

Annual Report
2017
Swiss Life Ltd

Contents

4	Business Review
5	Statement of Income
6	Balance Sheet
8	Notes to the Financial Statements
8	Accounting Rules
9	Explanations on the Balance Sheet and Statement of Income
17	Other Information on the Financial Statements
17	Events after the Reporting Period
18	Profit and Appropriation of Profit
19	Management Report
21	Report of the Statutory Auditor

Business Review

In 2017 Swiss Life Ltd (including the branch in Germany) posted a net profit of CHF 361 million (previous year: CHF 329 million).

Swiss Life Ltd increased net profit in 2017 by CHF 32 million to CHF 361 million, which corresponds to an increase of 10%. A decrease in claims incurred compensated for lower revenues due to declining premium income. The product mix also saw further improvement and additional efficiency improvements were achieved thanks to strict cost discipline.

Premiums for own account including investment-type contributions fell by 4% to CHF 10.5 billion, a decline due to the active product-range guidance and the focus on profitability and capital efficiency. Premiums for group insurance declined over the previous year by CHF 524 million to CHF 8166 million due to a drop in single premiums; periodic premiums were slightly above the previous year. Premiums in the individual insurance area rose by 4% to CHF 2.4 billion for own account, driven in particular by periodic premiums.

The investment result was CHF 3.1 billion (-14%). The lower result may be attributed mainly to higher losses on equity derivatives, which are not offset by gains or appreciations on equities.

Claims paid increased slightly by 1% from the previous year to CHF 10.0 billion. Benefits paid to policyholders in occupational provisions saw a particularly sharp rise during the year under review (+3%), while benefits paid to policyholders in the individual life business fell by 4%. This is due to the large number of contracts with 12-year maturities that expired during the previous year in the German branch office, all of them concluded prior to the elimination of tax exemption in 2004.

Acquisition and administration costs rose 4% over the previous year to CHF 808 million. The parent company in Switzerland was able to maintain acquisition and administrative expenses at the same level as the previous year. The rise in the German branch office is a result of the increase in new business, which led to growth of 11% to EUR 113 million in distribution costs in the form of acquisition commissions. In addition, personnel costs also rose by 11% in the wake of growing new business, to EUR 59 million.

Expenses for policyholder bonuses amounted to CHF 427 million (previous year: CHF 374 million). As at 31 December 2017, provisions for the bonus reserve were CHF 1.1 billion.

Swiss Life Ltd continues to have a strong capital base. Equity at the end of 2017 stood at CHF 2.8 billion (previous year: CHF 2.9 billion).

The Board of Directors proposes to the General Meeting of shareholders payment of CHF 44.30 per dividend-bearing share for the 2017 business year.

Statement of Income

Statement of income for the financial years ended 31 December

Amounts in CHF million

	2017	2016
Gross premium	10 580	11 023
Reinsurer's share of gross premium	-82	-62
Premium for own account	10 498	10 960
Change in provisions for unearned premiums	13	15
Reinsurer's share of change in provisions for unearned premiums	0	0
EARNED PREMIUMS	10 511	10 976
Other income from insurance business	29	31
TOTAL ACTUARIAL INCOME	10 540	11 007
Gross claims paid	-10 004	-9 906
Reinsurer's share of claims paid	38	16
Claims paid	-9 966	-9 890
Change in provisions for insurance benefits	2	91
Change in other technical provisions	-118	-309
Change in mathematical reserve	-1 589	-2 548
Change in technical provisions	-1 705	-2 766
Reinsurer's share of change in technical provisions	128	12
Change in technical provisions for unit-linked life insurance	-349	-181
CLAIMS INCURRED, NET OF REINSURANCE	-11 891	-12 826
Acquisition and administrative expenses	-825	-791
Reinsurer's share of acquisition and administrative expenses	17	12
ACQUISITION AND ADMINISTRATIVE EXPENSES FOR OWN ACCOUNT	-808	-778
Withdrawal from bonus reserve	292	352
Bonuses paid	-442	-483
Allocation to bonus reserve	-278	-242
Expenses from surplus participation	-427	-374
Other technical charges	-38	-36
OTHER TECHNICAL CHARGES, NET OF REINSURANCE	-465	-410
Return on investments	15 522	9 667
Investment charges	-12 462	-6 099
INVESTMENT RESULT	3 060	3 568
Investment and interest income from unit-linked life insurance	161	61
Other financial income	18	10
Other financial expenses	-26	-29
OPERATIONAL RESULT	589	604
Interest expense for interest-bearing liabilities	-172	-198
Other income	83	45
Other charges	-82	-80
Other taxes	-8	-9
PROFIT BEFORE TAX	411	363
Direct taxes	-49	-34
PROFIT	361	329
from single investor funds		
Return on investments	3 493	3 270
Investment charges	-1 129	-1 289

Balance Sheet

Statement of assets for the financial years ended 31 December

Amounts in CHF million

	2017	2016
Real Estate	16 865	15 337
Participations	2 925	3 019
Fixed-income securities	64 984	66 592
Loans	1 010	1 034
Mortgages	8 177	7 623
Shares	6 059	4 456
Collective investments	14 331	12 359
Alternative investments	132	76
Policy loans	92	105
Other investments	14 555	12 540
INVESTMENTS	114 575	110 600
Investments from unit-linked life insurance	2 686	2 273
Receivables from derivative financial instruments	1 022	1 112
Deposits from reinsurance assumed	170	162
Cash and cash equivalents	2 191	2 542
Share of technical provisions from reinsurance	249	113
Property and equipment	13	13
Deferred acquisition costs	104	87
Intangible assets	16	18
Accounts receivable from policyholders	526	562
Receivables from agents and intermediaries	31	17
Accounts receivable from insurance companies	92	91
RECEIVABLES FROM INSURANCE BUSINESS	648	669
Receivables from investment activities	46	143
Receivables from participations and shareholders	203	155
Other debtors	383	318
OTHER ACCOUNTS RECEIVABLE	632	616
Prepayments and accrued income	1 216	1 200
TOTAL ASSETS	123 522	119 405
from single investor funds		
fixed-income securities	47 982	50 281
Shares	6 048	4 351
collective investments	793	969
cash and cash equivalents	89	359
other debtors	49	22
prepayments and accrued income	709	726

Statement of liabilities for the financial years ended 31 December

Amounts in CHF million

	2017	2016
Provisions for unearned premiums	440	444
Provisions for insurance benefits	1 519	1 505
Other technical provisions	4 562	4 445
Mathematical reserves	97 267	94 305
Provisions for contractual surplus participation	876	897
Provisions for bonus reserve	1 121	1 083
Insurance reserves	105 787	102 679
Technical provisions for unit-linked life insurance	2 682	2 261
Non-technical provisions	514	489
Interest-bearing liabilities	71	84
Liabilities from derivative financial instruments	1 400	1 381
Deposits from reinsurance ceded	131	111
Liabilities towards policyholders	1 125	1 203
Liabilities towards agents and intermediaries	11	10
Liabilities towards insurance companies	98	104
Other insurance liabilities	11	12
Insurance liabilities	1 246	1 328
Other liabilities from investment activities	2 330	1 516
Other liabilities towards participations and shareholders	442	328
Other creditors	225	228
Other liabilities	2 997	2 073
Accrued expenses	1 580	1 386
Subordinated liabilities	4 304	4 729
TOTAL DEBT CAPITAL	120 710	116 520
Paid-up share capital	587	587
Legal capital contribution reserve	294	294
Statutory capital reserves	294	294
Statutory retained earnings	-	-
Statutory reserves	-	-
Statutory retained earnings	-	-
Own capital shares	-	-
Free reserves	1 570	1 675
Balance carried forward from previous year	-	-
Result from the reporting period	361	329
Profit shown in the balance sheet	361	329
Voluntary retained earnings	1 931	2 003
EQUITY	2 812	2 884
TOTAL LIABILITIES AND EQUITY	123 522	119 405
from single investor funds		
other liabilities from investment activities	25	26
accrued expenses	1	1

Notes to the Financial Statements

Accounting Rules

The 2017 Financial Statements were prepared in accordance with the provisions of Swiss accounting law (Title 32 of the Swiss Code of Obligations). In addition to the Swiss Code of Obligations, the provisions of the Ordinance on the Supervision of private insurance companies issued by the Swiss Financial Market Supervisory Authority (Art. 5–6a AVO-FINMA, valid since 15 December 2015) apply.

The balance sheet and statement of income include the operations in Switzerland and the branch operations in Germany. The presentation of the balance sheet and income statement has been adapted as far as possible to the regulatory reporting requirement. The financial statements of Swiss Life Ltd are presented in millions of Swiss francs. As a result there may be rounding differences between the sum of the individual figures and the total amount presented. Foreign currencies are translated at the average exchange rates applicable on 31 December of the year under review or the previous year.

Assets

Strict statutory provisions, which vary from country to country, govern the valuation of assets in the areas of activity. Within this legal framework, the following valuation principles are applied to the individual investment categories: Real estate is stated at acquisition cost plus any value-increasing investments and minus any depreciation, as permitted by applicable tax law. Debt register claims, bonds and mortgage bonds are reported in Germany at no higher than their nominal value, reduced by the release of premiums/discounts (amortised cost). In Switzerland, these items are stated at amortised cost. Equities are valued at the lower of cost or market. All other fixed-interest investments, including mortgages, are carried at no more than nominal value. Alternative investments and derivatives are capitalised at no higher than market value.

The portfolio of unit-linked contracts is not uniformly valued. However this does not affect the result, since the higher or lower returns are passed on fully to the policyholders in question.

Liabilities

The mathematical reserves were calculated using the actuarial basis approved by the Swiss and foreign supervisory authorities.

Foreign currency translation rates

	31.12.2017	31.12.2016
1 EUR	1.1704	1.0728
1 GBP	1.3167	1.2557
1 USD	0.9736	1.0172

Explanations on the Balance Sheet and Statement of Income

Investment income returns for the 2017 financial year

Amounts in CHF million

	Revenues	Accretion	Realised gains	Total
Real Estate	625	2	8	635
Participations	328	1	15	344
Fixed-income securities	2 053	77	463	2 593
Loans	16	–	–	16
Mortgages	164	0	0	164
Shares	213	2	258	474
Collective investments	624	4	79	707
Alternative investments	0	3	1	4
Policy loans	4	–	–	4
Other investments	3	–	–	3
Other investments	631	7	80	717
Derivative financial instruments	–	156	553	708
Foreign currency investments	–	2 363	7 507	9 870
TOTAL INVESTMENT INCOME RETURNS	4 030	2 608	8 884	15 522

Investment income returns for the 2016 financial year

Amounts in CHF million

	Revenues	Accretion	Realised gains	Total
Real Estate	572	–	76	648
Participations	221	0	–	222
Fixed-income securities	2 168	75	857	3 101
Loans	17	–	–	17
Mortgages	162	0	0	162
Shares	156	14	22	192
Collective investments	553	47	76	676
Alternative investments	–	2	1	4
Policy loans	4	–	–	4
Other investments	4	–	–	4
Other investments	560	50	77	687
Derivative financial instruments	–	120	782	902
Foreign currency investments	–	1 255	2 480	3 736
TOTAL INVESTMENT INCOME RETURNS	3 858	1 514	4 295	9 667

Investment income expenditure for the 2017 financial year

Amounts in CHF million

	Expenses	Depreciation	Realised losses	Total
Real Estate	85	37	0	123
Participations	–	64	–	64
Fixed-income securities	112	36	104	252
Loans	1	–	1	2
Mortgages	9	0	–	9
Shares	15	24	69	108
Collective investments	3	17	4	24
Alternative investments	–7	3	0	–4
Policy loans	–	–	–	–
Other investments	57	–	–	57
Other investments	53	20	4	77
Derivative financial instruments	1	175	1 263	1 439
Foreign currency investments	–	2 548	7 840	10 387
TOTAL INVESTMENT INCOME EXPENDITURE	277	2 904	9 282	12 462

Investment income expenditure for the 2016 financial year

Amounts in CHF million

	Expenses	Depreciation	Realised losses	Total
Real Estate	79	34	2	114
Participations	–	26	14	40
Fixed-income securities	98	93	130	322
Loans	4	–	2	6
Mortgages	27	0	0	28
Shares	10	4	272	286
Collective investments	3	24	4	31
Alternative investments	–2	4	1	3
Policy loans	–	–	–	–
Other investments	35	–	–	35
Other investments	36	28	5	69
Derivative financial instruments	2	176	841	1 018
Foreign currency investments	–	1 725	2 492	4 217
TOTAL INVESTMENT INCOME EXPENDITURE	255	2 087	3 757	6 099

In addition to investments in accordance with the balance sheet, revenues and expenses from investments contain credit from derivative financial instruments. These comprise hedging instruments whose revenues and expenses are taken into account along with the revenues and expenses from investments. Due to this gross perspective, there may be major fluctuations in the year-on-year comparison. Foreign currency effects arising for the various investments are listed separately under foreign currency investments.

Personnel expenses

The income statement position acquisition and administrative expenses for own account includes personnel expenses of CHF 374 million (previous year: CHF 356 million). Personnel expenses also comprise personnel expenses for sales.

Depreciation of property and equipment and intangible assets

During the reporting year, depreciation of property and equipment and intangible assets was valued at CHF 8 million (previous year: CHF 8 million). The depreciation is listed under acquisition and administrative expenses.

Shareholdings

	Currency	Share capital in thousands	Direct share	Currency	Share capital in thousands	Direct share
		31.12.2017			31.12.2016	
Switzerland						
Adroit Private Equity AG, Zürich	CHF	5 000	100.0%	CHF	5 000	100.0%
Swiss Life Capital Holding AG, Zürich	CHF	5 514	100.0%	CHF	5 514	100.0%
Swissville Centers Holding AG, Zürich	CHF	7 100	100.0%	CHF	7 100	100.0%
TECHNOPARK Immobilien AG, Zürich	CHF	40 000	66.7%	CHF	40 000	66.7%
Germany						
CORPUS SIREO Immobilien Beteiligungs GmbH, Köln	EUR	25	100.0%	EUR	25	100.0%
CORPUS SIREO Aurum GmbH & Co. KG, Köln	EUR	100	100.0%	EUR	100	100.0%
CORPUS SIREO Projektentwicklung Adlershof GmbH & Co. KG, Köln	–	–	–	EUR	100	100.0%
Financial Solutions AG Service & Vermittlung, Garching b. München	EUR	200	100.0%	EUR	200	100.0%
SL Beteiligungs-GmbH & Co. Grundstücksverwaltung KG, Garching b. München	EUR	50	100.0%	EUR	50	100.0%
SL Beteiligungs-GmbH & Co. Immobilien I KG, Garching b. München	EUR	10	100.0%	EUR	10	100.0%
SL Beteiligungs-GmbH & Co. Immobilien II KG, Garching b. München	EUR	10	100.0%	EUR	10	100.0%
SL Beteiligungs-GmbH & Co. Immobilien III KG, Garching b. München	EUR	10	100.0%	EUR	10	100.0%
SL Beteiligungs-GmbH & Co. Immobilien IV KG, Garching b. München	EUR	10	100.0%	EUR	10	100.0%
SL Beteiligungs-GmbH & Co. Immobilien V KG, Garching b. München	EUR	10	100.0%	EUR	10	100.0%
SL Beteiligungs-GmbH & Co. Immobilien VI KG, Garching b. München	EUR	10	100.0%	EUR	10	100.0%
SL Beteiligungs-GmbH & Co. Immobilien VII KG, Garching b. München	EUR	10	100.0%	EUR	10	100.0%
SL Beteiligungs-GmbH & Co. Immobilien Ost KG, Garching b. München	EUR	50	100.0%	EUR	50	100.0%
SL Immobilien-Beteiligungs-Gesellschaft mbH, Garching b. München	EUR	25	100.0%	EUR	25	100.0%
SL Private Equity GmbH, Frankfurt am Main	EUR	91	98.9%	EUR	91	98.9%
Swiss Life Pensionsfonds AG, Garching b. München	EUR	3 000	100.0%	EUR	3 000	100.0%
Swiss Life Pensionskasse AG, Garching b. München	EUR	3 000	100.0%	EUR	3 000	100.0%
Swiss Life Service GmbH, Leipzig	EUR	100	100.0%	EUR	100	100.0%
France						
SwissLife France, Levallois-Perret	EUR	267 767	100.0%	EUR	267 767	100.0%
Luxembourg						
Swiss Life Hotel Properties SCS, Luxembourg	EUR	70 801	99.9%	EUR	1	100.0%
Swiss Life Retail Properties SCS, Luxembourg	EUR	1	99.9%	EUR	1	100.0%
Swiss Life Real Estate Management Funds I S.C.S. SICAV-SIF, Luxembourg	EUR	347 682	100.0%	EUR	1	99.9%
Swiss Life Real Estate Management I S.à r.l., Luxembourg	EUR	13	100.0%	EUR	13	100.0%
Swiss Life Real Estate Management II S.à r.l., Luxembourg	EUR	13	100.0%	EUR	13	100.0%
Cayman Islands						
Adroit Investment (Offshore) Ltd., Grand Cayman	CHF	0	100.0%	CHF	0	100.0%
Swiss Life Insurance Finance Ltd., Grand Cayman	EUR	5	100.0%	EUR	5	100.0%

Accounts receivable from and payable to related parties¹

Amounts in CHF million

	2017	2016
Mortgages	36	36
Loans	952	976
Reinsurance assets	1	1
Other accounts receivable	203	155
Hybrid debt	1 034	989
Liabilities	442	328

¹ There are no related party receivables or payables.

Investments from unit-linked life insurance

Amounts in CHF million

	2017	2016
Fixed-income securities	21	19
Collective investments	2 654	2 246
Cash and cash equivalents	11	8
TOTAL INVESTMENTS FROM UNIT-LINKED LIFE INSURANCE	2 686	2 273

Insurance reserves for own account

Amounts in CHF million

	2017	2016
Reserves for unearned premiums (gross)	440	444
of which reinsurance	-7	-6
PROVISIONS FOR UNEARNED PREMIUMS FOR OWN ACCOUNT	434	438
Provisions for insurance benefits (gross)	1 519	1 505
of which reinsurance	-0	-1
PROVISIONS FOR INSURANCE BENEFITS FOR OWN ACCOUNT	1 519	1 504
Other technical provisions (gross)	4 562	4 445
of which reinsurance	-1	-1
OTHER TECHNICAL PROVISIONS FOR OWN ACCOUNT	4 561	4 444
Mathematical reserve (gross)	97 267	94 305
of which reinsurance	-242	-106
MATHEMATICAL RESERVES FOR OWN ACCOUNT	97 026	94 199
Provisions for contractual surplus participation (gross)	876	897
of which reinsurance	-	-
PROVISIONS FOR CONTRACTUAL SURPLUS PARTICIPATION FOR OWN ACCOUNT	876	897
Provisions for bonus reserve (gross)	1 121	1 083
of which reinsurance	-	-
PROVISIONS FOR BONUS RESERVE FOR OWN ACCOUNT	1 121	1 083
TOTAL INSURANCE RESERVES FOR OWN ACCOUNT	105 538	102 566
of which		
direct insurance reserves	105 787	102 679
share from reinsurance	-249	-113

Insurance reserves for unit-linked contracts

Amounts in CHF million

	2017	2016
Provisions for insurance benefits (gross)	5	2
of which reinsurance	-	-
PROVISIONS FOR INSURANCE BENEFITS FOR OWN ACCOUNT	5	2
Provisions for mathematical reserves (gross)	2 677	2 259
of which reinsurance	-	-
MATHEMATICAL RESERVES FOR OWN ACCOUNT	2 677	2 259
TOTAL INSURANCE RESERVES FOR UNIT-LINKED CONTRACTS	2 682	2 261
of which		
Direct technical provisions for unit-linked contracts	2 682	2 261
Share from reinsurance	-	-

Changes in equity

Amounts in CHF million

	Equity 31.12.2016	Appropriation of profit	Foreign currency translation differences	Net profit	Equity 31.12.2017
PAID-UP SHARE CAPITAL	587	-	-	-	587
Legal capital contribution reserve	294	-	-	-	294
STATUTORY CAPITAL RESERVES	294	-	-	-	294
Statutory retained earnings	-	-	-	-	-
Statutory reserves	-	-	-	-	-
STATUTORY RETAINED EARNINGS	-	-	-	-	-
Own capital shares	-	-	-	-	-
Free reserves	1 675	-137	31	-	1 570
Balance carried forward from previous year	-	-	-	-	-
Result from the reporting period	329	-329	-	361	361
Profit shown in the balance sheet	329	-329	-	361	361
VOLUNTARY RETAINED EARNINGS	2 003	-465	31	361	1 931
EQUITY	2 884	-465	31	361	2 812

Long-term interest-bearing liabilities

Amounts in CHF million

	31.12.2017	31.12.2016
Due within 1 to 5 years	2 547	2 645
Due after 5 years	1 828	2 168
TOTAL LONG-TERM INTEREST-BEARING LIABILITIES	4 374	4 813
of which		
subordinated liabilities	4 304	4 729
interest-bearing liabilities	71	84

Outstanding bonds

Amounts in million

	Currency	Principal	Interest rate	Optional redemption
Hybrid CHF10	CHF	300	5.500%	08.2018
Hybrid EUR1	EUR	192	Euribor +2.050%	04.2019
Hybrid CHF13	CHF	450	3.750%	09.2021
Hybrid CHF11	CHF	471	Libor +4.200%	11.2022
Hybrid EUR12	EUR	750	4.375%	06.2025
Hybrid CHF14	CHF	150	4.375%	09.2026
Hybrid EUR15	EUR	600	4.500%	05.2027

On 27 September 2016, Elm B.V., a Dutch repackaging vehicle, issued EUR 600 million in fixed to floating rate subordinated perpetual notes (at an issue price of 99.707%) secured by 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 19 May 2027 or on any interest payment date thereafter, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority. The interest has been fixed at 4.50% p.a. until 19 May 2027. If the notes are not redeemed on 19 May 2027, the interest will be the aggregate of the three-month Euribor and a margin of 5.10% p.a.

On 24 March 2016, Swiss Life Ltd issued subordinated dated callable bonds in the amount of CHF 150 million. The bonds are guaranteed by Swiss Life Holding, have their maturity date on 24 September 2046 and are first callable on 24 September 2026 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 4.375% p.a. until 24 September 2026. If the bonds are not redeemed on 24 September 2026, 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 an initial margin of 4.538% p.a.

On 24 March 2016, Swiss Life Ltd issued perpetual subordinated callable bonds in the amount of CHF 450 million. The bonds are guaranteed by Swiss Life Holding, have no fixed maturity date and are first callable on 24 September 2021 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 3.75% p.a. until 24 September 2021. If the bonds are not redeemed on 24 September 2021, 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 4.392% p.a.

On 16 June 2015, Demeter Investments B.V., a Dutch repackaging vehicle, issued EUR 750 million in fixed to floating rate subordinated perpetual notes (at an issue price of 99.105%) secured by 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 16 June 2025 or on any interest payment date thereafter, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority. The interest has been fixed at 4.375% p.a. until 16 June 2025. If the notes are not redeemed on 16 June 2025, the interest will be the aggregate of three-month Euribor and a margin of 4.30% p.a.

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 repurchased from lenders. The cash component amounted to a total of CHF 139 million. The new loan consists of a tranche of a new subordinated perpetual step-up note issued by Swiss Life Ltd in the amount of CHF 471 million with a duration of 30 years, guaranteed by Swiss Life Holding 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 six-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 bond cannot be repaid before 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% p.a.

On 4 April 2011, Swiss Life Ltd issued subordinated perpetual callable bonds in the amount of CHF 325 million. CHF 75 million were additionally issued in June 2011 and CHF 100 million in October 2011. The bonds were guaranteed by Swiss Life Holding, had no fixed maturity date and were first callable on 4 October 2016 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. The bonds were redeemed on the first call date on 4 October 2016.

On 12 April 2007, ELM B.V., a Dutch repackaging vehicle, issued EUR 700 million in fixed to 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. The notes were redeemed on 12 April 2017.

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% p.a., increased by 100 basis points as from April 2009), CHF 290 million (at a rate of interest of Euribor plus a margin of 1.05% p.a., 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.

Auditing fees

In 2017 the auditing fees credited to PwC for auditing Swiss Life Ltd, including its branch office in Germany, came to CHF 2.2 million. Additional fees to PwC in 2017 came to some CHF 0.5 million, mainly for auditing the Market Consistent Embedded Value (MCEV) and supervisory audits.

Number of full-time positions

Swiss Life Ltd had an average of 2471 full-time equivalents in Switzerland and in its German branch office during the year under review, which equates to over 250 full-time employees on average over the year.

Other Information on the Financial Statements

Financial liabilities

Amounts in CHF million

	31.12.2017	31.12.2016
Guarantees, indemnity liabilities and pledges	678	740
Pledged or assigned assets required to secure own liabilities	1 159	1 119
Liabilities from leasing obligations not included in the balance sheet	1	2
Liabilities to employee benefits institutions	14	9

Off-balance-sheet derivatives

Pursuant to the Swiss Code of Obligations, derivatives in cash flow hedge accounting relationships under IFRS as “forward starting interest rate derivatives” are not carried on the balance sheet if such derivatives are classified as hedging instruments for future transactions. The market value of these derivatives at year-end was CHF 134 million (2016: CHF 219 million).

Shareholders

Swiss Life Holding Ltd is the sole shareholder with 100% of the voting shares.

Events after the Reporting Period

On 1 March 2018, Swiss Life Ltd successfully issued a subordinated perpetual bond in the amount of CHF 425 million with a first optional call date in September 2024 (interest until the first call date: 2.00%) and a subordinated bond in the amount of CHF 175 million with a tenor lasting until 2048 and a first optional call date in September 2028 (interest until the first call date: 2.625%). The bonds were placed with investors in the Swiss franc market. The funds will be used for general corporate purposes, including any future refinancing of outstanding subordinated instruments, in compliance with all applicable laws and regulations.

Profit and Appropriation of Profit

Profit shown in the balance sheet

CHF		2017
Balance carried forward from previous year		–
Result from the reporting period		361 400 698
PROFIT SHOWN IN THE BALANCE SHEET		361 400 698

Profit shown in the balance sheet is CHF 361 400 698. The Board of Directors proposes to the General Meeting of Shareholders that the profit be appropriated in accordance with the table below. On acceptance of this proposal, an ordinary gross dividend of CHF 44.30 (previous year: CHF 39.60) per dividend-bearing share will be paid.

Appropriation of profit

CHF		2017
Dividend		520 392 100
Withdrawal from the free reserves		–158 991 402
Appropriation of profit		361 400 698
BALANCE CARRIED FORWARD TO NEW ACCOUNT		0

As the general reserve has reached 50% of share capital, there will be no further allocation.

Zurich, 13 March 2018

On behalf of the Board of Directors of Swiss Life Ltd

Rolf Dörig

Gerold Bühner

Management Report

Business overview

The economic operating conditions have not substantially changed since the previous year. Investment yields remained under pressure due to low interest rates. In addition to regulatory and political trends, socio-economic changes such as increasing life expectancy affect Swiss Life's environment. The social and economic consequences of demographic developments have a wide-ranging impact on human life.

Premiums for own account including investment-type contributions fell by 4% to CHF 10.5 billion, a decline due to the active product-range guidance and the focus on profitability and capital efficiency. Premiums for group insurance declined over the previous year by CHF 524 million to CHF 8166 million due to a drop in single premiums; periodic premiums were slightly above the previous year. Premiums in the individual insurance area rose by 4% to CHF 2.4 billion for own account, driven in particular by periodic premiums.

Number of full-time positions

Swiss Life Ltd had an average of 2481 full-time equivalents in Switzerland and in its German branch office during the year under review.

Risk management

Objectives of risk management

Risk management covers the identification, monitoring, quantification and management of all major risks. A comprehensive view of risk is an integral component of Swiss Life's established strategy, planning and risk management processes and, as such, is embedded in the company's Group-wide governance. The findings from this 360-degree perspective are included in the management of the company and facilitate the definition and implementation of risk mitigation measures where necessary. Swiss Life pursues an integrated, value-oriented risk management approach involving both quantitative and qualitative elements. The goal is to protect customers' funds and ensure the best possible investment of risk capital.

Organisation, responsibility and instruments of risk management

Risk management is a key component of Swiss Life's management process. The responsible committees of the Corporate Executive Board (Group Risk Committee) and the Board of Directors (Investment & Risk Committee) monitor and take decisions in the area of risk management. The risk management functions at the level of Swiss Life Ltd are organised accordingly. The decisions made regarding risk management are then incorporated into the annual planning process for Swiss Life Ltd. On the one hand, they comprise qualitative assessments from a strategic perspective, taking into consideration operational risks and the internal control system. On the other hand, quantitative elements, such as riskbudgeting and investment strategy, are included in asset and liability management. Based on overall risk capacity and risk appetite, limits are set for the financial risks incurred taking account of the regulatory guidelines, and investment targets are set accordingly.

Managing major risks

The Swiss Solvency Test (SST) is the main measurement used to evaluate the risk and solvency situation. As regards mid-term planning and the ORSA process for the Swiss Life Group, Swiss Life Switzerland and the German branch office, the SST ratio was projected for various economic scenarios and, where necessary, measures were defined, which were then implemented locally for the corresponding scenarios.

Risk management measures include investment-related measures as well as the management of current liabilities. The ALCO process has traditionally been in charge of investment-related risk management and stable interest rate margins. Continual duration management with a low duration gap reduces the sensitivity to the interest rate environment and protects risk-bearing capital. All foreign-exchange investments are also hedged and the financial institutions, especially in Europe, are closely monitored.

Outlook

Swiss Life continues to work on the assumption of a difficult financial environment with interest rates remaining low. The further development of Swiss Life in Switzerland and at its branch office in Germany depends on the consistent implementation of the aims as laid out in the Group-wide programme “Swiss Life 2018”. Alongside profitability, margin management and cost efficiency, planning also includes further expansion of the fee business, which is comparatively capital-light. Swiss Life will invest further in the quality of consulting, in digitalisation and in organic growth initiatives over the next few years. Swiss Life’s long investment duration and robust direct investment income enable it to withstand the current low interest rate environment and protect its interest rate margin. The investment strategy is structured so that consistent asset and liability management ensures the interest rate margin remains protected for decades. The company can thus meet its customer guarantees, even if the low interest rate environment endures over the long term.

Report of the Statutory Auditor



Report of the statutory auditor to the General Meeting of Swiss Life Ltd

Zurich

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Swiss Life Ltd, which comprise the balance sheet as at 31 December 2017, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 5 - 17) as at 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 52 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matters the following areas of focus have been identified:

Models and assumptions used to calculate future life policyholder benefits

Valuation of real estate

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example,

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
 Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.



in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material, if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

<i>Overall materiality</i>	CHF 52 million
<i>How we determined it</i>	0.5% of earned premiums
<i>Rationale for the materiality benchmark applied</i>	We chose earned premiums as a benchmark because, in our view, it is a prevailing indicator for the performance of the Company. In addition, earned premiums is a generally accepted benchmark for materiality considerations in the insurance industry.

We agreed with the Audit Committee that we would report to them misstatements above CHF 3 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Models and assumptions used to calculate future life policyholder benefits

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>At December 31 2017, insurance reserves amount to CHF 105'787 million, which represent 88% of the total debt capital. We refer to page 13 of the Swiss Life Ltd Financial Statements.</p> <p>The insurance reserves are determined by management using assumptions related to the future development of valuation related factors. Such assumptions include mortality, disability and investment return.</p>	<p>Our audit procedures relating to insurance reserves primarily consist of testing the model used in developing these balances, reviewing management's assumptions in light of current market conditions, industry developments and policyholder behaviour, and obtaining comfort over the completeness and accuracy of underlying data used in the calculations. We were supported by actuaries in our audit work related to insurance reserves.</p>



Key audit matter

Management assesses the appropriateness of the main assumptions and models at each reporting date.

We focused our audit procedures on this particular position, due to its significance to the balance sheet, its sensitivity to changes in economic conditions, and the level of management judgment involved in setting assumptions necessary to determine the amount of such required insurance reserves.

How our audit addressed the key audit matter

We examined if the models used in the valuation of actuarially determined future life policyholder benefits are reasonable and in line with financial reporting requirements and industry accepted practice.

We examined the biometric assumptions, such as mortality and disability.

The insurance reserves are calculated using the discount rate. We have reviewed significant assumption changes made during the year in determining the discount rate, with a focus on the traditional life insurance policies. In assessing the interest rates used, we confirmed that the interest rates are supported by the anticipated economic performance of assets backing the liability when considering any planned changes in asset strategy and reinvestment. In particular, we placed focus on the different components of the discount rate on a portfolio level (“individual life” and “group life”).

Our audit procedures over insurance reserves included, but were not limited to:

- Assessment of the estimated future expected returns for all major investment classes such as bonds, real estates, loans, mortgages, equity and alternative investments
- Comparison of the allocation of the major asset classes to the strategic asset allocation as determined by management
- Verification of the consistency of the assumptions made by management with assumptions made elsewhere
- Review of the methodology for determining the selected discount rate based on the above input parameters

Based on the work performed, we determined that the methodologies and assumptions used in the valuation of insurance reserves are reasonable, in line with financial reporting requirements and industry accepted practice.



Valuation of real estate

Key audit matter

At 31 December 2017, real estate amounts to CHF 16'865 million. We refer to page 6 of the Swiss Life Ltd Financial Statements.

We focused on real estate due to the size of such assets with respect to the total amount of invested assets and the fact that there is management judgement involved in determining the fair value. Fair values of real estate are calculated for the assessment of the valuation of real estate.

Swiss Life Ltd accounts for real estate at acquisition cost with consideration of any necessary valuation adjustments. At each balance sheet date, management assess the recoverability of the book value of real estate, as such management ordinarily perform a detailed valuation of each real estate on an annual basis. A comparison of the fair value determined by an independent and recognised real estate valuation expert to the book value is performed. The book value is adjusted to the market value when a valuation adjustment is identified.

The fair value is ordinarily derived using the generally accepted discounted cash flow method. Consideration is given to the assumed expected rental revenue, over the period in use of the real estate, and discounted using a rate which reflects the risk assessment of the real estate. The fair value of real estate is sensitive to a) the development of the real estate market for residential, commercial and mixed-use properties, to b) the expected rental revenue, and c) the discount rate.

How our audit addressed the key audit matter

We assessed the portfolio structure, compared the current portfolio to the prior year and assessed the overall process of determining the fair values.

Based on the overall risk assessment, we selected individual investment properties for an individual valuation review. Our sample selection was conducted using specified criteria, such as location, market value, market value deviation compared to the previous year, type of use, and acquisitions of real estate during the reporting period.

During the audit we were supported by our real estate valuation experts. In particular, our valuation review included the following:

- assessed the completeness and appropriateness of the valuation report of the independent valuation expert and assessed the competence, objectivity and independence of this expert
- examined the formal aspects, in particular the compliance with real estate valuation standards
- examined the valuation assumptions for example expected rental income, with regard to market conformity
- reviewed the mathematical correctness of fundamental calculation steps through the reperformance of a sample of such calculation steps
- examined the appropriateness of the valuation methodology used
- examined the valuation parameters (discount rate and operating costs) and compared these to market data.

In addition, we assessed the average discount rate resulting from valuing the real estate portfolio and compared it to market data.

We compared the booked values with the valuation results of the valuation experts. We examined whether the carrying values and valuation adjustments (if applicable) were correctly booked.

We consider the valuation methodology, and the underlying valuation parameters used, to be reasonable. The audit evidence obtained through our audit procedures was sufficient and suitable to assess the valuation of real estate.



Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTSuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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
Audit expert
Auditor in charge

Nebojsa Baratovic
Audit expert

Zürich, 13 March 2018

Contacts

Swiss Life

General-Guisan-Quai 40

P.O. Box 2831

CH-8022 Zurich

Tel. +41 43 284 33 11

www.swisslife.com

Investor Relations

Tel. +41 43 284 52 76

Fax +41 43 284 44 41

investor.relations@swisslife.ch

Shareholder Services

Tel. +41 43 284 61 10

Fax +41 43 284 61 66

shareholder.services@swisslife.ch

Media Relations

Tel. +41 43 284 77 77

Fax +41 43 284 48 84

media.relations@swisslife.ch

Annual Report Swiss Life Ltd 2017

The Annual Report of Swiss Life Ltd is published in German and English.

The German text is definitive.

The Annual Report of Swiss Life Ltd can be found online at: www.swisslife.com/results**Publishing details****Publisher** — Swiss Life Holding Ltd, Zurich**Editorial responsibility** — Swiss Life, Group Communications and Strategic Marketing, Zurich**Production** — Management Digital Data AG, Lenzburg

© Swiss Life Holding Ltd, 2018

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document may contain projections or other forward-looking statements related to Swiss Life that are subject to known and unknown risks, uncertainties and other important factors. The reader should be aware that these statements are only projections which could differ materially from the actual results, financial situation, development, performance or expectations and that therefore no undue reliance should be placed on such forward-looking statements. Neither Swiss Life nor any of its directors, officers, employees or advisors, nor any other person connected or otherwise associated with Swiss Life, makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this document. Neither Swiss Life nor any of its directors, officers, employees or advisors, nor any other person connected or otherwise associated with Swiss Life, shall have any liability whatsoever for loss howsoever arising, directly or indirectly, from any use of this document. All forward-looking statements are based on the data available to Swiss Life at the time the present document was compiled. Unless otherwise required by applicable law, Swiss Life assumes no responsibility to publicly update or alter its forward-looking statements or to adapt them, whether as a result of new information, future events or developments or any other reason.

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

The future starts here.

*Swiss Life Ltd
General-Guisan-Quai 40
P.O. Box 2831
CH-8022 Zurich*

*Tel. +41 43 284 33 11
www.swisslife.ch*