

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.

Dividend and distribution out of capital contribution reserve

For the 2018 financial year, Swiss Life paid a dividend of CHF 14.00 per registered share and made a distribution to the shareholders of Swiss Life Holding Ltd (hereafter referred to as "Swiss Life Holding") from the capital contribution reserve of CHF 2.50 per registered share. Both payments amounted to CHF 547 million in total and were paid in the first half of 2019.

Share buyback programme

In November 2018, the Group announced a CHF 1 billion share buyback programme that commenced in December 2018 and ended in December 2019 when the target size had been reached. 2 208 715 Swiss Life Holding shares were repurchased for CHF 1 billion under the share buyback programme. The average price paid was CHF 452.75.

Approval of financial statements

On 10 March 2020, 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. In the exposure draft ED/2019/4, dated 27 June 2019, the IASB proposes to defer the effective date of IFRS 17 by one year and consequently extend the use of the deferral approach to IFRS 9, 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.

Effective from 1 January 2019, the Swiss Life Group adopted IFRS 16 Leases. The new standard eliminates the classification of leases as either operating leases or finance leases for lessees. Instead, the Swiss Life Group records most of these leases on-balance sheet, the effect being that reported assets and liabilities increase. The straight-line operating lease expense is replaced with a depreciation charge for the right-of-use asset and an interest expense on the lease liability. As a practical expedient, the Swiss Life Group excludes short-term and low-value leases from this treatment and expenses the related lease payments as they occur. From a lessor's perspective, the

Swiss Life Group's accounting treatment was carried forward. As a lessee, the Swiss Life Group measures the lease liability at the present value of the future lease payments comprising the following components: fixed payments net of lease incentives receivable, variable payments that depend on an index or rate, expected payments for residual value guarantees, penalties and the exercise price of a purchase option, if reasonably certain to be exercised. The lease liability is included in other financial liabilities on the balance sheet. Its present value is determined using the implicit interest rate from the lease contract if available or, otherwise, an incremental borrowing rate, which represents the borrowing costs the lessee would pay to finance the purchase of the leased asset, taking into consideration the economic environment, the lease term and the asset type. The Swiss Life Group measures the right-of-use asset at cost, comprising the following components: the amount of the initial measurement of the lease liability, any lease payments made before the commencement date, any initial direct costs and an estimate of costs for dismantling, removing or restoring at the end of the lease term. The right-of-use asset is depreciated on a straight-line basis over the useful life of the underlying asset, if the ownership of the underlying asset will be transferred to the lessee by the end of the lease term or a purchase option is reasonably certain to be exercised. Otherwise, the right-of-use asset is depreciated over the useful life of the underlying asset, or the lease term, whichever is shorter. The right-of-use asset, which comprises leased premises, vehicles and office equipment, is included in property and equipment on the balance sheet. It is the Swiss Life Group's policy that for perpetual lease contracts with a termination right given only to the lessee, the assumed remaining lease term should not exceed ten years. The remaining lease term should be reassessed and the lease liability should be remeasured by the end of the ten years considering all relevant facts and circumstances. At transition as per 1 January 2019, the Swiss Life Group applied the modified retrospective approach with the following practical expedients: 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 as per 1 January 2019 amounted to CHF 171 million and the right-of-use asset amounted to CHF 171 million. The adjustment through equity relating to prior periods was nil. Prior period financial statements have not been restated. Further transition-related information is summarised in the following table.

In CHF million	
Future lease payments under non-cancellable operating leases as disclosed at 31.12.2018	170
effect of lease extension and termination options	23
short-term leases/leases terminating in 2019	-6
leases of low-value assets	-2
Undiscounted lease liability	185
effect of discounting	-14
LEASE LIABILITY RECOGNISED AT 1 JANUARY 2019	171
Weighted average borrowing rate	2.32%

Other new or amended standards and 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	
	31.12.2019	31.12.2018	Average 2019	Average 2018
1 British pound (GBP)	1.2817	1.2527	1.2688	1.3065
1 Czech koruna (CZK)	0.0427	0.0437	0.0433	0.0450
1 Euro (EUR)	1.0852	1.1255	1.1125	1.1558
1 Singapore dollar (SGD)	0.7187	0.7210	0.7285	0.7253
1 US dollar (USD)	0.9664	0.9828	0.9938	0.9786

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. 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 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 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. 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 and 90% of any other results are allocated to the policyholders as a minimum.

Germany

A minimum of 90% of the net investment returns, 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

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 measured at fair value through profit and loss and are included in investment and unit-linked contracts ("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 measured at fair value through profit and loss and are included in investment and unit-linked contracts.

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

Until 31 December 2018, under the application of IAS17, the Group primarily entered into operating leases for the rental of equipment and property. The total payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease. When an operating lease was terminated before the lease period had expired, any payment required to be made to the lessor by way of penalty was recognised as an expense in the period the lease became onerous.

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

Since 1 January 2019, applying IFRS 16, future lease payments that are fixed or variable based on an index or rate are discounted and recorded on the balance sheet as lease liability. The lease liability is amortised by the payments made to the lessor, less the interest expense.

At inception of the lease contract, the leased asset is capitalised (right-of-use asset), measured at the initial amount of the lease liability plus any additional initial payments made before the initial capitalisation and any payments for restoring the leased asset at the end of the lease term. The right-of-use asset is depreciated on a straight-line basis over the useful life of the underlying asset, if the ownership of the underlying asset will be transferred to the lessee by the end of the lease term or a purchase option is reasonably certain to be exercised. Otherwise, the right-of-use asset is depreciated over the useful life of the underlying asset, or the lease term, whichever is shorter. The right-of-use assets are included in property and equipment.

Purchase options, penalties, and changes to the lease term are considered in the measurement of the lease liability if reasonably certain. As an exemption, variable payments, payments for short-term leases with an initial lease term of less than twelve months and low-value leases with an initial value of less than CHF 5000 are expensed as they occur.

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.

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.

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 arising from third party-interest in consolidated investment funds are irrevocably designated as at fair value through profit or loss, as the related assets are managed and their performance is evaluated on a fair value basis.

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 response to the IBOR reform, the International Accounting Standards Board amended the IFRS Standards IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures in September 2019. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties, if applicable. The amendments will be effective on 1 January 2020. Since the effectiveness of the Swiss Life Group's hedging relationships is typically not impaired by the IBOR reform, the amendments will not be applicable.

In May 2017, IFRS 17 Insurance Contracts 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. In the exposure draft ED/2019/4, dated 27 June 2019, the IASB proposes 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 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 was 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 Fincentrum and Swiss Life Select units operating in Austria, Czech Republic and Slovakia, and 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 2019

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	12 186	2 960	1 135	60	-	-	16 341	-18	16 323
Premiums earned on investment contracts with discretionary participation	890	-	-	-	-	-	890	-	890
Premiums ceded to reinsurers	-8	-132	-43	-14	-	-	-197	18	-179
Net earned premiums	13 067	2 828	1 092	47	-	-	17 034	0	17 034
Policy fees earned on insurance contracts	5	5	16	0	-	-	26	-	26
Policy fees earned on investment and unit-linked contracts	46	200	8	88	-	-	342	0	342
Net earned policy fees	51	205	25	88	-	-	368	0	368
Commission income	214	121	474	226	833	3	1 871	-419	1 452
Investment income	2 992	767	562	34	1	39	4 396	-9	4 387
Net gains/losses on financial assets	1 500	57	132	-1	-2	-8	1 678	-	1 678
Net gains/losses on financial instruments at fair value through profit or loss	-1 774	-11	162	4	1	-1	-1 620	0	-1 620
Net gains/losses on investment property	579	119	77	0	-	-	776	-	776
Share of profit or loss of associates	4	2	0	-	0	-	6	-	6
Other income	159	5	2	0	72	1	240	-2	239
TOTAL INCOME	16 793	4 093	2 526	398	905	34	24 749	-429	24 320
of which intersegment	27	-1	-6	-4	400	13	429	-429	
EXPENSES									
Benefits and claims under insurance contracts	-13 316	-2 487	-1 219	-21	-	-	-17 044	7	-17 037
Benefits and claims under investment contracts with discretionary participation	-898	-	-	-	-	-	-898	-	-898
Benefits and claims recovered from reinsurers	3	77	20	4	-	-	104	-6	98
Net insurance benefits and claims	-14 211	-2 410	-1 199	-18	-	-	-17 838	0	-17 838
Policyholder participation	-468	-252	-390	-14	-	-	-1 123	-1	-1 124
Interest expense	-42	-84	-37	-15	-5	2	-180	15	-165
Commission expense	-616	-470	-395	-154	-64	0	-1 700	414	-1 285
Employee benefits expense	-258	-212	-154	-64	-325	-5	-1 017	-3	-1 021
Depreciation and amortisation expense	-154	-227	-88	-16	-30	0	-516	-	-516
Impairment of property and equipment and intangible assets	-	-	0	-	-3	-	-3	-	-3
Other expenses	-151	-163	-77	-36	-170	-16	-614	4	-609
TOTAL EXPENSES	-15 900	-3 818	-2 340	-317	-597	-20	-22 991	429	-22 561
of which intersegment	-298	-31	-64	3	-32	-7	-429	429	
SEGMENT RESULT	892	275	186	81	309	15	1 758	-	1 758
Unallocated corporate costs									-107
PROFIT FROM OPERATIONS									1 651
Borrowing costs									-123
Income tax expense									-324
NET PROFIT									1 205
Additions to non-current assets	5 166	250	222	39	91	-	5 769	-	5 769

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	-177	-75	-40	-209	-14	-660	1	-659
TOTAL EXPENSES	-12 124	-3 598	-2 243	-263	-559	-19	-18 807	365	-18 442
of which intersegment	-247	-24	-58	0	-31	-4	-365	365	
SEGMENT RESULT	865	278	143	68	272	-6	1 620	-	1 619
Unallocated corporate costs									-85
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

Balance sheet as at 31 December 2019

In CHF million									
	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
ASSETS									
Cash and cash equivalents	2 327	2 375	249	3 011	216	68	8 247	-	8 247
Derivatives	1 897	205	15	-	-	14	2 131	-41	2 090
Financial assets at fair value through profit or loss	7 931	14 284	2 943	18 521	14	-	43 692	-	43 692
Financial assets available for sale	75 105	21 125	9 739	1 623	0	794	108 386	-	108 386
Loans and receivables	14 357	3 141	6 300	153	407	2 737	27 094	-4 140	22 955
Financial assets pledged as collateral	841	1 330	-	78	-	189	2 438	-	2 438
Investment property	28 984	3 270	2 590	5	17	-	34 866	-	34 866
Investments in associates	58	107	98	-	3	-	266	-	266
Reinsurance assets	32	279	120	101	-	-	532	-5	527
Property and equipment ¹	239	73	126	28	66	0	532	-	532
Intangible assets including intangible insurance assets	651	363	1 320	337	404	-	3 074	-	3 074
Other assets	554	60	13	7	460	2	1 095	-155	940
SEGMENT ASSETS	132 974	46 611	23 513	23 863	1 587	3 804	232 352	-4 340	228 012
Income tax assets									82
TOTAL ASSETS									228 094
LIABILITIES AND EQUITY									
LIABILITIES									
Derivatives	1 275	18	17	-	-	42	1 352	-41	1 311
Investment and unit-linked contracts	6 582	12 211	1 030	22 480	-	-	42 304	-1	42 303
Other financial liabilities ²	10 089	6 353	1 091	356	539	418	18 847	-1 106	17 741
Insurance liabilities	88 017	20 597	16 260	187	-	-	125 060	-76	124 985
Policyholder participation liabilities	8 746	4 127	3 153	26	-	-	16 052	0	16 052
Employee benefit liabilities	1 624	87	255	17	177	-	2 160	-	2 160
Provisions	15	21	6	4	7	13	66	-	66
Other liabilities	124	115	48	21	28	1	337	-2	336
SEGMENT LIABILITIES	116 471	43 530	21 860	23 092	751	475	206 179	-1 226	204 953
Borrowings									3 951
Income tax liabilities									2 755
EQUITY									16 435
TOTAL LIABILITIES AND EQUITY									228 094

¹ Including IFRS 16 right-of-use assets² Including IFRS 16 lease liabilities

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

Premiums and policy fees from external customers

In CHF million	Net earned premiums		Net earned policy fees	
	2019	2018	2019	2018
LIFE				
Individual life	3 461	3 410	352	324
Group life	13 187	9 373	16	16
TOTAL LIFE	16 647	12 783	368	340
NON-LIFE				
Accident and health	12	12	-	-
Property, casualty and other	375	363	-	-
TOTAL NON-LIFE	386	374	-	-
TOTAL	17 034	13 157	368	340

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	
	2019	2018	31.12.2019	31.12.2018
Switzerland	16 427	12 936	27 093	23 868
France	4 267	3 894	4 979	3 351
Germany	2 710	2 584	3 042	4 373
Liechtenstein	24	23	152	152
Luxembourg	608	397	1 227	1 149
Austria	41	42	44	43
United Kingdom	104	103	101	83
Other countries	138	83	467	428
TOTAL	24 320	20 062	37 105	33 446

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		
	31.12.2019	31.12.2018
Cash and cash equivalents	2 944	2 817
Derivatives	0	0
Financial assets at fair value through profit or loss		
Debt securities	6 934	6 378
Equity securities	5 611	4 974
Investment funds	22 692	20 233
Other	13	12
TOTAL ASSETS FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS	38 193	34 414

Liabilities linked to assets for the account and risk of the Swiss Life Group's customers

In CHF million			
	Notes	31.12.2019	31.12.2018
Unit-linked contracts	19	26 308	24 122
Investment contracts	19	4 901	4 194
Insurance liabilities	22	7 109	5 905
TOTAL LIABILITIES LINKED TO ASSETS FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS		38 318	34 222

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	Notes	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	
		2019	2018	2019	2018	2019	2018
Investment income	8	4 387	4 372	–	–	4 387	4 372
Net gains/losses on financial assets	8	1 680	–511	–2	2	1 678	–509
Net gains/losses on financial instruments at fair value through profit or loss	8	–1 636	420	16	–5	–1 620	415
Net gains/losses on investment property		776	725	–	–	776	725
Share of profit or loss of associates		6	0	–	–	6	0
FINANCIAL RESULT		5 213	5 006	14	–2	5 227	5 003

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.

Monitoring

Swiss Life monitors the risks through exposure limits on a regular basis.

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 2019				
Minimum guaranteed interest rate 0 - < 1%	25 214	6 439	3	31 656
Minimum guaranteed interest rate 1 - < 2%	27 067	1 374	6	28 447
Minimum guaranteed interest rate 2 - < 3%	8 146	6 243	18	14 407
Minimum guaranteed interest rate 3 - < 4%	17 178	5 224	16	22 418
Minimum guaranteed interest rate 4 - < 5%	62	5 440	20	5 523
Minimum guaranteed interest rate 5 - < 6%	-	-	1	1
TOTAL INTEREST-SENSITIVE INSURANCE LIABILITIES	77 667	24 721	65	102 452
Insurance liabilities with no minimum guaranteed interest rate				15 424
Insurance liabilities linked to assets for the account and risk of the Swiss Life Group's customers				7 109
TOTAL INSURANCE LIABILITIES				124 985

CARRYING AMOUNT AS AT 31 DECEMBER 2018

Minimum guaranteed interest rate 0 - < 1%	21 073	6 076	4	27 152
Minimum guaranteed interest rate 1 - < 2%	25 469	1 346	6	26 821
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

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 2019 (2018: 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.

In certain businesses, a large part of the impact of interest rate changes is taken by the policyholders based on the specific profit-sharing systems.

Credit 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.

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 (e. g. private equity and infrastructure 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. Furthermore, the counterparties must fulfil stringent minimum rating requirements 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 default 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
DEBT SECURITIES						
Debt securities at fair value through profit or loss	622	340	6 934	6 378	7 556	6 718
Debt securities available for sale	87 766	81 242	–	–	87 766	81 242
Debt securities pledged as collateral	2 438	4 767	–	–	2 438	4 767
Debt securities classified as loans	1 127	1 344	–	–	1 127	1 344
TOTAL DEBT SECURITIES	91 954	87 693	6 934	6 378	98 887	94 071
LOANS AND RECEIVABLES						
Senior secured loans available for sale	3 144	3 010	–	–	3 144	3 010
Mortgages	9 783	8 777	–	–	9 783	8 777
Corporate and other loans	1 845	1 549	–	–	1 845	1 549
Note loans	5 324	5 388	–	–	5 324	5 388
Receivables	4 874	4 405	–	–	4 874	4 405
TOTAL LOANS AND RECEIVABLES	24 971	23 129	–	–	24 971	23 129
OTHER ASSETS						
Cash and cash equivalents	5 303	5 593	2 944	2 817	8 247	8 410
Derivatives	2 090	2 140	0	0	2 090	2 140
Reinsurance assets	527	512	–	–	527	512
TOTAL OTHER ASSETS	7 920	8 244	2 944	2 817	10 864	11 062
UNRECOGNISED ITEMS						
Financial guarantees	31	47	–	–	31	47
Loan commitments	787	284	–	–	787	284
TOTAL UNRECOGNISED ITEMS	818	331	–	–	818	331
TOTAL EXPOSURE TO CREDIT RISK	125 663	119 398	9 877	9 195	135 540	128 593

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 2019

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	–	29	–	1 332	162	–	1 524
Securities collateral	–	182	–	–	272	21	475
Mortgage collateral	9 157	11 622	–	–	–	654	21 433
Other collateral	–	3 890	–	–	–	45	3 935
Guarantees	639	56	329	–	–	–	1 025
Netting agreements	–	837	–	653	1	–	1 491
TOTAL SECURED	9 796	16 616	329	1 986	434	720	29 882
UNSECURED							
Governments and supranationals	52 472	3 582	49	–	–	–	56 103
Corporates	29 572	1 148	4 925	104	92	98	35 939
Other	114	3 625	–	–	–	–	3 739
TOTAL UNSECURED	82 157	8 355	4 974	104	92	98	95 781
TOTAL	91 954	24 971	5 303	2 090	527	818	125 663

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

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 2019, these derivative contracts provided a notional principal protection of CHF 821 million (2018: CHF 5271 million).

Exposure to credit risk of debt instruments – credit rating by class as at 31 December 2019

In CHF million							
	AAA	AA	A	BBB	Below BBB	Individual impairment loss allowance	Total
DEBT SECURITIES							
Supranationals	2 703	880	20	21	–	–	3 624
Governments	24 286	18 983	1 606	1 170	45	–	46 090
Sovereigns	280	709	753	996	20	–	2 758
Covered/guaranteed	8 970	539	23	259	6	–	9 796
Corporates	483	2 806	10 273	15 192	818	–	29 572
Other	19	–	32	37	26	–	114
TOTAL DEBT SECURITIES	36 740	23 917	12 708	17 674	915	–	91 954
MORTGAGES							
Commercial	–	–	2 422	–	–	–	2 422
Residential	–	–	7 347	0	14	0	7 361
TOTAL MORTGAGES	–	–	9 769	0	14	0	9 783
OTHER LOANS AND RECEIVABLES							
Governments and supranationals	1 687	1 682	171	42	–	–	3 582
Corporates	1 142	778	645	1 454	3 171	0	7 190
Other	15	12	231	4 153	25	–20	4 416
TOTAL OTHER LOANS AND RECEIVABLES	2 844	2 472	1 047	5 650	3 196	–20	15 187

Exposure to credit risk of debt instruments– credit rating by class as at 31 December 2018

In CHF million							Individual impairment loss allowance	Total
	AAA	AA	A	BBB	Below BBB			
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	

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 at gross carrying amounts.

Exposure to credit risk of debt instruments that meet the SPPI criterion as at 31 December 2019

in CHF million							Total
	AAA	AA	A	BBB	Below BBB		
DEBT SECURITIES							
Governments and supranationals	26 848	20 437	2 371	2 185	63	–	51 905
Corporates	9 325	3 322	9 807	15 253	820	–	38 526
Other	–	–	–	1	–	–	1
TOTAL DEBT SECURITIES	36 173	23 759	12 178	17 439	883	–	90 432
MORTGAGES							
Commercial	–	–	2 422	–	–	–	2 422
Residential	–	–	7 347	0	14	–	7 361
TOTAL MORTGAGES	–	–	9 769	0	14	–	9 783
OTHER LOANS AND RECEIVABLES							
Governments and supranationals	1 687	1 639	171	42	–	–	3 539
Corporates	810	502	645	1 454	3 171	–	6 581
Other	15	12	231	4 153	25	–	4 436
TOTAL OTHER LOANS	2 511	2 152	1 047	5 650	3 196	–	14 556

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
MORTGAGES										
Residential	0	0	2	0	1	2	20	18	23	21
TOTAL	0	0	2	0	1	2	20	18	23	21
OTHER LOANS AND RECEIVABLES										
Governments and supranationals	0	0	0	0	0	0	–	–	0	0
Corporates	44	14	6	2	–	–	–	1	49	16
Other	87	74	9	7	9	12	5	6	109	99
TOTAL	131	88	15	9	9	12	5	6	159	114

Financial assets individually determined as impaired

In CHF million						
	Gross amount		Impairment loss allowance		Carrying amount	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
MORTGAGES						
Residential	2	3	0	0	2	3
TOTAL	2	3	0	0	2	3
OTHER LOANS AND RECEIVABLES						
Corporates	5	4	0	0	5	4
Other	36	40	–20	–20	17	19
TOTAL	42	44	–20	–20	22	23

Financial assets individually determined as impaired – impairment loss allowance for the year 2019

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
MORTGAGES					
Residential	0	0	0	–	0
TOTAL	0	0	0	–	0
OTHER LOANS AND RECEIVABLES					
Corporates	0	0	–	0	0
Other	20	5	–5	–1	20
TOTAL	20	5	–5	–1	20

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

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 2019						
Cash and cash equivalents	116	2 080	2 346	761	1	5 303
Derivatives	177	570	1 189	150	4	2 090
Reinsurance assets	-	415	77	35	-	527
TOTAL	293	3 065	3 612	945	4	7 920

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

At 31 December 2019 and 2018, 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 2019						
Financial guarantees	-	-	4	27	-	31
Loan commitments	-	2	653	132	-	787
TOTAL	-	2	657	159	-	818

CREDIT RATING AS AT 31 DECEMBER 2018

Financial guarantees	-	-	0	47	-	47
Loan commitments	-	-	229	54	-	284
TOTAL	-	-	230	102	-	331

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	
	2019	2018
EUR/CHF	3	-7
USD/CHF	-12	-19
GBP/CHF	-1	-1
CAD/CHF	-1	-2

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 regards to liquidity and duration, investments in Switzerland are also made in currencies other than the Swiss franc. However, the balance sheet currency exposure is to a large extent hedged using foreign currency derivatives.

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 2019

In CHF million	Cash flows						Total	Carrying amount
	Up to 1 month	1-3 months	3-12 months	1-5 years	5-10 years	More than 10 years		
FINANCIAL LIABILITIES								
Derivatives designated as cash flow hedges	-	-	245	476	-	11	733	16
Investment contracts with discretionary participation	24	42	227	2 893	1 822	5 881	10 888	10 888
Investment contracts without discretionary participation	0	0	0	0	0	205	206	206
Borrowings	-	-	118	2 150	2 347	-	4 614	3 951
Lease liabilities	2	5	25	117	16	-	165	152
Other financial liabilities	8 548	1 917	4 769	1 863	417	341	17 854	17 589
TOTAL	8 574	1 963	5 384	7 499	4 601	6 438	34 459	32 801
INSURANCE AND POLICYHOLDER PARTICIPATION LIABILITIES								
Insurance liabilities	330	344	3 453	9 028	16 369	88 352	117 876	117 876
Policyholder participation liabilities	138	222	3 940	8 762	133	2 857	16 052	16 052
TOTAL	468	565	7 392	17 791	16 502	91 209	133 928	133 928
GUARANTEES AND COMMITMENTS								
Financial guarantees	18	-	4	9	-	-	31	-
Loan commitments	81	272	363	65	6	1	787	-
Capital commitments	661	-	483	79	-	-	1 222	-
TOTAL	759	272	850	153	6	1	2 040	-

Exposure to liquidity risk as at 31 December 2018

In CHF million	Cash flows						Total	Carrying amount
	Up to 1 month	1-3 months	3-12 months	1-5 years	5-10 years	More than 10 years		
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	9 755	1 349	5 821	1 440	299	341	19 004	18 973
TOTAL	9 778	1 391	6 527	6 444	4 403	7 123	35 665	33 801
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	1 222	-	129	109	-	-	1 459	-
TOTAL	1 272	98	278	141	0	0	1 790	-

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
ASSETS								
Cash and cash equivalents	5 303	5 593	–	–	2 944	2 817	8 247	8 410
Derivatives	730	1 226	1 360	914	0	0	2 090	2 140
Assets held for sale	–	28	–	–	–	–	–	28
Financial assets at fair value through profit or loss	3 670	3 139	4 772	4 420	35 250	31 597	43 692	39 155
Financial assets available for sale	8 270	9 447	100 116	90 990	–	–	108 386	100 437
Loans and receivables	6 337	5 889	16 617	15 574	–	–	22 955	21 463
Financial assets pledged as collateral	13	92	2 425	4 676	–	–	2 438	4 767
Investment property	–	–	34 866	31 381	–	–	34 866	31 381
Investments in associates	–	–	266	189	–	–	266	189
Reinsurance assets	294	290	232	222	–	–	527	512
Property and equipment	–	–	532	392	–	–	532	392
Intangible assets including intangible insurance assets	–	–	3 074	3 135	–	–	3 074	3 135
Current income tax assets	10	38	–	–	–	–	10	38
Deferred income tax assets	–	–	72	55	–	–	72	55
Other assets	319	296	622	584	–	–	940	880
TOTAL ASSETS	24 946	26 036	164 954	152 533	38 193	34 414	228 094	212 982
LIABILITIES								
Derivatives	456	534	856	514	–	–	1 311	1 048
Investment and unit-linked contracts	293	296	10 801	11 125	31 209	28 316	42 303	39 738
Borrowings	–	217	3 951	3 168	–	–	3 951	3 385
Other financial liabilities	13 711	13 887	4 030	5 085	–	–	17 741	18 973
Insurance liabilities	4 127	4 190	113 749	108 676	7 109	5 905	124 985	118 771
Policyholder participation liabilities	4 299	3 632	11 752	7 907	–	–	16 052	11 539
Employee benefit liabilities	170	157	1 989	1 733	–	–	2 160	1 889
Current income tax liabilities	323	172	–	–	–	–	323	172
Deferred income tax liabilities	–	–	2 432	1 991	–	–	2 432	1 991
Provisions	38	37	29	50	–	–	66	87
Other liabilities	292	331	43	26	–	–	336	356
TOTAL LIABILITIES	23 709	23 453	149 632	140 274	38 318	34 222	211 659	197 949

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 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.

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) business 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 expected to be as follows.

Annuities payable per annum by type of annuity – individual life

In CHF million	31.12.2019	31.12.2018
Life annuities – in payment	565	586
Life annuities – deferred	412	442
Annuities certain – in payment	5	5
Annuities certain – deferred	33	36
Disability income and other annuities – in payment	231	230
Disability income and other annuities – deferred	7 438	7 569
TOTAL INDIVIDUAL LIFE	8 684	8 868

Annuities payable per annum by type of annuity – group life

In CHF million	31.12.2019	31.12.2018
Retirement annuities – in payment	1 045	1 013
Retirement annuities – deferred	438	427
Survivors' annuities – in payment	147	146
Survivors' annuities – deferred	2 896	2 718
Disability income and other annuities – in payment	370	366
Disability income and other annuities – deferred	17 921	15 906
TOTAL GROUP LIFE	22 815	20 575

Life benefits insured by type of insurance – individual life

In CHF million		
	31.12.2019	31.12.2018
Whole life and term life	31 823	33 373
Disability lump-sum payment	21	23
Other	295	231
TOTAL INDIVIDUAL LIFE	32 138	33 627

Life benefits insured by type of insurance – group life

In CHF million		
	31.12.2019	31.12.2018
Term life	58 449	57 426
Disability lump-sum payment	2 853	668
Other	1 399	1 516
TOTAL GROUP LIFE	62 701	59 610

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										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
At end of year of loss occurrence	323	311	303	335	342	296	267	297	331	304	n/a
1 year later	369	362	330	361	346	322	331	317	352	-	n/a
2 years later	314	324	331	296	309	322	276	282	-	-	n/a
3 years later	286	336	285	281	324	291	259	-	-	-	n/a
4 years later	301	300	276	299	296	273	-	-	-	-	n/a
5 years later	265	293	297	280	279	-	-	-	-	-	n/a
6 years later	257	313	278	264	-	-	-	-	-	-	n/a
7 years later	279	294	260	-	-	-	-	-	-	-	n/a
8 years later	265	277	-	-	-	-	-	-	-	-	n/a
9 years later	253	-	-	-	-	-	-	-	-	-	n/a
CURRENT ESTIMATE OF CUMULATIVE CLAIMS	253	277	260	264	279	273	259	282	352	304	2 802
Cumulative payments to date	-236	-241	-232	-234	-231	-217	-201	-200	-198	-124	-2 116
LIABILITIES BEFORE DISCOUNTING	17	35	28	30	47	55	59	82	153	179	686
LIABILITIES FOR THE CURRENT AND 9 PREVIOUS YEARS	17	35	28	30	47	55	59	82	153	179	686
Liabilities for prior years											209
TOTAL GROSS CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS											896

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 1.0% in terms of earned insurance premiums was ceded as at 31 December 2019 (2018: 1.3%).

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 into account 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

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 2019, if interest rates had been 50 basis points higher, profit or loss would have been CHF 20 million lower (2018: CHF 8 million higher) and other comprehensive income would have been CHF 1540 million lower (2018: CHF 1236 million lower). If interest rates had been 50 basis points lower, profit or loss would have been CHF 13 million higher (2018: CHF 11 million lower) and other comprehensive income would have been CHF 1740 million higher (2018: CHF 1383 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 2019, if equity prices had been higher by 10%, profit or loss would have been CHF 347 million lower (2018: CHF 329 million lower) and other comprehensive income would have been CHF 701 million higher (2018: CHF 703 million higher). If equity prices had been lower by 10%, profit or loss would have been CHF 246 million higher (2018: CHF 217 million higher) and other comprehensive income would have been CHF 690 million lower (2018: CHF 680 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 2019, if mortality rates for life assurance had been higher by 5%, profit or loss would have been CHF 1 million lower (2018: CHF 1 million lower). 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 5 million lower (2018: CHF 4 million lower). 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 2019, if morbidity rates had been higher by 5%, profit or loss would have been CHF 27 million lower (2018: CHF 21 million lower). If morbidity rates would have been lower by 5%, profit or loss would have been CHF 27 million higher (2018: CHF 21 million higher). These impacts are net after policyholder and tax.

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.

In 2019, diluted earnings per share solely include the dilutive effect of share options issued. 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)

	2019	2018
BASIC EARNINGS PER SHARE		
Net result attributable to equity holders of Swiss Life Holding	1 199	1 076
Weighted average number of shares outstanding	32 768 031	34 059 072
BASIC EARNINGS PER SHARE FOR THE NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF SWISS LIFE HOLDING (IN CHF)	36.59	31.58
DILUTED EARNINGS PER SHARE		
Net result attributable to equity holders of Swiss Life Holding	1 199	1 076
RESULT USED TO DETERMINE DILUTED EARNINGS PER SHARE	1 199	1 076
Weighted average number of shares outstanding	32 768 031	34 059 072
Adjustments (number of shares)		
Equity compensation plans	93 803	99 395
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE	32 861 834	34 158 467
DILUTED EARNINGS PER SHARE FOR THE NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF SWISS LIFE HOLDING (IN CHF)	36.48	31.49

7 Premiums, Policy Fees and Deposits Received

Written premiums

In CHF million		
	2019	2018
Direct	16 699	12 905
Assumed	520	439
GROSS WRITTEN PREMIUMS	17 219	13 345
Ceded	-180	-177
NET WRITTEN PREMIUMS	17 039	13 167

Earned premiums

In CHF million		
	2019	2018
Direct	16 699	12 905
Assumed	513	429
GROSS EARNED PREMIUMS	17 213	13 335
Ceded	-179	-177
NET EARNED PREMIUMS	17 034	13 157

Written policy fees

In CHF million		
	2019	2018
Direct	380	346
GROSS WRITTEN POLICY FEES	380	346
Ceded	0	0
NET WRITTEN POLICY FEES	381	345

Earned policy fees

In CHF million

	2019	2018
Direct	368	340
GROSS EARNED POLICY FEES	368	340
Ceded	0	0
NET EARNED POLICY FEES	368	340

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

	2019	2018
Gross written premiums and policy fees	17 599	13 691
Deposits received under insurance and investment contracts	5 409	5 527
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	23 008	19 218

8 Details of Certain Items in the Consolidated Statement of Income

Commission income

In CHF million		
	2019	2018
Brokerage commissions	723	631
Asset management commissions	482	359
Other commissions and fees	247	285
TOTAL COMMISSION INCOME	1 452	1 275

Investment income

In CHF million			
	Notes	2019	2018
Interest income on financial assets available for sale		2 356	2 445
Interest income on loans and receivables		465	482
Other interest income		5	7
Dividend income on financial assets available for sale		549	506
Net income on investment property		1 012	933
TOTAL INVESTMENT INCOME	5	4 387	4 372

Net gains/losses on financial assets

In CHF million			
	Notes	2019	2018
Sale of			
financial assets available for sale		2 273	-117
loans		36	200
Net gains/losses from sales		2 309	83
Impairment losses on			
debt instruments available for sale		0	-18
equity instruments available for sale		-32	-101
loans and receivables		-4	-7
Impairment losses on financial assets		-36	-125
Foreign currency gains/losses		-595	-467
TOTAL NET GAINS/LOSSES ON FINANCIAL ASSETS	5	1 678	-509

Net gains/losses on financial instruments at fair value through profit or loss

In CHF million			
	Notes	2019	2018
Currency derivatives		-335	-389
Interest rate derivatives		132	119
Equity derivatives		-1 665	594
Other derivatives		-76	45
Financial assets designated as at fair value through profit or loss ¹		599	109
Associates at fair value through profit or loss ¹		3	6
Investment contracts without discretionary participation		35	-34
Third party interests in consolidated investment funds		-330	-32
Other financial liabilities		1	1
Assets for the account and risk of the Swiss Life Group's customers ¹		3 907	-2 169
Liabilities linked to assets for the account and risk of the Swiss Life Group's customers		-3 891	2 164
TOTAL NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	5	-1 620	415

¹ includes interest and dividend income of CHF 199 million (2018: CHF 150 million)

Other income

In CHF million			
		2019	2018
Realised gains/losses on sales of subsidiaries and other assets		19	21
Revenue from sale of inventory property		99	125
Other foreign currency gains/losses		89	110
Other		32	30
TOTAL OTHER INCOME		239	286

Net insurance benefits and claims

In CHF million			
		2019	2018
Benefits and claims under insurance contracts			
Life benefits and claims paid, gross		10 929	10 642
Change in liability for future life policyholder benefits, gross		5 864	2 489
Non-life claims paid, gross		232	228
Change in reserve for non-life claims, gross		12	29
Benefits and claims recovered from reinsurers		-98	-92
Net benefits and claims under insurance contracts		16 939	13 296
Benefits and claims under investment contracts with discretionary participation			
Life benefits and claims paid, gross		1 355	876
Change in liability for future life policyholder benefits, gross		-457	-211
Net benefits and claims under investment contracts with discretionary participation		898	665
TOTAL NET INSURANCE BENEFITS AND CLAIMS		17 838	13 961

Interest expense

In CHF million

	Notes	2019	2018
Interest expense on deposits		13	16
Negative interest on repurchase agreements		-29	-25
Interest expense on due to banks		31	29
Interest expense on investment contracts		72	77
Interest expense on deposits under insurance contracts	22	49	36
Interest expense on lease liabilities	2	3	-
Other interest expense		27	11
TOTAL INTEREST EXPENSE		165	143

Commission expense

In CHF million

	2019	2018
Insurance agent and broker commissions	962	899
Asset management commissions	187	95
Other commissions and fees	136	57
TOTAL COMMISSION EXPENSE	1 285	1 051

Employee benefits expense

In CHF million

	Notes	2019	2018
Wages and salaries		783	703
Social security		149	144
Defined benefit plans	23	95	94
Defined contribution plans		2	2
Other employee benefits		65	65
TOTAL EMPLOYEE BENEFITS EXPENSE		1 094	1 008

Depreciation and amortisation expense

In CHF million

	Notes	2019	2018
Depreciation of property and equipment	16	67 ¹	26
Amortisation of present value of future profits (PVP)	17	1	1
Amortisation of deferred acquisition costs (DAC)	17	401	445
Amortisation of deferred origination costs (DOC)	17	12	10
Amortisation of other intangible assets	17	34	31
TOTAL DEPRECIATION AND AMORTISATION EXPENSE		516	512

¹ including depreciation of IFRS 16 right-of-use assets

Other expenses

In CHF million

	Notes	2019	2018
Marketing and advertising		57	53
Information technology and systems		113	96
Maintenance and repair		28	23
Rental expense	2	–	53
Short-term leases	2	7	–
Leases of low-value assets	2	3	–
Professional services		209	201
Cost of inventory property sold		80	105
Premium taxes and other non-income taxes		68	69
Other		80	84
TOTAL OTHER EXPENSES		643	683

9 Derivatives and Hedge Accounting

In CHF million	Notes	Fair value assets		Fair value liabilities		Notional amount/exposure	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
CURRENCY DERIVATIVES							
Forward contracts		531	615	275	340	48 739	50 396
Swaps		–	–	–	0	–	1 745
Futures		0	0	0	0	40	56
Options (over-the-counter)		94	148	67	93	7 045	7 370
TOTAL CURRENCY DERIVATIVES		625	763	343	433	55 824	59 567
INTEREST RATE DERIVATIVES							
Forward contracts		126	58	5	5	722	852
Swaps		1 258	833	834	484	62 349	35 351
Futures		0	–	–	11	23	395
Options (over-the-counter)		4	4	–	–	0	551
Other		0	0	–	–	1	1
TOTAL INTEREST RATE DERIVATIVES		1 389	895	838	500	63 095	37 150
EQUITY/INDEX DERIVATIVES							
Futures		12	84	99	11	7 330	4 924
Options (over-the-counter)		–	0	–	–	–	267
Options (exchange-traded)		10	397	–	59	33	2 406
Other		54	0	9	3	1 469	1 204
TOTAL EQUITY/INDEX DERIVATIVES		76	481	108	72	8 832	8 800
OTHER DERIVATIVES							
Credit derivatives		–	–	22	42	821	3 086
TOTAL OTHER DERIVATIVES		–	–	22	42	821	3 086
DERIVATIVES FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS	5	0	0	–	–	0	0
TOTAL DERIVATIVES		2 090	2 140	1 311	1 048	128 571	108 604
of which derivatives designated and accounted for as hedging instruments							
Derivatives designated as fair value hedges		106	149	12	26	12 354	11 650
Derivatives designated as cash flow hedges		420	72	16	21	3 489	1 358
Derivatives designated as net investment hedges		85	40	–	5	4 461	4 217

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 2019

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	18	9	3 545	11	-43	43	-11
Foreign currency risk							
Currency forwards to hedge non-monetary investments	88	3	8 809	649	-584	584	-649
TOTAL DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES	106	12	12 354	660	-627	627	-660

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

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 2019 was CHF 3.3 billion (2018: CHF 5.6 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)	Fairvalue	Nominal amount	Hedging instruments		Hedged items	
			EUR	Gains	Losses	Gains
	AS AT 31 DECEMBER 2019					
Foreign currency borrowing to hedge currency risk of non-monetary investments	68	63	3	0	0	-3
AS AT 31 DECEMBER 2018						
Foreign currency borrowing to hedge currency risk of non-monetary investments	89	80	6	-2	2	-6

In 2019 and 2018, 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 2019

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 comprehen- sive 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	231	-	2 170	231	-	2020-2028	2020-2058
Euro	190	16	1 318	178	-	2020-2024	2020-2045
Total interest rate risk	420	16	3 489	408	-	n/a	n/a
TOTAL DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	420	16	3 489	408	-	n/a	n/a

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 comprehen- sive 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

In 2019 and 2018, 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 2019, a gain of CHF 50 million was reclassified from other comprehensive income to profit or loss (2018: gain of CHF 66 million), of which CHF 49 million were included in investment income (2018: CHF 45 million), and CHF 1 million in net gains/losses on financial assets (2018: gain of CHF 21 million).

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 2019					
Currency forwards	85	-	4 461	107	-
TOTAL DERIVATIVES DESIGNATED AS NET INVESTMENT HEDGES	85	-	4 461	107	-
AS AT 31 DECEMBER 2018					
Currency forwards	40	5	4 217	9	-
TOTAL DERIVATIVES DESIGNATED AS NET INVESTMENT HEDGES	40	5	4 217	9	-

In 2019, investments in senior secured loan funds of USD 3282 million (2018: USD 3196 million) and EUR 125 million (2018: nil) and investments in real estate funds of EUR 1281 million (2018: EUR 1012 million) were hedged.

Foreign currency debt designated as net investment hedges 2019

In CHF million (if not noted otherwise)				
	Fair value	Nominal amount	Fair value gains (+)/losses (-)	
			Effective portion recognised in other comprehensive income	Ineffective portion recognised in profit or loss
Foreign currency borrowing to hedge net investments in foreign entities	203	188	6	-

In 2019, investments in real estate funds of EUR 188 million were hedged (2018: nil).

10 Financial Assets at Fair Value through Profit or Loss

In CHF million			
	Notes	31.12.2019	31.12.2018
Debt securities		622	340
Equity securities		239	82
Investment funds – debt		1 211	2 218
Investment funds – equity		1 470	713
Investment funds – balanced		259	252
Real estate funds		1 999	1 864
Infrastructure investments		2 620	2 087
Private equity and hedge funds		22	3
Financial assets for the account and risk of the Swiss Life Group's customers	5	35 250	31 597
TOTAL FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS		43 692	39 155

11 Financial Assets Available for Sale

In CHF million						
	Cost/amortised cost		Net unrealised gains/losses		Fair value (carrying amount)	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Debt securities	74 294	73 553	13 472	7 689	87 766	81 242
Senior secured loans	3 143	3 132	1	-122	3 144	3 010
Equity securities	9 621	8 568	1 199	1 021	10 820	9 588
Investment funds – debt	2 886	3 399	147	45	3 032	3 444
Investment funds – equity	2 466	2 249	401	100	2 867	2 349
Investment funds – balanced	10	22	0	0	10	22
Real estate funds	522	459	34	20	556	478
Private equity	109	181	45	63	153	244
Hedge funds	25	43	12	17	36	60
TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE	93 076	91 605	15 310	8 832	108 386	100 437

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	
	31.12.2019	31.12.2018
Debt securities reclassified from		
financial assets available for sale	2 438	4 767
TOTAL DEBT SECURITIES PLEDGED AS COLLATERAL	2 438	4 767
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	2 438	4 767

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	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
LOANS							
Mortgages		9 801	8 792	-18	-16	9 783	8 777
Corporate and other loans		1 849	1 553	-4	-4	1 845	1 549
Note loans		5 324	5 388	-	-	5 324	5 388
Debt securities previously classified as available for sale		968	1 133	-	-	968	1 133
Other debt securities classified as loans		159	211	-	-	159	211
TOTAL LOANS	30	18 102	17 078	-22	-20	18 081	17 058
RECEIVABLES							
Insurance receivables		1 550	1 423	-22	-23	1 529	1 400
Reinsurance receivables		322	308	-	-	322	308
Accrued income		1 304	1 370	-	-	1 304	1 370
Settlement accounts		669	341	-	-	669	341
Other receivables		1 057	994	-6	-8	1 051	986
TOTAL RECEIVABLES	30	4 902	4 436	-28	-31	4 874	4 405
TOTAL LOANS AND RECEIVABLES		23 004	21 514	-50	-51	22 955	21 463

Allowance for impairment losses

In CHF million		Individual evaluation of impairment		Collective evaluation of impairment		Total	
		2019	2018	2019	2018	2019	2018
LOANS							
Balance as at 1 January		4	5	16	14	20	19
Impairment losses/reversals		1	0	2	1	2	1
Write-offs and disposals		-1	0	-	-	-1	0
Foreign currency translation differences		0	0	-	-	0	0
BALANCE AS AT END OF PERIOD		4	4	17	16	22	20
RECEIVABLES							
Balance as at 1 January		16	8	15	18	31	26
Impairment losses/reversals		4	9	-3	-3	2	6
Write-offs and disposals		-4	0	0	1	-4	0
Foreign currency translation differences		0	0	0	-1	-1	-1
BALANCE AS AT END OF PERIOD		16	16	12	15	28	31
TOTAL ALLOWANCE FOR IMPAIRMENT LOSSES		20	20	30	31	50	51

Interest income accrued on impaired loans was CHF 0.1 million as at 31 December 2019 (2018: CHF 0.08 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

	2019	2018
Carrying amount as at 31 December	968	1 133
Fair value as at end of period	1 296	1 345
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)	122	-149
Gains (+)/losses (-) recognised in profit or loss (including impairment)	2	18
Interest income	67	89

14 Investment Property

In CHF million			
	Notes	2019	2018
Balance as at 1 January		31 381	27 946
Additions		4 263	3 487
Additions from business combinations	28	1 179	–
Capitalised subsequent expenditure		156	153
Classification as assets held for sale and other disposals		–2 580	–630
Gains/losses from fair value adjustments		776	725
Transfers to inventory property		–	–10
Foreign currency translation differences		–309	–290
BALANCE AS AT END OF PERIOD		34 866	31 381
of which pledged as security for mortgage loans		1 054	1 522
Investment property consists of			
completed investment property		33 874	30 615
investment property under construction		992	766
TOTAL INVESTMENT PROPERTY		34 866	31 381

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 1276 million for the period ended 31 December 2019 (2018: CHF 1154 million). Operating expenses arising from investment property that generated rental income amounted to CHF 266 million for the period ended 31 December 2019 (2018: CHF 221 million).

The undiscounted lease payments to be received under operating leases were as follows.

In CHF million		
	31.12.2019	31.12.2018
Less than 1 year	706	908
1 to 2 years	596	445
2 to 3 years	512	345
3 to 4 years	441	287
4 to 5 years	389	299
More than 5 years	1 700	959
TOTAL UNDISCOUNTED LEASE PAYMENTS	4 345	3 243¹

¹ Under IAS 17 payments for perpetual lease contracts with a termination option were not included

15 Investments in Associates

Summarised financial information for the year 2019

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 (CRESEFI), Paris	33.4%	47	-	0	-	0
Other associates	n/a	56	3	6	-	6
TOTAL	n/a	102	3	6	-	6
ASSOCIATES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Agrippa Quartier GmbH & Co, Heusenstamm	37.5%	49	1	n/a	n/a	n/a
Oskar Verwaltungs GmbH, Heusenstamm	25.0%	32	-	n/a	n/a	n/a
Oskar 20 GmbH, Heusenstamm	25.0%	46	-	n/a	n/a	n/a
SCI Tour LM, Marseille	33.3%	37	-	n/a	n/a	n/a
Other associates	n/a	0	0	n/a	n/a	n/a
TOTAL	n/a	164	1	n/a	n/a	n/a

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 (CRESEFI), 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 relating to material associates was as follows.

Amounts in CHF million	Crédit et Services Financiers (CRESERFI) Paris		Agrippa Quartier GmbH & Co. Geschlossene InvKG Heusenstamm		Oskar Verwaltungs GmbH Heusenstamm		Oskar 20 GmbH Heusenstamm		SCI TOUR LM Marseille	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
SUMMARISED FINANCIAL INFORMATION										
Current assets	178	185	3	6	14	–	8	–	14	10
Non-current assets	13	13	134	138	291	–	437	–	207	234
Current liabilities	–14	–15	–1	–3	–1	–	–52	–	–64	–205
Non-current liabilities	–37	–38	–40	–39	–177	–	–209	–	–47	–45
Revenue	35	37	1	4	1	–	7	–	16	8
Profit or loss	3	3	2	11	1	–	12	–	7	–7
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	3	3	2	11	1	–	12	–	7	–7
RECONCILIATION										
Net assets	140	145	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ownership interest	33.4%	33.4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Share of net assets (carrying amount)	47	48	n/a	n/a	n/a	n/a	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.

16 Property and Equipment

Property and equipment for the year 2019

In CHF million	Notes	Land and buildings	Furniture and fixtures	Hardware	Other equipment	Total
Balance as at 1 January		340	21	10	21	392
Additions		4	6	12	8	30
Additions from business combinations	28	–	0	0	–	0
Disposals		–1	–3	0	0	–5
Depreciation		–12	–4	–5	–4	–26
Foreign currency translation differences		–5	0	0	–1	–6
BALANCE AS AT END OF PERIOD		326	19	16	24	385
Cost		555	65	75	52	746
Accumulated depreciation and impairment		–229	–46	–59	–28	–361
TOTAL PROPERTY AND EQUIPMENT AS AT END OF PERIOD		326	19	16	24	385
of which buildings in the course of construction		4				

Property and equipment for the year 2018

In CHF million						
	Notes	Land and buildings	Furniture and fixtures	Hardware	Other equipment	Total
Balance as at 1 January		356	20	11	17	404
Additions		5	5	7	9	26
Additions from business combinations	28	0	1	0	0	2
Disposals		-3	-1	-1	-1	-6
Depreciation		-12	-5	-6	-3	-26
Impairment losses		-	0	-	-	0
Foreign currency translation differences		-6	-1	0	-1	-7
BALANCE AS AT END OF PERIOD		340	21	10	21	392
Cost		558	64	67	40	729
Accumulated depreciation and impairment		-218	-43	-57	-19	-336
TOTAL PROPERTY AND EQUIPMENT AS AT END OF PERIOD		340	21	10	21	392
of which buildings in the course of construction		3				

No borrowing costs were capitalised in property and equipment in 2019 and 2018.

Right-of-use assets for the year 2019

In CHF million						
	Notes	Premises	IT equipment	Vehicles	Other equipment	Total
Balance as at 1 January		156	5	7	3	171
Additions		26	0	2	0	27
Additions from business combinations	28	1	-	-	-	1
Depreciation		-35	-2	-3	-1	-41
Other changes		-8	0	0	-	-8
Foreign currency translation differences		-3	0	0	0	-3
BALANCE AS AT END OF PERIOD		136	3	5	3	147

Total property and equipment

In CHF million		
	31.12.2019	31.12.2018
Property and equipment owned	385	392
Right-of-use assets	147	-
TOTAL PROPERTY AND EQUIPMENT	532	392

17 Intangible Assets including Intangible Insurance Assets

In CHF million	31.12.2019	31.12.2018
Intangible insurance assets	1 421	1 494
Other intangible assets	1 653	1 641
TOTAL INTANGIBLE ASSETS	3 074	3 135

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	
	2019	2018	2019	2018	2019	2018	2019	2018
Balance as at 1 January	8	9	1 454	1 453	32	20	1 494	1 482
Additions	–	–	403	384	35	22	437	405
Amortisation	–1	–1	–401	–445	–12	–10	–414	–455
Effect of shadow accounting	0	0	–61	100	–	–	–62	100
Foreign currency translation differences	0	0	–34	–39	0	0	–34	–39
BALANCE AS AT END OF PERIOD	7	8	1 360	1 454	54	32	1 421	1 494

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 2019

In CHF million						
	Notes	Goodwill	Customer relationships	Computer software	Brands and other	Total
COST						
Balance as at 1 January		1 457	111	39	34	1 641
Additions		-	-	18	3	21
Additions from business combinations	28	30	15	-	12	57
Disposals		0	-	-1	0	-1
Amortisation		-	-17	-15	-1	-34
Impairment losses		-3	-	-	-	-3
Foreign currency translation differences		-23	-3	-1	-1	-29
BALANCE AS AT END OF PERIOD		1 461	105	41	46	1 653
Cost						
Cost		1 968	238	220	49	2 476
Accumulated amortisation and impairment		-507	-133	-179	-3	-822
TOTAL OTHER INTANGIBLE ASSETS AS AT END OF PERIOD		1 461	105	41	46	1 653

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		1 318	62	46	24	1 449
Additions		-	2	14	4	20
Additions from business combinations	28	180	77	0	44	304
Disposals		-8	-	-4	-37	-49
Amortisation		-	-14	-15	-1	-31
Impairment losses		-1	-13	-	-	-14
Foreign currency translation differences		-32	-3	-1	0	-40
BALANCE AS AT END OF PERIOD		1 457	111	39	34	1 641
Cost						
Cost		1 981	229	216	36	2 462
Accumulated amortisation and impairment		-524	-119	-177	-2	-822
TOTAL OTHER INTANGIBLE ASSETS AS AT END OF PERIOD		1 457	111	39	34	1 641

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 Fontavis AG, Baar, in September 2019 resulted in the recognition of goodwill of CHF 25 million. The goodwill has been allocated to the "Asset Managers" segment. The goodwill resulting from the acquisition of in total eight property entities in Geneva and Vaud was nil. A goodwill of CHF 5 million was recognised in the segment "International" in connection with the acquisition of Ferguson Oliver Limited in Angus, United Kingdom.

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.

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 18 million (31.12.2018: CHF 19 million) have been allocated to the "France" segment, CHF 51 million (31.12.2018: CHF 26 million) to the "Asset Managers" segment and CHF 67 million (31.12.2018: CHF 61 million) to the "International" segment as at 31 December 2019.

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net carrying amount of goodwill	287	287	149	149	94	101	132	136	136	106
Impairment losses	-	-	-	-	3	-	-	-	-	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%	2.0%
Discount rate	7.9%	9.3%	6.5%	6.6%	7.5%	8.7%	7.5%	8.7%	7.4-7.9%	8.4-9.3%

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net carrying amount of goodwill	152	152	438	454	72	72	663	678
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	7.0%	7.1%	7.5%	8.7%	7.7%	8.4%	n/a	n/a

Customer relationships

The acquisition of Fontavis AG, Baar, in September 2019 led to the recognition of customer relationships of CHF 15 million.

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 2019, customer relationships comprise customer relationships relating to Swiss Life Select: CHF 2 million (31.12.2018: CHF 3 million), which were allocated to the “Switzerland” segment. The “France” segment comprises customer relationships of CHF 8 million (31.12.2018: CHF 12 million) and the “Asset Managers” segment of CHF 87 million (31.12.2018: CHF 87 million). The “International” segment comprises customer relationships of CHF 8 million (31.12.2018: CHF 9 million). Customer relationships were included in the impairment test of the respective cash-generating unit.

Brands and other

As at 31 December 2019, “Brands and other” comprises the brands Corpus Sireo, Mayfair, Beos, Fincentrum and Fontavis and each a performance fee related to the acquisition of Beos and Fontavis, which is recognised as other intangible assets. At acquisition date the performance fee of Beos had a fair value of CHF 38 million. Subsequent to the acquisition date, the condition for receiving most of the performance fee was met. Therefore, CHF 35 million resulted in a disposal in the last quarter of 2018. The performance fee of Fontavis had a fair value of CHF 12 million at acquisition date. The brands of Beos, Fincentrum and Fontavis are amortised over their useful lives.

18 Other Assets and Liabilities

Other assets

In CHF million	31.12.2019	31.12.2018
Deferred charges and prepaid expenses	77	75
Employee benefit assets	67	64
Inventory property ¹	559	544
VAT and other tax receivables	231	183
Sundry assets	6	15
TOTAL OTHER ASSETS	940	880

¹ of which CHF 214 million pledged as security for loans (2018: CHF 247 million)

Other liabilities

In CHF million	31.12.2019	31.12.2018
Deferred income	152	143
VAT and other tax payables	167	186
Sundry liabilities	17	28
TOTAL OTHER LIABILITIES	336	356

19 Investment and Unit-Linked Contracts

In CHF million	Notes	Gross		Ceded		Net	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Unit-linked contracts	30	26 308	24 122	–	–	26 308	24 122
Investment contracts with discretionary participation features (DPF)		15 395	15 102	114	110	15 281	14 992
Investment contracts without DPF at fair value through profit or loss	30	599	514	–	–	599	514
Investment contracts without DPF at amortised cost	30	1	0	–	–	1	0
TOTAL INVESTMENT AND UNIT-LINKED CONTRACTS		42 303	39 738	114	110	42 188	39 628
of which for the account and risk of the Swiss Life Group's customers							
unit-linked contracts	5	26 308	24 122	–	–	26 308	24 122
investment contracts	5	4 901	4 194	–	–	4 901	4 194

Unit-linked contracts

In CHF million	2019	2018
Balance as at 1 January	24 122	25 130
Deposits received	2 573	2 760
Fair value changes	2 260	-1 154
Policy fees and other charges	-123	-113
Deposits released	-1 926	-1 905
Other movements	0	26
Reclassifications	-17	-10
Foreign currency translation differences	-582	-612
BALANCE AS AT END OF PERIOD	26 308	24 122

Investment contracts with discretionary participation – gross

In CHF million	2019	2018
Balance as at 1 January	15 102	16 243
Premiums and deposits received	3 789	3 756
Interest and bonuses credited	243	240
Policy fees and other charges	-201	-181
Liabilities released for payments on death, surrender and other terminations	-2 986	-2 401
Effect of changes in actuarial assumptions and other movements	1 415	-1 044
Reclassifications	-1 526	-1 050
Foreign currency translation differences	-440	-461
BALANCE AS AT END OF PERIOD	15 395	15 102

Investment contracts without discretionary participation – gross

In CHF million

	2019	2018
Balance as at 1 January	514	383
Deposits received	149	138
Fair value changes	-10	23
Interest and bonuses credited	0	0
Policy fees and other charges	-4	-4
Deposits released	-30	-13
Other movements	0	0
Reclassifications	-6	-2
Foreign currency translation differences	-13	-10
BALANCE AS AT END OF PERIOD	600	514

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	31.12.2019	31.12.2018
Hybrid debt		2 902	2 960
Senior bonds		1 049	424
Other		-	0
TOTAL BORROWINGS	30	3 951	3 385

Reconciliation of liabilities arising from financing activities

In CHF million	Hybrid debt		Senior bonds		Lease liabilities ¹		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Balance as at 1 January	2 960	3 152	424	424	0	1	3 385	3 577
Initial application of IFRS 16	-	-	-	-	171	-	171	-
Cash flows								
Issuance	-	174	850	-	-	-	850	174
Redemption	-	-300	-225	-	-40	-1	-265	-301
Other changes								
New leases	-	-	-	-	25	-	25	-
Premium/discount amortisation	3	3	0	0	3	0	7	4
Other movements	-	-	-	-	-5	-	-5	-
Acquisitions and disposals of subsidiaries	-	-	-	-	0	-	0	-
Foreign currency translation differences	-62	-69	-	-	-3	0	-65	-69
BALANCE AS AT END OF PERIOD	2 902	2 960	1 049	424	152	0	4 104	3 385

¹ included in other financial liabilities; 2018: finance lease liabilities

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 and are first callable on 24 September 2021 or at each interest payment date thereafter at the option of the issuer, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority. The interest has been fixed at 3.75% p.a. until 24 September 2021. If the bonds are not redeemed on 24 September 2021, the interest resets at a rate fixed for the subsequent five years, consisting of the aggregate of the then-prevailing five-year CHF swap rate and the initial margin of 4.392% p.a.

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

In November 2012, Swiss Life Insurance Finance Ltd. offered to existing lenders under the subordinated perpetual step-up loan placed in 1999 by Swiss Life Ltd to purchase their loan holdings against a consideration consisting of both a cash component and a credit component. Altogether, EUR 265 million and CHF 290 million were purchased from lenders. The cash component amounted to a total of CHF 139 million. The credit component consists of a tranche of a subordinated dated step-up loan newly issued by Swiss Life Ltd. The subordinated dated step-up loan placed in connection with the offer amounts to CHF 471 million, is guaranteed by Swiss Life Holding, has a tenor of thirty years and is first repayable on 30 November 2022 at the option of the issuer, upon notice and subject to the consent of the Swiss Financial Market Supervisory Authority. The interest rate is six-month Libor plus a margin of 4.20% p.a. until 30 November 2022. If the loan is not redeemed on 30 November 2022, the margin increases by 1%.

In March 1999, Swiss Life Ltd privately placed a subordinated perpetual step-up loan comprising three simultaneous advances of EUR 443 million (at a rate of interest of Euribor plus a margin of 1.05% p.a., increased by 100 basis points as from April 2009), CHF 290 million (at a rate of interest of Libor plus a margin of 1.05% p.a., increased by 100 basis points as from April 2009) and EUR 215 million (at a rate of interest of Euribor plus a margin of 1.05% p.a., increased by 100 basis points as from October 2009). In 2009, Swiss Life Ltd renounced the right to call the loan on its first call date. Following the purchase offer by Swiss Life Insurance Finance Ltd. in 2012, EUR 193 million remain outstanding. Swiss Life Ltd renounced the right to call the loan on the call dates falling in April 2014 and 2019, 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 31.12.2019	Interest rate	Year of issue	Optional redemption	Carrying amount 31.12.2019	Carrying amount 31.12.2018
Borrower							
Swiss Life AG	CHF 175	CHF 175	2.625%	2018	2028	174	174
Swiss Life AG	EUR 600	EUR 600	4.500%	2016	2027	646	669
Swiss Life AG	CHF 150	CHF 150	4.375%	2016	2026	149	149
Swiss Life AG	CHF 450	CHF 450	3.750%	2016	2021	449	448
Swiss Life AG	EUR 750	EUR 750	4.375%	2015	2025	806	834
			Libor				
Swiss Life AG	CHF 471	CHF 471	+4.200%	2012	2022	469	469
			Euribor				
Swiss Life AG	EUR 443	EUR 193	+2.050%	1999	2024	209	217
TOTAL						2 902	2 960

Senior bonds

On 6 December 2019, Swiss Life Holding issued three tranches of senior green bonds totalling CHF 600 million: one CHF 200 million tranche with a tenor of 2 years and floating rate coupon (floored at 0.00% capped at 0.05%), one CHF 250 million tranche with a tenor of 5.5 years and 0% coupon, and one CHF 150 million tranche with a tenor of 9.25 years and coupon of 0.35% p.a.

On 13 March 2019, Swiss Life Holding issued a CHF 250 million senior bond with a tenor of 4.6 years and coupon of 0.25% p.a.

On 21 June 2013, Swiss Life Holding issued two tranches of senior bonds totalling CHF 425 million: one CHF 225 million tranche with a tenor of 6 years and coupon of 1.125% p.a. and one CHF 200 million tranche with a tenor of 10 years and coupon of 1.875% p.a. On 21 June 2019, the CHF 225 million tranche matured and was redeemed.

Amounts in CHF million (if not noted otherwise)						
Issuer	Nominal value	Interest rate	Year of issue	Redemption	Carrying amount 31.12.2019	Carrying amount 31.12.2018
Swiss Life Holding AG	CHF 225	1.125%	2013	2019	–	225
Swiss Life Holding AG	CHF 200	1.875%	2013	2023	199	199
Swiss Life Holding AG	CHF 250	0.250%	2019	2023	250	–
Swiss Life Holding AG	CHF 150	0.350%	2019	2029	150	–
Swiss Life Holding AG	CHF 250	0.000%	2019	2025	249	–
Swiss Life Holding AG	CHF 200	3m CHF Libor ¹	2019	2021	201	–
TOTAL					1 049	424

¹ floored at 0.00% and capped at 0.05%

21 Other Financial Liabilities

In CHF million			
	Notes	31.12.2019	31.12.2018
Insurance payables		2 932	2 436
Policyholder deposits		1 054	1 126
Reinsurance deposits		163	160
Customer deposits		2 427	1 278
Repurchase agreements		2 495	4 625
Amounts due to banks		2 933	2 376
Lease liabilities		152	–
Third party interests in consolidated investment funds	30	3 589	3 700
Accrued expenses		495	565
Settlement accounts		658	372
Other		843	2 335
TOTAL OTHER FINANCIAL LIABILITIES		17 741	18 973

22 Insurance Liabilities

In CHF million	Gross		Ceded		Net	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Claims under non-life insurance contracts	896	917	173	174	722	743
Unearned premiums non-life	45	51	1	0	44	51
Claims under life insurance contracts	6 366	6 203	101	90	6 265	6 113
Future life policyholder benefits	106 923	102 210	134	136	106 789	102 074
Unearned premiums life	59	49	0	0	59	49
Deposits under insurance contracts	10 696	9 341	–	–	10 696	9 341
TOTAL INSURANCE LIABILITIES	124 985	118 771	410	400	124 574	118 371
of which for the account and risk of the Swiss Life Group's customers	7 109	5 905	–	–	7 109	5 905

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	2019	2018
Balance as at 1 January	917	924
Claims and claim settlement costs incurred		
Reporting period	311	339
Prior reporting periods	–52	–69
Claims and claim settlement costs paid		
Reporting period	–127	–134
Prior reporting periods	–120	–108
Foreign currency translation differences	–33	–36
BALANCE AS AT END OF PERIOD	896	917

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		
	2019	2018
Balance as at 1 January	108 413	106 979
Premiums received	12 762	9 060
Interest credited	1 765	1 792
Claims incurred, benefits paid and surrenders	-9 552	-9 335
Effect of changes in actuarial assumptions and other movements	856	938
Reclassifications	15	23
Foreign currency translation differences	-969	-1 044
BALANCE AS AT END OF PERIOD	113 289	108 413

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		
	2019	2018
Balance as at 1 January	9 341	8 847
Deposits received	207	183
Interest credited	49	36
Participating bonuses	6	8
Policy fees and insurance charges	-38	-33
Deposits released for payments on death, surrender and other terminations during the year	-233	-314
Other movements	184	-91
Reclassifications	1 535	1 038
Foreign currency translation differences	-353	-334
BALANCE AS AT END OF PERIOD	10 696	9 341

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		
	31.12.2019	31.12.2018
Insurance liabilities with discretionary participation	103 245	98 843
Insurance liabilities without discretionary participation	14 631	14 023
Insurance liabilities linked to assets for the account and risk of the Swiss Life Group's customers	7 109	5 905
TOTAL INSURANCE LIABILITIES	124 985	118 771

23 Employee Benefits

Employee benefit liabilities

In CHF million

	31.12.2019	31.12.2018
Employee benefit liabilities consist of		
gross defined benefit liabilities	1 976	1 721
other employee benefit liabilities	183	169
TOTAL EMPLOYEE BENEFIT LIABILITIES	2 160	1 889

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		
	31.12.2019	31.12.2018
Present value of defined benefit obligation	-3 989	-3 554
Fair value of plan assets	2 078	1 897
NET DEFINED BENEFIT LIABILITY	-1 911	-1 658
Insurance contracts not eligible as plan assets under IFRS	1 346	1 319
NET DEFINED BENEFIT SURPLUS (+)/DEFICIT (-) (ECONOMIC VIEW)	-566	-338
The net defined benefit liability consists of		
gross defined benefit liabilities	-1 976	-1 721
gross defined benefit assets	65	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 566 million as at 31 December 2019 (2018: deficit of CHF 338 million).

Amounts recognised in profit or loss

In CHF million		
	2019	2018
Current service cost	113	111
Past service cost	0	0
Net interest cost	16	14
Gains/losses settlements	0	-
Employee contributions	-34	-31
TOTAL DEFINED BENEFIT EXPENSE	95	94

Amounts recognised in other comprehensive income

In CHF million		
	2019	2018
Actuarial gains and losses on the defined benefit obligation	-371	45
Return on plan assets excluding interest income	77	2
TOTAL REMEASUREMENTS OF THE NET DEFINED BENEFIT LIABILITY	-294	46

Defined benefit plans

In CHF million

	2019	2018
CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION		
Balance as at 1 January	-3 554	-3 600
Current service cost	-113	-111
Past service cost including curtailments	0	0
Interest cost	-32	-27
Contributions by plan participants	-76	-70
Actuarial gains (+)/losses (-) arising from		
experience adjustments	-81	-25
changes in demographic assumptions	1	-4
changes in financial assumptions	-291	74
Benefit payments	192	196
Settlements	0	-
Effect of business combinations	-7	-
Effect of reclassifications and other disposals	-42	-1
Foreign currency translation differences	13	13
BALANCE AS AT END OF PERIOD	-3 989	-3 554
of which amounts owing to		
active plan participants	-2 112	-1 813
retired plan participants	-1 877	-1 741
CHANGES IN THE FAIR VALUE OF PLAN ASSETS		
Balance as at 1 January	1 897	1 848
Interest income	16	13
Return on plan assets excluding interest income	77	2
Contributions by the employer	114	75
Contributions by plan participants	71	69
Benefit payments	-95	-102
Effect of business combinations	5	-
Effect of reclassifications and other disposals	-5	-5
Foreign currency translation differences	-2	-3
BALANCE AS AT END OF PERIOD	2 078	1 897

Plan assets

In CHF million	Quoted market price		Other		Total	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Cash and cash equivalents	-	-	48	50	48	50
Debt securities						
Governments	10	10	-	-	10	10
Equity securities						
Financials	1	1	-	-	1	1
Investment funds						
Debt	669	603	-	-	669	603
Equity	586	474	-	-	586	474
Balanced	73	114	-	-	73	114
Real estate	-	-	504	474	504	474
Other	-	-	100	89	100	89
Derivatives						
Currency	-	-	0	0	0	0
Property						
located in Switzerland	-	-	16	13	16	13
Qualifying insurance policies	-	-	71	69	71	69
TOTAL PLAN ASSETS	1 340	1 202	738	695	2 078	1 897
Plan assets include						
own equity instruments	1	1	-	-	1	1

Principal actuarial assumptions

	Switzerland/Liechtenstein		Other countries	
	2019	2018	2019	2018
Discount rate	0.2–0.3%	0.6–0.9%	0.5–1.8%	1.6–1.9%
Future salary increases	0.8–1.5%	1.0–1.5%	1.0–3.0%	1.0–3.0%
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)	65	64–65	63–65	63–65
Average life expectation at ordinary retirement age (women)	25.6	25.5	25.7–31.4	23.2–30.2
Average life expectation at ordinary retirement age (men)	22.6–23.1	22.5–23.4	22.0–28.0	19.8–27.0

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 2019, if the discount rate had been 50 basis points higher (lower), the defined benefit obligation would have decreased by CHF 298 million (increase CHF 340 million). 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 2019, if the future expected salary growth had increased (decreased) by 50 basis points, the defined benefit obligation would have increased by CHF 24 million (decrease CHF 23 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 2019, if the average life expectancy had increased by one year (for both men and women), the defined benefit obligation would have increased by CHF 133 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.

Expected benefit payments

Amounts in CHF million (if not noted otherwise)

	2019	2018
Duration of the defined benefit obligation (weighted average no. of years)	16.2	15.3
Benefits expected to be paid (undiscounted amounts)		
within 12 months	168	156
between 1 and 2 years	159	151
between 3 and 5 years	438	444
between 6 and 10 years	733	725

The contributions expected to be paid for the year ending 31 December 2020 are CHF 71 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 2019 (2018: CHF 2 million).

Equity compensation plans

For 2019, 2018, 2017, 2016 and 2015 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 2019 equity compensation plan is based on the new Group-wide programme "Swiss Life 2021", which was announced on 29 November 2018. The 2016, 2017 and 2018 equity compensation plans are based on the 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 2015 equity compensation plan is 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 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.

In 2019, the number of RSUs granted under this programme amounted to 40 840. The fair value at the measurement date amounted to CHF 380.66. The date of grant was 1 March 2019.

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 14 million in 2019 (2018: 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
2019					
Granted in 2016	48 425	-	-	-48 425	-
Granted in 2017	43 952	-	-	-	43 952
Granted in 2018	43 649	-	-	-	43 649
Granted in 2019	-	40 840	-	-	40 840
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 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 2015	49 735	-	-1 312	-	48 423
Granted in 2016	-	51 270	-1 299	-	49 971
2015					
Granted in 2015	-	51 660	-1 925	-	49 735

24 Income Taxes

Income tax expense

In CHF million		
	2019	2018
Current income tax expense	390	236
Deferred income tax expense	-67	82
TOTAL INCOME TAX EXPENSE	324	318

The expected weighted-average tax rate for the Group in 2019 was 19.0% (2018: 21.1%). 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		
	2019	2018
PROFIT BEFORE INCOME TAX	1 528	1 397
Income tax calculated using the expected weighted-average tax rate	291	295
Increase/reduction in taxes resulting from		
lower taxed income	-102	-102
non-deductible expenses	45	85
other income taxes (incl. withholding taxes)	29	12
change in unrecognised tax losses	-6	2
adjustments for current tax of prior periods	71	-13
changes in tax rates	-103	-22
intercompany effects	91	52
other	8	8
INCOME TAX EXPENSE	324	318

The enactment of the federal law on tax reform and AHV (Swiss old-age and survivors' insurance) financing as of 1 January 2019, combined with cantonal tax law revisions led to a revaluation of the deferred tax assets and liabilities in Switzerland. 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Financial assets	314	314	1 566	1 223
Investment property	100	128	1 102	999
Intangible assets	37	42	178	196
Property and equipment	12	12	22	0
Financial liabilities	64	38	21	29
Insurance liabilities	18	23	158	160
Employee benefits	151	126	82	77
Deferred income	1	1	0	0
Other	75	71	45	40
Tax losses	43	33		
DEFERRED INCOME TAX ASSETS/LIABILITIES	815	787	3 175	2 723
Offset	-743	-732	-743	-732
TOTAL DEFERRED INCOME TAX ASSETS/LIABILITIES	72	55	2 432	1 991

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	Acquisitions and disposals	Foreign currency translation differences	Balance as at end of period
MOVEMENTS BY TYPE OF TEMPORARY DIFFERENCE DURING THE YEAR 2019						
Financial assets	-909	30	-382	0	9	-1 252
Investment property	-871	-10	1	-129	6	-1 002
Intangible assets	-154	15	-1	-3	2	-141
Property and equipment	12	-22	-	-1	0	-10
Financial liabilities	9	37	-4	1	-1	43
Insurance liabilities	-137	-7	1	-	3	-140
Employee benefits	49	6	14	-1	-2	69
Deferred income	1	0	-	0	0	1
Other	31	4	-	-3	-2	30
Tax losses	33	11	-	0	-1	43
NET DEFERRED INCOME TAX ASSETS/LIABILITIES	-1 936	67	-371	-135	15	-2 360

MOVEMENT 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

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 11.7 billion as at 31 December 2019 (2018: CHF 9.6 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
2020	2	2	21.3%	21.2%
2021	1	1	21.2%	21.2%
2022	1	1	21.2%	21.2%
Thereafter	280	319	18.0%	18.3%
TOTAL	284	323	n/a	n/a

25 Provisions

In CHF million	Notes	Restructuring		Litigation		Other		Total	
		2019	2018	2019	2018	2019	2018	2019	2018
Balance as at 1 January		17	9	22	28	48	37	87	74
Additions from business combinations	28	-	-	-	-	-	0	-	0
Additional provisions made		1	10	9	5	7	11	17	25
Amounts used		-7	-2	-2	-3	-1	-1	-10	-7
Unused amounts reversed		0	0	-6	-7	-5	-3	-11	-10
Unwinding of discount and effect of change in discount rate		-	-	0	0	-	-	0	0
Reclassifications and other disposals		-	-	-	0	-16	6	-16	6
Foreign currency translation differences		0	0	-1	-1	-1	-1	-2	-2
BALANCE AS AT END OF PERIOD		11	17	23	22	33	48	66	87

Restructuring

Provisions for restructuring were set up in 2019 in Germany (2018: Switzerland and Germany). 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 2019, the share capital of Swiss Life Holding consisted of 33 594 606 fully-paid shares with a par value of CHF 5.10 each (2018: 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 2019 (2018: CHF 19 675 534.80).

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 2019, a distribution to shareholders out of the capital contribution reserve of CHF 83 million (CHF 2.50 per registered share) was made (2018: distribution out of the capital contribution reserve of CHF 460 million, CHF 13.50 per registered share).

Share buyback

In November 2018, the Group announced a CHF 1 billion share buyback programme that commenced in December 2018 and ended in December 2019 when the target size had been reached. 2 208 715 Swiss Life Holding shares were repurchased for CHF 1 billion under the share buyback programme. The average share price paid was CHF 452.75. In July 2019, 628 500 shares were cancelled.

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	2019	2018
SHARES ISSUED		
Balance as at 1 January	34 223 106	34 223 106
Cancellation of treasury shares	-628 500	-
BALANCE AS AT END OF PERIOD	33 594 606	34 223 106
TREASURY SHARES		
Balance as at 1 January	418 899	131 201
Purchases of treasury shares	-	110 000
Share buyback	1 981 015	227 700
Allocation under equity compensation plans	-50 063	-50 002
Cancellation of treasury shares	-628 500	-
BALANCE AS AT END OF PERIOD	1 721 351	418 899

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 2019

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	Debt securities reclassified to loans	Total	Revaluation surplus investment property	Remeasurements net defined benefit liability	Total	
Net balance as at 1 January	-1 012	2 791	348	-10	2 117	68	-301	-232	1 885
Net other comprehensive income	-138	1 782	103	7	1 756	-1	-96	-97	1 656
NET BALANCE AS AT END OF PERIOD	-1 150	4 574	451	-2	3 873	67	-397	-330	3 542
NET OTHER COMPREHENSIVE INCOME IS COMPOSED OF THE FOLLOWING:									
Revaluation – gross	-237	8 672	408	–	8 844	–	-294	-294	8 549
Net investment hedges – gross	107	–	–	–	107	–	–	–	107
Reclassification to profit or loss – gross	-12	-2 240	-49	6	-2 295	–	–	–	-2 295
Effects of									
policyholder participation	–	-4 165	-245	3	-4 407	-1	182	182	-4 225
shadow accounting	2	-79	4	0	-73	0	–	0	-73
income tax	0	-372	-13	-1	-386	1	14	15	-371
foreign currency translation differences	–	-34	-2	0	-36	-2	1	0	-37
Net other comprehensive income before non-controlling interests	-140	1 782	103	7	1 754	-1	-96	-97	1 655
Non-controlling interests	2	0	0	0	2	0	0	0	2
NET OTHER COMPREHENSIVE INCOME	-138	1 782	103	7	1 756	-1	-96	-97	1 656

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	Debt securities reclassified to loans	Total	Revaluation surplus investment property	Remeasurements net defined benefit liability		
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	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

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. In 2019, a dividend payment of CHF 464 million (CHF 14.00 per registered share) was made in addition to the distribution to shareholders out of the capital contribution reserve.

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 (in 2018 only) and the interest net of tax of CHF 7 million (2018: 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	
	2019	2018	2019	2018
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	2 425	1 341	8	12
Non-current assets	380	239	217	206
Current liabilities	-2 697	-1 476	-69	-69
Non-current liabilities	-6	-3	-23	-21
NET ASSETS	102	100	133	128
Accumulated non-controlling interests	41	40	44	43
Revenue	94	116	13	11
Profit or loss	7	6	8	6
Total comprehensive income	3	6	8	6
Profit or loss allocated to non-controlling interests	3	2	3	2
Net cash flows from operating activities	1 203	-147	-1	-3
Net cash flows from investing activities	-1	-5	-	0
Net cash flows from financing activities	-6	-2	-3	-1
NET CHANGE IN CASH AND CASH EQUIVALENTS	1 197	-154	-4	-4
Dividends paid to non-controlling interests	-1	-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. Since 1 January 2019 Swiss Life has used 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.

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 2019 and 2018, 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 purchase treasury shares, 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	2019	2018
CONSIDERATION			
Cash consideration		890	266
Contingent consideration arrangement(s)		30	72
TOTAL CONSIDERATION		920	337
TOTAL		920	337
ACQUISITION-RELATED COSTS			
Other expenses		9	2
TOTAL		9	2
IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED			
Cash and cash equivalents		4	23
Loans and receivables		7	21
Investment property	14	1 179	–
Property and equipment	16	1	2
Intangible assets including intangible insurance assets	17	27	121
Inventory property		–	181
Other assets		0	1
Other financial liabilities		–192	–130
Provisions	25	–	0
Deferred income tax liabilities		–132	–40
Other liabilities		–4	–18
TOTAL IDENTIFIABLE NET ASSETS		890	161
Non-controlling interests		–	–3
Goodwill	17	30	180
TOTAL		920	337
ACQUIRED LOANS AND RECEIVABLES			
Fair value		7	21
Gross contractual amounts receivable		7	21
Estimated uncollectible cash flows		0	0

The Swiss Life Group acquired Fontavis AG, an independent funds and investment manager in Baar, Switzerland, in October 2019. 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.

In October 2019, the Swiss Life Group acquired Gneiss Properties SA, Sandstone Properties SA and Granite Properties SA and a group of five property entities in Geneva. The acquired entities hold and operate a large property portfolio in the Swiss cantons of Geneva and Vaud.

Also in October 2019, Ferguson Oliver Limited in Angus, United Kingdom, an independent financial advisor, was acquired.

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.

Assets and liabilities from disposals

In CHF million

	2019	2018
CONSIDERATION		
Consideration received in cash	165	57
TOTAL CONSIDERATION RECEIVED	165	57
ASSETS AND LIABILITIES DISPOSED		
Cash and cash equivalents	283	9
Assets held for sale	–	4
Loans and receivables	14	4
Investment property	978	–
Intangible assets including intangible insurance assets	–	12
Inventory property	–	181
Other assets	33	2
Liabilities associated with assets held for sale	–	–3
Other financial liabilities	–906	–132
Employee benefit liabilities	–	–2
Other liabilities	–2	–6
NET ASSETS DISPOSED OF	401	70
GAIN/LOSS ON DISPOSALS		
Consideration received	165	57
Net assets disposed of	–401	–70
Fair value of retained equity interest(s)	242	27
Amounts recognised in other comprehensive income	10	1
Non-controlling interests	–	5
GAIN (+)/LOSS (–) ON DISPOSALS	17	21

Due to loss of control in 2019, BEOS Corporate Real Estate Fund Germany IV and SL REF (DE) European Real Estate Living and Working both are accounted for as financial assets through profit and loss.

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.

29 Related Party Transactions

Consolidated statement of income

In CHF million					
	Associates	Key management personnel	Other	Total	Total
				2019	2018
Net earned premiums	0	-	-	0	0
Asset management and other commission income	1	-	-	1	0
Investment income	0	-	-	0	0
Other income	1	-	-	1	0
Net insurance benefits and claims	0	-	-	0	0
Policyholder participation	0	-	-	0	0
Employee benefits expense	-	-20	-	-20	-21

Consolidated balance sheet

In CHF million					
	Associates	Key management personnel	Other	Total	Total
				31.12.2019	31.12.2018
Loans and receivables	16	-	-	16	1
Other assets	-	-	-	-	0
Other financial liabilities	-1	-	-	-1	-1
Insurance liabilities	-2	-	-	-2	-2
Policyholder participation liabilities	0	-	-	0	0

For the years ended 31 December 2019 and 2018, 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
				31.12.2019	31.12.2018
Commitments	-	-	0	0	-

Key management compensation

In CHF million			2019	2018
Short-term employee benefits			14	14
Post-employment benefits			2	2
Equity-settled share-based payments			4	5
TOTAL			20	21

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 2019 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
FINANCIAL ASSETS								
Derivatives								
Currency	0	0	625	763	-	-	625	763
Interest rate	0	0	1 389	895	-	-	1 389	895
Equity	22	480	54	1	-	-	76	481
Total derivatives	22	480	2 068	1 660	-	-	2 090	2 140
Debt instruments								
Governments and supranationals	52 066	48 293	266	376	1	-	52 334	48 669
Corporates	40 923	39 718	399	654	201	205	41 523	40 577
Other	53	56	25	25	36	32	114	113
Total debt instruments	93 042	88 067	690	1 056	238	237	93 970	89 359
Equity instruments								
Equity securities	10 571	9 260	17	16	472	395	11 059	9 670
Investment funds	6 937	7 240	2 308	2 613	2 158	1 486	11 404	11 340
Alternative investments	-	-	24	40	2 807	2 354	2 831	2 394
Total equity instruments	17 508	16 500	2 350	2 669	5 438	4 235	25 296	23 404
Assets for the account and risk of the Swiss Life Group's customers	29 920	26 917	1 055	1 297	4 275	3 383	35 250	31 597
TOTAL FINANCIAL ASSETS	140 492	131 964	6 162	6 681	9 951	7 856	156 605	146 500
INVESTMENTS IN ASSOCIATES								
Associates at fair value through profit or loss	-	-	33	31	131	52	164	84
FINANCIAL LIABILITIES								
Derivatives								
Currency	0	0	343	433	-	-	343	433
Interest rate	-	11	838	489	-	-	838	500
Equity	99	70	9	3	-	-	108	72
Other	-	-	22	42	-	-	22	42
Total derivatives	99	81	1 212	967	-	-	1 311	1 048
Investment contracts without discretionary participation	-	-	599	514	-	-	599	514
Unit-linked contracts	-	-	26 171	23 961	136	161	26 308	24 122
Third party interests in consolidated investment funds	-	-	1 007	2 089	2 582	1 611	3 589	3 700
TOTAL FINANCIAL LIABILITIES	99	81	28 990	27 531	2 719	1 772	31 808	29 383

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 loan 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Commercial	–	–	–	–	16 327	13 962	16 327	13 962
Residential	–	–	–	–	10 632	10 068	10 632	10 068
Mixed use	–	–	–	–	7 907	7 351	7 907	7 351
TOTAL INVESTMENT PROPERTY	–	–	–	–	34 866	31 381	34 866	31 381

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	
	2019	2018	2019	2018
Rent growth p.a.	0.2 – 4.5%	0.3–5.0%	-	-
Long-term vacancy rate	3.9 – 8.7%	3.2–8.3%	-	-
Discount rate	2.2 – 4.7%	2.3–4.7%	2.7 – 8.9%	2.3–6.3%
Market rental value p.a. (price/m ² /year)	CHF 257 – 305	CHF 252–304	EUR 87 – 471	EUR 87–377

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 2019, 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 2260 million lower (2018: CHF 1887 million). At 31 December 2019, if discount rates had been 10 basis points higher, the fair value of investment property would have been CHF 1139 million lower (2018: CHF 862 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 fairvalue			Fairvalue
	2019	2018	31.12.2019	31.12.2018
DEBT INSTRUMENTS THAT MEET THE SPPI CRITERION				
Governments and supranationals	4 108	-847	56 983	53 076
Corporates	2 309	-2 484	48 496	47 407
Other	126	-17	12 109	10 223
TOTAL	6 543	-3 348	117 588	110 706
DEBT INSTRUMENTS THAT DO NOT MEET THE SPPI CRITERION				
Governments and supranationals	21	-5	131	114
Corporates	36	-47	1 468	1 631
Other	4	-8	112	112
TOTAL	61	-60	1 712	1 857
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Debt instruments managed on a fair value basis	28	-11	622	340
Debt instruments for the account and risk of the Swiss Life Group's customers	773	-652	6 934	6 378
TOTAL	800	-663	7 556	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

In CHF million	Gross carrying amount		Fair value	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
DEBT SECURITIES				
Governments and supranationals	63	64	63	64
Corporates	820	968	820	968
TOTAL	883	1 032	883	1 032
MORTGAGES				
Residential	14	11	14	12
TOTAL	14	11	14	12
OTHER LOANS AND RECEIVABLES				
Corporates	3 171	2 420	3 168	2 420
Other	25	29	22	29
TOTAL	3 196	2 449	3 190	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 2019

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	-	12	225	3 236	1 051	3 383	31 381	39 289
Total gains/losses recognised in profit or loss	-	0	-2	145	33	-128	776	823
Total gains/losses recognised in other comprehensive income	-	-	10	-	4	-	-	14
Additions	-	-	12	1 330	158	1 774	5 598	8 873
Disposals	-	-12	-	-106	-185	-650	-2 580	-3 534
Foreign currency translation differences	-	0	-7	-68	-29	-104	-309	-517
BALANCE AS AT END OF PERIOD	-	-	238	4 537	1 032	4 275	34 866	44 948
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	-	-	0	145	-21	-128	748	743

¹ including associates at fair value through profit or loss

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

During 2019, debt securities of CHF 32 million (2018: CHF 36 million) were transferred from level 1 into level 2 due to reduced frequency of price quotations, and debt securities of CHF 344 million (2018: CHF 23 million) were transferred from level 2 into level 1 due to new liquid price sources. Real estate funds of CHF 161 million were listed at the SIX Swiss Exchange and therefore transferred from level 2 into level 1. Changes in the pricing frequency (daily/weekly) resulted in the following transfers of investment funds during 2019: CHF 10 million (2018: CHF 19 million) from level 1 into level 2, and CHF 6 million (2018: 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		Third party interests in consolidated investment funds		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Balance as at 1 January	-	-	161	152	1 611	933	1 772	1 085
Total gains/losses recognised in profit or loss	-	-	1	0	504	60	505	60
Additions	-	-	2	10	1 026	679	1 028	689
Disposals	-	-	-27	-1	-515	-40	-542	-41
Transfers out of level 3	-	-	-	-	0	-	0	-
Foreign currency translation differences	-	-	0	0	-43	-21	-43	-21
BALANCE AS AT END OF PERIOD	-	-	136	161	2 582	1 611	2 719	1 772
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	-	-	1	0	73	59	74	59

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	
	2019	2018	2019	2018	2019	2018
ASSETS						
Total gains/losses recognised in profit or loss	31	54	17	471	776	725
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	-21	-28	17	468	748	711
LIABILITIES						
Total gains/losses recognised in profit or loss	-	-	-505	-60	-	-
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	-	-	-74	-59	-	-

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		Fairvalue	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
ASSETS				
Loans	18 081	17 058	21 078	19 139
Receivables ¹	4 874	4 405	4 874	4 405
LIABILITIES				
Investment contracts without discretionary participation ¹	1	0	1	0
Borrowings	3 951	3 385	4 395	3 583
Other financial liabilities ^{1,2}	14 152	15 273	14 152	15 273

¹ Carrying amount approximates fair value.

² Excluding third party interests in consolidated 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 fairvalue	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
ASSETS								
Loans	1 521	1 592	8 359	7 704	11 198	9 844	21 078	19 139
LIABILITIES								
Borrowings	3 673	3 366	721	217	-	-	4 395	3 583

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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Gross amounts of recognised financial assets before offsetting	2 090	2 140	–	–	9	19	2 099	2 159
Gross amounts of recognised financial liabilities set off	–	–	–	–	0	0	0	0
NET AMOUNTS PRESENTED IN THE BALANCE SHEET	2 090	2 140	–	–	9	19	2 099	2 158
Related amounts not set off in the balance sheet:								
Financial instruments	–653	–509	–	–	–	–	–653	–509
Cash collateral received	–1 332	–1 017	–	–	–	–	–1 332	–1 017
Net amounts	104	614	–	–	9	19	113	632

Offsetting financial liabilities

In CHF million	Derivatives		Repurchase agreements		Other financial instruments		Total	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Gross amounts of recognised financial liabilities before offsetting	1 311	1 048	2 495	4 625	0	15	3 806	5 688
Gross amounts of recognised financial assets set off	–	–	–	–	0	0	0	0
NET AMOUNTS PRESENTED IN THE BALANCE SHEET	1 311	1 048	2 495	4 625	–	14	3 806	5 688
Related amounts not set off in the balance sheet:								
Financial instruments	–653	–512	–2 438	–4 767	–	–	–3 092	–5 279
Cash collateral pledged	–638	–528	–	–	–	–	–638	–528
Net amounts	20	8	57	–142	–	14	77	–120

32 Guarantees and Commitments

In CHF million

	31.12.2019	31.12.2018
Financial guarantees	31	47
Loan commitments	787	284
Capital commitments for alternative investments	123	497
Capital commitments for real estate investments	618	365
Other capital commitments	481	597
Operating lease commitments	-	170
Commitments for joint ventures	-	1
Contractual obligations to purchase or construct investment property	1 070	862
Other contingent liabilities and commitments	483	344
TOTAL	3 593	3 168

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 2019, committed principal amounts totalled EUR 1 million and CHF 651 million (2018: EUR 5 million and CHF 223 million). The range of committed interest rates is 1.54% to 5.09% for commitments in euro and 0.75% to 1.89% for commitments in Swiss francs.

Capital commitments for real estate and 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. Minimum lease payments totalled CHF 53 million in 2018. Since 1 January 2019, applying IFRS 16, the operating lease commitments are accounted for as lease liabilities on the balance sheet.

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 357 million as at 31 December 2019, which are included in this line item (2018: CHF 179 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Securities pledged under repurchase agreements ¹	2 438	4 767	2 438	4 767
Securities lent in exchange for securities received	3 448	3 861	3 448	3 861
Other securities pledged	997	745	997	745
TOTAL	6 883	9 374	6 883	9 374
¹ of which can be sold or repledged by transferee	2 438	4 767	2 438	4 767

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	
	31.12.2019	31.12.2018
Securities received as collateral in exchange for securities lent	3 448	3 861
Securities received for loans and receivables	182	109
Securities received for reinsurance assets	272	272
Other securities received	21	49
TOTAL	3 923	4 291

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	Currency	Subscribed Capital
ABCON AG, Bern	CH	until 25.06.2019	-	-			
Actuaires et Associés SA, Petit-Lancy	CH	until 25.06.2019	-	-			
Adroit Private Equity AG, Zürich	CH		100.0%	100.0%	Private equity	CHF	5 000 000
aXenta AG, Baden	CH		100.0%	100.0%	Information technology	CHF	150 000
Fontavis AG, Baar	AM	from 23.10.2019	100.0%	100.0%	Services	CHF	210 000
LIVIT AG, Zürich	AM		100.0%	100.0%	Asset management & Real estate	CHF	3 000 000
Livit FM Services AG, Zürich	AM		100.0%	100.0%	Services	CHF	100 000
Neue Warenhaus AG, Zürich	CH		100.0%	100.0%	Real estate	CHF	5 000 000
Oscar Weber AG, Zürich	CH		100.0%	100.0%	Real estate	CHF	5 000 000
Rhein-Wiese AG, Zürich	CH	from 20.06.2019	100.0%	100.0%	Real estate	CHF	160 000 000
Sobrado Software AG, Cham	CH	until 27.03.2018	-	-			
Swiss Life AG, Zürich	CH		100.0%	100.0%	Life insurance	CHF	587 350 000
Swiss Life Asset Management AG, Zürich	AM		100.0%	100.0%	Finance	CHF	20 000 000
Swiss Life Capital Holding AG, Zürich	Other		100.0%	100.0%	Holding	CHF	5 514 000
Swiss Life Holding AG, Zürich	Other		-	-	Holding	CHF	171 332 491
Swiss Life Intellectual Property Management AG, Zürich	Other		100.0%	100.0%	Services	CHF	250 000
Swiss Life International Holding AG, Zürich	IN		100.0%	100.0%	Holding	CHF	1 000 000
Swiss Life International Services AG, Ruggell (formerly 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	CHF	50 000 000
Swiss Life Lab AG, Zürich	CH		100.0%	100.0%	Services	CHF	100 000
Swiss Life Pension Services AG, Zürich	CH		100.0%	100.0%	Services	CHF	250 000
Swiss Life Private Equity Partners AG, Zürich	AM		100.0%	100.0%	Asset management	CHF	250 000
Swiss Life REF (CH) European Properties, Zürich	CH		53.5%	53.5%	Investment funds	EUR	400 000 000
Swiss Life Schweiz Holding AG, Zürich	CH		100.0%	100.0%	Holding	CHF	250 000
Swiss Life Select International Holding AG, Zürich	IN	until 17.06.2019	-	-			
Swiss Life Select Schweiz AG, Zug	CH		100.0%	100.0%	Services	CHF	5 600 000
SwissFEX AG, Zürich	CH	from 01.10.2019	100.0%	100.0%	Information technology	CHF	300 000
Swissville Centers Holding AG, Zürich	CH		100.0%	100.0%	Holding	CHF	7 100 000
TECHNOPARK Immobilien AG, Zürich	CH		66.7%	66.7%	Real estate	CHF	40 000 000

Liechtenstein

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity	Currency	Subscribed Capital
Swiss Life (Liechtenstein) AG, Ruggell (formerly Schaan)	IN		100.0%	100.0%	Life insurance	CHF	5 000 000
Swiss Life International Services AG, Ruggell (formerly Schaan)	IN		100.0%	100.0%	Services	CHF	100 000

¹ Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

This page contains information on GRI Disclosure 102-45.

France

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity	Currency	Subscribed Capital
AGAMI, Levallois-Perret	FR		100.0%	100.0%	Services and broker	EUR	1 250 055
ATIM Université SCI, Paris	FR		100.0%	100.0%	Real estate	EUR	72 789 644
AXYALIS PATRIMOINE, Valence	FR		77.6%	97.0%	Services	EUR	100 000
Cegema, Villeneuve-Loubet	FR		92.5%	92.5%	Broker	EUR	306 840
CLUB PRIME HOSPITALITY, Paris	CH/FR		100.0%	100.0%	Real estate	EUR	191 328 396
CrossQuantum, Nanterre	FR		100.0%	100.0%	Services	EUR	500 000
DYNACAPITALE, Paris	FR	from 15.07.2019	82.1%	100.0%	Real estate	EUR	407 846
DYNAPTIM, Paris	FR	from 15.07.2019	81.3%	100.0%	Real estate	EUR	1 758 937
Financière du Capitole, Toulouse	FR		80.0%	80.0%	Finance	EUR	1 700 000
Financière du Patrimoine, Balma (formerly Toulouse)	FR	until 31.10.2019	-	-			
MA Santé Facile, Levallois-Perret	FR		100.0%	100.0%	Services and broker	EUR	600 000
PARIS PRIME OFFICE 1, Paris	CH	from 04.04.2019	55.4%	100.0%	Real estate	EUR	76 096 000
PARIS PRIME OFFICE, Paris	CH	from 07.05.2019	55.4%	55.4%	Real estate	EUR	426 165 000
PIERRE CAPITALE, Paris	FR		89.8%	89.9%	Real estate	EUR	77 908 000
SAS Placement Direct, Levallois-Perret	FR		100.0%	100.0%	Services and broker	EUR	250 000
SCI SWISSLIFE 148 UNIVERSITE, Paris	FR		100.0%	100.0%	Real estate	EUR	1 000
SL RETAIL FRANCE 1, Paris	FR/DE		51.4%	100.0%	Real estate	EUR	22 035 000
Swiss Life Asset Management (France), Levallois-Perret	AM	until 01.04.2019	-	-			
SWISS LIFE ASSET MANAGERS France (formerly SWISS LIFE REIM (France)), Marseille	AM		100.0%	100.0%	Asset management	EUR	671 167
SwissLife Agence Régionale, Nanterre	FR		100.0%	100.0%	Asset management	EUR	101 000
SwissLife Assurance et Patrimoine, Levallois-Perret	FR		100.0%	100.0%	Life insurance	EUR	169 036 086
SwissLife Assurances de Biens, Levallois-Perret	FR		100.0%	100.0%	Non-life insurance	EUR	80 000 000
SwissLife Banque Privée, Paris	FR		60.0%	60.0%	Bank	EUR	37 902 080
SwissLife Dynapierre, Levallois-Perret	FR/INT		73.3%	73.3%	Real estate	EUR	219 162 716
SwissLife France, Levallois-Perret	FR		100.0%	100.0%	Holding	EUR	267 767 057
SwissLife Gestion Privée, Paris	FR		60.0%	100.0%	Bank	EUR	277 171
SwissLife Prestigimmo, Levallois-Perret	FR		100.0%	100.0%	Real estate	EUR	583 377 121
SwissLife Prévoyance et Santé, Levallois-Perret	FR		99.8%	99.8%	Non-life insurance	EUR	150 000 000

¹ Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Germany

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity	Currency	Subscribed Capital
ACB Projekt GmbH, Köln	CH		50.0%	50.0%	Asset management & Real estate	EUR	25 000
BCP GP GmbH, Berlin	AM	from 12.12.2018	100.0%	100.0%	Asset management & Real estate	EUR	25 000
BCP Steinerne Furt GmbH & Co. KG, Berlin	AM	from 01.10.2019	100.0%	100.0%	Asset management & Real estate	EUR	100 000
BEOS AG, Berlin	AM	from 30.08.2018	100.0%	100.0%	Asset management & Real estate	EUR	500 000
BEOS Fixture GmbH, Berlin	AM	from 30.08.2018	100.0%	100.0%	Asset management & Real estate	EUR	25 000
BEREM Property Management GmbH, Berlin	AM	from 30.08.2018	100.0%	100.0%	Asset management & Real estate	EUR	25 300
BVIFG I General Partner GmbH, Berlin	AM	from 30.08.2018	100.0%	100.0%	Asset management & Real estate	EUR	25 000
BVIFG I Management GmbH, Berlin	AM	from 30.08.2018	100.0%	100.0%	Asset management & Real estate	EUR	25 000
CitCor Residential Verwaltungs GmbH, Köln (formerly Düsseldorf)	AM	until 14.08.2019	-	-			
CORPUS SIREO Aurum GmbH & Co. KG, Köln	CH		100.0%	100.0%	Asset management & Real estate	EUR	100 000
CORPUS SIREO Immobilien Beteiligungs GmbH, Köln	CH		100.0%	100.0%	Asset management & Real estate	EUR	25 000
CORPUS SIREO Investment Residential No. 2 GmbH, Köln	AM		100.0%	100.0%	Asset management & Real estate	EUR	25 000
CORPUS SIREO Investment Residential No. 30 GmbH & Co. KG, Köln	AM		99.0%	100.0%	Asset management & Real estate	EUR	101 000
CORPUS SIREO Projektentwicklung Beteiligungs GmbH, Köln	AM		100.0%	100.0%	Asset management & Real estate	EUR	30 000
CORPUS SIREO Projektentwicklung Düsseldorf GmbH, Köln	AM		99.9%	100.0%	Asset management & Real estate	EUR	25 000
CORPUS SIREO Projektentwicklung Köln-West GmbH, Köln	AM	until 16.05.2018	-	-			
CORPUS SIREO Projektentwicklung München GmbH, Köln	AM	until 08.08.2019	-	-			
CORPUS SIREO Projektentwicklung München II GmbH, Köln	AM		100.0%	100.0%	Asset management & Real estate	EUR	25 000
CORPUS SIREO Projektentwicklung Wohnen GmbH, Köln	AM		99.9%	100.0%	Asset management & Real estate	EUR	4 000 000
CORPUS SIREO Real Estate GmbH, Köln	AM		100.0%	100.0%	Holding	EUR	49 230 768
DEUTSCHE PROVENTUS AG, Hannover	DE		100.0%	100.0%	Services	EUR	511 292
Financial Solutions AG Service & Vermittlung, Garching b. München	DE		100.0%	100.0%	Services	EUR	200 000
FRECOR Projektentwicklung und Wohnbau GmbH, Köln	AM	until 23.08.2019	-	-			
Horbach Wirtschaftsberatung GmbH, Hannover	DE		100.0%	100.0%	Services	EUR	260 000
IC Investment Commercial No. 5 GmbH, Köln	AM		100.0%	100.0%	Asset management & Real estate	EUR	250 100
Maicor Projektentwicklung Winterhafen GmbH, Mainz	AM		74.2%	74.2%	Asset management & Real estate	EUR	25 600
RheinCOR Projektentwicklung GmbH, Köln	AM		55.0%	55.0%	Asset management & Real estate	EUR	25 000
S Corpus Immobilienmakler GmbH, Köln	AM	until 02.01.2018	-	-			
Schwabengalerie GmbH & Co. Geschlossene Investment- kommanditgesellschaft, Heusenstamm	DE		100.0%	100.0%	Real estate	EUR	10 100
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	EUR	50 000
SL Beteiligungs-GmbH & Co. Immobilien I KG, Garching b. München	DE		100.0%	100.0%	Real estate	EUR	10 000
SL Beteiligungs-GmbH & Co. Immobilien II KG, Garching b. München	DE		100.0%	100.0%	Real estate	EUR	10 000
SL Beteiligungs-GmbH & Co. Immobilien III KG, Garching b. München	DE		100.0%	100.0%	Real estate	EUR	10 000
SL Beteiligungs-GmbH & Co. Immobilien IV KG, Garching b. München	DE		100.0%	100.0%	Real estate	EUR	10 000
SL Beteiligungs-GmbH & Co. Immobilien Ost KG, Garching b. München	DE		100.0%	100.0%	Real estate	EUR	50 000
SL Beteiligungs-GmbH & Co. Immobilien V KG, Garching b. München	DE		100.0%	100.0%	Real estate	EUR	10 000
SL Beteiligungs-GmbH & Co. Immobilien VI KG, Garching b. München	DE		100.0%	100.0%	Real estate	EUR	10 000
SL Beteiligungs-GmbH & Co. Immobilien VII KG, Garching b. München	DE		100.0%	100.0%	Real estate	EUR	10 000

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	Currency	Subscribed Capital
SL Immobilien-Beteiligungs-Gesellschaft mbH, Garching b. München	DE		100.0%	100.0%	Holding	EUR	25 000
SL Private Equity GmbH, Frankfurt am Main	DE		98.9%	98.9%	Private equity	EUR	91 000
SLP Swiss Life Partner Vertriebs GmbH, Hamburg	DE	from 30.06.2019	51.0%	100.0%	Services	EUR	76 694
SLPM Schweizer Leben PensionsManagement GmbH, Garching b. München	DE		100.0%	100.0%	Services	EUR	150 000
Swiss Compare GmbH, Hannover	DE		100.0%	100.0%	Services	EUR	100 000
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	EUR	1 000 000
Swiss Life Deutschland erste Vermögensverwaltungs GmbH, Garching b. München	DE		100.0%	100.0%	Services	EUR	50 000
Swiss Life Deutschland Holding GmbH, Hannover	DE		100.0%	100.0%	Holding	EUR	25 000
Swiss Life Deutschland Operations GmbH, Hannover	DE		100.0%	100.0%	Services	EUR	25 000
Swiss Life Deutschland Vertriebsservice GmbH, Hannover	DE		100.0%	100.0%	Services	EUR	25 000
Swiss Life Gastronomie GmbH, Hannover	DE		100.0%	100.0%	Staff restaurant/Canteen	EUR	25 000
Swiss Life Invest GmbH, München	AM		100.0%	100.0%	Asset management	EUR	700 000
Swiss Life Investment Management Deutschland Holding GmbH, Frankfurt am Main	AM	from 23.08.2019	100.0%	100.0%	Holding	EUR	25 000
Swiss Life Kapitalverwaltungsgesellschaft mbH, Heusenstamm	AM		100.0%	100.0%	Asset management & Real estate	EUR	125 000
Swiss Life Partner Service- und Finanzvermittlungs GmbH, Garching b. München	DE		100.0%	100.0%	Services	EUR	300 000
Swiss Life Pensionsfonds AG, Garching b. München	DE		100.0%	100.0%	Life insurance	EUR	3 000 000
Swiss Life Pensionskasse AG, Garching b. München	DE		100.0%	100.0%	Life insurance	EUR	3 000 000
Swiss Life Select Deutschland GmbH, Hannover	DE		100.0%	100.0%	Services	EUR	2 700 000
Swiss Life Service GmbH, Leipzig	DE		100.0%	100.0%	Services	EUR	50 000
Swiss Life Vermittlungs GmbH, Garching b. München	DE		100.0%	100.0%	Services	EUR	50 000
tecis Finanzdienstleistungen Aktiengesellschaft, Hamburg	DE		100.0%	100.0%	Services	EUR	500 000
Verwaltung SLP Swiss Life Partner Vertriebs GmbH, Hamburg	DE	from 30.06.2019	51.0%	51.0%	Services	EUR	25 600

Luxembourg

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity	Currency	Subscribed Capital
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	until 21.03.2019	-	-			
CORPUS SIREO RetailCenter-Fonds Deutschland SICAV-FIS (in Liquidation), Luxembourg	DE		57.0%	57.0%	Asset management & Real estate	EUR	92 631 568
EVER.S. München S.C.S., Munsbach	DE	from 15.02.2019	100.0%	100.0%	Asset management & Real estate	EUR	1 000
Fontavis Capital Partners, Luxembourg	AM	from 23.10.2019	100.0%	100.0%	Asset management	EUR	12 000
Heralux S.A., Luxembourg	FR		99.8%	100.0%	Reinsurance	EUR	3 500 000
SchwabenGalerie Stuttgart S.C.S., Munsbach	DE		100.0%	100.0%	Asset management & Real estate	EUR	1 000
SL Institutional Fund SICAV-SIF, S.A. (formerly SL Fixed Income Fund SICAV-SIF, S.A.), Luxembourg	CH		100.0%	100.0%	Investment funds	USD	40 000
SL Place de Paris S.à r.l., Luxembourg	FR		100.0%	100.0%	Real estate	EUR	12 500
SWISS LIFE (LUXEMBOURG) S.A., Luxembourg	IN		100.0%	100.0%	Life insurance	EUR	23 000 000
Swiss Life Asset Managers Luxembourg (formerly Swiss Life Fund Management (LUX) S.A.), Luxembourg	AM		100.0%	100.0%	Investment funds	EUR	2 399 300
Swiss Life Assurance Solutions S.A., Luxembourg	Other	until 23.09.2019	-	-			
Swiss Life ERE Capital Partners Fund S.C.S. SICAV-FIS (formerly Swiss Life Hotel Properties SCS), Luxembourg	DE		100.0%	100.0%	Asset management & Real estate	EUR	261 977 750

¹ Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)

Luxembourg (continued)

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity	Currency	Subscribed Capital
Swiss Life Funds (Lux) Global Infrastructure Opportunities Management S.à r.l., Luxembourg	AM		100.0%	100.0%	Asset management	EUR	12 500
Swiss Life Funds (Lux) Global Infrastructure Opportunities S.C.A., SICAV-SIF, Luxembourg	AM		82.6%	82.6%	Asset management	EUR	895 738 871
Swiss Life Invest Luxembourg S.A., Luxembourg	IN		100.0%	100.0%	Holding	EUR	60 211 000
Swiss Life Investment Company S.A., SICAF-SIF, Luxembourg	CH	from 02.04.2019	100.0%	100.0%	Investment funds	EUR	10 837 500
Swiss Life Loan Fund (LUX) SA, SICAV-SIF, Luxembourg	CH/FR/DE		100.0%	100.0%	Investment funds	USD	40 000
Swiss Life Participations Luxembourg S.A., Luxembourg	IN		100.0%	100.0%	Holding	EUR	67 496 000
Swiss Life Products (Luxembourg) S.A., Luxembourg	CH		100.0%	100.0%	Life insurance/Reinsurance	EUR	86 538 000
Swiss Life REF (LUX) European Retail SCS, SICAV-SIF, Luxembourg	FR/DE		51.4%	51.4%	Real estate	EUR	129 999 998
Swiss Life REF (LUX) German Core Real Estate SCS, Société en Commandite simple sous la forme d'une SICAV, Luxembourg	AM/CH/FR/DE		62.5%	62.5%	Real estate	EUR	499 278 000
Swiss Life REF (LUX) Paris Prime Office S.A., SICAV-SIF, Luxembourg	CH	from 15.04.2019	100.0%	100.0%	Real estate	EUR	500 000
SwissLife LuxCo S.à r.l., Luxembourg	FR		100.0%	100.0%	Holding	EUR	12 000

United Kingdom

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity	Currency	Subscribed Capital
Chase de Vere Consulting Limited, Manchester	IN		100.0%	100.0%	n/a	GBP	15 000
Chase de Vere Financial Solutions Limited, Manchester	IN		100.0%	100.0%	n/a	GBP	1
Chase de Vere IFA Group Plc, London	IN		100.0%	100.0%	Finance	GBP	26 000 000
Chase de Vere IFA Services Limited, Manchester	IN		100.0%	100.0%	n/a	GBP	1
Chase de Vere Independent Financial Advisers Limited, London	IN		100.0%	100.0%	Broker	GBP	17 000 000
Chase de Vere Loans Limited, Manchester	IN		100.0%	100.0%	n/a	GBP	1 000 000
Chase de Vere Private Client Trustees Limited, London	IN		100.0%	100.0%	n/a	GBP	1
Ferguson Oliver Limited, Angus	IN	from 18.10.2019	100.0%	100.0%	Services	GBP	23 000
MAYFAIR CAPITAL INVESTMENT MANAGEMENT LIMITED, London	AM		100.0%	100.0%	Asset management	GBP	22 123
MAYFAIR CAPITAL PARTNERS LIMITED, London	AM		100.0%	100.0%	n/a	GBP	1
MAYFAIR CAPITAL TGF GENERAL PARTNER LLP, London	AM		100.0%	100.0%	Asset management	GBP	1
MAYFAIR CAPITAL TRUST MANAGER (JERSEY) LIMITED, St. Helier	AM		100.0%	100.0%	Asset management	GBP	10 000
MCIM CORPORATE TRUSTEES LIMITED, London	AM		100.0%	100.0%	n/a	GBP	1
Oakfield Wealth Holdings Limited, London	IN		100.0%	100.0%	Holding	GBP	90
Oakfield Wealth Management Limited, London	IN		100.0%	100.0%	Broker	GBP	100

Austria

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity	Currency	Subscribed Capital
Select INVESTMENT GmbH, Wien	IN	from 30.05.2019	100.0%	100.0%	Services	EUR	127 000
Swiss Life Select CEE Holding GmbH, Wien	IN		100.0%	100.0%	Holding	EUR	35 000
Swiss Life Select Österreich GmbH, Wien	IN		100.0%	100.0%	Services	EUR	726 728

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Belgium

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity	Currency	Subscribed Capital
Cortenbergh 107 SA, Bruxelles	CH	until 01.05.2019	-	-			
MONTROYER 51 LEASEHOLD, Etterbeek	FR		100.0%	100.0%	Real estate	EUR	7 787 081
RENAISSANCE OFFICE SPRL, Bruxelles	FR		100.0%	100.0%	Real estate	EUR	2 484 148
Swiss Life BelCo, Etterbeek	FR		100.0%	100.0%	Real estate	EUR	3 500 070

Cayman Islands

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity	Currency	Subscribed Capital
Adroit Investment (Offshore) Ltd., Grand Cayman	CH		100.0%	100.0%	Private equity	CHF	192
Adroit Partnerships (Offshore) L.P., Grand Cayman	CH		100.0%	100.0%	Private equity	CHF	6 579 948
Swiss Life Financial Services (Cayman) Ltd., Grand Cayman	Other		100.0%	100.0%	Services	CHF	100
Swiss Life Insurance Finance Ltd., Grand Cayman	Other		100.0%	100.0%	Finance	EUR	5 000

Czech Republic

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity	Currency	Subscribed Capital
Fincentrum & Swiss Life Select a.s. (formerly Fincentrum a.s.), Praha	IN	from 19.10.2018	100.0%	100.0%	Services	CZK	700 700 000
Fincentrum Reality s.r.o., Praha	IN	from 19.10.2018	100.0%	100.0%	Services	CZK	200 000
Swiss Life Select Ceska Republika s.r.o., Brno	IN	until 01.09.2019	-	-			

Singapore

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity	Currency	Subscribed Capital
Swiss Life (Singapore) Pte. Ltd., Singapore	IN		100.0%	100.0%	Life insurance	SGD	23 000 000
Swiss Life Network (Asia) Pte. Ltd., Singapore	IN		100.0%	100.0%	Services	SGD	1

Slovakia

	Segment ¹	Consolidation period	Group share	Direct share	Principal activity	Currency	Subscribed Capital
Fincentrum a.s., Bratislava	IN	from 19.10.2018	100.0%	100.0%	Services	EUR	33 200
Fincentrum Reality s.r.o., Bratislava	IN	from 19.10.2018	100.0%	100.0%	n/a	EUR	5 000

¹ Segment (CH = Switzerland, AM = Asset Managers, IN = International, FR = France, DE = Germany)