

Annual Report 2020
Swiss Life Ltd

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Business Review

In 2020 Swiss Life Ltd (including the branch in Germany) posted a net profit of CHF 621 million (previous year: CHF 641 million).

Premiums for own account including investment-type contributions rose by 16% to CHF 12.3 billion in 2020, mainly because premium volume in group insurance fell by CHF 2.3 billion to CHF 9.9 billion, a decline of 19%. One reason for that was the smaller number of people joining in the single premium business in Switzerland. Premiums for own account fell by 2% to CHF 2.4 billion in individual insurance; the decline was especially marked in the area of capital-sum insurance (-5%). Overall, the product mix improved further.

Earnings from the insurance business fell by 16% in the year under review. Claims expenses also decreased, falling by 18% over the same period. The shrinkage in insurance business was due to the extraordinarily high single premiums written by Swiss Life in the previous year owing to the withdrawal of a competitor from the full insurance business in Switzerland.

The investment result came to CHF 3.3 billion in the reporting year (-12%). The decrease was due among other things to a lower net result from profits/losses on equities in relation to profits/losses on equity derivatives compared to the previous year.

Claims payments remained stable in 2020 at the prior-year level of CHF 11 billion. However, benefits paid in group life business increased slightly (+0.2). Benefits paid to policyholders in the individual life business were 2% below the previous year's level.

Acquisition and administration expenses rose 4% over the previous year to CHF 895 million. The increase was due to both the parent company in Switzerland (+1%) and to the branch in Germany (+9%). At the parent company in Switzerland, acquisition and administrative costs rose mainly because of the increase in acquisition and administrative costs arising from sales activities. The increase at the German branch office was due to higher personnel expenses as well as to a rise in acquisition and administrative expenses caused by the larger volume of new business.

Expenses for policyholder bonuses amounted to CHF 358 million in the year under review (previous year: CHF 401 million). As at 31 December 2020, 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 2020 stood at CHF 2.8 billion (previous year: CHF 2.8 billion). Overall, Swiss Life Ltd posted a net profit of CHF 621 million for 2020.

In light of the good 2020 financial year, the Board of Directors proposes to the General Meeting of Shareholders payment of a dividend of CHF 49.85 per share entitled to a dividend.

Statement of Income

Statement of income for the financial years ended 31 December

Amounts in CHF million

	2020	2019
Gross premium	12 335	14 693
Reinsurer's share of gross premium	-76	-75
Premium for own account	12 259	14 617
Change in provisions for unearned premiums	17	11
Reinsurer's share of change in provisions for unearned premiums	0	0
EARNED PREMIUMS	12 276	14 629
Other income from insurance business	24	21
TOTAL ACTUARIAL INCOME	12 300	14 650
Gross claims paid	-11 015	-11 046
Reinsurer's share of claims paid	42	38
Claims paid	-10 973	-11 008
Change in provisions for insurance benefits	-84	-44
Change in other technical provisions	25	118
Change in mathematical reserve	-2 213	-4 925
Change in technical provisions	-2 272	-4 851
Reinsurer's share of change in technical provisions	10	9
Change in technical provisions for unit-linked life insurance	-349	-634
CLAIMS INCURRED, NET OF REINSURANCE	-13 584	-16 484
Acquisition and administrative expenses	-912	-879
Reinsurer's share of acquisition and administrative expenses	16	17
ACQUISITION AND ADMINISTRATIVE EXPENSES FOR OWN ACCOUNT	-895	-863
Withdrawal from bonus reserve	331	370
Bonuses paid	-390	-424
Allocation to bonus reserve	-299	-347
Expenses from surplus participation	-358	-401
Other technical charges	-33	-35
OTHER TECHNICAL CHARGES, NET OF REINSURANCE	-391	-436
Return on investments	15 841	19 512
Investment charges	-12 579	-15 820
INVESTMENT RESULT	3 262	3 692
Investment and interest income from unit-linked life insurance	95	350
Other financial income	20	28
Other financial expenses	-18	-4
OPERATIONAL RESULT	789	933
Interest expense for interest-bearing liabilities	-152	-156
Other income	139	118
Other charges	-94	-86
Other taxes	-36	-38
PROFIT BEFORE TAX	646	772
Direct taxes	-25	-131
PROFIT	621	641
from single investor funds		
Return on investments	2 585	4 152
Investment charges	-2 560	-1 111

Balance Sheet

Statement of assets for the financial years ended 31 December

Amounts in CHF million

	2020	2019
Real Estate	20 287	18 982
Participations	4 954	4 984
Fixed-income securities	59 377	59 153
Loans	1 971	1 552
Mortgages	11 354	9 665
Shares	7 497	9 380
Collective investments	17 341	15 691
of which collective investment schemes under amortised cost	3 595	-
Alternative investments	27	37
Policy loans	53	64
Other investments	17 421	15 792
INVESTMENTS	122 860	119 507
Investments from unit-linked life insurance	3 607	3 264
Receivables from derivative financial instruments	1 873	1 302
Deposits from reinsurance assumed	180	185
Cash and cash equivalents	1 344	1 735
Share of technical provisions from reinsurance	265	255
Property and equipment	30	31
Deferred acquisition costs	140	118
Intangible assets	11	13
Accounts receivable from policyholders	358	521
Receivables from agents and intermediaries	63	48
Accounts receivable from insurance companies	65	66
RECEIVABLES FROM INSURANCE BUSINESS	486	635
Receivables from investment activities	20	35
Receivables from participations and shareholders	245	159
Other debtors	434	418
OTHER ACCOUNTS RECEIVABLE	698	612
Prepayments and accrued income	1 070	1 086
TOTAL ASSETS	132 564	128 742
from single investor funds		
fixed-income securities	41 931	41 523
Shares	6 077	8 410
collective investments	734	1 251
cash and cash equivalents	116	140
other debtors	87	118
prepayments and accrued income	551	603

Statement of liabilities for the financial years ended 31 December

Amounts in CHF million

	2020	2019
Provisions for unearned premiums	395	414
Provisions for insurance benefits	1 661	1 579
Other technical provisions	4 737	4 762
Mathematical reserves	104 445	102 294
Provisions for contractual surplus participation	720	804
Provisions for bonus reserve	1 058	1 092
Insurance reserves	113 015	110 945
Technical provisions for unit-linked life insurance	3 598	3 250
Non-technical provisions	482	507
Interest-bearing liabilities	702	724
Liabilities from derivative financial instruments	1 358	1 177
Deposits from reinsurance ceded	155	145
Liabilities towards policyholders	1 061	1 126
Liabilities towards agents and intermediaries	14	13
Liabilities towards insurance companies	61	72
Other insurance liabilities	10	10
Insurance liabilities	1 146	1 220
Other liabilities from investment activities	2 618	948
Other liabilities towards participations and shareholders	628	537
Other creditors	181	242
Other liabilities	3 427	1 727
Accrued expenses	1 489	1 855
Subordinated liabilities	4 427	4 430
TOTAL DEBT CAPITAL	129 800	125 981
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	1 262	1 239
Balance carried forward from previous year	-	-
Result from the reporting period	621	641
Profit shown in the balance sheet	621	641
Voluntary retained earnings	1 883	1 880
EQUITY	2 764	2 761
TOTAL LIABILITIES AND EQUITY	132 564	128 742
from single investor funds		
other liabilities from investment activities	23	25
accrued expenses	1	1

Notes to the Financial Statements

Accounting Rules

The 2020 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. In Switzerland, debt register claims, fixed-income securities, mortgage bonds and specific funds consisting of fixed-income securities are reported at amortised cost. Debt register claims, fixed-income securities and mortgage bonds are reported in Germany at no higher than their nominal value, reduced by the release of premiums/discounts (amortised cost). Equities are valued uniformly at the lower of cost or market. All other fixed-interest receivables, 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 in keeping with the underlying business plan approved by the Swiss and foreign supervisory authorities responsible.

Foreign currency translation rates

	31.12.2020	31.12.2019
1 EUR	1.0821	1.0852
1 GBP	1.2083	1.2817
1 USD	0.8852	0.9664

Explanations on the Balance Sheet and Statement of Income

Investment income returns for the 2020 financial year

Amounts in CHF million

	Revenues	Accretion	Realised gains	Total
Real Estate	684	6	324	1 014
Participations	452	0	33	484
Fixed-income securities	1 571	9	1 228	2 807
Loans	34	–	–	34
Mortgages	164	1	–	165
Shares	252	2	748	1 002
Collective investments	538	16	164	718
Alternative investments	–	–	0	0
Policy loans	2	–	–	2
Other investments	3	–	–	3
Other investments	543	16	164	722
Derivative financial instruments	–	196	3 078	3 274
Foreign currency investments	–	1 558	4 780	6 338
TOTAL INVESTMENT INCOME RETURNS	3 700	1 788	10 354	15 841

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
TOTAL INVESTMENT INCOME RETURNS	3 980	1 727	13 806	19 512

Investment income expenditure for the 2020 financial year

Amounts in CHF million

	Expenses	Depreciation	Realised losses	Total
Real Estate	116	63	8	187
Participations	–	32	–	32
Fixed-income securities	107	4	21	131
Loans	2	–	–	2
Mortgages	33	1	0	33
Shares	17	399	735	1 151
Collective investments	40	69	76	184
Alternative investments	0	5	0	6
Policy loans	–	–	–	–
Other investments	1	–	–	1
Other investments	41	74	76	191
Derivative financial instruments	1	261	3 545	3 808
Foreign currency investments	–	2 696	4 346	7 042
TOTAL INVESTMENT INCOME EXPENDITURE	317	3 530	8 731	12 579

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
TOTAL INVESTMENT INCOME EXPENDITURE	306	2 552	12 962	15 820

In addition to investments in accordance with the balance sheet, investment income and expenditures contain credit balances from derivative financial instruments. These comprise hedging transactions for which the income and expenses are taken into account along with the income and expenses from investments. Due to this gross perspective, the year-on-year comparison may exhibit large fluctuations. 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 376 million (previous year: CHF 374 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 amounted to 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
		31.12.2020			31.12.2019	
Switzerland						
Adroit Private Equity AG, Zürich	CHF	5 000	100.0%	CHF	5 000	100.0%
Oscar Weber AG, Zürich	CHF	5 000	100.0%	–	–	–
Rhein-Wiese AG, Zürich	CHF	160 000	100.0%	CHF	160 000	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%
TECHNOPARK Immobilien AG, Zürich	CHF	40 000	66.7%	CHF	40 000	66.7%
Germany						
CORPUS SIREO Aurum GmbH & Co. KG, Köln	EUR	100	100.0%	EUR	100	100.0%
CORPUS SIREO Immobilien Beteiligungs GmbH, Köln	EUR	25	100.0%	EUR	25	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%
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						
CLUB PRIME HOSPITALITY, Paris	EUR	300 000	90.6%	EUR	300 000	90.6%
SwissLife France, Levallois-Perret	EUR	267 767	100.0%	EUR	267 767	100.0%
Luxembourg						
SLIC Infra EV S.A. SICAF-SIF, Luxembourg	CHF	321 000	100.0%	–	–	–
SLIC Infra KV S.A. SICAF-SIF, Luxembourg	CHF	641 000	100.0%	–	–	–
SLIC Real Estate KV S.A., SICAF-SIF, Luxembourg (formerly Swiss Life Investment Company S.A., SICAF-SIF), Luxembourg	CHF	33 393	100.0%	EUR	30 000	100.0%
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%
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

	2020	2019
Mortgages	42	42
Loans	1 913	1 360
Reinsurance assets	6	5
Other accounts receivable	245	159
Hybrid debt	993	995
Liabilities	628	537

¹ There are no related party receivables or payables.**Investments from unit-linked life insurance**

Amounts in CHF million

	2020	2019
Fixed-income securities	–	–
Collective investments	3 570	3 251
Cash and cash equivalents	37	13
TOTAL INVESTMENTS FROM UNIT-LINKED LIFE INSURANCE	3 607	3 264

Insurance reserves for own account

Amounts in CHF million

	2020	2019
Reserves for unearned premiums (gross)	395	414
of which reinsurance	-7	-7
PROVISIONS FOR UNEARNED PREMIUMS FOR OWN ACCOUNT	388	408
Provisions for insurance benefits (gross)	1 661	1 579
of which reinsurance	-0	-0
PROVISIONS FOR INSURANCE BENEFITS FOR OWN ACCOUNT	1 661	1 579
Other technical provisions (gross)	4 737	4 762
of which reinsurance	-1	-1
OTHER TECHNICAL PROVISIONS FOR OWN ACCOUNT	4 736	4 761
Mathematical reserve (gross)	104 445	102 294
of which reinsurance	-257	-247
MATHEMATICAL RESERVES FOR OWN ACCOUNT	104 188	102 047
Provisions for contractual surplus participation (gross)	720	804
of which reinsurance	-	-
PROVISIONS FOR CONTRACTUAL SURPLUS PARTICIPATION FOR OWN ACCOUNT	720	804
Provisions for bonus reserve (gross)	1 058	1 092
of which reinsurance	-	-
PROVISIONS FOR BONUS RESERVE FOR OWN ACCOUNT	1 058	1 092
TOTAL INSURANCE RESERVES FOR OWN ACCOUNT	112 750	110 691
of which		
direct insurance reserves	113 015	110 945
share from reinsurance	-265	-255

Insurance reserves for unit-linked contracts

Amounts in CHF million

	2020	2019
Provisions for insurance benefits (gross)	4	2
of which reinsurance	-	-
PROVISIONS FOR INSURANCE BENEFITS FOR OWN ACCOUNT	4	2
Provisions for mathematical reserves (gross)	3 594	3 248
of which reinsurance	-	-
MATHEMATICAL RESERVES FOR OWN ACCOUNT	3 594	3 248
TOTAL INSURANCE RESERVES FOR UNIT-LINKED CONTRACTS	3 598	3 250
of which		
Direct technical provisions for unit-linked contracts	3 598	3 250
Share from reinsurance	-	-

Changes in equity

Amounts in CHF million

	Equity 31.12.2019	Appropriation of profit	Foreign currency translation differences	Net profit	Equity 31.12.2020
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	1 239	25	–1	–	1 262
Balance carried forward from previous year	–	–	–	–	–
Result from the reporting period	641	–641	–	621	621
Profit shown in the balance sheet	641	–641	–	621	621
VOLUNTARY RETAINED EARNINGS	1 880	–617	–1	621	1 883
EQUITY	2 761	–617	–1	621	2 764

Long-term interest-bearing liabilities

Amounts in CHF million

	31.12.2020	31.12.2019
Due within 1 to 5 years	3 837	2 692
Due after 5 years	1 292	2 462
TOTAL LONG-TERM INTEREST-BEARING LIABILITIES	5 129	5 154
of which		
subordinated liabilities	4 427	4 430
interest-bearing liabilities	702	724

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 2020 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 of approximately CHF 0.1 million were paid to PwC in 2020 as remuneration for taxation related and other support services.

Number of full-time positions

Swiss Life Ltd had an average of 2603 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

	31.12.2020	31.12.2019
Guarantees, indemnity liabilities and pledges	915	1 064
Pledged or assigned assets required to secure own liabilities	454	602
Liabilities from leasing obligations not included in the balance sheet	1	1
Liabilities to employee benefits institutions	11	17

Off-balance-sheet derivatives

Pursuant to the Swiss Code of Obligations, derivatives that figure under IFRS as “forward starting interest rate derivatives” and relate to cash flow hedge accounting 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 565 million (2019: CHF 336 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		2020
Balance carried forward from previous year		–
Result from the reporting period		620 978 810
PROFIT SHOWN IN THE BALANCE SHEET		620 978 810

Profit shown in the balance sheet is CHF 620 978 810. The Board of Directors proposes to the General Meeting of Shareholders that the profit be appropriated in accordance with the table below. If the proposal is adopted, an ordinary gross dividend of CHF 49.85 (previous year: CHF 52.50) will be distributed per dividend-bearing share.

Appropriation of profit

CHF		2020
Dividend		585 587 950
Allocation to free reserves		35 390 860
Appropriation of profit		–620 978 810
BALANCE CARRIED FORWARD TO NEW ACCOUNT		0

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

Zurich, 15 March 2021

On behalf of the Board of Directors of Swiss Life Ltd

Rolf Dörig

Frank Schnewlin

Management Report

Business overview

With interest rates low, investment yields remained under pressure in the year under review. In addition to economic, regulatory and political trends, socio-economic changes such as increasing life expectancy are shaping Swiss Life's operating environment. The consequences of demographic change affect people in many ways. Swiss Life offers its customers a long-term value proposition – so that they can lead their life with self-determination and confidence.

Premiums for own account including investment-type contributions fell by 16% to CHF 12.3 billion in 2020. This was mainly because premium volume in group insurance decreased by CHF 2.3 billion to CHF 9.9 billion (-19%). The 19% fall was due to the extraordinarily high single premiums written by Swiss Life in the previous year owing to the withdrawal of a competitor from the full insurance business in Switzerland. In individual insurance, premiums for own account fell by 2% to CHF 2.4 billion; the decrease was especially marked in the area of capital-sum insurance (-5%). Overall, the product mix was improved further.

Number of full-time positions

Swiss Life Ltd had an average of 2603 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. The 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 knowledge gained from this broad perspective informs the company's management processes and is used to help define and implement 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.

Decisions regarding risk management are then incorporated into the annual planning process for Swiss Life Ltd. These consist on the one hand of qualitative assessments from a strategic perspective that take due account of operational risks and of the internal control system. On the other hand, they include quantitative elements such as risk budgeting and the invest-

ment strategy from 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. Moreover, all foreign exchange investments are 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 centres around consistent implementation of the aims as laid out in the Group's "Swiss Life 2021" programme. Alongside profitability, margin management and cost efficiency, the fee business – which ties up relatively little capital – is due to be expanded further. Over the next few years, Swiss Life will continue to invest in enhancing the quality of its consulting services, in digitalisation and in organic growth initiatives. Thanks to long investment duration and robust income from direct investments, Swiss Life's investment strategy is structured in such a way that it can withstand the current low interest rate environment and protect its interest rate margin for decades ahead. The company can thus meet its customer guarantees even if the phase of low interest rates persists over the long term. Swiss Life will disclose its new strategic directions and associated financial objectives after „Swiss Life 2021” at an Investor Day on 25 November 2021.

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 of the statement of income and the balance sheet as at 31 December 2020, and the notes for the year then ended, including the accounting rules.

In our opinion, the financial statements (pages 5-17) as at 31 December 2020 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 60 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 insurance reserves

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.

Overall materiality	CHF 60 Million
How we determined it	0.5% of earned premiums (average of the last three years)
Rationale for the materiality benchmark applied	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 insurance reserves

Key audit matter

At December 31, 2020, insurance reserves (mathematical reserves) amount to CHF 104'445 million, which represent 80% 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, discount rates, 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 (mathematical reserves), 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 (mathematical reserves) are reasonable and in line with financial reporting requirements and industry accepted practice.



Valuation of real estate

Key audit matter

At 31 December 2020, real estate amounts to CHF 20'287 million.

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 lower 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, 15 March 2021



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

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Annual Report Swiss Life Ltd 2020

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 Ltd, Zurich

Editorial responsibility – Swiss Life Ltd, Group Communications and Strategic Marketing, Zurich

Production – Management Digital Data AG, Lenzburg

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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



*We enable people to lead
a self-determined life.*

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