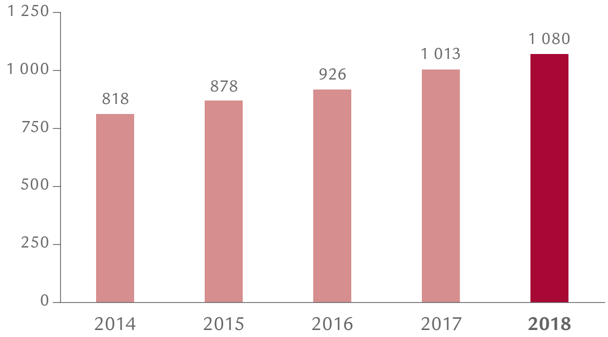
Swiss Life

Annual Report 2018

Contents

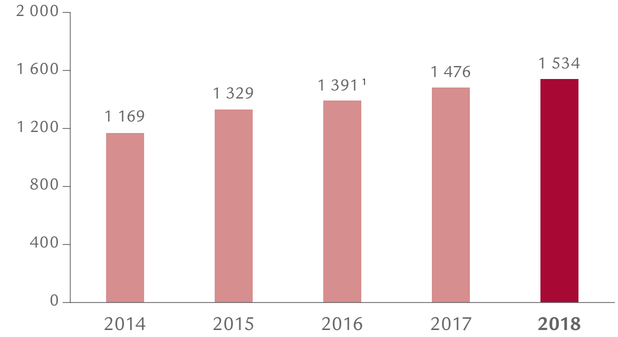
Net profit

In CHF million



Profit from operations

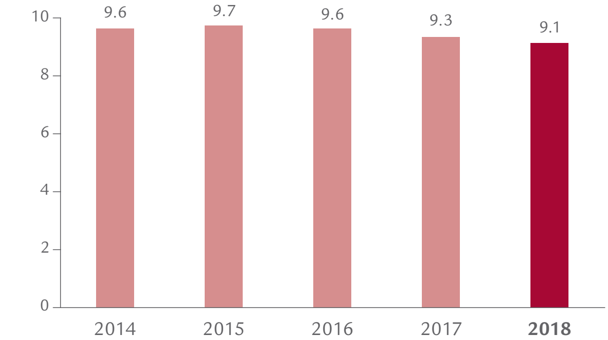
In CHF million



[1] adjusted

Return on equity[1]

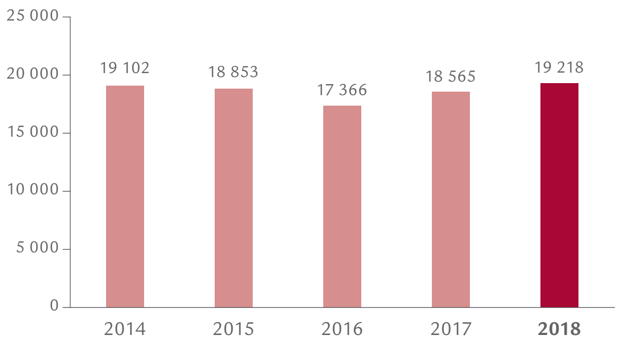
In %



[1] equity excl. unrealised gains/losses on bonds

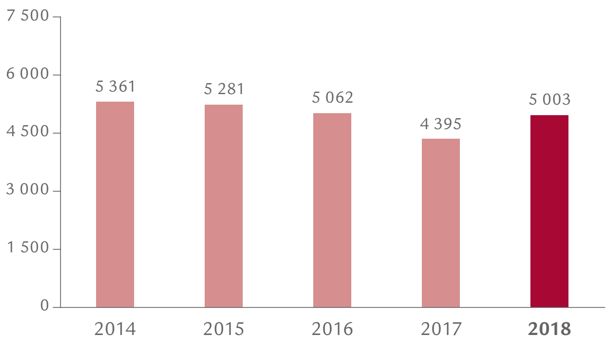
Gross written premiums, policy fees and deposits received

In CHF million



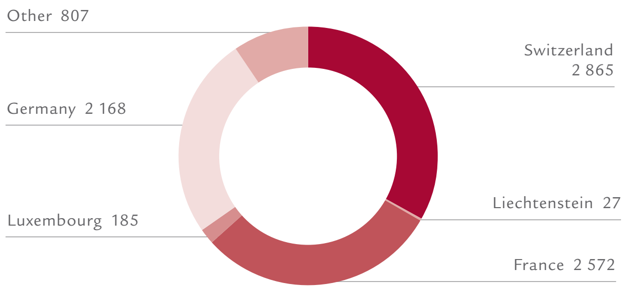
Financial result

In CHF million



Full-time equivalents by country

Total 8 624 as at 31.12.2018



The Swiss Life Group's 2018 financial year at a glance:

Business overview — The Swiss Life again posted pleasing growth in the 2018 financial year: adjusted profit from operations increased by 4% over the previous year to CHF 1553 million and net profit rose by 7% to CHF 1080 million. Swiss Life was able to increase its fee income by 6% to CHF 1615 million in local currency. At the same time, the Group posted premium growth of 2% in local currency to CHF 19.2 billion; insurance reserves to the benefit of the company's policyholders rose by 2% in local currency. In its insurance business Swiss Life generated direct investment income of CHF 4.4 billion, which corresponds to a direct investment yield of 2.9%. The net investment yield was 3.0%. As of 31 December 2018, Swiss Life Asset Managers had a total of CHF 233 billion assets under management. In investment business for third-party customers, assets under management rose to CHF 71.2 billion at the end of 2018 – a plus of 16% over the previous year. In the year under review, Swiss Life very successfully completed its three-year Group-wide programme "Swiss Life 2018". All the targets were achieved – in most cases exceeded.

Markets — As a leading European provider of comprehensive life and pensions and financial solutions, the Swiss Life Group enables people to lead a self-determined life. In Switzerland, France and Germany, Swiss Life offers individuals and corporations comprehensive and individual advice plus a broad range of own and partner products through its sales force and distribution partners such as brokers and banks. The Swiss Life Select, Tecis, Horbach, Proventus, Chase de Vere and Fincentrum advisors choose suitable products for customers from the market according to the Best Select approach. Swiss Life Asset Managers offers institutional and private investors access to investment and asset management solutions. Swiss Life provides multinational corporations with employee benefits solutions and high net worth individuals with structured life and pensions products. The subsidiaries Livit, Corpus Sireo, Mayfair Capital and Beos are also part of the Group.

Employees — At the end of 2018 the Swiss Life Group employed approximately 8600 people worldwide and had a network of some 14 000 advisors.

Ladies and gentlemen,

Patrick Frost and Rolf Dörig

A wide range of issues moved people in 2018 – especially in Europe, our main area of activity at Swiss Life. The EU’s quest for identity, sustainability matters in conjunction with climate change, the migration issue, discussions of political direction in the French and German markets, so critical for us, as well as the rapid pace of change in the working world due to digitalisation: all of these topics shaped the public debate.

In Switzerland, meanwhile, the main subject of discussion was the viability of our pension systems. The reason is obvious: people are living ever longer, and the systems are failing to keep pace. The brunt is borne by the younger generations, who must pay for the flaws. The politicians are still far from being able to present us with sustainable solutions for our pension system. Solutions palatable to the majority of the population.

Whatever the economic or socio-political climate, however – our chief duty at Swiss Life is sustainable success. For our customers, for our employees and for our investors. At Swiss Life we offer security and solutions that last for decades, even in turbulent times. And we’ve been doing it for over 160 years.

Economic success ensures us our role in society. What we achieved as a group in 2018 makes us proud. Two key figures provide resounding proof of that: for one there is net profit, which we were able to increase year on year by 7% to CHF 1080 million. Then there is the development of our fee business: the 2014 fee result of CHF 269 million had grown to CHF 488 million by the end of 2018 – an increase of over 80%.

Swiss Life is in excellent shape. We have achieved all of the objectives we set ourselves in our last Group-wide programme, "Swiss Life 2018"; indeed, in many cases we even exceeded them. This means that, since 2009, we have managed to successfully complete three Group-wide programmes in a row. Our financial strength has been growing every year. We have also flourished in an area in which we have been able to leverage one of our core competencies: witness the excellent work we have been doing with long-term investments. Despite persistently low interest rates, we have managed to generate returns for our customers the equal of any benchmark. Our growth in third-party investment management also testifies to our strong performance, as we have doubled assets in this business area since 2014, from CHF 33.7 billion to CHF 71.2 billion.

Our successes have allowed the Board of Directors to propose a dividend of CHF 16.50 per share for the 2018 financial year at the Annual General Meeting – a dividend payout ratio more than double that of 2014.

Success can never be taken for granted and depends to a degree on the general operating conditions. Last year, as the capital requirements for full insurance were considered excessive by its globally active parent company, another competitor withdrew from the full insurance business in Switzerland. It was a wake-up call for the Swiss insurance sector.

At Swiss Life we continue to offer full insurance solutions and to strongly support our time-tested three-pillar system, and are accordingly opposed to a Swiss Solvency Test for life insurance companies, which not only disadvantages us in the provision of pension solutions on the international market but also gives our customers less choice. Disproportionate regulation means an unnecessary threat to the pension assets of many SME employees. Any other second pillar solution makes employees and employers bear the investment risk, which is why the offer of guarantees, that only life insurance companies provide in the second pillar, is of such fundamental importance to our country's small and micro enterprises most of all.

Solidity and continuity become more important in times of great change. At Swiss Life we live by that maxim: our ambitious plans for the coming three years depend on our confidence in the extreme robustness of our business model. Our capacity for implementation, financial strength and outstanding employees provide the ideal basis for us to write yet another successful chapter in the Swiss Life story.

We thank you kindly, dear shareholders, for your confidence and support, and look forward to continuing to enjoy your company and interest in years to come.

Rolf Dörig
Chairman of the Board of Directors

Patrick Frost
CEO

Strategy & Brand

Swiss Life makes its customers a long-term value proposition – so that they can lead their lives in an assured and self-determined way.

The Swiss Life Group is one of Europe's leading comprehensive life and pensions and financial solutions providers. Swiss Life's success is due to a clear strategy, the disciplined implementation of Group-wide programmes, a sound purpose and a charismatic brand.

Swiss Life addresses a fundamental need

Swiss Life enables people to lead a self-determined life. In doing so, the company is helping to meet a fundamental human need: for independence and self-determination. Against the backdrop of demographic change and the individual's increasing personal responsibility for his or her own future provisions, Swiss Life's work will continue to grow in relevance.

Swiss Life's environment is heavily influenced by regulatory and political trends as well as socio-economic changes, such as increasing life expectancy. Results of market research performed by Swiss Life show that people find pensions a stressful topic. And most of them are aware that their financial security is largely up to them. In view of these developments, Swiss Life sees growth opportunities and differentiation potential on the market for pension solutions as well as in consulting.

Unique market position

Swiss Life must address changing customer behaviour and consistently implement any findings from such study to actively and profitably exploit market opportunities. Customers are ever better informed; they are able to compare services immediately and demand new products and services. New modes of access as well as the ability to receive all relevant information any time, any place are also de rigueur. Accordingly, innovation, process security and competence are the ingredients of a good customer relationship.

With its core markets of Switzerland, France and Germany as well as the cross-border International segment and the asset management business of Swiss Life Asset Managers, Swiss Life enjoys a very strong market position:

Unique position in the life insurance sector	Dynamic asset management	Broad distribution networks	High earnings quality
Market leader in Switzerland Attractive position in the private insurance sector in France Strong niche player in Germany and in the International division	Specialist expertise in asset and liability management and in risk management via asset management for the insurance business Rapidly growing third-party asset management Leading real estate manager in Europe	Strong network of owned IFAs Major proprietary distribution in Switzerland Integrated multichannel distribution in France	Diversified profit sources with saving, risk, fee and cost result Around 30% of profit from operations stems from the fee business

The Swiss Life product strategy is explained in the chapter on "Products and services". In view of its varied positioning in the relevant markets, Swiss Life uses a multi-local approach: Swiss Life also reports on strategic focuses and investments by individual divisions as part of its segment information.

Successful completion of "Swiss Life 2018"

Swiss Life successfully completed its last two Group-wide programmes, "Milestone" and "Swiss Life 2015". "Swiss Life 2018", the last Group-wide programme, which the company presented in November 2015 and which comprised financial objectives until the close of financial year 2018, has also been very successfully completed: all objectives were achieved – indeed, most of them were exceeded. The fee result, for instance, and the risk result were both above their respective targets, while the value of Swiss Lifes' new business also significantly outdid its ambitious goal over the three years of the programme. Thanks to ongoing cost discipline, Swiss Life managed to keep operating expenses practically stable and, with savings totalling over CHF 100 million, free up resources for additional investments. Finally, Swiss Life was able to increase the cash remittance to the holding company, there too exceeding its objectives as set out in the "Swiss Life 2018" Group-wide programme.

Swiss Life reports regularly in detail on the current status of strategy implementation, as for instance in the presentation of its annual or half-yearly results. The relevant documents are available on the website www.swisslife.com in the "Investors & Shareholders" section.

New financial objectives under "Swiss Life 2021"

At the end of November 2018, Swiss Life presented its Group-wide programme, "Swiss Life 2021". At its core is the purpose, with Swiss Life concentrating on four strategic directions for the programme: its focus on preferred segments, the promotion of attractive offers, the steady improvement of customer relations and the continuing increase of productivity.

Swiss Life focuses on continuity in its financial objectives for the period from 2019 to 2021: quality of earnings and earnings growth, operational efficiency and disciplined capital management are the leading topics. Overall, Swiss Life is striving for an adjusted return on equity of 8 to 10%.

Increased earnings quality
- Marked increase in the fee result, to between CHF 600 and 650 million by the end of 2021, around 50% more than in the previous Group-wide programme
- Increase in the risk result, to between CHF 400 and 450 million by the end of 2021, 10% more than in "Swiss Life 2018"
- Increase in cumulative value of new business (2019–2021) to over CHF 1.2 billion, 60% more than in the prior programme

Operational efficiency
- Improvement of the efficiency ratio in the life business to below 40 basis points by the end of 2021
- In its owned IFAs, a distribution operating expense ratio below 25 percent by the end of 2021
- Cost/income ratio in third-party asset management of around 75 percent by the end of 2021

Capital management
- Increase in cash remittance to the holding company to a cumulative value between CHF 2 and 2.25 billion (2019–2021)
- SST ambition range of 140 to 190%
- Increase in dividend payout ratio for the shareholders to 50–60% of profit
- From December 2018 to December 2019, the Group will implement a share buyback programme of CHF 1 billion.

Strong brand with the purpose at its centre

Swiss Life has a strong brand. A unique brand personality and charismatic logo prove to be crucial success factors in a competitive market environment. The brand personality reflects the focus on self-determination and resolutely places the purpose front and centre: "We enable people to lead a self-determined life."

The purpose is supported by the three corporate values of individuality, confidence and reliability.

Support individuality – the way we think

We know our customers. We understand their needs and empower them to make the right selection from a wide range of flexible solutions – for a self-determined life.

Create confidence – the way we feel

We work with passion to contribute to our customers' peace of mind. The positive attitude towards life characterises the lifelong relationship we strive for.

Prove reliability – the way we act

We serve our customers with our know-how built on long-standing experience and financial solidity. We act responsibly and want to be your trusted partner.

The corporate design is derived from the brand personality and, in addition to ensuring recognisability, contributes to a uniform brand experience. Whether they are browsing the website, reading a brochure or looking at an advert, the stakeholder groups are to receive the same strong impression at all contact points.

Uniform brand identity

The brand identity is a key instrument in making the Swiss Life brand tangible for internal and external target groups, and in distinguishing it from the competition. All marketing campaigns – in Switzerland, France, Germany and Austria – address the purpose, "We enable people to lead a self-determined life" with a variety of creative approaches.

In the home market of Switzerland, Swiss Life focuses on sports and cultural sponsorship in addition to classical advertising. For example, the company has sponsored the Swiss national football teams for over ten years, and has been the main sponsor of the ZSC Lions ice hockey team for more than three years. In the cultural arena, film is the cornerstone of its engagement: Swiss Life is the main sponsor of the Solothurn Film Festival for example.

Sponsorship is also undertaken in other markets: for example, Swiss Life Germany supports over 2500 amateur sports teams, sponsors the NP sport gala that takes place every year in Hanover and has been name sponsor of the Swiss Life Hall in that same city since 2004. Swiss Life Select Austria has been the main sponsor of the "Junge Philharmonie Wien" for four years, while Swiss Life Asset Managers awards an annual student prize for the best Bachelor's and Master's theses completed at Swiss universities of applied sciences.

In September 2018, Swiss Life launched its first cross-divisional brand campaign in Switzerland. At the heart of the campaign is a connection between the Swiss Life logo and the private and corporate clients of Swiss Life Switzerland, the institutional clients of Swiss Life Asset Managers and the Swiss Life Group's stakeholders. This will establish an unmistakeable association of the company's purpose, the self-determined life, with its brand. An expansion of the campaign to other national Swiss Life companies is being considered.

Consistent brand strategy and management

The success of the Swiss Life brand results from a consistent brand strategy and management. On the basis of its corporate strategy and positioning as a provider of comprehensive life and pensions and financial solutions, the Swiss Life umbrella brand, flanked by its sub-brands, provides orientation and creates confidence. The brands are assigned to various levels in a clear brand hierarchy. The strategic management of the entire brand portfolio is an element of corporate communication. The brand hierarchy is under permanent review and adjustments are made regularly as needed.

While the umbrella and sub-brands are managed centrally, brand management for the level 3 brands "Endorsement" and 4 "Individual brands" is performed directly in the relevant divisions (see figure below).

In 2018, the Swiss Life brand world was enhanced with two new brands: Swiss Life Asset Managers acquired Beos, the leading corporate real estate investment manager in Germany, based in Berlin, while in Fincentrum Swiss Life International acquired one of the leading financial advisory companies in the Czech Republic and Slovakia.

Level 1 **Umbrella brand**	SwissLife	Swiss Life has a strong umbrella brand. As a rule, all products and services are offered under the umbrella brand.
Level 2 **Sub-brands**	SwissLife Asset Managers; SwissLife Banque Privée; SwissLife Global Solutions; SwissLife Select	Sub-brands emphasise the expertise of the umbrella brand in specific market segments. Swiss Life maintains a deliberately limited portfolio for individual sales channels.
Level 3 **Endorsement**	*Swiss Life Group*: SLPM; *Member of Swiss Life Asset Managers*: CORPUS SIREO REAL ESTATE; MAYFAIR CAPITAL; BEOS	Brands with little relevance for core business and potential for a positive image transfer are at the third level. The umbrella brand or sub-brand serves as an additional textual identifier at this level.
Level 4 **Individual brands**	fincentrum; Livit Real Estate Management; Chase de Vere; tecis; HORBACH; PROVENTUS	This is the repository for brands whose connection to the umbrella brand is potentially the source of conflict or are kept separate for strategic reasons. These brands have an independent existence without visible relation to the umbrella brand.

Worldwide brand protection and assessment

Swiss Life protects its brands around the world. It takes vigorous action in cases of brand or copyright infringement. Our customers can be sure that the Swiss Life logo and corporate name stand for Swiss Life quality and service wherever they appear.

The success of the Swiss Life brand is constantly measured on the local front by independent institutes, which review brand awareness and perception. The findings garnered are continuously used for the development and adjustment of marketing measures.

In 2018, in a survey carried out by Reader's Digest Switzerland, Swiss Life was once again voted "Most Trusted Brand" in the Life Insurance category. Numerous awards in other divisions also confirm the strength of the Swiss Life brand internationally. For example, the prominent trade magazine PropertyEU named Swiss Life Asset Managers the leading institutional real estate investor in Europe for the fourth time in a row (for 2017).

Swiss Life also carries out regular internal studies of brand value, which demonstrate the development of the brand's value on the basis of a wide range of factors.

Segment Reporting

Swiss Life again posted strong growth for the 2018 financial year: adjusted profit from operations increased by 4% over the previous year to CHF 1553 million and net profit rose by 7% to CHF 1080 million.

In the Swiss domestic market, Swiss Life achieved a segment result of CHF 865 million, a rise of 4% over the previous year. In France, Swiss Life grew its segment result by 6% to CHF 277 million. Germany made a contribution of CHF 142 million. The decline of 7% is due to a one-off effect in the previous year. Swiss Life International increased its segment result by 32% to CHF 67 million and Swiss Life Asset Managers achieved a segment result of CHF 272 million, which was 5% higher than the previous year.

Swiss Life increased direct investment income from insurance business to CHF 4.4 billion (previous year: CHF 4.3 billion). That corresponds to a direct investment yield of 2.9% (previous year: 2.8%). The net investment yield at the end of 2018 was 3.0% (previous year: 2.5%).

Swiss Life was able to increase its fee income by 6% to CHF 1615 million in local currency. This growth is due to higher contributions from owned IFAs (+10%), Swiss Life Asset Managers (+6%) and from own and third-party products and services (+2%). In 2018, Swiss Life saw premium growth of 2% in local currency to CHF 19.2 billion. Insurance reserves to the benefit of the company›s policyholders rose by 2% in local currency during the year under review.

As of 31 December 2018, Swiss Life Asset Managers had a total of CHF 233 billion in assets under management. Third-party assets under management at end of year were CHF 71 billion – a plus of 16% over the previous year.

Swiss Life’s segment reporting is on a country basis: Switzerland, France and Germany. It also discloses separately the results of its cross-border segments: International and Asset Managers.

Events after the reporting period

There were no events after the reporting period.

Key figures for the Swiss Life Group

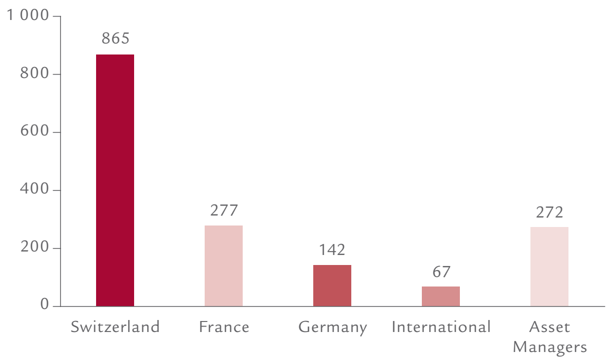
Amounts in CHF million

	2018	2017	+/–
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	**19 218**	18 565	4%
Net earned premiums	**13 157**	12 791	3%
Fee and commission income	**1 615**	1 469	10%
Financial result	**5 003**	4 395	14%
Other income	**286**	113	n/a
TOTAL INCOME	**20 062**	18 769	7%
Net insurance benefits and claims	**–13 961**	–13 189	6%
Policyholder participation	**–1 155**	–949	22%
Interest expense	**–143**	–144	–1%
Operating expense	**–3 268**	–2 842	15%
TOTAL EXPENSE	**–18 527**	–17 292	7%
PROFIT FROM OPERATIONS	**1 534**	1 476	4%
NET PROFIT	**1 080**	1 013	7%
Equity	**15 034**	15 583	–4%
Insurance reserves	**170 048**	171 649	–1%
Assets under management	**254 200**	245 675	3%
Assets under control	**277 040**	269 255	3%
Return on equity (in %) [1]	**9.1**	9.3	–0.2 ppt
Number of employees (full-time equivalents)	**8 624**	7 979	8%

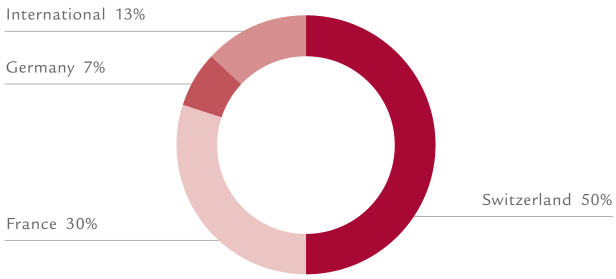
[1] equity excl. unrealised gains/losses on bonds

Segment results

In CHF million



Gross written premiums, policy fees and deposits received by segment



Switzerland

In the home market of Switzerland, Swiss Life increased its segment result in 2018 by 4% to CHF 865 million (previous year: CHF 829 million). The growth was driven by the savings result and the fee result. Direct investment income was at the previous year's level (CHF 3.0 billion).

In 2018 Swiss Life increased total premiums in Switzerland to CHF 9.5 billion (+3%), despite unchanged focus on new business profitability. Of the total premium volume, 85% came from group life business.

According to the Swiss Insurance Association (SIA), life insurance premiums in Switzerland increased to CHF 29.6 billion, up 0.7% on the previous year. In group life business, the market posted an overall premium increase of 0.7% and a 0.5% rise in premiums for individual life business compared to the previous year. Swiss Life›s market share of group life business increased to 34.5% (previous year: 34.0%). In individual life business, market share fell slightly to 19.6% (previous year: 20.2%). Swiss Life thus clearly remains the leader in its home market.

Insurance benefits, including changes in insurance reserves, rose by 6% to CHF 10.5 billion, due mainly to low interest rates and the concomitant greater reserving requirements. Operating expenses rose by 18% during the year under review to CHF 1.1 billion, due to higher acquisition costs from a lot of new business and higher writedowns on activated acquisition costs. Operational administrative costs in 2018 were once again slightly below the previous year.

In individual insurance the range of provisions products for private clients was further expanded, with an eye to their fundamental requirements: predictability and security. New products, such as the successfully launched Swiss Life Dynamic Elements new savings insurance, helped significantly increase the share of capital light solutions in new business in line with the Swiss Life offer strategy. The volume of new business with the new investment products for private investors launched in autumn 2016 with Swiss Life Asset Managers also increased markedly. Already, more than 10 000 private clients entrust over CHF 626 million in assets under management to the investment expertise of Swiss Life.

Growth in group life business during the year under review was shaped by significant market dynamics. Many customers reviewed their present occupational provisions solution in light of their current requirements, especially as regards risk capacity and appetite. In addition, the withdrawal of a competitor from the full insurance business led to increased activity on the market, and saw a marked rise in offer enquiries to Swiss Life. As a result, Swiss Life was able to write attractive new business, further strengthening the solidity of its portfolio.

Following the successful completion of the "Swiss Life 2018" strategy programme, Swiss Life launched its new programme, "Swiss Life 2021", in November 2018. The strategic thrust of Swiss Life Switzerland in the new strategy programme is the digitally supported advisory process, which will improve the customer journey and the effectiveness of consulting as well as leading to more business with existing and new customers. Swiss Life aims to further increase its market share through its full-range provider offering while attending to margin management and capital efficiency.

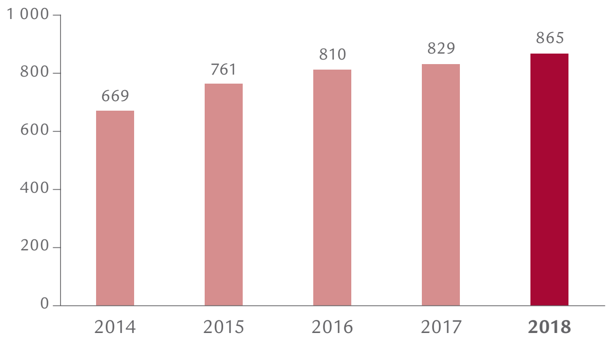
Key figures for Switzerland

Amounts in CHF million

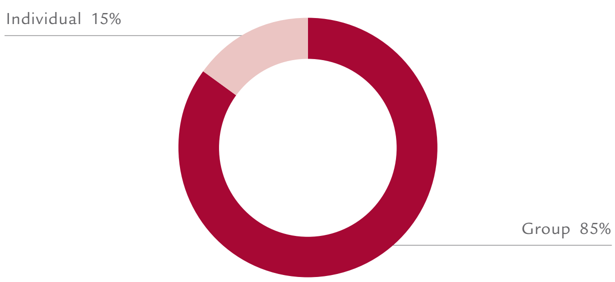
	2018	2017	+/–
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	**9 525**	9 290	3%
Net earned premiums	**9 254**	8 997	3%
Fee and commission income	**247**	230	7%
Financial result	**3 330**	2 784	20%
Other income	**158**	–97	n/a
TOTAL INCOME	**12 989**	11 913	9%
Net insurance benefits and claims	**–10 531**	–9 911	6%
Policyholder participation	**–477**	–229	n/a
Interest expense	**–31**	–26	20%
Operating expense	**–1 086**	–919	18%
TOTAL EXPENSE	**–12 124**	–11 084	9%
SEGMENT RESULT	**865**	829	4%
Assets under control	**119 624**	118 633	1%
Insurance reserves	**96 097**	95 499	1%
Number of employees (full-time equivalents)	**2 029**	2 007	1%

Segment result Switzerland

In CHF million



Premiums for Switzerland, by type of insurance



France

Swiss Life France grew its segment result to CHF 277 million (previous year: CHF 261 million). This development is primarily due to the good quality of new business, a stable financial margin and improved technical margins in health, death and disability insurance. Property and casualty business incurred a particularly high claims burden in 2018 due to a large number of significant claims events. In addition, Swiss Life France emphasised cost discipline. Costs increased significantly as income and business both grew.

In 2018, the French insurance market posted 4% growth in local currency in a market environment shaped by government tax reforms and low interest rates. Savings and retirement business was up 4%, while health, death and disability insurance and property and casualty business grew by 6 % an 3%, respectively. Swiss Life in France increased premium volume significantly to CHF 5.9 billion, maintaining its focus on profitability and quality of new business and not so much on business volume. Premium income in savings and retirement provisions rose by 9% in local currency. The share of premiums from unit-linked contracts was 50%, and thus well above the market average of 28%, thanks to the private insurer strategy and bonus distribution policy for investments in the premium customer segment. The share of unit-linked contracts in new business remained stable at the very high level of 61%. At the end of 2018, these contracts accounted for 38% of reserves. In health, death and disability insurance, the focus was on profitability both in health and in death and disability insurance, which restrained volume growth. Premiums increased by 1% in local currency as rates increased and persistency improved. With its distribution of savings products, Swiss Life Banque Privée once again contributed to business with high net worth individuals. Fee income in savings and retirement provisions was up 3% in local currency, although revenues in unit-linked life insurance suffered from the market downturn at the end of the year. Fee income increased by 1% overall, due to the weaker banking market environment.

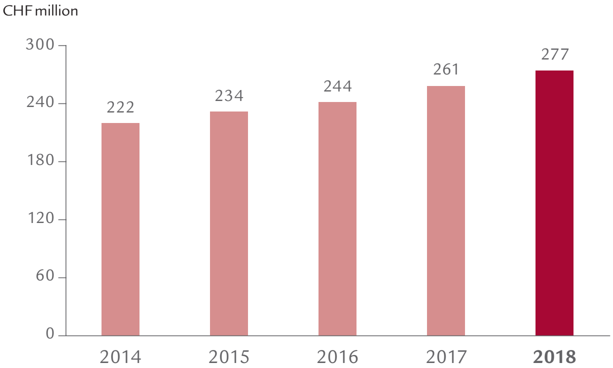
Swiss Life in France will continue to invest in its customer segments in 2019, focusing on its multichannel distribution and expanding its product offering. Swiss Life in France wants to consistently expand and improve the customer experience by optimally increasing and supporting the personal customer relationship with digitalisation and services.

Key figures for France

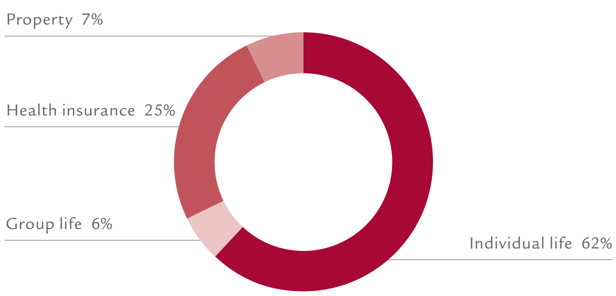
Amounts in CHF million

	2018	2017	+/–
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	**5 859**	5 310	10%
Net earned premiums	**2 709**	2 631	3%
Fee and commission income	**310**	302	3%
Financial result	**853**	773	10%
Other income	**4**	1	n/a
TOTAL INCOME	**3 876**	3 695	5%
Net insurance benefits and claims	**–2 155**	–2 171	–1%
Policyholder participation	**–372**	–209	78%
Interest expense	**–89**	–92	–3%
Operating expense	**–982**	–961	2%
TOTAL EXPENSE	**–3 599**	–3 434	5%
SEGMENT RESULT	**277**	261	6%
Assets under control	**41 722**	42 707	–2%
Insurance reserves	**33 199**	33 822	–2%
Number of employees (full-time equivalents)	**2 396**	2 087	15%

Segment result France



Premiums for France, by type of insurance



Germany

Swiss Life is positioning itself in Germany as a leading provider of pensions and financial solutions under one roof by managing all production and distribution organisations from a single source. The segment reporting comprises local insurance activities and the financial advisory companies Swiss Life Select, Tecis, Horbach and Proventus operating in Germany.

During the reporting year, in a still challenging market environment characterised by continuing low interest rates, Swiss Life Germany posted a segment result of CHF 142 million (previous year: CHF 153 million). The decline is due to a lower savings result, since the previous year's result comprised positive one-off effects to finance the statutory additional interest rate reserve. The improved risk and cost results were able to partially compensate for this decline.

Swiss Life Germany posted premiums of CHF 1.4 billion in 2018, an increase of 2% in local currency over the previous year. The core product areas of Swiss Life Germany are employee insurance, occupational pensions, long-term care insurance and modern guarantee concepts.

Fee income was increased in 2018 to CHF 456 million, equivalent to an increase of 10% in local currency. The main driver was the strong growth of the distribution base in the owned IFAs as well as the brokered new business across all product areas. At the end of 2018 the proprietary financial advisory companies in Germany had 3808 trained and registered financial advisors under contract (+8% over the previous year).

Administrative costs adjusted for one-offs increased, due to investments under the new Group-wide programme, "Swiss Life 2021", by 2% over the previous year.

In the coming three years, Swiss Life Germany will focus on the three strategic thrusts: expansion of position as biometry and occupational pensions specialist, positioning as leading advisor to German Mittelschicht companies and increase of efficiency and service quality. The focus on insurance is on biometric, sector-specific and occupational pensions solutions. Swiss Life Germany wants to leverage its competency in biometry to set insurance market standards in service as well as in the scalable application process. In financial consulting Swiss Life Germany has set its sights on becoming the «financial home" of the German Mittelschicht companies and further increasing its own distribution strength – for example through a scalable distribution platform. In order to achieve this goal, connectivity is being improved and the administration processes are being automated, in step with the systematic advance of digitalisation.

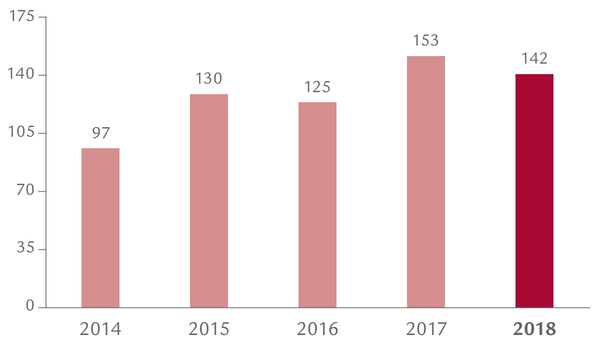
Key figures for Germany

Amounts in CHF million

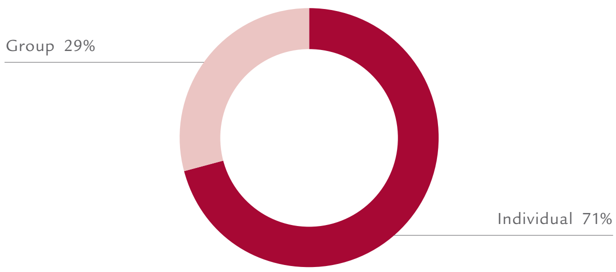
	2018	2017	+/–
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	**1 395**	1 313	6%
Net earned premiums	**1 156**	1 125	3%
Fee and commission income	**456**	400	14%
Financial result	**772**	797	–3%
Other income	**3**	8	–70%
TOTAL INCOME	**2 386**	2 329	2%
Net insurance benefits and claims	**–1 263**	–1 095	15%
Policyholder participation	**–292**	–491	–40%
Interest expense	**–13**	–16	–16%
Operating expense	**–675**	–575	17%
TOTAL EXPENSE	**–2 244**	–2 177	3%
SEGMENT RESULT	**142**	153	–7%
Assets under control	**21 941**	23 032	–5%
Insurance reserves	**19 670**	20 413	–4%
Number of employees (full-time equivalents)	**1 482**	1 488	0%

Segment result Germany

In CHF million



Premiums for Germany, by type of insurance



International

The International segment comprises cross-border business for high net worth international individuals (Global Private Wealth Solutions) and multinational companies (Global Employee Benefits Solutions), under the brand "Swiss Life Global Solutions", as well as the financial services providers Chase de Vere in the United Kingdom, Fincentrum in the Czech Republic and Slovakia, and Swiss Life Select in Austria and the Czech Republic.

In the year under review, the International segment achieved a result of CHF 67 million, a growth rate of 32% over the previous year (2017: CHF 51 million). This improvement stems predominantly from higher fee income of CHF 260 million (previous year: CHF 225 million).

The Global Private Wealth Solutions business area, with carriers based in Luxembourg, Liechtenstein and Singapore, specialises in life insurance solutions for high net worth individuals. With CHF 19.6 billion assets under control and thanks to a comprehensive international product range, fee income increased.

The Global Employee Benefits Solutions business area concentrates on global provisions solutions for multinational companies. Good risk development and higher reserves enabled the consolidation of profitability on its own balance sheet in Luxembourg. Swiss Life Network, a leading independent provider of global employee benefits solutions, made a strong contribution to the result due to its fee optimisation and thus reconfirmed its good market position.

Fee income from the financial advisory companies rose by CHF 30 million to CHF 159 million, due mainly to improved revenues achieved by Chase de Vere and the first-time consolidation of Fincentrum in the fourth quarter.

In 2019, Swiss Life International aims to pursue new insurance business development by expanding innovative solutions and digital channels. In financial consulting the company anticipates an increase in the number of advisors and an increase in revenue per advisor. Swiss Life International aims to ensure that people can be offered suitable and high-quality financial services and advice going forward through digitalisation initiatives. Swiss Life International is also targeting an increase in fee and risk business.

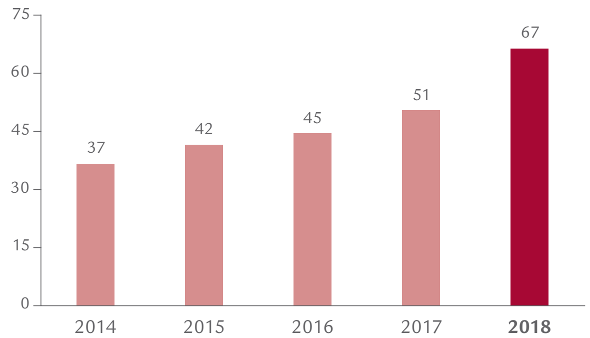
Key figures for International

Amounts in CHF million

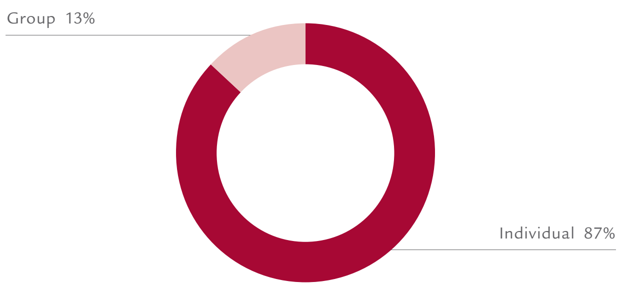
	2018	2017	+/–
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	**2 459**	2 674	–8%
Net earned premiums	**38**	39	–2%
Fee and commission income	**260**	225	16%
Financial result	**37**	23	63%
Other income	**–4**	14	n/a
TOTAL INCOME	**331**	301	10%
Net insurance benefits and claims	**–12**	–12	1%
Policyholder participation	**–14**	–20	–30%
Interest expense	**–15**	–15	0%
Operating expense	**–222**	–203	9%
TOTAL EXPENSE	**–263**	–250	5%
SEGMENT RESULT	**67**	51	32%
Assets under control	**21 484**	22 376	–4%
Insurance reserves	**21 116**	21 949	–4%
Number of employees (full-time equivalents)	**965**	789	22%

Segment result International

In CHF million



Premiums for International, by type of insurance



Asset Managers

The Asset Managers segment comprises Swiss Life's Group-wide asset management and real estate services activities.

In 2018, Swiss Life Asset Managers posted a segment result of CHF 272 million (previous year: CHF 258 million). This equates to a 5% increase. Fee income in the year under review was increased by 8% overall. Adjusted operating expenses rose 5%, driven by continuing growth in third-party business, mainly in the real estate area.

Assets under management by Swiss Life Asset Managers came to CHF 232.6 billion at the end of 2018. Assets from insurance business remained virtually stable at CHF 161.5 billion. Due to the long-term nature of its liabilities, Swiss Life invests especially in fixed-income securities, which at the end of 2018 made up 58% of its portfolio. The real estate holding increased further from 18% to 20% and the net equity holding was 4% as at 31 December 2018.

Third-party business grew vigorously: Swiss Life Asset Managers had assets of CHF 71.2 billion under management at the end of 2018, an increase of 16% over the previous year. This growth is primarily due to net new assets of CHF 8.4 billion. Mixed mandates and real estate products in particular posted significant growth. This was offset by outflows in the money market funds.

With its acquisition of Beos, Swiss Life Asset Managers added the corporate property asset class to its real estate competency. The expansion of the pan-European real estate funds, investing in real estate in various European countries, was pursued. As a result, Swiss Life Asset Managers can fill a major need of institutional investors. The real estate funds for private investors, launched in the previous year, are enjoying healthy demand in France and Germany. The focus in the securities area was on bundling the product and service range into a complete package for institutional clients, which is being demanded increasingly by investors in the challenging pensions market. The strong growth and increasing demands led to the development of a Target Operating Model in 2018. The Executive Board, meanwhile, was enhanced by a Chief Technology Officer, a CEO for Germany and a Head of Sales & Marketing. The reorganisation will help Swiss Life Asset Managers continue to grow its third-party business and expand its position in its core markets.

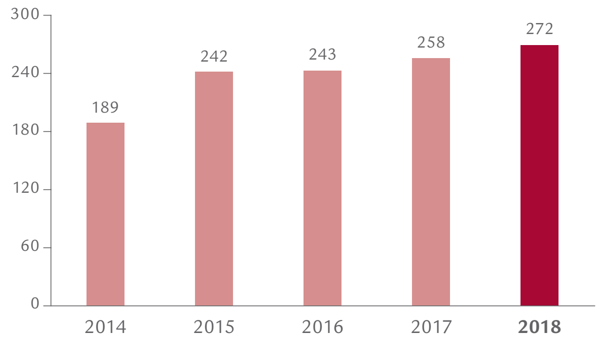
Key figures for Asset Managers

Amounts in CHF million

	2018	2017	+/–
Fee and commission income	**697**	645	8%
Financial result	**7**	0	n/a
Other income	**127**	179	–29%
TOTAL INCOME	**831**	824	1%
Interest expense	**–3**	–2	77%
Operating expense	**–556**	–564	–1%
SEGMENT RESULT	**272**	258	5%
Assets under management	**232 637**	223 649	4%
Number of employees (full-time equivalents)	**1 719**	1 577	9%

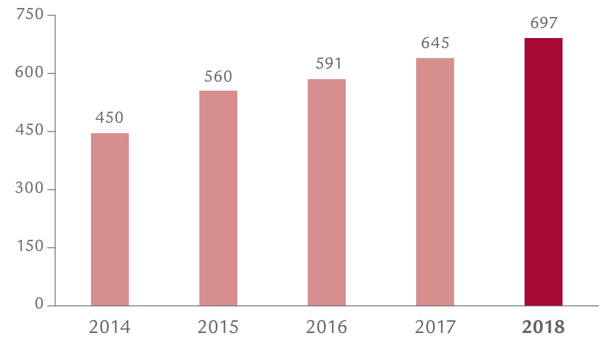
Segment results

In CHF million



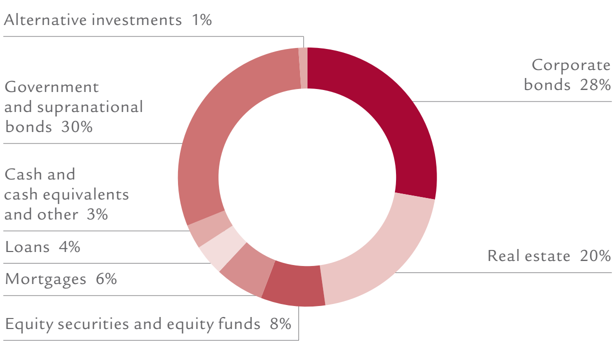
Fee and commission income Asset Managers

In CHF million



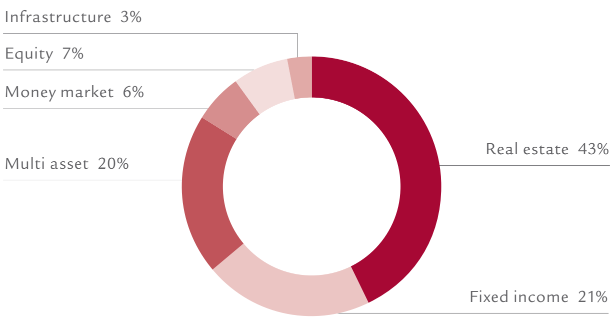
Assets under management for insurance business – breakdown by asset class

As at 31.12.2018



Assets under management for third-party clients – breakdown by asset class

As at 31.12.2018



Corporate Governance

Responsible and sustainable corporate governance is of central importance to the Swiss Life Group. It structures its corporate governance openly and transparently in compliance with the acknowledged national and international standards.

Swiss Life stands for openness and transparency within the context of responsible corporate management and, in the interests of its shareholders, policyholders and staff, attaches great importance to the accepted standards of corporate governance and the requirements entailed in terms of the management and organisation of the Swiss Life Group.

The corporate governance of Swiss Life Holding Ltd (Swiss Life Holding) is based on the relevant provisions issued by the SIX Swiss Exchange and the Swiss Financial Market Supervisory Authority FINMA and is modelled on leading national and international corporate governance standards, in particular the Swiss Code of Best Practice for Corporate Governance issued by the Swiss Business Federation "economiesuisse", as well as the Organization for Economic Cooperation and Development's (OECD) principles on corporate governance.

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

This report describes the essential features of corporate governance within the Swiss Life Group. The structure below largely follows the Annex to the Directive on Information Relating to Corporate Governance issued by the SIX Swiss Exchange, which came into force on 20 March 2018. The compensation report on pages 53 to 70 takes into consideration the regulations on transparency stipulated in the Compensation Ordinance and FINMA circular 2010/1 on minimum standards for remuneration schemes of financial institutions.

Group Structure and Shareholders

Group structure

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

The companies falling within the Group's scope of consolidation are presented in the Consolidated Financial Statements (note 35). Information on the listing on the SIX Swiss Exchange and market capitalisation can be found in the section "Share Performance and Historical Comparison" on pages 320 and 321. The organisational structure of the Group shows the key business markets and areas. The resulting operational responsibilities are reflected in the allocation of responsibilities among the Corporate Executive Board. With regard to insurance operations, one person with responsibility for the market and results is assigned to each specific area.

The operational management structure as at 31 December 2018 is shown on page 46.

Shareholders

The purchase or sale of shares or of acquisition/disposal considerations regarding shares in companies that are domiciled in Switzerland and have their shares listed in Switzerland, must be reported to the company in question and the SIX Swiss Exchange if the shareholdings exceed, fall below or reach certain thresholds. The relevant thresholds are 3, 5, 10, 15, 20, 25, 33⅓, 50 and 66⅔% of the voting rights. The details are set out in the Financial Market Infrastructure Act (FMIA) and in the implementation provisions of the Financial Market Infrastructure Ordinance-FINMA (FMIO-FINMA) and Financial Market Infrastructure Ordinance (FMIO).

The disclosures of shareholdings that exceed the disclosure threshold on the balance sheet date of 31 December 2018 are shown below. In accordance with the disclosure requirements, the percentage figures given relate to the share capital and number of outstanding shares pursuant to the Articles of Association applicable at the time of the relevant disclosure.

BlackRock Inc., 55 East 52nd Street, New York 10055, USA, reported in a publication of 6 May 2017 that it held through various companies a total of 5.28% of the voting rights for Swiss Life Holding (1 292 673 shares, of which 56 953 shares from securities lending and comparable transactions, 342 486 voting rights transferred from a third party to exercise at its own discretion and 58 691 voting rights from equity derivatives). At the same time, BlackRock Inc. held sales positions in the amount of 0.002% of the voting rights (613 CFD).

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

All complete notifications can be seen on the website of the SIX Swiss Exchange's disclosure office at www.six-exchange-regulation.com, "Publications" area, "Major Shareholders" subsection (https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).

There are no cross participations between Swiss Life Holding or its subsidiaries with other listed companies, which exceed the participation threshold of 3%.

Shareholder structure

On the balance sheet date some 159 000 shareholders and nominees were listed in the Swiss Life Holding share register, of which about 4300 were institutional shareholders. Taken together, the shareholders entered in the share register held around 50% of the shares issued. Over half of these shares were owned by shareholders domiciled in Switzerland. Approximately a third of the registered shares were in private hands.

A table showing the shareholder structure is provided in the section "Share Performance and Historical Comparison" on page 321.

Capital Structure

Capital and changes in capital

The capital structure of Swiss Life Holding was as follows on the balance sheet date:

- Ordinary share capital: CHF 174 537 840.60, divided into 34 223 106 fully paid registered shares with a par value of CHF 5.10 each;
- Conditional share capital: CHF 19 675 534.80, divided into 3 857 948 registered shares with a par value of CHF 5.10 each;
- Authorised share capital: none.

The conditional share capital is at the disposal of the holders of conversion or option rights granted by Swiss Life Holding or by companies belonging to the Group in connection with the issuing of new or existing convertible bonds, bonds with option rights, loans or other financing instruments ("equity-linked financing instruments"). The shareholders are excluded from subscription rights. The respective owners of the equity-linked financing instruments are entitled to subscribe to the new shares. The Board of Directors is entitled to limit or exclude the preemptive subscription rights of the existing shareholders in connection with the issuing of equity-linked financing instruments up to a value of 3 000 000 registered shares or up to a maximum amount of CHF 15 300 000, if the equity-linked financing instruments are placed on national or international capital markets or with selected strategic investors or are used in connection with the financing or refinancing of the acquisition of companies, parts of companies, participations or new investment projects. If the preemptive subscription rights are not granted either directly or indirectly when issuing equity-linked financing instruments, the equity-linked financing instruments must be issued according to the prevailing market conditions and the exercise period may not exceed 7 years for option rights and 15 years for conversion rights from the time of issuance of the relevant equity-linked financing instruments.

Since the establishment of Swiss Life Holding on 17 September 2002, a number of capital market transactions have been conducted. A detailed description of the transactions carried out up to and including the end of 2015 can be found in the Corporate Governance section of the annual reports for the relevant years. The annual reports can be accessed at www.swisslife.com, "Investors & Shareholders" area, "Results & Reports" section (www.swisslife.com/annualreports).

In 2016, the convertible bond (2013–2020) issued by Swiss Life Holding Ltd in the amount of CHF 500 000 000 was partially converted, whereby another 147 new registered shares were created. The ordinary share capital thus increased by CHF 749.70 from CHF 163 613 375.40 to CHF 163 614 125.10. There were no further changes with regard to equity capital; the distribution of CHF 8.50 per share approved by the General Meeting on 26 April 2016 was made from the capital contribution reserves.

In 2017, the convertible bond (2013–2020) issued by Swiss Life Holding Ltd in the amount of CHF 500 000 000 was almost entirely converted, whereby another 2 141 905 new registered shares were created. The ordinary share capital thus increased by CHF 10 923 715.50 from CHF 163 614 125.10 to CHF 174 537 840.60. There were no further changes with regard to equity capital; the distribution of CHF 11.00 per share approved by the General Meeting on 25 April 2017 was made from the capital contribution reserves.

In 2018 there were no changes to the share capital. The distributions of CHF 13.50 per share approved by the General Meeting on 30 April 2019 were made from the capital contribution reserves.

At the end of November 2018 the Board of Directors of Swiss Life Holding approved the repurchase of proprietary registered shares up to an acquisition cost of CHF 1 billion at most as part of a share buyback programme with the aim of reducing share capital. The share buy-back programme in question began in December 2018 and will run until 31 December 2019 at the latest. Additional information on the share buyback programme is available at www.swisslife.com, “Investors & Shareholders” area, “Share” section (www.swisslife.com/share).

Shares

34 223 106 fully paid Swiss Life Holding registered shares with a par value of CHF 5.10 each were outstanding on the balance sheet date. Subject to the ten per cent limit on voting rights set out in the Articles of Association (cf. the section on “Shareholders’ participation rights” on page 71), each share grants the right to one vote at the General Meeting of Shareholders.

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

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

Regulations are in place to govern transactions in Swiss Life Holding shares carried out by Swiss Life Group employees. Pursuant to the Code of Conduct and the Swiss Life Group’s Directive on Insider Information, all purchases and sales of Swiss Life Holding securities made by members of senior management or employees who are privy to confidential information are subject to a reporting requirement. Transactions by persons who, by virtue of their position, have regular access to insider information are also subject to a prior approval requirement. A general blackout period is imposed annually from 1 January until 24 hours after the year-end results have been presented and from 1 July until 24 hours after the half-year results have been presented, as well as from 20 days before until 24 hours after publication of the interim statements for the first and third quarters.

Additional information on the Swiss Life share is available in the section “Share Performance and Historical Comparison” on pages 320 and 321.

Limitations on transferability and nominee registrations

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

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

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

Convertible bonds and options

Swiss Life Holding has no convertible bonds outstanding on the balance sheet date. The 0% convertible bond (2013–2020) issued by Swiss Life Holding Ltd in 2013 in the amount of CHF 500 000 000 was fully converted or repurchased during the 2017 financial year.

As at 31 December 2018, Swiss Life Holding and its Group companies had not granted any options on rights to participate in Swiss Life Holding.

Board of Directors

Function

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

Elections and terms of office

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

The Organisational Regulations stipulate that a member of the Board of Directors shall automatically resign from the Board at the General Meeting of Shareholders in the year in which the member reaches the age of 70.

Composition

In the year under review, no member of Swiss Life Holding's Board of Directors exercised any duties relating to operational management within the Swiss Life Group. Furthermore, no such duties were exercised by any Board members during the three financial years preceding the reporting period.

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

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

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

The Articles of Association and Organisational Regulations of Swiss Life Holding can be seen at www.swisslife.com, "The Swiss Life Group" area, "Corporate Governance" section, "Organisation and principles" subsection (www.swisslife.com/en/organisation).

Members of the Board of Directors

On the balance sheet date of 31 December 2018, the Board of Directors was composed of the following members.

Name	Main function	Additional functions	Year appointed[1]
Rolf Dörig	Chairman	Chairman's and Corporate Governance Committee, Chairman	2008
Frank Schnewlin	Vice Chairman	Chairman's and Corporate Governance Committee Investment and Risk Committee Compensation Committee, Chairman	2009
Adrienne Corboud Fumagalli	Member	Audit Committee	2014
Ueli Dietiker	Member	Chairman's and Corporate Governance Committee Investment and Risk Committee, Chairman	2013
Damir Filipovic	Member	Investment and Risk Committee	2011
Frank W. Keuper	Member	Investment and Risk Committee	2013
Stefan Loacker	Member	Audit Committee Investment and Risk Committee	2017
Henry Peter	Member	Chairman's and Corporate Governance Committee Audit Committee, Chairman	2006
Martin Schmid	Member	Audit Committee	2018
Franziska Tschudi Sauber	Member	Compensation Committee	2003
Klaus Tschütscher	Member	Audit Committe Compensation Committee	2013

[1] Change since AGM of 23 April 2014 due to the Minder Initiative: in accordance with Articles 3, 4 and 29 of the Ordinance against Excessive Compensation in Listed Stock Companies (VegüV), the General Meeting of Shareholders shall elect the members and the Chairman of the Board of Directors individually every year for a term of office of one year each. Furthermore, in accordance with Articles 7 and 29 of the VegüV, the members of the Compensation Committee are also to be elected individually for a term of office of one year each.

Rolf Dörig — Born 1957, Swiss national
Chairman of the Board of Directors

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

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

Rolf Dörig will be put forward for re-election as Member and Chairman of the Board of Directors at the General Meeting of Shareholders of Swiss Life Holding on 30 April 2019.

Other appointments:
- Adecco S.A., Chairman of the Board of Directors
- dormakaba Holding Ltd, Member of the Board of Directors
- Danzer Holding AG, Member of the Supervisory Board
- Emil Frey Holding AG, Member of the Board of Directors
- Swiss Insurance Association (SIA), Chairman
- economiesuisse, Member of the Board Committee

Frank Schnewlin — Born 1951, Swiss national
Vice Chairman of the Board of Directors

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

Frank Schnewlin will be put forward for re-election as Member of the Board of Directors and as Member of the Compensation Committee at the General Meeting of Shareholders of Swiss Life Holding on 30 April 2019.

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

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

Adrienne Corboud Fumagalli is a Doctor of Economics and Social Sciences and a graduate of the University of Fribourg. In 1996 she joined the PTT in the management team of Radiocom (radio, TV, mobile) in charge of New Business Development and the international market. The PTT then became Swisscom and Adrienne Corboud Fumagalli held various positions from 1997 to 2000, ultimately becoming Director of Product Marketing in Radio Broadcasting Services. In November 2000, Adrienne Corboud Fumagalli joined the Kudelski Group as Corporate Secretary and Member of the Corporate Executive Board. In January 2004, she was appointed Executive Vice President in charge of Business Development. From 2008 to 2016, Adrienne Corboud Fumagalli served as Vice President for Innovation and Technology Transfer at EPF Lausanne. As of July 2017, she is also President of the Board of Directors and Chief Executive Officer of Deeption SA (spin-off of the EPF Lausanne Social Media Lab).

Adrienne Corboud Fumagalli will be put forward for re-election as Member of the Board of Directors at the General Meeting of Shareholders of Swiss Life Holding on 30 April 2019.

Other appointment:
- Federal Communications Commission (ComCom), Vice-President

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

Certified accountant Ueli Dietiker started his career at Ernst & Young. He later assumed management responsibility in the finance division at Motor-Columbus Ltd. From 1995 to 2001 he worked at Cablecom Holdings Ltd, ultimately as CEO. In 2001 he switched to the Swiss telecommunications company Swisscom AG where he held several positions of responsibility. From 2002 until 2006 he was CFO and deputy CEO of the Swisscom Group. In 2006 and the first half of 2007 he was CEO of Swisscom Fixnet AG and afterwards became CFO and deputy CEO of the Swisscom Group again until the end of 2012. From 2013 until the end of February 2018 he had a 50% position at Swisscom, managed selected projects and served on the Board of Directors of various Swisscom subsidiaries and investment companies.

Ueli Dietiker will be put forward for re-election as Member of the Board of Directors at the General Meeting of Shareholders of Swiss Life Holding on 30 April 2019.

Other appointments:
- Sanitas Krankenversicherung and Sanitas Beteiligungen AG, Vice Chairman of the Board of Trustees and Chairman of the Board of Directors
- Zuckermühle Rupperswil AG, Member of the Board of Directors
- BLS Ltd. and BLS Netz AG, Member of the Board of Directors and President of the Audit Committee
- Renaissance KMU Schweizerische Anlagestiftung, Member of the Board of Trustees
- Emaform AG, Member of the Board of Directors
- Mobilejobs AG, Chairman of the Board of Directors
- Bomatec Holding AG, Member of the Board of Directors
- F&P Robotics AG, Member of the Board of Directors
- tiko Energy Solutions Ltd, Chairman of the Board of Directors
- CT Cinetrade Ltd, Member of the Board of Directors

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

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

Damir Filipovic will be put forward for re-election as Member of the Board of Directors at the General Meeting of Shareholders of Swiss Life Holding on 30 April 2019.

Other appointment:
- Evooq SA, Member of the Board of Directors

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

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

Frank W. Keuper will be put forward for re-election as Member of the Board of Directors at the General Meeting of Shareholders of Swiss Life Holding on 30 April 2019.

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

Stefan Loacker — Born 1969, Austrian national
Member of the Board of Directors

Stefan Loacker studied economics at Vienna University of Economics and Business and at the University of St. Gallen (Mag. rer. soc. oec., lic. oec. HSG). He began his professional career with stints at the Institute of Insurance Economics (I.VW) at the University of St. Gallen and at the then-Rentenanstalt (now Swiss Life) before joining Helvetia Patria Versicherungen in 1997 as assistant to the Executive Board. He was promoted to Head of Business Development, served in that capacity from 2000 to 2002 and subsequently became CFO and Head of IT at ANKER Versicherung (a subsidiary of the Helvetia Group) in Vienna from 2002 to 2005. In 2005 Stefan Loacker took over management of Helvetia Versicherungen AG (previously ANKER Versicherung). He returned to Switzerland in 2007 and, at age 38, became CEO of Helvetia Group. Stefan Loacker led Helvetia Group for nine years before handing over his function as CEO to a successor in 2016. Since October 2016 he has been managing partner of DELOS Management GmbH.

Stefan Loacker will be put forward for re-election as Member of the Board of Directors at the General Meeting of Shareholders of Swiss Life Holding on 30 April 2019.

Other appointments:
– Vontobel Holding AG and Bank Vontobel Ltd, Member of the Board of Directors and Member of the Risk and Audit Committee
– Institute of Insurance Economics at the University of St. Gallen, Member of the Executive Committee

Henry Peter — Born 1957, Swiss and French national
Member of the Board of Directors

Henry Peter completed his studies in law at the University of Geneva in 1979, and in 1981 he was called to the Geneva bar. Following an assistantship in Geneva, a period of study as a visiting scholar at the University of California in Berkeley and legal work in Lugano, he obtained his PhD at the University of Geneva in 1988. Since 1988 he has been a partner in a Lugano law firm, currently Kellerhals Carrard Lugano SA. He has also served since 1997 as professor of business law, and since 2017 President of the Geneva Center for Philanthropy, at the University of Geneva. Between 2004 and 2015 he was a Member of the Swiss Takeover Board. Since 2007 he has been a Member of the Sanctions Commission of the SIX Swiss Exchange.

Henry Peter will be put forward for re-election as Member of the Board of Directors at the General Meeting of Shareholders of Swiss Life Holding on 30 April 2019.

Other appointments:
- Sigurd Rück Ltd, Chairman of the Board of Directors
- Casino de Montreux SA, Chairman of the Board of Directors and Member of the Audit Committee
- Consitex SA, Member of the Board of Directors
- Ermenegildo Zegna Holditalia SpA, Member of the Board of Directors and Chairman of the Nomination and Compensation Committee
- Global Petroprojects Services Ltd, Member of the Board of Directors
- Bank Lombard Odier & Co Ltd, Member of the Board of Directors and Chairman of the Audit Committee
- Swiss Olympic Association, Vice Chairman of the disciplinary chamber in charge of doping cases

Martin Schmid — Born 1969, Swiss national
Member of the Board of Directors

Martin Schmid completed his law degree at University of St. Gallen in 1995 and was admitted to the bar of Canton Graubünden in 1997. Following an assistantship in St. Gallen and a stint as an independent lawyer plus a spell at PricewaterhouseCoopers, he attained a doctorate from the University of St. Gallen in 2005. Martin Schmid was a member of the Cantonal Parliament of Canton Graubünden from 1994 to 2002. He was elected to the government of Canton Graubünden in 2002, where he initially managed the Department for Justice, Security and Health (2003–2007), and then the Department for Finance and Municipalities (2007–2011). He was elected to the Council of States in 2011 and gave up his mandate as a cantonal councillor. In addition to his role as a member of the Council of States, Martin Schmid has worked as a lawyer at the law firm KUNZ SCHMID Rechtsanwälte und Notare AG in Chur since 2012.

Martin Schmid will be put forward for re-election as Member of the Board of Directors at the General Meeting of Shareholders of Swiss Life Holding on 30 April 2019.

Other appointments:
– Siegfried Holding Ltd, Member of the Board of Directors
– Repower AG, Member of the Board of Directors
– Engadiner Kraftwerke AG, Chairman of the Board of Directors
– Elettricità Industriale SA, Chairman of the Board of Directors
– Calanda Kies und Beton Gruppe, Chairman of the Board of Directors
– Fontavis AG, Member of the Board of Directors
– Dogger Ltd, Member of the Board of Directors
– The Association of the Swiss Natural Gas Industry (Verband der Schweizerischen Gasindustrie [VSG ASIG]), Chairman of the Board of Directors
– Swissgas, Member of the Board of Directors
– Kantonsspital Graubünden Foundation, Chairman of the Board of Trustees
– economiesuisse, Member of the Executive Board
– Entwicklung Schweiz, President of the association
– Institute for Financial Economics and Financial Law (IFF) at the University of St. Gallen, President of the Executive Committee

Franziska Tschudi Sauber — Born 1959, Swiss national
Member of the Board of Directors

Franziska Tschudi graduated in law at the University of Bern and passed her bar exam there in 1984. She studied law at Georgetown University, Washington, D.C., earning an LL.M. in 1986, and passed the bar exam for the US states of New York and Connecticut in 1987. Franziska Tschudi completed postgraduate studies at the University of St. Gallen (1991 to 1993), receiving an Executive MBA. After initially working as an Assistant for Media Law at the Institute for Constitutional and Administrative Law at the University of Bern, and practising business and media law in Zurich, Washington, D.C. and Geneva, she served as Secretary General at SIG Holding AG from 1992 to 1995. She then became a Member of the Executive Board of Weidmann Holding AG ("Weidmann Group"), Rapperswil, in 1995, where she was Head of Corporate Development and, from 1998, Head of the Business Area Electrical Technology Asia/Pacific. She has held the positions of Chief Executive Officer and Delegate of the Board of Directors of Weidmann Holding AG since 2001.

Franziska Tschudi will be put forward for re-election as Member of the Board of Directors and as Member of the Compensation Committee at the General Meeting of Shareholders of Swiss Life Holding on 30 April 2019.

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

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

Klaus Tschütscher studied law at the University of St. Gallen and obtained a doctorate (Dr. iur.) in 1996. In 2004 he also completed a postgraduate LL.M. degree in International Business Law at the University of Zurich. He started his career in 1993 as a research assistant at the University of St. Gallen. Two years later he became Head of Legal Services and Deputy Director of Liechtenstein Tax Administration. In this function he was notably a Member of the Liechtenstein OECD delegation and Governor of the European Bank for Reconstruction and Development (EBRD) in London for four years. Klaus Tschütscher went on to start his political career as a Member of government of the Principality of Liechtenstein. Initially he was Deputy Prime Minister from 2005 to 2009, responsible in particular for Justice and Economic Affairs. From 2009 to 2013 Klaus Tschütscher was Prime Minister and Finance Minister of Liechtenstein. He has received various awards and international distinctions. Klaus Tschütscher is a delegate and Executive Board member of UNICEF Switzerland and Liechtenstein. Since his withdrawal from politics, Klaus Tschütscher has been a member of the Board of Directors of Swiss Life Holding Ltd. Since January 2014 he has been Owner and Chairman of the Board of Directors of Tschütscher Networks & Expertise AG.

Klaus Tschütscher will be put forward for re-election as Member of the Board of Directors and as Member of the Compensation Committee at the General Meeting of Shareholders of Swiss Life Holding on 30 April 2019.

Other appointments:
- Büchel Holding AG, Member of the Board of Directors
- Grand Resort Bad Ragaz Ltd., Member of the Board of Directors
- Montfort Werbung AG, Member of the Board of Directors
- responsAbility Investments AG, Member of the Board of Directors
- Mobilejobs AG, Member of the Board of Directors
- Raiffeisen Privatbank Liechtenstein AG, Vice Chairman of the Board of Directors
- University of Liechtenstein, Member of the University Council
- UNICEF Switzerland and Liechtenstein, Member of the Board

Resignations and new Members

On 24 April 2018, Gerold Bührer (born 1948) left the Board of Directors due to having reached the statutory age limit. Martin Schmid (born 1969), a Member of the Council of States, was newly elected to the Board of Directors.

Changes in the Board of Directors with effect from the 2019 General Meeting of Shareholders

As communicated in the media release of 26 October 2018, Thomas Buess, until 28 February 2019 CFO of the Swiss Life Group, will be proposed to the shareholders for election to the Board of Directors at the next Annual General Meeting on 30 April 2019.

Internal organisational structure

In accordance with the Articles of Association, the Board of Directors has issued Organisational Regulations setting forth the internal organisational structure and the duties and competencies of the Board of Directors, the Board of Directors' committees, the Chairman of the Board of Directors and the Corporate Executive Board. The Organisational Regulations are reviewed regularly and adjusted where necessary. They can be found at www.swisslife.com, "The Swiss Life Group" area, "Corporate Governance" section, "Organisation and principles" subsection (www.swisslife.com/en/organisation).

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

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

The Board of Directors met ten times during the year under review. The meetings lasted around three hours on average. All members of the Board of Directors attended all the meetings, with the exception of one meeting, where one member was excused. The Group CEO and Group CFO attended all the meetings. The other members of the Corporate Executive Board, with one exception, attended all the meetings. The Board of Directors conducted parts of the meetings among themselves.

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

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

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

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

Chairman’s and Corporate Governance Committee

The Chairman’s and Corporate Governance Committee (Chairman’s Committee) assists both the Chairman of the Board of Directors in performing his leadership and coordination duties and the Board of Directors with issues relating to corporate governance. The Committee also supports the Board of Directors in key strategic decisions.

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

The Chairman’s Committee held nine meetings during the year under review. Each session lasted for around two hours on average. The meetings were attended by all members. The Group CEO and Group CFO attended all the meetings.

Compensation Committee

The Compensation Committee supports the Board of Directors with regard to setting the compensation policy and in key personnel decisions regarding appointments to the highest levels of management and related performance-based and market consistent compensation. The fundamental duties and responsibilities of the Compensation Committee are set out in Article 12 of the Articles of Association as amended on 23 April 2014.

The Compensation Committee generally consists of three members, who are elected by the Annual General Meeting of Shareholders. All members of the Compensation Committee are independent members of the Board of Directors. A Board of Directors member is regarded as being independent if he has not exercised any operational management role within the Swiss Life Group for at least three years and has no or only a minor business relationship with the Group.

The Board of Directors appoints the Chairman of the Compensation Committee from among the latter’s members and issues regulations for the Compensation Committee.

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

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

At the General Meeting of Shareholders on 30 April 2019, Frank Schnewlin, Franziska Tschudi and Klaus Tschütscher will be proposed as Members of the Compensation Committee. It is planned that Frank Schnewlin will again take over as Chairman of the Compensation Committee following the 2019 General Meeting.

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

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

Nine meetings of the Investment and Risk Committee were held in the year under review. Each session lasted for around two hours on average. All members attended all the meetings, with the exception of three meetings, where one member was excused each time. The Chairman of the Board of Directors was present at seven meetings. The Group CEO and Group CIO attended all the meetings and the Group CFO attended eight meetings of the Investment and Risk Committee. The Group CRO attended all meetings.

It is planned that the Investment and Risk Committee will be constituted as follows once voting has been completed at the General Meeting of 30 April 2019: Ueli Dietiker as Chairman, Thomas Buess, Damir Filipovic, Frank W. Keuper, Stefan Loacker and Frank Schnewlin as Members.

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

Generally, the Group CFO and the Head of Corporate Internal Audit attend the Audit Committee meetings or parts of the meetings in an advisory capacity. The Group CEO may attend the meetings of the Audit Committee (without voting rights). Representatives from the external audit services are also regularly invited (cf. also "Supervisory and control instruments vis-à-vis the auditors", page 74). In addition, further members of the Corporate Executive Board or in-house specialists may also be invited to attend. The Audit Committee meets at least four times a year. The frequency of meetings depends on the financial budgeting and reporting process.

In the year under review, the Audit Committee convened seven times, with a meeting lasting about two hours on average. There was full attendance at all meetings, with the exception of two meetings, where one member was unable to attend. The Chairman of the Board of Directors was present at three meetings of the Audit Committee. The Group CEO and Group CFO attended all the meetings. The Head of Corporate Internal Audit, as well as representatives from the external audit services, attended all meetings.

It is planned that the Audit Committee will be constituted as follows once voting has been completed at the General Meeting of 30 April 2019: Stefan Loacker as Chairman, Adrienne Corboud Fumagalli, Henry Peter, Martin Schmid and Klaus Tschütscher as Members.

Delineation of competencies between the Board of Directors and the Corporate Executive Board

The Organisational Regulations of Swiss Life Holding provide for the comprehensive delegation of the executive management responsibilities of the company to the Group CEO and the Corporate Executive Board, with the exception of those duties reserved for other bodies in accordance with the law, the Articles of Association or the Organisational Regulations themselves.

The Articles of Association of Swiss Life Holding can be seen at www.swisslife.com, "The Swiss Life Group" area, "Corporate Governance" section, "Organisation and principles" subsection (www.swisslife.com/articles). The Organisational Regulations are also on the Swiss Life internet page, "The Swiss Life Group" area, "Corporate Governance" section, "Organisation and principles" and "Organisational regulations" subsections (www.swisslife.com/en/organisation).

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

Information and control instruments of the Board of Directors vis-à-vis the Corporate Executive Board

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

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

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

Corporate Internal Audit, which reports directly to the Chairman of the Board, represents a suitable means of independent monitoring and information gathering for the Board of Directors. Regular meetings take place between the Chairman of the Board of Directors and the Head of Corporate Internal Audit, as well as between the Chairman of the Audit Committee and the Head of Corporate Internal Audit. Implementation of the measures recommended by Corporate Internal Audit is monitored by Group Compliance and Operational Risk Management. The Audit Committee regularly receives a report on operational risk management within the Swiss Life Group. The Internal Control System (ICS) is another instrument available to the Board of Directors for information and controlling purposes. Further details are available in the "Risk Management" section on page 76.

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

Corporate Executive Board

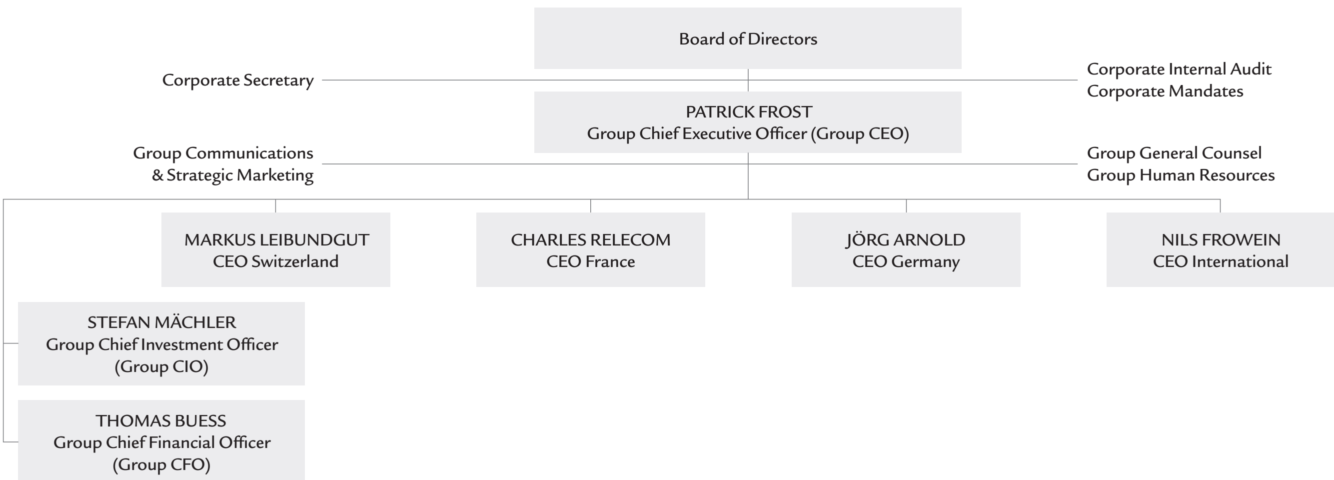
The Group CEO directs the business operations of the Group. The Group CEO, together with the Corporate Executive Board, works out the long-term objectives and strategic orientation of the Group for submission to the Board of Directors and, based on the resolutions of the Board of Directors, ensures the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

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

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

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

Management structure of the Swiss Life Group as at 31 December 2018



Members of the Corporate Executive Board

On 31 December 2018 the Corporate Executive Board of Swiss Life Holding was composed of the following members:

Name	Function	Member of the Corporate Executive Board since
Patrick Frost	Group CEO	01.07.2006
Markus Leibundgut	CEO Switzerland	01.04.2014
Thomas Buess	Group CFO	01.08.2009
Charles Relecom	CEO France	01.07.2008
Jörg Arnold	CEO Germany	01.07.2017
Stefan Mächler	Group CIO	01.09.2014
Nils Frowein	CEO International	01.01.2015

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

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

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

Other appointments:
– American Chamber of Commerce, Member of the Financial Services Chapter Board
– Zurich Chamber of Commerce, Member of the Board of Directors
– Zürcher Volkswirtschaftliche Gesellschaft, (Zurich Economic Society), 1st Vice Chairman of the Board

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

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

From April 2014 to March 2017 Markus Leibundgut was Chief Executive Officer Germany (CEO Germany) and Member of the Corporate Executive Board of the Swiss Life Group.

Markus Leibundgut was appointed Chief Executive Officer Switzerland (CEO Switzerland) in April 2017. He continues as a Member of the Corporate Executive Board of the Swiss Life Group.

Other appointments:
- Palladio Foundation, Member of the Board of Trustees
- SOBRADO Software AG, Member of the Board of Directors
- Swiss Insurance Association (SIA), Member of the Board of Directors
- Society for the Promotion of the Institute of Insurance Economics of the University of St. Gallen, Member of the Board

Thomas Buess — Born 1957, Swiss national
Group Chief Financial Officer (Group CFO)

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

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

Thomas Buess will hand over his executive function in the Corporate Executive Board to Matthias Aellig, currently Group Chief Risk Officer, on 1 March 2019. As communicated in the media release of 26 October 2018, Thomas Buess will be proposed for election to the Board of Directors at the Annual General Meeting on 30 April 2019.

Other appointment:
– Swiss Insurance Association (SIA), Chairman of the Finance and Regulation Committee

Charles Relecom — Born 1953, Belgian and Swiss national
Chief Executive Officer France (CEO France)

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

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

Other appointment:
– French Insurance Association (FFA), Member of the Board of Directors

Jörg Arnold — Born 1964, German national
Chief Executive Officer Germany (CEO Germany)

After completing his studies in business economics at the University of Cologne, Jörg Arnold joined what was then Colonia Versicherung (now the AXA Group) in 1991 as assistant to the CEO. Jörg Arnold worked in a variety of positions at the company, including head of the Distribution Management department and district manager of the Frankfurt branch office, and in 1998 was made sales director and Member of the Executive Committee of Colonia Versicherung at its Berlin branch office. In 2001 he was appointed Head of Sales at Deutsche Ärzteversicherung AG, joining their Management Committee. In 2010 Jörg Arnold took over as CEO of Deutsche Ärzteversicherung AG. In this capacity he was responsible for sales as well as for operations, business development and human resources. In 2014 Jörg Arnold became Global Head of Savings, Retirement & Distribution at AXA Group in Paris within the Life & Savings Global Business Line, which is responsible for the Group's worldwide life insurance business.

On 1 July 2017 Jörg Arnold took over as Chief Executive Officer Germany (CEO Germany) and Member of the Corporate Executive Board of the Swiss Life Group.

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

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

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

Other appointments:
- Stiftung Technopark Zürich, Member of the Board of Trustees
- Inter-Community School Foundation, Member of the Board of Trustees

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

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

Nils Frowein has been Chairman of the Swiss Life subsidiary Chase de Vere in the UK since 2010 and since 2011 Chairman of the Supervisory Board of Swiss Life Select Austria and the Czech Republic.

Nils Frowein has been Chief Executive Officer of the International market unit (CEO International) since 1 January 2013 and Member of the Corporate Executive Board of the Swiss Life Group since 1 January 2015.

Since 2017 he has in addition been Chairman of Swiss Life Singapore, Swiss Life Luxembourg and Swiss Life Liechtenstein. In October 2018 Nils Frowein became Chairman of the Supervisory Board of Fincentrum, in the Czech Republic and Slovakia.

Other appointments:
- German-Swiss Chamber of Commerce, Member of the Board
- British Swiss Chamber of Commerce, Member of the Board

Resignations and new members

No members of the Corporate Executive Board departed during the reporting period, nor did any new members join the Board.

Thomas Buess, Group Chief Financial Officer, will hand over his executive function in the Corporate Executive Board to Matthias Aellig, currently Group Chief Risk Officer, on 1 March 2019. Thomas Buess will be proposed for election to the Board of Directors at the Annual General Meeting on 30 April 2019.

Outlook

As announced in the media release of 14 August 2018, Matthias Aellig, currently Group Chief Risk Officer, will take over the duties of Group Chief Financial Officer (Group CFO) on 1 March 2019 and become a Member of the Corporate Executive Board.

Matthias Aellig — Born 1971, Swiss national
Group Chief Financial Officer (as of 1 March 2019)

Matthias Aellig studied Physics at the University of Bern. After receiving his doctorate in the field of solar wind and completing a research visit at the Massachusetts Institute of Technology (MIT) in Cambridge, USA, he joined McKinsey & Company in Zurich as an advisor in 2000, mainly charged with projects in the banking and insurance area. At the end of 2003, Matthias Aellig joined the then-Winterthur Group (now AXA), initially as Head of Value Management and then, as of 2004, as Chief actuary Life, running the Winterthur Group's actuarial office. In 2007 he was named Chief actuary Life at Zurich Switzerland, in which role he was notably responsible for reserving, the group life operating account and market-consistent valuation. Since 2010 Matthias Aellig has been Chief Risk Officer of the Swiss Life Group. In this function he is charged with the Group-wide enterprise risk management framework, which includes, in addition to quantitative and qualitative risk management, the Group's actuarial office and product and margin management.

Transfer of Management Tasks

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

Swiss Life Compensation Report for the Financial Year 2018

The General Meeting of Shareholders of Swiss Life Holding on 23 April 2014 approved various provisions of the Articles of Association, in response to a proposal by the Board of Directors pertaining to the implementation of the Ordinance against Excessive Compensation in Listed Stock Companies (Compensation Ordinance, VegüV), which take account of the requirements and powers of the General Meeting of Shareholders in relation to corporate governance and compensation.

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

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

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

On the basis of the powers of the General Meeting of Shareholders in relation to compensation under the Articles of Association, which came into effect on 1 January 2015, the General Meeting of Shareholders had approved the compensation for the Board of Directors and the Corporate Executive Board on 25 April 2017 as follows:

- For the Board of Directors: The maximum total amount of fixed compensation until the next ordinary General Meeting in 2018 in the amount of CHF 3 200 000 in total.
- For the Corporate Executive Board: The short-term variable compensation component for the 2016 financial year in the amount of CHF 4 437 500 in total (bonus and deferred compensation in cash), determined by the Board of Directors at the beginning of 2017 in view of the 2016 annual results, and the maximum total amount of the fixed compensation and the long-term variable compensation (equity compensation plan) for the 2018 financial year in the amount of CHF 13 800 000 in total.

At the General Meeting of Shareholders of 24 April 2018, the following compensation was approved for the Board of Directors and Corporate Executive Board:

– For the Board of Directors: The maximum total amount of fixed compensation until the next ordinary General Meeting in 2019 in the amount of CHF 3 200 000 in total.
– For the Corporate Executive Board: The short-term variable compensation component for the 2017 financial year in the amount of CHF 3 698 750 in total (bonus and deferred compensation in cash), determined by the Board of Directors at the beginning of 2018 in view of the 2017 annual results, and the maximum total amount of the fixed compensation and the long-term variable compensation (equity compensation plan) for the 2019 financial year in the amount of CHF 13 800 000 in total.

In the same way, the General Meeting on 30 April 2019 will be asked to approve the exclusively fixed compensation to be paid to the Board of Directors until the 2020 ordinary General Meeting, the short-term variable compensation component for the Corporate Executive Board for the 2018 financial year and the maximum total amount of fixed compensation (basic salary incl. ancillary benefits and occupational provisions) and of the long-term variable compensation component (equity compensation plan) for the 2020 financial year.

The proposed budget/maximum amount for the fixed and long-term variable compensation for the Corporate Executive Board for the 2020 financial year represents an upper limit, which would only be exhausted in the case of exceptional business performance. The Board of Directors will determine the fixed compensation and the long-term variable compensation component for the Corporate Executive Board at the beginning of 2020 and will detail the key underlying factors in the respective compensation report, on which the shareholders can in turn hold an advisory vote.

The Articles of Association of Swiss Life Holding can be seen and printed out at www.swisslife.com, “The Swiss Life Group” area, “Corporate Governance” section, “Organisation and principles” subsection (www.swisslife.com/articles). For stipulations on compensation and on the approval of compensation for the Board of Directors and the Corporate Executive Board, particular reference is made to Articles 14–16 of the Articles of Association.

Guidelines and standards

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

Additional information on compensation and benefit expenditure for the management and employees of the Swiss Life Group can be found in the Consolidated Financial Statements (notes 23 and 29) on pages 249 to 258 and 274 to 275. The information according to Art. 663c of the Swiss Code of Obligations regarding the shareholdings of members of the Board of Directors and the Corporate Executive Board is shown in the Notes to the Swiss Life Holding Financial Statements on pages 312 to 314.

The information on compensation granted to Corporate Executive Board members also includes the variable compensation, which was determined by the Board of Directors at the beginning of 2019 and is published on an accrual basis as compensation for the 2018 financial year. The members of the Board of Directors are granted exclusively fixed compensation, payable 70% in cash and 30% in Swiss Life Holding shares; the allocated shares are subject to a three-year blocking period.

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

Compensation policy principles

The compensation policy principles are governed by the Articles of Association of Swiss Life Holding. Within this framework, the Board of Directors as a whole establishes the compensation policy guidelines for the Group (incl. variable compensation and equity compensation plans) and relevant guidelines for the employee benefit institutions.

The compensation policy underpins the performance culture required by the corporate strategy and forms part of the HR policy. The aim is to retain well-qualified employees and gain new, highly skilled staff. The compensation system is in line with the market environment and must be competitive. The individual overall compensation takes into account the employee's professional skills, engagement and personal performance. It comprises the basic salary, a variable short-term component related to achieving annual targets, which is normally paid out in cash and sometimes equities and, if applicable, as deferred compensation in cash, and a long-term variable compensation component in the form of an equity compensation plan, as well as contributions to occupational provisions and risk insurance.

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

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

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

The share in the company's success is measured using quantitative Group targets (Key Performance Indicators, KPIs), which are defined in advance for the following three years as part of medium-term planning. Besides the annual profit, the main KPIs for the medium-term planning are distribution capacity, the planned cost savings, the risk and fee result, new business profitability, the return on equity and solvency (Swiss Solvency Test, SST). In order to avoid conduct aimed at the short-term achievement of key indicators with a higher weighting, the individual KPIs are not mechanistically weighted in advance. Assuming the generally equal weighting of all KPIs, the individual weighting is determined at the end of each financial year by the Board of Directors as a whole on the basis of a proposal by the Compensation Committee taking all developments into account and consideration (discretionary decision).

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

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

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

Permanent employment contracts in Switzerland contain notice periods of between three and twelve months, depending on position and seniority. All employment contracts with members of the Corporate Executive Board specify a notice period of twelve months. Members of the Corporate Executive Board have no contractual entitlements to severance payments. Likewise members of the Board of Directors have no such entitlements.

Practice and procedure

Pursuant to the Organisational Regulations, the Board of Directors as a whole is responsible for determining the level and make-up of compensation for its members, whereas the Compensation Committee is responsible for putting forward appropriate proposals (for the internal organisation of the Board of Directors see "Internal organisational structure", pages 40 to 43). The Board of Directors as a whole also establishes the guidelines for the company's compensation policy. In doing so, it takes into consideration the compensation policies of other companies in the financial services industry, drawing its findings from publicly available information and studies by independent external experts. Comparable companies in the insurance sector in Switzerland used for the purposes of providing relevant information for the current compensation policy included Allianz, AXA, Baloise Insurance, Swiss Re, Zurich Insurance Group and Helvetia.

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

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

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

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

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

Within the framework of the compensation arrangements for members of the Corporate Executive Board, "deferred compensation in cash" was introduced as a new compensation component linked to short-term variable compensation on 1 January 2012. On the basis of the corresponding regulations, a portion of the short-term variable cash compensation determined by the Board of Directors is not paid immediately but after a period of three years has elapsed and provided that the regulatory requirements are satisfied at that point. The allocated deferred compensation in cash represents an entitlement during the three-year deferral period. The underlying "deferred cash plan" also provides for adjustment and reclaiming mechanisms (clawback). A full or partial reduction of the deferred compensation is provided for in the following cases: negative impact of the key figures applying to the allocation of deferred compensation due to a restatement of the annual accounts or damage to Swiss Life as a result of a violation of statutory, regulatory or compliance standards by participants in the plan. If the employment relationship is terminated by a participant during the three-year deferral period for deferred compensation in cash, the entitlements expire worthless (retention component). For the 2018 financial year, the Board of Directors has determined that, as from a variable compensation amount in cash of CHF 500 000, 23% (or 33% for the Group CEO) of the total variable compensation in cash is to be allocated as deferred compensation.

As a long-term variable compensation component linked to the performance of the Swiss Life Holding share price and to the medium-term planning and degree of target achievement, an equity compensation plan has been in place since 2004 for members of the Corporate Executive Board and other key performers within the Swiss Life Group, who are determined by the Corporate Executive Board with the approval of the Compensation Committee. Based on this plan, participants are granted future subscription rights to Swiss Life Holding shares. These subscription rights entitle them to receive Swiss Life Holding shares free of charge after a period of three years has elapsed, provided that the prerequisites under the plan have been satisfied at that point.

Since 2011 participants in the equity compensation plan have been allocated Restricted Share Units (RSUs) on 1 April (2011–2013 equity compensation plans) or on 1 March (equity compensation plans from 2014). The RSUs grant the holder future subscription rights, entitling them to receive Swiss Life Holding shares free of charge after a three-year period has elapsed. The attribution of shares after the expiry of the three-year deferral period is effected on a 1:1 basis (1 RSU = 1 share): the plan is therefore very simple, transparent throughout the whole term and directly linked to the performance of the Swiss Life share price. The value of RSUs during the three-year term develops linearly with the Swiss Life Holding share price and thus symmetrically corresponds with shareholder interests. Altogether 51 members participated in the 2016 equity compensation plan, in which a total of 51 270 RSUs were allocated: 14 586 in total to the Corporate Executive Board, of which 3478 to Patrick Frost in his capacity as Group CEO since 1 July 2014. As at 1 March 2017, 58 members of Swiss Life Group senior management participated in the 2017 equity compensation plan, in which a total of 43 768 RSUs were allocated: 12 177 in total to the Corporate Executive Board, of which 3017 to Patrick Frost, in his capacity as Group CEO. A total of 57 members of Swiss Life Group senior management participated in the 2018 equity compensation plan. A total of 42 950 RSUs were allocated: 11 454 in total to the members of the Corporate Executive Board, of which 2828 RSUs to Patrick Frost as Group CEO. 65 members of Swiss Life Group senior management participated in the 2019 equity compensation plan, in which a total of 40 840 RSUs were allocated: 10 237 in total for the Corporate Executive Board, of which 2496 to Patrick Frost as Group CEO.

With regard to the 2015 equity compensation plan, the Board of Directors has set the following performance criteria on the basis of the medium-term planning 2015–2017: IFRS profit (50% weighting), the risk and fee result (25% weighting) and Cash to Swiss Life Holding for further strengthening of the financial substance and payout capacity (25% weighting). The 2016, 2017 and 2018 equity compensation plans are based on the "Swiss Life 2018" Group-wide programme, which was announced at the Swiss Life Group's Investor Day on 25 November 2015 (see www.swisslife.com/investorday2015). The following performance criteria were set on that basis: IFRS profit (50% weighting), the risk and fee result (25% weighting) and Cash to Swiss Life Holding (25% weighting). The 2019 equity compensation plan is based on the new Group-wide programme, "Swiss Life 2021", which was announced at the Swiss Life Group's Investor Day on 29 November 2018 (see www.swisslife.com/investorday2018). For the purpose of supporting the achievement of the respective corporate goals, for the 2019 RSU plan performance criteria have been determined by the Board of Directors analogously to the previous year's objectives (IFRS profit, 50% weighting; risk and fee result, 25% weighting; Cash to Swiss Life Holding, 25% weighting).

After expiry of the thee-year period of the RSU plan, the target value for each performance criterion according to the medium-term planning is compared with the actual result achieved. The share allocation corresponds to the number of allocated RSUs (1 RSU = 1 share) if all three performance criteria have been achieved or exceeded after the three-year period has elapsed; overperformance does not lead to a higher share allocation. If the targets are only partly achieved, the share allocation is correspondingly reduced in accordance with the weighting of the performance target concerned or the RSUs expire worthless. For reasons of trade secrecy, the precise target values cannot be disclosed in advance; after expiry of the equity compensation plan, the number of RSUs available for exercise according to the effective performance and, respectively, the corresponding degree of target achievement and the corresponding share allocation (vesting) will be disclosed. The corresponding information on the vesting of the various equity compensation plans and the shares allocated, is set out in Note 23 of the Consolidated Financial Statements on pages 257 and 258.

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

Compensation to members of the Board of Directors

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

The compensation takes into account membership of the Board of Directors of Swiss Life Holding and its subsidiary Swiss Life Ltd, as well as membership of the individual Board Committees, and is commensurate with the individual's function and workload.

There were no contributions to occupational provisions for the members of the Board of Directors.

For the period from the 2017 ordinary General Meeting to the 2018 ordinary General Meeting, the General Meeting of Shareholders of 25 April 2017 approved a maximum amount of fixed compensation for the Board of Directors totalling CHF 3 200 000. Effectively the fixed compensation for the Board of Directors during the period in question (2017 General Meeting to 2018 General Meeting) was CHF 3 126 121 in total.

For the period from the 2018 ordinary General Meeting to the 2019 ordinary General Meeting, the General Meeting of Shareholders of 24 April 2018 approved a maximum amount of fixed compensation for the Board of Directors totalling CHF 3 200 000. In 2018, the Board of Directors determined the compensation for the members of the Board of Directors unchanged at the same level as in the previous year.

The compensation paid to members of the Board of Directors in the 2018 financial year is shown on an individual basis in the 2018 compensation table below. For comparison purposes, the compensation for the 2017 financial year is shown again after the 2018 compensation table.

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

At the General Meeting of 30 April 2019, the Board of Directors will submit for approval to the shareholders the maximum amount of fixed compensation for the Board of Directors for the new term from the 2019 ordinary General Meeting until the 2020 ordinary General Meeting.

Compensation to the Board of Directors in 2018 (audited)

Amounts in CHF	Compensation in cash	Compensation in blocked shares[3]		
	Amount	Number	Amount (at closing price on allocation)	Aggregate total in cash and shares (amount)[4]
Rolf Dörig, Chairman of the Board of Directors	**840 000**	1 001	360 514	**1 200 514**
Gerold Bührer[1]	**81 667**	102	35 088	**116 755**
Frank Schnewlin	**245 000**	292	105 160	**350 160**
Adrienne Corboud Fumagalli	**98 000**	118	42 490	**140 490**
Ueli Dietiker	**144 666**	172	62 287	**206 953**
Damir Filipovic	**98 000**	118	42 490	**140 490**
Frank W. Keuper	**98 000**	118	42 490	**140 490**
Stefan Loacker	**107 333**	128	46 202	**153 535**
Henry Peter	**156 333**	187	67 447	**223 780**
Martin Schmid[2]	**73 500**	87	31 826	**105 326**
Franziska Tschudi Sauber	**98 000**	118	42 490	**140 490**
Klaus Tschütscher	**107 333**	128	46 202	**153 535**
TOTAL BOARD OF DIRECTORS	**2 147 832**	2 569	924 686	**3 072 518**

[1] Left 24.04.2018.
[2] Joined 24.04.2018.
[3] The allocation of shares was effected on 18.06.2018 and 17.12.2018 at the stock exchange closing price of CHF 344.00 and CHF 377.90 respectively. Taking into account the blocking period of three years, the economic value, which is equal to the tax value, is CHF 288.8293 and CHF 317.2924 respectively.
[4] All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV/FAK amounted to a total of CHF 180 502 in the year under review.

Compensation to the Board of Directors in 2017 (audited)

Amounts in CHF	Compensation in cash	Compensation in blocked shares[3]		
	Amount	Number	Amount (at closing price on allocation)	Aggregate total in cash and shares (amount)[4]
Rolf Dörig, Chairman of the Board of Directors	**840 000**	1 074	360 494	**1 200 494**
Gerold Bührer	**245 000**	314	105 392	**350 392**
Frank Schnewlin	**245 000**	314	105 392	**350 392**
Wolf Becke[1]	**32 667**	43	14 194	**46 861**
Adrienne Corboud Fumagalli	**98 000**	126	42 293	**140 293**
Ueli Dietiker	**112 000**	144	48 337	**160 337**
Damir Filipovic	**98 000**	126	42 293	**140 293**
Frank W. Keuper	**98 000**	126	42 293	**140 293**
Stefan Loacker[2]	**73 500**	94	31 730	**105 230**
Henry Peter	**147 000**	189	63 440	**210 440**
Franziska Tschudi Sauber	**98 000**	126	42 293	**140 293**
Klaus Tschütscher	**98 000**	126	42 293	**140 293**
TOTAL BOARD OF DIRECTORS	**2 185 167**	2 802	940 444	**3 125 611**

[1] Left 25.04.2017.
[2] Joined 25.04.2017.
[3] The allocation of shares was effected on 16.06.2017 and 15.12.2017 at the stock exchange closing price of CHF 330.10 and CHF 341.40 respectively. Taking into account the blocking period of three years, the economic value, which is equal to the tax value, is CHF 277.1586 and CHF 286.6463 respectively.
[4] All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV/FAK amounted to a total of CHF 183 098 in the year under review.

Compensation to members of the Corporate Executive Board

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

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

The variable compensation components are determined by the Board of Directors in accordance with the compensation policy and based on the company result and the achievement of personal goals during the relevant business year, assessed in the employee appraisal procedure implemented throughout the Group (Group Performance System, GPS).

The amount of the variable compensation (short-term variable compensation in cash and equity compensation plan as a long-term variable compensation component) is limited in the Articles of Association of Swiss Life Holding to a maximum of 181% of the fixed basic salary (statutory "bonus cap", upper limit for the variable compensation). On the basis of the current compensation policy the Board of Directors has, with a view to harmonising fixed and variable compensation in the case of maximum target achievement and departing from a benchmark of 100%, set a range of 100–130% of the fixed basic salary for the variable compensation components; under extraordinarily positive circumstances the Board of Directors may augment this range at its own discretion to a maximum of 150% (Group CEO 165%). Starting from the principle of equal apportionment, the ratio of short-term to long-term variable compensation components is determined by the Board of Directors in consideration of the results achieved in the respective business year (discretionary decision). In the case of an "on target" achievement, the range for variable compensation of members of the Corporate Executive Board is 80–100% of the fixed basic salary ("on-target bonus").

The short-term and long-term components of the variable compensation are allocated in principle in equal amounts (1:1 ratio), whereby the deferred compensation components (RSU plan and deferred compensation in cash) are considered as a whole. The Board of Directors may determine a different ratio for the Corporate Executive Board as a whole or for the Chairman or individual members of the Corporate Executive Board (discretionary decision).

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

40% of the variable compensation is based on Corporate Executive Board members' achievement of specified personal goals. On the one hand, these personal goals are linked back to the company's success, in that each Corporate Executive Board member has to meet personal quantitative objectives contributing to the company's success in relation to his division. On the other hand, the personal goals cover qualitative aspects, namely project targets, risk management and compliance goals, as well as requirements relating to leadership and to supporting and further developing corporate culture.

Swiss Life was able to significantly exceed its medium-term targets in the year under review, as in the previous year, in a persistently very demanding economic environment: net profit rose by 7% to CHF 1080 million. Likewise, insurance reserves were again significantly strengthened in favour of policyholders. The cash remittance to Swiss Life Holding was CHF 696 million. This resulted in strengthening of Swiss Life Holding's dividend payout capacity by a cumulative total of CHF 1.9 billion (2018 ambition: CHF 1.5 billion) over the three years of the "Swiss Life 2018" Group-wide programme. The value of new business increased by 10% from CHF 351 million to CHF 386 million in the year under review. The cumulative total value of new business over three years was CHF 1033 million, well above the ambition of CHF 750 million. The new business margin rose during the 2018 financial year from an already high 2.5% to 2.6%. The solvency target was also achieved from a qualitative and quantitative perspective; based on the new regulatory solvency standard model, Swiss Life estimates its SST ratio at above 180% as of 1 January 2019. The fee result of CHF 488 million (2018 ambition: CHF 400 to 450 million) and the risk result of CHF 410 million (2018 ambition: CHF 350 to 400 million) were above target as well. The cost targets were achieved and the adjusted return on equity, at 9.1%, was within the target range of 8 to 10%.

For the 2018 financial year, the General Meeting of Shareholders of 25 April 2017, as mentioned at the start of the present Compensation Report, had approved a maximum total amount of the fixed compensation and the long-term variable compensation component (equity compensation plan) for the Corporate Executive Board of CHF 13 800 000, based on the Articles of Association applicable on 1 January 2015. In line with this, the Board of Directors accordingly set a fixed compensation at the beginning of 2018 (basic salary incl. ancillary costs and occupational provisions) of CHF 9 124 507 in total for the members of the Corporate Executive Board. It also granted future subscription rights worth CHF 3 828 981, as long-term variable compensation under the 2018 RSU plan, to the members of the Corporate Executive Board, on 1 March 2018, for the extraordinarily good performance in 2017, when Swiss Life again increased its operational effectiveness and achieved profitable growth. The subscription rights allocated under the 2018 RSU plan entitle the holder to receive Swiss Life Holding shares following a three-year vesting period, provided the requirements are satisfied at that point. The approved budget for the 2018 financial year was applied to the sum of CHF 12 953 488, in view of the excellent business development.

At the General Meeting of Shareholders of 30 April 2019, the Board of Directors will again submit for approval the maximum amount of the fixed compensation and long-term variable compensation component (equity compensation plan) for the Corporate Executive Board for the 2020 financial year.

The compensation for members of the Corporate Executive Board for the 2018 financial year is reported in detail in the 2018 compensation table below. Patrick Frost, Chairman of the Corporate Executive Board (Group CEO) since 1 July 2014, received the highest compensation of the members of the Corporate Executive Board in the 2018 financial year; accordingly his compensation is disclosed individually.

In addition to Group CEO Patrick Frost, six persons were members of the Corporate Executive Board during the 2018 reporting period, as reported in the compensation table below.

The short-term variable compensation component for the Corporate Executive Board of a total CHF 4 675 000 (cash bonus of CHF 3 975 000 and deferred compensation in cash of CHF 700 000), which was determined by the Board of Directors at the beginning of 2019 for the 2018 financial year and will be proposed to the General Meeting of Shareholders on 30 April 2019 for approval, is disclosed in the following compensation table on an accrual basis as compensation for the 2018 financial year (accrual method). The members of the Corporate Executive Board did not receive any compensation in shares for the 2018 financial year; they are participating in the current equity compensation plan that provides for the allocation of so-called Restricted Share Units (RSUs).

The long-term variable compensation component in the form of the equity compensation plan (RSU plan 2018) is also reported in the compensation table for the 2018 financial year, which serves as the basis for the amount of the allocation and the corresponding number of allocated RSUs (accrual method).

Expenditure for occupational provisions for members of the Corporate Executive Board in the period under review amounted to CHF 1 717 456. This includes the ordinary annual employer contribution of CHF 273 146 for the occupational benefits of Patrick Frost, Group CEO.

The stated amounts do not include social security contributions (AHV/IV/ALV/FAK) payable by the employer under the law. The respective expenditure is shown in footnote 6 of the 2018 compensation table.

Following the 2018 compensation table, the details of the compensation for 2017 are stated in a separate table for comparison.

Compensation to the Corporate Executive Board in 2018 (audited)

Amounts in CHF	Compensation in cash				Compensation in shares		
	Salary	Bonus for 2018 paid in 2019[3]	Other compensation[4]	Total compensation in cash	Number	Amount	Total compensation in cash and shares (amount)
Patrick Frost, Group CEO	1 500 000	1 000 000	29 562	**2 529 562**	0	0	**2 529 562**
Other members of Corporate Executive Board [1,2]	5 669 594	2 975 000	207 895	**8 852 489**	0	0	**8 852 489**
TOTAL CORPORATE EXECUTIVE BOARD	7 169 594	3 975 000	237 457	**11 382 051**	0	0	**11 382 051**

[1] 6 individuals were taken into account in the period under review.
[2] The salary amounts also include tax-equalisation payments and international travel expenses totalling CHF 251 400.
[3] The short-term variable compensation component for the 2018 financial year (bonus and deferred compensation in cash) was determined by the Board of Directors at the beginning of 2019 for the 2018 financial year.
[4] Child allowances (CHF 10 950), company cars (CHF 12 061), premium contributions to 3rd pillar pension plans (CHF 172 401), other (CHF 42 045) in total amounts.

Amounts in CHF	Expenditure for occupational provisions		
	Regular contributions[5]	Extraordinary contributions	Aggregate total compensation in cash and in shares and occupational provisions expense (amount)[6]
Patrick Frost, Group CEO	273 146	0	**2 802 708**
Other members of Corporate Executive Board	1 444 310	0	**10 296 799**
TOTAL CORPORATE EXECUTIVE BOARD	1 717 456	0	**13 099 507**

[5] Pursuant to the pension fund regulations, occupational provisions were financed by the employer and the employee at a ratio of 70% to 30%.
[6] All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV/FAK amounted to a total of CHF 896 478 in the year under review.

Amounts in CHF	Variable deferred compensation in cash[3]	Restricted Share Units (RSUs) 2019 RSU plan[8,9]		
	Amount[7]	Number	Amount	Aggregate total compensation incl. deferred compensation in cash and RSUs (amount)
Patrick Frost, Group CEO	**500 000**	2 496	950 127	**4 252 835**
Other members of Corporate Executive Board	**200 000**	7 741	2 946 689	**13 443 488**
TOTAL CORPORATE EXECUTIVE BOARD	**700 000**	10 237	3 896 816	**17 696 323**

[7] The variable deferred compensation in cash is paid out after a deferral period of three years, provided the requirements are satisfied at that point.
[8] The RSUs represent future subscription rights that entitle the individuals concerned to receive Swiss Life Holding shares after a period of three years, provided the requirements are satisfied at that point.
[9] For the 2019 RSU plan beginning 01.03.2019 the 2018 financial year forms the basis for the amount of the allocation and the corresponding number of allocated RSUs. The allocation of RSUs on 01.03.2019 was effected at a fair value of CHF 380.66 as calculated by an independent consultancy firm.

Compensation to the Corporate Executive Board in 2017 (audited)

Amounts in CHF	Compensation in cash				Compensation in shares		
	Salary	Bonus for 2017 paid in 2018[3]	Other compensation[4]	Total compensation in cash	Number	Amount	Total compensation in cash and shares (amount)
Patrick Frost, Group CEO	1 500 000	500 000	29 562	**2 029 562**	0	0	**2 029 562**
Other members of Corporate Executive Board [1,2]	6 059 294	2 713 750	129 375	**8 902 419**	0	0	**8 902 419**
TOTAL CORPORATE EXECUTIVE BOARD	7 559 294	3 213 750	158 937	**10 931 981**	0	0	**10 931 981**

1 7 individuals were taken into account in the period under review. For Ivo Furrer, CEO Switzerland until 31.03.2017, the compensation both during his membership of the Corporate Executive Board as well as until the termination of his employment relationship on 30.06.2017, is taken into account.

2 The salary amounts also include tax-equalisation payments and international travel expenses totalling CHF 621 800.

3 The short-term variable compensation component for the 2017 financial year (bonus and deferred compensation in cash) was determined by the Board of Directors at the beginning of 2018 for the 2017 financial year.

4 Child allowances (CHF 13 200), company cars (CHF 5018), premium contributions to 3rd pillar pension plans (CHF 100 066), other (CHF 40 653) in total amounts.

Amounts in CHF	Expenditure for occupational provisions		
	Regular contributions[5]	Extraordinary contributions	Aggregate total compensation in cash and in shares and occupational provisions expense (amount)[6]
Patrick Frost, Group CEO	273 146	0	**2 302 708**
Other members of Corporate Executive Board	1 447 235	0	**10 349 654**
TOTAL CORPORATE EXECUTIVE BOARD	1 720 381	0	**12 652 362**

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

6 All contributions are gross contributions, i.e. they include employee contributions to AHV/IV/ALV. Employer contributions to AHV/IV/ALV/FAK amounted to a total of CHF 965 412 in the year under review.

Amounts in CHF	Variable deferred compensation in cash[3]	Restricted Share Units (RSUs) 2018 RSU plan[8,9]		
	Amount[7]	Number	Amount	Aggregate total compensation incl. deferred compensation in cash and RSUs (amount)
Patrick Frost, Group CEO	**250 000**	2 828	850 267	**3 402 975**
Other members of Corporate Executive Board	**235 000**	8 626	2 978 714	**13 563 368**
TOTAL CORPORATE EXECUTIVE BOARD	**485 000**	11 454	3 828 981	**16 966 343**

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

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

9 For the 2018 RSU plan beginning 01.03.2018 the 2017 financial year forms the basis for the amount of the allocation and the corresponding number of allocated RSUs. The allocation of RSUs on 01.03.2018 was effected at a fair value of CHF 300.66, as calculated by an independent consultancy firm. The amount listed for the participation of the other members of the Corporate Executive Board in the 2018 RSU plan also includes the value of an allocation of 1367 RSUs under the 2017 RSU plan at the fair value of CHF 281.80 as compensation for foregone equity-based compensation from the previous employer.

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

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

Compensation to former members of governing bodies[1]

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

Compensation to closely linked parties[1,2]

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

Loans and credits to members of governing bodies[1]

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

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

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

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

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

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

[1] audited

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

Share ownership/Participation rights

As at the balance sheet date of 31 December 2018, acting members of the Board of Directors and the Corporate Executive Board (including closely linked parties) held the following number of registered Swiss Life Holding shares and future subscription rights to Swiss Life Holding shares in the form of Restricted Share Units (RSU):

Board of Directors

	SLH shares
	31.12.2018
Rolf Dörig, Chairman of the Board of Directors	**35 365**
Frank Schnewlin	**5 410**
Adrienne Corboud Fumagalli	**707**
Ueli Dietiker	**1 013**
Damir Filipovic	**1 690**
Frank W. Keuper	**927**
Stefan Loacker	**728**
Henry Peter	**11 682**
Martin Schmid	**287**
Franziska Tschudi Sauber	**3 179**
Klaus Tschütscher	**937**
TOTAL BOARD OF DIRECTORS	**61 925**

Corporate Executive Board

	Restricted Share Units (RSUs)	SLH shares
	31.12.2018[1]	**31.12.2018**
Patrick Frost, Group CEO	**9 323**	**18 593**
Jörg Arnold	**2 557**	**250**
Thomas Buess	**5 355**	**22 002**
Nils Frowein	**4 533**	**2 842**
Markus Leibundgut	**4 812**	**4 866**
Stefan Mächler	**4 656**	**3 091**
Charles Relecom	**4 540**	**1 644**
TOTAL CORPORATE EXECUTIVE BOARD	**35 776**	**53 288**

[1] Total number of RSUs allocated in the years 2016, 2017 and 2018 in connection with the relevant equity compensation plan. The RSUs represent future subscription rights that entitle the individuals concerned to receive SLH shares after a period of three years, provided that the relevant conditions are met at that point.

Shareholdings as well as future subscription rights to Swiss Life Holding shares as at 31 December 2017 are shown in the Notes to the Swiss Life Holding Financial Statements on page 314.

Options

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

Further information

In the form of an overview, the following additional information is provided on the Swiss Life Group compensation systems for the 2018 financial year:

In CHF (unless otherwise indicated)

Total compensation [1]	**916 064 088**
of which total variable compensation (total pool) [2]	158 478 943
Number of persons who received variable compensation	6 952
Total outstanding deferred compensation	**12 215 984**
of which cash payment	700 000
of which shares	0
of which options	0
of which others (Restricted Share Units, RSU)	11 515 984
Charges and credits in the financial year from compensation for previous financial years [3]	**–720 362**
Board of Directors, Executive Board and persons whose activities have a significant influence on the risk profile of the company:	
Total sign-on payments made in the financial year [4]	0
Total severance payments made in the financial year [5]	0

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

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

[3] In particular decrease in expenses affecting net income for variable compensation in Germany for the 2017 financial year.

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

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

Report of the Statutory Auditor

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

We have audited the compensation report of Swiss Life Holding Ltd for the year ended 31 December 2018. The audit was limited to the information contained on pages 61 and 65 to 67 of the compensation report.

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

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

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

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

Opinion
In our opinion, the compensation report of Swiss Life Holding Ltd for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Peter Eberli	Nebojsa Baratovic
Revisionsexperte Leitender Revisor	Revisionsexperte

Zürich, 12. März 2019

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Shareholders' Participation Rights

Restrictions on voting rights

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

Right of representation

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

Independent voting representative

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

Required majorities

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

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

Convocation of the General Meeting of Shareholders and agenda

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

Entry in the share register

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

Voting system and procedures

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

Changes of Control and Defence Measures

Duty to make an offer

Swiss Life Holding's Articles of Association provide for neither an "opting up" nor an "opting out" clause within the meaning of Art. 135 para. 1 and Art. 125 paras 3 and 4 of the Financial Market Infrastructure Act (FMIA).

Clauses on changes of control

No contractual provisions exist in favour of the Board of Directors or the Corporate Executive Board with regard to changes in control of the company.

Auditors

As was the case last year, PricewaterhouseCoopers (PwC) is again serving as external statutory auditor for all Swiss Life Group companies that are directly or indirectly held by Swiss Life Holding under its scope of consolidation.

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

Duration of the mandate and term of office of the lead auditor

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

The partner at PwC in charge of auditing the Swiss Life Holding annual financial statements and consolidated financial statements (lead auditor) has exercised this function since 2018.

The role of lead auditor rotates in compliance with the term of office regulations stipulated by the Swiss Code of Obligations, the independency guidelines set forth by the Swiss Institute of Certified Accountants and Tax Consultants, and internal guidelines at PwC.

Auditing fees

In 2018 the auditing fees credited to Pricewaterhouse Coopers came to around CHF 8.6 million (prior year: CHF 8.1 million). This includes the fees for reviewing the 2018 half-year accounts.

Additional fees

PwC invoiced additional fees of approximately CHF 1.0 million in 2018 (prior year CHF 0.9 million), for services in the areas of risk management, fiscal and legal consulting and other advisory services. All services were performed in compliance with the relevant independency regulations set out in the Swiss Code of Obligations, the Audit Supervision Act and FINMA circular 2013/3, “Auditing”.

Supervisory and control instruments vis-à-vis the auditors

The Audit Committee maintains regular contact with the external auditors. It evaluates the independence of the external auditors and identifies possible conflicts of interest. It also examines the terms and conditions of the external audit mandates and assesses the audit plan and strategy for the year in question.

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

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

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

Information Policy

The Communications and Investor Relations areas provide up-to-date reports to private and institutional investors, financial analysts, journalists and the public.

Key facts and figures about the Swiss Life Group and info kits on previous years' reports are available on the internet at www.swisslife.com, "Investors & Shareholders" area, "Results & Reports" section (www.swisslife.com/results). Details on events relevant to shareholders, analysts and the media (General Meetings of Shareholders, media conferences etc.) can be found at www.swisslife.com, "Investors & Shareholders" area, "Financial Calendar" section (www.swisslife.com/financialcalendar).

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

In addition to its comprehensive Annual Report and Financial Statements, Swiss Life Holding also publishes its half-year results. Furthermore, in May and November of each year, it publishes specific details on the previous quarter. All Swiss Life's annual reports since 1998 and all half-year reports since 2001 can be accessed on the internet at www.swisslife.com, "Investors & Shareholders" area, "Results & Reports" section (www.swisslife.com/annualreports). A report detailing the key facts and figures on business operations is sent out on an annual basis to all the shareholders listed in the share register.

On 29 November 2018, furthermore, Swiss Life presented its targets for 2021 as part of its Investor Day. The relevant information and presentations can be accessed on the internet at www.swisslife.com, "Investors & Shareholders" area, "Investor Days" section (www.swisslife.com/investordays).

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

Risk Management

A further pillar of Swiss Life's responsible, sustainable business is its integrated, value-oriented risk management involving both quantitative and qualitative elements. The goal is to protect customers' funds and ensure the best possible investment of risk capital, while complying with regulatory requirements and taking into account the persistently challenging capital market environment.

Risk management is a key component of Swiss Life's management process. The respective committees of the Corporate Executive Board and the Board of Directors continually monitor and take decisions in the area of risk management; these are then incorporated into the annual planning process. On the one hand, they comprise qualitative assessments of strategic risks, as well as the evaluation of operational risks and the internal control system (ICS). On the other hand, they also cover quantitative elements, such as risk appetite at Group level, risk budgeting for the insurance units and Asset Liability Management's investment strategy. The Board of Directors uses framework limits based on solvency ratios and the economic capitalisation to determine Swiss Life's risk appetite. Limits for the financial risks taken by the individual business units are based on local regulatory provisions and risk appetite at Group level, and are used to determine their investment objectives.

The key risk management elements are presented and discussed below. Additional comments on the risk management principles and procedures plus the risk budgeting process, asset liability management and the management of insurance risks (including mortality, disability and longevity) are included in Annex 5 of the consolidated financial statements.

Strategic risk management

Swiss Life uses structured processes to ensure that strategic risks are dealt with adequately in what continues to be a very challenging economic environment. Swiss Life incorporates all the information on risks and corresponding earnings opportunities in its strategic decisions as part of its strategic risk management process. An understanding of the interplay of individual risks is essential to take due account of the factors influencing risks during strategy development so that these factors can be addressed appropriately.

Operational risk management and internal control system

Operational risk management at Swiss Life includes the methods and processes used for the identification, assessment, and steering or avoidance of operational risks. Operational risk management defines operational risk as the danger that losses may result from shortcomings or failures stemming from internal processes, people, systems or external events. Swiss Life's internal control system consists of the entirety of procedures, methods and measures prescribed by the Board of Directors and the Corporate Executive Board to ensure the orderly conduct of business. The focus is on the reliability of financial reporting, the effectiveness of business processes and compliance with laws and regulations issued to protect the company's assets. Risk management prepares and maintains appropriate internal directives and minimal requirements for qualitative risk management and ICS based on the "Internal Control — Integrated Framework (2013)" standard of the internationally recognised Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Information and system security

Swiss Life depends on its information systems and communication technologies for the attainment of the operational goals derived from its business strategy. Ensuring availability, confidentiality and integrity of systems, data and information is an integral part of its internal control system.

Risk management prepares and maintains directives and minimal requirements for information security based on various internationally recognised standards, such as the British standards ISO/IEC 27001 and 27002, the Control Objectives for Information and Related Technology (COBIT) Framework v5/2019 and the Cyber Security Framework v1.1 of the National Institute of Standards and Technology (NIST). The line implements these requirements and assesses their observance in collaboration with the relevant information security experts at Group and division level. This comprises subject areas such as vulnerability management, effective IT risk management and business continuity management. Corporate Internal Audit periodically reviews information security as part of its auditing activities and addresses any weak spots with the appropriate measures.

All Swiss Life employees are provided with regular information security training in their divisions. There were no significant information or system security incidents within the Swiss Life Group during the reporting year.

Information security is closely related to locally applicable data protection provisions, such as the Swiss Federal Act on Data Protection (DSG) and the European Union's General Data Protection Regulation (GDPR). More information on data protection is provided in the Compliance chapter of the Corporate Responsibility Report.

Capital management

Swiss Solvency Test

The Swiss Solvency Test (SST) sets out the capital requirements valid for insurance companies and groups in Switzerland. The SST is a principle-based framework where the main objective is to align the required capital with the underlying risks. The SST requirements are based on the understanding that insurers will meet their obligations towards policyholders even under difficult conditions. Swiss Life uses an internal model to calculate the available and required capital for the SST. Based on this internal model, approved with conditions by FINMA, Swiss Life meets the capital requirements. As of 1 January 2019, Swiss Life will apply the new SST standard model with company-specific adjustments to determine regulatory solvency.

Monitoring solvency under the SST is conducted continuously; calibration is effected based on the full SST calculations as at the beginning of each calendar year and as at mid-year.

Economic assessment

Swiss Life uses an integrated approach to risk and capital management. The economic capital of a life insurance company for its shareholders comprises its economic net worth and the present value of future profits. The economic risk capital is determined bottom-up for each large business unit and takes into account market, credit and insurance risks. These risks are calculated on the basis of loss distributions using a specified risk measure. The overall capital requirement is obtained by taking into consideration respective diversification effects.

Economic and regulatory capital requirements and the profit target are the main elements in risk budgeting. Based on the overall risk budget set by the Investment and Risk Committee of the Board of Directors, the Group Risk Committee of the Corporate Executive Board defines the risk limits for the business areas. Adherence to these limits is checked continuously.

Standard & Poor’s rating capital

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

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

Owing to improved diversification of profit sources and a capital position stabilised at a sound level, Standard & Poor’s raised Swiss Life’s outlook in April 2018 from “stable” to “positive”, while maintaining its “A” rating.

Corporate Responsibility

Swiss Life produces the Corporate Responsibility Report to show how it puts corporate responsibility into practice. Corporate responsibility applies to business operations, the role of Swiss Life as an employer and its responsibility to society and the environment. The reporting corresponds to the standards of the Global Reporting Initiative (GRI).

Ladies and gentlemen,

Our goal for 2018 was to accord greater importance to the issue of sustainability in our investing. We also wanted to further develop operational ecology, and continue on the path we embarked upon three years ago as an employer with our "Actively shaping your career" initiative. In all of these areas we have taken crucial first steps:

– In our investing activities we have systematically integrated environmental, social and governance (ESG) topics into our risk and investment management. This allows us to strengthen the sustainability aspects of our risk management approach, including in our investment decisions. We also signed on to the Principles for Responsible Investment (PRI) supported by the United Nations, and are now evaluating our real estate management using the Global Real Estate Sustainability Benchmark (GRESB).

– According environmental and social standards greater importance requires more than simply undertaking to observe them oneself, but also taking a public stand in favour of such values. For this reason we have adopted the world's largest agreement on responsible corporate management and support the Ten Principles of the UN Global Compact.

– Furthermore, we have addressed the matter of reducing greenhouse gas emissions in our business premises and using a higher proportion of renewable energy. This has led to the setting of Group-wide goals for operational ecology, as published in this report.

– In past years we have strengthened our role as employer with our "Actively shaping your career" initiative, as well as arming ourselves for present and future challenges, and have thus established new standards. During the past year, we also continued to pursue our successful change process with an eye to further strengthening our market position as a responsible and attractive employer.

Our fourth Corporate Responsibility Report shows that we are staying true to our course and assuming responsibility – in our everyday activities and within the company as well as with regard to both our employees and the environment.

P. Frost

Patrick Frost
CEO

Corporate Responsibility at Swiss Life

Since 2018, Swiss Life systematically integrates environmental, social and governance (ESG) factors into its investment decisions. Group-wide goals for operational ecology were defined during the year under review and, with its "Actively shaping your career" initiative, Swiss Life has set new standards for the world of work.

In the pursuit of its core business, financial provision and consulting, Swiss Life contributes directly to society. Swiss Life aims to act responsibly in its everyday business and as an employer as well as in relation to society and the environment.

All topics associated with corporate responsibility are summarised in the corporate responsibility framework, which was reworked in 2018 and is now valid for the entire Swiss Life Group. The purpose is the company's core, while the individual subject areas reflect the focus topics.

Organisational implementation of corporate responsibility

All relevant corporate responsibility activities are discussed and resolved in the Corporate Responsibility Steering Committee (STC CR). This body includes representatives of Human Resources and Communications in addition to all the Group Executive Board members in Switzerland and the General Counsel. The STC meets twice a year as a rule; the Group CEO chairs the committee. Corporate responsibility representatives from Group Communications, Asset Managers, Public Affairs and Human Resources, and one person from the Swiss Life "Perspectives" Foundation, form a core operational team to ensure the exchange of information in the line, prepare measures and proposals for the STC and implement STC mandates within the organisation. There were no changes to the core team or the STC in 2018. The composition of both bodies is subject to yearly review.

Steering Committee Corporate Responsibility (STC CR)

- Group CEO (Chairman)
- Group Executive Board members in Switzerland
- General Council
- Head Group Human Resources
- Head of Human Resources Switzerland
- Head Group Communications & Strategic Marketing

Responsibilities
The STC CR is the central steering committee for corporate responsibility at Swiss Life in Switzerland. It develops the CR strategy, approves corresponding measures and initiatives and ratifies objectives, resources and budgets.

Core team

Representatives of Group Communications and Strategic Marketing, Public Affairs, Human Resources, Asset Management and the "Perspectives" Foundation

Responsibilities
The core team works on the themes of social commitments and "Actively shaping your career" as well as ecology and sustainability, and develops process proposals and updates for annual presentation to the STC.

Overview of corporate responsibility management organs in Switzerland

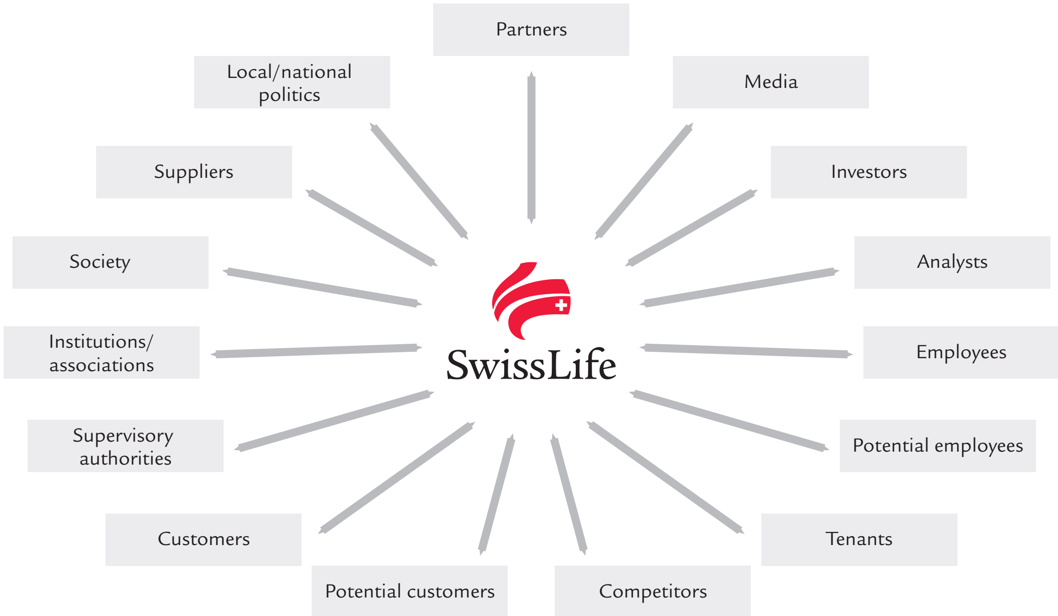
In addition to the STC CR and the core team in the home market of Switzerland, Swiss Life France and Swiss Life Germany have also created Corporate Responsibility committees that meet regularly for discussion, to define focus topics and to drive further development.

Overall responsibility for the Corporate Responsibility committee in France lies with the CFO. Swiss Life France has been publishing its own annual Corporate Responsibility Report (Rapport RSE) since 2014. This report will also comply with the stipulations of the European CSR Directive.

A committee was formed in Germany in 2018 to advance and coordinate corporate responsibility measures in various areas of the company. The corporate responsibility work of Swiss Life Germany focuses, among other things, on foundation activities. The Stiftung für Chancenreichtum und Zukunft (Foundation for opportunities and the future), founded at the end of 2016, advocates greater educational equity and equal opportunity in Germany.

Consistent reporting to stakeholder groups

The annual reporting on corporate responsibility is intended to create transparency and strengthen communication with the stakeholder groups. Swiss Life's stakeholders include, in addition to its employees, customers and investors, legislators and representatives of the media, politics and associations, all of whom are affected either directly or indirectly by Swiss Life's activities. Swiss Life is in regular dialogue with all of its target groups, which ensures that it is aware of their requirements and expectations and is able to react to challenges or changes (GRI 102-40, 102-42, 102-43, 102-44).



For more information on dialogue with our stakeholders, see:
www.swisslife.com/en/stakeholdercommunication

Memberships

At the end of 2018 Swiss Life was a member at Group level of all sorts of organisations and networks in the area of sustainability, as well as co-signatory of initiatives. These include the following:

- **Principles for Responsible Investment (PRI):** unpri.org, since 2018
- **UN Global Compact (UNGC):** unglobalcompact.org, since 2018
- **Global Real Estate Sustainability Benchmark (GRESB):** gresb.com, since 2018
- **CDP (formerly Carbon Disclosure Project):** cdp.net, since 2011
- **Task Force on Climate-related Financial Disclosure (TCFD):** fsb-tcfd.org, since 2018
- **Institutional Investors Group on Climate Change (IIGCC):** iigcc.org, since 2018
- **Forum Nachhaltige Geldanlagen (Sustainable Investment Forum):** forum-ng.org, since 2018
- **European Sustainable and Responsible Investment Forum (Eurosif):** eurosif.org, since 2018
- **International Corporate Governance Network (ICGN):** icgn.org, since 2018

At its Swiss, French and German locations, Swiss Life was mainly active in the following organisations:

- **Swiss Climate Foundation:** klimastiftung.ch
- **Energy Model Zurich:** energiemodell-zuerich.ch
- **Observatoire de l'immobilier durable (Green Building Observatory):** o-immobilierdurable.fr
- **Plan Bâtiment Durable (Sustainable Building Plan):** planbatimentdurable.fr
- **Netzwerk der Klima-Allianz der Stadt Hannover (Network of the Climate Alliance of the City of Hanover):** klimaallianz-hannover.de

Reporting in line with the European CSR Directive

The Swiss Life Group's Corporate Responsibility Report conforms with the EU's CSR Directive. In this Corporate Responsibility Report, Swiss Life offers an account of environmental (pages 80, 84, 89–91, 100–107, 130–133), employee (pages 89–91, 116–129) and social issues (pages 80, 84, 88, 100–104, 108–110) and reports on the observance of human rights (pages 80, 84, 86–87, 97–99, 100–101, 105–107) and combating corruption and bribery (pages 80, 84, 97–101, 105–107). The pages cited also provide information on the concepts and associated results, as well as on due diligence process and risk management.

Reporting according to the Global Reporting Initiative

Swiss Life's Corporate Responsibility Report meets the requirements of the Global Reporting Initiative (GRI), a framework for transparent sustainability reporting. The report on the 2018 financial year comprises the Switzerland, France, Germany, International and Asset Managers segments. This report was prepared in accordance with the GRI standards in conformity with the "Core" option. The GRI aims on the one hand to provide support to companies, governments and NGOs in focusing on those areas of interest to companies and their stakeholders, while the standardised format of the reports, based on key figures, also contributes to the comparability and transparency of sustainability reporting.

Do you have any questions or suggestions concerning corporate responsibility at Swiss Life? Write to us at corporate.responsibility@swisslife.ch

Materiality Matrix

The contents of the materiality matrix were established as part of a multi-level materiality process involving internal and external stakeholders. Based on qualitative and quantitative interviews with the Swiss Life Corporate Executive Board, a project group comprising specialists from Investor Relations, Asset Managers, Human Resources and Corporate Communication worked on selected key themes for Swiss Life, discussed them with selected stakeholders and refined them in structured interviews. Finally, the completed materiality matrix was approved and ratified by the Corporate Executive Board (GRI 102-46). The matrix is reviewed annually and amended when necessary. There were no amendments made in 2018.

Materiality matrix of the Swiss Life Group[1]

[1] (GRI 102-47)

The materiality matrix displays and organises the central issues from the "Corporate Responsibility" area along two axes. The Corporate Responsibility report covers all the subjects included in the matrix.[2] The upper right quadrant of the matrix contains the issues that have proven most important to both internal and external stakeholders. These are action points, which are classified as being particularly important to business success, and they feature prominently in the reporting.

[2] The report comprises Swiss Life's main locations in Switzerland, France and Germany and refers to all company entities within the scope of consolidation (2018 Annual Report, pages 292–297; GRI 102-45).

An overview of the key corporate responsibility themes

Responsibility in business

Customer centricity

Swiss Life places customers at the centre of its activities. Customer satisfaction is regularly measured and the results of customer feedback are incorporated into the development of products and services.

Sustainable profitability

Sustainable economic performance is a fundamental requirement for the success of Swiss Life's corporate management. In its strategic orientation, Swiss Life is closely guided by the long-term guarantee of profitability and the guidance of capital efficiency.

Risk management and compliance

Business conduct in compliance with the law is a given for Swiss Life. Swiss Life accompanies its customers over many years. Responsible risk management is thus indispensable.

Investment strategy

Swiss Life's investment strategy is designed on a sustainable and long-term basis and harmonised with insurance liabilities. The company's investment policy is oriented towards long-term and stable returns. Swiss Life bases all of its investment decisions on the stipulations of the supervisory authorities and is committed to holistic and value-oriented risk management. In addition to its legal obligations, Swiss Life observes ethical principles and environmental, social and governance (ESG) topics.

Products and services

Swiss Life has over 160 years of experience in developing products and services, in consulting and in the life insurance, investment and pensions business. Swiss Life aims to create optimal customer value and ensure profitability for the company. Its offering is subject to continuous review and refinement.

Sustainable procurement

For this reason, Swiss Life ensures that its procurement is in full compliance with the law. When selecting suppliers and partners, Swiss Life bases its decisions on ethical, social and ecological principles and works with local suppliers whenever possible.

Human rights

Swiss Life prioritises high social standards in its own operations and expects similar standards from its business partners and suppliers. As a co-signatory of the "UN Global Compact" Swiss Life pledges, notably, to respect human rights.

Responsibility in society

Political commitment

Swiss Life's operational environment is heavily influenced by political and regulatory decisions. Swiss Life cultivates contact with representatives from the political and business communities as well as supervisory authorities and coordinates its own activities closely with trade and umbrella associations. Swiss Life company executives and members of the Board of Directors work in various national business associations.

Economic responsibility

As a corporation, Swiss Life takes social and economic responsibility by enabling its customers to lead a self-determined life. As a long-term investor, Swiss Life contributes to the stability of the financial centre. As a leading institutional property investor in Europe and owner of the biggest private property portfolio in Switzerland, Swiss Life is also a key principal on the Swiss construction scene. The company also assumes social responsibility as an employer.

Demographic change

The consequences of demographic change affect people in many ways. Swiss Life wants to offer its customers solutions that will allow them to lead a self-determined life in all phases of their lives. In addition, Swiss Life contributes to the public debate on longevity and securing retirement provisions. At the same time, Swiss Life creates a working environment in which its employees and management act responsibly and help to shape their career and further development in every phase of life, thus laying the groundwork for a longer professional life.

Responsibility for employees

Employee commitment and development

The Swiss Life corporate culture is based on mutual respect and trustworthy cooperation. Regular feedback and professional development interviews and the recognition and appreciation of performance are important prerequisites for corporate success.

Equal treatment and non-discrimination

Equality of treatment and non-discriminatory behaviour are part of Swiss Life's corporate culture. As a co-signatory of the UN Global Compact Swiss Life pledges, among other things, to respect the global principles governing labour standards.

Diversity and equal opportunities

Diversity and equal opportunities are essential for Swiss Life. Accordingly, potential, abilities and skills are promoted equally among all employees of all ages.

Responsible employer

Swiss Life provides employees of all generations with development prospects and attractive and fair working conditions.

Environmental responsibility

Environmental and climate protection

Swiss Life places a high value on operational ecology and climate protection. In our in-house operations, as a real estate investor and as co-founder of the Swiss Climate Foundation, we are committed to using resources sparingly and reducing our CO_2 emissions.

Swiss Life's Contribution to the Sustainable Development Goals (SDG)

The United Nations' 17 Sustainable Development Goals (SDG) define social, economic and environmental milestones to be achieved worldwide by 2030. Swiss Life is transparent about which of these goals it is already making a contribution to.

SDG (target)	Our contribution
3 GOOD HEALTH AND WELL-BEING We guarantee all people of all ages a healthy life and promote their well-being	The social and economic consequences of the fact that we are living longer are insufficiently accounted for in almost all areas of life. Swiss Life is committed to raising societal awareness of this topic and actively addressing the attendant challenges. Swiss Life supports its customers in preparing ahead of time so they can lead a self-determined life. Swiss Life offers its employees flexible working models and a wide range of health and prevention services. See also "Strategy & Brand" (pages 8–13) as well as "Responsibility for Employees", the "Well-Being" and "Health and Security" sections (pages 122–125).
4 QUALITY EDUCATION Guaranteeing inclusive, high-quality education respectful of equality and advocating lifelong learning for all	Swiss Life supports its employees in the maintenance of their employability and promotes their ongoing development. This includes continuous internal and external education for employees of all ages, training for apprentices and trainees and entry-level opportunities for university graduates. Respect, equality of treatment and non-discrimination are all parts of Swiss Life's corporate culture. In addition, with its "Perspectives" Foundation and "Stiftung für Chancengleichheit" (Foundation for Equal Opportunity), Swiss Life supports institutions that help people from a wide range of backgrounds educate and better themselves. See also "Social and Cultural Engagement" (pages 111–115), "Responsibility for Employees" (pages 116–129) and "Products and Services" (pages 95–96).
7 AFFORDABLE AND CLEAN ENERGY Ensuring access to affordable, dependable, sustainable, modern energy for all	Swiss Life has several facilities for the generation of renewable energy among the investments in its portfolio. These facilities are widely distributed across the world. For instance, Swiss Life invests in solar power plants in Italy, Spain, Canada, Chile and Japan (c. 100 MW) and wind power stations in the UK and US (c. 235 MW), allowing Swiss Life to contribute to supplying around 100 000 households with renewable electricity.

SDG (target)	Our contribution
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Developing a resilient infrastructure, promoting sustainable industrialisation with broad-scale effect and supporting innovation	Swiss Life promotes projects from the worlds of research and science. Among other things, in the Swiss domestic market it lends its support to Technopark Zürich, which brings together actors from the realms of business, technology and science. In addition, Swiss Life is Member of the Foundation Board and of the Business Council of Swiss Innovation Park and supports the research and innovation platform "NEST".
11 SUSTAINABLE CITIES AND COMMUNITIES Making cities and developments inclusive, safe, resilient and sustainable	Swiss Life is one of Europe's leading real estate investors and has the biggest private real estate portfolio in Switzerland. Around 80% of its properties are in urban areas. As a builder and property owner, Swiss Life aims to use ecological and economic resources with maximum efficiency and to make an active contribution to sustainable urban development. As an investor, Swiss Life also strategically supports infrastructure projects that benefit the general public. For instance, Swiss Life participates in a company that finances, builds and operates fibre optic networks and makes them available for use by internet providers. See also "Sustainable Construction and Renovation" (pages 101–104).
12 RESPONSIBLE CONSUMPTION AND PRODUCTION Ensuring sustainable consumption and production patterns	As a builder and in its own operations, Swiss Life supports the sparing use of resources. This is also true of its business premises. Swiss Life publishes current developments in greenhouse gas emissions and its use of paper and energy, its production of waste, and the other indicators on operational ecology on an annual basis. Furthermore, Swiss Life uses Group-wide targets to ensure that the company is able to continue developing in the realm of operational ecology. When selecting suppliers and service providers, Swiss Life works with local contractors whenever possible and prefers products and services from companies that have implemented a certified environmental protection system. See also "Sustainable Construction and Renovation" (pages 101–104), "Sustainable Procurement" (pages 105–107) and "Environmental Responsibility" (pages 130–133).

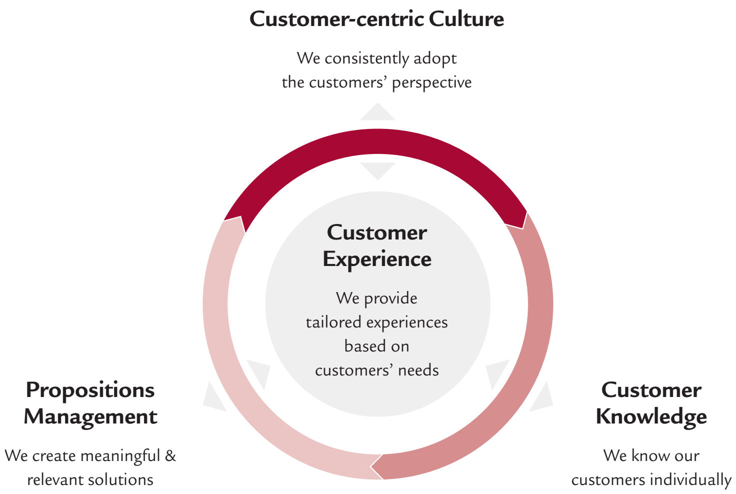
Responsibility in Business

Swiss Life maintains high standards for its consulting, service and product range. Diligence and responsible action form the basis for successful business operations as well as for long-term, sustainable customer and business relationships.

Customer Centricity

At Swiss Life, customer orientation is of central importance for corporate success. Swiss Life continuously assesses customer satisfaction at the key contact points. Customer centricity managers in all divisions analyse customer feedback with their teams locally.

Four focus topics of customer orientation



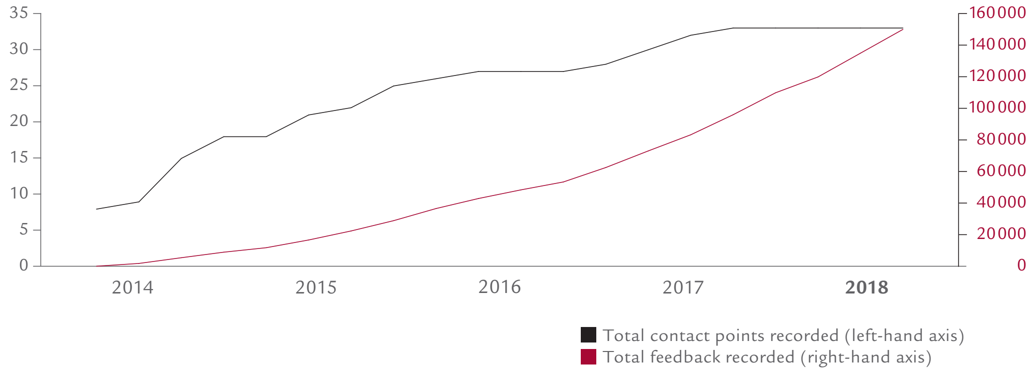
Progress on customer satisfaction

Customers are asked about their experience, satisfaction and willingness to recommend Swiss Life directly following an interaction with the company at selected contact points. Anyone who gives a negative response is contacted within 48 hours. This allows Swiss Life to ensure it has understood the reasons for a negative review and to offer the customer a solution. Customer satisfaction is surveyed in close collaboration with an independent market research institute.

Swiss Life aims to use customer feedback to detect systemic problems and drive appropriate process optimisation measures. Findings and lessons learned are shared at Group level.

Swiss Life has continuously expanded its Direct Customer Feedback programme in recent years. Since launching it in 2014, Swiss Life has received and analysed around 150 000 customer communications.

Development of Direct Customer Feedback programme



Swiss Life depends on the Net Promoter Score (NPS) for its quantitative measurement of customer satisfaction, which indicates a customer's willingness to recommend a provider to family and friends. The NPS is surveyed continuously and reported internally on a quarterly basis. What is more, the NPS is a component of the objectives-setting and performance review of employees with customer contact.

Over the past four years, the NPS at Swiss Life has trended favourably at the key contact points Consulting and Service Center, thanks to regular customer feedback analysis and the appropriate improvements derived from it.

The development of the NPS in consulting at contact points

	Switzerland Individual life	Switzerland Swiss Life Select	France	Germany Swiss Life Select	Austria Swiss Life Select	UK Chase de Vere
2018	**+51**	**+41**	**+52**	**+62**	**+49**	**+52**
2017	+52	+39	+46	+53	+44	+56
2016	+43	+29	n/a	+45	+34	+52
2015	+36	+26	n/a	+39	+22	+48

The referral rate at the Service Center contact point has also enjoyed a positive trend. Thus for example, while at the outset of assessment in 2014 in Switzerland every third person surveyed was willing to actively recommend Swiss Life, today's rate is already one out of two.

Swiss Life Switzerland, for instance, has repeatedly determined in recent years that willingness to recommend dropped at the turn of the year. Special focus placed during this period on personnel capacity has proved successful in counteracting this effect.

The development of the NPS at the Service Center contact point

	Switzerland Individual life	France	Germany Individual life	Germany Swiss Life Select
2018	**+33**	**–13**	**+10**	**+11**
2017	+23	–17	+4	+10
2016	+13	–28	+3	–7
2015	+3	–27	–2	–9

Promoting and consolidating a customer-oriented work culture

In addition, Swiss Life surveys the perception of customer orientation in-house through a biannual online questionnaire. The Employees' Customer Centricity Index (ECCI) summarises the results. The Index rose in the last assessment, in 2017, by three index points over the previous year, to 81. Internal perception of customer centricity improved in 2017 in relation to all areas surveyed.

The reporting year saw a revision of the Group Competency Model, which sets out the behaviour principles for all employees and additional responsibilities for members of management. A consistent customer perspective is an integral component of objectives-setting between management and employees.

Products and Services

Swiss Life has over 160 years of experience in consulting and developing products and services in its life insurance and pensions business. In this endeavour, Swiss Life's activities are always based on its customers and their needs. Swiss Life aims for its customers to lead their lives in an assured and self-determined way.

Swiss Life's consulting and product strategy combines optimal customer value with profitability for the company. Regulators' demands, regarding such things as solvency, as well as external factors like the economic and interest rate environment or demographic trends, must also be considered. Optimising and constantly developing the existing range of offerings so as to take into account all target groups, such as customers, investors, shareholders and supervisory authorities, are crucial in this endeavour.

The company offers private and corporate clients comprehensive and individual advice plus a broad range of proprietary and partner products through its own agents, financial advisors and distribution partners. Swiss Life Select, the subsidiary specialising in financial planning for private households and brokering financial products, as well as the advisers of Tecis, Horbach, Proventus, Chase de Vere and Fincentrum, use the Best Select approach to let their customers choose the product from the market that suits them best. This provides customers with access to the product range of the best providers in the market. In Germany, Swiss Life has developed a product for people who cannot afford conventional occupational disability insurance that allows them to insure their labour at favourable rates. Swiss Life thus does its part to help those living on lower incomes optimise their provisions and close gaps in coverage.

Transparent product information and promotion of financial literacy

Swiss Life sets great store by transparent and accessible information about product and service offerings. Swiss Life supports customer-oriented advice by providing clear and comprehensive documentation. Thus there are supporting video sequences on the various insurance and provisions topics available on the local internet pages or customer portals, along with publications for download.

Swiss Life would like to help people acquire financial literacy so they can make better decisions. Trust in one's own finances and understanding how they work are basic conditions for a self-determined life and financial confidence, which is why Swiss Life has supported the Swiss financial literacy platform fintool.ch for years now. The internet start-up uses short videos to get to the heart of complex economic, financial or political issues. In Germany, by way of the Swiss Life Stiftung für Chancenreichtum und Zukunft (Foundation for opportunities and the future), Swiss Life also advocates projects that promote the growth of financial literacy.

Customer centricity and Group-wide value proposition standards

Long-term benefit commitments and obligations arising from pension and financial products demand a precise preliminary analysis of the legal and regulatory environment, and the associated risk. This also provides the basis for customer-oriented consulting and is a major factor in the avoidance of mistakes or violations in advising, and their possible consequences.

The practical design of products and services is guided by Group-wide standards and is in strict accordance with the local regulatory environment and legislation. The ability of the local Compliance teams to make adjustments, even to existing products and services, is guaranteed. Group-wide standards for the development of products and services are also adapted to framework conditions as required.

Product management is regulated through a number of directives at Group level. Swiss Life has established a uniform, auditable product development process to that end. This process defines the minimum requirements of local product development as well as the approval and escalation process for initiatives at Group level. The observance of laws and provisions, practical customer value and the quality of customer documentation are naturally essential criteria in the assessment process.

Group-wide compulsory regulations are implemented locally in the relevant directives. Swiss Life regularly reviews its product solutions.

Compliance at Swiss Life

Swiss Life sets great store by compliance with all applicable legal provisions and regulatory stipulations in all its activities. The Code of Conduct is an important tool. It contains Swiss Life's values and principles, valid throughout the Group, as well as the rules of conduct, which are binding for all employees.

The Code of Conduct contains behavioural guidelines on the following themes:

Integrity and trustworthiness	Avoidance of conflicts of interest, mandates and secondary commercial activities as well as benefits in kind and invitations, insider information
Representing Swiss Life externally	Competencies and authorisations, corporate communication and corporate identity
Confidentiality and data protection	General information on data handling, special protection of personal data and commercial secrets, need-to-know principle, data security and use of IT resources
Prevention of money laundering, combating terrorism financing, sanctions and embargos	Customer identification and monitoring of business relationships for money-laundering, the financing of terrorism, sanctions and embargos
Conduct towards customers	Due diligence in advising and how to deal with complaints
Cooperating with business partners	Due diligence in the selection of business partners
Products	Review of products
Contracts and agreements	Contracts, anti-competitive behaviour and copyright
Personal conduct and security at the workplace	Non-discrimination, dealing with private activities, collegiality and handling access rights
Reporting of material misconduct and implementing the Code of Conduct	Identifying and reporting misconduct, notification of investigations or proceedings and implementing the Code of Conduct

The Code of Conduct valid throughout the Group was revised in 2018 and published on 1 January 2019. It is available for consultation at www.swisslife.com/en/coc.

Swiss Life has a comprehensive directives system as well as a Code of Conduct. The directives contain binding Group-wide minimum standards implemented in all business units and included in the regulations for the local offices. Regular training ensures that the employees are kept informed about the relevant compliance themes and directives. All new employees are given Group-wide Code of Conduct training within six months of beginning their position, and are instructed in the essential rules of conduct as well as data protection and data security provisions. All new employees are also trained within the same period in money-laundering prevention, combating terrorism financing, and sanctions and embargos, where relevant for their particular activities. Furthermore, all employees undergo a refresher course in these topics every two years. Participation in such training courses is mandatory and subject to monitoring, and the aim is a 100% attendance and success rate. Divisions for which the regulator has prescribed more frequent training must undergo refreshers more often.

Swiss Life has established processes to ensure adequate identification, management and control of compliance and data protection risks. The duties, responsibilities and competencies in terms of compliance are also included in the directives system.

Data protection

Swiss Life takes data protection very seriously and implements all legal, regulatory and internal requirements. Group-wide standards for data protection have been defined, which are specified and implemented by way of divisional guidelines. These last govern the processing, storage, deletion, archiving and transfer of data and documents, uniform data classification, the handling of personal data and highly sensitive information and trade secrets. Data protection infringements must be reported to Compliance, while information security incidents are dealt with consistently on a Group-wide basis as part of operational risk management. There were no significant data protection infringements within the Swiss Life Group during the reporting year.

The individual divisions have their own data protection officers and ensure that their employees are all provided with regular mandatory training in the material. The line implements these requirements and assesses their observance in collaboration with the relevant divisional Compliance teams, as well as at Group level. Compliance regularly assesses the implementation and observance of applicable provisions. Corporate Internal Audit regularly reviews data protection as part of its auditing activities and addresses any weak spots with the appropriate measures.

Data are secured and protected with the appropriate organisational and technical protection measures and are a part of risk management. More information on the subject of risk management can be found in the Annual Report in the “Risk Management” chapter.

Lawful business activity

Compliance monitors and assesses the legal and regulatory environment, taking account of local legislation. The aim is not to infringe any legal and/or regulatory requirements, and to prevent all forms of corruption and bribery. Swiss Life also considers it very important to comply with sanctions and embargos. Regular risk assessments as well as permanent and comprehensive compliance reporting to the top echelons provide support for the implementation of all requisite measures at Group level and within the business units. The compliance framework is subject to periodic review and is reworked and adapted to new prerequisites as necessary.

Swiss Life incurred no monetary penalties or significant fines during the year under review, nor did the company make any settlements in connection with corruption charges.

Sustainable Profitability

The economic performance and sustainable profitability of Swiss Life are fundamental requirements for the long-term success of its corporate management. The consistent implementation of its plans has allowed Swiss Life to successfully complete its last three Group-wide programmes and to continuously develop its business model in a difficult political, social and economic environment.

Swiss Life's operations are oriented towards the long term. We must be able to keep promises we make to our customers for decades. That is why long-term investing plays a central role in the life insurance business. Swiss Life has crafted its investment strategy to ensure that the interest margin remains positive even when interest rates stay low for more than three decades. In addition, Swiss Life has continuously developed its business model in recent years. With its successful enhancement of asset management for third parties, owned IFA channels, modern products and new initiatives, Swiss Life has over the past years significantly increased the contribution made to its result by so-called fee business, and thus reduced its dependency on investment results. In addition to the focus on profitability, capital efficiency remains a relevant control parameter in new business.

Swiss Life reports regularly on its strategic priorities. At its Investor Day in November 2018, Swiss Life presented the plans for its Group-wide programme into 2021. With "Swiss Life 2021" the company is aiming at a continuous and yet ambitious further development of its profit sources, efficiency and distribution to shareholders, based on four strategic thrusts and comprising practical financial objectives for the period from 2019 until 2021.

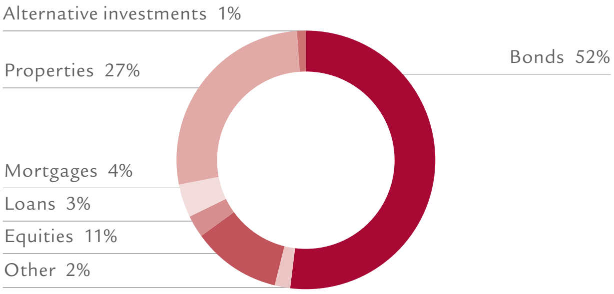
Further information on the Group-wide programme and the Swiss Life Group strategy may be found in the Annual Report in the "Strategy & Brand" chapter.

Responsible Investing

At the heart of Swiss Life's mission as an asset manager for its proprietary insurance companies and for third parties – such as pension funds, other insurers and private investors via collective investments – are the protection of customer funds and the optimal allocation of risk capital. Invested assets must be secure, profitable and liquid in their entirety. Due to the long-term nature of its liabilities, Swiss Life invests predominantly in fixed-income securities, such as government and corporate bonds, real estate and equity and infrastructure investments. And its investment decisions have always been informed by a long-term assessment of risks and returns.

Assets under management[1] – breakdown by asset class

As at 31.12.2018



[1] total assets under management for insurance business and third-party-clients

In keeping with this investment philosophy, Swiss Life systematically integrates environmental, social and governance (ESG) factors into its investment process and the risk management of all asset classes. This will in turn address and enhance the sustainability aspects of its risk management approach and investment decisions and assess potential consequences for climate change, among other things.

Swiss Life also orients its investment objectives to the individual requirements of its customers, who would increasingly like to consider more than simply financial matters when making investment decisions. This also means a better quality of investment portfolio. Such specific customer solutions include for example Swiss Life in Germany's investment in 2018, via a special fund in Germany, of EUR 100 million in a bond launched by the World Bank for the financing of sustainable water projects.

As for investments in securities – including equities or corporate and government bonds – Swiss Life depends on analyses prepared by an independent international ESG research and assessment provider. This affords Swiss Life access to ESG information from over 13 000 issuers around the world, as well as early detection of risks arising from social controversy, involving such things as violations of labour law, faulty corporate governance and signs of corruption or environmental risks in relation to climate change.

With its integration of ESG information, Swiss Life aims to establish a broader information basis for its investment decisions, and thus to achieve more balanced risk coverage in its investment portfolios. Swiss Life has set out its principles for responsible investing in a position paper, available at www.swisslife-am.com/responsible-investment.

In 2018, Swiss Life signed the Principles for Responsible Investment (PRI) supported by the United Nations. As a result, Swiss Life is publishing its first publicly accessible PRI Transparency Report in the first quarter of 2019. During the year under review, Swiss Life also joined the Institutional Investors Group on Climate Change (IIGCC) and the European Sustainable Investment Forum (EuroSIF).

As an asset manager, Swiss Life also represents its customers' interests in the exercise of voting rights, to which end it also follows ESG criteria in its voting guidelines and subjects votes on sustainability issues to close scrutiny.

Sustainable Construction and Renovation

Swiss Life is one of Europe's leading real estate investors and has the biggest private real estate portfolio in Switzerland. The long-term conservation, appreciation and protection of sustainable earnings is of central significance to Swiss Life. All decisions are thus oriented to a long-term property life cycle.

ESG criteria are a part of the acquisition process for real estate transactions and serve to detect risks and sharpen risk awareness. Sustainability aspects play a central role in real estate development, from feasibility studies to building decisions. This involves defining minimum energy standards, reviewing ecological risk profiles and analysing the socio-economic consequences of property development projects. Such an approach demands that real estate holdings are continuously optimised with regard to social and environmental concerns. In this endeavour Swiss Life aims to steadily reduce its energy consumption to have a positive effect on, among other things, climate change. ESG criteria are taken into account in property upkeep, in both the maintenance and renovation cycles. Swiss Life uses strategies adapted to each location to monitor attainment of financial objectives and optimisation of building sustainability.

Since 2018, Swiss Life has evaluated the sustainability of its property management using the Global Real Estate Sustainability Benchmark (GRESB), which allows it to consistently measure the sustainability aspects of parts of its real estate portfolio and to integrate them into its management.

In addition to the annual GRESB review, all risks in the real estate area are continuously monitored at the property level and subject to detailed oversight using cutting-edge analytical and benchmarking methods. The focus of this scrutiny is on property and market risks as well as the early detection of structural and socio-economic changes.

Swiss Life has tested the energy efficiency of its directly held real estate portfolio in Switzerland and aims at its continuous improvement. For the latest available accounting period, 2016/2017, the energy consumption (excl. tenant electricity) of real estate holdings amounts to 103.6 kWh/m^2 energy reference area (ERA), while their CO_2 emissions are 19.9 kg/m^2 ERA. The proportion of renewable energy is around 7%. Thanks to strategic operations optimisation measures, such as the use of more efficient building services facilities and repairs, energy consumption and CO_2 emissions are to be reduced by 2023 by some 8%. In addition, with a targeted reduction of fossil fuels (gas: 54% and oil: 29%) in favour of renewable energy sources (photovoltaic, geothermal, use of river and seawater etc.), the aim is a reduction of CO_2 emissions.

The growing scarcity of available building land makes increasing density a sensible strategy from an economic and an ecological standpoint, with an eye to supplying supplementary requirements for land and realising portfolio growth. An internal analysis of around 800 properties in Swiss Life's Swiss real estate portfolio has shown that there is sustainable consolidation potential in 15% of its real estate holdings. Some 50 properties have a reserve of more than 1000 m^2 of main surface area, while the remaining properties have a reserve of 300 to 1000 m^2.

An example of successful consolidation is the replacement new construction at Baslerstrasse 71 in Zurich, where an aging commercial construction of 4200 m^2 from 1960 is being replaced with a new residential high-rise comprising 161 apartments and commercial space of 1100 m^2. By 2021, the property will comprise over 14 000 m^2 of new residential and commercial space.

The Buckhauserstrasse 41 project in Zurich, where offices are also being converted into residential space, is a further example of increased density. In place of the existing office building with its 5943 m^2 of office space, a new building is to go up comprising 8790 m^2 of residential space, divided among 109 apartments, and 1142 m^2 of commercial space.

Interior courtyard, residential property at Buckhauserstrasse 41 in Zurich

In France in 2018, Swiss Life refined its ESG evaluation grid as part of its sustainable real estate strategy and applied it to all properties in the office, retail, apartment, hotel, healthcare facility and student housing use classes. At the same time a system for the measurement of energy efficiency was introduced. The climate risk of all properties was also analysed, with both the current risk and risks associated with the energy transition taken into account.

A calculation of the carbon footprint of all properties is planned for 2019, alongside the launch of a reporting portal to enable a uniform and comprehensive view of the sustainability performance of individual funds and mandates.

32-storey office building in Marseille in conformity with environmental certifications such as HQE Excellent and Leed Gold © AJN

In Germany the Corpus Sireo subsidiary enjoys comprehensive expertise in sustainable property management and project development. Numerous energy-efficient new building projects have been realised, both in apartment construction and in the commercial segment. One example is the acquisition of a new construction project with LEED Platinum pre-certification in Augsburg. The property is distinguished by the following sustainability features: open-space design, a rooftop solar plant and concrete core activation to optimise heating costs. Lighting is entirely LED, while six electric filling stations are available as a contribution to ecological mobility.

The LEED Platinum pre-certified office building in Augsburg is part of a Corpus Sireo real estate fund

At Mayfair Capital in the United Kingdom, ecological and economic sustainability aspects are also a regular element of the investment process and risk management. This involves the deliberate selection of properties that are already sustainable and enjoy good public transport connections, or those whose potential can be better exploited by means of improvements. In addition, energy consumption, waste recycling and water use are all monitored and measured. As a rule, operational optimisation measures are implemented once a property has been purchased. Such measures include the optimisation of building management systems (heating and cooling), the installation of LED lighting and motion detectors, the use of water-saving devices and the improvement of recycling facilities.

Risk and trend monitoring

All risks in the real estate area are continuously monitored at the property level and subject to detailed oversight using cutting-edge analytical and benchmarking methods. The focus of this scrutiny is on property and market risks as well as the early detection of structural and socio-economic changes.

Sustainable Procurement

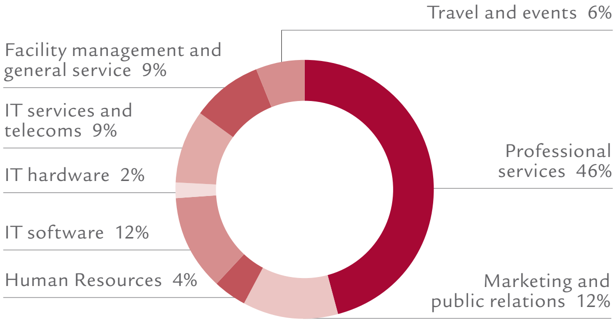
As a leading European provider of comprehensive life and pensions and financial solutions, the Swiss Life Group places strong emphasis on complying with environmental and social standards in its own operations. Swiss Life also demands compliance with these high sustainability standards from its external service providers and suppliers, which extends to their responsibility towards their employees, society and the environment.

Swiss Life mainly accesses products and services from the following categories:

- Professional services (advisory services for example)
- Marketing and public relations
- Human Resources
- IT services and telecoms
- IT software and IT hardware
- Facility management services (e.g. security personnel, building maintenance, cleaning) and general services (refreshments, electricity, gas etc.)
- Travel and events

Percentage split of purchasing volume by category based on the Swiss location (excl. Asset Managers)

As at 31.12.2018



Swiss Life is one of Europe's leading real estate investors and has the biggest private real estate portfolio in Switzerland. As part of this activity, Swiss Life mainly uses external services for architecture and expert planning services plus general construction services.

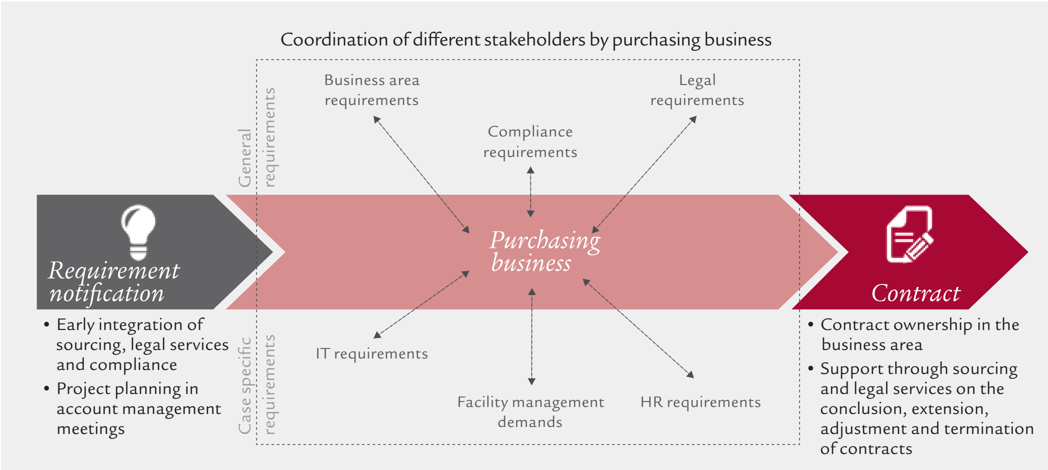
Local distribution of suppliers and role of sourcing

Most of the suppliers and service providers in Switzerland are domestically based. About 20% are from the EU.

Swiss Life also works mainly with national suppliers in its other core markets of France and Germany. Foreign suppliers account for under 5% in both countries.

When working with major international companies in the IT area, Swiss Life works with its national companies wherever possible in all locations.

Sourcing at Swiss Life



Guidelines for suppliers and service providers

When concluding contracts with suppliers and service providers in France and Switzerland, Swiss Life stipulates that they must guarantee the following standards as a rule:

- Compliance with legal guidelines on working hours and ensuring working conditions that do not endanger employee health or security.
- Fulfilment of legal regulations relating to salaries, compensating overtime and payouts.
- Ensuring that their employees can work in an environment free of discrimination on the basis of race, gender, religion, origin, disability, age, sexual orientation, handicap or other attributes.
- Respect for employees' rights of association and collective bargaining.
- Renunciation of child and forced labour.
- Compliance with applicable environmental and climate protection standards.

Swiss Life Germany stipulates, for example, in its contracts with partners that they must guarantee all health and safety regulations and payment of the minimum annual salary. Moreover, Swiss Life Germany checks the sustainability and recyclability of purchased products.

All companies in all locations that wish to work with Swiss Life ensure compliance with the standard statutory provisions. Evaluation of key suppliers and service providers is integrated in the Swiss Life Group risk management framework.

Swiss Life demands corrective action against any violations of agreed standards. The cooperation is terminated in the event of serious or repeated violations.

In France, Swiss Life commits to monitoring its strategic suppliers' environmental, social and ethical risks based on the EcoVadis methodology, which is derived from a framework of 21 corporate social responsibility criteria. The methodology is oriented towards leading and recognised standards, such as the Global Reporting Initiative (GRI), "UN Global Compact" and ISO 26000, and is supervised by an international scientific committee.

Swiss Life contractually asserts its right to conduct audits of suppliers and service providers. That includes requesting, for example, confirmation of ISO certification, the validity of such certification and analysis of the underlying reports.

At its Swiss location, Swiss Life also gives priority to products and services from companies that can prove they hold a certified environmental management system (ISO 14001 or EMAS) and a general quality certification (e.g. ISO 9001 or ISAE 3402).

When issuing tenders, Swiss Life France asks standard questions on any available rating results in the area of corporate responsibility and ISO certification and decides on a case-by-case basis whether certification is required as a basis for cooperation.

Group-wide principles for sustainable procurement

Our standards as a consumer	✔ We treat our suppliers and service providers fairly ✔ We communicate clearly and understandably ✔ We are neutral
Our expectations of our suppliers and service providers	✔ Compliance with Swiss Life principles ✔ Compliance with legal regulations must be assured at all times ✔ Open and honest communication with the principal
Our expectations for products and services	✔ Satisfaction of Swiss Life's general expectations regarding the person, society and the environment ✔ Environment-friendly distribution, transport and production appropriate to the product

Responsibility in Society

Swiss Life promotes projects and institutions in the fields of culture, science, education and the environment and research that promote self-determination and confidence. Swiss Life also observes its socio-political responsibility through exchange with politicians and associations.

Insurance companies are a crucial pillar of the economy, whether as employers, tax payers or investors. Furthermore, the insurance sector offers young people an attractive starting point for a career. With gross added value of CHF 30 billion in Switzerland, the insurance sector as a whole accounts for almost 5% of Switzerland's economic performance, a significant contribution.

But Swiss Life's economic contribution is much more than that. Swiss Life covers risks and, with its products and services, offers people the chance to focus on their strengths and skills and look to the future with confidence. At the same time, as a long-term investor, Swiss Life contributes to the stability of the financial centre. And in its role as one of Europe's leading institutional real estate investors and owner of Switzerland's largest private real estate portfolio, Swiss Life invests several hundred million francs every year in the renewal of its properties, and is thus also a key principal on the Swiss construction scene. By investing in its properties and with its active property management approach, Swiss Life shapes the urban character of Switzerland, creates residential and office space and makes the country an attractive place to live. As a tax payer, Swiss Life contributes to the economy and offers many people jobs and training opportunities.

Swiss Life's activity is of social relevance as well, since the consequences of the demographic trend are largely underestimated and pose new challenges. If people are living ever longer and state pension systems reach their limits, every single individual will have to take on greater personal responsibility for their own future provisions. At the same time, self-determination is a basic human need, and the source of the Swiss Life purpose: we enable people to lead a self-determined life.

Politics

Swiss Life's operational environment is significantly defined by political and regulatory conditions. For example, legal principles and their practical application in the form of ordinances have a direct effect on product design, processes and the manner of reporting to shareholders, supervisory authorities and the public.

Public Affairs is responsible for monitoring matters of political significance, guiding and coordinating Swiss Life's positions on such matters both internally and externally, and strategically developing and expanding a network among the involved parties. The Political Communications Steering Committee is the relevant strategic body. Its members are the Group CEO and the Group CFO, the CEOs of divisions headquartered in Switzerland, General Counsel, the Chief Risk Officer and the head of Group Communications. The Head of Public Affairs manages this STC and provides operational leadership. The Steering Committee, chaired by the Group CEO, meets four times a year and defines its political communication priorities.

Swiss Life fosters contacts with representatives from the political, administrative and business communities as well as supervisory authorities. In its direct exchanges with political groups, Swiss Life aims to better understand their opinions, expectations and perceptions while at the same time gauging how the enactment or amendment of legal principles could affect its business.

In Switzerland, parties of the political centre-right and individual politicians receive financial support mainly for their election campaigns. The total amount of support provided during the year under review was around CHF 500 000. No (significant) support was provided to parties or politicians in the markets outside Switzerland. Dealings with politicians are guided by the rules of the Swiss Life Group Code of Conduct, as specified in the internal directive "Code of Conduct". These rules decree, for example, that donations in the home market of Switzerland to political parties are to be free of any obligation.

Political work and communication in Switzerland, France and Germany are closely coordinated with trade associations. Moreover, a number of company executives are members of various national trade associations. Swiss Life Chairman of the Board Rolf Dörig serves as chairman of the Swiss Insurance Association (SIA). In addition, members of the Corporate Executive Board and Swiss Life employees work on various SIA committees.

Swiss Life France is a member of the French Insurance Federation (Fédération française de l'assurance, FFA), France's largest trade association in the insurance sector. The company is represented through a number of employees who actively participate in the committees for different insurance-related themes.

Swiss Life Germany is represented on the major committees of the German Insurance Association (GDV) and is a member of various associations of intermediaries. It is in regular professional dialogue with the AFW Bundesverband Finanzdienstleistung e.V. (German federal association of financial service providers) as well as with the Verband unabhängiger Finanzdienstleistungs-Unternehmen in Europa e.V. (Votum, an association representing the interests of financial service providers operating throughout Europe).

In 2018, Swiss Life further consolidated the position of Public Affairs within the Asset Managers division. One focus of this department is Swiss real estate policy.

Swiss Life is committed to promoting a competitive business location and appropriate regulation density in all its markets. That includes adequate capital requirements: excessive capital requirements are forcing Swiss life insurers to carry significantly higher operational capital costs than their foreign competitors.

Swiss Life is committed to the militia principle in Switzerland and supports its employees in the performance of public and political mandates. Swiss Life holds regular events for employees in Switzerland with public or political mandates. During the reporting year, Swiss Life organised for the third time an event known as "Transfer" in conjunction with Avenir Suisse, Swiss Re, Zurich Insurance Group, Helvetia and Axa. Over 60 mandate holders from different companies discussed current political issues at this event.

Renato Piffaretti, Head of Real Estate Switzerland at Swiss Life Asset Managers, gave his views on regulation in the residential market at the annual event for insurance professionals with public and political mandates.

Social and Cultural Engagement

Swiss Life supports projects and institutions in the fields of culture, science, education and the environment and research, and operates seven of its own foundations. In all social activities of the Swiss Life Group, the focus is on projects that promote self-determination and confidence.

Switzerland

In 2005, Swiss Life founded the "Perspectives" Foundation, which supports charitable initiatives in the fields of health, science, education, culture and sport and spends CHF 1.3 to 1.5 million every year on sociable-charitable projects in Switzerland. In 2018, 142 projects were supported with around CHF 1.4 million. All funds are made available in their entirety by the founder, Swiss Life.

The "Perspectives" Foundation supported among other things in 2018 an institution that distributes foodstuffs to the needy.
© Silvia Bretscher

A second foundation Swiss Life runs in its home market of Switzerland is the Anniversary Foundation for Public Health and Medical Research, founded in 1957 on the occasion of the company's centenary. It supports medical research projects and specific charitable organisations for people with physical and mental disabilities. Swiss Life has made annual donations to this foundation in the amount of some CHF 400 000 in recent years.

In addition to its foundation work, Swiss Life promotes Swiss film-making and helps artists follow their own path. For example, Swiss Life is committed to the Solothurn Film Festival, the Locarno Festival and the Zurich Film Festival. Moreover, Swiss Life in Switzerland supports classical music through its financial commitment to Tonhalle-Orchester Zurich, Zurich Opera House, the Lucerne Festival and the Davos Festival.

The Swiss Life Select distribution company operates the Foundation Confidence for Children in Switzerland, which aims to improve the life and development opportunities of disadvantaged children and give them a better chance at leading a self-determined and independent life. Among its key undertakings are two projects in Kyrgyzstan providing medical care to children with cleft lips and palates. The foundation is essentially supported by Swiss Life Select financial advisors and employees, who donated CHF 123 100 to the foundation in 2018. Swiss Life Select Switzerland pays all administrative costs.

Swiss Life Asset Managers has sponsored the “Swiss Life Thesis Award” for the past five years. The Award, presented in cooperation with the Institute for Financial Services Zug (IFZ), part of Lucerne University of Applied Sciences and Arts, and the business paper Finanz und Wirtschaft, provides a platform for innovative and practice-oriented research work at Swiss institutes of higher education. The best theses in the fields of financial investments, financial markets, financial services companies, financial instruments and corporate finance are singled out for awards each year. The Swiss Life Thesis Award comes to CHF 20 000 in total.

France

In France, the company gives support to the Fondation Swiss Life, which supports among other groups France Alzheimer, an association that organises museum and concert visits for Alzheimer patients and their carers. Furthermore, thanks to a sizeable solidarity network within the company, it also finances cancer research carried out by the Institut Curie.

Alzheimer patients visit an exhibition at the Palais de Tokyo in Paris.

The Fondation Swiss Life supports culture and artistic work as well, with the "Prix Swiss Life à 4 mains" (Swiss Life Prize for 4 Hands), which brings together a photographer and a musician, or with concerts by young artists in the various regions of France. The Foundation also supports projects and associations in which Swiss Life employees are actively involved. The Fondation Swiss Life donated a total of around EUR 291 000 to all initiatives during 2018.

Germany

With the Swiss Life Stiftung für Chancenreichtum und Zukunft (Foundation for opportunities and the future), Swiss Life Germany does its part for educational equity and equal opportunity in Germany. It works towards having as many people as possible – regardless of their social background – remain curious, acquire knowledge and, as a result, lead a self-determined life. The Foundation is mainly financed with donations from employees and financial consultants. Swiss Life Germany covers staff and administrative costs, thus allowing 100% of donation revenues to go towards pure project work. In 2018, in the second year of its existence, the Foundation was already able to donate EUR 120 500 to various initiatives.

For more self-determination: one of the Foundation's projects provides counselling to people in Germany with basic subsistence problems, and offers them new hope.

Swiss Life Germany also sponsors an event venue in Hanover, the Swiss Life Hall, where since 2005 there have been up to 100 concerts, sporting and corporate events held every year. The Swiss Life Hall has become a popular venue over the years and its reputation extends beyond Hanover.

Corpus Sireo, a German Company of Swiss Life Asset Managers, supports the charitable Cornelius Stiftung für Kinder suchtkranker Eltern (Foundation for children of parents suffering from addiction). The Foundation focuses on the advancement of children from underprivileged homes afflicted by addiction, and thus offers them better perspectives for the future. Its average yearly donation volume is EUR 100 000.

Other locations

Swiss Life Select in Austria also runs a foundation under the name Stiftung Zuversicht für Kinder, which supported 16 local and international aid projects as well as medical aid in specific cases during the reporting year. Donations in the amount of EUR 58 800 were collected in the previous year, mainly from Swiss Life Select financial advisors. With their help and the support of partner companies, customers and private individuals, numerous children were given a new outlook on life. In addition, Swiss Life Select in Austria has for the past four years been the main sponsor of the "Junge Philharmonie Wien" (Vienna young people's philharmonic orchestra).

In Luxembourg, employees of Swiss Life International initiated "Rock Against Cancer" five years ago, a benefit concert sponsored by Swiss Life Global Solutions. This annual event raises money for two foundations: Fondation Cancer Luxembourg and Fondation Kriibskrank Kanner (children with cancer). Both foundations are committed to fighting cancer. Although they were not founded by Swiss Life International, the foundations have been supported with donations for years.

Sport Sponsorship

Swiss Life Switzerland has been a partner of the Swiss Football Association since 2004 and supports the men's national teams (all teams from U-15s to the A-team) as well as the national women's teams (all teams from U-16s to the A-team). As of the 2015/16 season, Swiss Life is also the general sponsor of ZSC Lions ice hockey club. The Lions are one of the biggest ice hockey clubs in Europe with a well-respected youth development programme.

Together with the distribution companies Swiss Life Select and Proventus, Swiss Life Germany supports mass sports for regional amateur clubs. The company is also a regular supporter of sporting occasions, such as the football benefit event "Münchner Legendenspiel", the proceeds of which go to charitable organisations.

Responsibility for Employees

The success of Swiss Life is based on the skills and performance of its staff. Swiss Life wants to find the most suitable employees on the labour market, get them interested in working for the company, retain them and support their further development.

The Swiss Life purpose, enabling people to lead a self-determined life, also provides the framework for performance-driven collaboration within the company. Building on this, Swiss Life offers its employees and management a work environment in which they can act with self-determination and personal responsibility and shape their professional career and further development in every phase of life.

A successful management and communication style is set out in the Swiss Life Group's people leadership competencies. Management and communication mean in day-to-day work the creation of credibility and trust, providing direction and perspective, and making goals reality together.

Swiss Life revised its behavioural principles in 2018. One of their focuses is self-determination and personal responsibility on the part of employees – qualities expected by the employees of themselves. Management give their employees confidence, provide them with competencies and responsibilities and encourage independent work and activities. The resulting autonomy has a positive effect on employee engagement and promotes innovation.

The following behavioural principles are valid for all Swiss Life Group employees as of January 2019:

– I think consistently from the customer's perspective.
– I collaborate effectively in the best interests of the company.
– I act in an efficient and goal-oriented way.
– I work in a committed and agile manner.
– I build trust.
– I pursue continual self-development.

The following principles are valid for management as of January 2019:

– I think and act in an exemplary manner and in the best interests of the company.
– I create meaning and understanding within the context of our purpose.
– I trust my employees.
– I encourage appreciative collaboration.
– I promote the development of my employees.
– I set and achieve ambitious goals.

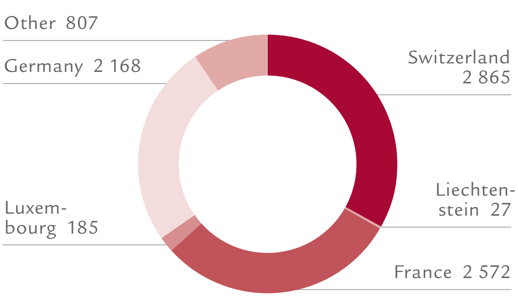
Group-wide standard processes are used to provide optimal support to managers and employees.

Swiss Life's management processes in overview:

– Performance reviews with all employees
– Performance assessments with all employees (setting of objectives and assessment)
– Professional development interviews and measures
– Decisions on salaries and promotions
– Strategy and value-oriented behaviour – as per the Group-wide competency model
– Assessment and management of employee risks

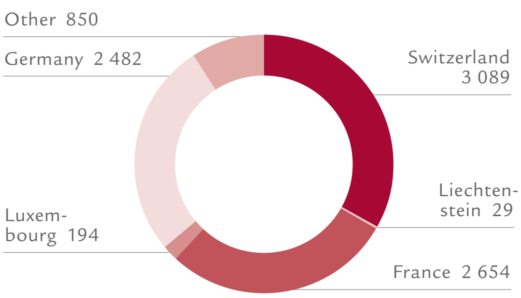
Full-time equivalents by country

Total 8 624 as at 31.12.2018



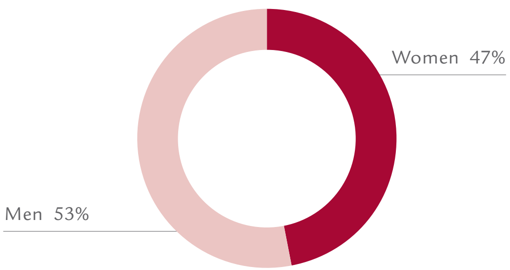
Employees by country

Total 9 298 as at 31.12.2018



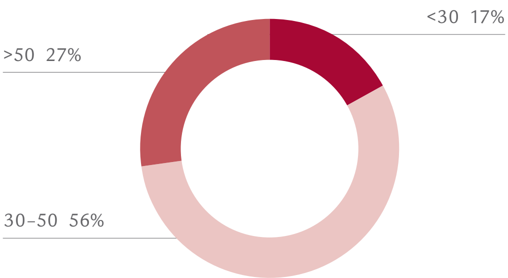
Employees by gender

Total 9 298 as at 31.12.2018



Employees by age group

Total 9 298 as at 31.12.2018



Newly hired employees by gender per segment

Number as at 31.12.2018

	Men	in %	Women	in %
Switzerland	**198**	**69.2**	**88**	**30.8**
France	**160**	**47.2**	**179**	**52.8**
Germany	**132**	**54.8**	**109**	**45.2**
International	**105**	**43.4**	**137**	**56.6**
Asset Managers	**198**	**49.9**	**199**	**50.1**
Other	**2**	**33.3**	**4**	**66.7**
TOTAL	**795**	**52.6**	**716**	**47.4**

Departures of employees by gender per segment

Number as at 31.12.2018

	Men	in %	Women	in %
Switzerland	**188**	**74.6**	**64**	**25.4**
France	**171**	**48.3**	**183**	**51.7**
Germany	**114**	**51.3**	**108**	**48.7**
International	**109**	**46.6**	**125**	**53.4**
Asset Managers	**131**	**45.3**	**158**	**54.7**
Other	**2**	**66.7**	**1**	**33.3**
TOTAL	**715**	**52.8**	**639**	**47.2**

Employee engagement

The Swiss Life Group performs periodic employee surveys in cooperation with an independent research institute.[1] The last survey was carried out in 2017 and enjoyed a participation rate of 87% (+1 percentage point compared to the 2015 survey). At 86%, employee engagement at the Swiss Life Group is above average (+1 percentage point compared to the 2015 survey), 14 percentage points over the "Financial industry in Europe" external benchmark.

Employer initiative – "Actively shaping your career"

Since 2016, Swiss Life has been publicly committed to the issue of a "self-determined life". As part of this commitment, the company has been running its "Actively shaping your career" campaign over the past three years. The initiative aims to support employees as they optimally steer their professional lives throughout all phases of their career. To this end, three success factors have been identified: "Ensuring employability through constant development", "Valuing and exploiting diversity" and "Maintaining long-term work ability". These three focuses will ensure that employees' individual resources are enhanced while at the same time various operational demands and personal requirements are taken into account and harmonised with one another during the various phases of an employee's professional and personal life. That is how Swiss Life meets the current and future challenges of the working world. By the end of 2018, all of the initiative's measures had been implemented according to plan at the Swiss location, and implementation is also well under way in the divisions. The measures include:

"Ensuring employability through constant development"
- Continuous training and development for employees of all ages
- Systematic career analyses and situation reviews for employees of all ages
- Enabling part-time work in old age

"Valuing and exploiting diversity"
- Flexible working hours and sites offered
- Promoting cooperation among generations
- Childcare offerings and support for those caring for relatives

"Maintaining long-term work ability"
- Offering time-out models
- Diverse range of offerings for the promotion and maintenance of health
- Social counselling offers

[1] Ipsos (Switzerland) SA, 2017

Training & Development

Swiss Life continuously invests in the internal and external training and development of its employees. True to the principle of lifelong learning, employees, specialists and managers are offered learning opportunities on specialist topics, enhanced by modules on social and methodological skills.

In France, for example, all employees have received training on the topic of "digitalisation". The initiative, the brainchild of the "Fédération française de l'assurance", intends to train employees in the use of digital communication and teach them tips and tricks for their work in the digital age. Since the so-called "Digital Passport" received by participants is recognised in the industry, this measure also serves to maintain employability.

Swiss Life International launched its "Self-Career Management" programme at all locations in 2018, intended to sensitise employees to the continuous evolution of professional demands. To this end, regular assessments and coaching sessions are held featuring constructive consulting to allow employees to keep up to date with the times in a strategic and responsible manner.

Young employees with potential have the opportunity to undertake all sorts of vocational courses, apprenticeships, placements, graduate programmes and combined university degrees. An average of around 350 employees (apprentices and trainees) take part in the courses offered every year. The Swiss Life Group employs this measure to help ensure its future management and professional requirements. The rate of transfers to a continuing employment relationship is 80% on average.

Expenses for training and development within the Group amount on average to CHF 28 million (including around CHF 9.5 million for staff in training), or some CHF 2080 per employee annually. As a proportion of staff costs, the outlay for training and development is approximately 2%. The investment is earmarked for a varied, needs-based training offering.

Supplementary to the classic training options, learning content is also offered on a digital platform to allow management and employees to add to their training without regard to time or place. The platform permits quick access to standardised management processes, skills-oriented training and other topics associated with social and methodological skills. Swiss Life enhances these offerings with customised training, advising and coaching.

Talent Development

Swiss Life provides targeted support to junior staff with potential. For example, employees displaying a high level of performance and potential are nominated each year for a talent programme. The initiative supports efforts to open up career paths within the company – in management, project management or specialist functions. This lays the groundwork for key positions to be filled with budding and qualified young managers from within the company.

The talent pools in the individual divisions help to prepare future first and second-level managers (team leaders and department heads) as well as project managers and specialists for their future roles through training modules and project work.

The Key Persons Programme (KPP) is intended for Swiss Life Group management, specialists and project managers who are already in a key function or show potential for such a function. The aim of the Group-wide programme is to prepare people who show the desire and ability to help shape the company's future in their own areas for a key position so they can live up to their role as decision maker. The programme also plays a role in employee and succession planning. Within a 12-month period, the participants acquire a detailed insight into the most important business areas within the Swiss Life Group, give and receive new impulses and apply what they have learnt to their daily work. The KPP's four focus themes are as follows:

- Personnel management and communication
- Finance
- Innovation
- Corporate strategy

Alumni of the Key Persons Programme meet the participants every year at the "Shaping the Future Day", at which the strategy and implementation status of the current Group-wide programme are discussed in detail with the Corporate Executive Board.

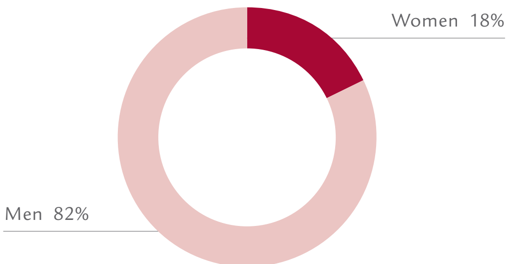
Well-Being

Mutual respect is the precondition for a work environment based on trust, in which employees are comfortable. Personal well-being, which includes the aspects of diversity and inclusion, work-life balance, mutual respect, workload and workplace atmosphere, was also a topic of the last Employee Survey, carried out in 2017. 83% of employees gave these factors an overall positive rating. This value is 11 percentage points over the “Financial industry in Europe” external benchmark.

Equal opportunities and non-discrimination are also observed on a daily basis at Swiss Life, with 89% of employees saying they feel very respected in their team (+3 percentage points over 2015). This value is 12 percentage points over the “Financial industry in Europe” external benchmark.

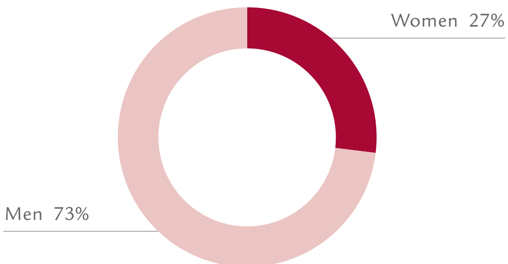
Board of Directors by gender

Total 11 as at 31.12.2018



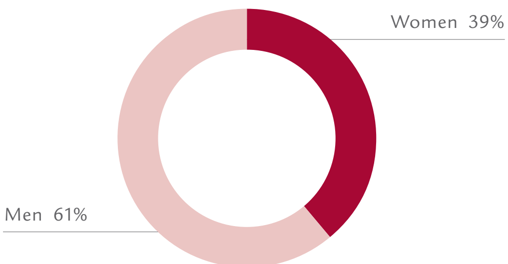
Employees with management functions by gender

Total 1 568 as at 31.12.2018



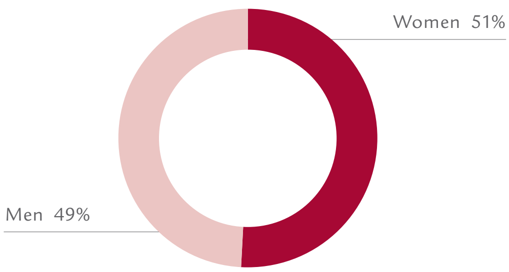
Employees with rank by gender (management and senior management)

Total 4 370 as at 31.12.2018



Employees without management functions by gender

Total 7 730 as at 31.12.2018



Swiss Life employs a number of specialists with great sector-specific knowledge and ability. Both managers and specialists are of prime importance to the corporate success of Swiss Life.

The fostering of both female and male employees as part of diversity activities is thus reflected not only in the careers of managers, but also in those of specialists.

The principles by which we work together at the Swiss Life Group are set down in the Code of Conduct, valid Group-wide. Swiss Life offers its employees a work environment characterised by respect and esteem. Among these is our zero-tolerance policy regarding mobbing and discrimination on the basis of race, sex, religion, confession, national origin, disability, age, sexual orientation, physical or mental handicap, marital status, political views or other attributes.

The Swiss Life competency model valid for all employees is applied to the Group-wide management processes. It was comprehensively revised and updated in 2018. The competency model sets out among other things responsible behaviour, particularly as regards compliance standards, laws and risks. Employees are regularly informed about the legal framework in which they operate, backed up by training courses to ensure they behave with integrity and in conformity with the law. Swiss Life has established management processes and informal channels (e.g. an Ombudsman managed by a third party) for reporting and dealing with cases of discrimination or complaints.

Fair employment procedures free of discrimination

In accordance with valid national and international law, the Swiss Life Group follows fair employment procedures free of discrimination. Recruitment or promotion is based exclusively on ability, competence and potential in view of the requirements of the position in question. Fair and equal compensation for all employees is ensured by the Group-wide Group Compensation Policy. Swiss Life has used processes and instruments for a number of years in all its national companies to review and ensure equal pay for men and women. In Switzerland, for example, Logib software from the Federal Office for Gender Equality is used to review equal treatment. This year’s review, with the involvement of the staff committee, indicates no significant deviations among the functional groups under analysis.

Employees by contract type

Total 9 298 as at 31.12.2018

	Men	in %	Women	in %	Total in %
Employees full-time	4 596	59	3 174	41	84
Employees part-time	345	22	1 183	78	16
Permanent employment contracts	4 171	46	4 832	54	97
Temporary employment contracts	103	35	192	65	3

Health and Security

The Swiss Life Group aims to ensure and maintain a safe and healthy working environment for all employees. The nature of the work it performs as a service provider means that general health and safety risks are relatively low in a service provider like Swiss Life. The framework conditions for health and security at the workplace are provided by the local regulatory measures governing each Swiss Life company. Furthermore, all companies implement measures and initiatives aimed at preserving employee health.

Occupational safety and health management

Security at the workplace (fittings, work stations, instructions) is continuously monitored and adapted to changing requirements.

Good working conditions influence employee health. Swiss Life supports this strategically by promoting uniform work structuring, providing a variety of tasks, fostering social interaction, enabling autonomy, room to manoeuvre and learning and development opportunities, ensuring meaningfulness and showing appreciation for its employees and their performance and contributions.

The measures to maintain employee health, promote good working conditions and prevent incapacity to work are based on three pillars:

- Prevention
- Early intervention
- Reintegration

All employees of the Swiss Life Group have access to online offerings consisting of text content, short videos, checklists and learning programmes on the topic of "Health and well-being", which they can use anytime and anywhere they like. The topics on the online platform are divided among three groups: meaningfulness, dealing with stress and dealing with others (line managers, colleagues).

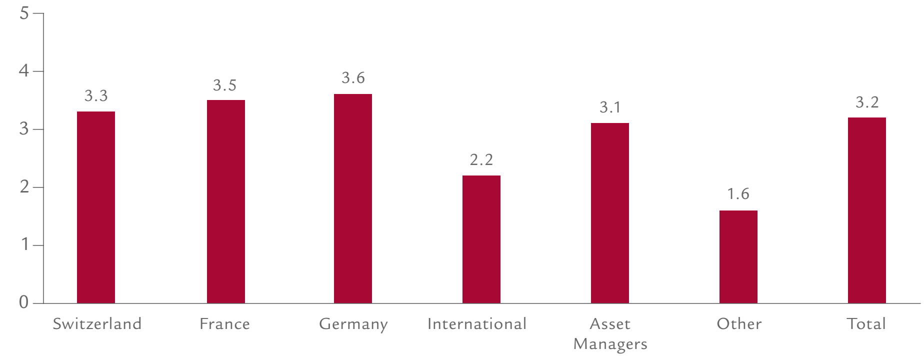
In addition, the divisions – in collaboration with their social partners – provide supplementary services in movement and sport, massages and therapy, relaxation rooms and all types of consulting, such as nutritional and social counselling and prevention.

Turnover by segment

In 2018 (%)

Absences by segment

In 2018 (%)



Social Partnership

The employee representatives and Corporate Executive Board maintain close contact with each other. Since 1996, Swiss Life has had a European Works Council (pursuant to EU Directives 94/45/EC and 2009/38/EC).

The nine-person “Europa Forum”, a committee comprising delegates from four countries, meets regularly with representatives of the Corporate Executive Board at ordinary and extraordinary meetings. It deals with transnational information and consultation on topics which affect all Swiss Life employees. The focuses in 2018 were: Strategy 2021, personnel management, digitalisation and employee qualification, the new competency model, performance testing, employee surveys, compensation, maintenance of employee marketability, diversity and inclusion, promotion of health and well-being.

What is more, Swiss Life maintains local employee representation in numerous countries as legally required.

Number of agreements signed

Switzerland

Swiss Life Switzerland

- The agreement concerning simplified recording of working hours, which entered into force on 1 April 2016, was formally confirmed at the annual review and will be continued.
- In 2018 the staff committee continued to work on various sub-projects of the “Actively shaping your career” initiative.
- As part of the 2019 salary review, the staff committee made a formal application to the Executive Board for a salary increase.
- The regulations of the staff committee of Swiss Life Ltd in Switzerland were specified in certain particulars and amended as needed, at the behest of the staff committee. They enter into effect on 1 January 2019.
- The staff committee initiated the revision and expansion of the guideline for the protection of non-smokers (entry into force on 1 January 2019), proposed building measures to better define smoking areas and supported raising awareness of the issue among employees.

France

Swiss Life France

A total of 13 agreements were reached in 2018:
- Three annual wage negotiations 2018 (NAO): salary agreements
- Agreement on electronic voting
- Third addendum to the hotline agreement to ensure attention to the special requirements of Customer Services
- Addendum to the agreement on trade union rights
- Agreement on the reimbursement of healthcare costs
- Agreement on distribution of profits
- Agreement on the functioning of employee representation bodies
- Agreement on trade union rights
- Agreement on the recognition of an economic and social entity (UES)
- Pre-electoral agreement

Asset Managers France

Swiss Life Asset Management Ltd
- Mobile Office agreement

Swiss Life Real Estate Management SA
- Agreement on distribution of profits
- Confirmation of the staff committee

Germany

Swiss Life Germany

In spring 2018, cyclical elections were held in Germany for the various Works Council committees.
- In addition to various adjustments to the works agreements due to the GDPR, the Works Council made a strong commitment to health management and, via its health team in cooperation with HR, is further expanding its comprehensive portfolio of health campaigns.
- As part of the principles of remuneration, the Works Council and the employer renegotiated salary adjustments. The result of the negotiations reflects both the cost factor and the salary adjustment due to cost of living.
- The VertriebsWerk programme in intermediary distribution takes strategic challenges of the future into account. It was necessary to conclude a reconciliation of interests and a redundancy agreement in order to implement the measures. The parties carried out negotiations and implementation constructively and with an eye to the relevant requirements.

Asset Managers Germany

The following works agreements were reached in 2018 for Swiss Life Asset Management GmbH and Swiss Life Invest:
- Mobile Office
- Team portfolio
- Calculation of variable compensation (bonus payment) for 2017
- Basic salary adjustment process for non-management, non-pay-scale employees

Corpus Sireo

Works agreements 2018:

- Regulation concerning working hours at Corpus Sireo
- Dealing with working time regulations from old contracts prior to 1 July 2017
- Mobile Office
- Supplementary framework conditions for employment relationships at Corpus Sireo
- Voluntary social security benefits – Spendit Card
- MITE project time recording
- Deployment and use of "Competence Booster" at Corpus Sireo
- Company framework agreement IT

Luxembourg

Swiss Life Luxembourg

In the Luxembourg financial sector as well as in the insurance sector, salary agreements are agreed at sector level. A new agreement was signed between employee and employer representatives in June 2018. The most recent negotiations concerned two objectives, supported by both parties:

- Maintaining the competitive position enjoyed by the Luxembourg insurance sector on the labour market, especially in times in which financial institutions have decided, owing to Brexit, to move their activities to Luxembourg or to expand into Luxembourg
- Ensuring appropriate investment in the retraining of insurance workers and adapting skills to future workplace demands

Asset Managers Luxembourg

The staff committee of Swiss Life Fund Management (LUX) S.A. met a total of six times in 2018. Three of these meetings featured a conversation with the Executive Board. The staff committee also organised several employee events. No formal agreements were reached between the staff committee and the Executive Board in 2018.

Number of Works Council members broken down by full-time and part-time

Switzerland

Swiss Life Switzerland

Nine members; the chairwoman enjoys up to 20% work dispensation for work on the staff committee, the vice chairwoman up to 15% and the members up to 10%.

France

Swiss Life France

61 part-time members

Swiss Life Asset Managers France

Swiss Life Asset Management Ltd

A total of six members since 10 March 2016, of whom none has dispensation.

Swiss Life Real Estate Management SA

Eleven members since 27 April 2018, of whom none has dispensation.

Germany

Swiss Life Germany

The Works Council Internal Services (responsible for the German branch in Garching as well as Swiss Life Partner GmbH and Schweizer Leben PensionsManagement GmbH) is composed as follows:

– Eleven members, of whom the Works Council chair with 100% work dispensation for Works Council activities.

The Works Council Sales Force is responsible for intermediary distribution at the branch office and is composed as follows:

– Seven persons, of whom none has dispensation.

The Central Works Council as the overarching body of all operations consists of five persons (2 representatives of Works Council Internal Services, 2 representatives of Works Council Sales Force, 1 representative of the severely handicapped). The Central Works Council chair is also chair of the Works Council Internal Services, member of the business committee and national representative to the Europa Forum.

Asset Managers Germany

In March 2018, the workforces of Swiss Life Asset Management GmbH and Swiss Life Invest elected their own Works Council, consisting of three Works Council members. All members work without dispensation.

Corpus Sireo

The Works Council of Corpus Sireo Real Estate GmbH consists of eleven members, one member with 100% work dispensation (Works Council chair), all other members without dispensation.

Luxembourg

Swiss Life Luxembourg

The number of employee representatives and the time required for their work are directly proportional to the number of employees. In the Global Solutions area in Luxembourg the future employee representation consists of five ordinary representatives and five deputies. The employee representatives have at their disposal 16 hours a week to exercise their mandate.

The Swiss Life Products team in Luxembourg has reached the threshold of 15 employees and will thus elect its own employee representation in 2019.

Asset Managers Luxembourg

The staff committee of Swiss Life Fund Management (LUX) S.A. consists of two active delegates, two deputy delegates and one security delegate. All delegates work without dispensation.

Environmental Responsibility

The Swiss Life Group cares for the environment and aims to continuously reduce its carbon footprint. To this end, Swiss Life now depends on Group-wide goals for operational ecology.

Swiss Life set out Group-wide goals for operational ecology in 2018. This measure is intended to shore up Swiss Life's efforts to make an active contribution to climate protection and to the reduction of CO_2 contamination. At the same time, the company also wants to further increase employee awareness of environmental and climate protection and has introduced measures to enhance operational ecology and environmental management in its own activities.

Operational ecology goals of the Swiss Life Group

Overarching operational ecology objective
In its operational ecology, Swiss Life focuses on climate protection and aims to continuously reduce its carbon footprint.

Greenhouse gas
Swiss Life wants to reduce its greenhouse gas emissions by 10% by 2021.

Electricity
Swiss Life wants to increase the share of electricity it uses in its buildings from renewable energy sources with an eye to reaching 100% by 2021.

Fossil fuels
Swiss Life wants to continuously reduce its use of fossil fuels in its business premises within its investment cycles.

Operational ecology indicators

Environmental data on operational ecology are gathered annually in accordance with the globally recognised standard of the Association for Environmental Management and Sustainability at Financial Institutions (VfU). Its annual data collection allows Swiss Life to determine where progress has been made, where risks lie and where steps must be taken. The VfU key figures conform to the international Greenhouse Gas Protocol (Scope 1, 2 and 3) standards, and thus to the CDP (formerly Carbon Disclosure Project) as well. The data are gathered, evaluated and analysed across the Group. All the major Swiss Life locations have environmental officers and the individual divisions work closely together.

Absolute environmental indicators

	2018	2017	2016[1]
TOTAL ENERGY CONSUMPTION (IN MWH)	**49 500**	47 819	49 075
Electricity (in MWh)	**32 011**	31 557	33 501
Heating (in MWh)	**15 933**	14 759	13 965
District heating/cooling (in MWh)	**1 556**	1 503	1 609
RENEWABLE ELECTRICITY (IN MWH)	**15 890**	17 868	13 905
Proportion of renewable electricity (in %)	**50**	57	42
BUSINESS TRAVEL (IN MILLION KM)	**68.8**	63.1	62.0
PAPER CONSUMPTION (IN T)	**934**	1 031	1 084
Proportion of paper with FSC label (in %)	**66**	63	60
WATER CONSUMPTION (IN M^3)	**100 940**	84 361	73 677
WASTE (IN T)	**1 009**	1 132	1 002
WASTE RECYCLING (IN T)	**542**	655	613
Waste recycling (in %)	**54**	58	61
TOTAL GREENHOUSE GAS EMISSIONS (IN T)	**24 436**	22 788	26 647
Greenhouse gas emissions Scope 1 (CO_2 equivalents in t)	**9 341**	8 667	8 660
Greenhouse gas emissions Scope 2 (CO_2 equivalents in t)	**3 439**	2 935	6 578
Greenhouse gas emissions Scope 1 and 2 (CO_2 equivalents in t)	**12 780**	11 601	15 239
Greenhouse gas emissions Scope 3 (CO_2 equivalents in t)	**11 656**	11 186	11 408

Relative environmental indicators per full-time position (FTP)

	2018	2017	2016[1]
TOTAL ENERGY CONSUMPTION (IN KWH/FTE)	**5 614**	5 823	6 098
Electricity (in KWh/FTE)	**3 631**	3 843	4 163
Heating (in KWh/FTE)	**1 807**	1 797	1 735
District heating/cooling (in KWh/FTE)	**176**	183	200
RENEWABLE ELECTRICITY (IN KWH/FTE)	**1 802**	2 176	1 728
BUSINESS TRAVEL (IN KM/FTE)	**7 804**	7 686	7 709
PAPER CONSUMPTION (IN KG/FTE)	**106**	126	135
WATER CONSUMPTION (IN M^3/FTE)	**11**	10	9
WASTE (IN KG/FTE)	**114**	138	125
WASTE RECYCLING (IN KG/FTE)	**61**	80	76
TOTAL GREENHOUSE GAS EMISSIONS (IN KG/FTE)	**2 771**	2 775	3 311
Greenhouse gas emissions Spope 1 (CO_2 equivalents in kg/FTE)	**1 059**	1 055	1 076
Greenhouse gas emissions Scope 2 (CO_2 equivalents in kg/FTE)	**390**	357	817
Greenhouse gas emissions Scope 1 and 2 (CO_2 equivalents in kg/FTE)	**1 449**	1 413	1 893
Greenhouse gas emissions Scope 3 (CO_2 equivalents in kg/FTE)	**1 322**	1 362	1 418

[1] Following the recording of environmental data in 2018, minor corrections were also made to the assessment of the 2016 data.

With the acquisition of new companies, the Swiss Life Group's greenhouse gas emissions increased by 7% in 2018, although emissions per employee remained stable. And, while the absolute consumption of energy and water, as well as the absolute volume of business travel, also increased due to business development, relative consumption per employee basically remained stable. Paper consumption, on the other hand, is also being affected by digitalisation at Swiss Life, having declined continuously in recent years, in 2018 absolutely by 10% and per employee by 16% compared to the previous year.

Local initiatives and focuses

Switzerland

In Switzerland, Swiss Life is a member of the Zurich Energy Model and has been drawing all its electricity from renewable energy sources for over ten years. This has enabled the company to reduce its annual greenhouse gas emissions by over 1300 tonnes. With its energy model, Swiss Life has pledged to improve energy efficiency at its Zurich location by 1.76% every year until 2020. Swiss Life's head office is practically CO_2 neutral. Since the early 1990s, the building has been cooled with water from Lake Zurich. Around three years ago, the system was further developed to make use of lake water for heating as well, by means of a heat pump. Over 95% of the building's heating needs are now supplied in this fashion. All the sanitary facilities at both Zurich locations are equipped with water-saving installations, which allows Swiss Life Switzerland to save some three million litres of water each year. Rainwater has also been one of the water sources used for the sanitary facilities since 1999. All printers and copiers use paper with FSC label from environmentally and socially friendly forestry. Employees are instructed to keep their paper consumption to a minimum.

Swiss Life wants to make an active contribution to climate protection through operational ecology, for which reason it set up the Swiss Climate Foundation in 2008 in cooperation with other Swiss companies. The foundation supports SMEs in becoming more energy efficient and reducing their CO_2 emissions.

France

Theme days are held regularly in France, with an eye to sensitising employees to environmental protection. In 2018, employees were urged to take part in campaigns focusing on waste sorting.

The greatest proportion of greenhouse gas emissions in France is still from business travel. An Employee Survey was carried out in 2018 on the topic, whose findings have been evaluated by working groups and transformed into proposed measures. Thus for instance the working groups have proposed in future setting greater store by video conferences and "Mobile Office" and suggested enlarging the proportion of ecologically friendly vehicles in the company's fleet. The measures proposed are being subjected to more detailed analysis in 2019 and implemented where possible.

Moreover, in November 2018, Swiss Life France switched to 100% electricity from renewable energy sources in all its business premises (previous year: 0%).

Germany

In Germany, the two main Swiss Life branch offices, in Garching near Munich and in Hanover, have repeatedly been awarded the ECOPROFIT seal for their outstanding commitment to corporate environmental protection. The seal rewards efforts to reduce CO_2 emissions and save resources. Swiss Life uses green electricity at both branches.

Swiss Life Germany has also been represented in the Klima-Allianz der Stadt Hannover (Climate Alliance of the City of Hanover) network for over ten years and undertakes, in cooperation with other companies, to reduce CO_2 emissions and increase energy efficiency in urban areas.

Corpus Sireo, a German company of Swiss Life Asset Managers, is gradually switching its business premises to 100% electricity from renewable energy. The company is also implementing measures in its motor pool to help improve its carbon footprint.

Swiss Life International

At Swiss Life International, with offices in Liechtenstein, Luxembourg, the UK, Austria, the Czech Republic and Singapore, all areas work in modern, energy-efficient office buildings. Optimal workspace occupancy and digitalisation measures help to consistently reduce the company's environmental impact. Employees are sensitised about keeping their paper consumption and generation of waste to a minimum. Furthermore, the number of parking spaces is limited to encourage staff to use public transport, and thus to help reduce CO_2 emissions.

Carbon Disclosure Project

Since 2011, the Swiss Life Group has taken part in the CDP (formerly Carbon Disclosure Project) survey. The CDP is an independent charitable organisation which holds the world's most comprehensive collection of corporate information on climate change. In its first submission, Swiss Life scored 70 out of 100 index points for transparency (climate disclosure score). In 2018, Swiss Life was rated B–, a slight improvement over the previous year (2017: C).

GRI Content Index

Materiality Disclosures
Swiss Life Holding AG
Mar 2019
Service

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GRI 102-3	Location of headquarters	Zurich
GRI 102-4	Location of operations	p. 5
GRI 102-5	Ownership and legal form	p. 27–28
GRI 102-6	Markets served	p. 5
GRI 102-7	Scale of the organisation	p. 4–5, S.117
GRI 102-8	Information on employees and other workers	p. 117
GRI 102-9	Supply chain	p. 105–107
GRI 102-10	Significant changes to the organisation and its supply chain	p. 41
GRI 102-11	Precautionary principle or approach	p. 87
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GRI 102-40	List of stakeholder groups	p. 83
GRI 102-41	Collective bargaining agreements	None
GRI 102-42	Identifying and selecting stakeholders	p. 83
GRI 102-43	Approach to stakeholder engagement	p. 83
GRI 102-44	Key topics and concerns raised	p. 83
	REPORTING PRACTICE	
GRI 102-45	Entities included in the consolidated financial statements	p. 86
GRI 102-46	Defining report content and topic boundaries	p. 86
GRI 102-47	List of material topics	p. 86
GRI 102-48	Restatements of information	No significant changes
GRI 102-49	Changes in reporting	No significant changes
GRI 102-50	Reporting period	01.01.–31.12.2018
GRI 102-51	Date of most recent report	CR Report 2017, published in May 2018
GRI 102-52	Reporting cycle	Annual
GRI 102-53	Contact point for questions regarding the report	Media Relations, p. 323
GRI 102-54	Claims of reporting in accordance with the GRI standards	p. 85
GRI 102-55	GRI content index	p. 134
GRI 102-56	External assurance	None

The GRI is reviewing for the Materiality Disclosures Service whether the GRI Content Index is clearly displayed and whether the references of items 102-40 to 102-49 correspond with the relevant contents of the Report.

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GRI 202-2	Financial implications and other risks and opportunities due to climate change	p. 101	
GRI 203: 2016	INDIRECT ECONOMIC IMPACTS		
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GRI 302: 2016	ENERGY		
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GRI 403-2	Injuries, occupational diseases, lost days and work-related fatalities	p. 125	Other key figures being established
GRI 403-4	Health and safety topics covered in formal agreements with trade unions	p. 124	

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GRI 103: 2016 103-1/103-2/103-3	Management approach	p. 120–121	
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GRI 404-3	Percentage of employees receiving regular performance and career development reviews	p. 117	
GRI 405: 2016	DIVERSITY AND EQUAL OPPORTUNITY		
GRI 103: 2016 103-1/103-2/103-3	Management approach	p. 122–123	
GRI 405-1	Diversity of governance bodies and employees	p. 117, p. 122	
GRI 405-2	Ratio of basic salary and remuneration of women to men	p. 123	
GRI 406: 2016	NON-DISCRIMINATION		
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GRI 406-1	Incidents of discrimination and corrective actions taken		Key figures being established
GRI 415: 2016	PUBLIC POLICY		
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GRI 103: 2016 103-1/103-2/103-3	Management approach	p. 97–99	
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	p. 99	

Key Sustainability Indicators

Topic	Metric	2018	2017	2016	2015	Reference
ENVIRONMENT						
GHG EMISSIONS						
	Total GHG emissions (in 1000 t)	**24.44**	22.79	26.65[1]	26.23	AR, p. 131
	Scope 1 emissions (in 1000 t)	**9.34**	8.67	8.66[1]	8.46	AR, p. 131
	Scope 2 emissions (in 1000 t)	**3.44**	2.94	6.58[1]	6.42	AR, p. 131
	Scope 3 emissions (in 1000 t)	**11.66**	11.19	11.41[1]	11.35	AR, p. 131
	Targets to reduce GHG emissions	**yes**	yes	yes	yes	
ENERGY						
	Total energy consumption (in 1000 MWh)	**49.50**	47.82	49.08[1]	52.28	AR, p. 131
	Electricity used (in 1000 MWh)	**32.01**	31.56	33.50[1]	35.16	AR, p. 131
	Renewable energy used (in MWh)	**15.89**	17.87	13.91[1]	15.63	AR, p. 131
	Targets to reduce energy consumption	**yes**	yes	yes	yes	AR, p. 131
WATER						
	Total water use (in 1000 m^3)	**100.94**	84.36	73.68[1]	79.62	AR, p. 131
WASTE						
	Total waste (in 1000 t)	**1.01**	1.13	1.00[1]	1.35	AR, p. 131
	Paper consumption (in 1000 t)	**0.93**	1.03	1.08[1]	1.21	AR, p. 131
	Share of paper with FSC label	**66%**	63%	60%[1]	54%	AR, p. 131
CLIMATE CHANGE VULNERABILITY						
	Climate change listed as a business risk factor	**yes**	yes	yes	yes	AR, p. 86, p. 100–104, p. 130–133
	Participation CDP (formerly Carbon Disclosure Project)	**yes**	yes	yes	yes	AR, p. 130–133
ENVIRONMENTAL POLICIES & INITIATIVES						
	Energy efficiency policy	**yes**	yes	yes	yes	AR, p. 130
	Emissions reduction initiatives	**yes**	yes	yes	yes	AR, p. 86, p. 90–91, p. 101–104, p. 130–133
	Guidelines for environmental assessment of suppliers	**yes**	yes	yes	yes	AR, p. 105–107
	Green building policy	**yes**	yes	yes	yes	AR, p. 86, p. 101–104, p. 130–133
	Waste reduction policy	**yes**	yes	yes	yes	
	Climate change opportunities discussed	**yes**	yes	yes	yes	AR, p. 86, p. 100–104, p. 130–133
	Risks of climate change discussed	**yes**	yes	yes	yes	AR, p. 86, p. 100–104, p. 130–133
	Environmental information verified	**no**	no	no	no	

[1] Following the recording of environmental data in 2018, minor corrections were also made to the assessment of the 2016 data.
AR = Annual report

Topic	Metric	2018	2017	2016	2015	Reference
SOCIAL						
HEALTH & SAFETY						
	Health and safety policy	**yes**	yes	yes	yes	AR, p. 124–125
	Health and safety policy is group-wide	**yes**	yes	yes	yes	AR, p. 124–125
	Workforce absences employees, total	**3.2%**	3.1%	2.8%	2.7%	AR, p. 125
	Workforce absences per segment	**yes**	yes	yes	yes	AR, p. 125
EMPLOYMENT						
	Total number of employees	**9298**	8457	7801	7595	AR, p. 117
	Total number of part-time employees	**1528**	1380	1285	n/a	AR, p. 123
	Employee turnover	**8.3%**	8.1%	6.3%	7.5%	AR, p. 118, p. 125
	Major layoffs in the last three years (affecting 10% of staff or over 1000 employees)	**no**	no	no	no	
	Major merger or acquisition in the last three years (affecting large proportion of staff)	**no**	no	no	no	
LABOUR & HUMAN RIGHTS						
	Company monitors employee satisfaction on a regular basis	**yes**	yes	yes	yes	AR, p. 119
	UN Global Compact Signatory	**yes**	no	no	no	AR, p. 80, p. 84
	Human rights policy	**yes**	yes	yes	yes	AR, p. 80, p. 84, p. 86–87, p. 97–99, p. 100–101, p. 105–107
TRAINING & HUMAN CAPITAL DEVELOPMENT						
	Costs spent for training per employee (in CHF)	**2080**	2082	2034	1749	AR, p. 120
	Formal talent pipeline development strategy (forecasts hiring needs, actively develops new pools of talent)	**yes**	yes	yes	yes	AR, p. 121
	Graduate/trainee apprenticeship program	**yes**	yes	yes	yes	AR, p. 120–121
	Job-specific development training programs	**yes**	yes	yes	yes	AR, p. 120–121
	Leadership training and skills development	**yes**	yes	yes	yes	AR, p. 120–121
SUPPLY CHAIN						
	Guidelines for social assessment of suppliers	**yes**	yes	yes	yes	AR, p. 105–107
	Sustainable supplier guidelines encompassing ESG areas that are publicly disclosed	**yes**	yes	yes	yes	AR, p. 105–107
PHILANTHROPY						
	Company has foundations	**yes**	yes	yes	yes	AR, p. 111–115
	Total Group-wide spending on foundations (in CHF million)	**2.6**	2.5[1]			AR, p. 111–115
ANTI-CORRUPTION/ETHICS						
	Business ethics policy	**yes**	yes	yes	yes	Code of Conduct
	Anti-bribery/pecuniary policy	**yes**	yes	yes	yes	Anti-bribery policy: Code of Conduct
	Anti-corruption policy	**yes**	yes	yes	yes	Code of Conduct
	Employee protection/Whistleblower policy	**yes**	yes	yes	yes	Code of Conduct
	Board oversight of anti-corruption/ethics	**yes**	yes	yes	yes	AR, p. 33 and Swiss Life Holding Ltd, Articles of Association, Article 11
	Employee training on anti-corruption/ethics	**yes**	yes	yes	yes	AR, p. 97–99
DIVERSITY & INCLUSION						
	Women in workforce	**47%**	45%	45%	45%	AR, p. 117
	Women in management	**27%**	25%	25%	n/a	AR, p. 122
	Equal opportunity policy	**yes**	yes	yes	yes	AR, p. 123

[1] A more detailed survey now includes the expenses for a total of seven foundations. As a result, the 2017 value had to be corrected upwards.

AR = Annual report

Topic	Metric	2018	2017	2016	2015	Reference
RESPONSIBLE INVESTMENT – INTEGRATION						
	Exclusion criteria exist	**yes**	yes	yes	yes	AR, p. 100–101
RESPONSIBLE INVESTMENT – PARTICIPANT OR SIGNATORY						
	Principles for Responsible Investment (PRI)	**yes**	no	no	no	AR, p. 80, p. 84
UNDERWRITING RISK MANAGEMENT						
	Obesity and emerging health issues listed as a business risk factor	**yes**	yes	yes	yes	AR, Notes of the Consolidated Financial Statements, Note 5 "Risk management policies and procedures" and Note 5.5 "Insurance risk management objectives and policies"
	Aging population and demographic change listed as a business risk factor	**yes**	yes	yes	yes	AR, Notes of the Consolidated Financial Statements, Note 5 "Risk management policies and procedures" and Note 5.5 "Insurance risk management objectives and policies"
PRIVACY & DATA SECURITY						
	Data privacy policy	**yes**	yes	yes	yes	AR, p. 76–78, p. 97–99 Code of Conduct
CUSTOMER PRIVACY POLICY						
	Company has customer privacy policy	**yes**	yes	yes	yes	AR, p. 76–78, p. 97–99 Code of Conduct and further directives
	Provide means for verifying and correcting individuals' data	**yes**	yes	yes	yes	Applicable law and internal guidelines
	Prevents unauthorised access to personal data	**yes**	yes	yes	yes	AR, p. 76–78, p. 97–99
GOVERNANCE						
BOARD OF DIRECTORS						
	Total directors	**11**	11	11	11	AR, p. 33, p. 122
	Board independence	**100%**	100%	100%	100%	AR, p. 32–33
	Board duration (years)	**7**	7	7	6	AR, p. 33
	CEO duality	**no**	no	no	no	AR, p. 32
	Independent chairperson	**yes**	yes	yes	yes	AR, p. 32
	Former CEO or equivalent on Board	**yes**	yes	yes	yes	AR, p. 34
	Voting shares held by largest shareholders or block	**>5%**	>5%	>5%	>5%	AR, p. 27–28
BOARD & EXECUTIVE DIVERSITY						
	Number of women on Board	**2**	2	2	2	AR, p. 33
	Women on Board	**18%**	18%	18%	18%	AR, p. 122
	Director average age	**58**	59	60	59	AR, p. 34–40
	Stated commitment to Board diversity	**yes**	yes	yes	yes	AR, p. 34–40
CSR GOVERNANCE						
	CSR/Sustainability committee	**yes**	yes	yes	yes	AR, p. 82
COMPENSATION						
	CEO total summary compensation (in CHF million)	**4.3**	3.4	3.8	3.6	AR, p. 65–66
	Clawback policy	**yes**	yes	yes	yes	AR, p. 57–59, p. 257–258
	Equal remuneration policy	**yes**	yes	yes	yes	AR, p. 53
OWNERSHIP & CONTROL						
	Controlling shareholder	**no**	no	no	no	
	Deviation from one share one vote	**yes**	yes	yes	yes	AR, p. 30, p. 71
RISK MANAGEMENT						
	Company has a risk management framework	**yes**	yes	yes	yes	AR, p. 76–78
	Risk management framework covers ESG risks	**yes**	yes	yes	yes	AR, p. 100–101
	Board oversight of risk management	**yes**	yes	yes	yes	AR, p. 189

AR = Annual report

Consolidated Financial Statements

Consolidated Statement of Income

Consolidated statement of income for the years ended 31 December

In CHF million

	Notes	2018	2017
INCOME			
Premiums earned on insurance contracts		**12 540**	12 100
Premiums earned on investment contracts with discretionary participation		**795**	849
Premiums ceded to reinsurers		**–177**	–157
Net earned premiums	7	**13 157**	12 791
Policy fees earned on insurance contracts		**27**	17
Policy fees earned on investment and unit-linked contracts		**313**	296
Net earned policy fees	7	**340**	313
Commission income	8	**1 275**	1 156
Investment income	5, 8	**4 372**	4 270
Net gains/losses on financial assets	5, 8	**–509**	651
Net gains/losses on financial instruments at fair value through profit or loss	5, 8	**415**	–1 181
Net gains/losses on investment property	5, 14	**725**	651
Share of profit or loss of associates	5, 15	**0**	3
Other income	8	**286**	113
TOTAL INCOME		**20 062**	18 769
EXPENSES			
Benefits and claims under insurance contracts		**–13 388**	–12 392
Benefits and claims under investment contracts with discretionary participation		**–665**	–867
Benefits and claims recovered from reinsurers		**92**	70
Net insurance benefits and claims	8	**–13 961**	–13 189
Policyholder participation		**–1 155**	–949
Interest expense	8	**–143**	–144
Commission expense	8	**–1 051**	–959
Employee benefits expense	8	**–1 008**	–961
Depreciation and amortisation expense	8	**–512**	–399
Impairment of property and equipment and intangible assets	16, 17	**–14**	0
Other expenses	8	**–683**	–691
TOTAL EXPENSES		**–18 527**	–17 292
PROFIT FROM OPERATIONS		**1 534**	1 476
Borrowing costs		**–137**	–156
PROFIT BEFORE INCOME TAX		**1 397**	1 320
Income tax expense	24	**–318**	–308
NET PROFIT		**1 080**	1 013
Net profit attributable to			
equity holders of Swiss Life Holding		**1 076**	1 007
non-controlling interests		**4**	6
NET PROFIT		**1 080**	1 013
Earnings per share attributable to equity holders of Swiss Life Holding			
Basic earnings per share (in CHF)	6	**31.58**	30.98
Diluted earnings per share (in CHF)	6	**31.49**	29.63

Consolidated Statement of Comprehensive Income

Consolidated statement of comprehensive income for the years ended 31 December

In CHF million

	Notes	2018	2017
NET PROFIT		**1 080**	1 013
OTHER COMPREHENSIVE INCOME			
ITEMS THAT MAY BE RECLASSIFIED TO THE INCOME STATEMENT			
Exchange differences on translating foreign operations		**–134**	230
Net investment hedges		**9**	89
Financial assets available for sale		**–3 726**	902
Cash flow hedges		**–116**	–8
Financial assets reclassified to loans		**30**	15
Share of other comprehensive income of associates		**0**	0
Adjustments relating to items that may be reclassified:			
Policyholder participation		**1 950**	–402
Shadow accounting		**106**	–17
Income tax		**371**	–141
TOTAL	26	**–1 510**	668
ITEMS THAT WILL NOT BE RECLASSIFIED TO THE INCOME STATEMENT			
Revaluation surplus on investment property		**–4**	11
Remeasurements on defined benefit pension liability		**50**	59
Adjustments relating to items that will not be reclassified:			
Policyholder participation		**4**	–27
Shadow accounting		**0**	0
Income tax		**–5**	–7
TOTAL	26	**45**	37
NET OTHER COMPREHENSIVE INCOME		**–1 465**	705
TOTAL NET COMPREHENSIVE INCOME		**–385**	1 718
Total net comprehensive income attributable to			
equity holders of Swiss Life Holding		**–388**	1 708
non-controlling interests		**3**	10
TOTAL NET COMPREHENSIVE INCOME		**–385**	1 718

Consolidated Balance Sheet

Consolidated balance sheet

In CHF million

	Notes	31.12.2018	31.12.2017
ASSETS			
Cash and cash equivalents		**8 410**	6 611
Derivatives	9, 31	**2 140**	1 675
Assets held for sale		**28**	52
Financial assets at fair value through profit or loss	10	**39 155**	40 228
Financial assets available for sale	11	**100 437**	104 922
Loans and receivables	13, 30	**21 463**	22 974
Financial assets pledged as collateral	12, 33	**4 767**	3 601
Investment property	14	**31 381**	27 946
Investments in associates	15	**189**	163
Reinsurance assets		**512**	529
Property and equipment	16	**392**	404
Intangible assets including intangible insurance assets	17	**3 135**	2 931
Current income tax assets		**38**	36
Deferred income tax assets	24	**55**	40
Other assets	18	**880**	688
TOTAL ASSETS		**212 982**	212 800

Consolidated balance sheet

In CHF million

	Notes	31.12.2018	31.12.2017
LIABILITIES AND EQUITY			
LIABILITIES			
Derivatives	9, 31	**1 048**	1 619
Liabilities associated with assets held for sale		**–**	3
Investment and unit-linked contracts	19	**39 738**	41 756
Borrowings	20, 30	**3 385**	3 577
Other financial liabilities	21, 30	**18 973**	15 574
Insurance liabilities	22	**118 771**	116 844
Policyholder participation liabilities		**11 539**	13 050
Employee benefit liabilities	23	**1 889**	1 986
Current income tax liabilities		**172**	153
Deferred income tax liabilities	24	**1 991**	2 216
Provisions	25	**87**	74
Other liabilities	18	**356**	366
TOTAL LIABILITIES		**197 949**	197 218
EQUITY			
Share capital		**175**	175
Share premium		**341**	803
Treasury shares		**–140**	–26
Accumulated other comprehensive income	26	**1 885**	3 374
Retained earnings		**12 261**	11 169
TOTAL SHAREHOLDERS' EQUITY		**14 522**	15 495
Hybrid equity		**425**	–
Non-controlling interests		**86**	88
TOTAL EQUITY		**15 034**	15 583
TOTAL LIABILITIES AND EQUITY		**212 982**	212 800

Consolidated Statement of Cash Flows

Consolidated statement of cash flows for the years ended 31 December

In CHF million

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums, policy fees and deposits received, net of reinsurance	**16 613**	15 522
Benefits and claims paid, net of reinsurance	**–14 086**	–13 413
Interest received	**3 184**	3 274
Dividends received	**644**	484
Commissions received	**1 294**	1 067
Rentals received	**1 178**	1 041
Interest paid	**–36**	–23
Commissions, employee benefit and other payments	**–2 679**	–2 600
Net cash flows from		
derivatives	**–488**	–1 184
financial instruments at fair value through profit or loss	**–1 169**	–879
financial assets available for sale	**–2 334**	–1 696
loans	**1 522**	1 817
investment property	**–2 286**	–3 222
deposits	**1 633**	180
other operating assets and liabilities	**–75**	70
Income taxes paid	**–221**	–196
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES	**2 693**	244

Consolidated statement of cash flows for the years ended 31 December

In CHF million

	Notes	2018	2017
TOTAL NET CASH FLOWS FROM OPERATING ACTIVITIES		**2 693**	244
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments in associates		**–6**	–3
Sales of investments in associates		**4**	–
Dividends received from associates		**7**	4
Purchases of property and equipment		**–28**	–31
Sales of property and equipment		**7**	5
Purchases of computer software and other intangible assets		**–20**	–14
Acquisitions of subsidiaries, net of cash and cash equivalents	28	**–243**	–16
Disposals of subsidiaries, net of cash and cash equivalents	28	**48**	101
TOTAL NET CASH FLOWS FROM INVESTING ACTIVITIES		**–231**	47
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of debt instruments	20	**174**	–
Repurchase of debt instruments	20	**–**	–1
Redemption of debt instruments	20	**–301**	–631
Issuance of hybrid equity	26	**422**	–
Distribution out of capital contribution reserve		**–460**	–356
Purchases of treasury shares		**–126**	–
Sales of treasury shares		**–**	0
Reduction in capital relating to non-controlling interests		**–**	–2
Borrowing costs paid		**–140**	–159
Interest paid on hybrid equity		**–4**	–
Dividends paid to non-controlling interests		**–4**	–3
TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES		**–439**	–1 151
TOTAL CHANGE IN CASH AND CASH EQUIVALENTS		**2 022**	–860
Cash and cash equivalents as at 1 January		**6 611**	7 333
Classification as assets held for sale		**–**	0
Foreign currency differences		**–224**	138
Total change in cash and cash equivalents		**2 022**	–860
CASH AND CASH EQUIVALENTS AS AT END OF PERIOD		**8 410**	6 611
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash on hand and demand deposits		**5 586**	3 703
Cash equivalents		**7**	79
Cash and cash equivalents for the account and risk of the Swiss Life Group's customers		**2 817**	2 830
TOTAL CASH AND CASH EQUIVALENTS AS AT END OF PERIOD		**8 410**	6 611

Consolidated Statement of Changes in Equity

Consolidated statement of changes in equity for the year ended 31 December 2018

In CHF million	Notes	Share capital	Share premium	Treasury shares	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Hybrid equity	Non-controlling interests	Total equity
Balance as at 1 January		175	803	–26	3 374	11 169	15 495	–	88	15 583
Total net comprehensive income	26	–	–	–	–1 464	1 076	–388	–	3	–385
Distribution out of capital contribution reserve	1	–	–460	–	–	–	–460	–	–	–460
Issuance of hybrid equity		–	–	–	–	–3	–3	425	–	422
Equity-settled share-based payments		–	10	–	–	–	10	–	–	10
Purchases of treasury shares		–	–	–39	–	–	–39	–	–	–39
Share buyback		–	–	–87	–	–	–87	–	–	–87
Allocation of treasury shares under equity compensation plans		–	–12	12	–	–	–	–	–	–
Disposals of subsidiaries		–	–	–	–	–	–	–	–5	–5
Acquisitions of subsidiaries		–	–	–	–	–	–	–	3	3
Transfer of revaluation surplus		–	–	–	–25	25	–	–	–	–
Dividends		–	–	–	–	–	–	–	–4	–4
Interest on hybrid equity	26	–	–	–	–	–4	–4	–	–	–4
BALANCE AS AT END OF PERIOD		175	341	–140	1 885	12 261	14 522	425	86	15 034

Consolidated statement of changes in equity for the year ended 31 December 2017

In CHF million	Notes	Share capital	Share premium	Treasury shares	Accumulated other comprehensive income	Retained earnings	Total shareholders' equity	Hybrid equity	Non-controlling interests	Total equity
Balance as at 1 January		164	745	–37	2 673	10 113	13 657	–	82	13 739
Total net comprehensive income	26	–	–	–	701	1 007	1 708	–	10	1 718
Distribution out of capital contribution reserve		–	–356	–	–	–	–356	–	–	–356
Conversion of convertible debt	20	11	416	–	–	50	477	–	–	477
Equity-settled share-based payments		–	9	–	–	–	9	–	–	9
Sales of treasury shares		–	0	0	–	–	0	–	–	0
Allocation of treasury shares under equity compensation plans		–	–12	12	–	–	–	–	–	–
Disposals of subsidiaries		–	–	–	–	–	–	–	–10	–10
Reduction in capital		–	–	–	–	–	–	–	–2	–2
In-kind contributions from non-controlling interests		–	–	–	–	–	–	–	11	11
Dividends		–	–	–	–	–	–	–	–3	–3
BALANCE AS AT END OF PERIOD		175	803	–26	3 374	11 169	15 495	–	88	15 583

Notes to the Consolidated Financial Statements
1 General Information

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

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

Distribution out of capital contribution reserve

For the 2017 financial year, a distribution was made to the shareholders of Swiss Life Holding Ltd (hereinafter referred to as "Swiss Life Holding") from the capital contribution reserve instead of a dividend payment from profit. This amounted to CHF 460 million (CHF 13.50 per registered share) and was paid in the first half of 2018.

Share buyback programme

In November 2018, the Group announced its CHF 1 billion share buyback programme which was set to commence in December 2018 and end in December 2019. By the end of December 2018, 227 700 Swiss Life Holding shares were repurchased for CHF 87 million under the share buyback programme.

Approval of financial statements

On 12 March 2019, the Board of Directors approved the annual financial statements and the financial report and authorised them for issue. The financial report, therefore, only reflects events up to that date.

2 Summary of Significant Accounting Policies

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

2.1 Basis of preparation

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

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

Figures may not add up exactly due to rounding.

2.2 Changes in accounting policies

In September 2016, the IASB amended IFRS 4 (applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts) by introducing an optional temporary exemption from applying IFRS 9 for companies whose activities are predominantly connected with insurance. At its meeting on 14 November 2018, the IASB tentatively decided to extend the use of the deferral approach to IFRS 9 for a further year, so that qualifying insurance entities would only be required to apply IFRS 9 for annual periods beginning on or after 1 January 2022.

The Swiss Life Group made an assessment of whether it is eligible for the temporary exemption and decided to adopt the option of deferring the application of IFRS 9.

The Swiss Life Group determined its eligibility by comparing the carrying amount of its liabilities arising from contracts within the scope of IFRS 4 and liabilities relating to the insurance business such as investment contracts at FVPL (unit-linked), hybrid debt, post-employment liabilities, insurance payables and policyholder deposits with the total carrying amount of its liabilities. The insurance-related liabilities represent 93 per cent of the total carrying amount of its liabilities based on 31 December 2015.

The Swiss Life Group adopted IFRS 15 Revenue from Contracts with Customers effective from 1 January 2018. The core principle of the standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration of which the entity expects to be entitled in exchange for those goods or services. The adoption of IFRS 15 did not have a material impact on the Swiss Life Group's financial statements.

Other new or amended standards or interpretations did not have an impact on the consolidated financial statements.

2.3 Consolidation principles

The Group's consolidated financial statements include the assets, liabilities, income and expenses of Swiss Life Holding and its subsidiaries. A subsidiary is an entity over which Swiss Life Holding has control. Control is achieved if Swiss Life Holding has the power over the subsidiary, is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to use its power to affect its returns. Subsidiaries are consolidated from the date on which effective control is obtained. All intercompany balances, transactions and unrealised gains on such transactions have been eliminated. Unrealised losses have been eliminated unless the transaction provides evidence of an impairment of the asset transferred. A listing of the Group's significant subsidiaries is set out in note 35. The financial effect of acquisitions and disposals of subsidiaries is shown in note 28. Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

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

Associates for which the Group has significant influence are accounted for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those decisions. The investment is initially recognised at cost and subsequently adjusted to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. The Group's share of net income is included from the date on which significant influence begins until the date on which significant influence ceases. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The carrying amount includes goodwill on the acquisition.

The Group has elected to measure the performance of certain associates that are held by the insurance business at fair value through profit or loss instead of applying the equity method. Changes in the fair value of such investments are included in net gains/losses on financial instruments at fair value through profit or loss.

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

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

2.4 Foreign currency translation and transactions

Functional and presentation currency

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

Foreign currency exchange rates

	For the balance sheet		For the income statement	
	31.12.2018	31.12.2017	**Average 2018**	Average 2017
1 British pound (GBP)	**1.2527**	1.3167	**1.3065**	1.2688
1 Czech koruna (CZK)	**0.0437**	0.0458	**0.0450**	0.0421
1 Euro (EUR)	**1.1255**	1.1704	**1.1558**	1.1124
1 Singapore dollar (SGD)	**0.7210**	0.7284	**0.7253**	0.7132
1 US dollar (USD)	**0.9828**	0.9736	**0.9786**	0.9847

Foreign currency translation

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

Foreign currency transactions

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

2.5 Cash and cash equivalents

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

2.6 Derivatives

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

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

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

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

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

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

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

2.7 Financial assets

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

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

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

Financial assets at fair value through profit or loss comprise financial assets designated as at fair value through profit or loss. Financial assets are irrevocably designated as such on initial recognition in the following instances:

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

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

Financial assets available for sale (AFS)

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

Loans and receivables

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

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

Financial assets pledged as collateral

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

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

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

2.8 Impairment of financial assets

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

Financial assets at amortised cost

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

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

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

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

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

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

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

2.9 Investment property

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

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

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

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

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

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

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

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

2.10 Insurance operations

Definition of insurance contracts

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

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

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

Investment contracts with and without discretionary participation features

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

Recognition and measurement principles

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

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

Discretionary participation features (DPF)

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

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

IFRS 4 Insurance Contracts is silent on the measurement of the amounts identified as DPF. This topic will be addressed in IFRS 17 Insurance Contracts, effective from 1 January 2021. In November 2018, the IASB tentatively decided to defer the effective date of IFRS 17 by one year to reporting periods beginning on or after 1 January 2022. Cash flows to policyholders that vary depending on returns on underlying items are included in the measurement of insurance liabilities. If these cash flows are substantial, a modification of the general measurement model in IFRS 17 Insurance Contracts applies ("variable fee approach" for direct participating contracts).

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

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

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

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

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

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

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

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

France
In life insurance business, 85% of the net investment returns less 100% of the minimum guaranteed interest on the policyholder account and 90% of any other results are allocated to the policyholders as a minimum.

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

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

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

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

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

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

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

Insurance liabilities and liabilities from investment contracts with discretionary participation features

Future life policyholder benefit liabilities

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

Policyholder deposits

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

Liability adequacy test

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

Liabilities for claims and claim settlement costs

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

Embedded options and guarantees in insurance contracts

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

Reinsurance

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

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

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

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

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

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

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

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

Administrative and surrender charges are included in policy fee income.

2.11 Property and equipment

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

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

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

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

2.12 Inventory property

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

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

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

Revenue from sales is recognised when construction is complete and legal title to the property has been transferred to the buyer.

2.13 Leases

Operating lease

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

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

Finance lease

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

2.14 Investment management

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

The introduction of IFRS 15 has not led to any changes in the revenue recognition method.

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

2.15 Commission income and expense

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

The introduction of IFRS 15 has not led to any changes in the revenue recognition method.

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

2.16 Intangible assets

Present value of future profits (PVP) arising from acquired insurance contracts and investment contracts with discretionary participation features

On acquisition of a portfolio of insurance contracts or a portfolio of investment contracts with discretionary participation features (DPF), either directly from another insurer or through the acquisition of a subsidiary undertaking, the Group recognises an intangible asset representing the present value of future profits (PVP) embedded in the contracts acquired. The PVP represents the difference between the fair value of the contractual rights acquired and insurance obligations assumed and a liability measured in accordance with the accounting policies for insurance contracts and investment contracts with DPF. The PVP is determined by estimating the net present value of future cash flows from the contracts in force at the date of acquisition. For acquired insurance and investment contracts with DPF, future positive cash flows generally include net valuation premiums while future negative cash flows include policyholders' benefits and certain maintenance expenses.

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

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

Deferred acquisition costs (DAC)

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

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

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

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

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

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

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

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

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

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

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

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

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

Negative goodwill is immediately recognised in profit and loss.

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

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

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

2.17 Impairment of non-financial assets

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

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

2.18 Income taxes

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

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

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

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

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

2.19 Assets held for sale and associated liabilities

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

2.20 Financial liabilities

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

Borrowings

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

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

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

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

Other financial liabilities

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

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

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

Financial liabilities relating to non-controlling interests in investment funds are measured at fair value and changes in fair value are recognised in profit or loss.

2.21 Employee benefits

Post-employment benefits

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

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

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

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

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

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

Healthcare benefits

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

Share-based payments

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

2.22 Provisions and contingent liabilities

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

2.23 Treasury shares

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

2.24 Earnings per share

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

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

2.25 Offsetting

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

2.26 Forthcoming changes in accounting policies

In October 2017, the International Accounting Standards Board issued Prepayment Features with Negative Compensation (amendments to IFRS 9 Financial Instruments) to address the concerns about how IFRS 9 Financial Instruments classifies particular prepayable financial assets. Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 Financial Instruments regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. In addition, an aspect of the accounting for financial liabilities following a modification was clarified (in the Basis for Conclusions). An entity recognises any adjustment to the amortised cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. The amendments will be effective for annual periods beginning on or after 1 January 2019. However, as set out below, the Swiss Life Group will defer the application of IFRS 9 and continue to apply IAS 39 Financial Instruments: Recognition and Measurement, as its activities were predominantly connected with insurance on 31 December 2015.

In June 2017, IFRIC 23 Uncertainty over Income Tax Treatments was issued. The Interpretation clarifies how to apply the recognition and measurement requirements when there is uncertainty over income tax treatments. IFRIC 23 Uncertainty over Income Tax Treatments is applicable for annual periods beginning on or after 1 January 2019. The Swiss Life Group does not expect a material impact of the amendments on its financial statements.

In May 2017, IFRS 17 Insurance Contacts was published and replaces IFRS 4 insurance contracts, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. The standard provides a simplified accounting approach for certain short-duration contracts. At initial recognition, insurance contracts are grouped into contracts of similar risks which are managed together and further into three groups of profitability, whereby each group is limited to contracts written in one year. Changes in cash flows related to future services should be recognised against the CSM, which cannot be negative, so any excess is recognised in profit or loss. The CSM is released to profit or loss based on the transfer of services in each period. IFRS 17 provides an accounting policy choice to recognise the impact of changes in discount rates and other assumptions that relate to financial risks either in profit or loss or in other comprehensive income. The variable-fee approach is required for insurance contracts that specify a link between payments to the policyholder and the returns on underlying items. Requirements in IFRS 17 align the presentation of revenue with other industries. Revenue is allocated to periods in proportion to the value of expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. The disclosure requirements are more detailed than currently required under IFRS 4. On transition to IFRS 17, an entity applies the standard fully retrospectively to groups of insurance contracts, unless it is impracticable, in which case there is a choice between a modified retrospective approach and the fair value approach. IFRS 17 is effective for annual periods beginning on or after 1 January 2021. In November 2018, the IASB tentatively decided to defer the effective date of IFRS 17 by one year to reporting periods beginning on or after 1 January 2022. The Swiss Life Group is currently assessing the impact on its financial statements, which will be significant.

In January 2016, IFRS 16 Leasing was issued by the International Accounting Standards Board. The new standard eliminates the classification of leases as either operating leases or finance leases for lessees. Instead all leases are treated in a way similar to finance leases, applying the current standard IAS 17 Leases. The new standard brings leases on-balance sheet for lessees, the effect being that reported assets and liabilities increase. IFRS 16 Leases replaces the straight-line operating lease expense with a depreciation charge for the lease asset and an interest expense on the lease liability. This change aligns the lease expense treatment for all leases. As a practical expedient, short-term and low-value leases are exempt from this treatment. The exemption permits a lessee to account for qualifying leases in the same manner as existing operating leases (IAS 17 Leases). For lessors, the accounting treatment from IAS 17 Leases is substantially carried forward. The new standard is effective for annual periods beginning on or after 1 January 2019. The Swiss Life Group will have the standard implemented by this date applying the modified retrospective approach with several practical expedients such as the exclusion of short-term and low-value leases and leases with a short remaining term, the treatment of non-lease components as lease components, the measurement of the right-of-use asset being equal to the lease liability at transition date, the use of discount rates as per transition date and the use of hindsight. The lease liability per 1 January 2019 is expected to be in the range of CHF 100 to 200 million.

In July 2014 the International Accounting Standards Board completed IFRS 9 Financial Instruments. The new standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 covers classification and measurement of financial instruments, impairment of financial assets and hedge accounting. Classification determines how financial assets and financial liabilities are accounted for in financial statements and how they are measured on an ongoing basis. Financial assets are classified on the basis of the business model within which they are held and their contractual cash flow characteristics. An expected-loss impairment model is introduced. Under the new model, it is no longer necessary for a credit event to have occurred before an impairment loss is recognised. The new model for hedge accounting aligns accounting treatment more closely with risk management activities. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, as set out above, the Swiss Life Group will defer the application of IFRS 9 and continue to apply IAS 39 Financial Instruments: Recognition and Measurement, as its activities were predominantly connected with insurance on 31 December 2015.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

Impairment of available-for-sale debt instruments and loans and receivables

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

The carrying amounts of available-for-sale debt securities and loans and receivables are set out in notes 11, 12 and 13.

Impairment of available-for-sale equity instruments

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

The carrying amount of available-for-sale equity instruments is set out in note 11.

Insurance liabilities

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

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

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

Mortality and longevity

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

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

In France, life annuities in payment are reserved using the regulatory tables TGH05/TGF05 and non-life annuities in payment are reserved with the regulatory table TD 88/90.

In Germany, mortality tables provided by the German Actuarial Association are in use. They are verified periodically by the Association and updated, if necessary. Best estimate assumptions are deduced from these generally accepted tables.

In Luxembourg, mortality tables are updated when significant changes arise.

Morbidity and disability

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

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

In France, individual and group disability annuities are reserved using tables certified by an independent actuary.

In Germany, disability insurance products for the group life business are based on tables of the German Actuarial Association, which are reviewed periodically. New disability insurance products for the individual life business are developed in close collaboration with reinsurance companies, which evaluate pricing and valuation assumptions for disability and morbidity on statistics provided by the database of reinsurance pool results. Furthermore, own company records and occupation classes are considered. Similar to the disability insurance products for the individual life business, assumptions for pricing and valuation of nursing care insurance products are acquired in cooperation with reinsurance companies. In particular, best estimate assumptions are considered with respect to claims experience.

In Luxembourg, pricing reflects industry tables and own company records.

Policyholder options

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

Expenses and inflation

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

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

In Germany, expenses are divided into the following cost categories based on German regulation: acquisition costs, administration costs, regulatory costs and asset management expenses. They are subdivided into recurring and non-recurring costs. All recurring costs except asset management expenses are allocated to the different lines of business and transformed into cost parameters. An assumption on future inflation is applied to all cost parameters in euro.

In Luxembourg, expense allocation is based on an activity-based cost methodology. Recurring costs are subdivided into the following main cost categories: acquisition costs, administration costs and asset management costs, which are allocated by lines of business.

Investment returns

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

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

The carrying amount of insurance liabilities is set out in note 22.

Impairment of goodwill

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

The carrying amount of goodwill is set out in note 17.

Defined benefit liabilities

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

The carrying amounts of defined benefit liabilities and the assumptions are set out in note 23.

Income taxes

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

The carrying amounts of deferred income tax assets and liabilities are set out in note 24.

Provisions

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

The carrying amount of provisions is set out in note 25.

4 Segment Information

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

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

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

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

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

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

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

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

Non-life operations involve operations in the segment "France" and mainly include property and casualty, liability and motor insurance, accident and health insurance and payment protection insurance.

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

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

The statement of income and the balance sheet for the segments are provided on the following pages.

Statement of income for the year ended 31 December 2018

In CHF million	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
INCOME									
Premiums earned on insurance contracts	8 469	2 843	1 200	47	–	0	12 558	–18	12 540
Premiums earned on investment contracts with discretionary participation	795	–	–	–	–	–	795	–	795
Premiums ceded to reinsurers	–9	–135	–44	–8	–	–	–196	18	–177
Net earned premiums	9 254	2 709	1 156	38	–	0	13 157	0	13 157
Policy fees earned on insurance contracts	9	6	12	0	–	–	27	–	27
Policy fees earned on investment and unit-linked contracts	39	180	7	87	–	–	313	0	313
Net earned policy fees	48	185	20	87	–	–	340	0	340
Commission income	199	125	436	172	697	6	1 635	–360	1 275
Investment income	2 931	754	613	33	0	44	4 374	–2	4 372
Net gains/losses on financial assets	–754	33	232	6	0	–26	–509	–	–509
Net gains/losses on financial instruments at fair value through profit or loss	580	–15	–138	–2	1	–11	415	0	415
Net gains/losses on investment property	582	78	66	–	–	–	725	–	725
Share of profit or loss of associates	–9	3	0	–	6	–	0	–	0
Other income	158	4	3	–4	127	1	289	–3	286
TOTAL INCOME	12 989	3 876	2 386	331	831	14	20 427	–365	20 062
of which intersegment	27	–1	–7	–3	338	9	365	–365	
EXPENSES									
Benefits and claims under insurance contracts	–9 868	–2 225	–1 287	–13	–	0	–13 393	5	–13 388
Benefits and claims under investment contracts with discretionary participation	–665	–	–	–	–	–	–665	–	–665
Benefits and claims recovered from reinsurers	2	70	24	1	–	–	97	–5	92
Net insurance benefits and claims	–10 531	–2 155	–1 263	–12	–	0	–13 961	0	–13 961
Policyholder participation	–477	–372	–292	–14	–	–	–1 155	0	–1 155
Interest expense	–31	–89	–13	–15	–3	0	–152	8	–143
Commission expense	–472	–417	–344	–115	–62	–1	–1 410	359	–1 051
Employee benefits expense	–258	–211	–152	–59	–257	–5	–943	–3	–947
Depreciation and amortisation expense	–210	–176	–103	–8	–15	0	–512	–	–512
Impairment of property and equipment and intangible assets	–1	–	–	–	–13	–	–14	–	–14
Other expenses	–146	–178	–76	–40	–209	–14	–663	1	–662
TOTAL EXPENSES	–12 124	–3 599	–2 244	–263	–559	–19	–18 810	365	–18 445
of which intersegment	–247	–24	–58	0	–31	–4	–365	365	
SEGMENT RESULT	865	277	142	67	272	–6	1 617	–	1 617
Unallocated corporate costs									–82
PROFIT FROM OPERATIONS									1 534
Borrowing costs									–137
Income tax expense									–318
NET PROFIT									**1 080**
Additions to non-current assets	2 527	410	751	69	257	–	4 014	–	4 014

Statement of income for the year ended 31 December 2017

In CHF million	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
INCOME									
Premiums earned on insurance contracts	8 155	2 748	1 167	48	–	0	12 118	–19	12 100
Premiums earned on investment contracts with discretionary participation	849	–	–	–	–	–	849	–	849
Premiums ceded to reinsurers	–8	–117	–43	–8	–	–	–176	18	–157
Net earned premiums	8 997	2 631	1 125	39	–	0	12 792	0	12 791
Policy fees earned on insurance contracts	3	7	8	0	–	–	17	–	17
Policy fees earned on investment and unit-linked contracts	39	169	6	82	–	–	296	0	296
Net earned policy fees	42	175	14	82	–	–	313	0	313
Commission income	187	116	386	142	645	5	1 482	–327	1 156
Investment income	2 988	609	600	33	2	41	4 272	–2	4 270
Net gains/losses on financial assets	780	–39	–86	–19	–1	16	651	–	651
Net gains/losses on financial instruments at fair value through profit or loss	–1 434	35	246	9	–1	–36	–1 181	0	–1 181
Net gains/losses on investment property	450	164	37	–	–	–	651	–	651
Share of profit or loss of associates	0	3	–	–	–1	–	3	–	3
Other income	–97	1	8	14	179	0	105	9	113
TOTAL INCOME	11 913	3 695	2 329	301	824	26	19 089	–320	18 769
of which intersegment	12	2	–8	–3	309	8	320	–320	
EXPENSES									
Benefits and claims under insurance contracts	–9 047	–2 223	–1 114	–12	–	0	–12 395	3	–12 392
Benefits and claims under investment contracts with discretionary participation	–867	–	–	–	–	–	–867	–	–867
Benefits and claims recovered from reinsurers	2	52	19	0	–	0	73	–3	70
Net insurance benefits and claims	–9 911	–2 171	–1 095	–12	–	0	–13 189	0	–13 189
Policyholder participation	–229	–209	–491	–20	–	–	–949	0	–949
Interest expense	–26	–92	–16	–15	–2	0	–151	7	–144
Commission expense	–405	–408	–285	–101	–67	–2	–1 268	309	–959
Employee benefits expense	–281	–195	–140	–57	–243	–1	–918	0	–917
Depreciation and amortisation expense	–87	–213	–81	–5	–12	0	–399	–	–399
Impairment of property and equipment and intangible assets	0	–	–	–	–	–	0	–	0
Other expenses	–145	–144	–70	–40	–242	–30	–670	3	–667
TOTAL EXPENSES	–11 084	–3 434	–2 177	–250	–566	–33	–17 544	320	–17 224
of which intersegment	–200	–3	–48	0	–61	–8	–320	320	
SEGMENT RESULT	829	261	153	51	258	–7	1 545	–	1 545
Unallocated corporate costs									–68
PROFIT FROM OPERATIONS									1 476
Borrowing costs									–156
Income tax expense									–308
NET PROFIT									1 013
Additions to non-current assets	2 417	547	637	37	11	–	3 649	–	3 649

Balance sheet as at 31 December 2018

In CHF million	Switzer- land	France	Germany	Inter- national	Asset Managers	Other	Total before elimi- nations	Elimi- nations	Total
ASSETS									
Cash and cash equivalents	3 759	1 081	298	2 923	223	125	8 410	–	8 410
Derivatives	1 967	178	14	–	–	16	2 176	–36	2 140
Assets held for sale	28	–	–	–	–	–	28	–	28
Financial assets at fair value through profit or loss	7 093	13 279	1 707	17 057	20	–	39 155	–	39 155
Financial assets available for sale	69 533	18 762	9 188	1 502	1	1 451	100 437	–	100 437
Loans and receivables	12 937	2 931	6 494	140	363	2 115	24 980	–3 517	21 463
Financial assets pledged as collateral	3 086	1 576	–	–	–	105	4 767	–	4 767
Investment property	25 108	3 063	3 207	–	4	–	31 381	–	31 381
Investments in associates	56	106	22	0	5	–	189	–	189
Reinsurance assets	32	274	114	97	–	–	517	–5	512
Property and equipment	204	46	125	6	10	–	392	–	392
Intangible assets including intangible insurance assets	662	366	1 410	320	377	–	3 135	–	3 135
Other assets	579	48	6	9	377	2	1 021	–141	880
SEGMENT ASSETS	125 045	41 711	22 583	22 055	1 381	3 814	216 589	–3 699	212 889
Income tax assets									93
TOTAL ASSETS									212 982
LIABILITIES AND EQUITY									
LIABILITIES									
Derivatives	1 009	22	12	–	–	40	1 084	–36	1 048
Investment and unit-linked contracts	6 648	11 324	867	20 901	–	–	39 739	–1	39 738
Other financial liabilities	12 335	5 687	1 210	212	417	344	20 204	–1 232	18 973
Insurance liabilities	83 075	18 915	16 622	192	–	0	118 805	–34	118 771
Policyholder participation liabilities	6 375	2 960	2 181	23	–	–	11 539	0	11 539
Employee benefit liabilities	1 479	78	214	14	104	–	1 889	–	1 889
Provisions	31	18	11	5	9	12	87	–	87
Other liabilities	103	123	44	20	37	32	358	–2	356
SEGMENT LIABILITIES	111 056	39 127	21 162	21 367	566	427	193 706	–1 304	192 401
Borrowings									3 385
Income tax liabilities									2 163
EQUITY									15 034
TOTAL LIABILITIES AND EQUITY									212 982

Balance sheet as at 31 December 2017

In CHF million	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
ASSETS									
Cash and cash equivalents	2 099	1 040	430	2 862	132	47	6 611	–	6 611
Derivatives	1 404	209	88	–	–	7	1 708	–33	1 675
Assets held for sale	37	5	5	–	4	–	52	–	52
Financial assets at fair value through profit or loss	6 609	14 009	1 627	17 983	0	–	40 228	–	40 228
Financial assets available for sale	72 716	19 411	9 573	1 528	28	1 664	104 922	–	104 922
Loans and receivables	13 717	2 807	7 425	108	334	1 964	26 355	–3 380	22 974
Financial assets pledged as collateral	2 214	1 344	–	–	–	42	3 601	–	3 601
Investment property	22 635	2 762	2 545	–	4	–	27 946	–	27 946
Investments in associates	36	103	21	0	3	–	163	–	163
Reinsurance assets	32	282	104	117	–	–	535	–6	529
Property and equipment	209	48	135	6	7	–	404	–	404
Intangible assets including intangible insurance assets	644	368	1 443	266	210	0	2 931	–	2 931
Other assets	539	36	12	6	263	3	859	–171	688
SEGMENT ASSETS	122 891	42 425	23 409	22 877	986	3 727	216 314	–3 590	212 724
Income tax assets									76
TOTAL ASSETS									212 800
LIABILITIES AND EQUITY									
LIABILITIES									
Derivatives	1 520	40	35	–	–	56	1 652	–33	1 619
Liabilities associated with assets held for sale	–	–	–	–	3	–	3	–	3
Investment and unit-linked contracts	6 897	12 201	948	21 709	–	–	41 756	0	41 756
Other financial liabilities	9 095	5 661	1 239	264	260	304	16 823	–1 248	15 574
Insurance liabilities	81 347	18 251	17 078	203	–	0	116 878	–35	116 844
Policyholder participation liabilities	7 255	3 370	2 387	37	–	–	13 050	0	13 050
Employee benefit liabilities	1 576	81	217	13	100	–	1 986	–	1 986
Provisions	30	11	10	8	7	8	74	–	74
Other liabilities	178	124	46	8	7	5	368	–1	366
SEGMENT LIABILITIES	107 899	39 739	21 962	22 241	376	373	192 590	–1 318	191 272
Borrowings									3 577
Income tax liabilities									2 369
EQUITY									15 583
TOTAL LIABILITIES AND EQUITY									212 800

Premiums and policy fees from external customers

In CHF million	Net earned premiums		Net earned policy fees	
	2018	2017	2018	2017
LIFE				
Individual life	**3 410**	3 403	**324**	300
Group life	**9 373**	9 032	**16**	14
TOTAL LIFE	**12 783**	12 435	**340**	313
NON-LIFE				
Accident and health	**12**	11	**–**	–
Property, casualty and other	**363**	345	**–**	–
TOTAL NON-LIFE	**374**	356	**–**	–
TOTAL	**13 157**	12 791	**340**	313

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

In CHF million	Total income		Non-current assets	
	2018	2017	31.12.2018	31.12.2017
Switzerland	**12 936**	11 910	**23 868**	22 113
France	**3 894**	3 734	**3 351**	3 255
Germany	**2 584**	2 610	**4 373**	3 159
Liechtenstein	**23**	25	**152**	152
Luxembourg	**397**	297	**1 149**	910
Austria	**42**	42	**43**	44
United Kingdom	**103**	82	**83**	88
Other countries	**83**	68	**428**	96
TOTAL	**20 062**	18 769	**33 446**	29 819

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

Information about major customers

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

5 Risk Management Policies and Procedures

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

Risks must be identified, assessed, managed and monitored locally and aggregated at Group level. During the year, regular reports covering interest rate risk, equity and real estate price risk, currency risk, credit risk, liquidity risk and insurance risk are prepared by the local insurance units and consolidated at Swiss Life Ltd and at Group level. Strategic and operational risks are assessed and reported on an annual basis.

The risk appetite is defined and set by the Board of Directors using limit frameworks based on solvency ratios and economic capitalisation. Furthermore, it is allocated by the Group Risk Committee of the Corporate Executive Board to the relevant units in the insurance business. This risk budget at unit level is used as a framework for the asset and liability management process, the objective of which is to define a strategic asset allocation. From this strategic asset allocation a scenario-based expected return is calculated, which forms the basis for the Group's mid-term planning.

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

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

Since the Group's core business is insurance, its risk management is in line with the two main regulatory solvency frameworks in Switzerland (SST) and throughout Europe (Solvency II), as well as economic considerations. In addition to general governance aspects and extensive reporting requirements, this includes an annual Own Risk and Solvency Assessment (ORSA) at Group level covering a comprehensive risk assessment as well as the integration of risk and solvency aspects in the overall management of the Swiss Life Group.

The information below focuses first on the risk budgeting and asset and liability management process and then on the principal risk categories faced by the Swiss Life Group.

5.1 Risk budgeting and limit setting

Based on the risk appetite determined by the Board of Directors and using the same frameworks, the Group Risk Committee of the Corporate Executive Board sets risk budgets for the relevant units in the insurance business under consideration of local regulatory constraints. This process ensures a consistent and efficient use of the risk capacity of Swiss Life.

To control and steer exposure to risks, capital and exposure limits are defined in addition. They include capital limits for market and credit risk and, more specifically, capital limits for interest rate and credit spread risk as well as exposure limits for net equity and foreign currency.

5.2 Asset and liability management (ALM)

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

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

Consideration of constraints
Aspects other than the economic view, such as regulatory requirements including solvency, statutory minimum distribution ratios ("legal quote"), funding ratios, local accounting rules and International Financial Reporting Standards, liquidity requirements and rating targets, are also to be considered in the ALM process.

Depending on the regulatory framework in which the Swiss Life Group's insurance operations evolve, the asset portfolios might need to be split to reflect the various categories of insurance products. The asset portfolios of the insurance operations in Switzerland have been separated to distinguish between individual life and group life. As a consequence, such separation is also reflected in the ALM process. Insurance companies are generally obliged to hold tied assets in view of claims arising from insurance contracts. Special rules apply to investments in tied assets. They specify the eligible asset classes as well as requirements to be met in terms of investment organisation and processes.

Strategic asset allocation

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

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

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

Distribution policy

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

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

Product design

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

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

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

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

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

In CHF million

	31.12.2018	31.12.2017
Cash and cash equivalents	**2 817**	2 830
Derivatives	**0**	0
Financial assets at fair value through profit or loss		
Debt securities	**6 378**	6 647
Equity securities	**4 974**	4 588
Investment funds	**20 233**	21 586
Other	**12**	3
TOTAL ASSETS FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS	**34 414**	35 654

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

In CHF million

	Notes	31.12.2018	31.12.2017
Unit-linked contracts	19	**24 122**	25 130
Investment contracts	19	**4 194**	4 875
Insurance liabilities	22	**5 905**	5 462
TOTAL LIABILITIES LINKED TO ASSETS FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS		**34 222**	35 466

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

In CHF million		Assets and liabilities for the account and risk of the Swiss Life Group		Assets and liabilities for the account and risk of the Swiss Life Group's customers		Total	
	Notes	2018	2017	2018	2017	2018	2017
Investment income	8	**4 372**	4 270	**–**	–	**4 372**	4 270
Net gains/losses on financial assets	8	**–511**	659	**2**	–8	**–509**	651
Net gains/losses on financial instruments at fair value through profit or loss	8	**420**	–1 192	**–5**	11	**415**	–1 181
Net gains/losses on investment property		**725**	651	**–**	–	**725**	651
Share of profit or loss of associates		**0**	3	**–**	–	**0**	3
FINANCIAL RESULT		**5 006**	4 391	**–2**	4	**5 003**	4 395

5.4 Financial risk management objectives and policies

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

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

Interest rate risk relating to financial instruments and insurance contracts

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

Interest-sensitive insurance liabilities

In CHF million

	CHF	EUR	Other	Total
CARRYING AMOUNTS AS AT 31 DECEMBER 2018				
Minimum guaranteed interest rate 0 – < 2%	**46 542**	**7 422**	**10**	**53 973**
Minimum guaranteed interest rate 2 – < 3%	**8 246**	**6 238**	**17**	**14 502**
Minimum guaranteed interest rate 3 – < 4%	**18 153**	**5 527**	**19**	**23 699**
Minimum guaranteed interest rate 4 – < 5%	**62**	**5 889**	**21**	**5 973**
Minimum guaranteed interest rate 5 – < 6%	**–**	**–**	**1**	**1**
TOTAL INTEREST-SENSITIVE INSURANCE LIABILITIES	**73 004**	**25 076**	**69**	**98 149**
Insurance liabilities with no minimum guaranteed interest rate				**14 717**
Insurance liabilities linked to assets for the account and risk of the Swiss Life Group's customers				**5 905**
TOTAL INSURANCE LIABILITIES				**118 771**
CARRYING AMOUNT AS AT 31 DECEMBER 2017				
Minimum guaranteed interest rate 0 – < 2%	44 363	6 989	10	51 362
Minimum guaranteed interest rate 2 – < 3%	8 584	6 229	20	14 833
Minimum guaranteed interest rate 3 – < 4%	19 047	6 022	21	25 090
Minimum guaranteed interest rate 4 – < 5%	65	6 112	22	6 199
Minimum guaranteed interest rate 5 – < 6%	–	–	2	2
TOTAL INTEREST-SENSITIVE INSURANCE LIABILITIES	72 060	25 352	74	97 486
Insurance liabilities with no minimum guaranteed interest rate				13 896
Insurance liabilities linked to assets for the account and risk of the Swiss Life Group's customers				5 462
TOTAL INSURANCE LIABILITIES				116 844

Some life insurance products with a savings component and investment contracts are subject to minimum guaranteed interest rates. The guaranteed rate differs according to the type of contract. In Switzerland for instance the minimum guaranteed interest rate for the occupational pensions segment (mandatory BVG savings account) stood at 1.00% in 2018 and 2019 (2017: 1.00%).

In addition to these fixed and guaranteed payments, which are exposed to interest rate risk, contractual rights exist for certain contracts to receive additional benefits whose amount and/or timing is contractually at the discretion of the issuer.

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

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

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

Spread risk

Spread risk arises from bond investments when the counterparties are not considered risk free. The market value of these bonds corresponds to the discounting of the agreed payment flows with an interest rate curve composed of the base interest rate curve and a spread curve. The spread curve is defined by the counterparty's credit quality and the risk aversion of the capital market actors. Spreads increase markedly during capital market crises, leading to a significant decrease in the bond portfolio's market value.

Swiss Life monitors spread risks through exposure limits as outlined in relation to the credit risk and described below.

Equity price risk

A decline in the equity market may lead to a reduction of the Swiss Life Group's realised and unrealised gains/losses, which also negatively affects the Swiss Life Group's results of operations and financial condition.

Hedges in place with respect to the Swiss Life Group's equity investments are designed to reduce the exposure to declines in equity values but would not prevent an impairment loss in the event that the impairment criteria were met.

A portion of Swiss Life's investment portfolio comprises investments in funds which hold securities issued by non-public companies (private equity, infrastructure, hedge funds). These investments may be illiquid or may only be disposed of over time or at a loss, and they may not produce adequate returns or capital gains.

Real estate price risk

Due to the long-term nature of its liabilities, Swiss Life invests in direct residential, commercial and mixed-use property investments. In addition to direct investments, Swiss Life invests in real estate funds and real estate companies.

In building and maintaining its real estate portfolio, Swiss Life ensures adequate diversification in terms of use, location and geography.

Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- Counterparty risk with respect to bonds purchased
- Counterparty risk with respect to loans and mortgages granted
- Counterparty risk with respect to money market and cash positions
- Counterparty risk with respect to derivative transactions
- Reinsurance share of insurance liabilities
- Amounts due from reinsurers in respect of claims already paid
- Amounts due from insurance contract holders
- Amounts due from insurance intermediaries

To reduce the credit exposure relating to derivatives a collateral management process is in place. Clearly defined processes ensure that exposure concentrations and limit utilisations are appropriately monitored and managed. Counterparties for derivative transactions, over-the-counter and exchange-traded, have to be approved by both the Group Chief Risk Officer and the Group Chief Investment Officer. The minimum rating for a counterparty is generally A– (Standard & Poor's or equivalent) for the Swiss Life Group's insurance operations. During periods of market turmoil reliance on ratings is of limited value; therefore an additional qualitative and quantitative counterparty monitoring process has been established to allow for immediate proactive measures.

Counterparty risk is primarily managed by counterparty exposure limits and diversification in a broad debtor universe. The specific credit risk is managed through the holding of credit default swaps or credit default swap indices and options on credit default swap indices. A credit default swap provides insurance to the debt holder against a default of the debt issuer. It is traded over-the-counter and itself underlies the collateral management process described above. The credit default swap index is a hedge on credit risk of a basket of counterparties and is an over-the-counter derivative. A put option on a credit default swap index provides protection against adverse credit spread movements in the underlying basket of counterparties, and is traded over-the-counter.

The Group is also exposed to credit risk associated with reinsurance recoverables. As a consequence, the financial strength of reinsurers is monitored. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength and also prior to any contract being signed. The general policy of the Swiss Life Group is to reinsure its insurance risks only with counterparties rated A– or above (Standard & Poor's or equivalent). In exceptional cases, reinsurers with a lower rating may be considered. Additionally, the Group holds substantial collateral under related reinsurance agreements in the form of deposited funds and securities.

No single reinsurer is a material reinsurer to the Group, nor is the Group's business substantially dependent upon one single reinsurer.

For fixed-income assets the total exposure per counterparty is aggregated and reported to the Group Risk Committee. Ratings and single positions above a certain level with regard to fixed-income assets are reported to management on a regular basis. The exposure to individual counterparties is also managed by other mechanisms, such as the right to offset where counterparties are both debtors and creditors of the Group. In addition, limits regarding single counterparty exposure are in place which depend on the rating and amount of exposure in relation to total investments. Information reported to management includes assessment of bad debts. Where there exists a certain exposure to individual policyholders due to size of the contract, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out.

The non-rated loans primarily comprise mortgages and policy loans. For the bulk of the mortgages a risk class system is in place which allows the company to identify, measure, monitor and manage the risks at the level of portfolios, borrowers and loans at all times. The risk class system also enables a risk-adequate pricing of the loans. Implementation, parametrisation and control of the system are set out in an internal directive which has been approved by the Group Chief Investment Officer.

In certain countries, specific additional guidelines and rules have been defined locally to monitor credit risk. Such guidelines cover investments in fixed-income securities which are mostly based on the average rating of the issuers (calculated by weighting default probabilities). Minimum and maximum thresholds apply with regard to permitted investments in non-government bonds. For investments in government bonds with a rating lower than AA– (according to Standard & Poor's or equivalent), additional exposure limits are in place. For certain businesses, credit risk is monitored and controlled with a risk limit framework whereby maximum limits are reviewed and approved at least annually. The majority of the bond portfolio is invested in government bonds (including supranational and sovereigns) and bonds issued by the financial sector covered by collateral or government guarantees.

Maximum exposure to credit risk

In CHF million	For the account and risk of the Swiss Life Group		For the account and risk of the Swiss Life Group's customers		Total	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
DEBT SECURITIES						
Debt securities at fair value through profit or loss	**340**	545	**6 378**	6 647	**6 718**	7 192
Debt securities available for sale	**81 242**	87 446	**–**	–	**81 242**	87 446
Debt securities pledged as collateral	**4 767**	3 601	**–**	–	**4 767**	3 601
Debt securities classified as loans	**1 344**	2 202	**–**	–	**1 344**	2 202
TOTAL DEBT SECURITIES	**87 693**	93 794	**6 378**	6 647	**94 071**	100 440
LOANS AND RECEIVABLES						
Senior loans available for sale	**3 010**	2 649	**–**	–	**3 010**	2 649
Mortgages	**8 777**	8 134	**–**	–	**8 777**	8 134
Corporate and other loans	**1 549**	2 216	**–**	–	**1 549**	2 216
Note loans	**5 388**	6 061	**–**	–	**5 388**	6 061
Receivables	**4 405**	4 361	**–**	–	**4 405**	4 361
TOTAL LOANS AND RECEIVABLES	**23 129**	23 421	**–**	–	**23 129**	23 421
OTHER ASSETS						
Cash and cash equivalents	**5 593**	3 782	**2 817**	2 830	**8 410**	6 611
Derivatives	**2 140**	1 675	**0**	0	**2 140**	1 675
Reinsurance assets	**512**	529	**–**	–	**512**	529
TOTAL OTHER ASSETS	**8 244**	5 986	**2 817**	2 830	**11 062**	8 815
UNRECOGNISED ITEMS						
Financial guarantees	**47**	53	**–**	–	**47**	53
Loan commitments	**284**	231	**–**	–	**284**	231
TOTAL UNRECOGNISED ITEMS	**331**	284	**–**	–	**331**	284
TOTAL EXPOSURE TO CREDIT RISK	**119 398**	123 484	**9 195**	9 476	**128 593**	132 960

The following table shows the extent to which collateral and other credit enhancements mitigate credit risk in respect of the maximum exposure to credit risk.

Credit risk mitigation – collateral held and other credit enhancements as at 31 December 2018

In CHF million	Debt securities	Loans and receivables	Cash and cash equivalents	Derivatives (assets)	Reinsurance assets	Financial guarantees and loan commitments	Total
SECURED BY							
Cash collateral	–	21	–	1 017	159	–	1 197
Securities collateral	–	109	–	–	272	17	398
Mortgage collateral	9 209	10 780	–	–	–	229	20 218
Other collateral	–	3 772	–	–	–	61	3 833
Guarantees	536	68	506	–	–	–	1 110
Netting agreements	–	730	–	509	1	–	1 240
TOTAL SECURED	9 745	15 480	506	1 526	432	307	27 996
UNSECURED							
Governments and supranationals	48 870	3 455	186	–	–	–	52 511
Corporates	28 965	1 075	4 900	614	80	24	35 658
Other	113	3 119	–	–	–	–	3 232
TOTAL UNSECURED	77 948	7 649	5 086	614	80	24	91 401
TOTAL	87 693	23 129	5 593	2 140	512	331	119 398

Credit risk mitigation – collateral held and other credit enhancements as at 31 December 2017

In CHF million	Debt securities	Loans and receivables	Cash and cash equivalents	Derivatives (assets)	Reinsurance assets	Financial guarantees and loan commitments	Total
SECURED BY							
Cash collateral	–	13	–	866	157	–	1 036
Securities collateral	–	621	–	–	303	58	982
Mortgage collateral	8 807	10 337	–	–	–	200	19 343
Other collateral	–	2 854	–	–	–	–	2 854
Guarantees	602	327	369	–	–	–	1 298
Netting agreements	–	1 428	–	392	1	–	1 820
TOTAL SECURED	9 408	15 580	369	1 258	460	257	27 333
UNSECURED							
Governments and supranationals	49 423	3 624	48	–	–	–	53 094
Corporates	34 734	1 163	3 365	417	69	27	39 775
Other	228	3 054	–	–	–	–	3 283
TOTAL UNSECURED	84 385	7 841	3 413	417	69	27	96 151
TOTAL	93 794	23 421	3 782	1 675	529	284	123 484

To mitigate specific credit risk, the Group purchases credit risk protection in the form of credit default swaps and credit default swap indices. As at 31 December 2018, these derivative contracts provided a notional principal protection of CHF 5271 million (2017: CHF 3894 million).

Exposure to credit risk of debt instruments – credit rating by class as at 31 December 2018

In CHF million

	AAA	AA	A	BBB	Below BBB	Impairment allowance	Total
DEBT SECURITIES							
Supranationals	2 669	725	18	20	–	–	3 431
Governments	21 854	17 481	1 985	1 028	44	–	42 392
Sovereigns	314	871	937	904	22	–	3 047
Covered/guaranteed	8 754	603	246	125	18	–	9 745
Corporates	477	3 054	10 217	14 262	953	–	28 965
Other	14	6	34	33	26	–	113
TOTAL DEBT SECURITIES	34 082	22 741	13 436	16 372	1 062	–	87 693
MORTGAGES							
Commercial	–	–	2 639	–	–	–	2 639
Residential	–	–	6 126	–	11	0	6 137
TOTAL MORTGAGES	–	–	8 765	–	11	0	8 777
OTHER LOANS AND RECEIVABLES							
Governments and supranationals	1 548	1 644	220	44	0	–	3 455
Corporates	1 233	662	727	1 976	2 417	–	7 014
Other	16	11	245	3 602	29	–20	3 884
TOTAL OTHER LOANS AND RECEIVABLES	2 796	2 317	1 192	5 621	2 446	–20	14 352

Exposure to credit risk of debt instruments– credit rating by class as at 31 December 2017

In CHF million

	AAA	AA	A	BBB	Below BBB	Impairment allowance	Total
DEBT SECURITIES							
Supranationals	2 678	868	18	–	–	–	3 565
Governments	18 436	19 794	2 759	1 337	90	–	42 417
Sovereigns	328	867	774	1 401	70	–	3 441
Covered/guaranteed	8 009	972	344	83	–	–	9 408
Corporates	585	3 311	12 802	16 727	1 340	–30	34 734
Other	40	21	126	18	23	–	228
TOTAL DEBT SECURITIES	30 078	25 834	16 823	19 566	1 523	–	93 794
MORTGAGES							
Commercial	–	–	2 613	–	1	0	2 613
Residential	–	–	5 499	7	14	0	5 520
TOTAL MORTGAGES	–	–	8 112	7	15	–1	8 134
OTHER LOANS AND RECEIVABLES							
Governments and supranationals	1 553	1 742	228	99	1	–	3 624
Corporates	1 533	818	1 604	2 071	1 897	–16	7 907
Other	3	17	78	3 574	98	–12	3 757
TOTAL OTHER LOANS AND RECEIVABLES	3 088	2 578	1 910	5 744	1 996	–28	15 287

Debt instruments that on a specific date give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding meet the SPPI criterion. The exposure to credit risk of such debt instruments is disclosed in the following table.

Exposure to credit risk of debt instruments that meet the SPPI criterion as at 31 December 2018

in CHF million

	AAA	AA	A	BBB	Below BBB	Total
DEBT SECURITIES						
Governments and supranationals	24 768	18 930	2 932	1 950	64	48 644
Corporates	9 105	3 588	9 929	14 133	968	37 723
Other	–	–	–	1	–	1
TOTAL DEBT SECURITIES	33 873	22 518	12 861	16 083	1 032	86 368
MORTGAGES						
Commercial	–	–	2 639	–	–	2 639
Residential	–	–	6 126	–	11	6 137
TOTAL MORTGAGES	–	–	8 765	–	11	8 777
OTHER LOANS AND RECEIVABLES						
Governments and supranationals	1 548	1 599	220	44	0	3 410
Corporates	887	477	591	1 976	2 420	6 352
Other	16	11	245	3 602	29	3 903
TOTAL OTHER LOANS	2 451	2 087	1 056	5 621	2 449	13 664

Financial assets past due (not impaired) – age analysis

In CHF million	Up to 3 months		3–6 months		6–12 months		More than 1 year		Total	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
MORTGAGES										
Residential	**0**	10	**0**	7	**2**	2	**18**	5	**21**	25
TOTAL	**0**	10	**0**	7	**2**	2	**18**	5	**21**	25
OTHER LOANS AND RECEIVABLES										
Governments and supranationals	**0**	0	**0**	0	**0**	0	**–**	–	**0**	0
Corporates	**14**	18	**2**	0	**–**	–	**1**	–	**16**	18
Other	**74**	64	**7**	2	**12**	7	**6**	5	**99**	78
TOTAL	**88**	82	**9**	2	**12**	7	**6**	5	**114**	96

Financial assets individually determined as impaired

In CHF million	Gross amount		Impairment losses		Carrying amount	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
DEBT SECURITIES						
Corporates	**–**	30	**–**	–30	**–**	0
TOTAL	**–**	30	**–**	–30	**–**	0
MORTGAGES						
Commercial	**–**	1	**–**	0	**–**	0
Residential	**3**	2	**0**	0	**3**	2
TOTAL	**3**	3	**0**	–1	**3**	2
OTHER LOANS AND RECEIVABLES						
Corporates	**4**	38	**0**	–16	**4**	22
Other	**40**	31	**–20**	–12	**19**	19
TOTAL	**44**	69	**–20**	–28	**23**	41

Financial assets individually determined as impaired – impairment loss allowance for the year 2018

In CHF million	Balance as at 1 January	Impairment losses/ reversals	Write-offs and disposals	Foreign currency translation differences	Balance as at end of period
DEBT SECURITIES					
Corporates	**30**	**–**	**–30**	**–**	**–**
TOTAL	**30**	**–**	**–30**	**–**	**–**
MORTGAGES					
Commercial	**0**	**0**	**–**	**–**	**–**
Residential	**0**	**0**	**0**	**–**	**0**
TOTAL	**1**	**0**	**0**	**–**	**0**
OTHER LOANS AND RECEIVABLES					
Corporates	**16**	**18**	**–34**	**0**	**0**
Other	**12**	**9**	**0**	**–1**	**20**
TOTAL	**28**	**27**	**–34**	**–1**	**20**

Financial assets individually determined as impaired – impairment loss allowance for the year 2017

In CHF million	Balance as at 1 January	Impairment losses/ reversals	Write-offs and disposals	Foreign currency translation differences	Balance as at end of period
DEBT SECURITIES					
Corporates	31	–1	0	0	30
TOTAL	31	–1	0	0	30
MORTGAGES					
Commercial	0	0	–	–	0
Residential	0	0	0	–	0
TOTAL	1	0	0	–	1
OTHER LOANS AND RECEIVABLES					
Corporates	0	16	0	0	16
Other	11	1	0	1	12
TOTAL	11	17	0	1	28

The criteria used for the assessment of financial assets for impairment are described in note 2.8.

Exposure to credit risk of other assets

In CHF million

	AAA	AA	A	BBB	Below BBB	Total
CREDIT RATING AS AT 31 DECEMBER 2018						
Cash and cash equivalents	**252**	**2 539**	**2 165**	**637**	**1**	**5 593**
Derivatives	**224**	**420**	**1 412**	**83**	**–**	**2 140**
Reinsurance assets	**–**	**305**	**171**	**36**	**–**	**512**
TOTAL	**476**	**3 263**	**3 748**	**756**	**1**	**8 244**
CREDIT RATING AS AT 31 DECEMBER 2017						
Cash and cash equivalents	85	1 369	2 052	277	–	3 782
Derivatives	268	451	884	72	0	1 675
Reinsurance assets	–	302	191	36	–	529
TOTAL	353	2 121	3 127	385	–	5 986

At 31 December 2018 and 2017, no reinsurance assets were past due or impaired.

Exposure to credit risk of unrecognised items

In CHF million

	AAA	AA	A	BBB	Below BBB	Total
CREDIT RATING AS AT 31 DECEMBER 2018						
Financial guarantees	**–**	**–**	**0**	**47**	**–**	**47**
Loan commitments	**–**	**–**	**229**	**54**	**–**	**284**
TOTAL	**–**	**–**	**230**	**102**	**–**	**331**
CREDIT RATING AS AT 31 DECEMBER 2017						
Financial guarantees	–	–	2	51	–	53
Loan commitments	–	–	200	32	–	231
TOTAL	–	–	202	82	–	284

Currency risk

The Swiss Life Group operates internationally and its exposures to currency risk primarily arise with respect to the euro, US dollar, British pound and Canadian dollar. Most of the investments and liabilities are denominated in Swiss francs, euros and US dollars, the values of which are subject to exchange rate fluctuations. The Group operates with various functional currencies (predominantly Swiss francs and euros). Its financial position and earnings could be significantly affected by a weakening of said foreign currencies against the Swiss franc.

The following table shows the Group's sensitivity of monetary items to foreign currency exchange rate fluctuations in profit or loss before policyholder participation.

1% decrease in rate

In CHF million	Gain (+)/loss (–)[1]	
	2018	2017
EUR/CHF	–7	2
USD/CHF	–19	–22
GBP/CHF	–1	0
CAD/CHF	–2	–1

[1] before policyholder and income tax effect

The Swiss Life Group's European insurance and investment operations (excluding Switzerland) generally invest in assets denominated in the same currency as their insurance and investment contract liabilities, which mitigates the currency risk for these operations. As a result, currency risk arises from recognised assets and liabilities denominated in other currencies and net investments in foreign operations. Although the Swiss Life Group actively engages in currency management to reduce the effect of exchange rate fluctuations on its assets and liabilities, particularly by hedging against the risk of such movements in relation to part of its investments denominated in euros and in US dollars, significant movements in exchange rates could adversely affect the Swiss Life Group's earnings and financial position, including the value of its investment portfolio. Foreign exchange exposure is hedged in line with the strategic asset allocation. The instruments which the Swiss Life Group uses to hedge exposure may not be perfectly correlated to the related assets, so the Group will still be exposed to losses if the value of the hedge and the value of the underlying asset or liability do not correspond appropriately.

Due to the limitations of the Swiss capital market with regard to liquidity and duration, investments in Switzerland are also made in currencies other than the Swiss franc.

The balance sheet currency exposure is to a large extent hedged using foreign currency derivatives. Hedging is done on an overall basis for monetary and non-monetary items.

Liquidity risk

Liquidity risk is the risk that not enough cash resources may be available to pay obligations when due (primarily obligations arising from the insurance business and debt) at a reasonable cost. The Swiss Life Group is exposed to liquidity risk which primarily arises on calls on its cash resources from claims, amounts payable at maturity and surrenders arising from insurance and investment contracts. The Swiss Life Group faces the risk of not being able to refinance its debt obligations due to unexpected long-term market disruptions.

At the operational level, rolling forecasts are in place to address situational liquidity risk, which primarily arises on unexpected calls on cash resources from claims, amounts payable at maturity and surrenders arising from insurance and investment contracts. To overcome unexpected liquidity shortfalls, when asset disposals are not desired, repurchase agreements and mitigating measures on the liability side are used to ensure short-term refinancing at minimal cost.

At the strategic level, the Swiss Life Group holds substantial liquidity and uses active debt maturity planning to ensure financial flexibility and efficient liquidity management.

The liquidity analysis of financial liabilities and commitments is based on undiscounted cash flows by remaining contractual maturities, whereas insurance and policyholder participation liabilities are analysed by estimated timing of net cash outflows. Cash outflows of derivative liabilities designated as cash flow hedging instruments are analysed on the basis of expected settlement dates for forward starting swaps, and on the basis of contractual maturity for forward starting bonds. The analysis is made for amounts for the account and risk of the Swiss Life Group.

Exposure to liquidity risk as at 31 December 2018

In CHF million	Cash flows							Carrying amount
	Up to 1 month	1–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total	
FINANCIAL LIABILITIES								
Derivatives designated as cash flow hedges	–	–	137	715	–	225	1 077	21
Investment contracts with discretionary participation	24	42	231	2 747	1 821	6 331	11 196	11 196
Investment contracts without discretionary participation	0	0	0	0	0	226	226	226
Borrowings	0	0	339	1 541	2 282	–	4 163	3 385
Other financial liabilities	6 055	1 349	5 821	1 440	299	341	15 305	15 217[1]
TOTAL	6 079	1 391	6 527	6 444	4 403	7 123	31 966	30 045
INSURANCE AND POLICYHOLDER PARTICIPATION LIABILITIES								
Insurance liabilities	337	355	3 498	8 913	16 126	83 637	112 866	112 866
Policyholder participation liabilities	103	160	3 368	5 888	133	1 886	11 539	11 539
TOTAL	440	515	6 867	14 801	16 259	85 523	124 405	124 405
GUARANTEES AND COMMITMENTS								
Financial guarantees	23	–	0	24	–	–	47	–
Loan commitments	27	98	149	9	0	0	284	–
Capital commitments	1 337	–	129	109	–	–	1 459	–
TOTAL	1 388	98	278	141	0	0	1 790	–

[1] excluding non-controlling interests in investment funds and accrued interest

Exposure to liquidity risk as at 31 December 2017

In CHF million	Cash flows							Carrying amount
	Up to 1 month	1–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total	
FINANCIAL LIABILITIES								
Derivatives designated as cash flow hedges	–	10	139	728	45	468	1 390	135
Investment contracts with discretionary participation	24	43	246	2 752	1 882	6 626	11 574	11 574
Investment contracts without discretionary participation	0	0	0	0	0	177	177	177
Borrowings	0	0	437	1 817	2 233	–	4 487	3 577
Other financial liabilities	5 258	1 440	4 050	1 230	197	357	12 533	12 230[1]
TOTAL	5 283	1 492	4 873	6 527	4 358	7 628	30 161	27 693
INSURANCE AND POLICYHOLDER PARTICIPATION LIABILITIES								
Insurance liabilities	363	357	3 456	9 150	16 100	81 955	111 382	111 382
Policyholder participation liabilities	129	182	4 351	6 161	133	2 094	13 050	13 050
TOTAL	491	539	7 808	15 311	16 233	84 049	124 431	124 431
GUARANTEES AND COMMITMENTS								
Financial guarantees	26	–	0	27	–	–	53	–
Loan commitments	40	70	114	7	1	0	231	–
Capital commitments	1 288	–	25	108	–	–	1 421	–
TOTAL	1 354	70	139	142	1	0	1 705	–

[1] excluding non-controlling interests in investment funds and accrued interest

Current and non-current assets and liabilities

The table below shows the expected realisation or settlement of assets and liabilities. Assets are classified as current if they are expected to be realised within twelve months after the balance sheet date. Liabilities are classified as current if they are expected to be settled within twelve months after the balance sheet date. All other assets and liabilities are classified as non-current.

In CHF million	Current		Non-current		For the account and risk of the Swiss Life Group's customers		Total	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
ASSETS								
Cash and cash equivalents	**5 593**	3 782	**–**	–	**2 817**	2 830	**8 410**	6 611
Derivatives	**1 226**	528	**914**	1 146	**0**	0	**2 140**	1 675
Assets held for sale	**28**	52	**–**	–	**–**	–	**28**	52
Financial assets at fair value through profit or loss	**3 139**	3 542	**4 420**	3 862	**31 597**	32 824	**39 155**	40 228
Financial assets available for sale	**9 447**	7 734	**90 990**	97 188	**–**	–	**100 437**	104 922
Loans and receivables	**5 889**	7 000	**15 574**	15 974	**–**	–	**21 463**	22 974
Financial assets pledged as collateral	**92**	–	**4 676**	3 601	**–**	–	**4 767**	3 601
Investment property	**–**	–	**31 381**	27 946	**–**	–	**31 381**	27 946
Investments in associates	**–**	–	**189**	163	**–**	–	**189**	163
Reinsurance assets	**290**	298	**222**	231	**–**	–	**512**	529
Property and equipment	**–**	–	**392**	404	**–**	–	**392**	404
Intangible assets including intangible insurance assets	**–**	–	**3 135**	2 931	**–**	–	**3 135**	2 931
Current income tax assets	**38**	36	**–**	–	**–**	–	**38**	36
Deferred income tax assets	**–**	–	**55**	40	**–**	–	**55**	40
Other assets	**296**	257	**584**	431	**–**	–	**880**	688
TOTAL ASSETS	**26 036**	23 229	**152 533**	153 917	**34 414**	35 654	**212 982**	212 800
LIABILITIES								
Derivatives	**534**	815	**514**	804	**–**	–	**1 048**	1 619
Liabilities associated with assets held for sale	**–**	3	**–**	–	**–**	–	**–**	3
Investment and unit-linked contracts	**296**	314	**11 125**	11 438	**28 316**	30 005	**39 738**	41 756
Borrowings	**217**	300	**3 168**	3 277	**–**	–	**3 385**	3 577
Other financial liabilities	**13 602**	10 946	**5 371**	4 629	**–**	–	**18 973**	15 574
Insurance liabilities	**4 190**	4 176	**108 676**	107 206	**5 905**	5 462	**118 771**	116 844
Policyholder participation liabilities	**3 632**	4 662	**7 907**	8 388	**–**	–	**11 539**	13 050
Employee benefit liabilities	**157**	159	**1 733**	1 828	**–**	–	**1 889**	1 986
Current income tax liabilities	**172**	153	**–**	–	**–**	–	**172**	153
Deferred income tax liabilities	**–**	–	**1 991**	2 216	**–**	–	**1 991**	2 216
Provisions	**37**	25	**50**	49	**–**	–	**87**	74
Other liabilities	**331**	344	**26**	22	**–**	–	**356**	366
TOTAL LIABILITIES	**23 167**	21 896	**140 560**	139 855	**34 222**	35 466	**197 949**	197 218

Hedging

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

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

5.5 Insurance risk management objectives and policies

Insurance contracts are contracts under which one party (the insurer) agrees to compensate the other party (the policyholder) if a specified uncertain future event affects the policyholder. The Group's insurance entities neither generally accept nor generally deny insurance coverage to applicants, but ensure that all the insurance risks are identified and thoroughly assessed, and that the insurance premiums accurately reflect the risk taken. The amount and type of risk taken must be in line with the Group's risk policy and strategy, and must also meet the profitability targets.

Nature of insurance risk

When designing a new product or reviewing an existing one, care has to be taken that the product neither includes systemic risk nor provides incentives for adverse selection. The product should meet the market's needs. The Swiss Life Group favours transparent and simple product designs with a reliable pricing basis with sufficient statistical data available. Insurance risk arises when biometric parameters deviate adversely from expectations. The uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts is due to the unpredictability of long-term changes in overall levels of mortality and disability, for instance. Furthermore, deviations from the expected outcome of a portfolio can also arise because of random fluctuations. The impact of random fluctuations depends on the extent of diversification within a portfolio of contracts: that is, on the size of the portfolio.

The quantification of life insurance risk is based on a sensitivity analysis. Insurance risk is thus measured as the deviation of (the realisations of) the insurance risk factors from the corresponding best estimate values. Life insurance risk factors include mortality rates, disability/recovery rates and longevity.

The nature of insurance risk can be summarised as follows.

Mortality and longevity

Mortality and longevity risks reflect the financial consequences of insured people dying sooner or living longer than expected, respectively. For example, a life insurer with an annuity portfolio making payments to the policyholders until their death is financially exposed to those individuals who live longer than expected. Conversely, an insurer writing life insurance business that pays out amounts contingent on death of the policyholders is exposed to increases in mortality levels.

The Swiss occupational pensions (BVG) segment of the group life insurance business in Switzerland is a significant part of the Group's overall life insurance business. The BVG business provides an example of a minimum return guarantee. The guarantee takes the form of the right to convert an assured sum into a life annuity at a guaranteed conversion rate: The prevalent annuity conversion rate for the mandatory part of the BVG business is set at 6.8% for men (retirement age 65) and 6.8% for women (retirement age 64).

With regard to mortality, morbidity and longevity risk, the most important annuities payable (annuities in payment phase) or insured (annuities in deferral phase) as well as sums insured are as follows.

Annuities payable per annum by type of annuity – individual life

In CHF million

	31.12.2018	31.12.2017
Life annuities – in payment	**586**	589
Life annuities – deferred	**442**	484
Annuities certain – in payment	**5**	6
Annuities certain – deferred	**36**	38
Disability income and other annuities – in payment	**230**	247
Disability income and other annuities – deferred	**7 569**	7 348
TOTAL INDIVIDUAL LIFE	**8 868**	8 711

Annuities payable per annum by type of annuity – group life

In CHF million

	31.12.2018	31.12.2017
Retirement annuities – in payment	**1 013**	974
Retirement annuities – deferred	**427**	428
Survivors' annuities – in payment	**146**	144
Survivors' annuities – deferred	**2 718**	2 628
Disability income and other annuities – in payment	**366**	390
Disability income and other annuities – deferred	**15 906**	15 582
TOTAL GROUP LIFE	**20 575**	20 146

Life benefits insured by type of insurance – individual life

In CHF million

	31.12.2018	31.12.2017
Whole life and term life	**33 373**	33 423
Disability lump-sum payment	**23**	26
Other	**231**	236
TOTAL INDIVIDUAL LIFE	**33 627**	33 685

Life benefits insured by type of insurance – group life

In CHF million

	31.12.2018	31.12.2017
Term life	**57 426**	58 051
Disability lump-sum payment	**668**	709
Other	**1 516**	1 644
TOTAL GROUP LIFE	**59 610**	60 404

Disability and morbidity
Disability risk reflects the financial consequences of groups of individuals getting disabled more often and/or recovering less quickly than expected. With regard to morbidity, the most significant risk factors are epidemics, widespread changes in lifestyle, such as eating, smoking and exercise habits, and economic effects.

Embedded options
The ability of a policyholder to pay reduced or no future premiums under a contract, to terminate the contract completely or to exercise a guaranteed annuity option means that the insurer's liability is also subject to policyholder behaviour to a certain extent. On the assumption that a certain group of policyholders will make decisions rationally, overall insurance risk can be aggravated by such behaviour. For example, it is conceivable that policyholders whose health has deteriorated significantly will be less inclined to terminate contracts insuring disability or death benefits than those policyholders remaining in good health, thus contributing to an increasing trend in the expected mortality of policyholders, as the portfolio of insurance contracts is reduced due to surrender.

Underwriting strategy
Underwriting is the process of selecting and classifying insurable risks. The underwriting strategy attempts to ensure that the risks underwritten are profitable and well diversified in terms of type of risk and level of insured benefits. Life insurance underwriting is performed to ensure that the premiums and the general conditions of the insurance policies are adequate for the risks to be insured. The first step in the underwriting process is to determine which individual risks can be accepted. The second step is to place the accepted risks into groups of similar levels of risk. Both processes must be conducted objectively and consistently. The Group sets limits for the acceptance of insurance coverage arising from new and renewal business. Medical selection is part of the Group's underwriting procedures, whereby premiums are charged to reflect the health condition and family medical history of the applicants. The limits relate to sums at risk, maximum insured losses or present value of premiums at the contract or insured person level. Depending on the type of business and the limit exceeded, the new or renewed contract must be approved by the corresponding risk committee or senior management. Contracts exceeding the set limits are tested individually for profitability according to predefined procedures and compliance assessments are performed before approval. Certain contracts which include specific risks relating to derivatives or demographic risk factors for which no reliable data is available must be submitted for approval irrespective of the amount of coverage offered. Insurance coverage exceeding set limits is subject to regular internal reporting requirements. Additionally, the underwriting practices must be in line with local laws.

For certain group life business, local law is relevant with regard to medical examinations required before any business is written. For certain individual life business, agreements exist with regard to medical examinations of applicants before business is written. If the risk is assessed as high, exclusion of specific risks, premium adjustments and reinsurance are considered or the application may be rejected.

In the accident and health business, as well as the credit life business in France, the underwriting strategy comprises biometric and financial data of the persons to be insured, type of contract and experience.

Non-life
The Swiss Life Group has non-life operations, mainly in France, covering risks associated with accident and health (disability), property and casualty as well as credit life business.

Claims arising from the accident and health business primarily cover refunds for medical treatment, daily allowances in the case of sick leave, annuities and long-term medical care. The factors that could increase the overall liabilities in health insurance are the increase in the claim frequency due to an increase in the average age of the insured persons and negative economic and social factors. The insurance liabilities arising from accident and health insurance contracts must consider outstanding claims and claims incurred but not reported (IBNR). A large part of the insurance liabilities arising from these contracts relates to IBNR, and experience shows that health insurance contracts are sensitive to late reporting of claims in both number of claims and amounts.

The Group manages the risks arising from these contracts by means of its underwriting strategy and reinsurance arrangements.

Development of claims under non-life insurance contracts

In CHF million	Estimate of ultimate claim costs by year of loss occurrence										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
At end of year of loss occurrence	392	323	311	303	335	342	296	267	297	331	n/a
1 year later	373	369	362	330	361	346	322	331	317	–	n/a
2 years later	320	314	324	331	296	309	322	276	–	–	n/a
3 years later	293	286	336	285	281	324	291	–	–	–	n/a
4 years later	276	301	300	276	299	296	–	–	–	–	n/a
5 years later	297	265	293	297	280	–	–	–	–	–	n/a
6 years later	263	257	313	278	–	–	–	–	–	–	n/a
7 years later	253	279	294	–	–	–	–	–	–	–	n/a
8 years later	280	265	–	–	–	–	–	–	–	–	n/a
9 years later	263	–	–	–	–	–	–	–	–	–	n/a
CURRENT ESTIMATE OF CUMULATIVE CLAIMS	263	265	294	278	280	296	291	276	317	331	2 892
Cumulative payments to date	–246	–244	–248	–236	–241	–237	–220	–201	–189	–131	–2 192
LIABILITIES BEFORE DISCOUNTING	17	21	47	43	39	59	71	75	129	200	700
Effect of discounting	–	–	–	–	–	–	–	–	–	–	–
LIABILITIES FOR THE CURRENT AND 9 PREVIOUS YEARS	17	21	47	43	39	59	71	75	129	200	700
Liabilities for prior years											217
TOTAL GROSS CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS											917

The development of claims under non-life insurance contracts comprises the non-life business in France. A minor part of the non-life business is very short-tailed. The claims incurred for this minor part are almost completely settled within one year. The amount of unpaid claims as at the balance sheet date is therefore not material and does not underlie any significant variation in its temporal development. The claims data regarding this type of business are not included in the figures above.

Acceptance rules for risks are consistent with both the Code des Assurances and the French regulations. Underwriting guidelines and tariffs are reviewed on an annual basis.

Monitoring of the risks taken is done on a monthly basis with regard to related premiums and claims. An automated claims supervision system is used for the adjustment of tariffs for risks with loss ratios above a certain level.

Reinsurance

Reinsurance is used to limit the Group's exposure to insurance risk. This does not, however, discharge the Group's liability as a primary insurer, and, if a reinsurer fails to pay a claim, the Group remains liable for the payments to the policyholder. A loss allowance would be recognised for any estimated unrecoverable reinsurance.

In addition, the Group holds substantial collateral under related reinsurance agreements in the form of deposited funds and securities. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for the underlying policy benefits and are presented in the balance sheet as a component of the reinsurance assets.

Management reviews reinsurance programmes covering treaty, type, risks covered and retention on a regular basis. A process, competencies and limits are set up for the approval of reinsurance programmes and their modification. To ensure that the Group's principles are observed, guidelines on reinsurance are in place.

In accordance with its retention policy for mortality and disability benefits, the Group limits its exposure to CHF 5 million per life. Retention limits can be lower for other products (e.g. critical illness or long-term care) or for exposure in international markets. In addition, catastrophe reinsurance is in place to protect against accumulation of losses from a single event or a series of connected events.

The reinsurance team at Group level is responsible for implementing the retention policy by way of intra-group reinsurance. Intra-group reinsurance is transacted at arm's length.

As far as property and casualty insurance is concerned, the reinsurance arrangements mostly include non-proportional coverage on any single risk and/or event, and are adapted to the specific exposure. This includes excess of loss, stop-loss and catastrophe coverage, as well as facultative reinsurance for protection against specific risks.

Approximately 1.3% in terms of earned insurance premiums was ceded as at 31 December 2018 (2017: 1.2%).

5.6 Strategic risk management

Swiss Life uses a structured process to ensure that strategic risks are dealt with adequately in what continues to be a very challenging economic environment. In its strategic risk management process, Swiss Life incorporates all the information on risks and corresponding return characteristics in its strategic decisions. An understanding of the interplay of individual risks is essential in order to take due account of the factors influencing risks during strategy development and address them accordingly.

5.7 Operational risk management and internal control system

Operational risk management at Swiss Life includes the methods and processes used for the identification, assessment and steering or avoidance of operational risks. Operational risk management defines operational risk as the danger that losses may result from shortcomings or failures stemming from internal processes, people, systems or external events. Reliability of information and ensuring confidentiality, availability and integrity of data are an integral part of operational risk management. Swiss Life's internal control system consists of the entirety of procedures, methods and measures prescribed by the Board of Directors and the Corporate Executive Board to ensure the orderly conduct of business. The focus is on the reliability of financial reporting, the effectiveness of business processes and compliance with laws and regulations issued to protect the Swiss Life Group's assets.

5.8 Risk concentrations

Asset allocation shows a concentration of bonds. The remaining investments are mainly distributed among property, equities and mortgages.

In addition to asset allocation, the main exposures are at counterparty level.

5.9 Applied instruments for risk minimisation

Reinsurance

The Group assumes and/or cedes reinsurance risks during the normal course of business. For reasons of diversification, some risks are ceded and others are assumed.

Risk transfer primarily takes the form of reinsurance. Alternative forms of risk transfer (such as securitisation) require the formal approval of the Group Risk Committee. No significant alternative form of risk transfer is used by the Group at present.

Derivative financial market instruments

Derivatives held for risk management purposes primarily comprise derivatives sharing a risk with other financial instruments and lead to opposite changes in fair value, which normally cancel each other out (economic hedges), although the cancellation effect is not always simultaneous.

The Group defines risk categories for risk management in connection with derivatives transactions and monitors those risk positions. Price risks for derivatives and their underlying instruments are managed according to the risk limits defined by management for the purchase or sale of instruments or closing of positions. The risks arise through open positions in interest rates, currencies and equity capital instruments dependent on general and specific market movements.

5.10 Sensitivity analysis

Effective from 2017, the sensitivity analysis is based on how IFRS profit or loss and other comprehensive income would have been affected if changes in the relevant risk variables that were reasonably possible at the end of the reporting period had occurred.

The sensitivity analysis with regard to market risk is as follows.

At 31 December 2018, if interest rates had been 50 basis points higher, profit or loss would have been CHF 8 million higher (2017: CHF 25 million lower) and other comprehensive income would have been CHF 1236 million lower (2017: CHF 1407 million lower). If interest rates had been 50 basis points lower, profit or loss would have been CHF 11 million lower (2017: CHF 47 million higher) and other comprehensive income would have been CHF 1383 million higher (2017: CHF 1588 million higher). These impacts are net after policyholder and tax. The sensitivity includes financial assets as well as insurance liabilities. “Investment funds – debt” and investment funds with substantial investment in debt instruments are included in the analysis. This sensitivity measures the impact of a parallel shift of the bond interest rates at the closing date.

At 31 December 2018, if equity prices had been higher by 10%, profit or loss would have been CHF 329 million lower (2017: CHF 379 million lower) and other comprehensive income would have been CHF 703 million higher (2017: CHF 651 million higher). If equity prices had been lower by 10%, profit or loss would have been CHF 217 million higher (2017: CHF 343 million higher) and other comprehensive income would have been CHF 680 million lower (2017: CHF 602 million lower). These impacts are gross before policyholder and tax. This sensitivity measures the impact of an increase/decrease in the market value of equities (incl. hedge funds and private equity) at the closing date. Investment funds with substantial investment in equities are included in the analysis, as are hedging effects.

The sensitivity analysis with regard to insurance risk is as follows.

At 31 December 2018, if mortality rates for life assurance had been higher by 5%, profit or loss would have been CHF 1 million lower (2017: CHF 1 million). This sensitivity measures the impact of an increase in the mortality rates in life assurance, e.g. endowments and term life insurance products where the net amount at risk is positive. If mortality rates for the annuity business had been lower by 5%, profit or loss would have been CHF 4 million lower (2017: CHF 4 million). This sensitivity concerns annuities in payment and future annuities. Whether policies are affected already during the savings accumulation period might depend on technical implementation issues, e.g. whether the accumulation and annuity phases are driven by the same mortality table. These impacts are net after policyholder and tax.

At 31 December 2018, if morbidity rates had been higher by 5%, profit or loss would have been CHF 21 million lower (2017: CHF 20 million). If morbidity rates had been lower by 5%, profit or loss would have been CHF 21 million higher (2017: CHF 20 million). These impacts are net after policyholder and tax.

The sensitivity of insurance liabilities is also analysed on an economic basis for internal risk management purposes and to satisfy regulatory requirements (Swiss Solvency Test).

6 Earnings per Share

Basic earnings per share (EPS) are calculated on the weighted average number of shares outstanding during the reporting period, excluding the average number of shares purchased by the Group and held as treasury shares.

Swiss Life Holding redeemed the convertible bonds at par on 27 December 2017. In 2018, diluted earnings per share solely include the dilutive effect of share options issued. In 2017, diluted earnings per share include the dilutive effect of convertible bonds and share options issued. In the diluted EPS calculation, the convertible debt is assumed to have been converted into shares and the profit attributable to shareholders is adjusted for the applicable interest expense minus the related taxes. Share options are dilutive when they would result in the issuance of shares for less than the average market price during the period. Dilutive share options are assumed to have been exercised. The assumed proceeds are regarded as having been received from the issuance of shares at the average market price during the period. The difference between the number of shares issued and the number of shares that would have been issued at the average market price during the period is considered an issuance of shares for no consideration.

In CHF million (if not noted otherwise)

	2018	2017
BASIC EARNINGS PER SHARE		
Net result attributable to equity holders of Swiss Life Holding	**1 076**	1 007
Weighted average number of shares outstanding	**34 059 072**	32 502 204
BASIC EARNINGS PER SHARE FOR THE NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF SWISS LIFE HOLDING (IN CHF)	**31.58**	30.98
DILUTED EARNINGS PER SHARE		
Net result attributable to equity holders of Swiss Life Holding	**1 076**	1 007
Elimination of interest expense on convertible bonds	**–**	6
RESULT USED TO DETERMINE DILUTED EARNINGS PER SHARE	**1 076**	1 013
Weighted average number of shares outstanding	**34 059 072**	32 502 204
Adjustments (number of shares)		
Assumed conversion of convertible bonds	**–**	1 570 409
Equity compensation plans	**99 395**	97 296
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE	**34 158 467**	34 169 909
DILUTED EARNINGS PER SHARE FOR THE NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF SWISS LIFE HOLDING (IN CHF)	**31.49**	29.63

7 Premiums, Policy Fees and Deposits Received

Written premiums

In CHF million

	2018	2017
Direct	**12 905**	12 614
Assumed	**439**	331
GROSS WRITTEN PREMIUMS	**13 345**	12 946
Ceded	**–177**	–157
NET WRITTEN PREMIUMS	**13 167**	12 788

Earned premiums

In CHF million

	2018	2017
Direct	**12 905**	12 619
Assumed	**429**	329
GROSS EARNED PREMIUMS	**13 335**	12 949
Ceded	**–177**	–157
NET EARNED PREMIUMS	**13 157**	12 791

Written policy fees

In CHF million

	2018	2017
Direct	**346**	321
GROSS WRITTEN POLICY FEES	**346**	321
Ceded	**0**	0
NET WRITTEN POLICY FEES	**345**	321

Earned policy fees

In CHF million

	2018	2017
Direct	**340**	313
GROSS EARNED POLICY FEES	**340**	313
Ceded	**0**	0
NET EARNED POLICY FEES	**340**	313

Under the accounting principles adopted, deposits received under insurance and investment contracts for which deposit accounting is used are not recognised as income:

In CHF million

	2018	2017
Gross written premiums and policy fees	**13 691**	13 267
Deposits received under insurance and investment contracts	**5 527**	5 298
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	**19 218**	18 565

8 Details of Certain Items in the Consolidated Statement of Income

Commission income

In CHF million

	2018	2017
Brokerage commissions	631	549
Asset management commissions	359	369
Other commissions and fees	285	237
TOTAL COMMISSION INCOME	1 275	1 156

Investment income

In CHF million

	Notes	2018	2017
Interest income on financial assets available for sale		2 445	2 533
Interest income on loans and receivables		482	563
Other interest income		7	24
Dividend income on financial assets available for sale		506	357
Net income on investment property		933	793
TOTAL INVESTMENT INCOME	5	4 372	4 270

Net gains/losses on financial assets

In CHF million

	Notes	2018	2017
Sale of			
financial assets available for sale		–117	532
loans		200	161
Net gains/losses from sales		83	693
Impairment losses on			
debt instruments available for sale		–18	–16
equity instruments available for sale		–101	–23
loans and receivables		–7	–5
Impairment losses on financial assets		–125	–45
Foreign currency gains/losses		–467	4
TOTAL NET GAINS/LOSSES ON FINANCIAL ASSETS	5	–509	651

Net gains/losses on financial instruments at fair value through profit or loss

In CHF million

	Notes	2018	2017
Currency derivatives		**–389**	–526
Interest rate derivatives		**119**	–56
Equity derivatives		**594**	–756
Other derivatives		**45**	–70
Financial assets designated as at fair value through profit or loss [1]		**109**	235
Associates at fair value through profit or loss [1]		**6**	0
Investment contracts without discretionary participation		**–34**	40
Non-controlling interests in investment funds		**–32**	–58
Other financial liabilities		**1**	–1
Assets for the account and risk of the Swiss Life Group's customers [1]		**–2 169**	1 076
Liabilities linked to assets for the account and risk of the Swiss Life Group's customers		**2 164**	–1 065
TOTAL NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	5	**415**	–1 181

[1] includes interest and dividend income of CHF 150 million (2017: CHF 145 million)

Other income

In CHF million

	2018	2017
Realised gains/losses on sales of subsidiaries and other assets	**21**	47
Revenue from sale of inventory property	**125**	212
Net gains on repurchased financial liabilities	**–**	0
Other foreign currency gains/losses	**110**	–176
Other	**30**	30
TOTAL OTHER INCOME	**286**	113

Net insurance benefits and claims

In CHF million

	2018	2017
Benefits and claims under insurance contracts		
Life benefits and claims paid, gross	**10 642**	10 408
Change in liability for future life policyholder benefits, gross	**2 489**	1 768
Non-life claims paid, gross	**228**	220
Change in reserve for non-life claims, gross	**29**	–4
Benefits and claims recovered from reinsurers	**–92**	–70
Net benefits and claims under insurance contracts	**13 296**	12 322
Benefits and claims under investment contracts with discretionary participation		
Life benefits and claims paid, gross	**876**	673
Change in liability for future life policyholder benefits, gross	**–211**	194
Net benefits and claims under investment contracts with discretionary participation	**665**	867
TOTAL NET INSURANCE BENEFITS AND CLAIMS	**13 961**	13 189

Interest expense

In CHF million

	Notes	2018	2017
Interest expense on deposits		**16**	13
Negative interest on repurchase agreements		**–25**	–22
Interest expense on due to banks		**29**	18
Interest expense on investment contracts		**77**	77
Interest expense on deposits under insurance contracts	22	**36**	46
Other interest expense		**11**	12
TOTAL INTEREST EXPENSE		**143**	144

Commission expense

In CHF million

	2018	2017
Insurance agent and broker commissions	**899**	790
Asset management and banking commissions	**95**	76
Other commissions and fees	**57**	92
TOTAL COMMISSION EXPENSE	**1 051**	959

Employee benefits expense

In CHF million

	Notes	2018	2017
Wages and salaries		**703**	676
Social security		**144**	136
Defined benefit plans	23	**94**	92
Defined contribution plans		**2**	1
Other employee benefits		**65**	57
TOTAL EMPLOYEE BENEFITS EXPENSE		**1 008**	961

Depreciation and amortisation expense

In CHF million

	Notes	2018	2017
Depreciation of property and equipment	16	**26**	24
Amortisation of present value of future profits (PVP)	17	**1**	0
Amortisation of deferred acquisition costs (DAC)	17	**445**	336
Amortisation of deferred origination costs (DOC)	17	**10**	9
Amortisation of other intangible assets	17	**31**	29
TOTAL DEPRECIATION AND AMORTISATION EXPENSE		**512**	399

Other expenses

In CHF million

	2018	2017
Marketing and advertising	**53**	50
Information technology and systems	**96**	93
Rental, maintenance and repair	**76**	69
Professional services	**201**	172
Cost of inventory property sold	**105**	169
Premium taxes and other non-income taxes	**69**	60
Other	**84**	78
TOTAL OTHER EXPENSES	**683**	691

9 Derivatives and Hedge Accounting

In CHF million	Notes	Fair value assets		Fair value liabilities		Notional amount/exposure	
		31.12.2018	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
CURRENCY DERIVATIVES							
Forward contracts		**615**	264	**340**	686	**50 396**	44 918
Swaps		**–**	–	**0**	–	**1 745**	–
Futures		**0**	1	**0**	0	**56**	84
Options (over-the-counter)		**148**	90	**93**	69	**7 370**	5 682
Other		**–**	3	**–**	–	**–**	447
TOTAL CURRENCY DERIVATIVES		**763**	358	**433**	755	**59 567**	51 131
INTEREST RATE DERIVATIVES							
Forward contracts		**58**	92	**5**	2	**852**	827
Swaps		**833**	1 003	**484**	676	**35 351**	40 217
Futures		**–**	3	**11**	–	**395**	406
Options (over-the-counter)		**4**	3	**–**	–	**551**	289
Other		**0**	1	**–**	–	**1**	1
TOTAL INTEREST RATE DERIVATIVES		**895**	1 102	**500**	678	**37 150**	41 741
EQUITY/INDEX DERIVATIVES							
Futures		**84**	23	**11**	57	**4 924**	6 032
Options (over-the-counter)		**0**	0	**–**	–	**267**	277
Options (exchange-traded)		**397**	118	**59**	–	**2 406**	575
Other		**0**	73	**3**	3	**1 204**	899
TOTAL EQUITY/INDEX DERIVATIVES		**481**	215	**72**	60	**8 800**	7 782
OTHER DERIVATIVES							
Credit derivatives		**–**	–	**42**	126	**3 086**	3 122
TOTAL OTHER DERIVATIVES		**–**	–	**42**	126	**3 086**	3 122
DERIVATIVES FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS	5	**0**	0	**–**	–	**0**	0
TOTAL DERIVATIVES		**2 140**	1 675	**1 048**	1 619	**108 604**	103 776
of which derivatives designated and accounted for as hedging instruments							
Derivatives designated as fair value hedges		**149**	162	**26**	101	**11 650**	14 103
Derivatives designated as cash flow hedges		**72**	304	**21**	135	**1 358**	5 222
Derivatives designated as net investment hedges		**40**	19	**5**	14	**4 217**	2 057

Derivatives held for risk management

Derivatives held for risk management primarily comprise derivatives that share a risk with other financial instruments and give rise to opposite changes in fair value that tend to offset each other ("economic hedges"). The timing of the offset does not match in all cases.

To manage the risks associated with derivative activity, the Group establishes and monitors exposure and risk limits. Exposure to price risk on both derivatives and their underlyings is managed in accordance with risk limits set by risk committees for buying or selling instruments or closing out positions. The risks arise from open positions in interest rates, currencies and equity instruments, all of which are exposed to general and specific market movements.

Derivatives designated and accounted for as hedging instruments

Derivatives designated and accounted for as hedging instruments comprise derivatives associated with fair value hedges, cash flow hedges and net investment hedges that qualify for hedge accounting.

Derivatives designated as fair value hedges as at 31 December 2018

In CHF million		Fair value	Contract/ notional amount		Hedging instruments		Hedged items
	Assets	Liabilities		Gains	Losses	Gains	Losses
Interest rate risk							
Interest rate swaps to hedge bond portfolios	**107**	**22**	**5 826**	**196**	**–38**	**38**	**–196**
Foreign currency risk							
Currency forwards to hedge non-monetary investments	**42**	**4**	**5 824**	**672**	**–616**	**616**	**–672**
TOTAL DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES	**149**	**26**	**11 650**	**867**	**–654**	**654**	**–867**

Derivatives designated as fair value hedges as at 31 December 2017

In CHF million		Fair value	Contract/ notional amount		Hedging instruments		Hedged items
	Assets	Liabilities		Gains	Losses	Gains	Losses
Interest rate risk							
Interest rate swaps to hedge bond portfolios	123	94	8 526	69	–78	78	–69
Foreign currency risk							
Currency forwards to hedge non-monetary investments	40	7	5 577	311	–350	350	–311
TOTAL DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES	162	101	14 103	379	–428	428	–379

The Swiss Life Group used interest rate swaps to hedge available-for-sale fixed-rate bonds and bonds classified as loans in Swiss francs, euro, British pounds and US dollars against changes in the fair value attributable to interest rate risk. The nominal amount of these bonds as at 31 December 2018 was CHF 5.6 billion (2017: CHF 8.2 billion).

Forward contracts are used as hedging instruments to protect non-monetary investments against adverse movements in euro, British pound, US dollar and Japanese yen exchange rates. Such investments include equity securities, hedge funds and investment funds (equity funds and corporate loan funds).

Foreign currency debt designated as fair value hedge

In CHF million (if not noted otherwise)	Fair value	Nominal amount	Hedging instruments		Hedged items	
		EUR	Gains	Losses	Gains	Losses
AS AT 31 DECEMBER 2018						
Foreign currency borrowing to hedge currency risk of non-monetary investments	**89**	**80**	**6**	**–2**	**2**	**–6**
AS AT 31 DECEMBER 2017						
Foreign currency borrowing to hedge currency risk of non-monetary investments	96	82	–	–8	8	–

In 2018 and 2017, hybrid debt denominated in euro was used to protect non-monetary investments (hedge funds, equity securities and investment funds) against adverse movements in euro exchange rates.

Derivatives designated as cash flow hedges as at 31 December 2018

In CHF million (if not noted otherwise)	Fair value		Contract/notional amount	Fair value gains (+)/losses (–)		Hedged cash flows	
	Assets	Liabilities		Effective portion recognised in other comprehensive income	Ineffective portion recognised in profit or loss	Years expected to occur	Years expected to affect profit or loss
INTEREST RATE RISK							
Forward starting swaps/bonds							
Swiss franc	–	–	–	–80	–	2019–2026	2019–2043
Euro	72	21	1 358	47	–	2019–2023	2019–2045
Total interest rate risk	72	21	1 358	–33	–	n/a	n/a
TOTAL DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	72	21	1 358	–33	–	n/a	n/a

Derivatives designated as cash flow hedges as at 31 December 2017

In CHF million (if not noted otherwise)	Fair value		Contract/notional amount	Fair value gains (+)/losses (–)		Hedged cash flows	
	Assets	Liabilities		Effective portion recognised in other comprehensive income	Ineffective portion recognised in profit or loss	Years expected to occur	Years expected to affect profit or loss
INTEREST RATE RISK							
Forward starting swaps/bonds							
Swiss franc	197	68	2 090	–22	–	2018–2026	2018–2043
Euro	107	67	3 132	–1	–	2018–2022	2018–2041
Total interest rate risk	304	135	5 222	–23	–	n/a	n/a
TOTAL DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	304	135	5 222	–23	–	n/a	n/a

In 2018 and 2017, the Group used forward starting swaps and forward starting bonds to hedge the exposure to variability in interest cash flows arising on the highly probable purchase of bonds in order to achieve an adequate yield level for reinvestments.

In 2018, a gain of CHF 66 million was reclassified from other comprehensive income to profit or loss (2017: gain of CHF 23 million), of which CHF 45 million were included in investment income (2017: CHF 25 million), and CHF 21 million in net gains/losses on financial assets (2017: loss of CHF 2 million). The CHF-denominated forward starting swaps were terminated in 2018.

Derivatives designated as net investment hedges of foreign operations

In CHF million	Fair value		Contract/ notional amount	Fair value gains (+)/losses (–)	
	Assets	Liabilities		Effective portion recognised in other comprehen- sive income	Ineffective portion recognised in profit or loss
AS AT 31 DECEMBER 2018					
Currency forwards	**40**	**5**	**4 217**	**9**	**–**
TOTAL DERIVATIVES DESIGNATED AS NET INVESTMENT HEDGES	**40**	**5**	**4 217**	**9**	**–**
AS AT 31 DECEMBER 2017					
Currency forwards	19	14	2 057	89	–
TOTAL DERIVATIVES DESIGNATED AS NET INVESTMENT HEDGES	19	14	2 057	89	–

In 2018, investments in senior secured loan funds of USD 3196 million (2017: USD 2211 million) and investments in real estate funds of EUR 1012 milllion (2017: EUR 320 milllion) were hedged.

10 Financial Assets at Fair Value through Profit or Loss

In CHF million	Notes	31.12.2018	31.12.2017
Debt securities		**340**	545
Equity securities		**82**	11
Investment funds – debt		**2 218**	2 444
Investment funds – equity		**713**	852
Investment funds – balanced		**252**	392
Real estate funds		**1 864**	1 433
Infrastructure investments		**2 087**	1 723
Private equity and hedge funds		**3**	4
Financial assets for the account and risk of the Swiss Life Group's customers	5	**31 597**	32 824
TOTAL FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS		**39 155**	40 228

11 Financial Assets Available for Sale

In CHF million	Cost/amortised cost		Net unrealised gains/losses		Fair value (carrying amount)	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Debt securities	**73 553**	77 097	**7 689**	10 349	**81 242**	87 446
Senior secured loans	**3 132**	2 652	**–122**	–4	**3 010**	2 649
Equity securities	**8 568**	6 283	**1 021**	1 448	**9 588**	7 731
Investment funds – debt	**3 399**	3 680	**45**	72	**3 444**	3 752
Investment funds – equity	**2 249**	1 937	**100**	419	**2 349**	2 356
Investment funds – balanced	**22**	18	**0**	0	**22**	18
Real estate funds	**459**	406	**20**	7	**478**	413
Private equity	**181**	332	**63**	162	**244**	494
Hedge funds	**43**	41	**17**	23	**60**	64
TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE	**91 605**	92 447	**8 832**	12 475	**100 437**	104 922

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

12 Financial Assets Pledged as Collateral

In CHF million	Carrying amount	
	31.12.2018	31.12.2017
Debt securities reclassified from		
financial assets available for sale	**4 767**	3 601
TOTAL DEBT SECURITIES PLEDGED AS COLLATERAL	**4 767**	3 601
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**4 767**	3 601

Financial assets that have been sold under a repurchase agreement or lent under an agreement to return them are not derecognised when all the risks and rewards of ownership are retained substantially by the Swiss Life Group. If the transferee has the right to sell or repledge the financial assets given as collateral, they are reclassified in the balance sheet as financial assets pledged at their respective carrying amounts.

13 Loans and Receivables

In CHF million		Gross amount		Allowance for impairment losses		Cost/amortised cost (carrying amount)	
	Notes	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
LOANS							
Mortgages		**8 792**	8 148	**–16**	–15	**8 777**	8 134
Corporate and other loans		**1 553**	2 221	**–4**	–4	**1 549**	2 216
Note loans		**5 388**	6 061	**–**	–	**5 388**	6 061
Debt securities previously classified as available for sale		**1 133**	1 932	**–**	–	**1 133**	1 932
Other debt securities classified as loans		**211**	270	**–**	–	**211**	270
TOTAL LOANS	30	**17 078**	18 632	**–20**	–19	**17 058**	18 613
RECEIVABLES							
Insurance receivables		**1 423**	1 518	**–23**	–21	**1 400**	1 496
Reinsurance receivables		**308**	320	**–**	–	**308**	320
Accrued income		**1 370**	1 502	**–**	–	**1 370**	1 502
Settlement accounts		**341**	419	**–**	–	**341**	419
Other receivables		**994**	629	**–8**	–5	**986**	624
TOTAL RECEIVABLES	30	**4 436**	4 387	**–31**	–26	**4 405**	4 361
TOTAL LOANS AND RECEIVABLES		**21 514**	23 020	**–51**	–45	**21 463**	22 974

Allowance for impairment losses

In CHF million	Individual evaluation of impairment		Collective evaluation of impairment		Total	
	2018	2017	2018	2017	2018	2017
LOANS						
Balance as at 1 January	**5**	5	**14**	14	**19**	18
Impairment losses/reversals	**0**	0	**1**	1	**1**	1
Write-offs and disposals	**0**	0	**–**	–	**0**	0
Foreign currency translation differences	**0**	0	**–**	–	**0**	0
BALANCE AS AT END OF PERIOD	**4**	5	**16**	14	**20**	19
RECEIVABLES						
Balance as at 1 January	**8**	7	**18**	17	**26**	24
Impairment losses/reversals	**9**	0	**–3**	4	**6**	4
Write-offs and disposals	**0**	0	**1**	–4	**0**	–4
Foreign currency translation differences	**0**	1	**–1**	1	**–1**	2
BALANCE AS AT END OF PERIOD	**16**	8	**15**	18	**31**	26
TOTAL ALLOWANCE FOR IMPAIRMENT LOSSES	**20**	13	**31**	33	**51**	45

Interest income accrued on impaired loans was CHF 0.08 million as at 31 December 2018 (2017: CHF 0.04 million). The Group's loan portfolio is monitored closely through the review of information such as debt service, annual reports and assessments. This information is evaluated in light of current economic conditions and other factors, such as diversification of the property portfolio. This evaluation is part of the regular review to determine whether the allowance for potential loan losses is warranted. Management believes that the allowance for loan losses is sufficient. However, management cannot predict with assurance the impact of future economic circumstances or how the mortgage and real estate portfolios would be affected by various economic circumstances.

As at 1 July 2008, certain financial assets were reclassified from financial assets available for sale to loans due to the disappearance of an active market. The financial assets reclassified primarily consist of corporate debt instruments and debt instruments relating to emerging markets. The fair value as at 1 July 2008 of the financial assets reclassified amounted to CHF 14 966 million. At the date of reclassification the effective interest rate ranged from 0.8% to 9.7%, and the amount of cash flows expected to be recovered was estimated at CHF 32 658 million. In 2008, unrealised losses of CHF 740 million were recognised in other comprehensive income in respect of these assets.

Further details with regard to the financial assets reclassified are as follows.

Debt securities previously classified as available for sale

In CHF million

	2018	2017
Carrying amount as at 31 December	**1 133**	1 932
Fair value as at end of period	**1 345**	2 323
Gains (+)/losses (–) that would have been recognised in other comprehensive income if the assets had not been reclassified (before policyholder participation and income tax effect)	**–149**	5
Gains (+)/losses (–) recognised in profit or loss (including impairment)	**18**	–1
Interest income	**89**	142

14 Investment Property

In CHF million

	2018	2017
Balance as at 1 January	**27 946**	23 801
Additions	**3 487**	3 437
Capitalised subsequent expenditure	**153**	126
Classification as assets held for sale and other disposals	**–630**	–522
Gains/losses from fair value adjustments	**725**	651
Transfers from/to own-use property	**0**	–
Transfers to inventory property	**–10**	–
Foreign currency translation differences	**–290**	453
BALANCE AS AT END OF PERIOD	**31 381**	27 946
of which pledged as security for mortgage loans	**1 522**	506
Investment property consists of		
completed investment property	**30 615**	27 103
investment property under construction	**766**	843
TOTAL INVESTMENT PROPERTY	**31 381**	27 946

Investment property held by the Group includes residential, commercial and mixed-use properties primarily located within Switzerland, and comprises both completed investment property and investment property under construction. Property held for investment purposes comprises land and buildings owned by the Group to earn rentals and/or for capital appreciation. Property that is used by the Group itself or leased to, and occupied by, another entity of the Group is classified as owner-occupied property under property and equipment. Property acquired with a view to its subsequent disposal in the near future is carried under assets held for sale.

Rental income from investment property was CHF 1154 million for the period ended 31 December 2018 (2017: CHF 1018 million). Operating expenses arising from investment property that generated rental income amounted to CHF 221 million for the period ended 31 December 2018 (2017: CHF 225 million).

The future minimum rental payments to be received under non-cancellable operating leases were as follows.

In CHF million

	31.12.2018	31.12.2017
Not later than 1 year	**908**	483
Later than 1 year and not later than 5 years	**1 376**	1 444
Later than 5 years	**959**	1 297
TOTAL	**3 243**	3 224
Contingent rents recognised in profit or loss	**1**	1

15 Investments in Associates

Summarised financial information for the year 2018

Amounts in CHF million	Ownership interest	Carrying amount	Dividends received	Share of profit or loss	Share of other comprehensive income	Share of total comprehensive income
EQUITY METHOD ASSOCIATES						
Crédit et Services Financiers (CRESERFI), Paris	**33.4%**	**48**	**0**	**1**	**–**	**1**
Groupe Assuristance, Paris	**34.0%**	**14**	**2**	**2**	**–**	**2**
Artemis Acquisition Germany S.à r.l., Luxembourg	**29.9%**	**16**	**–**	**0**	**–**	**0**
Other associates	**n/a**	**27**	**4**	**–3**	**–**	**–3**
TOTAL	**n/a**	**105**	**7**	**0**	**–**	**0**
ASSOCIATES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Agrippa Quartier GmbH & Co. Geschlossene InvKG, Heusenstamm	**38.4%**	**48**	**0**	**n/a**	**n/a**	**n/a**
SCI TOUR LM, Marseille	**33.3%**	**36**	**–**	**n/a**	**n/a**	**n/a**
Other associates	**n/a**	**0**	**–**	**n/a**	**n/a**	**n/a**
TOTAL	**n/a**	**84**	**0**	**n/a**	**n/a**	**n/a**

Summarised financial information for the year 2017

Amounts in CHF million	Ownership interest	Carrying amount	Dividends received	Share of profit or loss	Share of other comprehensive income	Share of total comprehensive income
EQUITY METHOD ASSOCIATES						
Crédit et Services Financiers (CRESERFI), Paris	33.4%	50	0	2	–	2
Groupe Assuristance, Paris	34.0%	15	2	2	–	2
Other associates	n/a	13	2	0	–	0
TOTAL	n/a	77	4	3	–	3
ASSOCIATES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Agrippa Quartier GmbH & Co. Geschlossene InvKG, Heusenstamm	38.1%	51	–	n/a	n/a	n/a
SCI TOUR LM, Marseille	33.3%	34	–	n/a	n/a	n/a
Other associates	n/a	1	–	n/a	n/a	n/a
TOTAL	n/a	86	–	n/a	n/a	n/a

Summarised financial information relating to material associates was as follows.

Amounts in CHF million	Crédit et Services Financiers (CRESERFI) Paris		Groupe Assuristance Paris		Artemis Acquisition Germany S.à r.l. Luxembourg		SCI TOUR LM Marseille		Agrippa Quartier GmbH & Co. Geschlossene InvKG Heusenstamm	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
SUMMARISED FINANCIAL INFORMATION										
Current assets	**185**	190	**32**	44	**12**	–	**10**	6	**6**	4
Non-current assets	**13**	12	**42**	37	**179**	–	**234**	195	**138**	142
Current liabilities	**–15**	–14	**–33**	–36	**–11**	–	**–205**	–61	**–3**	–3
Non-current liabilities	**–38**	–42	**–1**	–1	**–127**	–	**–45**	–117	**–39**	–41
Revenue	**37**	35	**53**	52	**14**	–	**8**	–	**4**	5
Profit or loss	**3**	3	**5**	5	**0**	–	**–7**	–6	**11**	4
Total comprehensive income	**3**	3	**5**	5	**0**	–	**–7**	–6	**11**	4
RECONCILIATION										
Net assets	**145**	146	**40**	43	**53**	–	**n/a**	n/a	**n/a**	n/a
Ownership interest	**33.4%**	33.4%	**34.0%**	34.0%	**29.9%**	–	**n/a**	n/a	**n/a**	n/a
Share of net assets (carrying amount)	**48**	50	**14**	15	**16**	–	**n/a**	n/a	**n/a**	n/a

In March 2018, the asset management and real estate company Artemis Acquisition Germany S.à r.l, Luxembourg, was acquired. Due to loss of control in the second half of 2018, Artemis Acquisition Germany S.à r.l., Luxembourg, is accounted for as an investment in associates.

Due to loss of control in 2017 and retention of a significant interest, Agrippa Quartier GmbH & Co. Geschlossene InvKG, Heusenstamm, is accounted for as an investment in associates.

16 Property and Equipment

Property and equipment for the year 2018

In CHF million

	Notes	Land and buildings	Furniture and fixtures	Hardware	Other equipment	Total
COST						
Balance as at 1 January		567	61	63	34	725
Additions		5	5	7	9	26
Additions from business combinations	28	0	1	0	0	2
Disposals [1]		–6	–2	–2	–3	–13
Transfers from/to investment property		0	–	–	–	0
Revaluation in respect of transfers to investment property		0	–	–	–	0
Foreign currency translation differences		–7	–2	–2	–1	–12
BALANCE AS AT END OF PERIOD		558	64	67	40	729
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance as at 1 January		–211	–41	–53	–17	–321
Depreciation		–12	–5	–6	–3	–26
Impairment losses		–	0	–	–	0
Disposals [1]		3	1	1	1	7
Foreign currency translation differences		1	1	1	1	4
BALANCE AS AT END OF PERIOD		–218	–43	–57	–19	–336
TOTAL PROPERTY AND EQUIPMENT AS AT END OF PERIOD		340	21	10	21	392
of which assets held under a finance lease		–	–	0	–	0
of which buildings in the course of construction		3				

[1] includes elimination of fully depreciated assets

Property and equipment for the year 2017

In CHF million

	Notes	Land and buildings	Furniture and fixtures	Hardware	Other equipment	Total
COST						
Balance as at 1 January		539	51	58	27	676
Additions		12	8	9	5	34
Additions from business combinations	28	–	–	0	–	0
Disposals [1]		–	–1	–6	0	–8
Foreign currency translation differences		16	3	3	2	24
BALANCE AS AT END OF PERIOD		567	61	63	34	725
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance as at 1 January		–196	–35	–48	–14	–293
Depreciation		–12	–5	–5	–2	–24
Impairment losses		–	–	0	–	0
Disposals [1]		–	0	3	0	4
Foreign currency translation differences		–3	–2	–2	–1	–8
BALANCE AS AT END OF PERIOD		–211	–41	–53	–17	–321
TOTAL PROPERTY AND EQUIPMENT AS AT END OF PERIOD		356	20	11	17	404
of which assets held under a finance lease		–	–	0	–	0

[1] includes elimination of fully depreciated assets

No borrowing costs were capitalised in property and equipment in 2018 and 2017.

17 Intangible Assets including Intangible Insurance Assets

In CHF million	31.12.2018	31.12.2017
Intangible insurance assets	**1 494**	1 482
Other intangible assets	**1 641**	1 449
TOTAL INTANGIBLE ASSETS	**3 135**	2 931

Intangible insurance assets

In CHF million	Present value of future profits from acquired insurance portfolios (PVP)		Deferred acquisition costs (DAC)		Deferred origination costs (DOC)		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Balance as at 1 January	**9**	9	**1 453**	1 319	**20**	15	**1 482**	1 343
Additions	**–**	–	**384**	405	**22**	14	**405**	419
Amortisation	**–1**	0	**–445**	–336	**–10**	–9	**–455**	–346
Effect of shadow accounting	**0**	0	**100**	–16	**–**	–	**100**	–16
Foreign currency translation differences	**0**	1	**–39**	81	**0**	1	**–39**	82
BALANCE AS AT END OF PERIOD	**8**	9	**1 454**	1 453	**32**	20	**1 494**	1 482

Present value of future profits (PVP)

The present value of future profits relates to portfolios of insurance contracts and investment contracts with discretionary participation acquired in a business combination or transfer of portfolios. It relates to contracts acquired in Germany and is amortised in proportion to gross profits or margins over the effective life of the acquired insurance and investment contracts.

Deferred acquisition costs (DAC)

Certain acquisition costs relating to new and renewed insurance contracts and investment contracts with discretionary participation are deferred.

Deferred origination costs (DOC)

These costs are recoverable and are directly attributable to securing the right to investment management services within investment contract policies. They relate to contracts in Switzerland, Luxembourg and Singapore.

Other intangible assets for the year 2018

In CHF million

	Notes	Goodwill	Customer relationships	Computer software	Brands and other	Total
COST						
Balance as at 1 January		**1 865**	**157**	**215**	**25**	**2 262**
Additions		**–**	**2**	**14**	**4**	**20**
Additions from business combinations	28	**180**	**77**	**0**	**44**	**304**
Disposals [1]		**–18**	**–**	**–5**	**–37**	**–60**
Foreign currency translation differences		**–46**	**–6**	**–8**	**0**	**–64**
BALANCE AS AT END OF PERIOD		**1 981**	**229**	**216**	**36**	**2 462**
ACCUMULATED AMORTISATION AND IMPAIRMENT						
Balance as at 1 January		**–547**	**–95**	**–170**	**–1**	**–812**
Amortisation		**–**	**–14**	**–15**	**–1**	**–31**
Impairment losses		**–1**	**–13**	**–**	**–**	**–14**
Disposals [1]		**10**	**–**	**1**	**–**	**11**
Foreign currency translation differences		**14**	**3**	**7**	**0**	**24**
BALANCE AS AT END OF PERIOD		**–524**	**–119**	**–177**	**–2**	**–822**
TOTAL OTHER INTANGIBLE ASSETS AS AT END OF PERIOD		**1 457**	**111**	**39**	**34**	**1 641**

[1] includes elimination of fully amortised/impaired assets

Other intangible assets for the year 2017

In CHF million

	Notes	Goodwill	Customer relationships	Computer software	Brands and other	Total
COST						
Balance as at 1 January		1 754	147	188	22	2 110
Additions		–	0	14	1	15
Additions from business combinations	28	23	–	–	–	23
Disposals [1]		–	–	–3	–	–3
Foreign currency translation differences		88	10	16	2	116
BALANCE AS AT END OF PERIOD		1 865	157	215	25	2 262
ACCUMULATED AMORTISATION AND IMPAIRMENT						
Balance as at 1 January		–516	–76	–143	0	–736
Amortisation		–	–13	–15	0	–29
Disposals [1]		–	–	2	–	2
Foreign currency translation differences		–31	–5	–13	0	–49
BALANCE AS AT END OF PERIOD		–547	–95	–170	–1	–812
TOTAL OTHER INTANGIBLE ASSETS AS AT END OF PERIOD		1 318	62	46	24	1 449

[1] includes elimination of fully amortised/impaired assets

Goodwill

Goodwill represents the excess of the fair value of the consideration transferred and the amount of any non-controlling interest recognised, if applicable, over the fair value of the assets and liabilities recognised at the date of acquisition. Goodwill includes amounts relating to both the Swiss Life Group's interest and the non-controlling interest in the business acquired in the case where non-controlling interest is measured at fair value. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on associates is included in the carrying amount of the investment.

The acquisition of BEOS AG, Berlin, the leading investment manager of corporate real estate in Germany, in August 2018 led to the recognition of goodwill of CHF 138 million. The goodwill has been allocated to the "Asset Managers" segment.

In October 2018, the Swiss Life Group acquired Fincentrum a.s., one of the leading independent financial advisors in the Czech Republic, domiciled in Prague, and Slovakia, domiciled in Bratislava. The goodwill relating to this acquisition amounted to CHF 41 million and has been allocated to the "International" segment.

Artemis Acquisition Germany S.à r.l., Luxembourg, a company that was acquired in March 2018, is now accounted for as an investment in associates due to loss of control in the second half of 2018. Its goodwill, which was allocated to the "Switzerland" segment, amounted to CHF 1 million and was fully impaired.

In October 2017, the Swiss Life Group acquired Medical Money Management Ltd., domiciled in Liverpool. The goodwill relating to this acquisition amounted to CHF 23 million and has been allocated to the "International" segment.

Goodwill relating to Lloyd Continental has been allocated to the "France" segment. Goodwill relating to CapitalLeben has been allocated to the "International" segment. Goodwill relating to Corpus Sireo and Beos has been allocated to the "Asset Managers" segment. Of the goodwill relating to other acquisitions, CHF 19 million (31.12.2017: CHF 21 million) have been allocated to the "France" segment, CHF 26 million (31.12.2017: CHF 26 million) to the "Asset Managers" segment and CHF 61 million (31.12.2017: CHF 23 million) to the "International" segment as at 31 December 2018.

The calculations relating to the recoverable amounts, which have been determined on a value-in-use basis, use cash flow projections based on financial budgets approved by management. The projection covers a three-year period for Lloyd Continental, Corpus Sireo and Beos. Due to the duration of the insurance and investment contracts a five-year period was used for CapitalLeben. The calculations for Lloyd Continental, Corpus Sireo and CapitalLeben are based on present values that traditionally use a single set of estimated cash flows and a single discount rate.

In CHF million	Lloyd Continental		CapitalLeben		Corpus Sireo		Beos		Other	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
Net carrying amount of goodwill	**287**	287	**149**	149	**101**	113	**136**	–	**106**	70
Impairment losses	**–**	–	**–**	–	**–**	–	**–**	–	**1**	–
KEY ASSUMPTIONS USED FOR IMPAIRMENT TESTS										
Growth rate	**2.0%**	2.0%	**1.0%**	1.0%	**2.0%**	2.0%	**2.0%**	–	**2.0%**	2.0%
Discount rate	**9.3%**	9.0%	**6.6%**	6.4%	**8.7%**	8.5%	**8.7%**	–	**8.4–9.3%**	8.2–9.0%

The discount rates used for the value-in-use calculations are based on weighted average cost of capital (WACC) derived from the Capital Asset Pricing Model. Peer group comparisons and the beta of the Swiss Life Group are used for determining the beta used in the calculation. Capital structure reflected in the WACC calculation is in line with the actual and target capital structure of the Swiss Life Group.

The growth rates reflect the long-term inflation expectations of the International Monetary Fund for Switzerland and Liechtenstein and of the European Central Bank for the euro zone.

Goodwill relating to “Swiss Life Select” (acquisitions of AWD Holding AG and Deutsche Proventus AG) has been allocated to the “Switzerland”, “Germany” and “International” segments. The recoverable amounts have been determined on a value-in-use basis and use cash flow projections based on financial budgets approved by management. The projection covers a three-year period for Switzerland, Germany and International (AT/CEE, UK). The calculations are based on present values that traditionally use a single set of estimated cash flows and a single discount rate. The key assumptions used for the impairment testing on the carrying amount of goodwill are as follows.

Goodwill relating to Swiss Life Select

In CHF million	Switzerland		Germany		International		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Net carrying amount of goodwill	152	152	454	472	72	75	678	699
KEY ASSUMPTIONS USED FOR IMPAIRMENT TESTS								
Growth rate	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	n/a	n/a
Discount rate	7.1%	6.9%	8.7%	8.5%	8.4%	8.2%	n/a	n/a

Customer relationships

The acquisition of BEOS AG, Berlin, in August 2018 led to the recognition of customer relationships of CHF 68 million.

The acquisition of Fincentrum a.s., Prague and Bratislava, in October 2018 led to the recognition of customer relationships of CHF 9 million.

As at 31 December 2018, customer relationships comprise customer relationships relating to Swiss Life Select: CHF 3 million (31.12.2017: CHF 3 million), which were allocated to the "Switzerland" segment. The "France" segment comprises customer relationships of CHF 12 million (31.12.2017: CHF 13 million) and the "Asset Managers" segment of CHF 87 million (31.12.2017: CHF 45 million). The "International" segment comprises customer relationships of CHF 9 million (31.12.2017: CHF 0 million). Customer relationships were included in the impairment test of the respective cash-generating unit.

Brands and other

Comprises the brands Corpus Sireo, Mayfair, Beos and Fincentrum and a performance fee related to the acquisition of Beos, which is recognised as intangible assets. At acquisition date the performance fee had a fair value of CHF 38 million. Subsequent to the acquisition date, but before year end, the condition for receiving most of the performance fee was met. Therefore, CHF 35 million resulted in a disposal as of year end. The brands of Beos, with a fair value of CHF 2 million, and Fincentrum, with a fair value of CHF 4 million, have a definite useful life of approximately eight years each.

18 Other Assets and Liabilities

Other assets

In CHF million

	31.12.2018	31.12.2017
Deferred charges and prepaid expenses	**75**	64
Employee benefit assets	**64**	63
Inventory property [1]	**544**	424
VAT and other tax receivables	**183**	129
Sundry assets	**15**	8
TOTAL OTHER ASSETS	**880**	688

1 of which CHF 247 million pledged as security for loans (2017: CHF 291 million)

Other liabilities

In CHF million

	31.12.2018	31.12.2017
Deferred income	**143**	218
VAT and other tax payables	**186**	147
Sundry liabilities	**28**	1
TOTAL OTHER LIABILITIES	**356**	366

19 Investment and Unit-Linked Contracts

In CHF million		Gross		Ceded		Net	
	Notes	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Unit-linked contracts	30	**24 122**	25 130	**–**	–	**24 122**	25 130
Investment contracts with discretionary participation features (DPF)		**15 102**	16 243	**110**	130	**14 992**	16 113
Investment contracts without DPF at fair value through profit or loss	30	**514**	383	**–**	–	**514**	383
Investment contracts without DPF at amortised cost	30	**0**	0	**–**	–	**0**	0
TOTAL INVESTMENT AND UNIT-LINKED CONTRACTS		**39 738**	41 756	**110**	130	**39 628**	41 626
of which for the account and risk of the Swiss Life Group's customers							
unit-linked contracts	5	**24 122**	25 130	**–**	–	**24 122**	25 130
investment contracts	5	**4 194**	4 875	**–**	–	**4 194**	4 875

Unit-linked contracts

In CHF million

	2018	2017
Balance as at 1 January	**25 130**	21 948
Deposits received	**2 760**	3 016
Fair value changes	**–1 154**	564
Policy fees and other charges	**–113**	–110
Deposits released	**–1 905**	–1 648
Other movements	**26**	25
Reclassifications	**–10**	21
Foreign currency translation differences	**–612**	1 314
BALANCE AS AT END OF PERIOD	**24 122**	25 130

Investment contracts with discretionary participation – gross

In CHF million

	2018	2017
Balance as at 1 January	**16 243**	14 642
Premiums and deposits received	**3 756**	3 296
Interest and bonuses credited	**240**	244
Policy fees and other charges	**–181**	–171
Liabilities released for payments on death, surrender and other terminations	**–2 401**	–2 007
Effect of changes in actuarial assumptions and other movements	**–1 044**	522
Reclassifications	**–1 050**	–1 295
Foreign currency translation differences	**–461**	1 013
BALANCE AS AT END OF PERIOD	**15 102**	16 243

Investment contracts without discretionary participation – gross

In CHF million

	2018	2017
Balance as at 1 January	**383**	330
Deposits received	**138**	93
Fair value changes	**23**	–29
Interest and bonuses credited	**0**	0
Policy fees and other charges	**–4**	–2
Deposits released	**–13**	–25
Other movements	**0**	0
Reclassifications	**–2**	–1
Foreign currency translation differences	**–10**	15
BALANCE AS AT END OF PERIOD	**514**	383

In the case of contracts that do not have significant insurance risk but contain discretionary participation features, the Swiss Life Group primarily bases its accounting policies on the requirements of the Generally Accepted Accounting Principles in the United States (status of US GAAP as of the first application of IFRS 4).

In the case of traditional contracts in the life insurance business, future life policy benefit liabilities are determined by using the net-level-premium method on the basis of actuarial assumptions as to mortality, persistency, expenses and investment return, including a margin for adverse deviation. For participating contracts where the contribution principle applies to the allocation of the policyholder bonus, future life policy benefit liabilities are determined by using the net-level-premium method on the basis of appropriate mortality and interest rate assumptions. These amounts relate to contracts issued in Switzerland.

Certain contracts that do not contain significant insurance risk and do not have discretionary participation features are carried at amortised cost or fair value.

20 Borrowings

In CHF million

	Notes	31.12.2018	31.12.2017
Hybrid debt		**2 960**	3 152
Senior bonds		**424**	424
Other		**0**	1
TOTAL BORROWINGS	30	**3 385**	3 577

Reconciliation of liabilities arising from financing activities for the year 2018

In CHF million

	Hybrid debt	Convertible debt	Senior bonds	Other	Total
Balance as at 1 January	**3 152**	–	**424**	**1**	**3 577**
Cash flows					
Issuance	**174**	–	–	–	**174**
Redemption	**–300**	–	–	**–1**	**–301**
Non-cash changes					
Premium/discount amortisation	**3**	–	**0**	**0**	**4**
Foreign currency translation differences	**–69**	–	–	**0**	**–69**
BALANCE AS AT END OF PERIOD	**2 960**	–	**424**	**0**	**3 385**

Reconciliation of liabilities arising from financing activities for the year 2017

In CHF million

	Hybrid debt	Convertible debt	Senior bonds	Other	Total
Balance as at 1 January	3 633	467	423	1	4 524
Cash flows					
Repurchases	–	–1	–	–	–1
Redemption	–631	0	–	0	–631
Non-cash changes					
Premium/discount amortisation	4	6	0	0	11
Conversions and other changes	–	–473	–	–	–473
Foreign currency translation differences	147	–	–	0	148
BALANCE AS AT END OF PERIOD	3 152	–	424	1	3 577

Hybrid debt

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 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%.

On 22 October 2012, Swiss Life Ltd issued subordinated perpetual callable bonds in the amount of CHF 300 million. The bonds were guaranteed by Swiss Life Holding, had no fixed maturity date and were first callable on 22 August 2018 or at each interest payment date thereafter at the option of the issuer, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority. The interest was fixed at 5.50% p.a. until 22 August 2018. The bonds were redeemed on the first call date on 22 August 2018.

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 192 million remain outstanding. Swiss Life Ltd renounced the right to call the loan on the second and third optional call dates, 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.

Amounts in CHF million (if not noted otherwise)	Nominal value in year of issue	Nominal value at 31.12.2018	Interest rate	Year of issue	Optional redemption	Carrying amount	Carrying amount
Borrower						**31.12.2018**	**31.12.2017**
Swiss Life AG	CHF 175	CHF 175	2.625%	2018	2028	**174**	–
Swiss Life AG	EUR 600	EUR 600	4.500%	2016	2027	**669**	695
Swiss Life AG	CHF 150	CHF 150	4.375%	2016	2026	**149**	149
Swiss Life AG	CHF 450	CHF 450	3.750%	2016	2021	**448**	448
Swiss Life AG	EUR 750	EUR 750	4.375%	2015	2025	**834**	866
Swiss Life AG	CHF 471	CHF 471	Libor +4.200%	2012	2022	**469**	469
Swiss Life AG	CHF 300	CHF 300	5.500%	2012	2018	**–**	300
Swiss Life AG	EUR 443	EUR 192	Euribor +2.050%	1999	2019	**217**	225
TOTAL						**2 960**	3 152

Senior bonds

In May 2013, Swiss Life Holding raised CHF 425 million debt through the issuance of a CHF public bond dual tranche transaction, split into a CHF 225 million tranche with a tenor of six years and a CHF 200 million tranche with a tenor of ten years. The unsecured senior bonds bear coupons of 1.125% p.a. and 1.875% p.a., respectively. Settlement took place on 21 June 2013.

Amounts in CHF million (if not noted otherwise)	Nominal value	Interest rate	Year of issue	Redemption	Carrying amount	Carrying amount
Issuer					**31.12.2018**	31.12.2017
Swiss Life Holding AG	CHF 225	1.125%	2013	2019	**225**	225
Swiss Life Holding AG	CHF 200	1.875%	2013	2023	**199**	199
TOTAL					**424**	424

Convertible debt

In December 2013, Swiss Life Holding issued CHF 500 million in senior unsecured convertible bonds due in 2020. The coupon was set at 0%. The bonds were convertible into registered shares of Swiss Life Holding at the option of the holder. The initial conversion price was set at CHF 243.97 (in 2017 adjusted to CHF 232.13, valid since 27 April 2017). The proceeds from the issue of the convertible bonds have been split between a liability component and an equity component. The fair value of the liability component at issue date amounted to CHF 450 million and was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount of CHF 50 million represented the value of the option to convert the instrument into Swiss Life Holding shares and was included in share premium. Transaction costs of CHF 6 million were deducted from the liability and costs of CHF 1 million were recognised in share premium.

In September 2017, Swiss Life Holding announced its intention to use its right to redeem the convertible bonds at par on 27 December 2017. Bondholders could convert their bonds into shares until 11 December 2017. In 2017, convertible bonds with a nominal value of CHF 499 million were converted into 2 141 905 Swiss Life Holding shares with a corresponding increase in share capital of CHF 11 million and an increase in share premium of CHF 462 million. The remaining amount of the convertible bonds of CHF 0.8 million was repaid on 27 December 2017.

21 Other Financial Liabilities

In CHF million

	Notes	31.12.2018	31.12.2017
Insurance payables		**2 436**	2 460
Policyholder deposits		**1 126**	1 157
Reinsurance deposits		**160**	158
Customer deposits		**1 278**	1 324
Repurchase agreements		**4 625**	3 662
Amounts due to banks		**2 376**	1 818
Non-controlling interests in investment funds	30	**3 700**	3 282
Accrued expenses		**565**	417
Settlement accounts		**372**	518
Other		**2 335**	779
TOTAL OTHER FINANCIAL LIABILITIES		**18 973**	15 574

22 Insurance Liabilities

In CHF million	Gross		Ceded		Net	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Claims under non-life insurance contracts	**917**	924	**174**	176	**743**	748
Unearned premiums non-life	**51**	55	**0**	1	**51**	55
Claims under life insurance contracts	**6 203**	6 219	**90**	88	**6 113**	6 131
Future life policyholder benefits	**102 210**	100 760	**136**	132	**102 074**	100 628
Unearned premiums life	**49**	38	**0**	0	**49**	38
Deposits under insurance contracts	**9 341**	8 847	**–**	–	**9 341**	8 847
TOTAL INSURANCE LIABILITIES	**118 771**	116 844	**400**	397	**118 371**	116 447
of which for the account and risk of the Swiss Life Group's customers	**5 905**	5 462	**–**	–	**5 905**	5 462

Unearned premiums

Unearned premiums represent the portion of the premiums written relating to the unexpired terms of coverage.

Claims under life insurance contracts

Claims under life insurance contracts represent the liability for unpaid portions of claims incurred. The liability includes an estimate for claims incurred but not reported (IBNR). The measurement at reporting date is a best estimate of ultimate future claim payments.

Claims under non-life insurance contracts – gross

In CHF million	2018	2017
Balance as at 1 January	**924**	851
Claims and claim settlement costs incurred		
Reporting period	**339**	282
Prior reporting periods	**–69**	–52
Claims and claim settlement costs paid		
Reporting period	**–134**	–120
Prior reporting periods	**–108**	–115
Foreign currency translation differences	**–36**	77
BALANCE AS AT END OF PERIOD	**917**	924

Claims under non-life insurance contracts represent the liability needed to provide for the estimated ultimate cost of settling claims relating to insured events that have occurred on or before the financial reporting date. The estimated liability includes the amount that will be required for future payments on both claims that have been reported to the insurer and claims relating to insured events that have occurred but have not been reported to the insurer as at the date the liability is estimated. Loss development tables are generally used to make these estimates.

Future life policyholder benefits and claims – gross

In CHF million

	2018	2017
Balance as at 1 January	**106 979**	103 010
Premiums received	**9 060**	8 747
Interest credited	**1 792**	1 793
Claims incurred, benefits paid and surrenders	**–9 335**	–9 160
Effect of changes in actuarial assumptions and other movements	**938**	359
Reclassifications	**23**	26
Foreign currency translation differences	**–1 044**	2 205
BALANCE AS AT END OF PERIOD	**108 413**	106 979

For participating contracts where the contribution principle applies to the allocation of the policyholder bonus, future life policy benefit liabilities are determined by using the net-level-premium method on the basis of appropriate mortality and interest rate assumptions.

The valuation of other long-duration contracts is also based on the net-level-premium method with actuarial assumptions as to mortality, persistency, expenses and investment returns including provisions for adverse deviation.

Deposits under insurance contracts – gross

In CHF million

	2018	2017
Balance as at 1 January	**8 847**	6 984
Deposits received	**183**	175
Interest credited	**36**	46
Participating bonuses	**8**	12
Policy fees and insurance charges	**–33**	–28
Deposits released for payments on death, surrender and other terminations during the year	**–314**	–318
Other movements	**–91**	98
Reclassifications	**1 038**	1 249
Foreign currency translation differences	**–334**	628
BALANCE AS AT END OF PERIOD	**9 341**	8 847

For investment-type contracts with significant insurance risk, savings premiums collected are reported as deposits (deposit accounting).

Insurance liabilities with and without discretionary participation

In CHF million

	31.12.2018	31.12.2017
Insurance liabilities with discretionary participation	**98 843**	97 604
Insurance liabilities without discretionary participation	**14 023**	13 777
Insurance liabilities linked to assets for the account and risk of the Swiss Life Group's customers	**5 905**	5 462
TOTAL INSURANCE LIABILITIES	**118 771**	116 844

23 Employee Benefits

Employee benefit liabilities

In CHF million

	31.12.2018	31.12.2017
Employee benefit liabilities consist of		
gross defined benefit liabilities	**1 721**	1 815
other employee benefit liabilities	**169**	172
TOTAL EMPLOYEE BENEFIT LIABILITIES	**1 889**	1 986

Defined benefit plans

Employees are covered under various funded and unfunded pension plans which operate under local regulations and practice. The major part of the defined benefit liability recognised arises from the plans covering employees in Switzerland. The impact on the consolidated financial statements arising from the plans covering employees in Germany and France is far less significant. Generally, the level of benefits is based on years of service and average compensation preceding retirement, and the main benefit is a pension after retirement or a lump-sum payment at the time of retirement. Most plans are funded and the funding is governed by local requirements and with respect to the liability (determined based on actuarial methods) based on the plans' benefit promises. For several plans, contributions are not only made by the employer, but also by the employee (generally as a part of gross salaries).

In Switzerland, France and Germany, insurance contracts have been issued to defined benefit plans covering own employees, which reinsure a part of the benefit promises made by the plans. Due to the requirements of IFRS 4 Insurance Contracts in combination with IAS 19 Employee Benefits, such insurance contracts are eliminated (self-insurance, non-eligibility as plan asset). To the extent the affected plans are funded by self-insurance, the defined benefit liabilities are backed by the investments relating to the eliminated insurance contracts. These investments are part of the investments presented in the consolidated balance sheet of the Swiss Life Group.

Plan descriptions

Switzerland

Pension plans in Switzerland are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). Pension plans must be managed by independent, legally autonomous entities and are under regulatory supervision. The plans covering the Group's employees in Switzerland are set up as foundations. The foundation board as the most senior governing body must be composed of equal numbers of employee and employer representatives. Main responsibilities of the foundation board are the definition of plan benefits, funding system and the setting of actuarial parameters and investment policies for the plan assets. The BVG defines minimum levels with regard to benefits (including conversion rate for old-age pensions), employer/employee contributions and the interest rate for the accrual of the employee's pension account. An annual actuarial report according to BVG requirements is prepared which shows the funding level of the respective plan. The measurement basis for the plan's assets and benefit obligations for this purpose is in accordance with BVG rules.

The primary benefit of Swiss Life's plans is an old-age pension after reaching retirement age. The level of the old-age pension is determined by the plan's conversion rate applied to the employee's individual pension account accumulated at retirement age. There are options for early retirement (with actuarially determined reduction of the conversion rate) and for choosing to receive a lump-sum payment instead of a pension. This old-age pension is funded by monthly contributions from the employer and the employee (deducted from salary) to an individual pension account, which in addition is increased by a yearly interest accrual. The contributions are based on age and on a percentage of the contributory salary. Further funding of an individual pension account comprises mandatory transfers of funds made by new employees from plans of their former employers and discretionary contributions from the employees (with restrictions to maximum amounts). As a consequence of plan amendments in the past, certain age groups are granted guarantees of a minimum level of old-age pensions in case of early retirement. The cost with respect to early retirement of members from these age groups is borne by the employer.

Other benefits comprise survivors'/orphans' pensions and/or lump-sum payments in case of death as well as disability pensions (if disabled before retirement age) and transfer of vested benefits in case of job changes. In these plans, which cover nearly all of the Group's employees in Switzerland, the cost of the benefits is funded by payment of insurance premiums to group insurance contracts issued by Swiss Life Ltd (self-insurance) and is borne by the employer. In addition, the administration expenses of the plans are also borne by the employer, since the personnel managing the plans are Swiss Life employees.

As a result of the effects of the continuing low interest rate environment, reduced investment return expectations on the plan assets and increasing life expectancy, the board of trustees announced measures to support the long-term financial stability of the Swiss pension plan. As of 2021, the pension plan will operate with lower conversion rates. To mitigate the effects of such a plan change, the employees individual pension assets will be increased. The respective contribution of the foundation will be defined by the board of trustees in 2020. Additionally, the pension plan will increase savings contributions as of 1 January 2021.

France

Pension plans in France are covered by various national agreements. Defined benefit plans in France cover retirement benefits for employees, including executive officers, based on the last salary, length of service, cause of termination and the respective national agreement. Furthermore, service anniversary bonuses are based on employee category and length of service.

Germany

Pension plans in Germany are governed by the Law on Occupational Retirement (BetrAVG). The BetrAVG is part of the general labour legislation, which means that the BetrAVG establishes no rules on funding benefit obligations. It only describes the various possible ways of funding benefit obligations without further details on the practice of funding.

There are various defined benefit plans in place. They provide pension benefits after reaching retirement age.

For some plans, the level of the pension benefits is determined by the years of service and the last salary before retirement according to the benefit formula as defined in the pension plan. Other benefits comprise widows'/widowers' pensions in case of death as well as disability pensions (if disabled before retirement age). The levels of these benefits are determined similar to the old-age pensions assuming service up to normal retirement age. Widows'/widowers' pensions are 60% of the old age/disability pension benefits.

For some plans, the level of old-age pensions is determined by yearly amounts. Contributions are made in the form of premiums to an individual insurance contract with Swiss Life Germany. The premium is a fixed amount, determined by the rules of the pension plan, and depends on the employee's status. Every three years there is an adjustment of the contribution amount due to the general development of salaries in the German insurance industry. There is a risk that the employer has to make additional payments in case the benefits of the individual insurance contract do not cover the benefits promised by the plan. Other benefits comprise lump-sum payments in case of death as well as disability pensions (if disabled before retirement age). The levels of these benefits are determined as fixed amounts by the plan depending on the employee's status. This part of the plan is also covered by insurance contracts with Swiss Life Germany.

For some plans, a lump-sum benefit is provided when reaching retirement age. The capital benefit amount depends on the contributions and the performance of an underlying portfolio of assets. The benefit payable is the amount originally paid in plus interest.

Risks covered

With respect to its defined benefit plans the Group faces the risks of adverse development of the prominent actuarial/financial assumptions, such as discount rates, mortality assumptions and future salary growth, inherent in the measurement of plan liabilities. If the high-quality corporate bond yields (which are the basis for assessing the discount rate) decrease, the present value of the defined benefit obligation would increase, which would lead to a higher defined benefit liability in the consolidated balance sheet. However, this effect would be partly offset by the increase in the value of bonds in the plan assets. A higher defined benefit obligation would also result if the average life expectancy (longevity) or the rate of future salary growth were higher than the corresponding values reflected in the financial/actuarial parameters.

With respect to funded plans, the Group faces investment risk. In general, the return of plan assets – together with contributions – must be sufficient to cover the plan's benefit promises. In particular, if the return is below the discount rate, an actuarial loss would be created with negative impact on the net benefit liability/asset and other comprehensive income. The mitigation of this risk depends on the nature of the benefit promises and the regulatory/legal framework of the plan, and is therefore country-specific.

Switzerland

The responsibility for maintaining a sufficient funding status lies with the foundations. In the case of underfunding (as assessed according to BVG rules, not IFRS) the foundations are required to take appropriate measures to restore a sufficient funding status. Potential measures that could be taken are adjustments to the pension accounts' interest rate, benefit levels and regular employer/employee contributions. Furthermore, the foundations could require additional contributions from the employer and the employees. Because the funding status of the foundations in Switzerland is sufficient, it is not expected that any such additional contributions will be required in the near future.

The investment risk inherent in achieving an adequate return on the plan assets covering the pension accounts of active employees is borne by the foundations. In addition, the investment risk and actuarial risk relating to old-age pensions lie with the foundations. However, for the major plan, all pensions which were already in payout before 1 January 2011 are fully covered under a group insurance contract issued by Swiss Life Ltd. Furthermore, all insurance risk relating to death/survivors'/disability benefits is fully covered by several group contracts issued by Swiss Life Ltd.

The objective of the investment process is to ensure that the return on the plan assets – together with the contributions – will be sufficient to fulfil the benefit promises. The investment strategy must be in line with the related BVG rules and regulations (e.g. requirements regarding diversification). The foundations are responsible for defining the investment strategy taking into account the objectives, benefit obligations and risk capacity. The implementation of the investment policy is delegated to an investment committee.

France

The investment risk inherent in achieving an adequate return on the plan assets in order to pay the promised benefits to employees, as well as the mortality risk, is borne by the company.

Germany

According to the German BetrAVG there are no specific rules regarding funding of pension obligations. The defined benefit plans are funded by individual insurance contracts with Swiss Life Germany that cover the promised benefits. Because of tax limitations, the individual insurance contracts do not cover the whole level of the benefit promises. Therefore, Swiss Life Germany has established a contractual trust arrangement to cover the additional risks from the pension plan. Plan risks mainly arise from salary increases and from an increase in pension payments.

For the plans that provide lump-sum benefits based on separate asset portfolios, the most significant but low risk is from capital markets fluctuations. The asset portfolios are broadly diversified with corporate bonds, German government bonds, covered bonds and exchange-traded funds.

Amounts recognised as defined benefit assets / liabilities

In CHF million

	31.12.2018	31.12.2017
Present value of defined benefit obligation	**–3 554**	–3 600
Fair value of plan assets	**1 897**	1 848
NET DEFINED BENEFIT LIABILITY	**–1 658**	–1 752
Insurance contracts not eligible as plan assets under IFRS	**1 319**	1 422
NET DEFINED BENEFIT SURPLUS (+)/DEFICIT (–) (ECONOMIC VIEW)	**–338**	–330
The net defined benefit liability consists of		
gross defined benefit liabilities	**–1 721**	–1 815
gross defined benefit assets	**63**	63

To assess the funding situation of the defined benefit plans in total, plan assets as well as insurance contracts not eligible as plan assets under IFRS must be set off against the present value of the defined benefit obligation. The total deficit taking into consideration insurance contracts not eligible as plan assets under IFRS amounted to a deficit of CHF 338 million as at 31 December 2018 (2017: deficit of CHF 330 million).

Amounts recognised in profit or loss

In CHF million

	2018	2017
Current service cost	**111**	113
Past service cost	**0**	–4
Net interest cost	**14**	14
Employee contributions	**–31**	–31
TOTAL DEFINED BENEFIT EXPENSE	**94**	92

Defined benefit expense in 2017 comprises negative past service cost of CHF 4 million due to plan amendments in Switzerland.

Amounts recognised in other comprehensive income

In CHF million

	2018	2017
Actuarial gains and losses on the defined benefit obligation	**45**	–40
Return on plan assets excluding interest income	**2**	108
TOTAL REMEASUREMENTS OF THE NET DEFINED BENEFIT LIABILITY	**46**	68

Defined benefit plans

In CHF million

	2018	2017
CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION		
Balance as at 1 January	–3 600	–3 537
Current service cost	–111	–113
Past service cost incl. gains/losses from settlements	0	4
Interest cost	–27	–26
Contributions by plan participants	–70	–52
Actuarial gains (+)/losses (–) arising from		
experience adjustments	–25	–44
changes in demographic assumptions	–4	0
changes in financial assumptions	74	4
Benefit payments	196	191
Effect of reclassifications and other disposals	–1	0
Foreign currency translation differences	13	–27
BALANCE AS AT END OF PERIOD	–3 554	–3 600
of which amounts owing to		
active plan participants	–1 813	–1 805
retired plan participants	–1 741	–1 795
CHANGES IN THE FAIR VALUE OF PLAN ASSETS		
Balance as at 1 January	1 848	1 684
Interest income	13	12
Return on plan assets excluding interest income	2	108
Contributions by the employer	75	88
Contributions by plan participants	69	51
Benefit payments	–102	–98
Effect of reclassifications and other disposals	–5	–2
Foreign currency translation differences	–3	6
BALANCE AS AT END OF PERIOD	1 897	1 848

Plan assets

In CHF million	Quoted market price		Other		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Cash and cash equivalents	**–**	–	**50**	37	**50**	37
Debt securities						
Governments	**10**	3	**–**	–	**10**	3
Equity securities						
Financials	**1**	1	**–**	–	**1**	1
Investment funds						
Debt	**603**	596	**–**	–	**603**	596
Equity	**474**	490	**–**	–	**474**	490
Balanced	**114**	103	**–**	–	**114**	103
Real estate	**–**	–	**474**	446	**474**	446
Other	**–**	–	**89**	85	**89**	85
Derivatives						
Currency	**–**	–	**0**	0	**0**	0
Property						
located in Switzerland	**–**	–	**13**	13	**13**	13
Qualifying insurance policies	**–**	–	**69**	74	**69**	74
TOTAL PLAN ASSETS	**1 202**	1 193	**695**	655	**1 897**	1 848
Plan assets include						
own equity instruments	**1**	1	**–**	–	**1**	1

Principal actuarial assumptions

	Switzerland/Liechtenstein		Other countries	
	2018	2017	2018	2017
Discount rate	**0.6–0.9%**	0.6–0.7%	**1.6–1.9%**	1.4–2.0%
Future salary increases	**1.0–1.5%**	1.0–1.5%	**1.0–3.0%**	1.0–2.5%
Future pension increases	**0.0%**	0.0%	**1.0–1.8%**	1.0–1.8%
Ordinary retirement age (women)	**64**	64	**63–65**	63–65
Ordinary retirement age (men)	**64–65**	64–65	**63–65**	63–65
Average life expectation at ordinary retirement age (women)	**25.5**	25.4	**23.2–30.2**	23.2–29.9
Average life expectation at ordinary retirement age (men)	**22.5–23.4**	22.4–23.3	**19.8–27.0**	19.8–26.8

A sensitivity analysis was performed for each significant actuarial assumption showing the impact on the defined benefit obligation of changes in the respective actuarial assumptions that were reasonably possible at the balance sheet date. The calculation is done by leaving all other assumptions unchanged (i.e. at their value used in the calculation of the defined benefit obligation implicit in the net defined benefit asset/liability in the consolidated balance sheet as at end of period). In reality, it is unlikely that a change in assumption would happen in isolation. Some assumptions may well be correlated. In addition, the net effect in the consolidated balance sheet would also be driven by the change in the value of the plan assets.

At 31 December 2018, if the discount rate had been 50 basis points higher (lower), the defined benefit obligation would have decreased by CHF 253 million (increase CHF 286 million). At 31 December 2017, if the discount rate had been 50 basis points higher (lower), the defined benefit obligation would have decreased by CHF 262 million (increase CHF 297 million).

At 31 December 2018, if the future expected salary growth had increased (decreased) by 50 basis points, the defined benefit obligation would have increased by CHF 19 million (decrease CHF 19 million). At 31 December 2017, if the future expected salary growth had increased (decreased) by 50 basis points, the defined benefit obligation would have increased by CHF 20 million (decrease CHF 19 million).

At 31 December 2018, if the average life expectancy had increased by one year (for both men and women), the defined benefit obligation would have increased by CHF 112 million. At 31 December 2017, if the average life expectancy had increased by one year (for both men and women), the defined benefit obligation would have increased by CHF 118 million.

Expected benefit payments

Amounts in CHF million (if not noted otherwise)

	2018	2017
Duration of the defined benefit obligation (weighted average no. of years)	**15.3**	15.6
Benefits expected to be paid (undiscounted amounts)		
within 12 months	**156**	160
between 1 and 2 years	**151**	156
between 3 and 5 years	**444**	438
between 6 and 10 years	**725**	686

The contributions expected to be paid for the year ending 31 December 2019 are CHF 67 million. These contributions include amounts payable under insurance contracts issued to defined benefit plans covering own employees.

Defined contribution plans

Certain subsidiaries sponsor various defined contribution plans. Participation in the various plans is based either on completion of a specific period of continuous service or on the date of hire. The plans stipulate contributions by both employers and employees. The expenses under these plans amounted to CHF 2 million in 2018 (2017: CHF 1 million).

Equity compensation plans

For 2018, 2017, 2016, 2015 and 2014 participants in the share-based payment programme are allocated restricted share units (RSUs). RSUs grant the holder future subscription rights, entitling him or her to receive Swiss Life Holding shares free of charge after a three-year period has elapsed and if certain conditions are fulfilled.

The 2016, 2017 and 2018 equity compensation plans are based on the new Group-wide programme “Swiss Life 2018”. For the purpose of supporting the achievement of the respective corporate goals, performance criteria have been determined by the Board of Directors analogously to the previous year’s objectives: IFRS profit (50% weighting), the risk and fee result (25% weighting) and cash to Swiss Life Holding for further strengthening of the financial substance and payout capacity (25% weighting).

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

The RSU programmes also provide for adjustment and reclaiming mechanisms (clawback).

In 2014, the number of RSUs granted under this programme amounted to 58 800. The fair value at the measurement date amounted to CHF 203.54. The date of grant was 1 March 2014.

In 2015, the number of RSUs granted under this programme amounted to 51 660. The fair value at the measurement date amounted to CHF 205.87. The date of grant was 1 March 2015.

In 2016, the number of RSUs granted under this programme amounted to 51 270. The fair value at the measurement date amounted to CHF 215.66. The date of grant was 1 March 2016.

In 2017, the number of RSUs granted under this programme amounted to 45 135. The fair value at the measurement date amounted to CHF 281.80. The date of grant was 1 March 2017.

In 2018, the number of RSUs granted under this programme amounted to 43 649. The fair value at the measurement date amounted to CHF 300.66. The date of grant was 1 March 2018.

The fair value of the RSUs granted for each programme is determined at the grant date. The fair value was determined by an independent consulting company using the Black-Scholes formula taking into account input factors such as the dividend yield and the historical volatility of the Swiss Life Holding share. The associated expense during the vesting period is recognised under employee benefits expense with a corresponding increase in share premium.

The expense recognised for share-based payment amounted to CHF 12 million in 2018 (2017: CHF 12 million).

Share-based payment programmes (restricted share units)

Number of restricted share of units	Balance as at 1 January	Issued	Employee departures	Vested	Balance as at end of period
2018					
Granted in 2015	**47 548**	**–**	**–**	**–47 548**	**–**
Granted in 2016	**49 089**	**–**	**–664**	**–**	**48 425**
Granted in 2017	**44 460**	**–**	**–508**	**–**	**43 952**
Granted in 2018	**–**	**43 649**	**–**	**–**	**43 649**
2017					
Granted in 2014	56 042	–	–	–56 042	–
Granted in 2015	48 423	–	–875	–	47 548
Granted in 2016	49 971	–	–882	–	49 089
Granted in 2017	–	45 135	–675	–	44 460
2016					
Granted in 2014	57 271	–	–1 229	–	56 042
Granted in 2015	49 735	–	–1 312	–	48 423
Granted in 2016	–	51 270	–1 299	–	49 971
2015					
Granted in 2014	58 800	–	–1 529	–	57 271
Granted in 2015	–	51 660	–1 925	–	49 735
2014					
Granted in 2014	–	58 800	–	–	58 800

24 Income Taxes

Income tax expense

In CHF million

	2018	2017
Current income tax expense	236	230
Deferred income tax expense	82	78
TOTAL INCOME TAX EXPENSE	318	308

The expected weighted-average tax rate for the Group in 2018 was 21.1% (2017: 23.4%). This rate was derived by obtaining a weighted average of the expected income tax rates in the various jurisdictions in which the Group operates. The change of the weighted-average tax rate is due to the geographical allocation of the profits and the different tax rates in these jurisdictions. The actual income tax expense differs from the expected amount as follows.

Reconciliation of income tax expense

In CHF million

	2018	2017
PROFIT BEFORE INCOME TAX	1 397	1 320
Income tax calculated using the expected weighted-average tax rate	295	309
Increase/reduction in taxes resulting from		
lower taxed income	–102	–109
non-deductible expenses	85	91
other income taxes (incl. withholding taxes)	12	18
change in unrecognised tax losses	2	–4
adjustments for current tax of prior periods	–13	–7
changes in tax rates	–22	6
intercompany effects	52	11
other	8	–8
INCOME TAX EXPENSE	318	308

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

Deferred income tax assets and liabilities

In CHF million	Deferred tax assets		Deferred tax liabilities	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Financial assets	**314**	311	**1 223**	1 508
Investment property	**128**	123	**999**	899
Intangible assets	**42**	53	**196**	187
Property and equipment	**12**	13	**0**	1
Financial liabilities	**38**	42	**29**	53
Insurance liabilities	**23**	23	**160**	163
Employee benefits	**126**	132	**77**	84
Deferred income	**1**	1	**0**	0
Other	**71**	47	**40**	40
Tax losses	**33**	12		
DEFERRED INCOME TAX ASSETS/LIABILITIES	**787**	757	**2 723**	2 933
Offset	**–732**	–717	**–732**	–717
TOTAL DEFERRED INCOME TAX ASSETS/LIABILITIES	**55**	40	**1 991**	2 216

The movements in net deferred income tax assets/liabilities during the period were as follows.

In CHF million	Balance as at 1 January	Profit or loss	Other comprehensive income	Equity component convertible debt	Acquisitions and disposals	Foreign currency translation differences	Balance as at end of period
MOVEMENTS BY TYPE OF TEMPORARY DIFFERENCE DURING THE YEAR 2018							
Financial assets	**–1 197**	**–64**	**379**	**–**	**–35**	**6**	**–909**
Investment property	**–776**	**–125**	**36**	**–**	**–10**	**4**	**–871**
Intangible assets	**–134**	**32**	**–19**	**–**	**–36**	**2**	**–154**
Property and equipment	**12**	**–1**	**–**	**–**	**–**	**0**	**12**
Financial liabilities	**–11**	**19**	**1**	**–**	**0**	**0**	**9**
Insurance liabilities	**–140**	**1**	**0**	**–**	**–**	**3**	**–137**
Employee benefits	**48**	**9**	**–6**	**–**	**1**	**–2**	**49**
Deferred income	**1**	**0**	**–**	**–**	**1**	**0**	**1**
Other	**7**	**26**	**–**	**–**	**0**	**–2**	**31**
Tax losses	**12**	**22**	**–**	**–**	**–**	**–1**	**33**
NET DEFERRED INCOME TAX ASSETS/LIABILITIES	**–2 176**	**–82**	**391**	**–**	**–80**	**11**	**–1 936**
MOVEMENT BY TYPE OF TEMPORARY DIFFERENCE DURING THE YEAR 2017							
Financial assets	–1 119	49	–112	–	–	–14	–1 197
Investment property	–780	–77	0	–	87	–6	–776
Intangible assets	–121	–14	5	–	0	–4	–134
Property and equipment	12	0	–	–	0	0	12
Financial liabilities	25	–33	–8	4	0	1	–11
Insurance liabilities	–117	–18	0	–	–	–6	–140
Employee benefits	50	3	–8	–	0	3	48
Deferred income	2	–1	–	–	–	0	1
Other	66	25	–	–	–86	2	7
Tax losses	23	–12	–	–	–	1	12
NET DEFERRED INCOME TAX ASSETS/LIABILITIES	–1 959	–78	–123	4	2	–21	–2 176

Deferred tax liabilities have not been recognised on the aggregate amount of temporary differences with consolidated investments in subsidiaries to the extent the Group considers such undistributed earnings as being indefinitely reinvested. The amount of such temporary differences was approximately CHF 9.6 billion as at 31 December 2018 (2017: CHF 10.1 billion). If such amounts from entities controlled by the Group are ever distributed, no material tax liabilities would be incurred due to participation exemption rules, unrecognised tax loss carryforwards and applicable double taxation treaties.

Deferred tax assets are recognised for tax-loss carryforwards only to the extent that realisation of the related tax benefit is probable. Swiss tax assets are calculated in accordance with cantonal and municipal tax legislation. The uncertainty of the utilisation of tax losses is taken into account in establishing the valuation allowance. For the following tax-loss carryforwards, which will expire as follows, no deferred tax asset has been recognised.

Unrecognised tax losses

Amounts in CHF million	Tax losses		Tax rate	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
2019	**4**	2	**21.5%**	21.2%
2020	**2**	1	**21.2%**	21.2%
2021	**1**	2	**21.2%**	20.1%
Thereafter	**320**	317	**18.3%**	17.7%
TOTAL	**326**	323	**n/a**	n/a

25 Provisions

In CHF million		Restructuring		Litigation		Other		Total	
	Notes	2018	2017	2018	2017	2018	2017	2018	2017
Balance as at 1 January		**9**	11	**28**	49	**37**	16	**74**	75
Additions from business combinations	28	**–**	–	**–**	–	**0**	0	**0**	0
Additional provisions made		**10**	5	**5**	4	**11**	10	**25**	19
Amounts used		**–2**	–6	**–3**	–19	**–1**	15	**–7**	–11
Unused amounts reversed		**0**	0	**–7**	–10	**–3**	–5	**–10**	–16
Unwinding of discount and effect of change in discount rate		**–**	0	**0**	0	**–**	–	**0**	0
Reclassifications and other disposals		**–**	–	**0**	–	**6**	0	**6**	0
Foreign currency translation differences		**0**	0	**–1**	5	**–1**	1	**–2**	6
BALANCE AS AT END OF PERIOD		**17**	9	**22**	28	**48**	37	**87**	74

Restructuring

Provisions for restructuring were set up in 2018 in Switzerland and Germany (2017: Switzerland). The outflow of the amounts is expected within the following one to two years.

Litigation

“Litigation” relates to several proceedings in several jurisdictions with uncertain outcome including customer claims relating to the distribution units in Germany. Litigation provisions have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. These provisions concern numerous cases that are not of public knowledge or whose detailed disclosure could prejudice the interests of the Group.

Other

“Other” comprises various liabilities of uncertain timing or amount (e.g. indemnification provision relating to property development and management).

26 Equity

Share capital

As at 31 December 2018, the share capital of Swiss Life Holding consisted of 34 223 106 fully-paid shares with a par value of CHF 5.10 each (2017: 34 223 106 fully-paid shares with a par value of CHF 5.10 each). In exercising voting rights, no shareholder can collect more than 10% of the total share capital directly or indirectly in respect of own shares or shares they represent. Conditional share capital was CHF 19 675 534.80 as at 31 December 2018 (2017: CHF 19 675 534.80).

The conversion of convertible debt in 2017 into Swiss Life Holding shares and the corresponding impact on share capital and share premium is described in note 20.

Share premium

Share premium comprises additional paid-in capital in excess of the par value (net of transaction costs), gains/losses on own equity instruments and equity compensation benefits.

In 2018, a distribution to shareholders out of the capital contribution reserve of CHF 460 million (CHF 13.50 per registered share) was made (2017: CHF 356 million, CHF 11.00 per registered share).

Share buyback

In November 2018, the Group announced its CHF 1 billion share buyback programme which was set to commence in December 2018 and end in December 2019. By the end of December 2018, 227 700 Swiss Life Holding shares were repurchased for CHF 87 million under the share buyback programme.

Number of shares

The following table shows the development of Swiss Life Holding shares issued and treasury shares held by the Swiss Life Group during the period.

Number of shares

	2018	2017
SHARES ISSUED		
Balance as at 1 January	**34 223 106**	32 081 201
Conversion of convertible debt	**–**	2 141 905
BALANCE AS AT END OF PERIOD	**34 223 106**	34 223 106
TREASURY SHARES		
Balance as at 1 January	**131 201**	189 870
Purchases of treasury shares	**110 000**	–
Share buyback	**227 700**	–
Sales of treasury shares	**–**	–16
Allocation under equity compensation plans	**–50 002**	–58 653
BALANCE AS AT END OF PERIOD	**418 899**	131 201

Foreign currency translation differences

Foreign currency translation differences comprise the resulting differences arising on the translation of assets, liabilities, income and expenses of Group entities denominated in foreign currencies into Swiss francs.

Accumulated other comprehensive income

Accumulated other comprehensive income comprises items of income and expense that are recognised directly in equity rather than in profit or loss, as required or permitted by certain IFRSs.

Items presented in other comprehensive income are grouped on the basis of whether they will be reclassified subsequently to profit or loss when specific conditions are met, and those that will not be reclassified.

The amounts are presented net of certain policyholder bonuses and other policyholder liabilities, deferred acquisition costs, deferred income taxes and non-controlling interests.

Items that may be reclassified to profit or loss comprise:

- Foreign currency translation differences arising on the translation of assets, liabilities, income and expenses of Group entities denominated in foreign currencies into Swiss francs.
- Gains and losses from fair value changes of financial assets available for sale.
- Effective portion of gains and losses on hedging instruments in qualifying cash flow hedges.
- Other items consisting of unrealised losses on financial assets reclassified from “available for sale” to “loans” in 2008 due to the disappearance of an active market, and the Group’s share of other comprehensive income of investments in associates accounted for using the equity method.

Items that will not be reclassified to profit or loss comprise:

- Revaluation surplus on the transfer of owner-occupied property to investment property following a change in use evidenced by the end of owner-occupation.
- Remeasurements of the net defined benefit liability relating to employee benefit plans.

The following table provides information relating to amounts recognised in accumulated other comprehensive income.

Accumulated other comprehensive income for the year 2018

In CHF million	Items that may be reclassified to the income statement					Items that will not be reclassified to the income statement				Total
	Foreign currency translation differences	Gains/losses financial assets available for sale	Gains/losses cash flow hedges	Other items	Total	Revaluation surplus investment property	Remeasurements net defined benefit liability	Other items	Total	
Net balance as at 1 January	–888	4 127	410	–22	3 626	72	–325	–	–252	3 374
Reclassification to retained earnings	–	–	–	–	–	–25	–	–	–25	–25
Net other comprehensive income	–124	–1 335	–62	13	–1 508	21	24	–	45	–1 464
NET BALANCE AS AT END OF PERIOD	–1 012	2 791	348	–10	2 117	68	–301	–	–232	1 885
NET OTHER COMPREHENSIVE INCOME IS COMPOSED OF THE FOLLOWING:										
Revaluation – gross	–134	–3 865	–33	–	–4 032	0	46	–	47	–3 986
Net investment hedges – gross	9	–	–	–	9	–	–	–	–	9
Reclassification to profit or loss – gross	0	257	–66	30[1]	221	–	–	–	–	221
Effects of										
policyholder participation	0	1 854	11	–12	1 852	21	–17	–	4	1 856
shadow accounting	–	94	10	–1	103	0	–	–	0	103
income tax	0	347	18	–4	362	1	–7	–	–5	357
disposals of subsidiaries	–	0	–	–	0	–	0	–	0	0
foreign currency translation differences	–	–23	–2	0	–25	–2	1	–	–1	–26
Net other comprehensive income before non-controlling interests	–125	–1 336	–62	13	–1 510	21	24	–	45	–1 465
Non-controlling interests	2	0	0	0	2	0	0	–	0	1
NET OTHER COMPREHENSIVE INCOME	–124	–1 335	–62	13	–1 508	21	24	–	45	–1 464

[1] Amount relates to debt securities reclassified to loans in 2008 (note 13).

Accumulated other comprehensive income for the year 2017

In CHF million	Items that may be reclassified to the income statement					Items that will not be reclassified to the income statement				Total
	Foreign currency translation differences	Gains/losses financial assets available for sale	Gains/losses cash flow hedges	Other items	Total	Revaluation surplus investment property	Remeasurements net defined benefit liability	Other items	Total	
Net balance as at 1 January	–1 157	3 685	464	–30	2 962	64	–353	–	–289	2 673
Net other comprehensive income	268	441	–54	8	664	8	29	–	37	701
NET BALANCE AS AT END OF PERIOD	–888	4 127	410	–22	3 626	72	–325	–	–252	3 374
NET OTHER COMPREHENSIVE INCOME IS COMPOSED OF THE FOLLOWING:										
Revaluation – gross	230	1 086	–23	–	1 292	–	68	–	68	1 360
Net investment hedges – gross	89	–	–	–	89	–	–	–	–	89
Reclassification to profit or loss – gross	–	–495	–23	15[1]	–501	–	–	–	–	–501
Effects of										
policyholder participation	–34	–85	–22	–5	–145	3	–29	–	–26	–171
shadow accounting	–2	–12	4	0	–10	0	–	–	0	–10
income tax	–11	–108	4	–2	–116	1	–8	–	–7	–123
foreign currency translation differences	–	54	6	0	60	4	–2	–	2	62
Net other comprehensive income before non-controlling interests	272	441	–54	8	668	8	29	–	37	705
Non-controlling interests	–4	0	0	0	–4	0	0	–	0	–4
NET OTHER COMPREHENSIVE INCOME	268	441	–54	8	664	8	29	–	37	701

[1] Amount relates to debt securities reclassified to loans in 2008 (note 13).

Retained earnings

Retained earnings comprise accumulated retained earnings of the Group entities which have not been distributed to the shareholders. The distribution of profit is subject to restrictions in the various jurisdictions where the Group entities are located.

The Group's insurance subsidiaries are subject to regulatory restrictions on the amount of dividends, cash loans and advances which can be remitted to the Group. Certain foreign jurisdictions have restrictions that allow the payment of dividends but may cause a delay in their remittance. Dividends payable are not accrued until they have been ratified at the General Meeting.

Hybrid equity

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. The bonds are accounted for as equity, the issuance costs of CHF 3 million and the interest of CHF 4 million are accounted for as a deduction from equity.

Non-controlling interests

Summarised financial information for subsidiaries with material non-controlling interests is as follows.

In CHF million	SwissLife Banque Privée Paris		TECHNOPARK Real Estate LTD Zurich	
	2018	2017	2018	2017
Principal place of business	**France**	France	**Switzerland**	Switzerland
Ownership interests held by non-controlling interests	**40.0%**	40.0%	**33.3%**	33.3%
Voting rights held by non-controlling interests	**40.0%**	40.0%	**33.3%**	33.3%
SUMMARISED FINANCIAL INFORMATION BEFORE INTRAGROUP ELIMINATIONS				
Current assets	**1 341**	1 366	**12**	8
Non-current assets	**239**	204	**206**	194
Current liabilities	**–1 476**	–1 404	**–69**	–56
Non-current liabilities	**–3**	–62	**–21**	–20
NET ASSETS	**100**	103	**128**	125
Accumulated non-controlling interests	**40**	41	**43**	42
Revenue	**116**	105	**11**	11
Profit or loss	**6**	7	**6**	6
Total comprehensive income	**6**	8	**6**	6
Profit or loss allocated to non-controlling interests	**2**	3	**2**	2
Net cash flows from operating activities	**–147**	–828	**–3**	–5
Net cash flows from investing activities	**–5**	–1	**0**	0
Net cash flows from financing activities	**–2**	–	**–1**	1
NET CHANGE IN CASH AND CASH EQUIVALENTS	**–154**	–829	**–4**	–3
Dividends paid to non-controlling interests	**–2**	–	**–1**	–1

27 Capital Management

Swiss Life's objectives when managing capital are as follows: to comply with the legal and regulatory requirements, to manage economic capital, to fulfil the company's rating capital target and to optimise capital efficiency. The company also actively manages the composition and quality of the capital to continuously optimise its capital structure and interest coverage ratio.

Swiss Solvency Test

The Swiss Solvency Test (SST) is the Swiss legislation which governs the capital requirements of insurance companies and groups. It is a principle-based framework whose main objective is the alignment of the required capital with the underlying risks. The SST capital requirement underpins a high level of confidence that insurers will meet their obligations towards policyholders even in adverse circumstances. Swiss Life uses an internal model to calculate the available and the required capital for the SST. As of 1 January 2019 Swiss Life will use the new SST standard model with some company-specific adjustments for the determination of the regulatory solvency.

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

Regulatory requirements

Swiss Life reports to the Swiss Financial Market Supervisory Authority FINMA. The reporting covers risk management and solvency, liquidity, legal structure, management organisation and intra-group transactions. The reporting is submitted on an ad-hoc, quarterly, half-yearly or yearly basis depending on the topic and is reviewed on a yearly basis by the statutory auditor according to the legal requirements. As at 31 December 2018 and 2017, Swiss Life was compliant with the legal requirements.

In addition to the Group's solvency requirements, constraints at local level such as Solvency II are considered to address the specific situation of each country and business unit.

Economic capital

The value of a life insurance company for its shareholders comprises the economic net worth and the present value of future profits. The optimal amount of economic capital an insurance company needs to hold in order to maximise the company value is based on a risk/reward trade-off. For risk and capital management decisions, Swiss Life uses an integrated approach. The economic risk capital is determined bottom-up for each large business unit and takes into account market risk, credit risk and insurance risk. These risks are calculated on the basis of loss distributions using a specified risk measure. The overall capital requirement is obtained by taking into consideration respective diversification effects.

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

Standard & Poor's rating capital

In Standard & Poor's risk-based capital model, the total adjusted capital (TAC) is the measure used for available capital. TAC is set against the capital required given the company's target rating category (target capital). The calculation of target capital takes into account, in particular, insurance risks, asset value volatility and credit risks. Swiss Life has established a target capital level in line with its rating ambition. Within the capital analysis, in addition to assessing capital adequacy, Standard & Poor's also evaluates the quality of capital with respect to its structure. Capital adequacy is monitored on an ongoing basis according to Standard & Poor's capital model.

Managing the capital structure and flows

The Group has defined a reference capital structure based on IFRS with the goal of optimising the return on equity and the interest coverage ratio, while taking into account restrictions such as regulatory and rating agency targets. The capital components include shareholders' equity, hybrid capital and senior debt. The Swiss Life Group seeks to maintain its capital structure close to the reference levels.

Swiss Life Holding is the ultimate parent of all of the Group's legal entities. Capital and cash held at Swiss Life Holding have the highest fungibility. Therefore, the Group aims to hold an appropriate capital buffer at the holding level. Under consideration of legal and regulatory restrictions, internal limits and local capital buffers, the legal entities of the Group transfer cash and capital to Swiss Life Holding, in the form of dividends, interest on loans and fees (cash remittance). Capital at Swiss Life Holding is used as a buffer to ensure financial flexibility of the Group, to pay dividends to shareholders and to finance growth.

Capital planning

Capital planning is an integral part of the Group's yearly mid-term plan. Intercompany and external capital flows are planned based on the Group's objectives and according to the frameworks set out above. In this context, the Swiss Life Group also plans to fund transactions in accordance with its reference capital structure and its debt maturity profile.

28 Acquisitions and Disposals of Subsidiaries

Assets and liabilities from acquisitions

In CHF million

	Notes	2018	2017
CONSIDERATION			
Cash consideration		266	16
Contingent consideration arrangement(s)		72	7
TOTAL CONSIDERATION		337	23
ACQUISITION-RELATED COSTS			
Other expenses		2	0
TOTAL		2	0
IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED			
Cash and cash equivalents		23	–
Loans and receivables		21	0
Inventory property		181	–
Property and equipment	16	2	0
Intangible assets including intangible insurance assets	17	121	–
Other assets		1	–
Other financial liabilities		–130	–
Employee benefit liabilities		–3	–
Provisions	25	0	0
Deferred income tax liabilities		–40	–
Other liabilities		–15	0
TOTAL IDENTIFIABLE NET ASSETS		161	0
Non-controlling interests		–3	–
Goodwill	17	180	23
TOTAL		337	23
ACQUIRED LOANS AND RECEIVABLES			
Fair value		21	0
Gross contractual amounts receivable		21	0
Estimated uncollectible cash flows		0	0

In March 2018, the asset management and real estate company Artemis Acquisition Germany S.à r.l., Luxembourg, was acquired.

The Swiss Life Group acquired BEOS AG, Berlin, the leading investment manager of corporate real estate in Germany, in August 2018. The total consideration of this acquisition consists of a cash component and a contingent consideration in relation to the performance fee payable and earn-out liability.

Fincentrum a.s., one of the leading independent financial advisors in the Czech Republic and Slovakia, domiciled in Prague and Bratislava, was acquired in October 2018.

In October 2017 Medical Money Management Ltd., domiciled in Liverpool, a company specialised in providing financial planning advice to medical, dental and other professionals was acquired.

Assets and liabilities from disposals

In CHF million

	2018	2017
CONSIDERATION		
Consideration received in cash	57	135
Non-cash consideration	–	–
TOTAL CONSIDERATION RECEIVED	57	135
ASSETS AND LIABILITIES DISPOSED		
Cash and cash equivalents	9	34
Assets held for sale	4	13
Loans and receivables	4	5
Investment property	–	210
Property and equipment	–	0
Intangible assets including intangible insurance assets	12	–
Inventory property	181	–
Other assets	2	167
Liabilities associated with assets held for sale	–3	–
Borrowings	–	–12
Other financial liabilities	–132	–271
Employee benefit liabilities	–2	–
Other liabilities	–6	–3
NET ASSETS DISPOSED OF	70	142
GAIN/LOSS ON DISPOSALS		
Consideration received	57	135
Net assets disposed of	–70	–142
Fair value of retained equity interest(s)	27	54
Amounts recognised in other comprehensive income	1	0
Non-controlling interests	5	–
GAIN (+)/LOSS (–) ON DISPOSALS	21	47

In 2018, the Swiss Life Group sold the S Corpus Immobilienmakler GmbH, Cologne.

Due to loss of control in the first half of 2018, SOBRADO Software AG, Cham, is accounted for as an investment in associates.

Due to loss of control in the second half of 2018, Artemis Acquisition Germany S.à r.l., Luxembourg, is accounted for as an investment in associates.

In 2017, the real estate companies CS Stella (LUX) S.à r.l., Luxembourg, and Agrippa Quartier GmbH & Co. Geschlossene InvKG, Heusenstamm, as well as Swiss Life Immo-Arlon, Société Anonyme, Strassen, were sold. The majority of the shares in the real estate company Vestas Germany ACB GmbH & Co. KG, Cologne, were sold. The company is now held with a participation of 5.1% and was renamed VREF Germany ACB GmbH & Co. KG in 2018.

The assets held for sale and associated liabilities as at 31 December 2017 mainly consist of investment property to be sold.

29 Related Party Transactions

Consolidated statement of income

In CHF million	Associates	Key management personnel	Other	Total 2018	Total 2017
Net earned premiums	0	–	–	0	–
Asset management and other commission income	0	–	–	0	1
Investment income	0	–	–	0	0
Other income	0	–	–	0	–
Net insurance benefits and claims	0	–	–	0	–
Policyholder participation	0	–	–	0	–
Employee benefits expense	–	–21	–	–21	–20

Consolidated balance sheet

In CHF million	Associates	Key management personnel	Other	Total 31.12.2018	Total 31.12.2017
Loans and receivables	1	–	–	1	3
Other assets	0	–	–	0	–
Other financial liabilities	–1	–	–	–1	–1
Insurance liabilities	–2	–	–	–2	–
Policyholder participation liabilities	0	–	–	0	–

For the years ended 31 December 2018 and 2017, no impairment allowance has been made for doubtful debts in respect of the amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Guarantees and commitments

In CHF million	Associates	Key management personnel	Other	Total	Total
				31.12.2018	31.12.2017
Financial guarantees issued	–	–	–	–	2

"Guarantees issued" in 2017 relates to a bank loan granted to an associated company of the Group in relation to property under construction.

Key management compensation

In CHF million	2018	2017
Short-term employee benefits	14	14
Post-employment benefits	2	2
Equity-settled share-based payments	5	4
TOTAL	21	20

Key management comprises the members of the Board of Directors of Swiss Life Holding and the members of the Corporate Executive Board of Swiss Life Holding. These individuals have the authority and responsibility for planning, directing and controlling the activities of the Swiss Life Group, directly or indirectly.

The details regarding key management compensation in accordance with Article 663b^{bis} of the Swiss Code of Obligations or the Ordinance against Excessive Compensation in Listed Stock Companies (Compensation Ordinance, VegüV), respectively, are set out in the Compensation Report, which forms part of the Corporate Governance section of the Annual Report 2018 of the Swiss Life Group. The information according to Article 663c of the Swiss Code of Obligations is shown in the Notes to the Swiss Life Holding Financial Statements.

30 Fair Value Measurements

For reporting purposes, a fair value hierarchy is established that categorises the inputs to valuation techniques used to measure fair value into level 1, 2 or 3. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs).

The fair value of assets or liabilities included in level 1 is based on unadjusted quoted prices in active markets for identical assets or liabilities. The fair value of assets or liabilities which are not traded in an active market is determined using valuation techniques. If all significant inputs to these valuation techniques are observable (directly and indirectly) in the market, the assets or liabilities are included in level 2.

If one or more significant inputs to these valuation techniques are not observable in the market, the assets or liabilities are included in level 3. Such inputs may include information that is derived through extrapolation which is not substantiated by observable market data or that reflects own assumptions about what market participants would use in pricing the asset or liability.

30.1 Assets and liabilities measured at fair value on a recurring basis

Financial instruments

As a general rule, fair values of financial instruments are based on quoted prices sourced from well-known independent price providers such as Bloomberg. Model-based level 2 and level 3 valuations of financial instruments are applied to a minority of the assets.

Fair value hierarchy

In CHF million	Quoted prices (level 1)		Valuation technique - observable inputs (level 2)		Valuation technique - unobservable inputs (level 3)		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
FINANCIAL ASSETS								
Derivatives								
Currency	**0**	4	**763**	354	**–**	–	**763**	358
Interest rate	**0**	3	**895**	1 099	**–**	–	**895**	1 102
Equity	**480**	141	**1**	74	**–**	–	**481**	215
Total derivatives	**480**	148	**1 660**	1 527	**–**	–	**2 140**	1 675
Debt instruments								
Governments and supranationals	**48 293**	48 770	**376**	378	**–**	–	**48 669**	49 148
Corporates	**39 718**	44 149	**654**	653	**205**	62	**40 577**	44 864
Other	**56**	147	**25**	23	**32**	58	**113**	228
Total debt instruments	**88 067**	93 065	**1 056**	1 054	**237**	121	**89 359**	94 241
Equity instruments								
Equity securities	**9 260**	7 368	**16**	17	**395**	357	**9 670**	7 742
Investment funds	**7 240**	8 276	**2 613**	2 007	**1 486**	1 376	**11 340**	11 660
Alternative investments	**–**	72	**40**	51	**2 354**	2 163	**2 394**	2 285
Total equity instruments	**16 500**	15 715	**2 669**	2 076	**4 235**	3 897	**23 404**	21 687
Assets for the account and risk of the Swiss Life Group's customers	**26 917**	28 885	**1 297**	1 318	**3 383**	2 622	**31 597**	32 824
TOTAL FINANCIAL ASSETS	**131 964**	137 813	**6 681**	5 974	**7 856**	6 639	**146 500**	150 426
INVESTMENTS IN ASSOCIATES								
Associates at fair value through profit or loss	**–**	–	**31**	34	**52**	52	**84**	86
FINANCIAL LIABILITIES								
Derivatives								
Currency	**0**	0	**433**	755	**–**	–	**433**	755
Interest rate	**11**	–	**489**	678	**–**	–	**500**	678
Equity	**70**	57	**3**	3	**–**	–	**72**	60
Other	**–**	–	**42**	126	**–**	–	**42**	126
Total derivatives	**81**	58	**967**	1 561	**–**	–	**1 048**	1 619
Investment contracts without discretionary participation	**–**	–	**514**	383	**–**	–	**514**	383
Unit-linked contracts	**–**	–	**23 961**	24 977	**161**	152	**24 122**	25 130
Non-controlling interests in investment funds	**–**	–	**2 089**	2 349	**1 611**	933	**3 700**	3 282
TOTAL FINANCIAL LIABILITIES	**81**	58	**27 531**	29 270	**1 772**	1 085	**29 383**	30 413

The fair value hierarchy of assets for the account and risk of the Swiss Life Group's customers is consistent with the categorisation of assets for the account and risk of the Swiss Life Group.

The following sections outline the valuation techniques and significant inputs used in the fair value measurement of financial instruments categorised within level 2 and level 3 of the fair value hierarchy.

Level 2: Valuation techniques and inputs

Level 2 financial instruments carried at fair value include debt instruments, equity securities, investment funds, alternative investments, over-the-counter derivatives and investments in associates.

Debt instruments: Debt instruments categorised as level 2 of the fair value hierarchy comprise government, supranational and corporate bonds for which prices are only available on an irregular basis or with a significant time lag. The price for such assets is obtained from an independent, acknowledged market data provider, which refers to quotes of recent transactions with the same or similar actively traded bonds and systematically derives a comparable price for those less liquid securities. Alternatively, if such a derived price is missing, level 2 fair values of debt instruments are measured on a discounted cash flow basis using risk-adjusted discount factors. Main inputs to determine the discount factor are zero coupon yield curves and observable, rating-implied flat spreads to account for credit risk.

Equity securities: Equity securities categorised as level 2 of the fair value hierarchy comprise unlisted equities for which the prices are not available in the exchange market. The instruments are evaluated by counterparties or third-party independent agencies based on market consistent valuation parameters.

Investment funds: Some fair value measurements of fund units, including unlisted fixed income funds, are only available on an irregular basis and are therefore categorised as level 2. Prices are provided by independent external market data providers who measure the fair value using market-consistent parameters.

Alternative investments: Alternative investments classified as level 2 assets comprise hedge funds of funds and leveraged loans funds based on third-party quotes substantiated by observable market data, such as recent transactions or valuation techniques that reflect the market participant's assumptions. The level 2 classification is chosen because those funds maintain an irregular basis of price and are evaluated with some time lag.

Over-the-counter derivatives: Level 2 fair values of over-the-counter derivatives on currencies, interest rates and equities are based on theoretical valuations with observable market data from well-known data providers as inputs. The fair value measurement is based on acknowledged, well-established models. In certain cases, the market quotes used in those models may be slightly adjusted to better reflect specific market behaviour, e.g. volatility smiles.

Currency derivatives:

- Foreign currency options are valued on the basis of the Garman-Kohlhagen model with the spot foreign exchange rate, the interest rates of the underlying currencies and the foreign exchange rate volatility as main inputs.
- The fair value of foreign currency forwards is derived from the foreign exchange spot rate and actively traded foreign exchange ticks.

Interest rate derivatives:

- Interest rate swaps are valued on a discounted cash flow basis. Main inputs used to derive the discount factors are the overnight index/deposit/swap rates.
- Swaptions are theoretically valued with the Black model. Main inputs are the current par swap rate that is calculated out of the standard yield curve and the implied volatility that is derived from observable at-the-money swaption volatility curves.
- Forward starting bonds are valued on a cost-of-carry basis using the discounted cash flow method. Main inputs to calculate the current forward rate are the spot price of the underlying bond and the discount factors to coupon payment dates/maturity date.

Equity derivatives:
Over-the-counter equity-index options are valued using the Black-Scholes model. Main inputs are the current spot value and the dividend yield of the underlying index. The implied volatility is taken from similar exchange-traded equity index options.

Other derivatives:
Other derivatives mainly comprise credit default swap indices. CDS indices are valued using the discounted cash flow method for the fee and the contingent leg. Main inputs for the valuation are the swap curve and the CDS par spreads quoted in the market.

In the exceptional case that a theoretical valuation of an OTC derivative is not available in Swiss Life's asset management system, the fair value is provided by counterparties. The appropriateness of such quotes is validated by Swiss Life based on established models using observable market data as input.

Investments in associates: The associate is categorised as level 2 of the fair value hierarchy as the entity holds investments that qualify inherently as level 1 financial instruments.

Level 3: Valuation techniques and inputs

The exposure of level 3 financial instruments primarily consists of alternative investments (private equity, hedge funds) and real estate funds.

Debt instruments: Debt instruments categorised as level 3 of the fair value hierarchy mainly comprise instruments with embedded derivatives to guarantee the participation on a defined underlying (hedge fund of funds or equity basket). The valuation, which is provided by banks, is derived from valuation techniques that take into account the market value of the underlying assets, transaction prices and other information, such as market participants' assumptions.

Level 3 fair values of CDO/CLO positions are determined by external providers. Their proprietary methodologies typically rely both on indicative market prices of comparable assets as well as discounted expected cash flows. Unobservable inputs for the cash flow models include assumptions about prepayment rates, discount margins and asset default rates.

Equity securities: The fair values of equity securities, which are not traded in an active market and are determined using unobservable inputs, classify as level 3 within the fair value hierarchy. These fair values are based on generally accepted valuation techniques. Valuation techniques aim at using a maximum of market inputs and include discounted cash flow analysis (e.g. profit situation, investment plans, investment property) and other valuation techniques commonly used by market participants.

Investment funds: Level 3 fair values of investment funds are primarily related to real estate funds. The valuation of the underlying property investments is done by independent appraisers using generally accepted valuation techniques (mainly discounted cash flow). The appraisers consider the general economic situation and the individual condition of the property investments. Main input factors applied in the discounted cash flow method are estimates on rental income and vacancies, projections of non-recoverable running costs (e.g. property taxes), maintenance costs and risk-adjusted discount rates, which are determined individually for each property.

Alternative investments: The fair values of private equity and infrastructure investments are based on generally accepted valuation techniques. Valuation techniques use a maximum of market inputs and include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. Because of the inherent valuation uncertainty, those estimated fair values may differ significantly from the values that would be used if a ready market for the financial assets existed, and those differences could be material. The fair values are determined by the general partner in the partnership and reviewed by management. In determining the fair value of fund investments, the partnership considers the funds as transparent holding vehicles. The fair values of the underlying investments are determined using the general partner valuation. These fair value measurements are generally categorised as level 3 within the fair value hierarchy.

To measure the fair value of hedge funds for which no quoted market price is available, valuation techniques are used that take into account the market value of the underlying assets, transaction prices and other information.

Investments in associates: The valuation methods of investments in associates categorised as level 3 of the fair value hierarchy are identical to the methods outlined for level 3 private equity investments and real estate funds.

Financial liabilities

Investment contracts without discretionary participation: The fair value of investment contracts, which are carried at fair value, is measured using market consistent, risk-neutral economic option price models, i.e. Monte Carlo simulations based on scenarios of capital market variables (share price and interest rate indices, interest rates and foreign currency rates). These inputs to fair value measurements are generally categorised as level 2 within the fair value hierarchy.

Unit-linked contracts: The fair value of liabilities arising from unit-linked insurance and investment contracts is measured by reference to the fair value of the underlying assets. Unit-linked contract liabilities are generally categorised as level 2, except for contracts that are backed predominantly by assets categorised within level 3 of the fair value hierarchy.

Investment property

The following table shows the fair value hierarchy of investment property as at 31 December.

In CHF million	Quoted prices (level 1)		Valuation technique – observable inputs (level 2)		Valuation technique – unobservable inputs (level 3)		Total	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017	**31.12.2018**	31.12.2017
Commercial	**–**	–	**–**	–	**13 962**	10 523	**13 962**	10 523
Residential	**–**	–	**–**	–	**10 068**	9 461	**10 068**	9 461
Mixed use	**–**	–	**–**	–	**7 351**	7 962	**7 351**	7 962
TOTAL INVESTMENT PROPERTY	**–**	–	**–**	–	**31 381**	27 946	**31 381**	27 946

Level 3: Valuation techniques and inputs

Discounted cash flow models used for investment property consider the present value of net cash flows to be generated from the property, taking into account expected rent growth rate, vacancy rate, rent-free periods, other costs not paid by tenants, maintenance costs and investment plans. The expected net cash flows are discounted using risk-adjusted discount rates. Location- and property-related criteria are reflected in the discount rate for each property. The criteria reflect the micro- and macro-location characteristics as well as the relevant parameters of the current management situation.

Trends in fair value are determined by various fundamental parameters. A distinction has to be made between property-specific factors and exogenous factors that relate to the real estate and finance market environments. Changes in the property management situation on both the income and the cost side directly trigger an adjustment in the reported market value. Key determinants are new and expiring leases, change in the vacancy situation, as well as movements in running, maintenance and repair costs. Developments in the relevant local real estate market have an impact on the calculation of potential rental values. Changes in the capital or transaction markets have an influence on discount rates. Property ageing is another key factor.

Significant unobservable inputs

	Switzerland		Other countries	
	2018	2017	**2018**	2017
Rent growth p.a.	**0.3–5.0%**	0.3–3.5%	**–**	–
Long-term vacancy rate	**3.2–8.3%**	4.1–7.1%	**–**	–
Discount rate	**2.3–4.7%**	2.3–4.8%	**2.3–6.3%**	2.3–8.4%
Market rental value p.a. (price/m²/year)	**CHF 252–304**	CHF 231–288	**EUR 87–377**	EUR 85–928

Significant increases or decreases in estimated rental value and rent growth per annum would result in a higher or lower fair value of investment property. Significant decreases or increases in the discount rate would result in a higher or lower fair value. The following sensitivity information show how the fair value of investment property would have been affected if changes in certain parameters that are used in the discounted cash flow model for the determination of fair value had occurred. At 31 December 2018, if rental income that can be earned in the long term had decreased by 5%, the fair value of investment property would have been CHF 1887 million lower (2017: CHF 1866 million). At 31 December 2018, if discount rates had been 10 basis points higher, the fair value of investment property would have been CHF 862 million lower (2017: CHF 807 million).

Financial assets that on a specific date give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding meet the SPPI criterion. The fair value of such assets and those that do not meet the SPPI criterion as well as the change in fair value are disclosed in the following table.

Fair value of debt instruments

In CHF million	Change in the fair value	Fair value
	2018	**31.12.2018**
DEBT INSTRUMENTS THAT MEET THE SPPI CRITERION		
Governments and supranationals	**–847**	**53 076**
Corporates	**–2 484**	**47 407**
Other	**–17**	**10 223**
TOTAL	**–3 348**	**110 706**
DEBT INSTRUMENTS THAT DO NOT MEET THE SPPI CRITERION		
Governments and supranationals	**–5**	**114**
Corporates	**–47**	**1 631**
Other	**–8**	**112**
TOTAL	**–60**	**1 857**
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Debt instruments managed on a fair value basis	**–11**	**340**
Debt instruments for the account and risk of the Swiss Life Group’s customers	**–652**	**6 378**
TOTAL	**–663**	**6 718**

The fair value and gross carrying amount of debt instruments that meet the SPPI criterion and have a credit rating below investment grade are disclosed in the following table.

Debt instruments SPPI below investment grade as at 31 December 2018

In CHF million	Gross carrying amount	Fair value
DEBT SECURITIES		
Governments and supranationals	64	64
Corporates	968	968
TOTAL DEBT SECURITIES	1 032	1 032
MORTGAGES		
Residential	11	12
TOTAL MORTGAGES	11	12
OTHER LOANS AND RECEIVABLES		
Governments and supranationals	0	0
Corporates	2 420	2 420
Other	29	29
TOTAL OTHER LOANS AND RECEIVABLES	2 449	2 449

Reconciliation of fair value measurements categorised within level 3

The following tables show a reconciliation from the opening balances to the closing balances for fair value measurements categorised within level 3 of the fair value hierarchy.

Assets measured at fair value based on level 3 for the year 2018

In CHF million	Derivatives	Debt instruments		Equity instruments		Financial assets for the account and risk of the Swiss Life Group's customers	Investment property	Total
		At fair value through profit or loss	Available for sale	At fair value through profit or loss[1]	Available for sale			
Balance as at 1 January	–	14	107	2 770	1 179	2 622	27 946	34 637
Total gains/losses recognised in profit or loss	–	0	0	132	54	339	725	1 249
Total gains/losses recognised in other comprehensive income	–	–	–10	–	–34	–	–	–44
Additions	–	3	241	793	116	620	3 640	5 413
Disposals	–	–5	–105	–413	–234	–106	–640	–1 503
Transfers into level 3	–	–	–	–	1	–	–	1
Foreign currency translation differences	–	–1	–9	–45	–30	–92	–290	–465
BALANCE AS AT END OF PERIOD	–	12	225	3 236	1 051	3 383	31 381	39 289
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	–	0	–	130	–28	338	711	1 151

[1] including associates at fair value through profit or loss

Assets measured at fair value based on level 3 for the year 2017

In CHF million	Derivatives	Debt instruments		Equity instruments		Financial assets for the account and risk of the Swiss Life Group's customers	Investment property	Total
		At fair value through profit or loss	Available for sale	At fair value through profit or loss[1]	Available for sale			
Balance as at 1 January	–	13	0	2 315	1 328	2 316	23 801	29 773
Total gains/losses recognised in profit or loss	–	0	–1	67	28	–105	651	640
Total gains/losses recognised in other comprehensive income	–	–	0	–	27	–	–	27
Additions	–	0	108	874	199	315	3 563	5 059
Disposals	–	–	0	–563	–466	–75	–522	–1 627
Transfers into level 3	–	–	0	1	–	0	–	1
Transfers out of level 3	–	–	–	–11	–	–	–	–11
Foreign currency translation differences	–	1	0	88	62	171	452	775
BALANCE AS AT END OF PERIOD	–	14	107	2 770	1 179	2 622	27 946	34 637
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	–	0	–	63	–8	–105	601	551

[1] including associates at fair value through profit or loss

During 2018, debt securities of CHF 36 million (2017: CHF 120 million) were transferred from level 1 into level 2 due to reduced frequency of price quotations, and debt securities of CHF 23 million (2017: CHF 114 million) were transferred from level 2 into level 1 due to available quoted prices. Changes in fund pricing frequency (daily/weekly) resulted in the following transfers of investment funds during 2018: CHF 19 million (2017: nil) from level 1 into level 2, and nil (2017: nil) from level 2 into level 1.

The transfers between the levels of the fair value hierarchy were made at the end of the reporting period.

Liabilities measured at fair value based on level 3

In CHF million	Derivatives		Unit-linked contracts		Non-controlling interests in investment funds		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Balance as at 1 January	–	–	**152**	150	**933**	877	**1 085**	1 027
Total gains/losses recognised in profit or loss	–	–	**0**	0	**60**	6	**60**	6
Additions	–	–	**10**	2	**679**	261	**689**	262
Disposals	–	–	**–1**	0	**–40**	–221	**–41**	–221
Transfers into level 3	–	–	–	–	–	–	–	–
Transfers out of level 3	–	–	–	–	–	–11	–	–11
Foreign currency translation differences	–	–	**0**	0	**–21**	21	**–21**	22
BALANCE AS AT END OF PERIOD	–	–	**161**	152	**1 611**	933	**1 772**	1 085
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	–	–	**0**	0	**59**	6	**59**	6

Gains/losses recognised in profit or loss

Gains/losses on level 3 fair value measurements recognised in profit or loss are presented in the income statement as follows.

In CHF million	Net gains/losses on financial assets		Net gains/losses on financial instruments at fair value through profit or loss		Net gains/losses on investment property	
	2018	2017	2018	2017	2018	2017
ASSETS						
Total gains/losses recognised in profit or loss	**54**	27	**471**	–38	**725**	651
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	**–28**	–8	**468**	–42	**711**	601
LIABILITIES						
Total gains/losses recognised in profit or loss	–	–	**–60**	–6	–	–
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	–	–	**–59**	–6	–	–

30.2 Fair value of financial instruments carried at amortised cost

The following table shows the carrying amounts and fair values of those financial assets and liabilities not measured at fair value in the Group's balance sheet.

In CHF million	Carrying amount		Fair value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
ASSETS				
Loans	17 058	18 613	19 139	21 285
Receivables [1]	4 405	4 361	4 405	4 361
LIABILITIES				
Investment contracts without discretionary participation [1]	0	0	0	0
Borrowings	3 385	3 577	3 583	4 080
Other financial liabilities [1,2]	15 273	12 292	15 273	12 292

[1] Carrying amount approximates fair value.
[2] excluding non-controlling interests in investment funds

Fair value hierarchy

In CHF million	Quoted prices (level 1)		Valuation technique – observable inputs (level 2)		Valuation technique – unobservable inputs (level 3)		Total fair value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
ASSETS								
Loans	1 592	2 649	7 704	9 423	9 844	9 213	19 139	21 285
LIABILITIES								
Borrowings	3 366	3 332	217	747	–	1	3 583	4 080

Receivables, investment contracts and other financial liabilities
The carrying amounts of receivables and other financial liabilities represent a reasonable estimate of fair value as the effect of discounting is immaterial and changes in credit risk are not significant. Such instruments include insurance receivables and payables, demand and short-term deposits and repurchase agreements. The carrying amount of investment contracts without discretionary participation approximates the fair value at reporting date. The disclosure of the fair value hierarchy is not applicable for these instruments.

Loans

Level 1: This category consists of debt securities reclassified from financial assets available for sale due to the disappearance of an active market and where the market has become active again. Additionally, debt securities not quoted in an active market at initial recognition and where the market has become active again are included in this category.

Level 2: This category mainly consists of note loans *(Schuldscheindarlehen)* classified as loans. The fair values are measured on a discounted cash flow basis with zero coupon yield curves and credit spreads as main inputs.

Level 3: The fair values of mortgages and other loans are estimated using the discounted cash flow method.

For mortgages, the discount factors are derived from the libor/swap curve and a flat spread. Contract-specific spreads are based on an internal model that covers both risk and administration costs. Main inputs to that model are characteristics of the underlying property, the financial situation of the debtor and the duration of the contract. If no contract-specific spread is available a standard spread is applied that shall cover the marketability disadvantages and the administration costs, as mortgages are less standardised and tradable than exchange-traded bonds.

The discount factors for other loans are derived from the Group's current lending rates for similar loans. For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values equal the carrying values.

Borrowings

Level 1: This category consists of senior bonds and hybrid debt listed on the stock exchange.

Level 2: Privately placed hybrid debt is categorised as level 2. The fair value of Swiss Life's privately placed hybrid debt (subordinated step-up loans) is calculated as the present value of the prospective cash flows to the lenders. The discount rate used for the calculation consists of a relevant government bond rate plus a credit spread.

31 Offsetting Financial Assets and Liabilities

The Swiss Life Group enters into separate collateral management and netting agreements with counterparties to manage the credit risks associated with repurchase and reverse repurchase transactions, securities lending and over-the-counter and exchange-traded derivatives transactions. These agreements and similar arrangements generally enable the counterparties to set off liabilities in connection with the respective agreement against assets received in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. The right to setoff is a legal right to settle or otherwise eliminate all or a portion of an amount due by applying an amount receivable from the same counterparty against it to reduce credit exposure.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

Offsetting financial assets

in CHF million	Derivatives		Repurchase agreements		Other financial instruments		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Gross amounts of recognised financial assets before offsetting	2 140	1 675	–	–	19	–	2 159	1 675
Gross amounts of recognised financial liabilities set off	–	–	–	–	0	–	0	–
NET AMOUNTS PRESENTED IN THE BALANCE SHEET	2 140	1 675	–	–	19	–	2 158	1 675
Related amounts not set off in the balance sheet:								
Financial instruments	–509	–392	–	–	–	–	–509	–392
Cash collateral received	–1 017	–866	–	–	–	–	–1 017	–866
Net amounts	614	417	–	–	19	–	632	417

Offsetting financial liabilities

In CHF million	Derivatives		Repurchase agreements		Other financial instruments		Total	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Gross amounts of recognised financial liabilities before offsetting	1 048	1 619	4 625	3 662	15	–	5 688	5 281
Gross amounts of recognised financial assets set off	–	–	–	–	0	–	0	–
NET AMOUNTS PRESENTED IN THE BALANCE SHEET	1 048	1 619	4 625	3 662	14	–	5 688	5 281
Related amounts not set off in the balance sheet:								
Financial instruments	–512	–392	–4 767	–3 599	–	–	–5 279	–3 991
Cash collateral pledged	–528	–1 223	–	–	–	–	–528	–1 223
Net amounts	8	4	–142	63	14	–	–120	67

32 Guarantees and Commitments

In CHF million

	31.12.2018	31.12.2017
Financial guarantees[1]	**47**	53
Loan commitments	**284**	231
Capital commitments for real estate and alternative investments	**862**	520
Other capital commitments	**597**	901
Operating lease commitments	**170**	178
Commitments for joint ventures	**1**	–
Contractual obligations to purchase or construct investment property	**862**	1 367
Other contingent liabilities and commitments	**344**	559
TOTAL	**3 168**	3 809
[1]of which relating to investments in associates	**–**	2

Financial guarantees

The Group has issued financial guarantees and similar instruments. Financial guarantees provide for specified payments to be made to reimburse the holder for a loss incurred in the event that a client fails to make payment when due.

Loan commitments

The Group has also entered into irrevocable commitments to extend credit in the form of loans and other instruments. They represent undrawn credit lines which are available to clients to secure their liquidity needs. With respect to credit risk, these commitments are contingent upon clients maintaining certain credit standards, and the Group monitors its exposure on a regular basis.

The total amount of credit commitments includes commitments to lend at fixed rates, which expose the Group to interest rate risk. These commitments are entered into for restricted periods of time. As at 31 December 2018, committed principal amounts totalled EUR 5 million and CHF 223 million (2017: EUR 17 million and CHF 180 million). The range of committed interest rates is 1.78% to 3.31% for commitments in euro and 0.8% to 2.19% for commitments in Swiss francs.

Capital commitments for alternative investments

They represent unfunded commitments to make investments in direct private equity, private equity funds, infrastructure and hedge funds. Such commitments do not involve credit or market risk, as the Group purchases investments at market value at the time the commitments are invoked.

Other capital commitments

They represent agreements to provide liquidity to protection funds in the insurance industry, commitments to make investments in real estate funds and other commitments.

Operating lease commitments

The Group has entered into various operating leases as a lessee. Rental expenses for these items totalled CHF 53 million for the year ended 31 December 2018 (2017: CHF 48 million). Minimum lease payments totalled CHF 53 million in 2018 (2017: CHF 48 million).

Future minimum lease payments under non-cancellable operating leases

In CHF million

	31.12.2018	31.12.2017
Not later than 1 year	**35**	42
Later than 1 year and not later than 5 years	**118**	115
Later than 5 years	**17**	21
TOTAL	**170**	178
Expected future minimum sublease payments	**2**	2

Contractual obligations to purchase or construct investment property

They mainly relate to projects for the purchase or construction of investment property in Switzerland and Germany.

Other contingent liabilities and commitments

Contractual obligations for repairs and maintenance of investment property amounted to CHF 179 million as at 31 December 2018, which are included in this line item (2017: CHF 304 million).

The Group is involved in various legal proceedings, claims and litigation generally relating to its insurance operations. The outcome of such current legal proceedings, claims and litigation could have a material effect on operating results or cash flows when resolved in a future period. However, in the opinion of the management these matters are adequately provided for as at the balance sheet date.

According to the media release of 14 September 2017 Swiss Life is in dialogue with the US Department of Justice regarding its cross-border business with US clients. Swiss Life is using the opportunity for dialogue and explaining its past cross-border business in cooperation with the US authorities. At this stage of the dialogue it cannot be predicted if in this context possible financial charges for the Group will result.

33 Collateral

Financial assets pledged as collateral

The following table provides details of financial assets which have been sold or otherwise transferred, but which do not qualify for derecognition because substantially all risks and rewards of ownership are retained. Repurchase agreements and securities lending transactions are discussed in notes 2.7 and 12. Other securities pledged include debt securities pledged as collateral under reinsurance contracts issued and debt securities pledged as collateral under prime broker contracts to cover margins due in respect of derivative transactions.

In CHF million	Pledged amount		Fair value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Securities pledged under repurchase agreements[1]	**4 767**	3 601	**4 767**	3 601
Securities lent in exchange for securities received	**3 861**	5 516	**3 861**	5 516
Other securities pledged	**745**	421	**745**	421
TOTAL	**9 374**	9 538	**9 374**	9 538
[1] of which can be sold or repledged by transferee	**4 767**	3 601	**4 767**	3 601

Collateral held

The table below presents marketable securities received from third parties that are not recognised in the balance sheet, but are held as collateral in respect of the following transactions.

In CHF million	Fair value	
	31.12.2018	31.12.2017
Securities received as collateral in exchange for securities lent	**3 861**	5 516
Securities received for loans	**109**	621
Securities received for reinsurance assets	**272**	303
Other securities received	**49**	71
TOTAL	**4 291**	6 511

34 Events after the Reporting Period

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

35 Scope of Consolidation

Switzerland

	Segment [1]	Consolidation period		Group share	Direct share	Principal activity
ABCON AG, Bern	CH			100.0%	100.0%	Services
Actuaires et Associés SA, Petit-Lancy	CH			100.0%	100.0%	Services
Adroit Private Equity AG, Zürich	CH			100.0%	100.0%	Private equity
aXenta AG, Baden-Dättwil	CH			100.0%	100.0%	Information technology
LIVIT AG, Zürich	AM			100.0%	100.0%	Asset management & Real estate
Neue Warenhaus AG, Zürich	CH			100.0%	100.0%	Real estate
Oscar Weber AG, Zürich	CH			100.0%	100.0%	Real estate
Sobrado Software AG, Cham	CH	until	27.03.2018	–	–	Information technology
Swiss Life AG, Zürich	CH			100.0%	100.0%	Life insurance
Swiss Life Asset Management AG, Zürich	AM	until	09.06.2017	–	–	
Swiss Life Asset Management AG, Zürich	AM			100.0%	100.0%	Finance
Swiss Life Capital Holding AG, Zürich	Other			100.0%	100.0%	Holding
Swiss Life Holding AG, Zürich	Other			–	–	Holding
Swiss Life Intellectual Property Management AG, Zürich	Other			100.0%	100.0%	Services
Swiss Life International Holding AG, Zürich	IN			100.0%	100.0%	Holding
Swiss Life International Services AG, Schaan, Zweigniederlassung Zürich (Branch Swiss Life International Services AG), Zürich	IN			100.0%	100.0%	Services
Swiss Life Investment Management Holding AG, Zürich	AM			100.0%	100.0%	Holding
Swiss Life Lab AG, Zürich	CH			100.0%	100.0%	Services
Swiss Life Pension Services AG, Zürich	CH			100.0%	100.0%	Services
Swiss Life Private Equity Partners AG, Zürich	AM			100.0%	100.0%	Asset management
Swiss Life REF (CH) European Properties , Zürich	CH	from	30.11.2017	69.1%	69.1%	Investment funds
Swiss Life REIM (Switzerland) AG, Zürich	AM	until	09.06.2017	–	–	
Swiss Life Schweiz Holding AG, Zürich	CH			100.0%	100.0%	Holding
Swiss Life Select International Holding AG, Zürich	IN			100.0%	100.0%	Holding
Swiss Life Select Schweiz AG, Zug	CH			100.0%	100.0%	Services
Swissville Centers Holding AG, Zürich	CH			100.0%	100.0%	Holding
TECHNOPARK Immobilien AG, Zürich	CH			66.7%	66.7%	Real estate

Liechtenstein

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Swiss Life (Liechtenstein) AG, Schaan	IN		100.0%	100.0%	Life insurance
Swiss Life International Services AG, Schaan	IN		100.0%	100.0%	Services

[1] Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

France

	Segment [1]	Consolidation period		Group share	Direct share	Principal activity
AGAMI, Levallois-Perret	FR			100.0%	100.0%	Services and broker
ATIM Université SCI, Paris	FR			100.0%	100.0%	Real estate
AXYALIS PATRIMOINE, Valence	FR			77.6%	97.0%	Services
Cegema, Villeneuve-Loubet	FR			94.6%	94.6%	Broker
CLUB PRIME HOSPITALITY, Paris	CH/FR			78.5%	78.5%	Real estate
CrossQuantum, Nanterre	FR			100.0%	100.0%	Services
Financière du Capitole, Toulouse	FR			80.0%	80.0%	Finance
Financière du Patrimoine, Toulouse	FR			80.0%	100.0%	Real estate
MA Santé Facile, Levallois-Perret	FR			100.0%	100.0%	Services and broker
PIERRE CAPITALE, Paris	FR	from	01.01.2017	94.1%	94.1%	Real estate
SAS Placement Direct, Levallois-Perret	FR			100.0%	100.0%	Services and broker
SCI SWISSLIFE 148 UNIVERSITE, Paris	FR	from	01.01.2017	100.0%	100.0%	Real estate
SL RETAIL FRANCE 1, Paris	FR/DE	from	16.03.2017	71.8%	100.0%	Real estate
Swiss Life Asset Management (France), Levallois-Perret	AM			100.0%	100.0%	Asset management
SWISS LIFE REIM (France), Marseille	AM			100.0%	100.0%	Asset management
SwissLife Agence Régionale, Nanterre	FR			100.0%	100.0%	Asset management
SwissLife Assurance et Patrimoine, Levallois-Perret	FR			100.0%	100.0%	Life insurance
SwissLife Assurances de Biens, Levallois-Perret	FR			100.0%	100.0%	Non-life insurance
SwissLife Banque Privée, Paris	FR			60.0%	60.0%	Bank
SwissLife Dynapierre, Levallois-Perret	FR			74.0%	74.1%	Real estate
SwissLife France, Levallois-Perret	FR			100.0%	100.0%	Holding
SwissLife Gestion Privée, Paris	FR			60.0%	100.0%	Bank
SwissLife Prestigimmo, Levallois-Perret	FR			100.0%	100.0%	Real estate
SwissLife Immobilier, Levallois-Perret	AM	until	01.01.2017	–	–	
SwissLife Prévoyance et Santé, Levallois-Perret	FR			99.8%	99.8%	Non-life insurance

[1] Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Germany

	Segment [1]	Consolidation period		Group share	Direct share	Principal activity
ACB Projekt GmbH, Köln	CH	from	04.04.2017	50.0%	50.0%	Asset management & Real estate
BCP GP GmbH, Berlin	AM	from	12.12.2018	100.0%	100.0%	Asset management & Real estate
BEOS AG, Berlin	AM	from	30.08.2018	100.0%	100.0%	Asset management & Real estate
BEOS Fixture GmbH, Berlin	AM	from	30.08.2018	100.0%	100.0%	Asset management & Real estate
BEREM Property Management GmbH, Berlin	AM	from	30.08.2018	100.0%	100.0%	Asset management & Real estate
BVIFG I General Partner GmbH, Berlin	AM	from	30.08.2018	100.0%	100.0%	Asset management & Real estate
BVIFG I Management GmbH, Berlin	AM	from	30.08.2018	100.0%	100.0%	Asset management & Real estate
CitCor Residential Verwaltungs GmbH, Düsseldorf	AM			100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Asset Management Commercial GmbH, Heusenstamm	AM	until	01.08.2017	–	–	
CORPUS SIREO Asset Management Residential GmbH, Köln	AM	until	14.07.2017	–	–	
CORPUS SIREO Asset Management Retail GmbH, Köln	AM	until	14.07.2017	–	–	
CORPUS SIREO Aurum GmbH & Co. KG, Köln	CH			100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Immobilien Beteiligungs GmbH, Köln	CH			100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Residential No. 2 GmbH, Köln	AM			100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Investment Residential No. 30 GmbH & Co. KG, Köln	AM			99.0%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Beteiligungs GmbH, Köln	AM			100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Düsseldorf GmbH, Köln	AM			99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Köln-West GmbH, Köln	AM	until	16.05.2018	–	–	
CORPUS SIREO Projektentwicklung München GmbH, Köln	AM			99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung München II GmbH, Köln	AM			100.0%	100.0%	Asset management & Real estate
CORPUS SIREO Projektentwicklung Wohnen GmbH, Köln	AM			99.9%	100.0%	Asset management & Real estate
CORPUS SIREO Real Estate GmbH, Köln	AM			100.0%	100.0%	Holding

[1] Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Germany (continued)

	Segment [1]	Consolidation period		Group share	Direct share	Principal activity
Financial Solutions AG Service & Vermittlung, Garching b. München	DE			100.0%	100.0%	Services
FRECOR Projektentwicklung und Wohnbau GmbH, Köln	AM			76.0%	76.0%	Asset management & Real estate
IC Investment Commercial No. 5 GmbH, Köln	AM			100.0%	100.0%	Asset management & Real estate
Maicor Projektentwicklung Winterhafen GmbH, Mainz	AM			74.2%	74.2%	Asset management & Real estate
RheinCOR Projektentwicklung GmbH, Köln	AM			55.0%	55.0%	Asset management & Real estate
S Corpus Immobilienmakler GmbH, Köln	AM	until	02.01.2018	–	–	
Schwabengalerie GmbH & Co. Geschlossene Investmentkommanditgesellschaft, Heusenstamm	DE			100.0%	100.0%	Real estate
SELECT Bauprojektentwicklung GmbH, Köln	AM	until	01.03.2018	–	–	
SL Beteiligungs-GmbH & Co. Grundstücksverwaltung KG, Garching b. München	DE			100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien I KG, Garching b. München	DE			100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien II KG, Garching b. München	DE			100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien III KG, Garching b. München	DE			100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien IV KG, Garching b. München	DE			100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien Ost KG, Garching b. München	DE			100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien V KG, Garching b. München	DE			100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien VI KG, Garching b. München	DE			100.0%	100.0%	Real estate
SL Beteiligungs-GmbH & Co. Immobilien VII KG, Garching b. München	DE			100.0%	100.0%	Real estate
SL-Immobilien-Beteiligungs-Gesellschaft mbH, Garching b. München	DE			100.0%	100.0%	Holding
SL Private Equity GmbH, Frankfurt am Main	DE			98.9%	98.9%	Private equity
SLPM Schweizer Leben PensionsManagement GmbH, Garching b. München	DE			100.0%	100.0%	Services
Swiss Life AG, Garching b. München (Branch Swiss Life AG)	DE			100.0%	100.0%	Life insurance
Swiss Life Asset Management GmbH, Garching b. München	AM			100.0%	100.0%	Services
Swiss Life Deutschland erste Vermögensverwaltungs GmbH, Garching b. München	DE			100.0%	100.0%	Services
Swiss Life Deutschland Holding GmbH, Hannover	DE			100.0%	100.0%	Holding
Swiss Life Invest GmbH, München	AM			100.0%	100.0%	Asset management
Swiss Life Kapitalverwaltungsgesellschaft mbH, Heusenstamm	AM			100.0%	100.0%	Asset management & Real estate
Swiss Life Partner Service- und Finanzvermittlungs GmbH, Garching b. München	DE			100.0%	100.0%	Services
Swiss Life Pensionsfonds AG, Garching b. München	DE			100.0%	100.0%	Life insurance
Swiss Life Pensionskasse AG, Garching b. München	DE			100.0%	100.0%	Life insurance
Swiss Life Service GmbH, Leipzig	DE			100.0%	100.0%	Services
Swiss Life Vermittlungs GmbH, Garching b. München	DE			100.0%	100.0%	Services
VREF Germany ACB GmbH & Co. KG (formerly Vestas Germany ACB GmbH & Co. KG), Köln	CH	until	29.06.2017	–	–	

[1] Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Luxembourg

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
CORPUS SIREO Investment Residential No. 24 S.à r.l., Luxembourg	AM	until 05.06.2018	–	–	
CORPUS SIREO Real Estate S.à r.l., Luxembourg	AM		100.0%	100.0%	Asset management & Real estate
CORPUS SIREO RetailCenter-Fonds Deutschland SICAV-FIS, Luxembourg	DE		57.0%	57.0%	Asset management & Real estate
CS Stella (LUX) S.à r.l., Luxembourg	CH	until 04.07.2017	–	–	
Heralux S.A., Luxembourg	FR		99.8%	100.0%	Reinsurance
SchwabenGalerie Stuttgart S.C.S., Munsbach	DE		100.0%	100.0%	Asset management & Real estate
SL Fixed Income Fund SICAV-SIF SA, Luxembourg	CH		100.0%	100.0%	Investment funds
SL Place de Paris S.à r.l., Luxembourg	FR		100.0%	100.0%	Real estate
SWISS LIFE (LUXEMBOURG) S.A., Luxembourg	IN		100.0%	100.0%	Life insurance
Swiss Life Assurance Solutions S.A., Luxembourg	Other		100.0%	100.0%	Non-life insurance
Swiss Life Fund Management (LUX) S.A., Luxembourg	AM		100.0%	100.0%	Investment funds
Swiss Life Funds (Lux) Global Infrastructure Opportunities Management S.à r.l., Luxembourg	AM		100.0%	100.0%	Asset management
Swiss Life Funds (Lux) Global Infrastructure Opportunities S.C.A., SICAV-SIF, Luxembourg	AM		82.6%	82.6%	Asset management
Swiss Life Hotel Properties SCS, Luxembourg	DE		100.0%	100.0%	Asset management & Real estate
Swiss Life Immo-Arlon, Société Anonyme, Strassen	Other	until 15.12.2017	–	–	
Swiss Life Invest Luxembourg S.A., Luxembourg	IN		100.0%	100.0%	Holding
Swiss Life Loan Fund (LUX) SA, SICAV-SIF, Luxembourg	CH/FR/DE	from 19.09.2017	100.0%	100.0%	Investment funds
Swiss Life Participations Luxembourg S.A., Luxembourg	IN		100.0%	100.0%	Holding
Swiss Life Products (Luxembourg) S.A., Luxembourg	CH		100.0%	100.0%	Life insurance/Reinsurance
Swiss Life REF (LUX) European Retail SCS, SICAV-SIF (formerly Swiss Life REF (LUX) European Retail SCS, SICAV-RAIF), Luxembourg	FR/DE	from 08.03.2017	71.8%	71.8%	Real estate
Swiss Life REF (LUX) German Core Real Estate SCS, Société en Commandite simple sous la forme d'une SICAV, Luxembourg	CH/FR/DE		66.4%	66.4%	Real estate
SwissLife LuxCo S.à r.l., Luxembourg	FR	from 24.02.2017	100.0%	100.0%	Holding

United Kingdom

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Chase de Vere IFA Group Plc, London	IN		100.0%	100.0%	Finance
MAYFAIR CAPITAL INVESTMENT MANAGEMENT LIMITED, London	AM		100.0%	100.0%	Asset management
MAYFAIR CAPITAL PARTNERS LIMITED, London	AM		100.0%	100.0%	Asset management
MAYFAIR CAPITAL TGF GENERAL PARTNER LLP, London	AM	from 18.08.2017	100.0%	100.0%	Asset management
MAYFAIR CAPITAL TRUST MANAGER (JERSEY) LIMITED, St. Helier	AM		100.0%	100.0%	Asset management
MCIM CORPORATE TRUSTEES LIMITED, London	AM		100.0%	100.0%	Asset management

Austria

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Swiss Life Select CEE Holding GmbH, Wien	IN		100.0%	100.0%	Holding
Swiss Life Select Österreich GmbH, Wien	IN		100.0%	100.0%	Services

[1] Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Belgium

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Cortenbergh 107 SA, Bruxelles	CH	from 25.07.2018	100.0%	100.0%	Asset management & Real estate
MONTOYER 51 LEASEHOLD, Etterbeek	FR		100.0%	100.0%	Real estate
RENAISSANCE OFFICE SPRL, Bruxelles	FR		100.0%	100.0%	Real estate
Swiss Life BelCo, Etterbeek	FR		100.0%	100.0%	Real estate

Cayman Islands

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Adroit Investment (Offshore) Ltd., Grand Cayman	CH		100.0%	100.0%	Private equity
Adroit Partnerships (Offshore) L.P., Grand Cayman	CH		100.0%	100.0%	Private equity
Swiss Life Financial Services (Cayman) Ltd., Grand Cayman	Other		100.0%	100.0%	Services
Swiss Life Insurance Finance Ltd., Grand Cayman	Other		100.0%	100.0%	Finance

Czech Republic

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Fincentrum a.s., Praha	IN	from 19.10.2018	100.0%	100.0%	Services
Fincentrum Reality s.r.o., Praha	IN	from 19.10.2018	100.0%	100.0%	Services
Swiss Life Select Ceska Republika s.r.o., Brno	IN		100.0%	100.0%	Services

Singapore

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Swiss Life (Singapore) Pte. Ltd., Singapore	IN		100.0%	100.0%	Life insurance
Swiss Life Network (Asia) Pte. Ltd., Singapore	IN		100.0%	100.0%	Services

Slovakia

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity
Fincentrum a.s., Bratislava	IN	from 19.10.2018	100.0%	100.0%	Services
Fincentrum Reality s.r.o., Bratislava	IN	from 19.10.2018	100.0%	100.0%	Services

[1] Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Report of the Statutory Auditor

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

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Swiss Life Holding Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 142-297) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, 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 Group materiality: CHF 125 million

We concluded full scope audit work at 10 reporting units in 5 countries. Our audit scope addressed over 90% of the Group's total assets and 99% of the Group's total net earned premiums. In addition, specified procedures were performed on a further 3 reporting units.

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

Models and assumptions used to calculate future life policyholder benefits

Recoverability of Goodwill

Valuation of investment property

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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 consolidated 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated 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 consolidated financial statements as a whole.

Overall Group materiality	CHF 125 million
How we determined it	5% of profit before tax and policyholder participation
Rationale for the materiality benchmark applied	We chose profit before tax and policyholder participation as the benchmark because, in our view, it is a prevailing indicator for the performance of the Group as it is free from management's decisions regarding profit allocation and thus, more representative of the Group's activities.

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

We continuously adjusted our audit approach to the developments of the Swiss Life Group and its subsidiaries. While all material positions of the consolidated financial statements are audited, emphasis is placed on matters identified during our risk assessment process. We have described such matters further below in section "Key audit matters".

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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	*How our audit addressed the key audit matter*
As set out in note 22 – Insurance Liabilities – Net future life policyholder benefits amount to CHF 102'210 million. Policyholders' benefits represent the estimated future benefit liability for traditional life insurance	Our audit procedures relating to actuarially determined liabilities 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 behaviour, and performing proce-

Key audit matter	*How our audit addressed the key audit matter*
policies and include the value of accumulated declared bonuses or dividends that have vested to policyholders. The reserves for life benefits for participating traditional life insurance policies are calculated using a net level premium valuation model. The actuarially determined liabilities depend on the type of profit participation and is based on actuarial assumptions, such as guaranteed mortality benefits, interest rates, persistency, expenses and investment return, plus a margin for adverse deviations. Management assesses the appropriateness of the main assumptions used for the calculation of these liabilities at each reporting date. Management's process for updating assumptions varies by territory and product. We focused our audit on these liabilities due to their significance to the consolidated financial statements, the sensitivity to changes in the economic conditions, and the level of judgment involved in setting assumptions. We consider the future life policyholder benefits in Switzerland as key audit matter, as these make up 76% of the future life policyholder benefits on the Group's balance sheet.	dures over the completeness and accuracy of underlying data used in the calculations. We were supported by actuaries in our audit work. We examined if the models used in the valuation of actuarially determined future life policyholder benefits are reasonable and in line with financial reporting requirements and industry accepted practice. We examined the biometric assumptions, such as mortality and disability. The future life policyholder benefits are calculated using a discount rate. We have reviewed 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 confirmed 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. In particular, we assessed the different components of the discount rate on a portfolio level ("individual life" and "group life"). 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, investment property, loans, mortgages, equity, and alternative investments • Comparison of the allocation of the major asset classes to the strategic asset allocation as determined by management • Verification of the consistency of the assumptions made by management with assumptions made elsewhere • Review of the methodology for determining the selected discount rate, based on the above input parameters. Based on the work performed, we determined that the models and assumptions used in the valuation of actuarially determined future life policyholder benefits are reasonable and in line with financial reporting requirements and industry accepted practice.

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Recoverability of Goodwill

Key audit matter	*How our audit addressed the key audit matter*
As elaborated in note 17 - Intangible Assets including Intangible Insurance Assets - Goodwill represents the excess of the fair value of the consideration transferred and the amount of any non-controlling interest recognised, if applicable, over the fair value of the assets and liabilities recognised at the date of acquisition. The existing goodwill amounts to CHF 1'457 million as a result of various business combinations, mainly Swiss Life Select, Lloyd Continental, CapitalLeben, Corpus Sireo and Beos. Goodwill is subject to management testing, at least annually, for impairment at the cash generating unit level. The recoverable amounts have been determined on a value-in-use basis and use cash flow projections based on financial budgets approved by management and the board of directors. The calculations are based on present values that use a single set of estimated cash flows and a single discount rate. The cash flow projections cover a three or five-year period, and consider a terminal value after such period, based on long-term growth assumptions in the various geographical markets, which is material to the overall value-in-use. In addition, a significant driver of the value-in-use is the discount rate, which is based on the weighted average cost of capital. As the actual cash flows naturally vary from planned projections, management have created detailed sensitivity analysis. The sensitivity analysis provide insights as to the recoverability of goodwill when the assumptions used in the planned projections, individually or as a whole, are not met. We focused on goodwill, since the cash flow projections extending into the future are based on significant management judgement, as to the development of the acquired businesses.	We obtained the mid-term planning documents for the individual cash generating units, as approved by management and the board of directors, including details on activities supporting the expected development. In particular, we challenged management as to the feasibility of reaching the cash flows. Further evidence of reasonableness of planned cash flows was to validate if these were met in the past. Where actual results deviated from planned results, we inquired as to the reasons and potential impact they may have, in reaching future goals. We critically assessed the deviations from planned results. In addition, with the support of our valuation experts, we assessed the main parameters used in the calculation of the weighted average cost of capital, from which the discount rate is derived. In particular, we identified the market data inputs used by the Group and tested these against independent data. As for the long-term growth rate used at the end of the mid-term planning period, we compared it to the economic environment and industry trends. We critically assessed management's sensitivity analyses to ascertain the level of reliability of the assumptions when compared to past performance. We consider the valuation approach, and the assumptions and parameters used within, as a reasonable and adequate basis for the assessment of recoverability of goodwill. The audit evidence obtained through our audit procedures was sufficient and suitable to assess the recoverability of goodwill.

Valuation of investment property

Key audit matter	*How our audit addressed the key audit matter*
As set out in note 14 - Investment Property - property held for investment amount to CHF 31'381 million. We focused on investment property due to the size of such property with respect to the total amount of invested assets and the fact that there is a high degree of judgement involved in determining the fair value. Further, we consider the investment property in Switzerland as key audit matter, as the value provides for 74% of the investment property on the Group's balance sheet. The fair value is usually derived using the generally accepted discounted cash flow method. Ordinarily the valuation of each investment property is determined on an annual basis by an independent recognised valuation expert. Consideration is given to the assumed expected rental revenue, over the period in use, and discounted using a rate which reflects the risk assessment of the investment property, such as location and market value. The fair value of investment property is essentially sensitive to a) the development of the investment property market for residential, commercial, and mix-use properties in general, to b) the expected rental revenue, and c) the discount rate.	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 investment property for an individual valuation review. Our sample selection was conducted using specified criteria, such as location, market value, market value deviation compared to the previous year, type of use, and acquisitions of investment property during the reporting period. During the audit we have been supported by our real estate valuation experts. In particular, our valuation review included the following: • assessed the completeness and appropriateness of the valuation report and the competence, objectivity and independence of the valuation expert • examined the formal aspects, in particular the compliance with investment property valuation standards • examined the valuation assumptions for example expected rental income, with regards to reasonableness and market conformity • reviewed the mathematical correctness of fundamental calculation steps through the reperformance of a sample of such calculation steps • examined the appropriateness of the valuation methodology used • examined the valuation parameters (discount rate and operating costs) and compared these to market data. In addition, we assessed the average discount rate resulting from valuing the investment property portfolio and compared it to market data. We compared the booked values with the valuation results of the valuation experts. We examined if 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 investment property.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Swiss Life Holding Ltd and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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, ISAs 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Peter Eberli	Nebojsa Baratovic
Audit expert Auditor in charge	Audit expert

Zürich, 12 March 2019

Swiss Life Holding Financial Statements

Management Report

Swiss Life Holding increased its profit in the 2018 financial year from CHF 314 million to CHF 460 million.

The annual profit of Swiss Life Holding in 2018 mainly consisted of dividends and investment income. Dividend payments from subsidiaries to the holding company increased from CHF 555 million to CHF 623 million during the year under review. New loans totalling CHF 203 million were awarded to Group units for the acquisition of Fincentrum and Beos. In addition, new loans totalling EUR 75 million were awarded to Group units in Germany and France to finance new real estate projects. Less repayments, loans to Group companies increased from CHF 758 million in the previous year to CHF 986 million.

As at the end of the year, Swiss Life Holding had assets (liquid funds, receivables due from subsidiaries, debt securities, investment funds and equities) of CHF 1678 million. Liquid funds increased from CHF 65 million to CHF 118 million, and debt security, investment fund and equity holdings reduced from CHF 1647 million to CHF 1524 million. One of the reasons is the financing of the share buyback announced in 2018, for a total value of CHF 1000 million. Shares were bought back in the amount of CHF 87 million. All debt securities in the possession of Swiss Life Holding may be pledged as collateral.

The new loans caused interest income to rise from CHF 24 million to CHF 27 million and earnings from investments in bonds and fund units rose from CHF 44 million to CHF 46 million. Overall, other finance income rose from CHF 68 million to CHF 74 million. All loans granted internally and external investments in foreign currencies are fully hedged with currency futures. The cost of hedging during the reporting period was CHF 30 million (2017: CHF 18 million). The investment book value decreased from CHF 3416 million to CHF 3216 million during the reporting year due to an allowance of a subsidiary.

Swiss Life Holding's profit distribution to shareholders in the period under review came to CHF 460 million, or CHF 13.50 per share, and was made out of the capital contribution reserve. The par value of the share as well as Swiss Life Holding's nominal share capital stand unchanged at CHF 5.10 and CHF 175 million, respectively.

The long-term debt capital remained unchanged during the reporting year at CHF 424 million. This consists of two senior bonds in the total nominal amount of CHF 425 million, comprising a tranche of CHF 225 million with a six-year maturity (coupon 1.125%; maturing 2019) and a tranche of CHF 200 million with a ten-year maturity (coupon 1.875%; maturing 2023). These debt financing instruments were issued in 2013. Interest on the bonds came to CHF 7 million.

Staff costs and operating expenses including taxes dropped from CHF 22 million to CHF 15 million. The reduction is due to the stamp duty on issues resulting from the convertible bond conversions in the previous year.

Statement of Income

Statement of income for the years ended 31 December

In CHF million

	2018	2017
Net income on non-current assets		
Dividends received	**623**	555
Realised gain/loss on non-current assets	**–12**	–2
Unrealised gain/loss on non-current assets	**–231**	–307
Other finance income	**74**	68
Other financial expense	**–7**	–11
Foreign currency gains/losses	**–18**	–5
Total net income on non-current assets	**429**	299
Staff costs	**–6**	–6
Operating expense	**–9**	–16
Other profit from operations	**47**	44
Other operating expense	**–2**	–8
ANNUAL PROFIT	**460**	314

Balance Sheet

Balance sheet

In CHF million

	31.12.2018	31.12.2017
ASSETS		
Cash and cash equivalents	**118**	65
Receivables from Group companies	**36**	31
Receivables from third parties	**1**	2
Accrued income	**14**	17
CURRENT ASSETS	**169**	115
Financial assets		
Debt securities	**1 368**	1 424
Shares	**15**	15
Investment funds	**141**	208
Loans to Group companies	**986**	758
Other investments	**12**	–
Participations	**3 216**	3 416
NON-CURRENT ASSETS	**5 737**	5 820
TOTAL ASSETS	**5 906**	5 935
LIABILITIES AND EQUITY		
Short-term debt capital		
Short-term, interest-bearing liabilities due to third parties	**100**	40
Other short-term liabilities due to third parties	**92**	68
Accrued expenses	**4**	4
Long-term debt capital		
Senior bonds	**424**	424
LIABILITIES	**620**	536
Share capital	**175**	175
Statutory capital reserve		
Capital contribution reserve	**263**	724
Statutory retained earnings		
General reserves	**33**	33
Voluntary retained earnings		
Free reserves	**4 494**	4 181
Profit shown in the balance sheet		
Balance carried forward from previous year	**1**	0
Annual profit	**460**	314
Own capital shares	**–140**	–26
EQUITY	**5 286**	5 400
TOTAL LIABILITIES AND EQUITY	**5 906**	5 935

Notes to the Financial Statements

Accounting Rules

The 2018 Financial Statements were prepared in accordance with the provisions of Swiss accounting law (Title 32 of the Swiss Code of Obligations). Swiss Life Holding's Financial Statements are presented in millions of Swiss francs (CHF), which is the presentation currency. Figures may not add up exactly due to rounding.

Explanations on the balance sheet and statement of income

Participations

	Currency	Authorised share capital in 1000	Direct share	Currency	Authorised share capital in 1000	Direct share
		31.12.2018			31.12.2017	
Swiss Life Ltd, Zürich	**CHF**	**587 350**	**100.00%**	CHF	587 350	100.00%
Swiss Life Deutschland Holding GmbH, Hannover	**EUR**	**25**	**100.00%**	EUR	25	100.00%
Swiss Life Intellectual Property Management AG, Zürich	**CHF**	**250**	**100.00%**	CHF	250	100.00%
Swiss Life International Holding AG, Zürich	**CHF**	**1 000**	**100.00%**	CHF	1 000	100.00%
Swiss Life Investment Management Holding AG, Zürich	**CHF**	**50 000**	**100.00%**	CHF	50 000	100.00%
Swiss Life Schweiz Holding AG, Zürich	**CHF**	**250**	**100.00%**	CHF	250	100.00%

A value adjustment totalling CHF –200 million was made to Swiss Life Deutschland Holding GmbH following the annual assessment of participations.

Loans to Group companies

CHF 721 million of the loans to Group companies is classified as subordinated.

Major shareholders

BlackRock Inc., 55 East 52nd Street, New York 10055, USA, reported in a publication of 6 May 2017 that it held through various companies a total of 5.28% of the voting rights for Swiss Life Holding.

Share capital

As at 31 December 2018, the share capital of Swiss Life Holding (SLH) consisted of 34 223 106 fully-paid shares with a par value of CHF 5.10 each. In exercising voting rights, no shareholder can collect more than 10% of the total share capital directly or indirectly in respect of his own shares and those he represents. As at 31 December 2017, Swiss Life Holding had 34 223 106 registered shares outstanding with a par value of CHF 5.10 per share. Conditional share capital was CHF 19 675 534.80 as at 31 December 2018 (previous year: CHF 19 675 534.80).

Statutory capital reserve

The statutory capital reserve consists of the capital contribution reserve of CHF 263 million (previous year: CHF 724 million). The capital contribution reserve fell by CHF 13.50 per share or CHF 460 million due to the distribution of profit during the year under review. As at 31 December 2018, the capital contribution reserve came to CHF 263 million. Of this amount, CHF 86 million is recognised by the Federal Tax Administration, while the legal qualification of CHF 177 million is still open and is to be reassessed according to future legal developments.

Statutory retained earnings

Statutory retained earnings comprise the general reserves.

Free reserves
This post comprises accumulated retained earnings which have not been distributed to the shareholders.

Issue of a convertible bond in 2013
On 2 December 2013, Swiss Life Holding launched a bond issue in the amount of CHF 500 million with a coupon of 0%, maturing in 2020. The bonds may be converted into registered Swiss Life Holding shares.

In 2017, Swiss Life exercised its right to conclude an early buyback of the convertible bond issued in 2013 and due to mature in 2020. Almost all the bond holders exercised their right to convert their bonds into Swiss Life Holding shares. Bonds with a principal of CHF 499 160 000 were converted, which led in turn to the issue of 2 141 905 new shares in Swiss Life Holding from conditional capital. The remaining convertible bonds with a principal of CHF 805 000 were repurchased on 27 December 2017.

Issue of two senior bonds in 2013
Two senior bonds for a total amount of CHF 425 million were issued on 21 June 2013, split into a tranche of CHF 225 million with a tenor of six years until 2019 (coupon of 1.125%) and a tranche of CHF 200 million with a tenor of ten years until 2023 (coupon of 1.875%).

Treasury shares
The Swiss Life Group companies purchased a total of 110 000 treasury shares during the year under review at an average price of CHF 358.42. In the same period, they did not sell any shares. As at 31 December 2018, the Swiss Life Group held 191 199 treasury shares which are not part of the share buyback programme.

As part of the share buyback programme, Swiss Life Holding purchased a total of 227 700 treasury shares at an average price of CHF 380.84. As at 31 December 2018, therefore, the Swiss Life Group held a total of 418 899 treasury shares.

Contingent liabilities
Swiss Life Holding acts as warrantor for all Swiss Life Ltd liabilities with regard to the various tranches of the subordinated perpetual step-up loans (hybrid debt), which amounted to an equivalent value of CHF 4220 million at the balance sheet date.

Swiss Life Holding further provides capital guarantees for a maximum net asset value of CHF 1100 million to Swiss Life Ltd, CHF 146 million to Swiss Life Products, CHF 6 million to Swiss Life Liechtenstein, CHF 24 million to Corpus Sireo and CHF 100 million to cover regulatory requirements at the level of subsidiaries.

In addition, Swiss Life Holding grants lines of credit totalling CHF 64 million to Swiss Life Products, a line of credit in the amount of CHF 6 million to Swiss Life Schweiz Holding, a line of credit of CHF 10 million to Pierre Capitale and lines of credit totalling CHF 236 million to companies of Corpus Sireo.

Financial assets pledged as collateral

In the year under review, Swiss Life Holding pledged no liquid assets as margin cover for currency forward transactions. Debt securities of CHF 105 million were pledged on the balance sheet date as part of a repurchase agreement.

Statement of changes in equity for the years ended 31 December

In CHF million

	2018	2017
SHARE CAPITAL		
Balance as at 1 January	175	164
Change	–	11
TOTAL SHARE CAPITAL	175	175
STATUTORY CAPITAL RESERVE		
Balance as at 1 January	724	591
Distribution of profit from the capital contribution reserve	–460	–356
Changes due to conversion of the convertible bond	–	488
TOTAL STATUTORY CAPITAL RESERVE	263	724
STATUTORY RETAINED EARNINGS		
General reserves		
Balance as at 1 January	33	33
Change	–	0
Total general reserves	33	33
TOTAL STATUTORY RETAINED EARNINGS	33	33
VOLUNTARY RETAINED EARNINGS		
Free reserves		
Balance as at 1 January	4 181	3 822
Allocation to free reserves	313	359
Total free reserves	4 494	4 181
Profit shown in the balance sheet		
Balance as at 1 January	314	359
Allocation to free reserves	–313	–359
Annual profit	460	314
Total profit shown in the balance sheet	461	314
TOTAL VOLUNTARY RETAINED EARNINGS	4 955	4 495
OWN CAPITAL SHARES		
Balance as at 1 January	–26	–37
Change in own capital shares	–114	12
TOTAL OWN CAPITAL SHARES	–140	–26
TOTAL EQUITY	5 286	5 400

Number of full-time positions

As in the previous year, the number of full-time positions is not above 50 employees on average over the year.

Disclosure of compensation to the Board of Directors and the Corporate Executive Board in accordance with Art. 663b^{bis} of the Swiss Code of Obligations (CO) and Art. 14–16 of the Federal Ordinance against Excessive Compensation in Listed Stock Companies, and disclosure of the shareholdings of members of the Board of Directors and the Corporate Executive Board in accordance with Art. 663c of the CO

Compensation in 2018

The Board of Directors is responsible for drawing up a written compensation report each year to include the information required by Articles 14–16 of the Federal Ordinance against Excessive Compensation in Listed Stock Companies (Compensation Ordinance). This compensation report supersedes the details in the notes to the balance sheet according to Art. 663b^{bis} CO. Swiss Life's compensation report for the 2018 financial year is provided on pages 53 to 70.

The following tables contain information on the share ownership and participation rights of members of the Board of Directors and the Corporate Executive Board in accordance with Art. 663c CO.

Share ownership/participation rights as at 31 December 2018
As at 31 December 2018, acting members of the Board of Directors and the Corporate Executive Board (including closely linked parties) held the following number of registered Swiss Life Holding shares and future subscription rights to Swiss Life Holding shares in the form of Restricted Share Units (RSUs).

Board of Directors

	SLH shares
	31.12.2018
Rolf Dörig, Chairman of the Board of Directors	35 365
Frank Schnewlin	5 410
Adrienne Corboud Fumagalli	707
Ueli Dietiker	1 013
Damir Filipovic	1 690
Frank W. Keuper	927
Stefan Loacker	728
Henry Peter	11 682
Martin Schmid	287
Franziska Tschudi Sauber	3 179
Klaus Tschütscher	937
TOTAL BOARD OF DIRECTORS	61 925

Corporate Executive Board

	SLH shares
	31.12.2018
Patrick Frost, Group CEO	18 593
Jörg Arnold	250
Thomas Buess	22 002
Nils Frowein	2 842
Markus Leibundgut	4 866
Stefan Mächler	3 091
Charles Relecom	1 644
TOTAL CORPORATE EXECUTIVE BOARD	53 288

	Restricted Share Units (RSUs)
	31.12.2018[1]
Patrick Frost, Group CEO	9 323
Jörg Arnold	2 557
Thomas Buess	5 355
Nils Frowein	4 533
Markus Leibundgut	4 812
Stefan Mächler	4 656
Charles Relecom	4 540
TOTAL CORPORATE EXECUTIVE BOARD	35 776

[1] Total number of RSUs allocated in the years 2016, 2017 and 2018 in connection with the relevant equity compensation plan. The RSUs represent future subscription rights that entitle the individuals concerned to receive SLH shares after a period of three years, provided that the relevant conditions are met at that point.

Share ownership/participation rights as at 31 December 2017
As at 31 December 2017, acting members of the Board of Directors and the Corporate Executive Board (including closely linked parties) held the following number of registered Swiss Life Holding shares and future subscription rights to Swiss Life Holding shares in the form of Restricted Share Units (RSUs).

Board of Directors

	SLH shares 31.12.2017
Rolf Dörig, Chairman of the Board of Directors	34 364
Gerold Bührer	7 465
Frank Schnewlin	5 118
Adrienne Corboud Fumagalli	589
Ueli Dietiker	841
Damir Filipovic	1 572
Frank W. Keuper	809
Stefan Loacker	600
Henry Peter	9 995
Franziska Tschudi Sauber	3 061
Klaus Tschütscher	809
TOTAL BOARD OF DIRECTORS	65 223

Corporate Executive Board

	SLH shares 31.12.2017
Patrick Frost, Group CEO	10 949
Jörg Arnold	250
Thomas Buess	19 743
Nils Frowein	1 020
Markus Leibundgut	4 544
Stefan Mächler	1 500
Charles Relecom	1 431
TOTAL CORPORATE EXECUTIVE BOARD	39 437

	Restricted Share Units (RSUs) 31.12.2017 [1]
Patrick Frost, Group CEO	10 139
Jörg Arnold	1 367
Thomas Buess	6 067
Nils Frowein	4 958
Markus Leibundgut	5 070
Stefan Mächler	4 816
Charles Relecom	4 756
TOTAL CORPORATE EXECUTIVE BOARD	37 173

[1] Total number of RSUs allocated in the years 2015, 2016 and 2017 in connection with the relevant equity compensation plan. The RSUs represent future subscription rights that entitle the individuals concerned to receive SLH shares after a period of three years, provided that the relevant conditions are met at that point.

Appropriation of Profit
Profit and Appropriation of Profit

Annual profit amounts to CHF 460 147 097. The Board of Directors proposes to the General Meeting of Shareholders that the profit be appropriated in accordance with the table below. If this proposal is adopted, an ordinary dividend of CHF 14.00 per share will be made from profit. In addition, if this proposal is adopted, a distribution of CHF 2.50 per share will be made from the capital contribution reserve. This amounts to a total distribution of CHF 16.50 per share.

The proposal of the Board of Directors to the General Meeting of Shareholders on 30 April 2019 is based on shares entitled to a dividend as at 31 December 2018. The actual total amount of distribution depends on the number of shares entitled to a dividend on 2 May 2019. Swiss Life Holding Ltd waives a corresponding dividend in respect of treasury shares it holds at the time of distribution.

Profit shown in the balance sheet

In CHF

	2018	2017
Balance carried forward from previous year	**695 784**	50 770
Annual profit	**460 147 097**	313 645 014
TOTAL PROFIT SHOWN IN THE BALANCE SHEET	**460 842 881**	313 695 784

Appropriation of profit

In CHF

	2018	2017
Dividend	**479 123 484**	–
Allocation to legal reserves	**–**	–
Allocation to free reserves	**–**	313 000 000
Withdrawal from the free reserves	**–18 280 603**	–
Balance carried forward to new account	**–**	695 784
TOTAL PROFIT SHOWN IN THE BALANCE SHEET	**460 842 881**	313 695 784

Zurich, 12 March 2019

For the Swiss Life Holding Board of Directors

Rolf Dörig Frank Schnewlin

Report of the Statutory Auditor

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

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Swiss Life Holding Ltd, which comprise the balance sheet as at 31 December 2018, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 307 - 314) as at 31 December 2018 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 59 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 matter the following area of focus has been identified:

Valuation of participations

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

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 59 million
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because the company mainly holds participations in areas of insurance and financial services providers, as well as providing loans to group companies.

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.

Valuation of participations

Key audit matter	*How our audit addressed the key audit matter*
Participations represent a significant amount of the balance sheet (CHF 3'216 million, 55% of total assets). We refer to page 308 of the financial statements of Swiss Life Holding Ltd. Annually, management analyse participations to assess valuation adjustments. For the analysis	Our work in the area of participations mainly focused on the audit of management's analysis of valuation adjustments of participations as well as an assessment of assumptions used by management to determine the value in use.

pwc

Key audit matter	*How our audit addressed the key audit matter*
significant judgement is applied, to determine assumptions, such as new business volume, commission income, cost development applied discount rates on projected cash flows. We consider our audit procedures in this area as particularly important, due to the size of the balance sheet position and level of significant assumptions. In accordance with the Swiss Code of Obligations, participations are valued at cost with deductions for write-downs as necessary. Management test the valuation of individual participations through a comparison of the book value of each participation to the respective IFRS equity value. Management utilise the equity value of each participation determined for the IFRS closings. As long as the IFRS equity value exceeds the book value of the participation, the conclusion is drawn that the valuation of the participation is sufficient. In case that the IFRS equity value is below the book value of the participation, management performs an extensive valuation analysis and the value in use is compared to the book value of the participation. For the calculation of the value in use, an extensive valuation analysis using cash flow projections, based on mid-term planning approved by management and the board of directors, is performed. As the actual cash flows naturally vary from planned projections, management have created detailed sensitivity analyses. The sensitivity analyses provide insights as to the valuation of the participation, when key assumptions, individually or as a whole, on which planned projections are based, are not met.	As part of our audit procedures, we compared the book value with the IFRS equity value or value in use. For material participations, we audited the IFRS equity value as part of the IFRS group audit. For immaterial participations, we performed an assessment of differences between the IFRS equity value and the statutory equity. For participations where the book value exceeds the IFRS equity value, we audited the underlying valuation analysis. We reviewed the financial budgets approved by management and the board of directors. The financial budgets include details on certain planned activities supporting the expected business development. In particular, we challenged management as to the feasibility of reaching the planned cash flow projections. An element of placing trust in planned cash flow projections is the extent they were reached in the past. Where actual results varied from planned results, we inquired as to the reasons and potential impact they may have in reaching future goals and assessed the key drivers which contributed to the deviation. We critically assessed the additional sensitivity analyses prepared by management to ascertain the level of prudency used. In addition, we, together with our valuation experts, assessed the main parameters used in the calculation of the weighted average cost of capital, from which the discount rate is derived. In particular, we identified the market data inputs used by management and compared these against independent data. As for the long-term growth rate used at the end of the mid-term planning period, we compared it to the economic environment and industry trends. We consider the valuation approach, and the assumptions and parameters used within, as a reasonable and adequate basis for the assessment of the participation value recorded on the balance sheet. The audit evidence obtained through our audit procedures was sufficient and suitable to assess the valuation of participations.

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on other legal and regulatory requirements

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Eberli

Audit expert
Auditor in charge

Nebojsa Baratovic

Audit expert

Zürich, 12 March 2019

Share Performance and Historical Comparison

The Swiss Life share price developed strongly in 2018, closing the year at CHF 378.60. This is an increase of 10%, or 14% taking into account the dividend payment of CHF 13.50 in April 2018.

The international stock markets were negatively influenced by this year's trade conflict between the US and China and continued monetary policy normalization. Additionally the political debate on the Brexit also caused uncertainty on the markets. US stock prices fell during the final quarter 2018 and closed 2018 down, like other major stock indices in developed economies. Also the Swiss Market Index (SMI) was unable to escape the global trends and closed the year minus 10%. Swiss Life's share price in this setting developed very nicely; with a plus of 10% until end of 2018, the share outperformed the SMI and the European Down Jones Stoxx 600 insurance index (–10%) considerably. At the Annual General Meeting in April 2018, shareholders approved a withholding tax-free distribution from the capital contribution reserve of CHF 13.50 per share.

Swiss Life share details

Swiss security number	1 485 278
ISIN	CH 001 485 278 1
Ticker symbol SIX	SLHN
Reuters	SLHN.S
Bloomberg	SLHN SW

Share performance

Amounts in CHF

	as at 2018	2018	2017	2016	2015	2014
Number of shares	**31.12.**	**34 223 106**	34 223 106	32 081 201	32 081 054	32 081 054
Annual high	**03.12.**	**395.90**	363.50	290.30	272.90	238.90
Annual low	**09.02.**	**328.10**	292.40	211.50	201.80	185.70
Year-end price	**28.12.**	**378.60**	345.00	288.20	271.30	236.40
Performance of Swiss Life (in %)		**+10**	+20	+6	+15	+28
Swiss Market Index (SMI)	**28.12.**	**8 429**	9 382	8 220	8 818	8 983
Performance of Swiss Market Index (SMI) (in %)		**–10**	+14	–7	–2	+10
Dow Jones STOXX 600 Insurance Index (in EUR)	**31.12.**	**259.40**	288.35	269.66	285.56	250.55
Performance of Dow Jones STOXX 600 Insurance Index (in %)		**–10**	+7	–6	+14	+10
Average trading volume		**177 519**	144 983	158 405	142 838	121 462
Market capitalisation (in CHF million)	**28.12.**	**12 957**	11 807	9 246	8 704	7 584
Basic earnings per share		**31.58**	30.98	28.92	27.41	25.52
Diluted earnings per share		**31.49**	29.63	27.27	25.85	24.11
Dividend paid per share	**30.04.**	**13.50**	11.00	8.50	6.50	5.50
Total dividend payout to shareholders (in CHF million)	**30.04.**	**460**	356	271	207	176
Dividend yield on year-end price (in %)	**28.12.**	**3.57**	3.19	2.95	2.40	2.33

Source: Bloomberg

Breakdown of registered shares with voting rights as at 31.12.2018

Number of shares	Number of shareholders	As % of registered shareholders
1–25	**125 493**	**78.75**
26–100	**22 004**	**13.81**
101–1 000	**10 765**	**6.76**
> 1 000	**1 098**	**0.69**
TOTAL	**159 360**	**100.00**

Standard & Poor’s financial strength ratings as at 31.12.2018

	Classification	Outlook
Swiss Life Ltd, Zurich	**A**	**positive**
Swiss Life Ltd, Branch Germany, Munich	**A**	**positive**

Swiss Life Group historical comparison

In CHF million (if not stated otherwise)

	2018	2017	2016	2015	2014
PREMIUM VOLUME					
Gross written premiums, policy fees and deposits received	**19 218**	18 565	17 366	18 853	19 102
FIGURES FROM CONSOLIDATED STATEMENT OF INCOME					
Net earned premiums	**13 157**	12 791	13 228	13 771	13 776
Fee and commission income	**1 615**	1 469	1 351	1 292	1 305
Financial result	**5 003**	4 395	5 062	5 281	5 361
TOTAL INCOME	**20 062**	18 769	19 784 [1]	20 555	20 474
Net insurance benefits and claims	**–13 961**	–13 189	–14 064	–15 516	–15 218
Policyholder participation	**–1 155**	–949	–1 325	–899	–1 146
Operating expense	**–3 268**	–2 842	–2 764 [1]	–2 649	–2 735
TOTAL EXPENSE	**–18 527**	–17 292	–18 393 [1]	–19 226	–19 304
PROFIT FROM OPERATIONS	**1 534**	1 476	1 391 [1]	1 329	1 169
NET PROFIT	**1 080**	1 013	926	878	818
Net profit attributable to					
Equity holders of Swiss Life Holding	**1 076**	1 007	922	872	814
Non-controlling interests	**4**	6	4	6	4
FIGURES FROM CONSOLIDATED BALANCE SHEET					
Equity	**15 034**	15 583	13 739	12 258	12 831
Insurance reserves	**170 048**	171 649	159 899	154 953	156 684
Total assets	**212 982**	212 800	199 731	189 252	192 854
FURTHER KEY FIGURES					
Return on equity (in %) [2]	**9.1**	9.3	9.6	9.7	9.6
Assets under control	**277 040**	269 255	243 255	223 411	224 593
Value of new business	**386**	351	296	268	255
Number of employees (full-time equivalents)	**8 624**	7 979	7 801	7 595	7 492

[1] adjusted

[2] equity excl. unrealised gains/losses on bonds

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Annual Report 2018

The Annual Report is published in German and English and contains information on corporate governance, risk management, corporate responsibility and the annual accounts.
The English text is definitive for the Consolidated Financial Statements; the original German text is binding in all other respects.

The Annual Report can be found online at: www.swisslife.com/ar2018

Publishing details

Publisher — Swiss Life Holding Ltd, Zurich
Editorial responsibility — Swiss Life, Group Communications and Strategic Marketing, Zurich
Concept, design and technical realisation — EQS Group, Zurich
Production — Management Digital Data AG, Lenzburg

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

Important dates

Annual General Meeting 2019
30 April 2019, Hallenstadion Zurich

Interim Statement Q1 2019
9 May 2019

Half-year Results 2019
13 August 2019

Interim Statement Q3 2019
6 November 2019

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