

*Annual Report*  
*2019*  
*Swiss Life Ltd*



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## *Business Review*

*In 2019 Swiss Life Ltd (including the branch in Germany) posted a net profit of CHF 641 million (previous year: CHF 418 million).*

Premiums for own account including investment-type contributions rose by 37% to CHF 14.7 billion, mainly due to a CHF 3.8 billion increase in group insurance premiums to CHF 12.2 billion (+45%). The extraordinary increase is due to the withdrawal of a competitor from the full insurance business in Switzerland. Premiums in the individual insurance area increased by 5% to CHF 2.5 billion for own account, mainly due to the high volume of new business in unit-linked insurance and capital-sum insurance. Overall, the product mix saw further improvement.

Earnings from the insurance business posted 37% growth in the year under review. Expenses for claims increased by 38% during the year under review. These developments in the insurance business are connected to the withdrawal of a competitor from the full insurance business in Switzerland referred to above.

The investment result was CHF 3.7 billion (+10%) in the year under review. The increase is due among other things to a better net result from profits/losses on equities in relation to profits/losses on equity derivatives compared to the previous year.

Claims paid increased by 7% to CHF 11 billion in 2019, whereby benefits paid in group life business increased in particular (+11%), due mainly to a rise in contract terminations and departures. Benefits paid to policyholders in the individual life business were 5% below the previous year.

Acquisition and administration costs rose 3% over the previous year to CHF 863 million. The increase is the result of the parent company in Switzerland (+1%) and of the branch in Germany (+11%). At the parent company in Switzerland, acquisition and administrative expenses rose mainly due to higher personnel expenses and increased acquisitions and administrative expenses due to the growth in new business.

Expenses for policyholder bonuses amounted to CHF 401 million in the year under review (previous year: CHF 462 million). As at 31 December 2019, provisions for the bonus reserve were stable at CHF 1.1 billion.

Swiss Life Ltd continues to have a strong capital base. Equity at the end of 2019 stood at CHF 2.8 billion (previous year: CHF 2.7 billion). Overall, Swiss Life Ltd increased net profit by CHF 233 million to CHF 641 million in 2019. That equates to an increase of 53%.

On the basis of the successful 2019 financial year, the Board of Directors proposes to the General Meeting of shareholders payment of CHF 52.50 per dividend-bearing share.

# Statement of Income

## Statement of income for the financial years ended 31 December

Amounts in CHF million

	2019	2018
Gross premium	14 693	10 776
Reinsurer's share of gross premium	-75	-77
Premium for own account	14 617	10 699
Change in provisions for unearned premiums	11	7
Reinsurer's share of change in provisions for unearned premiums	0	0
<b>EARNED PREMIUMS</b>	<b>14 629</b>	<b>10 706</b>
Other income from insurance business	21	25
<b>TOTAL ACTUARIAL INCOME</b>	<b>14 650</b>	<b>10 731</b>
Gross claims paid	-11 046	-10 316
Reinsurer's share of claims paid	38	39
Claims paid	-11 008	-10 277
Change in provisions for insurance benefits	-44	-31
Change in other technical provisions	118	-317
Change in mathematical reserve	-4 925	-1 365
Change in technical provisions	-4 851	-1 713
Reinsurer's share of change in technical provisions	9	12
Change in technical provisions for unit-linked life insurance	-634	8
<b>CLAIMS INCURRED, NET OF REINSURANCE</b>	<b>-16 484</b>	<b>-11 970</b>
Acquisition and administrative expenses	-879	-857
Reinsurer's share of acquisition and administrative expenses	17	15
<b>ACQUISITION AND ADMINISTRATIVE EXPENSES FOR OWN ACCOUNT</b>	<b>-863</b>	<b>-841</b>
Withdrawal from bonus reserve	370	366
Bonuses paid	-424	-420
Allocation to bonus reserve	-347	-408
Expenses from surplus participation	-401	-462
Other technical charges	-35	-35
<b>OTHER TECHNICAL CHARGES, NET OF REINSURANCE</b>	<b>-436</b>	<b>-497</b>
Return on investments	19 512	10 641
Investment charges	-15 820	-7 276
<b>INVESTMENT RESULT</b>	<b>3 692</b>	<b>3 365</b>
Investment and interest income from unit-linked life insurance	350	-159
Other financial income	28	51
Other financial expenses	-4	-36
<b>OPERATIONAL RESULT</b>	<b>933</b>	<b>642</b>
Interest expense for interest-bearing liabilities	-156	-168
Other income	118	95
Other charges	-86	-93
Other taxes	-38	-23
<b>PROFIT BEFORE TAX</b>	<b>772</b>	<b>453</b>
Direct taxes	-131	-35
<b>PROFIT</b>	<b>641</b>	<b>418</b>
from single investor funds		
Return on investments	4 152	2 633
Investment charges	-1 111	-1 991

# Balance Sheet

## Statement of assets for the financial years ended 31 December

Amounts in CHF million

	2019	2018
Real Estate	18 982	18 087
Participations	4 984	3 150
Fixed-income securities	59 153	60 618
Loans	1 552	920
Mortgages	9 665	8 789
Shares	9 380	8 241
Collective investments	15 691	16 142
Alternative investments	37	49
Policy loans	64	75
Other investments	15 792	16 267
<b>INVESTMENTS</b>	<b>119 507</b>	<b>116 071</b>
Investments from unit-linked life insurance	3 264	2 657
Receivables from derivative financial instruments	1 302	1 755
Deposits from reinsurance assumed	185	181
Cash and cash equivalents	1 735	2 764
Share of technical provisions from reinsurance	255	254
Property and equipment	31	11
Deferred acquisition costs	118	107
Intangible assets	13	15
Accounts receivable from policyholders	521	493
Receivables from agents and intermediaries	48	40
Accounts receivable from insurance companies	66	77
<b>RECEIVABLES FROM INSURANCE BUSINESS</b>	<b>635</b>	<b>611</b>
Receivables from investment activities	35	37
Receivables from participations and shareholders	159	161
Other debtors	418	446
<b>OTHER ACCOUNTS RECEIVABLE</b>	<b>612</b>	<b>644</b>
Prepayments and accrued income	1 086	1 102
<b>TOTAL ASSETS</b>	<b>128 742</b>	<b>126 172</b>
from single investor funds		
fixed-income securities	41 523	43 069
Shares	8 410	7 547
collective investments	1 251	2 228
cash and cash equivalents	140	- 147
other debtors	118	87
prepayments and accrued income	603	633

## Statement of liabilities for the financial years ended 31 December

Amounts in CHF million

	2019	2018
Provisions for unearned premiums	414	429
Provisions for insurance benefits	1 579	1 542
Other technical provisions	4 762	4 879
Mathematical reserves	102 294	97 973
Provisions for contractual surplus participation	804	843
Provisions for bonus reserve	1 092	1 137
<b>Insurance reserves</b>	<b>110 945</b>	<b>106 804</b>
Technical provisions for unit-linked life insurance	3 250	2 644
Non-technical provisions	507	515
Interest-bearing liabilities	724	63
Liabilities from derivative financial instruments	1 177	936
Deposits from reinsurance ceded	145	139
Liabilities towards policyholders	1 126	1 076
Liabilities towards agents and intermediaries	13	12
Liabilities towards insurance companies	72	87
Other insurance liabilities	10	33
<b>Insurance liabilities</b>	<b>1 220</b>	<b>1 208</b>
Other liabilities from investment activities	948	3 006
Other liabilities towards participations and shareholders	537	468
Other creditors	242	226
<b>Other liabilities</b>	<b>1 727</b>	<b>3 700</b>
Accrued expenses	1 855	2 958
Subordinated liabilities	4 430	4 511
<b>TOTAL DEBT CAPITAL</b>	<b>125 981</b>	<b>123 478</b>
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	-	-
<b>Free reserves</b>	<b>1 239</b>	<b>1 394</b>
Balance carried forward from previous year	-	-
Result from the reporting period	641	418
Profit shown in the balance sheet	641	418
Voluntary retained earnings	1 880	1 813
<b>EQUITY</b>	<b>2 761</b>	<b>2 694</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>128 742</b>	<b>126 172</b>
from single investor funds		
other liabilities from investment activities	25	24
accrued expenses	1	1

# Notes to the Financial Statements

## Accounting Rules

The 2019 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 from 15 December 2015) apply.

The balance sheet and statement of income include the operations in Switzerland and the branch 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

	31.12.2019	31.12.2018
1 EUR	1.0852	1.1255
1 GBP	1.2817	1.2527
1 USD	0.9664	0.9828



## *Explanations on the Balance Sheet and Statement of Income*

### Investment income returns for the 2019 financial year

Amounts in CHF million

	Revenues	Accretion	Realised gains	Total
Real Estate	673	11	327	1 011
Participations	360	–	–	360
Fixed-income securities	1 697	43	251	1 991
Loans	18	–	–	18
Mortgages	162	0	0	162
Shares	318	34	2 167	2 518
Collective investments	745	97	85	927
Alternative investments	–	5	6	10
Policy loans	2	–	–	2
Other investments	3	–	–	3
Other investments	751	102	91	943
Derivative financial instruments	–	250	772	1 022
Foreign currency investments	–	1 287	10 199	11 485
<b>TOTAL INVESTMENT INCOME RETURNS</b>	<b>3 980</b>	<b>1 727</b>	<b>13 806</b>	<b>19 512</b>

### Investment income returns for the 2018 financial year

Amounts in CHF million

	Revenues	Accretion	Realised gains	Total
Real Estate	662	5	219	885
Participations	307	0	–	307
Fixed-income securities	1 815	33	713	2 561
Loans	16	–	–	16
Mortgages	158	1	–	159
Shares	294	3	173	470
Collective investments	460	6	25	491
Alternative investments	1	2	3	6
Policy loans	3	–	–	3
Other investments	4	–	–	4
Other investments	467	8	28	504
Derivative financial instruments	–	468	1 144	1 613
Foreign currency investments	–	1 726	2 400	4 127
<b>TOTAL INVESTMENT INCOME RETURNS</b>	<b>3 719</b>	<b>2 245</b>	<b>4 678</b>	<b>10 641</b>

## Investment income expenditure for the 2019 financial year

Amounts in CHF million

	Expenses	Depreciation	Realised losses	Total
Real Estate	115	56	18	190
Participations	–	80	0	80
Fixed-income securities	107	11	42	160
Loans	1	–	–	1
Mortgages	23	0	–	23
Shares	21	51	159	231
Collective investments	37	17	16	69
Alternative investments	0	5	0	5
Policy loans	–	–	–	–
Other investments	1	0	–	1
Other investments	38	22	16	75
Derivative financial instruments	0	343	2 360	2 703
Foreign currency investments	–	1 989	10 367	12 356
<b>TOTAL INVESTMENT INCOME EXPENDITURE</b>	<b>306</b>	<b>2 552</b>	<b>12 962</b>	<b>15 820</b>

## Investment income expenditure for the 2018 financial year

Amounts in CHF million

	Expenses	Depreciation	Realised losses	Total
Real Estate	93	40	14	147
Participations	–	37	–	37
Fixed-income securities	105	187	187	479
Loans	1	–	3	4
Mortgages	12	1	–	13
Shares	19	143	710	873
Collective investments	2	127	6	135
Alternative investments	0	2	0	3
Policy loans	–	–	–	–
Other investments	61	–	–	61
Other investments	62	129	7	199
Derivative financial instruments	0	138	681	820
Foreign currency investments	–	1 935	2 771	4 705
<b>TOTAL INVESTMENT INCOME EXPENDITURE</b>	<b>294</b>	<b>2 609</b>	<b>4 373</b>	<b>7 276</b>

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 367 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 7 million (previous year: CHF 7 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
		31.12.2019			31.12.2018	
<b>Switzerland</b>						
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%
Rhein-Wiese AG, Zürich	CHF	160 000	100.0%	CHF	0	0.0%
TECHNOPARK Immobilien AG, Zürich	CHF	40 000	66.7%	CHF	40 000	66.7%
<b>Germany</b>						
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%
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%
<b>France</b>						
CLUB PRIME HOSPITALITY, Paris	EUR	300 000	90.6%	EUR	0	0.0%
SwissLife France, Levallois-Perret	EUR	267 767	100.0%	EUR	267 767	100.0%
<b>Luxembourg</b>						
Swiss Life ERE Capital Partners Fund S.C.S. SICAV-FIS (formerly Swiss Life Hotel Properties SCS), Luxembourg	-	-	-	EUR	105 851	100.0%
Swiss Life Retail Properties SCS, Luxembourg	-	-	-	EUR	1	99.9%
Swiss Life Investment Company S.A., SICAV-SIF, Luxembourg	EUR	30 000	100.0%	EUR	0	0.0%
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%
<b>Cayman Islands</b>						
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 parties<sup>1</sup>

Amounts in CHF million

	2019	2018
Mortgages	42	42
Loans	1 360	837
Reinsurance assets	5	5
Other accounts receivable	159	161
Hybrid debt	995	1 013
Liabilities	537	468

<sup>1</sup> There are no related party receivables or payables.

### Investments from unit-linked life insurance

Amounts in CHF million

	2019	2018
Fixed-income securities	–	10
Collective investments	3 251	2 634
Cash and cash equivalents	13	13
<b>TOTAL INVESTMENTS FROM UNIT-LINKED LIFE INSURANCE</b>	<b>3 264</b>	<b>2 657</b>

## Insurance reserves for own account

Amounts in CHF million

	2019	2018
Reserves for unearned premiums (gross)	414	429
of which reinsurance	-7	-7
<b>PROVISIONS FOR UNEARNED PREMIUMS FOR OWN ACCOUNT</b>	<b>408</b>	<b>422</b>
Provisions for insurance benefits (gross)	1 579	1 542
of which reinsurance	-0	-0
<b>PROVISIONS FOR INSURANCE BENEFITS FOR OWN ACCOUNT</b>	<b>1 579</b>	<b>1 542</b>
Other technical provisions (gross)	4 762	4 879
of which reinsurance	-1	-1
<b>OTHER TECHNICAL PROVISIONS FOR OWN ACCOUNT</b>	<b>4 761</b>	<b>4 879</b>
Mathematical reserve (gross)	102 294	97 973
of which reinsurance	-247	-246
<b>MATHEMATICAL RESERVES FOR OWN ACCOUNT</b>	<b>102 047</b>	<b>97 727</b>
Provisions for contractual surplus participation (gross)	804	843
of which reinsurance	-	-
<b>PROVISIONS FOR CONTRACTUAL SURPLUS PARTICIPATION FOR OWN ACCOUNT</b>	<b>804</b>	<b>843</b>
Provisions for bonus reserve (gross)	1 092	1 137
of which reinsurance	-	-
<b>PROVISIONS FOR BONUS RESERVE FOR OWN ACCOUNT</b>	<b>1 092</b>	<b>1 137</b>
<b>TOTAL INSURANCE RESERVES FOR OWN ACCOUNT</b>	<b>110 691</b>	<b>106 550</b>
of which		
direct insurance reserves	110 945	106 804
share from reinsurance	-255	-254

## Insurance reserves for unit-linked contracts

Amounts in CHF million

	2019	2018
Provisions for insurance benefits (gross)	2	3
of which reinsurance	-	-
<b>PROVISIONS FOR INSURANCE BENEFITS FOR OWN ACCOUNT</b>	<b>2</b>	<b>3</b>
Provisions for mathematical reserves (gross)	3 248	2 641
of which reinsurance	-	-
<b>MATHEMATICAL RESERVES FOR OWN ACCOUNT</b>	<b>3 248</b>	<b>2 641</b>
<b>TOTAL INSURANCE RESERVES FOR UNIT-LINKED CONTRACTS</b>	<b>3 250</b>	<b>2 644</b>
of which		
Direct technical provisions for unit-linked contracts	3 250	2 644
Share from reinsurance	-	-

## Changes in equity

Amounts in CHF million

	Equity 31.12.2018	Appropriation of profit	Foreign currency translation differences	Net profit	Equity 31.12.2019
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	1 394	-140	-16		1 239
Balance carried forward from previous year	-				-
Result from the reporting period	418	-418		641	641
Profit shown in the balance sheet	418	-418		641	641
VOLUNTARY RETAINED EARNINGS	1 813	-558	-16	641	1 880
<b>EQUITY</b>	<b>2 694</b>	<b>-558</b>	<b>-16</b>	<b>641</b>	<b>2 761</b>

## Long-term interest-bearing liabilities

Amounts in CHF million

	31.12.2019	31.12.2018
Due within 1 to 5 years	2 692	2 267
Due after 5 years	2 462	2 308
<b>TOTAL LONG-TERM INTEREST-BEARING LIABILITIES</b>	<b>5 154</b>	<b>4 575</b>
of which		
subordinated liabilities	4 430	4 511
interest-bearing liabilities	724	63

## Outstanding bonds

Amounts in million

	Currency	Principal	Interest rate	Optional redemption
Hybrid CHF13	CHF	450	3.750%	09.2021
Hybrid CHF11	CHF	471	Libor +4.200%	11.2022
Hybrid EUR1	EUR	193	Euribor +2.050%	04.2024
Hybrid CHF17	CHF	425	2.000%	09.2024
Hybrid EUR12	EUR	750	4.375%	06.2025
Hybrid CHF14	CHF	150	4.375%	09.2026
Hybrid EUR15	EUR	600	4.500%	05.2027
Hybrid CHF18	CHF	175	2.625%	09.2028

On 22 March 2018, Swiss Life Ltd issued subordinated dated callable bonds in the amount of CHF 175 million. The bonds are guaranteed by Swiss Life Holding, have their maturity date on 25 September 2048 and are first callable on 25 September 2028 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 2.625% p.a. until 25 September 2028. If the bonds are not redeemed on 25 September 2028, 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 2.113% p.a.

On 22 March 2018, Swiss Life Ltd issued subordinated perpetual callable bonds in the amount of CHF 425 million. The bonds are guaranteed by Swiss Life Holding, have no fixed maturity date and are first callable on 25 September 2024 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 2.00% p.a. until 25 September 2024. If the bonds are not redeemed on 25 September 2024, 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 1.842% p.a.

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 the initial margin of 4.538% p.a.

On 24 March 2016, Swiss Life Ltd issued subordinated perpetual 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 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 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%.

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 Libor plus a margin of 1.05% p.a., 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% 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 193 million remain outstanding. Swiss Life Ltd renounced the right to call the loan in April 2014 and April 2019, respectively, and can next call it in 2024 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 2019 the auditing fees credited to PwC for auditing Swiss Life Ltd, including its branch office in Germany, came to CHF 2.3 million. Additional fees to PwC in 2019 came to some CHF 0.6 million, mainly for auditing the Swiss Solvency Tests (SST) and other supporting services.

### Number of full-time positions

Swiss Life Ltd had an average of 2519 full-time equivalents in Switzerland and in its German branch office during the year under review. The number of full-time positions is thus above 250 employees on average over the year.

## *Other Information on the Financial Statements*

### Financial liabilities

Amounts in CHF million

	31.12.2019	31.12.2018
Guarantees, indemnity liabilities and pledges	1 064	788
Pledged or assigned assets required to secure own liabilities	602	492
Liabilities from leasing obligations not included in the balance sheet	1	1
Liabilities to employee benefits institutions	17	36

### 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 336 million (2018: CHF 10 million).

### Shareholders

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

## *Events after the Reporting Period*

There were no events after the reporting period that would require disclosure.

## *Profit and Appropriation of Profit*

### Profit shown in the balance sheet

CHF		2019
Balance carried forward from previous year		–
Result from the reporting period		641 355 852
<b>PROFIT SHOWN IN THE BALANCE SHEET</b>		<b>641 355 852</b>

Profit shown in the balance sheet is CHF 641 355 852. 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 52.50 (previous year: CHF 47.50) will be paid on each dividend-bearing share.

### Appropriation of profit

CHF		2019
Dividend		616 717 500
Allocation to free reserves		24 638 352
Appropriation of profit		–641 355 852
<b>BALANCE CARRIED FORWARD TO NEW ACCOUNT</b>		<b>0</b>

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

Zurich, 10 March 2020

On behalf of the Board of Directors of Swiss Life Ltd

Rolf Dörig

Frank Schnewlin

# Management Report

## Business overview

The economic operating conditions have not substantially changed since the previous year, with low interest rates keeping investment yields under pressure. 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 affect people in many areas of life. Swiss Life offers its customers a long-term value proposition – so they can lead their life with self-determination and confidence.

Premiums for own account including investment-type contributions rose by 37% to CHF 14.7 billion, mainly due to higher premiums in group insurance by CHF 3.8 billion to CHF 12.2 billion (+45%). The extraordinary increase was driven by the withdrawal of a competitor from the full insurance business in Switzerland. In the individual insurance area, premiums for own account rose by 5% to CHF 2.5 billion, mainly due to a high volume of new business in unit-linked insurance and capital-sum insurance. Overall, the product mix saw further improvement.

## Number of full-time positions

Swiss Life Ltd had an average of 2519 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 holistic 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) continuously 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 risk budgeting 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 challenging economic 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 2021”. 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. The investment strategy is structured so that Swiss Life can withstand the current low interest rate environment and protect its interest rate margin, thanks to long investment duration and robust direct investment income. 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 AG

Zürich

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Swiss Life AG, which comprise the balance sheet as at 31 December 2019, 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 2019 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 58 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



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### 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.

<b>Overall materiality</b>	CHF 58 Million
<b>How we determined it</b>	0.5% of earned premiums (average of the last three years)
<b>Rationale for the materiality benchmark applied</b>	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 5 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

### 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, 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.

### 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

#### Key audit matter

At December 31, 2019, insurance reserves amount to CHF 110'945 million, which represent 88% of the total liabilities. We refer to page 13 of the Swiss Life Ltd Financial Statements.

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.

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 judgment involved in setting assumptions necessary to determine the amount of such required insurance reserves.

#### How our audit addressed the key audit matter

Our audit procedures relating to insurance reserves primarily consist of testing the models used in developing these balances, reviewing management's assumptions in light of current economic conditions, industry developments and policyholder behavior and performing procedures over the completeness and accuracy of underlying data used in the calculations. We were supported by actuaries in our audit work.

We assessed the biometric assumptions, such as mortality and disability for reasonableness.

As the insurance reserves are calculated using a discount rate, we have assessed significant assumption changes made during the year with a focus on the interest rate used in the traditional life insurance policies. In assessing the interest rate used, we tested that the interest rates are supported by the anticipated economic performance of the assets backing the liability when considering any planned changes in asset strategy and reinvestment. We assessed the different components of the discount rate on a portfolio level. Our audit procedures for the discount rate included, but were not limited to:

- Assessment of the estimated future expected returns for all major investment classes, such as bonds, real estate, 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
- Assessment of the methodology for determining the selected discount rate, based on the above input parameters.

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



## Valuation of real estate

### Key audit matter

At 31 December 2019, real estate amounts to CHF 18'982 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 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 usually derived using the generally accepted discounted cash flow method. Consideration is given to the expected rental revenue, over the period in use, and discounted using a rate which reflects the risk assessment of the real estate, such as location and market value. The fair value of real estate is essentially sensitive to a) the development of the real estate market for residential, commercial, and mixed-use properties in general, to b) the expected rental revenue, and c) the discount rate.

### How our audit addressed the key audit matter

We assessed the overall 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 real estate for an individual valuation testing. 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 have been supported by our real estate valuation experts. Our valuation testing included the following:

- Assessment of the completeness and appropriateness of the valuation report
- Evaluation of the competence, objectivity and independence of the valuation expert
- Examination of the formal aspects, in particular the compliance with real estate valuation standards
- Amongst other procedures, we examined the valuation assumptions for expected rental income, with regards to reasonableness and market conformity
- Test of the mathematical correctness of fundamental calculation steps through the reperformance of such calculations
- Examination of the appropriateness of the valuation methodology used
- Examination of the valuation parameters (discount rate and operating costs) used and comparison of the same 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 EXPERT-suisse: <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

Peter Eberli  
Audit expert  
Auditor in charge

Nebojsa Baratovic  
Audit expert

Zürich, 10 March 2020



Swiss Life AG | Report of the statutory auditor to the General Meeting

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



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