compensation for the 2013 financial year is shown again after the 2014 compensation table.

Compensation in blocked shares is reported in both tables on the basis of the respective stock exchange closing prices on the day of allocation. The economic value at allocation, which is equal to the tax value, is indicated in footnote 3.

As part of the implementation of the Compensation Ordinance and based on the Articles of Association of Swiss Life Holding as amended at the 2014 General Meeting, the maximum amount of the fixed compensation for the Board of Directors from the 2015 ordinary General Meeting until the 2016 General Meeting will be presented to the General Meeting of Shareholders on 27 April 2015 for approval. The proposed level of compensation remains unchanged from the compensation paid during the previous period 2014–2015.

Compensation to the Board of Directors in 2014 (audited)

Amounts in CHF

	Compensation in cash	Compensation in blocked shares[3]			Expenditure for occupational provisions		
	Amount	Number	Amount (at closing price on allocation)	Total compensation in cash and shares (amount)[4]	Regular contributions[5]	Extraordinary contributions	Aggregate total (amount)
Rolf Dörig, Chairman of the Board of Directors	**896 000**	1 761	384 401	**1 280 401**	286 416	–	**1 566 817**
Gerold Bührer	**244 767**	481	105 141	**349 908**			
Frank Schnewlin	**244 767**	481	105 141	**349 908**			
Wolf Becke	**91 000**	180	39 346	**130 346**			
Adrienne Corboud Fumagalli [1]	**68 250**	134	29 512	**97 762**			
Ueli Dietiker	**91 000**	180	39 346	**130 346**			
Damir Filipovic	**91 000**	180	39 346	**130 346**			
Frank W. Keuper	**91 000**	180	39 346	**130 346**			
Henry Peter	**112 000**	221	48 308	**160 308**			
Peter Quadri [2]	**30 333**	61	13 042	**43 375**			
Franziska Tschudi Sauber	**91 467**	181	39 560	**131 027**			
Klaus Tschütscher	**91 000**	180	39 346	**130 346**			
TOTAL BOARD OF DIRECTORS	**2 142 584**	4 220	921 835	**3 064 419**	286 416	–	**3 350 835**

1 Joined 23.04.2014.

2 Left 23.04.2014.

3 The allocation of shares was effected on 17.06.2014 and 15.12.2014 at the stock exchange closing price of CHF 213.80 and CHF 223.60 respectively. Taking into account the blocking period of three years, the economic value, which is equal to the tax value, is CHF 179.5108 and CHF 187.7390 respectively.

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 191 671 in the year under review.

5 Pursuant to the pension fund regulations, occupational provisions were financed by the employer and the employee at a ratio of 70% to 30%.

Compensation to the Board of Directors in 2013 (audited)

Amounts in CHF

	Compensation in cash	Compensation in blocked shares[3]			Expenditure for occupational provisions		
	Amount	Number	Amount (at closing price on allocation)	Total compensation in cash and shares (amount)[4]	Regular contributions[5]	Extraordinary contributions	Aggregate total (amount)[6]
Rolf Dörig, Chairman of the Board of Directors	**1 008 000**	2 618	432 060	**1 440 060**	286 416	–	**1 726 476**[6]
Gerold Bührer	**244 300**	636	104 965	**349 265**			
Frank Schnewlin	**244 300**	636	104 965	**349 265**			
Wolf Becke	**91 000**	237	39 113	**130 113**			
Volker Bremkamp[1]	**43 167**	120	18 624	**61 791**			
Ueli Dietiker[2]	**68 250**	174	29 336	**97 586**			
Damir Filipovic	**91 000**	237	39 113	**130 113**			
Frank W. Keuper[2]	**68 250**	174	29 336	**97 586**			
Henry Peter	**106 750**	278	46 023	**152 773**			
Peter Quadri	**91 000**	237	39 113	**130 113**			
Franziska Tschudi Sauber	**97 067**	254	41 794	**138 861**			
Klaus Tschütscher[2]	**68 250**	174	29 336	**97 586**			
TOTAL BOARD OF DIRECTORS	**2 221 334**	5 775	953 778	**3 175 112**	286 416	–	**3 461 528**

1 Left 23.04.2013.

2 Joined 23.04.2013.

3 The allocation of shares was effected on 14.06.2013 and 13.12.2013 at the stock exchange closing price of CHF 155.20 and CHF 176.20 respectively. Taking into account the blocking period of three years, the economic value, which is equal to the tax value, is CHF 130 309 and CHF 147 941 respectively. When allocating the blocked shares (30% of fixed compensation), the calculated units are rounded up to the next whole number.

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 190 715 in the year under review.

5 Pursuant to the pension fund regulations, occupational provisions were financed by the employer and the employee at a ratio of 70% to 30%.

6 For the period from the 2014 Annual General Meeting to the 2015 Annual General Meeting, compensation for members of the Board of Directors will remain unchanged. For the Chairman of the Board of Directors, the fixed compensation in cash and in blocked shares will be reduced by CHF 240 000 to CHF 1 200 000. Accordingly compensation for the Chairman for the period AGM 2014 – AGM 2015 is reported as follows in the compensation table:

Rolf Dörig, Chairman of the Board of Directors	**840 000**		360 000	**1 200 000**	286 416	–	**1 486 416**

Compensation to members of the Corporate Executive Board

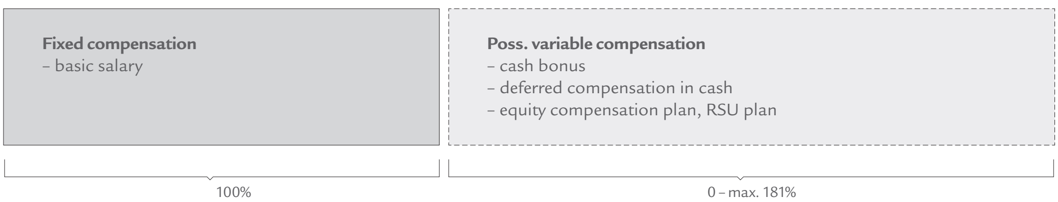
Compensation remitted to members of the Corporate Executive Board comprises the fixed basic salary, short-term variable compensation in cash and other compensation (child allowances, company cars, premium contributions to 3rd pillar pension plans). The short-term variable compensation in cash is allocated as a bonus and as deferred compensation in cash. The deferred compensation in cash is paid out after a period of three years has elapsed and provided that the regulatory requirements have been satisfied. In addition, a long-term variable compensation component is in place in the form of an equity compensation plan linked to the performance of the Swiss Life Holding share price, respectively to medium-term planning and corresponding target achievement (RSU plan). As already mentioned, participants are entitled to Swiss Life Holding shares after a period of three years has elapsed and provided that the relevant requirements are satisfied at the time of allocation.

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

The variable compensation components are determined by the Board of Directors in accordance with the compensation policy 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 amount of the variable compensation (short-term variable compensation in cash and equity compensation plan as a long-term variable compensation component) is limited in the Articles of Association of Swiss Life Holding to a maximum of 181% of the fixed basic salary ("bonus cap", upper limit for the variable compensation).

Schematic presentation of Corporate Executive Board compensation



For the short-term variable compensation in cash (cash bonus and, if applicable, deferred compensation in cash), the amended compensation policy at Corporate Executive Board level (in relation to the ratio between fixed and variable compensation) provides for variable compensation in cash of 50% of the fixed basic salary in the case of 100% target achievement ("on-target bonus"), which can be reduced by the Board of Directors in consideration of all the circumstances.

In the same way the allocation of future subscription rights to Swiss Life Holding shares (equity compensation plan, RSU plan) is dependent on the respective target achievement. The cash bonus thereby serves as a reference, whereby the deferred compensation components (RSU plan and deferred compensation in cash) are considered as a whole and together with the cash bonus are subject to the upper limit specified in the Articles of Association.

At Corporate Executive Board level, variable compensation depends 60% directly on the company's success. The Key Performance Indicators (KPIs) used to assess company success include, as mentioned above, key figures relating to annual profit, cost savings, the risk and fee result, new business profitability, return on equity and solvency (Swiss Solvency Test, SST).

40% of the variable compensation 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.

In the year under review, as in the previous year, Swiss Life grew profitably and significantly outperformed the market in the strategically important business areas. Profit from operations and net profit were further increased compared to the previous year, exceeding the targets under the medium-term planning by 11% and 18% respectively. In addition, Swiss Life had already achieved its cost savings targets of CHF 130 –160 million under the Group-wide programme "Swiss Life 2015" by the end of 2014, making overall cost savings of CHF 160 million. The targets set for the risk and fee result were also significantly exceeded; the latter increased in local currency by 15% (compared to the prior year) to CHF 1.3 billion. The Group generated adjusted return on equity of 9.6% in the year under review, putting it close to the top end of the target range of 10%. The targets relating to profitability, the value of new business, as well as the new business margin, which fell slightly due to the low interest rate environment, were also exceeded. Likewise, the solvency targets were met and the insurance reserves could again be substantially strengthened in the interest of policyholders.

The compensation for members of the Corporate Executive Board for the 2014 financial year is reported in detail in the 2014 compensation table below. Patrick Frost, Chairman of the Corporate Executive Board (Group CEO) since 1 July 2014, received the highest compensation of the members of the Corporate Executive Board in the 2014 financial year; accordingly his compensation is disclosed individually.

Bruno Pfister, Group CEO until 30 June 2014, received the contractually agreed salary in the 2014 financial year until formal termination of the employment relationship on 30 November 2014; short-term variable compensation (bonus and deferred compensation in cash) of a total of CHF 540 000 was determined for his service as Group CEO until 30 June 2014; in addition he was allocated 1415 RSUs with a fair value of CHF 203.54 under the equity compensation plan for this first half of 2014.

In the 2014 financial year, the compensation is reported, in addition to the compensation of Group CEO Patrick Frost, for seven persons who were members of the Corporate Executive Board for all or part of the year under review. For Bruno Pfister, Group CEO until 30 June 2014, and Manfred Behrens, CEO Germany until 31 March 2014, compensation is considered for both the period of their membership of the Corporate Executive Board and the period until termination of their employment relationship on 30 November 2014 and 31 December 2014 respectively. For Markus Leibundgut, who joined on 1 April 2014 and Stefan Mächler, who joined on 1 September 2014, the compensation is stated pro rata for the period of their membership of the Corporate Executive Board in 2014.

The short-term variable compensation component for the Corporate Executive Board of a total CHF 3 949 081 (cash bonus of CHF 3 368 081 and deferred compensation in cash of CHF 581 000), which was determined by the Board of Directors at the beginning of 2015 for the 2014 financial year and will be proposed to the General Meeting of Shareholders on 27 April 2015 for approval, is disclosed in the following compensation table on an accrual basis as compensation for the 2014 financial year (accrual method). The members of the Corporate Executive Board did not receive any compensation in shares for the 2014 financial year; they are participating in the current equity compensation plan that provides for the allocation of so-called Restricted Share Units (RSUs).

The long-term variable compensation component in the form of the equity compensation plan (RSU plan 2015) is also reported in the compensation table for the 2014 financial year, which serves as the basis for the amount of the allocation and the corresponding number of allocated RSUs (accrual method).

Expenditure for occupational provisions for members of the Corporate Executive Board in the period under review amounted to CHF 1 913 184. This includes the ordinary annual employer contribution of CHF 205 224 for the occupational benefits of Patrick Frost, Group CEO.

The stated amounts do not include social security contributions (AHV/IV/ALV/FAK) payable by the employer under the law. The respective expenditure is shown in footnote 6 of the 2014 compensation table.

Following the 2014 compensation table the details of the compensation for 2013 are stated in a separate table for comparison.

Compensation to the Corporate Executive Board in 2014 (audited)

Amounts in CHF	Compensation in cash				Compensation in shares		
	Salary	Bonus for 2014 determined in 2015[3]	Other compensation[4]	Total compensation in cash	Number	Amount	Total compensation in cash and shares (amount)
Patrick Frost, Group CEO from 01.07.2014	1 125 000	575 000	24 742	**1 724 742**	0	0	**1 724 742**
Other members of Corporate Executive Board [1,2]	5 615 374	2 793 081	115 167	**8 523 622**	0	0	**8 523 622**
TOTAL CORPORATE EXECUTIVE BOARD	6 740 374	3 368 081	139 909	**10 248 364**	0	0	**10 248 364**

1 Seven individuals were taken into account in the period under review. For Bruno Pfister, Group CEO until 30 June 2014, and Manfred Behrens, CEO Germany until 31 March 2014, compensation is disclosed for both the period of their membership of the Corporate Executive Board and the period until termination of their employment relationship on 30 November 2014 and 31 December 2014 respectively. For Markus Leibundgut (appointed on 1 April 2014) and Stefan Mächler (appointed on 1 September 2014), compensation is reported pro rata for the period of their membership of the Corporate Executive Board in 2014.

2 In the 2014 financial year, Bruno Pfister received the salary agreed in his contract of employment until formal termination of the employment relationship on 30 November 2014; for his service as Group CEO until 30 June 2014 a short-term variable compensation (bonus and deferred compensation in cash) of a total of CHF 540 000 was determined. In addition he received 1415 RSUs as a long-term variable compensation component (2014 RSU plan: the allocation was effected at a fair value of CHF 203.54 as calculated by an independent consultancy firm). This compensation is included in the tabular amounts for the other members of the Corporate Executive Board or the corresponding total amount.

3 The short-term variable compensation component for the 2014 financial year (bonus and deferred compensation in cash) was determined by the Board of Directors at the beginning of 2015 for the 2014 financial year.

4 Child allowances (CHF 8650), company cars (CHF 23 426), premium contributions to 3rd pillar pension plans (CHF 104 112), other (CHF 3721), each in total.

Amounts in CHF	Expenditure for occupational provisions		
	Regular contributions[5]	Extraordinary contributions	Aggregate total compensation in cash and in shares and occupational provisions expense (amount)[6]
Patrick Frost, Group CEO from 01.07.2014	205 224	0	**1 929 966**
Other members of Corporate Executive Board [1]	1 707 960	0	**10 231 582**
TOTAL CORPORATE EXECUTIVE BOARD	1 913 184	0	**12 161 548**

5 Pursuant to the pension fund regulations, occupational provisions were financed by the employer and the employee at a ratio of 70% to 30%.

6 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 959 830 in the year under review.

Amounts in CHF	Variable deferred compensation in cash[3]	Restricted Share Units (RSUs) RSU plan 2015[8,9]		
	Amount[7]	Number	Amount	Aggregate total compensation incl. deferred compensation in cash and RSUs (amount)
Patrick Frost, Group CEO from 01.07.2014	**175 000**	3 644	750 190	**2 855 156**
Other members of Corporate Executive Board [1]	**406 000**	9 644	1 985 409	**12 911 000**
TOTAL CORPORATE EXECUTIVE BOARD	**581 000**	13 288	2 735 599	**15 766 156**

7 The variable deferred compensation in cash is paid out after a deferral period of three years, provided the requirements are satisfied at that point.

8 The RSUs represent future subscription rights that entitle the individuals concerned to receive Swiss Life Holding shares after a period of three years, provided the requirements are satisfied at that point.

9 For the 2015 RSU plan beginning 01.03.2015 the 2014 financial year forms the basis for the amount of the allocation and the corresponding number of allocated RSUs. The allocation of RSUs on 01.03.2015 was effected at a fair value of CHF 205.87, as calculated by an independent consultancy firm.

Compensation to the Corporate Executive Board in 2013 (audited)

Amounts in CHF	Compensation in cash				Compensation in shares		
	Salary	Bonus for 2013 paid in 2014[2]	Other compensation[3]	Total compensation in cash	Number	Amount	Total compensation in cash and shares (amount)
Bruno Pfister, Group CEO	1 500 000	1 230 000	52 120	**2 782 120**	0	0	**2 782 120**
Other members of Corporate Executive Board [1]	4 447 814	3 365 677	137 279	**7 950 770**	0	0	**7 950 770**
TOTAL CORPORATE EXECUTIVE BOARD	5 947 814	4 595 677	189 399	**10 732 890**	0	0	**10 732 890**

1 Six individuals were taken into account in the period under review.

2 The bonus paid in 2014 relates to the 2013 financial year result.

3 Child allowances (CHF 4300), allowance for years of service (CHF 7032), company cars (CHF 68 056), premium contributions to 3rd pillar pension plans (CHF 99 092), other (CHF 10 919), 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	227 449	0	**3 009 569**
Other members of Corporate Executive Board	1 168 476	0	**9 119 246**
TOTAL CORPORATE EXECUTIVE BOARD	1 395 925	0	**12 128 815**

4 Pursuant to the pension fund regulations, occupational provisions were financed by the employer and the employee at a ratio of 70% to 30%.

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 514 967 in the year under review.

Amounts in CHF	Variable deferred compensation in cash	Restricted Share Units (RSUs) RSU plan 2014[7,8]		
	Amount[6]	Number	Amount	Aggregate total compensation incl. deferred compensation in cash and RSUs (amount)
Bruno Pfister, Group CEO	**370 000**	4 226	860 160	**4 239 729**
Other members of Corporate Executive Board	**767 000**	10 206	2 077 329	**11 963 575**
TOTAL CORPORATE EXECUTIVE BOARD	**1 137 000**	14 432	2 937 489	**16 203 304**

6 The variable deferred compensation in cash is paid out after a deferral period of three years, provided the requirements are satisfied at that point.

7 The RSUs represent future subscription rights that entitle the individuals concerned to receive Swiss Life Holding shares after a period of three years, provided the requirements are satisfied at that point.

8 For the 2014 RSU plan beginning 01.03.2014 the 2013 financial year forms the basis for the amount of the allocation and the corresponding number of allocated RSUs. The allocation of RSUs on 01.03.2014 was effected at a fair value of CHF 203.54, as calculated by an independent consultancy firm.

Additional fees and compensation to members of governing bodies[1]

No additional fees and compensation were paid to members of governing bodies in the year under review.

Compensation to former members of governing bodies[1]

No compensation was paid to former members of governing bodies in the year under review.

Compensation to closely linked parties[1,2]

No compensation was paid to closely linked parties in the year under review.

Loans and credits to members of governing bodies[1]

In accordance with the Articles of Association as amended on 23 April 2014, the Company may grant members of the Board of Directors and the Corporate Executive Board secured loans and credits at usual market terms for up to CHF 10 million each and unsecured loans and credit of up to CHF 0.5 million each.

No loans or credit were granted to members of governing bodies in the year under review; as at the balance sheet date, there are no outstanding loans or credit to members of governing bodies.

Loans and credits to former members of governing bodies[1]

No loans or credit were granted to former members of governing bodies in the year under review; as at the balance sheet date, there are no outstanding loans or credit to former members of governing bodies.

Loans and credits to closely linked parties[1,2]

No loans or credit were granted to closely linked parties in the year under review; as at the balance sheet date, there are no outstanding loans or credit to closely linked parties.

[1] audited

[2] "Closely linked parties" are natural persons and legal entities (in the sense of Art. 678 of the Swiss Code of Obligations and Art. 16 of the Compensation Ordinance) that have close personal, economic, legal or de facto ties with members of governing bodies. This typically includes spouses, minor children, companies controlled by members of governing bodies, and natural or legal persons serving as members of governing bodies in a fiduciary capacity.

Share ownership/Participation rights

On the balance sheet date of 31 December 2014, 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 and future subscription rights to Swiss Life Holding shares in the form of Restricted Share Units (RSUs):

Board of Directors

	SLH shares 31.12.2014
Rolf Dörig, Chairman of the Board of Directors	**37 308**
Gerold Bührer	**6 289**
Frank Schnewlin	**3 942**
Wolf Becke	**654**
Adrienne Corboud Fumagalli	**134**
Ueli Dietiker	**354**
Damir Filipovic	**1 117**
Frank W. Keuper	**354**
Henry Peter	**7 052**
Franziska Tschudi Sauber	**2 571**
Klaus Tschütscher	**354**
TOTAL BOARD OF DIRECTORS	**60 129**

Corporate Executive Board

	Restricted Share Units (RSUs) 31.12.2014[1]	SLH shares 31.12.2014
Patrick Frost, Group CEO	**9 704**	**10 000**
Thomas Buess	**8 869**	**10 874**
Ivo Furrer	**8 869**	**1 300**
Markus Leibundgut	**5 044**	**500**
Stefan Mächler	**0**	**500**
Charles Relecom	**7 201**	**1 410**
TOTAL CORPORATE EXECUTIVE BOARD	**39 687**	**24 584**

[1] Total number of RSUs allocated in the years 2012, 2013 and 2014 in connection with the relevant equity compensation plan. The RSUs 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 met at that point.

Shareholdings as well as future subscription rights to Swiss Life Holding shares as at 31 December 2013 are shown in the Notes to the Swiss Life Holding Financial Statements on page 267.

Options

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

Further information

In the form of an overview, the following additional information is provided on the Swiss Life Group compensation systems for the 2014 financial year:

In CHF (unless otherwise indicated)

Total compensation [1]	**761 327 012**
of which total variable compensation (total pool) [2]	125 809 020
Number of persons who received variable compensation	5 761
Total outstanding deferred compensation	**10 767 491**
of which cash payment	581 000
of which shares	0
of which options	0
of which others (Restricted Share Units, RSU)	10 186 491
Charges and credits in the financial year from compensation for previous financial years [3]	**–278 578**
Board of Directors, Executive Board and persons whose activities have a significant influence on the risk profile:	
Total sign-on payments made in the financial year [4]	0
Total severance payments made in the financial year [5]	0

[1] The totality of any monetary value which the company distributes to a person directly or indirectly for the work performed for the company, e.g. in the form of cash payments, non-cash benefits, expenditure which establishes or increases entitlements to occupational provisions, pensions, shares or other allocation of shareholding rights as well as the forgiving, extinguishing or renunciation of any claims or debts.

[2] Part of the total compensation, the granting or the amount of which is at the discretion of the company or which is contingent on fulfilment of predefined conditions. This includes compensation contingent on performance or meeting certain targets. Sign-on payments and severance payments also fall within the scope of the definition of variable compensation.

[3] In particular reduction in expenses affecting net income due to only partial consumption of reserves for variable compensation in Germany.

[4] Compensation which is agreed on the conclusion of an employment agreement to be paid or be due once. Also deemed to constitute a sign-on payment shall be compensation for benefits foregone vis-à-vis a previous employer.

[5] Compensation which is agreed in connection with the termination of an employment relationship.

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 Compensation Report

We have audited the sections on pages 55 to 56 and 60 to 62 of the accompanying compensation report of Swiss Life Holding Ltd for the year ended 31 December 2014.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report of Swiss Life Holding Ltd for the year ended 31 December 2014 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Ray Kunz	Nebojsa Baratovic
Audit expert	Audit expert
Auditor in charge	

Zurich, 11 March 2015

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

Under the terms of the Articles of Association, a shareholder may be represented by a legal representative, or, if a written power of attorney exists, by another shareholder entitled to vote or by the independent voting representative.

Independent voting representative

The General Meeting of Shareholders elects an independent voting representative. His term of office ends after completion of the next ordinary General Meeting of Shareholders. Re-election is possible. The independent voting representative is obliged to exercise the represented voting rights pursuant to the instructions given. He can be represented at the General Meeting of Shareholders by an assistant. He remains fully responsible for compliance with his obligations. If the company does not have an independent voting representative, the Board of Directors appoints one for the next General Meeting of Shareholders.

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 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 changes of control of the company.

Auditors

As was the case last year PricewaterhouseCoopers (PwC) is again serving as external statutory auditor for all 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 exercised this function since 2011. The role of lead auditor rotates 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.

Auditing fees

In 2014 the auditing fees credited to PwC came to CHF 8.2 million (2013: CHF 8.0 million). This includes the fees for reviewing the 2014 half-year accounts.

Additional fees

In 2014 PwC received additional fees totalling around CHF 1.5 million (2013: CHF 1.4 million), approximately CHF 0.6 million of which was for financial advisory services, CHF 0.2 million for fiscal advisory services and CHF 0.6 million for the audit of the Market Consistent Embedded Value (MCEV) report. The remainder consists of fees for actuarial, strategic, legal and other advisory services. All 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 to the Audit Committee. 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 Communications 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 and info kits on previous years' reports are available on the internet at www.swisslife.com, "Investors" area, "Results & Reports" section (www.swisslife.com/results). Details on events relevant to shareholders, analysts and the media (General Meetings of Shareholders, media conferences, etc.) can be found at www.swisslife.com, "Investors" area, "Financial Calendar" section (www.swisslife.com/financialcalendar).

At www.swisslife.com/subscription, 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. 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 at www.swisslife.com, "Media" area, "Media releases" section (www.swisslife.com/mediareleases).

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 reports since 1998 and all half-year reports since 2001 can be accessed on the internet at www.swisslife.com/en/home/investors/results/archive.html, "Investors" area, "Results & Reports" section, "Archive Reports" and "Annual Reports" subsections (www.swisslife.com/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.

Swiss Life will hold an Investors' Day on 25 November 2015 to provide information on the future strategy and business development.

Contact details are available at the end of this Annual Report.

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 optimal use of risk capital, while complying with the regulatory requirements and taking into account continued challenging economic conditions.

Risk management is a key component of Swiss Life's management process. The respective committees of the Corporate Executive Board and the Board of Directors monitor and take decisions in the area of risk management; these are then incorporated into the annual planning process. On the one hand, they comprise qualitative assessments from a strategic perspective and taking into consideration operational risks and 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 the overall risk capacity and risk appetite and taking account of regulatory requirements, limits are set in the individual units for the financial risks incurred, according to which the investment targets are pursued. 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 analytical methods to ensure that strategic risks are dealt with adequately in what continues to be a very challenging 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. A thorough understanding of the interplay of individual risks is essential to take into account 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 ICS consists of the entirety 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.

Capital management

Swiss Solvency Test

The Swiss Solvency Test (SST) is the Swiss legislation which governs the capital requirements of insurance companies and groups and their reporting to the regulator. It was enacted in 2006 with the revised Insurance Supervision Law and corresponding Insurance Supervision Ordinance and 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. The SST capital requirement underpins a high level of confidence that insurers will meet their obligations towards policyholders even in adverse circumstances. Swiss Life uses an internal model to calculate the available and the required capital for the SST. Based on this internal model, which has been partially approved by FINMA, Swiss Life meets the capital requirements.

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 in order to maximise the company value is based on a risk/reward trade-off. For risk and capital management decisions, Swiss Life 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 on the basis of loss distributions using a specified risk measure. The overall capital requirement is obtained by taking into consideration respective diversification effects.

Continuous monitoring of solvency under the SST is conducted on a monthly basis; calibration is updated based on the full SST calculations as at the beginning of each calendar year and as at mid-year.

Economic and statutory capital requirements and the profit target are the main elements determining the risk budgets. Based on the overall risk budget set by the Investment and Risk Committee of the Board of Directors, the Group Risk Committee of the Corporate Executive Board defines the risk limits for the particular business units. Adherence to these limits is also checked on a monthly basis.

Standard & Poor’s rating capital

In Standard & Poor’s risk-based capital model, the total adjusted capital (TAC) is the measure used for available capital. TAC is set against the capital required given the company’s target rating category (target capital). The calculation of target capital takes into account, in particular, insurance risks, asset value volatility and credit risks.

Swiss Life has established a target capital level in line with its rating ambition. Within the capital analysis, in addition to assessing capital adequacy, Standard & Poor’s also evaluates the quality of capital with respect to its structure (including the share of equity and hybrid capital). Capital adequacy is monitored on an ongoing basis according to Standard & Poor’s capital model.

Following the rating upgrade in May 2012, the rating agency Standard & Poor’s has once again recognised the operational advances of Swiss Life and raised the rating outlook in May 2014 from “stable” to “positive”. The current rating for Swiss Life Ltd is therefore “A– with positive outlook”.

Market Consistent Embedded Value (MCEV)

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

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 2014; future new business is not included. The notion of market consistent embedded value (MCEV) will alternatively refer within the course of this report to the MCEV of Swiss Life's covered business, of one of its market units, or to Swiss Life's Group MCEV.

Swiss Life's market consistent embedded value reporting follows the European Insurance CFO Forum Market Consistent Embedded Value 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 and assumptions are given in sections 4 and 5.

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

1.2 Covered business and non-covered business

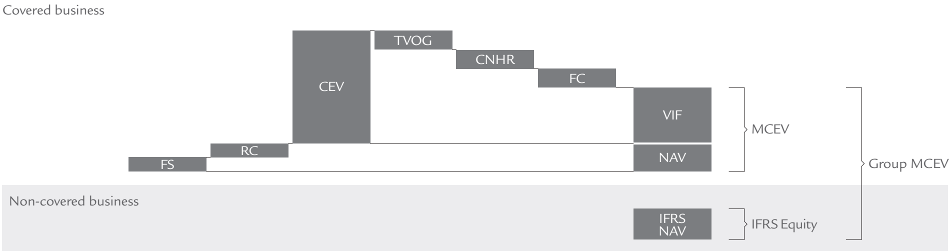
Covered business includes all of Swiss Life's life, health and pension business as well as assumed external reinsurance, with the exception of Swiss Life Insurance Solutions S.A., which is not material for MCEV purposes. MCEV (and Group MCEV) are net of ceded external reinsurance. Included are namely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

1.3 Definitions

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

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

Components of Group MCEV



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

The net asset value is split between:

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

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

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

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

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

2 Summary of MCEV Results

2.1 Key results

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

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

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

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

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

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

[1] n/a: not applicable

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

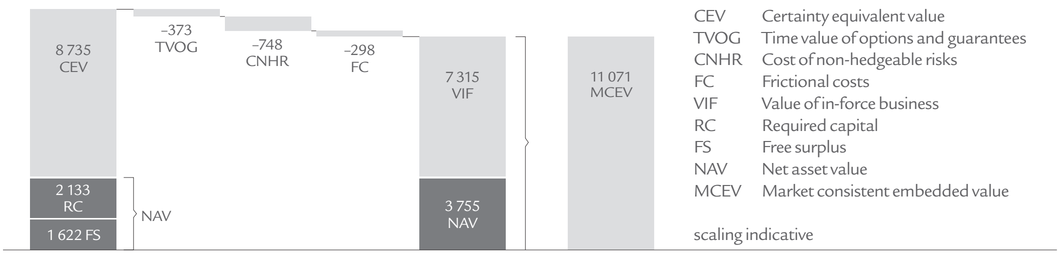
The Group MCEV increased by 13% in total.

2.2 MCEV of covered business

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

MCEV of covered business 2014

CHF million



In CHF million

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

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

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

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

2.3 Value of new business

2.3.1 Value of new business, premiums and margins

Amounts in CHF million

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

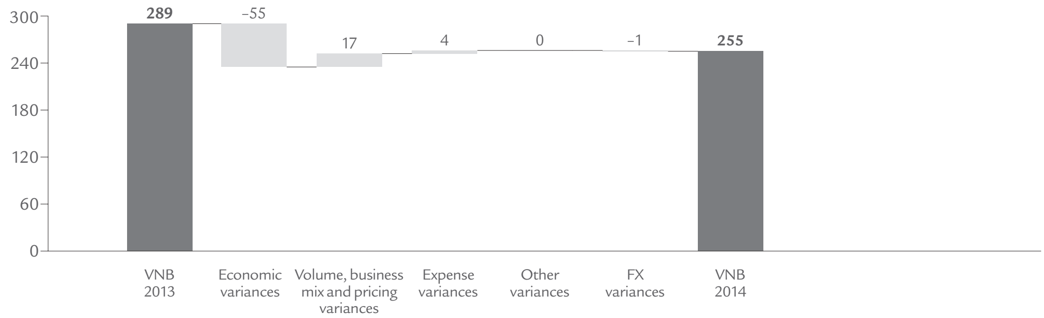
[1] New business strain represents the effect on the net asset value from writing new business.

2.3.2 Value of new business — analysis of change

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

Value of new business – analysis of change

CHF million



Amounts in CHF million

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

Driven by the Swiss and French business, the new business volume (PVNBP) increased by 11%. This, in combination with active new business steering, pricing discipline and cost efficiency gains mitigated the adverse impacts of the challenging capital market environment on both the new business value and margin.

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

2.4 Group MCEV — analysis of earnings

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

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

[1] n/a: not applicable

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

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

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

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

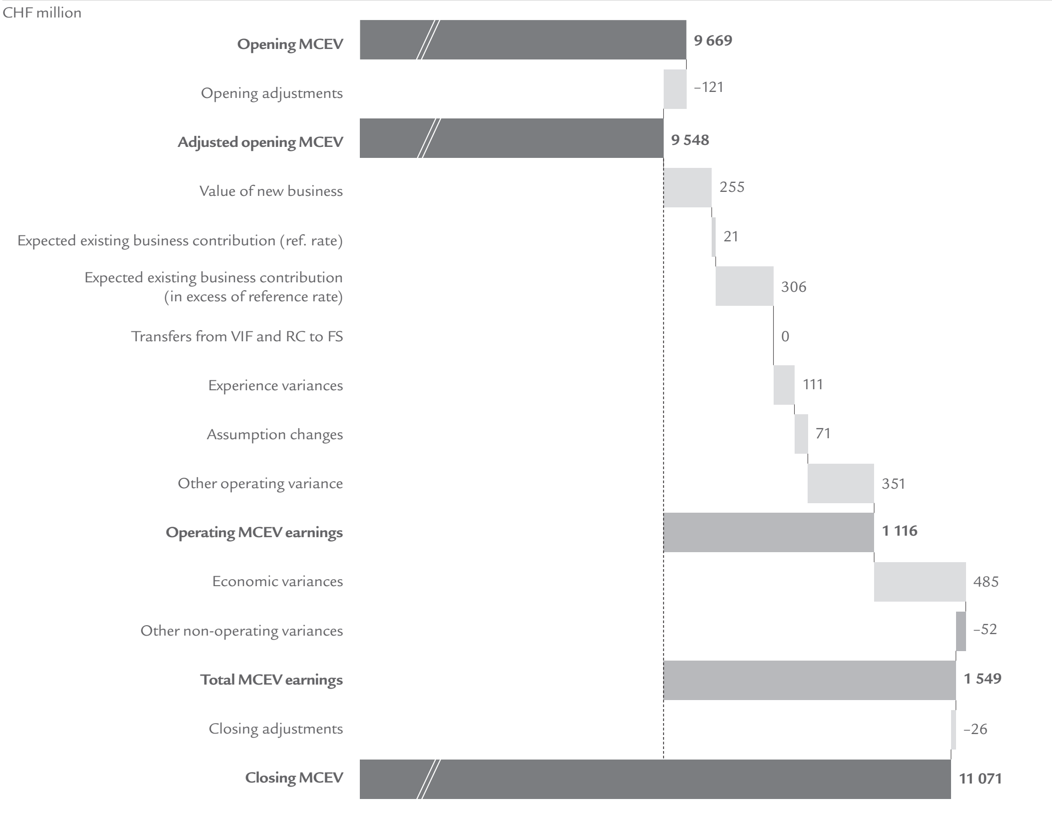
The other movements in IFRS net equity (non-covered business only) include effects from changes in unrealised gains and losses, the sale and purchase of treasury shares, effects from equity-settled share-based payments and currency exchange rate effects on goodwill.

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

2.5 Covered business — analysis of earnings

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

Covered business – analysis of earnings for 2014



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

Opening adjustments

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

Value of new business

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

Expected existing business contribution (reference rate)

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

Expected existing business contribution (in excess of reference rate)

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

Transfers from value in force and required capital to free surplus

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

Experience variances

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

Assumption changes

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

Other operating variance

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

Economic variances

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

Other non-operating variances

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

Closing adjustments

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

2.6 Sensitivities

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

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

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

Sensitivities as at 31 December 2014

Amounts in CHF million

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

[1] not available

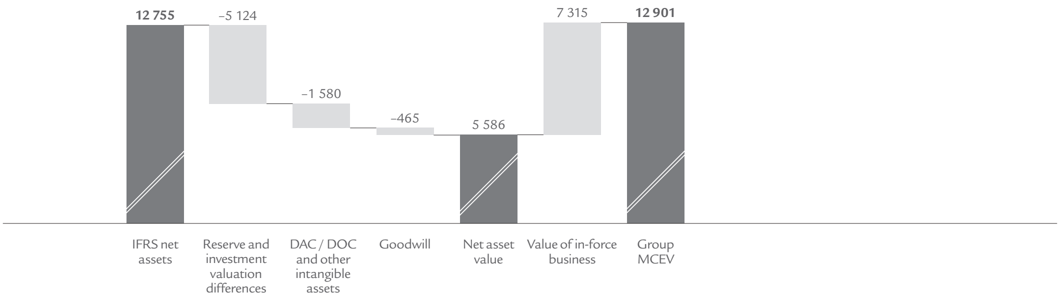
2.7 Reconciliation of IFRS net asset value to Group MCEV

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

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

Reconciliation of IFRS net asset value to Group MCEV

CHF million



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

In CHF million

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

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

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

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

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

3 Information by Market Unit

3.1 Market units

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

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

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

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

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

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

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

3.2 Results by market unit

MCEV by market unit for the year 2014

In CHF million

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

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

MCEV by market unit for the year 2013

In CHF million

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

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

Switzerland

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

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

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

France

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

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

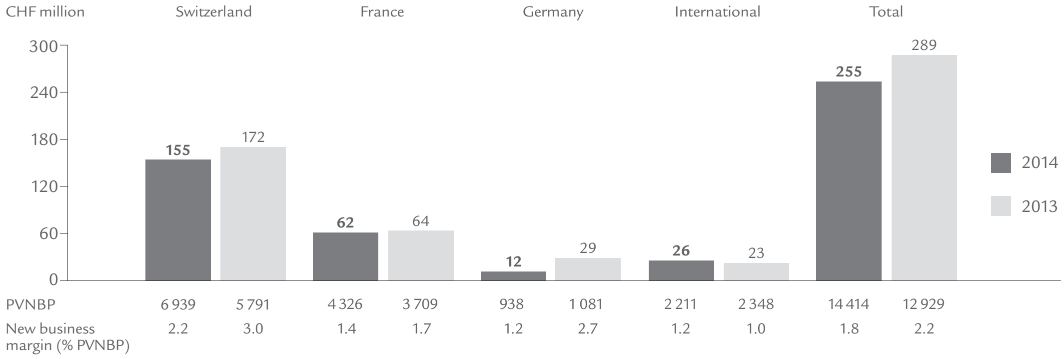
Germany

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

International

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

Value of new business by market unit



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

Amounts in CHF million

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

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

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

Amounts in CHF million

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

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

Switzerland

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

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

France

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

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

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

Germany

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

International

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

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

Analysis of earnings by market unit for the year 2014

In CHF million

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

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

Switzerland

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

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

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

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

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

France

Opening adjustments reflect dividend payments of CHF 33 million.

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

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

Germany

Opening adjustments reflect dividend payments of CHF 18 million.

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

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

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

International

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

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

Closing adjustments include capital transfers and currency exchange rate effects.

4 Methodology

4.1 MCEV components for covered business

Net asset value (NAV)

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

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

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

Required capital (RC)

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

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

Free surplus (FS)

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

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

Value of in-force business (VIF)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cost of residual non-hedgeable risks (CNHR)

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

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

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

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

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

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

Frictional costs of required capital (FC)

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

4.2 New business

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

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

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

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

4.3 Asset and liability data

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

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

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

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

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

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

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

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

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

4.4 Economic scenario generator

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

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

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

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

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

4.5 Dynamic management actions and policyholder behaviour

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

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

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

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

4.6 Look-through principle

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

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

4.7 Consolidation

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

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

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

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

International includes results for Luxembourg, Liechtenstein and Singapore.

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

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

4.8 Employee pension schemes and share-based payment programmes

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

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

5 Assumptions

5.1 Economic assumptions

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

5.1.1 Reference rates

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

The underlying liquidity premium is determined by applying the formula Maximum (0; 50%*(corporate credit spread over swap –40bp)), where the corporate spreads over swap are measured with appropriate market indices. For the corporate credit spread over swap rates for the three currencies euro, US dollar and British pound, we use the quotation from Markit©[3] instead of using the two-step approach as described in the QIS 5 guidance. For Canadian dollar we use the quotation from BofA Merrill Lynch. For the spread over swap rates for Swiss franc we use a SIX Swiss Exchange Bond Index (SBI® Corporate) composed of investment grade, foreign and domestic corporate issues in Swiss francs.

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

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

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

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

[3] Copyright © 2011 Markit Group Limited

5.1.1.1 Swap rates as at 31 December 2014

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

5.1.1.2 Swap rates as at 31 December 2013

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

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

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

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

5.1.2 Volatility assumptions

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

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

5.1.2.1 Swaption implied volatilities as at 31 December 2014

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

5.1.2.2 Swaption implied volatilities as at 31 December 2013

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

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

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

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

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

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

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

5.1.3 Correlation assumptions

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

5.1.4 Inflation assumptions

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

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

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

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

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

5.1.5 Real world assumptions

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

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

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

5.1.5.1 Equity and property assumptions for real world projection

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

5.2 Taxation and legislation

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

5.2.1 Tax assumptions

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

1 Following French legislation the tax rate assumption applied for 2015 is 38.0%.
2 Following French legislation the tax rate assumption applied for 2014 is 38.0%.

5.3 Operating assumptions

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

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

6 Auditor's Report on Embedded Value

To the Board of Directors of
Swiss Life Holding Ltd

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

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

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

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

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

Opinion

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

Basis of preparation

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

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

PricewaterhouseCoopers AG

Ray Kunz	Thomas Hull
Audit expert	

Zurich, 26 February 2015

7 Glossary and List of Abbreviations

Annual premium equivalent (APE)
Volume measure for new business. Sum of regular premiums from new business +10% of single premiums on business written during the period.

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

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

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

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

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

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

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

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

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

Frictional costs of required capital (FC)
The additional investment and taxation cost incurred by shareholders through investing required capital in the company compared to direct investment as individuals.

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

IFRS
International Financial Reporting Standards

"Legal quote"
Statutory minimum policyholder participation ratio

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

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

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

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

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

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

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

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

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

QIS 5
EIOPA's fifth quantitative impact study for Solvency II.

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

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

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

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

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

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

Variable annuities
Unit-linked contracts with additional guarantees and policyholder options.

Consolidated Financial Statements

Consolidated Statement of Income

Consolidated statement of income for the years ended 31 December

In CHF million

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

Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income for the years ended 31 December

In CHF million

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

Consolidated Balance Sheet

Consolidated balance sheet

In CHF million

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

Consolidated balance sheet

In CHF million

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

Consolidated Statement of Cash Flows

Consolidated statement of cash flows for the years ended 31 December

In CHF million

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

Consolidated statement of cash flows for the years ended 31 December

In CHF million

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

Consolidated Statement of Changes in Equity

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

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

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

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

Notes to the Consolidated Financial Statements
1 General Information

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

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

Distribution out of capital contribution reserve

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

Approval of financial statements

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

2 Summary of Significant Accounting Policies

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

2.1 Basis of preparation

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

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

Figures may not add up exactly due to rounding.

2.2 Changes in accounting policies

Offsetting Financial Assets and Liabilities (Amendments to IAS 32)

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

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

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

IFRIC 21 Levies

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

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

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

2.3 Consolidation principles

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

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

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

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

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

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

2.4 Foreign currency translation and transactions

Functional and presentation currency

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

Foreign currency exchange rates

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

Foreign currency translation

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

Foreign currency transactions

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

2.5 Cash and cash equivalents

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

2.6 Derivatives

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

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

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

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

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

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

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

2.7 Financial assets

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

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

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

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

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

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

Financial assets available for sale (AFS)

Financial assets classified as available for sale are carried at fair value. Financial assets are classified as available for sale if they do not qualify as held to maturity, held for trading, loans and receivables or if they are not designated as at fair value through profit or loss. Gains and losses arising from fair value changes, being the difference between fair value and cost/amortised cost, are reported in other comprehensive income. On disposal of an AFS investment, the cumulative gain or loss is transferred from other comprehensive income to profit or loss for the period. Gains and losses on disposal are determined using the average cost method.

Loans and receivables

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

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

Financial assets pledged as collateral

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

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

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

2.8 Impairment of financial assets

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

Financial assets at amortised cost

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

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Held-to-maturity securities and loans and receivables are assessed for impairment when a significant decrease in market value related to credit risk arises, namely after a downgrade of a debtor’s rating below single B– after initial recognition (i.e. CCC or lower according to Standard and Poor’s or equivalent) or when payments of principal and/or interest are overdue by more than 90 days. If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

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

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

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

2.9 Investment property

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

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

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

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

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

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

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

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

2.10 Insurance operations

Definition of insurance contracts

Insurance contracts are contracts under which one party accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the Group issues and reinsurance contracts that the Group holds. As a Group policy, Swiss Life considers those contracts to be insurance contracts that require the payment of additional benefits in excess of 10% of the benefits that would be payable if the insured event had not occurred, excluding scenarios that lack commercial substance.

The Group has assessed the significance of insurance risk on a contract-by-contract basis. Contracts that do not transfer insurance risk at inception but that transfer insurance risk at a later date are classified as insurance from inception unless the Group remains free to price the insurance premium at a later date. In this case, the contract is classified as insurance when the insurance premiums are specified. A contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire.

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

Investment contracts with and without discretionary participation features

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

Recognition and measurement principles

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

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

Discretionary participation features (DPF)

Discretionary participation features are defined in IFRS 4 Insurance Contracts as contractual rights to receive, as a supplement to guaranteed benefits, additional benefits which are likely to be a significant portion of the total contractual benefits and whose amount or timing is contractually at the discretion of the issuer. These DPF are contractually based on the performance of a specified pool of contracts or a specified type of contract or on the realised and unrealised investment returns on a specified pool of assets held by the issuer or on the profit or loss of the company. The unrealised investment returns comprise gains/losses recognised in other comprehensive income.

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

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

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

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

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

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

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

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

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

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

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

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

Luxembourg/Liechtenstein
No statutory minimum distribution ratios are in place.

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

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

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

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

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

Insurance liabilities and liabilities from investment contracts with discretionary participation features

Future life policyholder benefit liabilities

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

Policyholder deposits

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

Liability adequacy test

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

Liabilities for claims and claim settlement costs

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

Embedded options and guarantees in insurance contracts

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

Reinsurance

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

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

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

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

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

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

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

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

Administrative and surrender charges are included in policy fee income.

2.11 Property and equipment

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

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

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

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

2.12 Inventory property

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

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

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

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

2.13 Leases

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

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

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

2.14 Investment management

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

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

2.15 Commission income and expense

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

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

2.16 Intangible assets

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

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

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

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

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

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

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

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

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

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

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

Deferred origination costs (DOC)

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

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

Goodwill

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

Goodwill represents the excess of the fair value of the consideration transferred and the amount of any non-controlling interest recognised, if applicable, over the fair value of the assets and liabilities recognised at the date of acquisition. The Group has the option for each business combination, in which control is achieved without buying all of the equity of the acquiree, to recognise 100% of the goodwill in business combinations, not just the acquirer's portion of the goodwill ("full goodwill method"). Goodwill on acquisitions of subsidiaries is included in intangible assets. Acquisition-related costs are expensed. Goodwill on associates is included in the carrying amount of the investment.

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

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

Negative goodwill is immediately recognised in profit and loss.

Customer relationships

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

Computer software

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

Brands and other

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

2.17 Impairment of non-financial assets

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

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

2.18 Income taxes

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

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

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

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

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

2.19 Assets held for sale and associated liabilities

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

2.20 Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

Borrowings

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

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

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

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

Other financial liabilities

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

2.21 Employee benefits

Post-employment benefits

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

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

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

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

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

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

Healthcare benefits

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

Share-based payments

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

2.22 Provisions and contingent liabilities

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

2.23 Treasury shares

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

2.24 Earnings per share

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

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

2.25 Offsetting

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

2.26 Forthcoming changes in accounting policies

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

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

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

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

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

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

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

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

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

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

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

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

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

Impairment of available-for-sale equity instruments

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

Insurance liabilities

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

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

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

Mortality and longevity

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

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

Morbidity and disability

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

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

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

Policyholder options

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

Expenses and inflation

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

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

Investment returns

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

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

Impairment of goodwill

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

Defined benefit liabilities

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

The assumptions are set out in note 23.

Income taxes

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

Provisions

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

4 Segment Information

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

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

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

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

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

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

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

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

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

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

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

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

Statement of income for the year ended 31 December 2014

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

Statement of income for the year ended 31 December 2013

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

Balance sheet as at 31 December 2014

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

Balance sheet as at 31 December 2013

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

Premiums and policy fees from external customers

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

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

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

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

Information about major customers

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

5 Risk Management Policies and Procedures

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

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

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

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

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

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

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

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

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

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

In CHF million

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

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

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

In CHF million

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

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

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

5.2 Risk budgeting and limit setting

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

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

5.3 Asset and liability management (ALM)

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

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

Compliance with external constraints

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

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

Strategic asset allocation

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

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

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

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

Distribution policy

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

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

Product design

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

5.4 Financial risk management objectives and policies

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

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

Hedging

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

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

Interest rate risk relating to financial instruments and insurance contracts

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

Interest-sensitive insurance liabilities

In CHF million

	CHF	EUR	Other	Total
CARRYING AMOUNTS AS AT 31 DECEMBER 2014				
Minimum guaranteed interest rate 0 – < 2%	**34 925**	**5 954**	**5**	**40 884**
Minimum guaranteed interest rate 2 – < 3%	**11 486**	**6 210**	**32**	**17 729**
Minimum guaranteed interest rate 3 – < 4%	**19 511**	**6 724**	**23**	**26 259**
Minimum guaranteed interest rate 4 – < 5%	**72**	**6 713**	**26**	**6 812**
Minimum guaranteed interest rate 5 – < 6%	**–**	**–**	**2**	**2**
TOTAL INTEREST-SENSITIVE INSURANCE LIABILITIES	**65 995**	**25 602**	**89**	**91 686**
Insurance liabilities with no minimum guaranteed interest rate				**11 690**
Insurance liabilities linked to assets for the account and risk of the Swiss Life Group's customers				**2 760**
TOTAL INSURANCE LIABILITIES				**106 136**
CARRYING AMOUNTS AS AT 31 DECEMBER 2013				
Minimum guaranteed interest rate 0 – < 2%	31 940	5 480	5	37 425
Minimum guaranteed interest rate 2 – < 3%	11 248	6 016	37	17 301
Minimum guaranteed interest rate 3 – < 4%	19 880	7 123	22	27 024
Minimum guaranteed interest rate 4 – < 5%	78	6 916	25	7 019
Minimum guaranteed interest rate 5 – < 6%	–	–	2	2
TOTAL INTEREST-SENSITIVE INSURANCE LIABILITIES	63 146	25 534	90	88 771
Insurance liabilities with no minimum guaranteed interest rate				10 461
Insurance liabilities linked to assets for the account and risk of the Swiss Life Group's customers				2 200
TOTAL INSURANCE LIABILITIES				101 432

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

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

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

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

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

Equity price risk

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

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

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

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

Credit risk

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

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

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

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

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

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

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

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

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

Maximum exposure to credit risk

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

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

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

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

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

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

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

In CHF million

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

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

In CHF million

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

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

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

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

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

Financial assets individually determined as impaired

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

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

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

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

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

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

Exposure to credit risk of other assets

In CHF million

	AAA	AA	A	BBB	Below BBB	Not rated	Total
CREDIT RATING AS AT 31 DECEMBER 2014							
Cash and cash equivalents	**640**	**1 182**	**1 861**	**4**	**0**	**68**	**3 753**
Derivatives	**543**	**726**	**894**	**3**	**–**	**192**	**2 358**
Reinsurance assets	**–**	**228**	**115**	**18**	**–**	**35**	**397**
TOTAL	**1 183**	**2 136**	**2 870**	**25**	**0**	**295**	**6 509**
CREDIT RATING AS AT 31 DECEMBER 2013							
Cash and cash equivalents	1 055	1 219	1 214	40	0	59	3 588
Derivatives	14	102	946	29	–	176	1 268
Reinsurance assets	1	185	159	9	–	43	396
TOTAL	1 069	1 506	2 319	79	0	278	5 253

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

Exposure to credit risk of unrecognised items

In CHF million

	AAA	AA	A	BBB	Below BBB	Not rated	Total
CREDIT RATING AS AT 31 DECEMBER 2014							
Financial guarantees	**–**	**–**	**–**	**–**	**–**	**42**	**42**
Loan commitments	**–**	**–**	**–**	**–**	**–**	**242**	**242**
TOTAL	**–**	**–**	**–**	**–**	**–**	**283**	**283**
CREDIT RATING AS AT 31 DECEMBER 2013							
Financial guarantees	–	–	–	–	–	45	45
Loan commitments	–	–	–	–	–	170	170
TOTAL	–	–	–	–	–	214	214

Currency risk

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

The Swiss Life Group's European insurance and investment operations (excluding Switzerland) generally invest in assets denominated in the same currency as their insurance and investment contract liabilities, which mitigates the currency risk for these operations. As a result, currency risk arises from recognised assets and liabilities denominated in other currencies and net investments in foreign operations. Although the Swiss Life Group actively engages in currency management to reduce the effect of exchange rate fluctuations on its assets and liabilities, particularly by hedging against the risk of such movements in relation to part of its investments denominated in euros and in US dollars, significant movements in exchange rates could adversely affect the Swiss Life Group's earnings and financial position, including the value of its investment portfolio. Foreign exchange exposure is hedged to a large extent in line with the strategic asset allocation. The instruments which the Swiss Life Group uses to hedge exposure may not be perfectly correlated to the related assets, so the Group will still be exposed to losses if the value of the hedge and the value of the underlying asset or liability do not correspond appropriately.

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

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

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

Currency exposure as at 31 December 2014

In CHF million

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

Currency exposure as at 31 December 2013

In CHF million

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

Liquidity risk

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

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

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

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

Exposure to liquidity risk as at 31 December 2014

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

[1] excluding accrued interest

Exposure to liquidity risk as at 31 December 2013

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

[1] excluding accrued interest

Current and non-current assets and liabilities

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

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

5.5 Insurance risk management objectives and policies

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

Nature of insurance risk

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

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

The nature of insurance risk can be summarised as follows:

Mortality and longevity

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

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

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

Annuities payable per annum by type of annuity – individual life

In CHF million

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

Annuities payable per annum by type of annuity – group life

In CHF million

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

Life benefits insured by type of insurance – individual life

In CHF million

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

Life benefits insured by type of insurance – group life

In CHF million

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

Morbidity and disability

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

Embedded options

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

Underwriting strategy

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

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

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

Non-life

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

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

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

Development of claims under non-life insurance contracts

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

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

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

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

Reinsurance

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

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

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

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

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

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

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

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

Other risk transfer

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

Insurance risks are regularly reported to the Group Risk Committee.

Sensitivity analysis

The Swiss Life Group uses the market consistent embedded value (MCEV) following the guidelines of the European Insurance CFO Forum Market Consistent Embedded Value 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 12.9 billion as at 31 December 2014 (2013: CHF 11.4 billion). Due to different valuation principles, changes in the embedded value are typically not reflected to the same extent in the consolidated balance sheet and consolidated statement of income of the Swiss Life Group and vice versa.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 Earnings per Share

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

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

In CHF million (if not noted otherwise)

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

7 Premiums, Policy Fees and Deposits Received

Written premiums

In CHF million

	2014	2013
Direct	**13 633**	12 853
Assumed	**332**	296
GROSS WRITTEN PREMIUMS	**13 965**	13 149
Ceded	**–192**	–197
NET WRITTEN PREMIUMS	**13 774**	12 951

Earned premiums

In CHF million

	2014	2013
Direct	**13 636**	12 848
Assumed	**332**	294
GROSS EARNED PREMIUMS	**13 968**	13 142
Ceded	**–192**	–198
NET EARNED PREMIUMS	**13 776**	12 944

Written policy fees

In CHF million

	2014	2013
Direct	**306**	302
GROSS WRITTEN POLICY FEES	**306**	302
Ceded	**–**	0
NET WRITTEN POLICY FEES	**306**	302

Earned policy fees

In CHF million

	2014	2013
Direct	**308**	304
GROSS EARNED POLICY FEES	**308**	304
Ceded	**–**	0
NET EARNED POLICY FEES	**308**	304

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

In CHF million

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

8 Details of Certain Items in the Consolidated Statement of Income

Commission income

In CHF million

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

Investment income

In CHF million

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

Net gains/losses on financial assets

In CHF million

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

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

In CHF million

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

[1] includes interest and dividend income of CHF 103 million (2013: CHF 111 million)
[2] includes changes attributable to credit risk: nil (2013: nil)

Other income

In CHF million

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

Net insurance benefits and claims

In CHF million

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

Interest expense

In CHF million

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

Commission expense

In CHF million

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

Employee benefits expense

In CHF million

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

Depreciation and amortisation expense

In CHF million

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

Other expenses

In CHF million

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

9 Derivatives and Hedge Accounting

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

Derivatives held for risk management

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

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

Derivatives designated and accounted for as hedging instruments

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

Derivatives designated as fair value hedges

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

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

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

Derivatives designated as cash flow hedges as at 31 December 2014

In CHF million (if not noted otherwise)	Fair value assets	Fair value liabilities	Amounts recognised in other comprehensive income	Ineffectiveness recognised in profit or loss	Amounts transferred to profit or loss	Contract/ notional amount	Cash flows expected to occur (year)	Cash flows expected to affect profit or loss (year)
INTEREST RATE RISK								
Forward starting swaps/bonds								
Switzerland	**371**	**–**	**464**	**0**	**0**	**2 250**	**2015–2021**	**2015–2047**
France	**299**	**–**	**305**	**0**	**–1**	**1 094**	**2015–2018**	**2015–2038**
Germany	**74**	**–**	**84**	**0**	**–**	**241**	**2015–2017**	**2015–2047**
Total interest rate risk	**744**	**–**	**853**	**0**	**–1**	**3 584**	**n/a**	**n/a**
TOTAL DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	**744**	**–**	**853**	**0**	**–1**	**3 584**	**n/a**	**n/a**

Derivatives designated as cash flow hedges as at 31 December 2013

In CHF million (if not noted otherwise)	Fair value assets	Fair value liabilities	Amounts recognised in other comprehensive income	Ineffectiveness recognised in profit or loss	Amounts transferred to profit or loss	Contract/ notional amount	Cash flows expected to occur (year)	Cash flows expected to affect profit or loss (year)
INTEREST RATE RISK								
Forward starting swaps/bonds								
Switzerland	21	132	–611	0	–	2 725	2014–2021	2014–2047
France	55	4	–38	–	0	1 314	2014–2018	2014–2038
Germany	–	9	–9	–	–	245	2015–2017	2015–2047
Total interest rate risk	76	144	–658	0	0	4 284	n/a	n/a
TOTAL DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	76	144	–658	0	0	4 284	n/a	n/a

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

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

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

In CHF million

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

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

11 Financial Assets Available for Sale

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

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

12 Financial Assets Pledged as Collateral

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

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

13 Loans and Receivables

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

Allowance for impairment losses

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

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

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

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

Debt securities previously classified as available for sale

In CHF million

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

14 Investment Property

In CHF million

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

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

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

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

15 Investments in Associates

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

Summarised financial information for the year 2014

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

Summarised financial information for the year 2013

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

Summarised financial information relating to material associates was as follows:

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

16 Property and Equipment

Property and equipment for the year 2014

In CHF million

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

[1] includes elimination of fully depreciated assets

Property and equipment for the year 2013

In CHF million

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

[1] includes elimination of fully depreciated assets

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

17 Intangible Assets including Intangible Insurance Assets

In CHF million

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

Intangible insurance assets

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

Present value of future profits (PVP)

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

Deferred acquisition costs (DAC)

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

Deferred origination costs (DOC)

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

Other intangible assets for the year 2014

In CHF million

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

[1] includes elimination of fully amortised/impaired assets

Other intangible assets for the year 2013

In CHF million

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

[1] includes elimination of fully amortised/impaired assets

Goodwill

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

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

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

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

The calculations relating to the recoverable amounts, which have been determined on a value-in-use basis, use cash flow projections based on financial budgets approved by management. The projection covers a three-year period for Lloyd Continental and CORPUS SIREO. Due to the duration of the insurance and investment contracts a five-year period was used for CapitalLeben. The calculations for Lloyd Continental, CORPUS SIREO and CapitalLeben are based on present values that traditionally use a single set of estimated cash flows and a single discount rate.

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

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

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

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

Goodwill relating to “Swiss Life Select”

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

No impairment losses on the goodwill were recognised in 2014.

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

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

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

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

18 Other Assets and Liabilities

Other assets

In CHF million

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

Other liabilities

In CHF million

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

19 Investment Contracts

In CHF million

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

Investment contracts with discretionary participation with deposit accounting

In CHF million

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

Investment contracts with discretionary participation with actuarial valuation

In CHF million

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

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

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

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

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

Investment contracts without discretionary participation at amortised cost

In CHF million

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

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

In CHF million

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

20 Borrowings

In CHF million

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

Hybrid debt

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

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

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

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

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

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

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

1 Hybrid loan notes granted by ELM B.V.
2 Hybrid bank loan originally granted by J.P. Morgan Bank Luxembourg S.A.

Convertible debt

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

Senior bonds

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

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

Bank loans

Bank loans relate to mortgage loans for real estate acquired.

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

21 Other Financial Liabilities

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

22 Insurance Liabilities and Reinsurance Assets

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

Unearned premiums

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

Claims under non-life insurance contracts

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

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

Claims under life insurance contracts

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

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

Future life policyholder benefits

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

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

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

Deposits under insurance contracts

In CHF million

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

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

Insurance liabilities with and without discretionary participation

In CHF million

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

23 Employee Benefits

Employee benefit liabilities

In CHF million

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

Defined benefit plans

Employees are covered under various funded and unfunded pension plans which operate under local regulations and practice. The major part of the defined benefit liability recognised arises from the plans covering employees in Switzerland. The impact on the consolidated financial statements arising from the plans covering employees in Germany and France is far less significant. Generally, the level of benefits is based on years of service and average compensation preceding retirement, and the main benefit is a pension after retirement or a lump-sum payment at the time of retirement. Most plans are funded and the funding is governed by local requirements and with respect to the liability (determined based on actuarial methods) based on the plans' benefit promises. For several plans, contributions are not only made by the employer, but also by the employee (generally as a part of gross salaries).

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

Plan descriptions

Switzerland

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

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

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

France

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

Germany

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

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

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

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

Risks covered

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

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

Switzerland

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

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

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

France

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

Germany

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

Amounts recognised as defined benefit assets/liabilities

In CHF million

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

To assess the funding situation of the defined benefit plans in total, plan assets as well as insurance contracts not eligible as plan assets under IFRS must be set off against the present value of the defined benefit obligation. The total deficit taking into consideration insurance contracts not eligible as plan assets under IFRS amounted to CHF 138 million as at 31 December 2014 (2013: surplus of CHF 85 million).

Amounts recognised in profit or loss

In CHF million

	2014	2013
Current service cost	**86**	88
Past service cost	**1**	–6
Net interest cost	**29**	30
Employee contributions	**–30**	–26
TOTAL DEFINED BENEFIT EXPENSE	**86**	86

Amounts recognised in other comprehensive income

In CHF million

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

Defined benefit plans

In CHF million

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

Plan assets

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

Principal actuarial assumptions

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

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

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

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

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

Expected benefit payments

Amounts in CHF million (if not noted otherwise)

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

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

Defined contribution plans

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

Equity compensation plans

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

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

The RSUs granted under the programmes in 2011–2014 are without additional performance leverage. The attribution of shares after the expiry of the three-year deferral period will be effected, if certain conditions are fulfilled, on a 1:1 basis (1 RSU = 1 share). The value of the RSUs during the three-year term develops linearly with the Swiss Life Holding share price and symmetrically corresponds with shareholder interests.

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

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

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

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

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

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

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

Share-based payment programmes (restricted share units)

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

24 Income Taxes

Income tax expense

In CHF million

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

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

Reconciliation of income tax expense

In CHF million

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

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

Deferred income tax assets and liabilities

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

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

In CHF million	Balance as at 1 January	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in share premium	Acquisitions and disposals of subsidiaries	Foreign currency translation differences	Balance as at end of period
MOVEMENTS BY TYPE OF TEMPORARY DIFFERENCE DURING THE YEAR 2014							
Financial assets	**–154**	**9**	**–1 010**	**–**	**0**	**2**	**–1 153**
Investment property	**–605**	**–24**	**0**	**–**	**0**	**1**	**–628**
Intangible assets	**–148**	**10**	**23**	**–**	**–11**	**1**	**–125**
Property and equipment	**16**	**0**	**–**	**–**	**0**	**0**	**16**
Financial liabilities	**20**	**9**	**–13**	**–**	**0**	**0**	**16**
Insurance liabilities	**–65**	**–44**	**1**	**–**	**–**	**0**	**–108**
Employee benefits	**–3**	**–7**	**27**	**–**	**2**	**0**	**18**
Deferred income	**1**	**1**	**–**	**–**	**0**	**0**	**2**
Other	**50**	**0**	**14**	**–**	**0**	**0**	**65**
Tax losses	**11**	**–8**	**–**	**–**	**15**	**0**	**18**
NET DEFERRED INCOME TAX ASSETS/LIABILITIES	**–877**	**–54**	**–957**	**–**	**6**	**3**	**–1 879**
MOVEMENTS BY TYPE OF TEMPORARY DIFFERENCE DURING THE YEAR 2013							
Financial assets	–684	–6	538	–	–	–1	–154
Investment property	–518	–63	0	–	–24	–1	–605
Intangible assets	–135	9	–16	–	–6	–1	–148
Property and equipment	16	0	–	–	–	0	16
Financial liabilities	11	–9	20	–3 [1]	–	0	20
Insurance liabilities	–60	–4	–1	–	–	0	–65
Employee benefits	3	–6	–1	–	–	0	–3
Deferred income	1	1	–	–	–	0	1
Other	21	28	0	–	–	0	50
Tax losses	9	3	–	–	–	0	11
NET DEFERRED INCOME TAX ASSETS/LIABILITIES	–1 336	–48	538	–3	–29	–1	–877

[1] relating to equity component of convertible debt

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

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

Unrecognised tax losses

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

25 Provisions

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

Restructuring

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

Litigation

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

Other

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

26 Equity

Share capital

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

Share premium

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

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

Number of shares

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

Number of shares

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

Foreign currency translation differences

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

Accumulated other comprehensive income

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

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

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

Items that may be reclassified to profit or loss comprise:

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

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

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

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

Accumulated other comprehensive income for the year 2014

In CHF million	Notes	Items that may be reclassified to the income statement					Items that will not be reclassified to the income statement				Total
		Foreign currency translation differences	Gains/losses financial assets available for sale	Gains/losses cash flow hedges	Other items	Total	Revaluation surplus investment property	Remeasurements net defined benefit liability	Other items	Total	
Net balance as at 1 January		–819	836	47	–107	–42	71	–140	–	–69	–112
Net other comprehensive income		–47	3 017	331	–26	3 275	0	–96	–	–96	3 179
NET BALANCE AS AT END OF PERIOD		–866	3 852	378	–132	3 232	71	–236	–	–165	3 067
NET OTHER COMPREHENSIVE INCOME IS COMPOSED OF THE FOLLOWING:											
Gains/losses arising during the period	9	–48	10 384	853	–	11 189	0	–299	–	–299	10 891
Share of other comprehensive income of associates	15	–	–	–	0	0	–	–	–	–	0
Gains/losses transferred to the income statement	8, 9	–	–223	–1	61[1]	–163	–	–	–	–	–163
Effects of											
policyholder participation		–	–6 054	–418	–89	–6 562	0	175	–	175	–6 386
shadow accounting		–	–174	–17	–5	–197	0	–	–	0	–196
income tax		–	–907	–85	7	–984	0	27	–	27	–957
foreign currency translation differences		–	–9	–1	0	–9	0	0	–	0	–10
Net other comprehensive income before non-controlling interests		–48	3 017	331	–26	3 274	0	–96	–	–96	3 178
Non-controlling interests		1	0	0	0	0	0	0	–	0	1
NET OTHER COMPREHENSIVE INCOME		–47	3 017	331	–26	3 275	0	–96	–	–96	3 179

[1] Amount relates to debt securities reclassified to loans in 2008 (note 13)

Accumulated other comprehensive income for the year 2013

In CHF million	Notes	Items that may be reclassified to the income statement					Items that will not be reclassified to the income statement				Total
		Foreign currency translation differences	Gains/losses financial assets available for sale	Gains/losses cash flow hedges	Other items	Total	Revaluation surplus investment property	Remeasurements net defined benefit liability	Other items	Total	
Net balance as at 1 January		–853	2 494	299	–127	1 813	71	–139	–	–68	1 745
Net other comprehensive income		34	–1 658	–252	20	–1 856	0	–1	–	–1	–1 857
NET BALANCE AS AT END OF PERIOD		–819	836	47	–107	–42	71	–140	–	–69	–112
NET OTHER COMPREHENSIVE INCOME IS COMPOSED OF THE FOLLOWING:											
Gains/losses arising during the period	9	34	–4 956	–658	–	–5 580	4	–2	–	1	–5 579
Share of other comprehensive income of associates	15	–	–	–	0	0	–	–	–	–	0
Gains/losses transferred to the income statement	8,9	–	–239	0	63[1]	–175	–	–	–	–	–175
Effects of											
policyholder participation		–	2 962	323	–37	3 248	–3	2	–	–2	3 246
shadow accounting		–	92	12	1	105	0	–	–	0	104
income tax		0	478	71	–7	542	0	–1	–	–1	541
foreign currency translation differences		–	6	0	0	6	1	0	–	1	6
Net other comprehensive income before non-controlling interests		34	–1 658	–252	20	–1 855	0	–1	–	–1	–1 856
Non-controlling interests		0	0	0	0	0	0	0	–	0	0
NET OTHER COMPREHENSIVE INCOME		34	–1 658	–252	20	–1 856	0	–1	–	–1	–1 857

[1] Amount relates to debt securities reclassified to loans in 2008 (note 13)

Retained earnings

Retained earnings comprise accumulated retained earnings of the Group entities which have not been distributed to the shareholders. The distribution of profit is subject to restrictions in the various jurisdictions where the Group entities are located.

The Group's insurance subsidiaries are subject to regulatory restrictions on the amount of dividends, cash loans and advances which can be remitted to the Group. Certain foreign jurisdictions have restrictions that allow the payment of dividends but may cause a delay in their remittance. Dividends payable are not accrued until they have been ratified at the General Meeting.

Non-controlling interests

Summarised financial information for subsidiaries with material non-controlling interests is as follows:

In CHF million	SwissLife Banque Privée Paris		TECHNOPARK Real Estate LTD Zurich	
	2014	2013	2014	2013
Principal place of business	France	France	Switzerland	Switzerland
Ownership interests held by non-controlling interests	40.0%	40.0%	33.3%	33.3%
Voting rights held by non-controlling interests	40.0%	40.0%	33.3%	33.3%
SUMMARISED FINANCIAL INFORMATION BEFORE INTRAGROUP ELIMINATIONS				
Current assets	768	1 287	11	11
Non-current assets	376	194	184	185
Current liabilities	–1 048	–1 389	–58	–58
Non-current liabilities	–9	–9	–19	–19
NET ASSETS	86	83	118	118
Accumulated non-controlling interests	35	33	39	39
Revenue	91	65	9	12
Profit or loss	6	1	4	6
Total comprehensive income	3	3	4	6
Profit or loss allocated to non-controlling interests	2	0	1	2
Net cash flows from operating activities	59	123	5	6
Net cash flows from investing activities	–10	–32	–1	0
Net cash flows from financing activities	6	0	–4	–1
NET CHANGE IN CASH AND CASH EQUIVALENTS	55	91	0	4
Dividends paid to non-controlling interests	–	–	1	–

27 Capital Management

Swiss Life's objectives when managing capital are as follows: to comply with the regulatory capital requirements, to define and manage economic capital and to fulfil the company's target on rating capital. The company also actively manages the composition and quality of the capital to continuously optimise its capital structure and interest cover ratio.

Regulatory requirements

In accordance with the federal act on the supervision of insurance companies and corresponding decree, Swiss Life reports to the Swiss Financial Market Supervisory Authority FINMA. The reporting covers risk management as outlined in note 5, Group Solvency I, legal structure, management organisation and intra-group transactions. The reporting is submitted on an ad-hoc, monthly, half-yearly or yearly basis depending on the topic and is reviewed on a yearly basis by the statutory auditor according to the legal requirements. As at 31 December 2014 and 2013, Swiss Life was compliant with the legal requirements.

In addition to the Group's solvency requirements, the Solvency I and other statutory constraints at local level are considered to address the specific situation of each country and business unit.

28 Acquisitions and Disposals of Subsidiaries

Assets and liabilities from acquisitions

In CHF million

	Notes	2014	2013
CONSIDERATION			
Cash consideration		**251**	68
TOTAL CONSIDERATION		**251**	68
Fair value of equity interest(s) held before acquisition		**–**	43
TOTAL		**251**	111
ACQUISITION-RELATED COSTS			
Commission expense		**4**	–
Other expenses		**–**	0
TOTAL		**4**	0
IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED			
Cash and cash equivalents		**29**	5
Financial assets available for sale		**–**	19
Loans and receivables		**34**	1
Investment property	14	**–**	183
Investments in associates		**4**	–
Property and equipment	16	**1**	0
Intangible assets including intangible insurance assets	17	**83**	17
Other assets		**120**	0
Derivatives		**0**	–
Borrowings		**–**	–54
Financial liabilities		**–86**	–4
Employee benefit liabilities		**–27**	–
Provisions	25	**–3**	0
Deferred income tax liabilities		**–12**	–24
Other liabilities		**–9**	–2
TOTAL IDENTIFIABLE NET ASSETS		**134**	141
Non-controlling interests		**0**	–38
Goodwill	17	**117**	8
TOTAL		**251**	111
ACQUIRED LOANS AND RECEIVABLES			
Fair value		**34**	1
Gross contractual amounts receivable		**34**	1
Estimated uncollectible cash flows		**0**	–

In October 2014, the Swiss Life Group acquired a 100% share in CORPUS SIREO Holding GmbH & Co. KG, Cologne, the leading independent real estate asset management service provider in Germany. Goodwill arose on the acquisition because of expected synergies and leveraging effects with existing business.

In November 2013, the Swiss Life Group increased its share in Prigest, Paris, from 25% to 100%.

In July 2013, the Swiss Life Group increased its share in TECHNOPARK Real Estate LTD, Zurich, from 33.3% to 66.6%.

In 2014 and 2013, no significant disposals of subsidiaries took place.

29 Related Party Transactions

Consolidated statement of income

In CHF million	Associates	Key management personnel	Other	Total 2014	Total 2013
Net earned premiums	1	–	–	1	1
Asset management and other commission income	1	–	–	1	0
Investment income	0	–	–	0	0
Other income	0	–	–	0	–
Interest expense	–	–	0	0	0
Commission expense	–1	–	–	–1	–1
Employee benefits expense	–	–19	–	–19	–20

Consolidated balance sheet

In CHF million	Associates	Key management personnel	Other	Total 31.12.2014	Total 31.12.2013
Loans and receivables	9	–	–	9	3
Borrowings	–	–	–1	–1	–1
Other financial liabilities	–2	–	–	–2	–1

For the years ended 31 December 2014 and 2013, no impairment allowance has been made for doubtful debts in respect of the amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Guarantees and commitments

In CHF million	Associates	Key management personnel	Other	Total 31.12.2014	Total 31.12.2013
Guarantees provided	4	–	–	4	–

"Guarantees provided" relates to a bank loan granted to an associated company of the Group in relation to property under construction.

Key management compensation

In CHF million	2014	2013
Short-term employee benefits	13	14
Post-employment benefits	2	2
Equity-settled share-based payments	4	4
TOTAL	19	20

Key management comprises the members of the Board of Directors of Swiss Life Holding and the members of the Corporate Executive Board of Swiss Life Holding. These individuals have the authority and responsibility for planning, directing and controlling the activities of the Swiss Life Group, directly or indirectly.

The details regarding key management compensation in accordance with the Swiss Code of Obligations, Article 663b^{bis} and Article 663c and the Federal Ordinance against Excessive Compensation in Listed Stock Companies are set out in the Compensation Report, which forms part of the Corporate Governance section of the Annual Report 2014 of the Swiss Life Group.

30 Fair Value Measurements

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

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

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

30.1 Assets and liabilities measured at fair value on a recurring basis

Financial instruments

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

Fair value hierarchy

In CHF million	Quoted prices (level 1)		Valuation technique – observable inputs (level 2)		Valuation technique – unobservable inputs (level 3)		Total	
	31.12.2014	31.12.2013	**31.12.2014**	31.12.2013	**31.12.2014**	31.12.2013	**31.12.2014**	31.12.2013
FINANCIAL ASSETS								
Derivatives								
Currency	**1**	0	**64**	361	**–**	–	**66**	361
Interest rate	**–**	–	**1 880**	641	**–**	–	**1 880**	641
Equity	**408**	266	**4**	0	**–**	–	**412**	267
Total derivatives	**409**	266	**1 949**	1 002	**–**	–	**2 358**	1 268
Debt instruments								
Government/Supranational	**44 115**	34 254	**419**	478	**–**	–	**44 534**	34 732
Corporate	**45 045**	41 757	**836**	932	**79**	140	**45 960**	42 829
Other	**123**	127	**15**	14	**–**	–	**139**	141
Total debt instruments	**89 283**	76 138	**1 270**	1 425	**79**	140	**90 633**	77 702
Equity instruments								
Equity securities	**1 673**	549	**67**	64	**229**	235	**1 969**	848
Investment funds	**4 368**	4 046	**845**	235	**568**	504	**5 781**	4 784
Alternative investments	**0**	7	**63**	48	**1 042**	750	**1 105**	805
Total equity instruments	**6 041**	4 601	**975**	348	**1 838**	1 488	**8 854**	6 437
Financial assets pledged as collateral	**2 763**	1 999	**–**	–	**–**	–	**2 763**	1 999
Assets attributable to non-controlling interests of investment funds	**364**	2 078	**299**	–	**427**	280	**1 090**	2 358
Assets for the account and risk of the Swiss Life Group's customers	**24 369**	22 224	**857**	911	**3 750**	2 924	**28 975**	26 059
TOTAL FINANCIAL ASSETS	**123 230**	107 306	**5 349**	3 686	**6 094**	4 832	**134 673**	115 824
INVESTMENTS IN ASSOCIATES								
Associates at fair value through profit or loss	**–**	–	**212**	195	**7**	10	**219**	205
FINANCIAL LIABILITIES								
Derivatives								
Currency	**2**	0	**1 185**	118	**–**	–	**1 187**	118
Interest rate	**–**	–	**868**	612	**–**	–	**868**	612
Equity	**82**	84	**1**	–	**–**	–	**83**	84
Other	**–**	–	**27**	–	**–**	–	**27**	–
Total derivatives	**85**	84	**2 080**	730	**–**	–	**2 165**	814
Investment contracts without discretionary participation	**–**	–	**262**	193	**–**	–	**262**	193
Unit-linked contracts	**–**	–	**24 212**	22 329	**113**	107	**24 325**	22 436
Share of net assets of investment funds attributable to non-controlling interests	**–**	–	**663**	2 078	**427**	280	**1 090**	2 358
TOTAL FINANCIAL LIABILITIES	**85**	84	**27 217**	25 331	**540**	387	**27 842**	25 801

The fair value hierarchy of assets for the account and risk of the Swiss Life Group's customers is consistent with the categorisation of assets for the account and risk of the Swiss Life Group.

The following sections outline the valuation techniques and significant inputs used in the fair value measurement of financial instruments categorised within level 2 and level 3 of the fair value hierarchy.

Level 2: Valuation techniques and inputs

Level 2 financial instruments carried at fair value include debt instruments, equity securities, investment funds, alternative investments, over-the-counter derivatives as well as investments in associates.

Debt instruments: Debt instruments categorised as level 2 of the fair value hierarchy comprise government, supranational, and corporate bonds for which prices are only available on an irregular basis or with a significant time lag. The price for such assets is obtained from an independent, acknowledged market data provider, which refers to quotes of recent transactions with the same or similar, actively traded bonds and systematically derives a comparable price for those less liquid securities. Alternatively, if such a derived price is missing, level 2 fair values of debt instruments are measured on a discounted cash flow basis using risk-adjusted discount factors. Main inputs to determine the discount factor are zero coupon yield curves and observable, rating-implied flat spreads to account for credit risk.

Equity securities: Equity securities categorised as level 2 of the fair value hierarchy comprise unlisted equities for which the prices are not available in the exchange market. The instruments are evaluated by counterparties or third-party independent agencies based on market consistent valuation parameters.

Investment funds: Some fair value measurements of fund units, including unlisted fixed income funds, are only available on an irregular basis and are therefore categorised as level 2. Prices are provided by independent external market data providers who measure the fair value using market-consistent parameters.

Alternative investments: Alternative investments classified as level 2 assets comprise hedge fund of funds, infrastructure funds, and leveraged loans funds that are based on third-party quotes substantiated by observable market data such as recent transactions or valuation techniques that reflect the market participant's assumptions. The level 2 classification is chosen because those funds maintain an irregular basis of price and are evaluated with some time lag.

Over-the-counter derivatives: Level 2 fair values of over-the-counter derivatives on currencies, interest rates, and equities are based on theoretical valuations with observable market data from well-known data providers as inputs. The fair value measurement is based on acknowledged, well-established models. In certain cases, the market quotes used in those models may be slightly adjusted to better reflect specific market behaviour, e.g. volatility smiles.

Currency derivatives:
- Foreign currency options are valued on the basis of the Garman-Kohlhagen model with the spot foreign exchange rate, the interest rates of the underlying currencies and the foreign exchange rate volatility as main inputs.
- The fair value of foreign currency forwards is derived from the foreign exchange spot rate and actively traded foreign exchange ticks.

Interest rate derivatives:
- Interest rate swaps are valued on a discounted cash flow basis. Main inputs used to derive the discount factors are the overnight index/deposit/swap rates.
- Swaptions are theoretically valued with the Black model. Main inputs are the current par swap rate that is calculated out of the standard yield curve and the implied volatility that is derived from observable at-the-money swaption volatility curves.
- Forward starting bonds are valued on a cost-of-carry basis using the discounted cash flow method. Main inputs to calculate the current forward rate are the spot price of the underlying bond and the discount factors to coupon payment dates/maturity date.

Equity derivatives:
Over-the-counter equity-index options are theoretically valued using the Black-Scholes model. Main inputs are the current spot value and the dividend yield of the underlying index. The implied volatility is taken from similar exchange-traded equity index options.

Other derivatives:
Other derivatives mainly comprise credit default swap indices. CDS indices are valued using the discounted cash flow method for the fee and the contingent leg. Main inputs for the valuation are the swap curve and the CDS par spreads quoted in the market.

In the exceptional case that a theoretical valuation of an OTC derivative is not available in Swiss Life's asset management system the fair value is provided by counterparties. The appropriateness of such quotes is validated by Swiss Life off system based on established models using observable market data as input.

Investments in associates: The associate is categorised as level 2 of the fair value hierarchy as the entity holds investments that qualify inherently as level 1 financial instruments.

Level 3: Valuation techniques and inputs

The exposure of level 3 financial instruments primarily consists of alternative investments (private equity, hedge funds) and real estate funds.

Debt instruments: Debt instruments categorised as level 3 of the fair value hierarchy mainly comprise instruments with embedded derivatives to guarantee the participation on a defined underlying (hedge fund of fund or equity basket). The valuation, which is provided by banks, is derived from valuation techniques that take into account the market value of the underlying assets, transaction prices and other information such as market participants' assumptions.

Equity securities: The fair values of equity securities, which are not traded in an active market and are determined using unobservable inputs, classify as level 3 within the fair value hierarchy. These fair values are based on generally accepted valuation techniques. Valuation techniques aim at using a maximum of market inputs and include discounted cash flow analysis (e.g. profit situation, investment plans, investment property) and other valuation techniques commonly used by market participants.

Investment funds: Level 3 fair values of investment funds are primarily related to real estate funds. The valuation of the underlying property investments is done by independent appraisers using generally accepted valuation techniques (mainly discounted cash flow). The appraisers consider the general economic situation and the individual condition of the property investments. Main input factors applied in the discounted cash flow method are estimates on rental income and vacancies, projections of non-recoverable running costs (e.g. property taxes), maintenance costs, and risk-adjusted discount rates, which are determined individually for each property.

Alternative investments: The fair values of private equity investments are based on generally accepted valuation techniques. Valuation techniques use a maximum of market inputs and include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. Because of the inherent valuation uncertainty, those estimated fair values may differ significantly from the values that would be used if a ready market for the financial assets existed, and those differences could be material. The fair values are determined by the general partner in the partnership and reviewed by management. In determining the fair value of fund investments, the partnership considers the funds as transparent holding vehicles. The fair values of the underlying investments are determined using the general partner valuation. These fair value measurements are generally categorised as level 3 within the fair value hierarchy.

To measure the fair value of hedge funds for which no quoted market price is available, valuation techniques are used that take into account the market value of the underlying assets, transaction prices and other information.

Investments in associates: The valuation methods of investments in associates categorised as level 3 of the fair value hierarchy are identical to the methods outlined for level 3 private equity investments.

Financial liabilities

Investment contracts without discretionary participation: The fair value of investment contracts, which are carried at fair value, is measured using market consistent, risk-neutral economic option price models, i.e. Monte Carlo simulations based on scenarios of capital market variables (share price and interest rate indices, interest rates and foreign currency rates). These inputs to fair value measurements are generally categorised as level 2 within the fair value hierarchy.

Unit-linked contracts: The fair value of liabilities arising from unit-linked insurance and investment contracts is measured by reference to the fair value of the underlying assets. Unit-linked contract liabilities are generally categorised as level 2, except for contracts that are backed predominantly by assets categorised within level 3 of the fair value hierarchy.

Investment property

The following table shows the fair value hierarchy of investment property as at 31 December:

In CHF million	Quoted prices (level 1)		Valuation technique – observable inputs (level 2)		Valuation technique – unobservable inputs (level 3)		Total	
	31.12.2014	31.12.2013	**31.12.2014**	31.12.2013	**31.12.2014**	31.12.2013	**31.12.2014**	31.12.2013
Commercial	–	–	–	–	**6 642**	6 519	**6 642**	6 519
Residential	–	–	–	–	**7 215**	6 677	**7 215**	6 677
Mixed use	–	–	–	–	**5 739**	5 321	**5 739**	5 321
TOTAL INVESTMENT PROPERTY	–	–	–	–	**19 596**	18 517	**19 596**	18 517

Level 3: Valuation techniques and inputs

Discounted cash flow models used for investment property consider the present value of net cash flows to be generated from the property, taking into account expected rent growth rate, vacancy rate, rent-free periods, other costs not paid by tenants, maintenance costs and investment plans. The expected net cash flows are discounted using risk-adjusted discount rates. Location- and property-related criteria are reflected in the discount rate for each property. The criteria reflect the micro- and macro-location characteristics as well as the relevant parameters of the current management situation.

Trends in fair value are determined by various fundamental parameters. A distinction has to be made between property-specific factors and exogenous factors that relate to the real estate and finance market environments. Changes in the property management situation on both the income and the cost side directly trigger an adjustment in the reported market value. Key determinants are new and expiring leases, change in the vacancy situation, as well as movements in running, maintenance and repair costs. Developments in the relevant local real estate market have an impact on the calculation of potential rental values. Changes in the capital or transaction markets have an influence on discount rates. Property ageing is another key factor.

Significant unobservable inputs

	Switzerland		Other countries	
	2014	2013	**2014**	2013
Rent growth p.a.	**1.0–3.0%**	1.0–3.0%	–	–
Long-term vacancy rate	**4.0–7.0%**	4.0–6.0%	–	–
Discount rate	**3.1–5.0%**	3.2–5.0%	**3.3–9.1%**	3.5–9.9%
Market rental value p.a. (price/m^2/year)	–	–	**EUR 130–590**	EUR 115–737

Significant increases or decreases in estimated rental value and rent growth per annum would result in a higher or lower fair value of the properties. Significant decreases or increases in long-term vacancy rate and discount rate would result in a higher or lower fair value.

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

Assets measured at fair value based on level 3 for the year 2014

In CHF million	Derivatives	Debt instruments		Equity instruments		Financial assets for the account and risk of the Swiss Life Group's customers	Associates at fair value through profit or loss	Investment property	Total
		At fair value through profit or loss	Available for sale	At fair value through profit or loss[1]	Available for sale				
Balance as at 1 January	–	**139**	**1**	**665**	**1 103**	**2 924**	**10**	**18 517**	**23 359**
Total gains/losses recognised in profit or loss	–	**5**	**–18**	**27**	**36**	**577**	**0**	**288**	**915**
Total gains/losses recognised in other comprehensive income	–	–	**0**	–	**78**	–	–	–	**78**
Purchases	–	**0**	**50**	**555**	**56**	**521**	–	**1 659**	**2 841**
Sales	–	**–96**	–	**–58**	**–181**	**–238**	**–4**	**–809**	**–1 387**
Foreign currency translation differences	–	**–2**	–	**–7**	**–9**	**–35**	–	**–58**	**–110**
BALANCE AS AT END OF PERIOD	–	**46**	**33**	**1 182**	**1 083**	**3 750**	**7**	**19 596**	**25 697**
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	–	**3**	**–18**	**25**	**–20**	**577**	**0**	**278**	**845**

[1] including assets attributable to non-controlling interests of investment funds

Assets measured at fair value based on level 3 for the year 2013

In CHF million	Derivatives	Debt instruments		Equity instruments		Financial assets for the account and risk of the Swiss Life Group's customers	Associates at fair value through profit or loss	Investment property	Total
		At fair value through profit or loss	Available for sale	At fair value through profit or loss[1]	Available for sale				
Balance as at 1 January	–	154	4	308	759	68	11	16 225	17 529
Total gains/losses recognised in profit or loss	–	6	0	10	40	5	1	505	567
Total gains/losses recognised in other comprehensive income	–	–	0	–	33	–	–	–	33
Purchases	–	1	–	111	159	477	–	2 685	3 433
Sales	–	–43	–3	–34	–166	–14	–2	–938	–1 201
Transfers into level 3	–	20	–	271	276	2 416	–	–	2 982
Foreign currency translation differences	–	2	0	–1	1	–27	–	41	16
BALANCE AS AT END OF PERIOD	–	139	1	665	1 103	2 924	10	18 517	23 359
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	–	5	0	5	–9	4	1	481	488

[1] including assets attributable to non-controlling interests of investment funds

During 2014, debt securities of CHF 197 million were transferred from level 1 into level 2 due to reduced frequency of price quotations, and debt securities of CHF 321 million were transferred from level 2 into level 1 due to available quoted prices. Changes in fund pricing frequency (daily/weekly) resulted in the following transfers of investment funds during 2014: CHF 493 million from level 1 into level 2, and CHF 63 million from level 2 into level 1.

Due to the adoption of IFRS 13 Fair Value Measurement in 2013 the fair value hierarchy for equity instruments was subject to a review. This resulted in the transfers of equity securities of CHF 67 million from level 2 into level 3, and transfers of investment funds of CHF 480 million from levels 1 and 2 into level 3. In addition, assets for the account and risk of the Swiss Life Group's customers of CHF 2416 million were transferred from level 2 into level 3. Debt securities of CHF 20 million were transferred from level 2 into level 3 as the predominant inputs are no longer derived from market observable inputs.

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

Liabilities measured at fair value based on level 3 for the year 2014

In CHF million	Derivatives	Investment contracts without discretionary participation	Unit-linked contracts	Share of net assets of investment funds attributable to non-controlling interests	Total
Balance as at 1 January	–	–	**107**	**280**	**387**
Total gains/losses recognised in profit or loss	–	–	**0**	**0**	**0**
Issues	–	–	**1**	**148**	**149**
Settlements	–	–	**5**	–	**5**
Foreign currency translation differences	–	–	**0**	**–1**	**–1**
BALANCE AS AT END OF PERIOD	–	–	**113**	**427**	**540**
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	–	–	**0**	**0**	**0**

Liabilities measured at fair value based on level 3 for the year 2013

In CHF million	Derivatives	Investment contracts without discretionary participation	Unit-linked contracts	Share of net assets of investment funds attributable to non-controlling interests	Total
Balance as at 1 January	–	–	68	–	68
Total gains/losses recognised in profit or loss	–	–	39	7	46
Issues	–	–	1	291	292
Settlements	–	–	–	–19	–19
Foreign currency translation differences	–	–	0	–	0
BALANCE AS AT END OF PERIOD	–	–	107	280	387
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	–	–	39	7	46

Gains/losses recognised in profit or loss

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

In CHF million	Net gains/losses on financial assets		Net gains/losses on financial instruments at fair value through profit or loss		Net gains/losses on investment property	
	2014	2013	**2014**	2013	**2014**	2013
ASSETS						
Total gains/losses recognised in profit or loss	**18**	40	**609**	22	**288**	505
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	**–38**	–9	**605**	15	**278**	481
LIABILITIES						
Total gains/losses recognised in profit or loss	**–**	–	**0**	–46	**–**	–
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	**–**	–	**0**	–46	**–**	–

30.2 Fair value of financial instruments carried at amortised cost

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

In CHF million	Carrying amount		Fair value	
	31.12.2014	31.12.2013	**31.12.2014**	31.12.2013
ASSETS				
Loans	**23 348**	21 786	**27 107**	23 405
Receivables [1]	**4 600**	3 763	**4 600**	3 763
LIABILITIES				
Investment contracts without discretionary participation	**11**	36	**11**	36
Borrowings	**3 798**	3 677	**4 021**	3 991
Other financial liabilities [1]	**12 056**	9 040	**12 056**	9 040

[1] Carrying amount approximates fair value

Fair value hierarchy

In CHF million	Quoted prices (level 1)		Valuation technique – observable inputs (level 2)		Valuation technique – unobservable inputs (level 3)		Total fair value	
	31.12.2014	31.12.2013	**31.12.2014**	31.12.2013	**31.12.2014**	31.12.2013	**31.12.2014**	31.12.2013
ASSETS								
Loans	**6 991**	7 170	**12 058**	9 432	**8 058**	6 804	**27 107**	23 405
LIABILITIES								
Investment contracts without discretionary participation	**–**	–	**11**	36	**–**	–	**11**	36
Borrowings	**2 494**	2 583	**1 527**	1 409	**–**	–	**4 021**	3 991

Receivables and other financial liabilities

The carrying amounts of receivables and other financial liabilities represent a reasonable estimate of fair value as the effect of discounting is immaterial and changes in credit risk are not significant. Such instruments include insurance receivables and payables, demand and short-term deposits and repurchase agreements. The disclosure of the fair value hierarchy is not applicable for these instruments.

Loans

Level 1: This category consists of debt securities reclassified from financial assets available for sale due to the disappearance of an active market and where the market has become active again. Additionally, debt securities not quoted in an active market at initial recognition and where the market has become active again are included in this category.

Level 2: This category mainly consists of note loans (Schuldscheindarlehen) classified as loans. The fair values are measured on a discounted cash flow basis with zero coupon yield curves and credit spreads as main inputs.

Level 3: The fair values of mortgages and other loans are estimated using the discounted cash flow method.

For mortgages, the discount factors are derived from the libor/swap curve and a flat spread. Contract-specific spreads are based on an internal model that covers both risk and administration costs. Main inputs to that model are characteristics of the underlying property, the financial situation of the debtor, and the duration of the contract. If no contract-specific spread is available a standard spread is applied that shall cover the marketability disadvantages and the administration costs as mortgages are less standardised and tradable than exchanged-traded bonds.

The discount factors for other loans are derived from the Group's current lending rates for similar loans. For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values equal the carrying values.

Investment contracts without discretionary participation

Level 2: The fair value of investment contracts without discretionary participation is estimated using discounted cash flow calculations based upon interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. The fair values of deposits are equal to the amount payable on demand or the carrying amount. The carrying amounts of variable-rate deposits approximate their fair values at the reporting date.

Borrowings

Level 1: This category consists of hybrid debt listed on the stock exchange.

Level 2: Privately placed hybrid debt, the liability component of the convertible debt and bank loans are categorised as level 2. The fair value of Swiss Life's privately placed hybrid debt (subordinated step-up loans) is calculated as the present value of the prospective cash flows to the lenders. The discount rate used for the calculation consists of a relevant government bond rate plus a credit spread. The fair value of the liability component of the convertible debt is calculated as the present value of the prospective cash flows to the bondholders. The discount rate used for the calculation is based on the yield-to-maturity of outstanding straight senior bonds issued by Swiss Life Holding. The fair value of the bank loans secured by mortgage is estimated using discounted cash flow calculations based upon the Group's current borrowing rates for similar borrowings with remaining maturities consistent with the debt being valued.

31 Offsetting Financial Assets and Liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

Offsetting financial assets

In CHF million	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net amounts
				Financial instruments	Cash collateral received	
AMOUNTS AS AT 31 DECEMBER 2014						
Derivatives	**2 358**	**–**	**2 358**	**–571**	**–1 756**	**31**
TOTAL	**2 358**	**–**	**2 358**	**–571**	**–1 756**	**31**
AMOUNTS AS AT 31 DECEMBER 2013						
Derivatives	1 268	–	1 268	–498	–693	77
Other financial instruments	92	–92	–	–	–	–
TOTAL	1 360	–92	1 268	–498	–693	77

Offsetting financial liabilities

In CHF million	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amounts
				Financial instruments	Cash collateral pledged	
AMOUNTS AS AT 31 DECEMBER 2014						
Derivatives	**2 165**	**–**	**2 165**	**–571**	**–1 265**	**329**
Repurchase agreements	**2 780**	**–**	**2 780**	**–2 763**	**–**	**17**
TOTAL	**4 944**	**–**	**4 944**	**–3 334**	**–1 265**	**345**
AMOUNTS AS AT 31 DECEMBER 2013						
Derivatives	814	–	814	–498	–264	53
Repurchase agreements	2 054	–	2 054	–1 999	–	55
Other financial instruments	92	–92	–	–	–	–
TOTAL	2 960	–92	2 868	–2 497	–264	107

32 Guarantees and Commitments

In CHF million

	31.12.2014	31.12.2013
Financial guarantees	**42**	45
Loan commitments	**242**	170
Private equity commitments	**95**	115
Other capital commitments	**511**	727
Operating lease commitments	**136**	100
Contractual obligations to purchase or construct investment property	**1 253**	210
Other contingent liabilities and commitments	**451**	437
TOTAL	**2 730**	1 804

Future minimum lease payments under non-cancellable operating leases – lessee

In CHF million

	31.12.2014	31.12.2013
Not later than 1 year	**38**	20
Later than 1 year and not later than 5 years	**93**	66
Later than 5 years	**5**	14
TOTAL	**136**	100

Financial guarantees

The Group has issued financial guarantees and similar instruments. Financial guarantees provide for specified payments to be made to reimburse the holder for a loss incurred in the event that a client fails to make payment when due.

Loan commitments

The Group has also entered into irrevocable commitments to extend credit in the form of loans and other instruments. They represent undrawn credit lines which are available to clients to secure their liquidity needs. With respect to credit risk, these commitments are contingent upon clients maintaining certain credit standards, and the Group monitors its exposure on a regular basis.

The total amount of credit commitments includes commitments to lend at fixed rates, which expose the Group to interest rate risk. These commitments are entered into for restricted periods of time. As at 31 December 2014, committed principal amounts stood at EUR 30 million and CHF 165 million (2013: EUR 57 million and CHF 72 million). The range of committed interest rates is 2.5% to 4.7% for commitments in euro and 1.0% to 2.7% for commitments in Swiss francs.

Private equity commitments

Private equity commitments represent unfunded commitments to make investments in direct private equity or private equity funds. Such commitments do not involve credit or market risk, as the Group purchases investments at market value at the time the commitments are invoked.

Other capital commitments

Other capital commitments include commitments to make investments (capital calls) and agreements to provide liquidity to protection funds in the insurance industry.

Operating lease commitments

The Group has entered into various operating leases as a lessee. Rental expenses recognised in income for these items totalled CHF 39 million for the year ended 31 December 2014 (2013: CHF 39 million). Minimum lease payments totalled CHF 39 million in 2014 (2013: CHF 39 million).

Other contingent liabilities and commitments

Contractual obligations for repairs and maintenance of investment property amounted to CHF 182 million as at 31 December 2014, which are included in this line item (2013: CHF 89 million).

Legal proceedings

The Group is involved in various legal proceedings, claims and litigation generally relating to its insurance operations. The outcome of such current legal proceedings, claims and litigation could have a material effect on operating results or cash flows when resolved in a future period. However, in the opinion of the management these matters are adequately provided for as at the balance sheet date.

33 Collateral

Assets pledged as collateral

The following table provides details of financial assets which have been sold or otherwise transferred, but which do not qualify for derecognition because substantially all risks and rewards of ownership are retained. Repurchase agreements and securities lending transactions are discussed in notes 2.7 and 12. Securities pledged under other transactions include debt securities pledged as collateral under reinsurance contracts issued and debt securities pledged as collateral under prime broker contracts to cover margins due in respect of derivative transactions. Other financial assets pledged include cash collateral provided for OTC derivative liabilities.

In CHF million	Pledged amount		Fair value	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Securities under repurchase agreements [1]	**2 763**	1 999	**2 763**	1 999
Securities lent in exchange for securities received	**4 571**	3 624	**4 571**	3 624
Securities under derivative and other transactions	**2 392**	2 041	**2 392**	2 041
Other financial assets	**1 299**	315	**1 299**	315
Investment property	**428**	192	**–**	–
Inventory property	**124**	–	**–**	–
TOTAL	**11 577**	8 171	**11 025**	7 979
1) of which can be sold or repledged by transferee	**2 763**	1 999	**2 763**	1 999

Collateral held

The Group holds marketable securities as collateral in respect of the following transactions:

In CHF million	Fair value	
	31.12.2014	31.12.2013
Securities received as collateral in exchange for securities lent	**4 810**	3 840
Securities received under derivative and other transactions	**1 853**	744
TOTAL	**6 662**	4 584

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

In CHF million

	31.12.2014	31.12.2013
Not later than 1 year	**336**	348
Later than 1 year and not later than 5 years	**1 014**	1 249
Later than 5 years	**952**	1 434
TOTAL	**2 303**	3 032
Contingent rents recognised in profit or loss	**0**	0

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

35 Events after the Reporting Period

On 15 January 2015 the Swiss National Bank announced that it was discontinuing the minimum exchange rate of 1.20 Swiss francs per euro. The amounts reported in these Consolidated Financial Statements do not reflect any changes in foreign currency exchange rates after 31 December 2014. At the balance sheet date the Swiss insurance operation was to a large extent hedged with regard to foreign currency exposure against the euro.

The weakening of the euro against the Swiss franc since 15 January 2015 has negatively impacted foreign currency translation differences in equity as well as the results of the Group's foreign operations when reported in Swiss francs. If at the balance sheet date the exchange rate had been 1.05 Swiss francs per euro, total equity would have been lower by approx. CHF 440 million. The negative effect on total equity is compensated by the decision of the Swiss National Bank to lower interest rates and the resulting effect on fair value gains/losses on the Group's debt securities.

Translation of the Group's net profit would have been lower by approx. CHF 35 million in 2014 if the average exchange rate had been 1.05 Swiss francs per euro.

36 Scope of Consolidation

Switzerland

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Adroit Private Equity AG, Zürich	CH		100.0%	100.0%	Private equity
aXenta AG, Baden-Dättwil	CH		100.0%	100.0%	Information technology
GENBLAN AG, Zürich	CH		100.0%	100.0%	Real estate
Livit AG, Zürich	AM		100.0%	100.0%	Asset management & Real estate
Livit FM Services AG, Zürich	AM		100.0%	100.0%	Services
Neue Warenhaus AG, Zürich	CH		100.0%	100.0%	Real estate
Oscar Weber AG, Zürich	CH		100.0%	100.0%	Real estate
Oscar Weber Holding AG, Zürich	CH		100.0%	100.0%	Asset management & Real estate
Swiss Life AG, Zürich	CH		100.0%	100.0%	Life insurance
Swiss Life Asset Management AG, Zürich	AM		100.0%	100.0%	Asset management
Swiss Life Capital Holding AG, Zürich	Other		100.0%	100.0%	Holding
Swiss Life Funds AG, Lugano	AM		100.0%	100.0%	Finance
Swiss Life Holding AG, Zürich	Other		–	–	Holding
Swiss Life Intellectual Property Management AG, Zürich	Other		100.0%	100.0%	Services
Swiss Life International Holding AG, Zürich	Other		100.0%	100.0%	Holding
Swiss Life International Services AG, Schaan, Branch Zürich, Zürich	IN		100.0%	100.0%	Services
Swiss Life Investment Management Holding AG, Zürich	AM		100.0%	100.0%	Holding
Swiss Life Pension Services AG, Zürich	CH		100.0%	100.0%	Services
Swiss Life Private Equity Partners AG, Zürich	AM		100.0%	100.0%	Asset management
Swiss Life REIM (Switzerland) AG (formerly Swiss Life Property Management AG), Zürich	AM		100.0%	100.0%	Asset management
Swiss Life Products (Luxembourg) S.A., Strassen, Branch Zürich, Zürich	DE	until 26.08.2014	–	–	
Swiss Life Schweiz Holding AG, Zürich	CH		100.0%	100.0%	Holding
Swiss Life Select International Holding AG, Zürich	IN	from 01.02.2013	100.0%	100.0%	Holding
Swiss Life Select Schweiz AG, Zug	CH		100.0%	100.0%	Services
Swissville Centers Holding AG, Zürich	CH		100.0%	100.0%	Holding
Swissville Commerce AG, Zürich	CH		100.0%	100.0%	Real estate
TECHNOPARK Immobilien AG, Zürich	CH	from 23.07.2013	66.7%	66.7%	Real estate

Liechtenstein

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Swiss Life (Liechtenstein) AG, Schaan	IN		100.0%	100.0%	Life insurance
Swiss Life International Services AG, Schaan	IN		100.0%	100.0%	Services

[1] Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

France

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
AGAMI, Levallois-Perret	FR		100.0%	100.0%	Services and broker
ATIM Université SCI, Levallois-Perret	FR		100.0%	100.0%	Real estate
AXYALIS PATRIMOINE, Valence	FR		76.8%	96.0%	Services
Carte Blanche Partenaires, Paris	FR		61.0%	61.1%	Services
Cegema, Villeneuve-Loubet	FR		99.0%	99.0%	Broker
CGPI 2014, Levallois-Perret	FR		100.0%	100.0%	Asset management
Financière du Capitole, Balma	FR		80.0%	80.0%	Finance
Financière du Patrimoine, Balma	FR		80.0%	100.0%	Real estate
MA Santé Facile, Levallois-Perret	FR		100.0%	100.0%	Services and broker
PRIGEST, Paris	FR	until 29.04.2014	–	–	
SAS Placement Direct, Pau	FR		100.0%	100.0%	Services and broker
SCI SWISSLIFE 148 UNIVERSITE, Levallois-Perret	FR		100.0%	100.0%	Real estate
Swiss Life Asset Management (France), Levallois-Perret	AM		100.0%	100.0%	Asset management
SWISS LIFE REIM (France) (formerly Viveris REIM), Marseille	AM		70.1%	70.1%	Asset management
SwissLife Assurance et Patrimoine, Levallois-Perret	FR		100.0%	100.0%	Life insurance
SwissLife Assurances de Biens, Levallois-Perret	FR		100.0%	100.0%	Non-Life insurance
SwissLife Banque Privée, Paris	FR		60.0%	60.0%	Bank
SwissLife Dynapierre, Levallois-Perret	FR		100.0%	100.0%	Real estate
SwissLife France, Levallois-Perret	FR		100.0%	100.0%	Holding
SwissLife Gestion Privée, Paris	FR		60.0%	100.0%	Bank
SwissLife Immobilier, Levallois-Perret	FR		100.0%	100.0%	Real estate
SwissLife Prestigimmo, Levallois-Perret	FR		100.0%	100.0%	Real estate
SwissLife Prévoyance et Santé, Levallois-Perret	FR		99.8%	99.8%	Non-Life insurance

[1] Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Germany

	Segment [1]	Consolidation period		Group share	Direct share	Principal activity
Anatol Acquisition GmbH, Köln	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
AWD Zweite Vermögensverwaltungsgesellschaft mbH, Hannover	DE			100.0%	100.0%	Services
CitCor Commercial Properties Management GmbH, Köln	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
CitCor Residential Verwaltungs GmbH, Düsseldorf	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Asset Management Commercial GmbH, Heusenstamm	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Asset Management Residential GmbH, Köln	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Asset Management Retail GmbH, Köln	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Broadway Acquisition GmbH, Köln	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Holding GmbH & Co. KG, Köln	AM	from	01.10.2014	100.0%	100.0%	Holding
CORPUS SIREO Holding GmbH, Köln	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Commercial No. 6 GmbH, Köln	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Residential Berlin GmbH, Köln	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Residential No. 2 GmbH, Köln	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Residential No. 24 S.à.r.l. – Branch Köln, Köln	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Residential No. 30 GmbH & Co. KG, Köln	AM	from	01.10.2014	99.0%	100.0%	Asset management & Real estate
CORPUS SIREO Makler Frankfurt GmbH, Frankfurt am Main	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Makler GmbH, Köln	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Düsseldorf GmbH, Köln	AM	from	01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Frankfurt-Mitte GmbH, Köln	AM	from	01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Köln-West GmbH, Köln	AM	from	01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Lessingstrasse GmbH, Köln	AM	from	01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung München GmbH, Köln	AM	from	01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Neuenhöfer Allee GmbH, Köln	AM	from	01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Wohnen Bonner Strasse GmbH, Köln	AM	from	01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Wohnen GmbH, Köln	AM	from	01.10.2014	99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Wohnen Residenz GmbH, Köln	AM	from	01.10.2014	99.9%	100.0%	Asset management & Real estate

[1] Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Germany (continued)

	Segment[1]	Consolidation period		Group share	Direct share	Principal activity
DEUTSCHE PROVENTUS AG, Hannover	DE			100.0%	100.0%	Services
Faircompare GmbH, Hannover	DE			100.0%	100.0%	Services
Financial Solutions AG Service & Vermittlung, Garching b. München	DE			100.0%	100.0%	Services
FRECOR Projektentwicklung und Wohnbau GmbH, Köln	AM	from	01.10.2014	76.0%	76.0%	Asset management & Real estate
Horbach Wirtschaftsberatung GmbH, Köln	DE			100.0%	100.0%	Services
IC Investment Commercial No. 5 GmbH, Köln	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
Maicor Projektentwicklung Winterhafen GmbH, Mainz	AM	from	01.10.2014	74.2%	74.2%	Asset management & Real estate
Pegasus Acquisition GmbH, Köln	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
ProVentus Akademie- und Vertriebs GmbH, Hannover	DE			100.0%	100.0%	Services
SELECT Bauprojektentwicklung GmbH, Köln	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
SL Beteiligungs-GmbH & Co. Grundstücksverwaltung KG, Garching b. München	DE			100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien I KG, Garching b. München	DE			100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien II KG, Garching b. München	DE			100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien III KG, Garching b. München	DE			100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien IV KG, Garching b. München	DE	from	22.01.2014	100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien Ost KG, Garching b. München	DE			100.0%	100.0%	Real estate
SL-Immobilien-Beteiligungs-Gesellschaft mbH, Garching b. München	DE			100.0%	100.0%	Holding
SL Private Equity GmbH, Frankfurt am Main	DE			98.9%	98.9%	Private equity
SLPM Schweizer Leben PensionsManagement GmbH, Garching b. München	DE			100.0%	100.0%	Services
SolViva Immobilien GmbH, Köln	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
Swiss Life AG, Garching b. München (Branch Swiss Life AG)	DE			100.0%	100.0%	Life insurance
Swiss Life Asset Management GmbH, Garching b. München	AM			100.0%	100.0%	Services
Swiss Life Assurance Solutions S.A., Branch Germany, München	Other	until	10.03.2014	–	–	
Swiss Life Beteiligungen GmbH, Garching b. München	DE			100.0%	100.0%	Holding
Swiss Life Deutschland erste Vermögensverwaltungs AG (formerly Swiss Life Solutions AG), Garching b. München	DE			100.0%	100.0%	Services
Swiss Life Deutschland Holding GmbH, Hannover	DE			100.0%	100.0%	Holding
Swiss Life Deutschland Operations GmbH, Hannover	DE	from	21.08.2013	100.0%	100.0%	Services
Swiss Life Deutschland Vertriebsgruppe GmbH, Hannover	DE	until	12.11.2013	–	–	
Swiss Life Deutschland Vertriebsholding GmbH, Hannover	DE	until	12.11.2013	–	–	
Swiss Life Deutschland Vertriebsservice GmbH, Hannover	DE	from	21.08.2013	100.0%	100.0%	Services
Swiss Life Gastronomie GmbH, Hannover	DE			100.0%	100.0%	Staff restaurant/Canteen
Swiss Life Insurance Solutions S.A. Branch Germany, München	Other			100.0%	100.0%	Life insurance/Reinsurance
Swiss Life Invest GmbH, München	AM	from	06.06.2013	100.0%	100.0%	Asset management
Swiss Life Partner Service- und Finanzvermittlungs GmbH, Garching b. München	DE			100.0%	100.0%	Services
Swiss Life Pensionsfonds AG, Garching b. München	DE			100.0%	100.0%	Life insurance
Swiss Life Pensionskasse AG, Garching b. München	DE			100.0%	100.0%	Life insurance
Swiss Life Products (Luxembourg) S.A. Branch Germany, München	DE			100.0%	100.0%	Life insurance/Reinsurance
Swiss Life Select Deutschland GmbH, Hannover	DE			100.0%	100.0%	Services
Swiss Life Service GmbH, Leipzig	DE			100.0%	100.0%	Services
Swiss Life Vermittlungs GmbH, Garching b. München	DE			100.0%	100.0%	Services
tecis Finanzdienstleistungen AG, Hamburg	DE			100.0%	100.0%	Services

[1] Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Luxembourg

	Segment [1]	Consolidation period		Group share	Direct share	Principal activity
Basket Fonds (LUX), Luxembourg	AM			–	–	Investment funds
CORPUS SIREO Investment Management S.à.r.l., Luxembourg	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Residential No. 24 S.à.r.l., Luxembourg	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung München II S.à.r.l., Luxembourg	AM	from	26.11.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO RetailCenter Management S.à.r.l., Luxembourg	AM	from	17.12.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO RetailCenter-Fonds Deutschland SICAV-FIS, Luxembourg	AM	from	22.12.2014	100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Trust No. 1 S.à.r.l., Luxembourg	AM	from	01.10.2014	100.0%	100.0%	Asset management & Real estate
Heralux S.A., Luxembourg	FR			99.8%	100.0%	Reinsurance
SWISS LIFE (LUXEMBOURG) S.A., Strassen	IN			100.0%	100.0%	Life insurance
Swiss Life Assurance Solutions S.A., Strassen	Other			100.0%	100.0%	Non-Life insurance
Swiss Life Fund Management (LUX) S.A. (formerly Swiss Life REIM (Luxembourg) S.A.), Strassen	AM			100.0%	100.0%	Investment funds
Swiss Life Funds (Lux) Global Infrastructure Opportunities Management S.à.r.l., Strassen	AM	from	29.04.2013	100.0%	100.0%	Asset management
Swiss Life Funds (Lux) Global Infrastructure Opportunities S.C.A., SICAV-SIF, Luxembourg	AM	from	29.04.2013	100.0%	100.0%	Asset management
Swiss Life Funds (LUX), Luxembourg	AM			–	–	Investment funds
Swiss Life Funds (Lux) Management Company S.A., Luxembourg	AM	until	17.12.2014	–	–	
Swiss Life GIO Holdings S.à.r.l., Strassen	AM	from	07.11.2013	100.0%	100.0%	Asset management
Swiss Life GIO S.à.r.l., Strassen	AM	from	07.11.2013	100.0%	100.0%	Asset management
Swiss Life Immo-Arlon, Société Anonyme, Strassen	Other			100.0%	100.0%	Real estate
Swiss Life Insurance Solutions S.A., Strassen	Other			100.0%	100.0%	Life insurance/Reinsurance
Swiss Life International Pension Fund ASBL, Strassen	IN			–	–	Pension Funds
Swiss Life Invest Luxembourg S.A., Strassen	Other			100.0%	100.0%	Holding
Swiss Life Participations Luxembourg S.A., Strassen	Other			100.0%	100.0%	Holding
Swiss Life Products (Luxembourg) S.A., Strassen	DE			100.0%	100.0%	Life insurance/Reinsurance
Swiss Life Real Estate Management Funds I S.C.S., Strassen	DE	from	05.11.2014	100.0%	100.0%	Real estate
Swiss Life Real Estate Management I S.à.r.l., Strassen	DE	from	03.11.2014	100.0%	100.0%	Real estate

United Kingdom

	Segment [1]	Consolidation period		Group share	Direct share	Principal activity
Chase de Vere Consulting Limited, Manchester	IN			100.0%	100.0%	Dormant
Chase de Vere Financial Solutions Limited, Manchester	IN			100.0%	100.0%	Dormant
Chase de Vere IFA Group Plc, London	IN			100.0%	100.0%	Finance
Chase de Vere IFA Services Limited, Manchester	IN			100.0%	100.0%	Dormant
Chase de Vere Independent Financial Advisers Limited, Manchester	IN			100.0%	100.0%	Life insurance/Reinsurance
Chase de Vere Loans Limited, Manchester	IN			100.0%	100.0%	Dormant
Chase de Vere Private Client Trustees Limited, London	IN			100.0%	100.0%	Dormant
Chase de Vere Trustees Limited, Leicestershire	IN	until	01.09.2014	–	–	

Austria

	Segment [1]	Consolidation period		Group share	Direct share	Principal activity
Swiss Life International Services AG, Branch Austria, Wien	CH			100.0%	100.0%	Services
Swiss Life Products (Luxembourg) S.A., Branch Austria, Wien	DE			100.0%	100.0%	Life insurance/Reinsurance
Swiss Life Select CEE Holding GmbH, Wien	IN			100.0%	100.0%	Holding
Swiss Life Select Österreich GmbH, Wien	IN			100.0%	100.0%	Services
Swiss Life Österreich GmbH, Wien	CH	until	22.08.2013	–	–	

[1] Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Belgium

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
RENAISSANCE OFFICE SPRL, Bruxelles	FR		100.0%	100.0%	Real estate
RENAISSANCE RESIDENTIAL, Bruxelles	FR		100.0%	100.0%	Real estate

Canada

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Swiss Life GIO Canada Group Ltd, Montréal	AM	from 14.11.2013	100.0%	100.0%	Asset management

Cayman Islands

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Adroit Investment (Offshore) Ltd., Grand Cayman	CH		100.0%	100.0%	Private equity
Adroit Partnerships (Offshore) L.P., Grand Cayman	CH		100.0%	100.0%	Private equity
Swiss Life Financial Services (Cayman) Ltd., Grand Cayman	Other		100.0%	100.0%	Services
Swiss Life Insurance Finance Ltd., Grand Cayman	Other		100.0%	100.0%	Finance

Czech Republic

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Swiss Life Select Ceska Republika s.r.o., Brno	IN		100.0%	100.0%	Services

Hungary

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
AWD Magyarország Pénzügyi Szolgáltató Korlátolt Felelősségű Társaság, Budapest	AWD	until 01.01.2013	–	–	

Italy

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Swiss Life Insurance Solutions AG, Branch Italy, Milano	Other	until 11.03.2013	–	–	

[1] Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Poland

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Swiss Life Select Spólka z ograniczona odpowiedzialnoscia, Warszawa	IN		100.0%	100.0%	Services

Singapore

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Swiss Life (Singapore) Pte. Ltd., Singapore	IN		100.0%	100.0%	Life insurance
Swiss Life Network (Asia) Pte. Ltd., Singapore	IN		100.0%	100.0%	Services

United Arab Emirates

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Swiss Life Private Placement (Middle East) Limited, Dubai	IN	until 22.04.2013	–	–	

[1] Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

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 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 114 to 254), for the year ended 31 December 2014.

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 2014 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

Ray Kunz Audit expert Auditor in charge	Nebojsa Baratovic Audit expert

Zurich, 11 March 2015

Swiss Life Holding Financial Statements

Management Report

Swiss Life Holding generated a profit of CHF 258 million in the 2014 financial year, significantly higher than in the previous year (CHF 89 million).

The annual profit of Swiss Life Holding consisted mainly of dividends, guarantee fees and interest income within the Group, as well as investment income. Dividend payments received by the holding company from subsidiaries increased substantially from CHF 19 million to CHF 232 million. Guarantee fees including processing fees for new loans remained stable at CHF 44 million. Swiss Life Investment Management Holding AG was granted a loan of EUR 150 million to purchase the German real estate asset management service provider CORPUS SIREO. In addition, new loans amounting to a total of CHF 67.6 million were made available to Swiss Life Germany and Swiss Life Liechtenstein to finance the insurance business. Driven by the new loans, the volume of loans to Group companies rose from CHF 426 million to CHF 638 million. All loans in foreign currencies are hedged with currency futures. As a result of the early repayment of one loan towards the end of the previous year and the fact that most of the new loans were not granted until the end of the year, interest earned on internal loans declined from CHF 43 million to CHF 25 million. This negative effect was partly compensated by higher investment income of CHF 16 million (2013: CHF 7 million) due to a reallocation of liquid funds to bonds. The total value of participations grew from CHF 3918 million to CHF 3946 million in the period under review.

Swiss Life Holding's profit distribution to shareholders in the period under review came to CHF 176 million or CHF 5.50 per share and was made out of the capital contribution reserve. The par value of the Swiss Life Holding share stands unchanged at CHF 5.10. The company's nominal share capital at the end of the year remained at CHF 163.6 million.

As at the end of the year Swiss Life Holding holds debt capital amounting to CHF 917 million. It consists of two senior bonds in the total nominal amount of CHF 425 million, comprising a tranche of CHF 225 million with a six-year maturity (coupon 1.125%) and a tranche of CHF 200 million with a ten-year maturity (coupon 1.875%), as well as a seven-year convertible bond in the nominal amount of CHF 500 million (coupon 0%). All financial instruments were issued in the previous year. Interest on the bonds in 2014 came to CHF 6.7 million. As a result of the additional interest on debt capital and increased operating expenses, total expenses including tax increased from CHF 18 million in the previous year to CHF 31 million.

As at the end of the year Swiss Life Holding has assets (liquid funds, time deposits, bonds and investment funds) of CHF 1088 million. Due primarily to the reallocation of assets, liquid funds and time deposits reduced from CHF 763 million to CHF 287 million, while bond and investment fund holdings increased from CHF 420 million to CHF 801 million. All bonds are eligible for repo transactions.

Statement of Income

Statement of income for the years ended 31 December

In CHF million

	2014	2013
Dividends received	232	19
Realised gain/loss on non-current assets	–7	1
Unrealised gain/loss on non-current assets	1	–7
Other finance income	41	50
Other financial expense	–9	–5
Foreign currency gains/losses	–25	–1
NET INVESTMENT INCOME	232	57
STAFF COSTS	–5	–1
OPERATING EXPENSE	–8	–6
OTHER INCOME	48	45
OTHER EXPENSES	–6	–
INCOME TAX	–3	–6
NET PROFIT	**258**	89

Balance Sheet

Balance sheet

In CHF million

	31.12.2014	31.12.2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**287**	503
Time deposits and similar investments	**–**	260
Receivables from Group companies	**23**	73
Receivables from third parties	**0**	0
Accrued income	**13**	8
TOTAL CURRENT ASSETS	**323**	845
NON-CURRENT ASSETS		
Shares	**31**	26
Debt securities	**702**	420
Investment funds	**99**	–
Participations	**3 946**	3 918
Loans to Group companies	**638**	426
Other assets	**–**	0
TOTAL NON-CURRENT ASSETS	**5 416**	4 791
TOTAL ASSETS	**5 739**	5 635
LIABILITIES AND EQUITY		
LIABILITIES		
Liabilities towards third parties	**83**	63
Total short-term liabilities	**83**	63
Convertible securities	**494**	493
Senior bonds	**423**	422
Total long-term liabilities	**917**	915
TOTAL LIABILITIES	**1 000**	978
EQUITY		
Share capital	**164**	164
General reserves	**32**	32
Reserve for treasury shares	**32**	26
Capital contribution reserve	**1 070**	1 246
Total legal reserves	**1 134**	1 304
Free reserves	**3 183**	3 098
Balance carried forward from previous year	**1**	2
Net profit	**258**	89
Total profit shown in the balance sheet	**259**	91
TOTAL EQUITY	**4 740**	4 657
TOTAL LIABILITIES AND EQUITY	**5 739**	5 635

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). The Swiss Life Holding's Financial Statements are presented in millions of Swiss francs (CHF), which is the presentation currency. Figures may not add up exactly due to rounding.

These Financial Statements have been prepared to implement the transitional provisions to the new accounting law in accordance with the provisions of the Swiss Code of Obligations on accounting and financial reporting applicable until 31 December 2012.

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
		31.12.2014			31.12.2013	
Swiss Life Ltd, Zurich	**CHF**	**587 350**	**100.00%**	CHF	587 350	100.00%
Swiss Life Deutschland Holding 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 Schweiz Holding AG, Zürich	**CHF**	**250**	**100.00%**	CHF	250	100.00%

Loans to Group companies

CHF 549 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	31.12.2014	31.12.2013
Deutsche Bank AG	**5.35%**	0.00%
BlackRock Inc.	**5.58%**	0.00%
Talanx AG	**0.00%**	5.03%

Share capital

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

Legal reserves
Legal reserves comprise the general reserves (plus the additional paid-in capital in excess of the par value, net of transaction costs), the reserve for treasury shares (equivalent in value to own Swiss Life Holding shares held by the Swiss Life Group) and the capital contribution reserve of CHF 1070 million. Following the distribution of CHF 5.50 per share, the capital contribution reserve was reduced by CHF 176 million during the year under review from CHF 1246 million to CHF 1070 million as at 31 December 2014. Of this amount CHF 899 million is recognised by the Federal Tax Administration, while the legal qualification of CHF 171 million is still open and is to be reassessed according to future legal developments.

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.

Issue of a convertible bond in 2013
On 2 December 2013, Swiss Life Holding launched a bond issue in the amount of CHF 500 million with a coupon of 0%, due in 2020. The bonds may be converted into registered Swiss Life Holding shares. The conversion price is set at CHF 242.84.

In 2014 no convertible bonds were converted into Swiss Life Holding shares.

Issue of two senior bonds in 2013
Two senior bonds for a total amount of CHF 425 million were issued on 21 June 2013, split into a tranche of CHF 225 million with a tenor of six years until 2019 (coupon of 1.125%) and a tranche of CHF 200 million with a tenor of ten years until 2023 (coupon of 1.875%).

Treasury shares
In the year under review the companies in the Swiss Life Group purchased a total of 74 739 Swiss Life Holding shares at an average price of CHF 204.10. No shares were sold in the same period. As at 31 December 2014, the Swiss Life Group held 192 697 treasury shares.

Contingencies
Swiss Life Holding acts as warrantor for all Swiss Life Ltd liabilities with regard to the various tranches of the subordinated perpetual step-up loans (hybrid debt), which amounted to an equivalent value of CHF 3061 million at the balance sheet date.

Swiss Life Holding further provides capital guarantees for a maximum net asset value of CHF 1100 million to Swiss Life Ltd, CHF 150 million to Swiss Life Funds, CHF 150 million to Swiss Life Management (LUX) S.A. and CHF 126 million to Swiss Life Products.

In addition, Swiss Life Holding grants a credit line of CHF 12 million to Swiss Life Products.

Financial assets pledged as collateral
In the year under review, Swiss Life Holding pledged liquid assets in the amount of CHF 22 million as margin cover for currency forward transactions.

Statement of changes in equity for the years ended 31 December

In CHF million

	2014	2013
SHARE CAPITAL		
Balance as at 1 January	**164**	164
TOTAL SHARE CAPITAL	**164**	164
LEGAL RESERVES		
General reserves		
Balance as at 1 January	**32**	32
Total general reserves	**32**	32
Reserve for treasury shares		
Balance as at 1 January	**26**	17
Allocation to reserve for treasury shares	**6**	9
Total reserve for treasury shares	**32**	26
Capital contribution reserve		
Balance as at 1 January	**1 246**	1 389
Distribution of profit from the capital contribution reserve	**–176**	–144
Total capital contribution reserve	**1 070**	1 246
TOTAL LEGAL RESERVES	**1 134**	1 304
FREE RESERVES		
Balance as at 1 January	**3 098**	3 002
Allocation to free reserves	**90**	105
Reserve for treasury shares	**–6**	–9
TOTAL FREE RESERVES	**3 183**	3 098
PROFIT SHOWN IN THE BALANCE SHEET		
Balance as at 1 January	**91**	107
Allocation to free reserves	**–90**	–105
Net profit	**258**	89
TOTAL PROFIT SHOWN IN THE BALANCE SHEET	**259**	91
TOTAL EQUITY	**4 740**	4 657

Risk assessment

For information on risk assessment, please refer to note 5 of the Swiss Life Group’s Consolidated Financial Statements.

Events after the Reporting Period

On 15 January 2015, the Swiss National Bank announced that it was discontinuing the minimum exchange rate of 1.20 Swiss francs per euro. The amounts reported in these financial statements do not reflect any changes in foreign currency exchange rates after 31 December 2014. As at the balance sheet date, Swiss Life Holding was to a large extent hedged with regard to foreign currency exposure against the euro.

Future weakening of the euro will have no negative impact on the equity of Swiss Life Holding, since it does not include any foreign exchange components. After a review of the participations in the euro area, the weakening of the euro will have no effect on their intrinsic value. Future reductions in interest or dividend income will have only a minor impact on the net result of Swiss Life Holding.

Disclosure of compensation to the Board of Directors and the Corporate Executive Board in accordance with Art. 663b^{bis} of the Swiss Code of Obligations (CO) and Art. 14–16 of the Federal Ordinance against Excessive Compensation in Listed Stock Companies, and disclosure of the shareholdings of members of the Board of Directors and the Corporate Executive Board in accordance with Art. 663c of the CO

Compensation in 2014

The Board of Directors is responsible for drawing up a written compensation report each year to include the information required by Articles 14–16 of the Federal Ordinance against Excessive Compensation in Listed Stock Companies (Compensation Ordinance). This compensation report supersedes the details in the notes to the balance sheet according to Art. 663b^{bis} CO. Swiss Life's compensation report for the 2014 financial year is provided on pages 48 to 66.

The following tables contain information on the share ownership and participation rights of members of the Board of Directors and the Corporate Executive Board in accordance with Art. 663c CO.

Share ownership/participation rights as at 31 December 2014

As at 31 December 2014, 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 and future subscription rights to Swiss Life Holding shares in the form of Restricted Share Units (RSUs).

Board of Directors

	SLH shares
	31.12.2014
Rolf Dörig, Chairman of the Board of Directors	**37 308**
Gerold Bührer	**6 289**
Frank Schnewlin	**3 942**
Wolf Becke	**654**
Adrienne Corboud Fumagalli	**134**
Ueli Dietiker	**354**
Damir Filipovic	**1 117**
Frank W. Keuper	**354**
Henry Peter	**7 052**
Franziska Tschudi Sauber	**2 571**
Klaus Tschütscher	**354**
TOTAL BOARD OF DIRECTORS	**60 129**

Corporate Executive Board

	SLH shares
	31.12.2014
Patrick Frost, Group CEO	**10 000**
Thomas Buess	**10 874**
Ivo Furrer	**1 300**
Markus Leibundgut	**500**
Stefan Mächler	**500**
Charles Relecom	**1 410**
TOTAL CORPORATE EXECUTIVE BOARD	**24 584**

	Restricted Share Units (RSUs)
	31.12.2014 [1]
Patrick Frost, Group CEO	**9 704**
Thomas Buess	**8 869**
Ivo Furrer	**8 869**
Markus Leibundgut	**5 044**
Stefan Mächler	**0**
Charles Relecom	**7 201**
TOTAL CORPORATE EXECUTIVE BOARD	**39 687**

[1] Total number of RSUs allocated in the years 2012, 2013 and 2014 in connection with the relevant equity compensation plan. The RSUs 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 met at that point.

Share ownership/participation rights as at 31 December 2013

As at 31 December 2013, 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 Restricted Share Units (RSUs).

Board of Directors

	SLH shares 31.12.2013
Rolf Dörig, Chairman of the Board of Directors	36 547
Gerold Bührer	5 808
Frank Schnewlin	3 461
Wolf Becke	474
Ueli Dietiker	174
Damir Filipovic	937
Frank W. Keuper	174
Henry Peter	5 331
Peter Quadri	2 210
Franziska Tschudi Sauber	2 390
Klaus Tschütscher	174
TOTAL BOARD OF DIRECTORS	57 680

Corporate Executive Board

	SLH shares 31.12.2013
Bruno Pfister, Group CEO	3 540
Manfred Behrens	900
Thomas Buess	7 994
Patrick Frost	6 000
Ivo Furrer	0
Charles Relecom	2 246
TOTAL CORPORATE EXECUTIVE BOARD	20 680

	Restricted Share Units (RSUs) 31.12.2013 [1]
Bruno Pfister, Group CEO	16 810
Manfred Behrens	7 920
Thomas Buess	9 710
Patrick Frost	10 770
Ivo Furrer	9 710
Charles Relecom	8 230
TOTAL CORPORATE EXECUTIVE BOARD	63 150

[1] Total number of RSUs allocated in the years 2011, 2012 and 2013 in connection with the relevant equity compensation plan. The RSUs 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 met at that point.

Appropriation of Profit
Profit and Appropriation of Profit

The net profit for the year amounts to CHF 258 210 747. 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 of CHF 6.50 per share will be made from the capital contribution reserve.

Profit shown in the balance sheet

In CHF

	2014	2013
Balance carried forward from previous year	**1 090 961**	2 197 310
Net profit	**258 210 747**	88 893 651
TOTAL PROFIT SHOWN IN THE BALANCE SHEET	**259 301 707**	91 090 961

Appropriation of profit

In CHF

	2014	2013
Dividend	–	–
Allocation to legal reserves	–	–
Allocation to free reserves	**259 000 000**	90 000 000
Balance carried forward to new account	**301 707**	1 090 961
TOTAL PROFIT SHOWN IN THE BALANCE SHEET	**259 301 707**	91 090 961

Zurich, 11 March 2015

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 259 to 267), for the year ended 31 December 2014.

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 2014 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 available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Ray Kunz	Nebojsa Baratovic
Audit expert	Audit expert
Auditor in charge	

Zurich, 11 March 2015

Share Performance and Historical Comparison

The Swiss Life share price developed very positively in 2014, closing at the end of the year at CHF 236.40. This represents a strong performance of 28%, or 31% taking into account the dividend distribution of CHF 5.50.

Global equity markets recorded solid gains in 2014. This trend was supported by the expansionary monetary policy of central banks. Despite seeing positive signs on the macroeconomic environment, central banks tried to address potential deflationary fears with their policies, which pushed rates in Switzerland and Germany to unprecedented lows. In this environment, Swiss Life's share price performed strongly. With a performance of 28% the shares are well above the Swiss Market Index performance (+10%) and the European insurance index Dow Jones STOXX 600 Insurance (+10%). At the Annual General Meeting in April 2014, the shareholders approved a withholding tax-free distribution out of the capital contribution reserve of CHF 5.50 per share.

Swiss Life share details

Swiss security number	1 485 278
ISIN	CH 001 485 278 1
Ticker symbol SIX	SLHN
Reuters	SLHN.VX
Bloomberg	SLHN VX

Share performance

Amounts in CHF

	as at 2014	2014	2013	2012	2011	2010
Number of shares	**31.12.**	**32 081 054**	32 081 054	32 081 054	32 081 054	32 081 054
Annual high	**29.12.**	**238.90**	192.60	130.70	164.50	152.70
Annual low	**03.01.**	**185.70**	124.60	75.85	83.65	100.30
Year-end price	**30.12.**	**236.40**	185.20	121.40	86.40	135.20
Performance Swiss Life (in %)		**+28**	+53	+41	–36	+2
Swiss Market Index (SMI)	**30.12.**	**8 983**	8 203	6 822	5 936	6 436
Performance Swiss Market Index (SMI) (in %)		**+10**	+20	+15	–8	–2
Dow Jones STOXX 600 Insurance Index (in EUR)	**31.12.**	**250.55**	228.22	177.11	133.25	154.45
Performance of Dow Jones STOXX 600 Insurance Index (in %)		**+10**	+29	+33	–14	+2
Average trading volume		**121 462**	140 007	172 732	140 620	220 061
Market capitalisation (in CHF million)	**30.12.**	**7 584**	5 941	3 895	2 772	4 337
Basic earnings per share		**25.52**	24.45	2.88	18.97	17.46
Diluted earnings per share		**24.11**	24.22	2.86	18.87	17.37
Dividend paid per share	**30.04.**	**5.50**	4.50	4.50	4.50	2.40
Total dividend payout to shareholders (in CHF million)	**30.04.**	**176**	144	144	144	77
Dividend yield on year-end price (in %)	**30.12.**	**2.33**	2.43	3.71	5.21	1.78

Source: Bloomberg

Breakdown of registered shares with voting rights as at 31.12.2014

Number of shares	Number of shareholders	As % of registered shareholders
1 – 25	**140 617**	**84.63**
26 – 100	**17 198**	**10.35**
101 – 1 000	**7 573**	**4.56**
> 1 000	**765**	**0.46**
TOTAL	**166 153**	**100.00**

Standard & Poor’s financial strength ratings as at 31.12.2014

	Classification	Outlook
Swiss Life Ltd, Zurich	**A–**	**positive**
Swiss Life Ltd, Branch Germany, Munich	**A–**	**positive**

Swiss Life Group historical comparison

In CHF million (if not stated otherwise)	2014	2013	restated 2012	2011	2010
PREMIUM VOLUME					
Gross written premiums, policy fees and deposits received	**19 102**	17 969	17 046	17 143	20 191
FIGURES FROM CONSOLIDATED STATEMENT OF INCOME					
Net earned premiums	**13 776**	12 944	11 871	11 599	11 753
Fee and commission income	**1 305**	1 143	1 135	1 188	1 220
Financial result	**5 378**	5 376	6 051	4 459	4 368
TOTAL INCOME	**20 474**	19 462	19 082	17 291	17 844
Net insurance benefits and claims	**–15 218**	–13 920	–13 819	–12 614	–12 704
Policyholder participation	**–1 146**	–1 361	–1 115	–791	–1 073
Operating expense	**–2 735**	–2 809	–3 534	–2 913	–3 062
TOTAL EXPENSE	**–19 304**	–18 312	–18 721	–16 592	–17 150
PROFIT FROM OPERATIONS	**1 169**	1 149	361	699	694
NET PROFIT	**818**	784	99	606	560
Net profit attributable to					
Equity holders of Swiss Life Holding	**814**	781	98	605	557
Non-controlling interests	**4**	3	1	1	3
FIGURES FROM CONSOLIDATED BALANCE SHEET					
Equity	**12 831**	9 018	10 155	9 162	7 437
Insurance reserves	**156 684**	142 479	137 736	128 089	122 279
Total assets	**192 854**	170 530	164 461	151 875	147 203
FURTHER KEY FIGURES					
Return on equity (in %)	**7.5**	8.2	1.0	7.3	7.6
Assets under control	**224 593**	192 855	180 785	164 604	149 899
Year-end embedded value	**12 901**	11 378	9 628	7 728	7 595
Value of new business	**255**	289	158	150	209
Number of employees (full-time equivalents)	**7 492**	6 992	7 046	7 168	7 483

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Annual Report 2014
The Annual Report is published in German and English and contains additional information on risk management, market consistent embedded value (in English only), corporate governance and the annual accounts.
The English text is definitive for the Consolidated Financial Statements; the original German text is binding in all other respects.

The Annual Report can be found online at: www.swisslife.com/report

Publishing details
Publisher — Swiss Life Holding Ltd, Zurich
Editorial responsibility — Swiss Life, Group Communications and Strategic Marketing, Zurich
Production — Management Digital Data AG, Lenzburg

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

Important dates

Annual General Meeting 2015
27 April 2015, Hallenstadion Zurich

Interim Statement Q1 2015
12 May 2015

Half-year Results 2015
14 August 2015

Interim Statement Q3 2015
12 November 2015

Investors' Day
25 November 2015

130 626

The future starts here.

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