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 statement of income, consolidated statement of comprehensive income, consolidated balance sheet as at 31 December 2019, the consolidated statement of cash flows, 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 152-304) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 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 128 million

We concluded full scope audit work at 10 reporting units in 5 countries. Our audit scope addressed over 89% 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 six 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

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 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 128 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.

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 in 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 – total net future life policyholder benefits of the Swiss Life Group amount to CHF 106'789 million. We consider the future life policyholder benefits in Switzerland, which make up 76% of the future life policyholder benefits on the Group's balance sheet as a key audit matter. Policyholders’ benefits represent the estimated future benefit liability for traditional life insurance 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 are based on actuarial assumptions, such as	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 procedures over the completeness and accuracy of underlying data used in the calculations. We were supported by actuaries in our audit work. We assessed the biometric assumptions, such as mortality and disability for reasonableness. As the future life policyholder benefits are calculated using a discount rate, we have assessed significant assumption changes made during the year with a focus on the interest

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

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

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

Based on the work performed, we determined that the models and assumptions used in the valuation of actuarially determined future life policyholder benefits are reasonable and in line with financial reporting requirements and industry accepted practice.

Recoverability of Goodwill

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 1'461 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 per cash generating unit. 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.

How our audit addressed the key audit matter

We have obtained the cash flow projections based on financial budgets for the individual cash generating units approved by management and the board of directors, including details on activities supporting the expected development. 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. 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.

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. This sensitivity analysis provides 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 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 management's assessment of the 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 34'866 million for the Swiss Life Group. 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 held by Swiss Life Switzerland as a key audit matter, as the value makes up a substantial part 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 valuation expert. Consideration is given to the expected rental revenue, over the period in use, and discounted using a rate which reflects the risk assessment of the 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 mixed-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 properties for an individual valuation testing. Our sample selection was conducted using specified criteria, such as location, market value, market value deviation compared to the previous year, type of use, and acquisitions of investment property during the reporting period. During the audit we have been supported by our real estate valuation experts. Our valuation testing included the following: • Assessment of the completeness and appropriateness of the valuation report • Evaluation of the competence, objectivity and independence of the valuation expert • Examination of the formal aspects, in particular the compliance with investment property valuation standards • Amongst other procedures, we examined the valuation assumptions for expected rental income, with regards to reasonableness and market conformity • Test of the mathematical correctness of fundamental calculation steps through the reperformance of such calculations • Examination of the appropriateness of the valuation methodology used • Examination of the valuation parameters (discount rate and operating costs) used and comparison of the same to market data In addition, we assessed the average discount rate resulting from valuing the 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 the 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, 10 March 2020