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

Dividend and repayment of par value

For the 2019 financial year, Swiss Life paid to the shareholders of Swiss Life Holding Ltd (hereafter referred to as "Swiss Life Holding") a dividend of CHF 15.00 per registered share in the first half of 2020 and a reduction of par value of CHF 5.00 per registered share in the second half of 2020. Both payments amounted to CHF 636 million in total.

Share buyback programmes

In February 2020, the Group announced a CHF 400 million share buyback programme that commenced on 2 March 2020 and was intended to be completed in May 2021. The programme was temporarily suspended from 25 March 2020 onwards. By 24 March 2020, 79 324 shares had been purchased for CHF 29 million under this programme at an average price of CHF 363.13. On 4 November 2020, the Group communicated its intention to resume the programme from 4 January 2021.

In November 2018, the Group announced a CHF 1 billion share buyback programme, which commenced in December 2018 and ended in December 2019. Under this programme, 2 208 715 Swiss Life Holding shares were repurchased at an average price of CHF 452.75. Repurchased shares were cancelled in July 2019 (628 500 shares) and July 2020 (1 580 215 shares).

Approval of financial statements

On 15 March 2021, 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 compliance 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. The use of this deferral approach to IFRS 9 has been aligned with the amended effective date of IFRS 17, so that qualifying insurance entities would only be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

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 2020, the Swiss Life Group implemented the amendments to the definition of a business in IFRS 3 Business Combinations, issued by the IASB in October 2018. The amendments include the following changes: a business exists if inputs and substantive processes together have the 'ability to contribute to the creation of outputs' rather than the 'ability to create outputs'; the assessment of whether market participants are capable of replacing any missing elements has been removed; the definitions of 'substantive processes' and 'outputs' have been narrowed; an optional fair value concentration test has been introduced to identify transactions that are not a business combination, that is, if substantially all of the gross assets' fair value is concentrated in a single identifiable asset or group of similar identifiable assets. The amendments have been applied prospectively and have not had an impact on the consolidated financial statements yet.

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 the 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 were implemented on 1 January 2020. Since the effectiveness of the Swiss Life Group's hedging relationships is not impaired by the IBOR reform, the amendments have no material impact on the financial statements.

Swiss Life Group decided to early adopt the amendment to IFRS 16, which was published in response to the COVID-19 pandemic in May 2020. This IFRS 16 amendment has had no effect on the consolidated financial statements.

Swiss Life Group decided to present all interest and borrowing cost paid as a component of cash flows from operating activities. Previously, interest paid was presented as cash flows from operating activities and borrowing cost paid as cash flows from financing activities. The comparative period of the consolidated statement of cash flows was restated accordingly.

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	
	31.12.2020	31.12.2019	**Average 2020**	Average 2019
1 British pound (GBP)	**1.2083**	1.2817	**1.2051**	1.2688
1 Czech koruna (CZK)	**0.0412**	0.0427	**0.0404**	0.0433
1 Euro (EUR)	**1.0821**	1.0852	**1.0717**	1.1125
1 Singapore dollar (SGD)	**0.6699**	0.7187	**0.6806**	0.7285
1 US dollar (USD)	**0.8852**	0.9664	**0.9387**	0.9938

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 exists in the near term. 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.

Debt securities reclassified from financial assets available for sale to loans and receivables due to the disappearance of an active market are not reclassified back to 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 in 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 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

Future lease payments that are fixed or variable based on an index or rate are discounted and recorded on the balance sheet as lease a 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 of obtaining investment management services for investment contracts without DPF are recognised as an intangible asset if they are expected to be recovered. The asset represents the contractual right to benefit from providing investment management services and is amortised on a straight-line basis consistent with the transfer to the customer of the investment management services. The asset is reviewed for impairment regularly. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained 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 income 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 income tax asset is recognised to the extent that it is probable that these losses can be offset against future taxable profits. Deferred income tax liabilities represent income taxes payable in the future in respect of taxable temporary differences.

A deferred income 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 income tax assets and deferred income 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 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.

2.25 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, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases in August 2020. The amendments introduce a practical expedient if a change to a financial contract results directly from the IBOR reform and occurs on an "economically equivalent" basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient applies under IFRS 16 Leases for lessees when accounting for lease modifications which are a result of the IBOR reform. The amendments also modify some specific hedge accounting requirements. For example, hedging relationships will not have to be discontinued because of changes to hedge documentation required solely by the IBOR reform. The amendments will be effective on 1 January 2021.

In January 2020 an amendment to IAS 1 Presentation of Financial Statements was published clarifying that liabilities are classified as either current or non-current, depending on the rights regarding the settlement of the liability that exist at the end of the reporting period, and not depending on expectations or management intentions. The effective date of the amendment will be 1 January 2023.

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 profits of the contract. The CSM is released to profit or loss based on the transfer of services in each period. An entity groups contracts of similar risks which are managed together, and separates the contracts that are onerous at initial recognition from contracts that are not onerous at initial recognition. On a group of onerous contracts a loss is recognised in profit or loss at initial recognition. A loss is also immediately recognised in profit or loss if a group of contracts becomes onerous on subsequent measurement. The standard provides a simplified accounting approach for certain short-duration contracts, as well as an accounting policy choice to recognise the impact of changes in discount rates and other assumptions that relate to financial risks either in profit or loss, or in other comprehensive income. The variable fee approach is required for insurance contracts that specify a link between payments to the policyholder and the returns on underlying items. Requirements in IFRS 17 align the presentation of revenue with other industries. Revenue is allocated to periods in proportion to the value of expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. The disclosure requirements are more detailed than currently required under IFRS 4. On transition to IFRS 17, an entity applies the standard fully retrospectively to groups of insurance contracts, unless it is impracticable, in which case there is a choice between a modified retrospective approach and the fair value approach. IFRS 17 will be effective for reporting periods beginning on or after 1 January 2023. 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 until 1 January 2023 and therefore continues 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 income 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 2020

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	9 854	3 625	1 090	75	–	–	14 644	–22	14 621
Premiums earned on investment contracts with discretionary participation	851	–	–	–	–	–	851	–	851
Premiums ceded to reinsurers	–9	–122	–43	–17	–	–	–191	22	–169
Net earned premiums	10 695	3 503	1 047	58	–	–	15 304	0	15 304
Policy fees earned on insurance contracts	5	4	18	0	–	–	27	–	27
Policy fees earned on investment and unit-linked contracts	47	203	13	80	–	–	342	–	342
Net earned policy fees	52	207	31	80	–	–	370	–	370
Commission income	246	131	521	199	886	1	1 984	–397	1 588
Investment income	2 754	722	492	31	2	24	4 024	–2	4 021
Net gains/losses on financial assets	–708	–95	58	–9	–7	–35	–796	–	–796
Net gains/losses on financial instruments at fair value through profit or loss	–42	81	121	1	6	25	191	–	191
Net gains/losses on investment property	668	63	99	–	16	–	847	–	847
Share of profit or loss of associates	6	3	0	–	0	–	9	–	9
Other income	38	3	–16	14	158	0	197	–2	195
TOTAL INCOME	13 708	4 618	2 353	373	1 061	15	22 129	–401	21 728
of which intersegment	2	19	6	–5	376	3	401	–401	
EXPENSES									
Benefits and claims under insurance contracts	–10 762	–2 919	–1 179	–36	–	–	–14 896	4	–14 891
Benefits and claims under investment contracts with discretionary participation	–846	–	–	–	–	–	–846	–	–846
Benefits and claims recovered from reinsurers	7	78	23	6	–	–	113	–4	109
Net insurance benefits and claims	–11 602	–2 841	–1 157	–30	–	–	–15 629	0	–15 629
Policyholder participation	–268	–409	–227	–6	–	–	–910	0	–910
Interest expense	–27	–76	–11	–14	–5	1	–132	5	–127
Commission expense	–530	–481	–469	–137	–72	0	–1 690	397	–1 293
Employee benefits expense	–218	–214	–160	–60	–346	–4	–1 002	–3	–1 005
Depreciation and amortisation expense	–121	–206	–77	–17	–30	0	–450	–	–450
Impairment of property and equipment and intangible assets	–	–	0	0	–21	–	–21	–	–21
Other expenses	–113	–174	–73	–31	–242	–83	–716	1	–715
TOTAL EXPENSES	–12 878	–4 401	–2 174	–295	–716	–87	–20 551	401	–20 150
of which intersegment	–276	–27	–55	1	–38	–6	–401	401	
SEGMENT RESULT	830	217	180	78	345	–72	1 578	–	1 578
Unallocated corporate costs									–106
PROFIT FROM OPERATIONS									1 472
Borrowing costs									–121
Income tax expense									–300
NET PROFIT									1 051
Additions to non-current assets	3 191	413	198	27	95	–	3 923	–	3 923

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

Balance sheet as at 31 December 2020

In CHF million	Switzer-land	France	Germany	Inter-national	Asset Managers	Other	Total before elimi-nations	Elimi-nations	Total
ASSETS									
Cash and cash equivalents	2 700	1 782	432	2 671	247	32	7 865	–	7 865
Derivatives	2 647	323	92	–	–	11	3 073	–65	3 008
Assets held for sale	1	–	–	–	–	–	1	–	1
Financial assets at fair value through profit or loss	8 022	17 128	4 295	17 890	0	–	47 336	–	47 336
Financial assets available for sale	74 214	21 825	9 849	1 683	1	869	108 441	–	108 441
Loans and receivables	15 101	3 139	5 990	171	419	2 843	27 663	–4 307	23 357
Financial assets pledged as collateral	2 506	1 453	–	61	–	45	4 064	–	4 064
Investment property [1]	31 645	3 270	3 085	–	119	–	38 120	–	38 120
Investments in associates	31	91	48	–	3	–	172	–	172
Reinsurance assets	31	290	132	106	–	–	559	–4	556
Property and equipment [1]	233	67	134	25	57	0	515	–	515
Intangible assets including intangible insurance assets	687	366	1 300	340	365	–	3 058	–	3 058
Other assets	609	54	22	8	447	7	1 146	–205	942
SEGMENT ASSETS	138 429	49 788	25 378	22 955	1 658	3 806	242 015	–4 580	237 435
Income tax assets									103
TOTAL ASSETS									237 538
LIABILITIES AND EQUITY									
LIABILITIES									
Derivatives	1 384	17	3	–	–	49	1 452	–65	1 387
Investment and unit-linked contracts	6 931	12 454	1 206	21 433	–	–	42 024	–	42 024
Other financial liabilities [2]	12 039	6 048	1 808	431	549	324	21 199	–1 318	19 882
Insurance liabilities	89 689	22 504	16 468	197	–	–	128 858	–82	128 776
Policyholder participation liabilities	9 852	5 220	3 729	22	–	–	18 824	0	18 824
Employee benefit liabilities	1 464	106	209	14	197	2	1 993	–	1 993
Provisions	14	11	9	4	7	76	121	–	121
Other liabilities	155	115	56	15	24	7	372	–1	371
SEGMENT LIABILITIES	121 529	46 475	23 488	22 117	776	458	214 844	–1 466	213 379
Borrowings									3 949
Income tax liabilities									2 946
EQUITY									17 263
TOTAL LIABILITIES AND EQUITY									237 538

[1] Including IFRS 16 right-of-use assets
[2] Including IFRS 16 lease liabilities

Balance sheet as at 31 December 2019

In CHF million	Switzerland	France	Germany	International	Asset Managers	Other	Total before eliminations	Eliminations	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 assets
2 Including IFRS 16 lease liabilities

Premiums and policy fees from external customers

In CHF million	Net earned premiums		Net earned policy fees	
	2020	2019	**2020**	2019
LIFE				
Individual life	**4 062**	3 461	**352**	352
Group life	**10 851**	13 187	**18**	16
TOTAL LIFE	**14 913**	16 647	**370**	368
NON-LIFE				
Accident and health	**11**	12	**–**	–
Property, casualty and other	**379**	375	**–**	–
TOTAL NON-LIFE	**390**	386	**–**	–
TOTAL	**15 304**	17 034	**370**	368

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	
	2020	2019	**31.12.2020**	31.12.2019
Switzerland	**13 771**	16 427	**29 826**	26 604
France	**4 627**	4 267	**4 907**	5 045
Germany	**2 598**	2 710	**3 077**	3 172
Liechtenstein	**18**	24	**151**	152
Luxembourg	**504**	608	**1 536**	1 227
Austria	**43**	41	**43**	44
United Kingdom	**101**	104	**200**	202
Other countries	**66**	138	**585**	659
TOTAL	**21 728**	24 320	**40 324**	37 105

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

	31.12.2020	31.12.2019
Cash and cash equivalents	**2 667**	2 944
Derivatives	**0**	0
Financial assets at fair value through profit or loss		
Debt securities	**7 683**	6 934
Equity securities	**5 759**	5 611
Investment funds	**23 337**	22 692
Other	**15**	13
Investment property	**307**	–
TOTAL ASSETS FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS	**39 768**	38 193

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

In CHF million

	Notes	31.12.2020	31.12.2019
Unit-linked contracts	19	**25 693**	26 308
Investment contracts	19	**5 315**	4 901
Insurance liabilities	22	**8 399**	7 109
TOTAL LIABILITIES LINKED TO ASSETS FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS		**39 407**	38 318

The financial result for the years ended 31 December for the account and risk of the Swiss Life Group and the Swiss Life Group's customers was as follows.

In CHF million		Assets and liabilities for the account and risk of the Swiss Life Group		Assets and liabilities for the account and risk of the Swiss Life Group's customers		Total	
	Notes	2020	2019	2020	2019	2020	2019
Investment income	8	**4 012**	4 387	**9**	–	**4 021**	4 387
Net gains/losses on financial assets	8	**–795**	1 680	**–1**	–2	**–796**	1 678
Net gains/losses on financial instruments at fair value through profit or loss	8	**191**	–1 636	**–1**	16	**191**	–1 620
Net gains/losses on investment property		**847**	776	**0**	–	**847**	776
Share of profit or loss of associates		**9**	6	**–**	–	**9**	6
FINANCIAL RESULT		**4 265**	5 213	**8**	14	**4 273**	5 227

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 ensures that the corresponding risks remain under control. The market risk capital, interest rate risk capital, credit spread risk capital and credit risk capital limits, as well as exposure limits for currencies and net equity for each large insurance operation, are defined based on the risk appetite per operation.

Interest rate risk relating to financial instruments and insurance contracts

The Group's primary interest rate exposure is to contracts with guaranteed benefits and the risk that the interest rates of the financial assets purchased with the consideration received from the policyholders 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 2020				
Minimum guaranteed interest rate 0 – < 1%	**27 795**	**7 233**	**9**	**35 037**
Minimum guaranteed interest rate 1 – < 2%	**27 574**	**1 494**	**17**	**29 085**
Minimum guaranteed interest rate 2 – < 3%	**8 059**	**6 355**	**16**	**14 430**
Minimum guaranteed interest rate 3 – < 4%	**15 871**	**4 960**	**14**	**20 845**
Minimum guaranteed interest rate 4 – < 5%	**56**	**5 252**	**17**	**5 325**
Minimum guaranteed interest rate 5 – < 6%	**–**	**–**	**1**	**1**
TOTAL INTEREST-SENSITIVE INSURANCE LIABILITIES	**79 354**	**25 294**	**75**	**104 724**
Insurance liabilities with no minimum guaranteed interest rate				**15 654**
Insurance liabilities linked to assets for the account and risk of the Swiss Life Group's customers				**8 399**
TOTAL INSURANCE LIABILITIES				**128 776**

CARRYING AMOUNT 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

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 2020 (2019: 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. On the other hand, typically historic spread volatility increases during such crisis, which leads to a higher spread risk capital, even if the pre-crisis spread level has been restored.

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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
DEBT SECURITIES						
Debt securities at fair value through profit or loss	**674**	622	**7 683**	6 934	**8 358**	7 556
Debt securities available for sale	**89 425**	87 766	**–**	–	**89 425**	87 766
Debt securities pledged as collateral	**4 064**	2 438	**–**	–	**4 064**	2 438
Debt securities classified as loans	**873**	1 127	**–**	–	**873**	1 127
TOTAL DEBT SECURITIES	**95 037**	91 954	**7 683**	6 934	**102 720**	98 887
LOANS AND RECEIVABLES						
Senior secured loans available for sale	**3 908**	3 144	**–**	–	**3 908**	3 144
Mortgages	**11 534**	9 783	**–**	–	**11 534**	9 783
Note loans	**5 028**	5 324	**–**	–	**5 028**	5 324
Corporate and other loans	**1 791**	1 845	**–**	–	**1 791**	1 845
Receivables	**4 131**	4 874	**–**	–	**4 131**	4 874
TOTAL LOANS AND RECEIVABLES	**26 391**	24 971	**–**	–	**26 391**	24 971
OTHER ASSETS						
Cash and cash equivalents	**5 198**	5 303	**2 667**	2 944	**7 865**	8 247
Derivatives	**3 008**	2 090	**0**	0	**3 008**	2 090
Reinsurance assets	**556**	527	**–**	–	**556**	527
TOTAL OTHER ASSETS	**8 761**	7 920	**2 667**	2 944	**11 428**	10 864
UNRECOGNISED ITEMS						
Financial guarantees	**25**	31	**–**	–	**25**	31
Loan commitments	**539**	787	**–**	–	**539**	787
TOTAL UNRECOGNISED ITEMS	**564**	818	**–**	–	**564**	818
TOTAL EXPOSURE TO CREDIT RISK	**130 753**	125 663	**10 351**	9 877	**141 104**	135 540

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 2020

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	–	2	–	2 245	171	–	2 418
Securities collateral	–	191	–	–	273	11	475
Mortgage collateral	8 516	13 303	–	–	–	495	22 314
Other collateral	–	4 714	–	–	–	48	4 762
Guarantees	760	108	525	–	–	–	1 393
Netting agreements	–	691	–	729	1	–	1 421
TOTAL SECURED	9 276	19 008	525	2 974	445	554	32 783
UNSECURED							
Governments and supranationals	57 098	3 367	68	–	–	–	60 533
Corporates	28 574	1 130	4 605	34	111	10	34 463
Other	88	2 886	–	–	–	–	2 974
TOTAL UNSECURED	85 760	7 384	4 672	34	111	10	97 970
TOTAL	95 037	26 391	5 198	3 008	556	564	130 753

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

To mitigate specific credit risk, the Group may purchase credit risk protection in the form of credit default swaps and credit default swap indices. As at 31 December 2020, there were no such derivative contracts on the balance sheet that provided any notional principal protection (2019: CHF 821 million).

Exposure to credit risk of debt instruments – credit rating by class as at 31 December 2020

In CHF million	AAA	AA	A	BBB	Below BBB	Individual impairment loss allowance	Total
DEBT SECURITIES							
Supranationals	**3 222**	**351**	**48**	**24**	**–**	**–**	**3 645**
Governments	**24 313**	**24 060**	**2 893**	**2 138**	**48**	**–**	**53 453**
Covered/guaranteed	**8 422**	**545**	**95**	**198**	**15**	**–**	**9 276**
Corporates	**436**	**2 083**	**9 147**	**15 822**	**1 086**	**–**	**28 574**
Other	**7**	**–**	**32**	**37**	**12**	**–**	**88**
TOTAL DEBT SECURITIES	**36 401**	**27 040**	**12 216**	**18 219**	**1 161**	**–**	**95 037**
MORTGAGES							
Commercial	**–**	**–**	**2 721**	**–**	**–**	**–**	**2 721**
Residential	**–**	**–**	**8 808**	**–**	**6**	**–1**	**8 812**
TOTAL MORTGAGES	**–**	**–**	**11 529**	**–**	**6**	**–1**	**11 534**
OTHER LOANS AND RECEIVABLES							
Governments and supranationals	**1 463**	**1 673**	**189**	**42**	**–**	**–**	**3 367**
Corporates	**1 264**	**589**	**730**	**1 404**	**3 812**	**–**	**7 799**
Other	**1**	**15**	**56**	**3 590**	**60**	**–31**	**3 692**
TOTAL OTHER LOANS AND RECEIVABLES	**2 728**	**2 278**	**975**	**5 035**	**3 872**	**–31**	**14 858**

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	24 566	19 692	2 359	2 166	65	–	48 848
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

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 2020

in CHF million

	AAA	AA	A	BBB	Below BBB	Total
DEBT SECURITIES						
Governments and supranationals	27 072	24 237	2 932	2 161	47	56 449
Corporates	8 726	2 623	8 879	15 846	1 069	37 144
Other	–	–	–	1	–	1
TOTAL DEBT SECURITIES	35 798	26 860	11 812	18 008	1 116	93 593
MORTGAGES						
Commercial	–	–	2 721	–	–	2 721
Residential	–	–	8 808	–	6	8 813
TOTAL MORTGAGES	–	–	11 529	–	6	11 534
OTHER LOANS AND RECEIVABLES						
Governments and supranationals	1 463	1 630	189	42	–	3 324
Corporates	802	445	730	1 404	3 812	7 193
Other	1	15	56	3 589	60	3 722
TOTAL OTHER LOANS	2 267	2 090	975	5 035	3 872	14 239

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

in CHF million

	AAA	AA	A	BBB	Below BBB	Total
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

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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
MORTGAGES										
Residential	**0**	0	**0**	2	**1**	1	**13**	20	**15**	23
TOTAL	**0**	0	**0**	2	**1**	1	**13**	20	**15**	23
OTHER LOANS AND RECEIVABLES										
Governments and supranationals	**0**	0	**–**	0	**0**	0	**–**	–	**0**	0
Corporates	**33**	44	**0**	6	**–**	–	**–**	–	**34**	49
Other	**87**	87	**11**	9	**13**	9	**6**	5	**117**	109
TOTAL	**120**	131	**11**	15	**13**	9	**6**	5	**151**	159

Financial assets individually determined as impaired

In CHF million	Gross carrying amount		Impairment loss allowance		Net carrying amount	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
MORTGAGES						
Residential	**1**	2	**–1**	0	**1**	2
TOTAL	**1**	2	**–1**	0	**1**	2
OTHER LOANS AND RECEIVABLES						
Corporates	**19**	5	**–15**	0	**4**	5
Other	**36**	36	**–31**	–20	**5**	17
TOTAL	**55**	42	**–45**	–20	**9**	22

Financial assets individually determined as impaired – impairment loss allowance for the year 2020

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**	**–**	**1**
TOTAL	**0**	**0**	**0**	**–**	**1**
OTHER LOANS AND RECEIVABLES					
Corporates	**0**	**15**	**0**	**–1**	**15**
Other	**20**	**19**	**–8**	**0**	**31**
TOTAL	**20**	**35**	**–8**	**–1**	**45**

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

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 2020						
Cash and cash equivalents	**102**	**1 818**	**2 671**	**607**	**0**	**5 198**
Derivatives	**129**	**288**	**2 457**	**133**	**–**	**3 008**
Reinsurance assets	**–**	**445**	**76**	**35**	**–**	**556**
TOTAL	**232**	**2 551**	**5 204**	**775**	**0**	**8 761**
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

At 31 December 2020 and 2019, 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 2020						
Financial guarantees	**–**	**–**	**10**	**15**	**–**	**25**
Loan commitments	**–**	**–**	**491**	**48**	**–**	**539**
TOTAL	**–**	**–**	**501**	**63**	**–**	**564**
CREDIT RATING AS AT 31 DECEMBER 2019						
Financial guarantees	–	–	4	27	–	31
Loan commitments	–	2	653	132	–	787
TOTAL	–	2	657	159	–	818

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]	
	2020	2019
EUR/CHF	**4**	3
USD/CHF	**–2**	–12
GBP/CHF	**1**	–1
CAD/CHF	**–1**	–1

[1] before policyholder and income tax effect

The Swiss Life Group's European insurance and investment operations (excluding Switzerland) generally invest in assets denominated in the same currency as their insurance and investment contract liabilities, which mitigates the currency risk for these operations. As a result, currency risk arises from recognised assets and liabilities denominated in other currencies and net investments in foreign operations. Although the Swiss Life Group actively engages in currency management to reduce the effect of exchange rate fluctuations on its assets and liabilities, particularly by hedging against the risk of such movements in relation to part of its investments denominated in euros and in US dollars, significant movements in exchange rates could adversely affect the Swiss Life Group's earnings and financial position, including the value of its investment portfolio. Foreign exchange exposure is hedged in line with the strategic asset allocation. The instruments which the Swiss Life Group uses to hedge exposure may not be perfectly correlated to the related assets, so the Group will still be exposed to losses if the value of the hedge and the value of the underlying asset or liability do not correspond appropriately.

Due to the limitations of the Swiss capital market with 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 2020

In CHF million	Cash flows							Carrying amount
	Up to 1 month	1–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total	
FINANCIAL LIABILITIES								
Derivatives designated as cash flow hedges	–	–	140	1 156	–	–	1 296	10
Investment contracts with discretionary participation	22	40	226	2 877	1 734	5 910	10 809	10 809
Investment contracts without discretionary participation	0	0	0	0	0	207	207	207
Borrowings	–	–	767	2 531	1 205	–	4 503	3 949
Lease liabilities	3	6	28	107	23	105	272	220
Other financial liabilities	10 423	1 578	5 219	1 184	1 064	497	19 964	19 662
TOTAL	10 448	1 623	6 379	7 855	4 026	6 718	37 051	34 856
INSURANCE AND POLICYHOLDER PARTICIPATION LIABILITIES								
Insurance liabilities	376	360	3 561	9 319	16 477	90 283	120 378	120 377
Policyholder participation liabilities	163	279	4 700	10 115	132	3 434	18 824	18 824
TOTAL	540	639	8 262	19 435	16 609	93 717	139 202	139 202
GUARANTEES AND COMMITMENTS								
Financial guarantees	15	–	10	–	–	–	25	–
Loan commitments	79	141	286	28	3	2	539	–
Capital commitments	836	–	77	1 590	–	–	2 504	–
TOTAL	930	141	373	1 618	3	2	3 068	–

Exposure to liquidity risk as at 31 December 2019

In CHF million	Cash flows							Carrying amount
	Up to 1 month	1–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total	
FINANCIAL LIABILITIES								
Derivatives designated as cash flow hedges	–	–	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	–

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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
ASSETS								
Cash and cash equivalents	**5 198**	5 303	**–**	–	**2 667**	2 944	**7 865**	8 247
Derivatives	**1 350**	730	**1 657**	1 360	**0**	0	**3 008**	2 090
Assets held for sale	**1**	–	**–**	–	**–**	–	**1**	–
Financial assets at fair value through profit or loss	**4 854**	3 670	**5 688**	4 772	**36 794**	35 250	**47 336**	43 692
Financial assets available for sale	**10 068**	8 270	**98 373**	100 116	**–**	–	**108 441**	108 386
Loans and receivables	**5 425**	6 337	**17 931**	16 617	**–**	–	**23 357**	22 955
Financial assets pledged as collateral	**20**	13	**4 045**	2 425	**–**	–	**4 064**	2 438
Investment property	**–**	–	**37 813**	34 866	**307**	–	**38 120**	34 866
Investments in associates	**–**	–	**172**	266	**–**	–	**172**	266
Reinsurance assets	**309**	294	**246**	232	**–**	–	**556**	527
Property and equipment	**–**	–	**515**	532	**–**	–	**515**	532
Intangible assets including intangible insurance assets	**–**	–	**3 058**	3 074	**–**	–	**3 058**	3 074
Current income tax assets	**24**	10	**–**	–	**–**	–	**24**	10
Deferred income tax assets	**–**	–	**79**	72	**–**	–	**79**	72
Other assets	**312**	319	**630**	622	**–**	–	**942**	940
TOTAL ASSETS	**27 560**	24 946	**170 209**	164 954	**39 768**	38 193	**237 538**	228 094
LIABILITIES								
Derivatives	**599**	456	**788**	856	**–**	–	**1 387**	1 311
Investment and unit-linked contracts	**288**	293	**10 727**	10 801	**31 008**	31 209	**42 024**	42 303
Borrowings	**650**	–	**3 299**	3 951	**–**	–	**3 949**	3 951
Other financial liabilities	**15 253**	13 711	**4 629**	4 030	**–**	–	**19 882**	17 741
Insurance liabilities	**4 298**	4 127	**116 080**	113 749	**8 399**	7 109	**128 776**	124 985
Policyholder participation liabilities	**5 142**	4 299	**13 682**	11 752	**–**	–	**18 824**	16 052
Employee benefit liabilities	**174**	170	**1 819**	1 989	**–**	–	**1 993**	2 160
Current income tax liabilities	**310**	323	**–**	–	**–**	–	**310**	323
Deferred income tax liabilities	**–**	–	**2 636**	2 432	**–**	–	**2 636**	2 432
Provisions	**100**	38	**21**	29	**–**	–	**121**	66
Other liabilities	**324**	292	**47**	43	**–**	–	**371**	336
TOTAL LIABILITIES	**27 138**	23 709	**153 729**	149 632	**39 407**	38 318	**220 275**	211 659

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

	31.12.2020	31.12.2019
Life annuities – in payment	559	565
Life annuities – deferred	392	412
Annuities certain – in payment	4	5
Annuities certain – deferred	32	33
Disability income and other annuities – in payment	251	231
Disability income and other annuities – deferred	7 488	7 438
TOTAL INDIVIDUAL LIFE	8 726	8 684

Annuities payable per annum by type of annuity – group life

In CHF million

	31.12.2020	31.12.2019
Retirement annuities – in payment	1 083	1 045
Retirement annuities – deferred	446	438
Survivors' annuities – in payment	149	147
Survivors' annuities – deferred	3 016	2 896
Disability income and other annuities – in payment	383	370
Disability income and other annuities – deferred	18 751	17 921
TOTAL GROUP LIFE	23 829	22 815

Life benefits insured by type of insurance – individual life

In CHF million

	31.12.2020	31.12.2019
Whole life and term life	**36 101**	31 823
Disability lump-sum payment	**12**	21
Other	**373**	295
TOTAL INDIVIDUAL LIFE	**36 486**	32 138

Life benefits insured by type of insurance – group life

In CHF million

	31.12.2020	31.12.2019
Term life	**62 843**	58 449
Disability lump-sum payment	**4 227**	2 853
Other	**1 320**	1 399
TOTAL GROUP LIFE	**68 390**	62 701

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, mental stress 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 insurance 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										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
At end of year of loss occurrence	311	303	335	342	296	267	297	331	304	295	n/a
1 year later	362	330	361	346	322	331	317	352	369	–	n/a
2 years later	324	331	296	309	322	276	282	325	–	–	n/a
3 years later	336	285	281	324	291	259	269	–	–	–	n/a
4 years later	300	276	299	296	273	255	–	–	–	–	n/a
5 years later	293	297	280	279	266	–	–	–	–	–	n/a
6 years later	313	278	264	271	–	–	–	–	–	–	n/a
7 years later	294	260	258	–	–	–	–	–	–	–	n/a
8 years later	277	255	–	–	–	–	–	–	–	–	n/a
9 years later	271	–	–	–	–	–	–	–	–	–	n/a
CURRENT ESTIMATE OF CUMULATIVE CLAIMS	271	255	258	271	266	255	269	325	369	295	2 832
Cumulative payments to date	–243	–233	–235	–234	–219	–204	–207	–216	–212	–117	–2 120
LIABILITIES BEFORE DISCOUNTING	28	22	23	37	46	50	62	109	157	178	712
LIABILITIES FOR THE CURRENT AND 9 PREVIOUS YEARS	28	22	23	37	46	50	62	109	157	178	712
Liabilities for prior years											206
TOTAL GROSS CLAIMS UNDER NON-LIFE INSURANCE CONTRACTS											918

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 1.1% in terms of earned insurance premiums was ceded as at 31 December 2020 (2019: 1.0%).

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, monitoring and steering of operational risks. Operational risk management defines operational risk as the adverse impacts 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 integral parts 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 2020, if interest rates had been 50 basis points higher, profit or loss would have been CHF 26 million lower (2019: CHF 20 million lower) and other comprehensive income would have been CHF 1651 million lower (2019: CHF 1540 million lower). If interest rates had been 50 basis points lower, profit or loss would have been CHF 13 million higher (2019: CHF 13 million higher) and other comprehensive income would have been CHF 1965 million higher (2019: CHF 1740 million higher). These impacts are net after policyholder participation 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 2020, if equity prices had been higher by 10%, profit or loss would have been CHF 155 million lower (2019: CHF 347 million lower) and other comprehensive income would have been CHF 694 million higher (2019: CHF 701 million higher). If equity prices had been lower by 10%, profit or loss would have been CHF 11 million higher (2019: CHF 246 million higher) and other comprehensive income would have been CHF 653 million lower (2019: CHF 690 million lower). These impacts are gross before policyholder participation 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 2020, if mortality rates for life assurance had been higher by 5%, profit or loss would have been CHF 1 million lower (2019: 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 4 million lower (2019: CHF 5 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 participation and tax.

At 31 December 2020, if morbidity rates had been higher by 5%, profit or loss would have been CHF 29 million lower (2019: CHF 27 million lower). If morbidity rates had been lower by 5%, profit or loss would have been CHF 29 million higher (2019: CHF 27 million higher). These impacts are net after policyholder participation 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.

Diluted earnings per share include shares contingently issuable under equity compensation plans calculated on the basis of the expected fulfilment of predefined conditions. For further information on the equity compensation plans please refer to note 23 Employee Benefits.

In CHF million (if not noted otherwise)

	2020	2019
BASIC EARNINGS PER SHARE		
Net result attributable to equity holders of Swiss Life Holding	**1 046**	1 199
Weighted average number of shares outstanding	**31 823 922**	32 768 031
BASIC EARNINGS PER SHARE FOR THE NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF SWISS LIFE HOLDING (IN CHF)	**32.87**	36.59
DILUTED EARNINGS PER SHARE		
Net result attributable to equity holders of Swiss Life Holding	**1 046**	1 199
RESULT USED TO DETERMINE DILUTED EARNINGS PER SHARE	**1 046**	1 199
Weighted average number of shares outstanding	**31 823 922**	32 768 031
Adjustments (number of shares)		
Equity compensation plans	**89 290**	93 803
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING FOR DILUTED EARNINGS PER SHARE	**31 913 212**	32 861 834
DILUTED EARNINGS PER SHARE FOR THE NET RESULT ATTRIBUTABLE TO EQUITY HOLDERS OF SWISS LIFE HOLDING (IN CHF)	**32.78**	36.48

7 Premiums, Policy Fees and Deposits Received

Written premiums

In CHF million

	2020	2019
Direct	**14 964**	16 699
Assumed	**512**	520
GROSS WRITTEN PREMIUMS	**15 477**	17 219
Ceded	**–169**	–180
NET WRITTEN PREMIUMS	**15 308**	17 039

Earned premiums

In CHF million

	2020	2019
Direct	**14 965**	16 699
Assumed	**508**	513
GROSS EARNED PREMIUMS	**15 472**	17 213
Ceded	**–169**	–179
NET EARNED PREMIUMS	**15 304**	17 034

Written policy fees

In CHF million

	2020	2019
Direct	**383**	380
GROSS WRITTEN POLICY FEES	**383**	380
Ceded	**0**	0
NET WRITTEN POLICY FEES	**383**	381

Earned policy fees

In CHF million

	2020	2019
Direct	370	368
GROSS EARNED POLICY FEES	370	368
Ceded	0	0
NET EARNED POLICY FEES	370	368

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

	2020	2019
Gross written premiums and policy fees	15 860	17 599
Deposits received under insurance and investment contracts	4 160	5 409
GROSS WRITTEN PREMIUMS, POLICY FEES AND DEPOSITS RECEIVED	20 020	23 008

8 Details of Certain Items in the Consolidated Statement of Income

Commission income

In CHF million

	2020	2019
Brokerage commissions	**774**	723
Asset management commissions	**565**	482
Other commissions and fees	**248**	247
TOTAL COMMISSION INCOME	**1 588**	1 452

Investment income

In CHF million

	Notes	2020	2019
Interest income on financial assets available for sale		**2 160**	2 356
Interest income on loans and receivables		**440**	465
Other interest income		**–8**	5
Dividend income on financial assets available for sale		**477**	549
Net income on investment property		**952**	1 012
TOTAL INVESTMENT INCOME	5	**4 021**	4 387

Net gains /losses on financial assets

In CHF million

	Notes	2020	2019
Sale of			
financial assets available for sale		**825**	2 272
loans and receivables		**125**	36
Net gains/losses from sales		**950**	2 308
Impairment losses on			
debt instruments available for sale		**–16**	0
equity instruments available for sale		**–628**	–32
loans and receivables		**–18**	–4
Impairment losses on financial assets		**–662**	–36
Hedging gains/losses reclassified from OCI		**358**	1
Foreign currency gains/losses		**–1 442**	–595
TOTAL NET GAINS/LOSSES ON FINANCIAL ASSETS	5	**–796**	1 678

An impairment loss for an equity instrument classified as available for sale is recognised if there is a significant decline of 30% or more, or a prolonged decline of 12 months or longer, in the fair value of the instrument below its cost. As at 31 December 2020, the Swiss Life Group recognised an impairment loss of CHF 628 million (2019: CHF 32 million) for equity instruments available for sale.

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

In CHF million

	Notes	2020	2019
Currency derivatives		938	–335
Interest rate derivatives		–181	132
Equity derivatives		–612	–1 665
Other derivatives		3	–76
Financial assets designated as at fair value through profit or loss [1]		85	599
Investments in associates [2]		3	3
Investment contracts without discretionary participation		11	35
Third-party interests in consolidated investment funds		–60	–330
Other financial liabilities		6	1
Assets for the account and risk of the Swiss Life Group's customers		81	3 907
Liabilities linked to assets for the account and risk of the Swiss Life Group's customers		–82	–3 891
TOTAL NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	5	191	–1 620

[1] Includes interest and dividend income of CHF 117 million (2019: CHF 142 million)
[2] Includes dividend income of CHF 0 million (2019: CHF 1 million)

Other income

In CHF million

	2020	2019
Realised gains/losses on sales of subsidiaries and other assets	3	19
Revenue from sale of inventory property	153	99
Other foreign currency gains/losses	22	89
Other	18	32
TOTAL OTHER INCOME	195	239

Net insurance benefits and claims

In CHF million

	2020	2019
Benefits and claims under insurance contracts		
Life benefits and claims paid, gross	11 734	10 929
Change in future life policyholder benefits and claims, gross	2 901	5 864
Non-life claims paid, gross	231	232
Change in non-life claims, gross	25	12
Benefits and claims recovered from reinsurers	–109	–98
Net benefits and claims under insurance contracts	14 783	16 939
Benefits and claims under investment contracts with discretionary participation		
Life benefits and claims paid, gross	672	1 355
Change in future life policyholder benefits and claims, gross	174	–457
Net benefits and claims under investment contracts with discretionary participation	846	898
TOTAL NET INSURANCE BENEFITS AND CLAIMS	15 629	17 838

Interest expense

In CHF million

	Notes	2020	2019
Interest expense on deposits		**18**	13
Negative interest on repurchase agreements		**–26**	–29
Interest expense on due to banks		**24**	31
Interest expense on investment contracts		**68**	72
Interest expense on deposits under insurance contracts	22	**27**	49
Interest expense on lease liabilities		**4**	3
Other interest expense		**12**	27
TOTAL INTEREST EXPENSE		**127**	165

Commission expense

In CHF million

	2020	2019
Insurance agent and broker commissions	**1 070**	962
Asset management commissions	**90**	187
Other commissions and fees	**132**	136
TOTAL COMMISSION EXPENSE	**1 293**	1 285

Employee benefits expense

In CHF million

	Notes	2020	2019
Wages and salaries		**811**	783
Social security		**157**	149
Defined benefit plans	23	**39**	95
Defined contribution plans		**4**	2
Other employee benefits		**60**	65
TOTAL EMPLOYEE BENEFITS EXPENSE		**1 070**	1 094

Depreciation and amortisation expense

In CHF million

	Notes	2020	2019
Depreciation of property and equipment [1]	16	67	67
Amortisation of present value of future profits (PVP)	17	1	1
Amortisation of deferred acquisition costs (DAC)	17	335	401
Amortisation of deferred origination costs (DOC)	17	17	12
Amortisation of other intangible assets	17	30	34
TOTAL DEPRECIATION AND AMORTISATION EXPENSE		450	516

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

Other expenses

In CHF million

	2020	2019
Marketing and advertising	50	57
Information technology and systems	120	113
Maintenance and repair	32	28
Short-term leases	3	7
Leases of low-value assets	1	3
Professional services	219	209
Cost of inventory property sold	127	80
Premium taxes and other non-income taxes	78	68
Other	126	80
TOTAL OTHER EXPENSES	756	643

9 Derivatives and Hedge Accounting

In CHF million	Notes	Fair value assets 31.12.2020	Fair value assets 31.12.2019	Fair value liabilities 31.12.2020	Fair value liabilities 31.12.2019	Notional amount/exposure 31.12.2020	Notional amount/exposure 31.12.2019
CURRENCY DERIVATIVES							
Forward contracts		**1 002**	531	**230**	275	**46 200**	48 739
Futures		**0**	0	**0**	0	**46**	40
Options (over-the-counter)		**107**	94	**100**	67	**4 032**	7 045
TOTAL CURRENCY DERIVATIVES		**1 109**	625	**330**	343	**50 277**	55 824
INTEREST RATE DERIVATIVES							
Forward contracts		**202**	126	**10**	5	**1 296**	722
Swaps		**1 483**	1 258	**809**	834	**45 596**	62 349
Futures		**0**	0	**0**	–	**23**	23
Options (over-the-counter)		**12**	4	**–**	–	**0**	0
Other		**0**	0	**–**	–	**1**	1
TOTAL INTEREST RATE DERIVATIVES		**1 698**	1 389	**819**	838	**46 916**	63 095
EQUITY/INDEX DERIVATIVES							
Futures		**50**	12	**73**	99	**5 920**	7 330
Options (over-the-counter)		**0**	–	**–**	–	**9**	–
Options (exchange-traded)		**118**	10	**156**	–	**3 353**	33
Other		**33**	54	**9**	9	**1 549**	1 469
TOTAL EQUITY/INDEX DERIVATIVES		**201**	76	**238**	108	**10 832**	8 832
OTHER DERIVATIVES							
Credit derivatives		**0**	–	**0**	22	**–168**	821
TOTAL OTHER DERIVATIVES		**0**	–	**0**	22	**–168**	821
DERIVATIVES FOR THE ACCOUNT AND RISK OF THE SWISS LIFE GROUP'S CUSTOMERS	5	**0**	0	**–**	–	**–**	0
TOTAL DERIVATIVES		**3 008**	2 090	**1 387**	1 311	**107 858**	128 571
of which derivatives designated and accounted for as hedging instruments							
Derivatives designated as fair value hedges		**9**	106	**18**	12	**8 294**	12 354
Derivatives designated as cash flow hedges		**651**	420	**10**	16	**2 832**	3 489
Derivatives designated as net investment hedges		**133**	85	**12**	–	**4 546**	4 461

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 2020

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	3	6	1 454	4	–8	8	–4
Foreign currency risk							
Currency forwards to hedge non-monetary investments	6	12	6 840	800	–304	304	–800
TOTAL DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES	9	18	8 294	803	–312	312	–803

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

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 2020 was CHF 1.3 billion (2019: CHF 3.3 billion).

Forward contracts are used as hedging instruments to protect non-monetary investments (equity securities, investment funds and hedge funds) against adverse movements in euro, British pound, US dollar and Japanese yen exchange rates. Such investments include equity securities, investment funds (equity funds and loan funds) and hedge funds.

Foreign currency debt designated as fair value hedge

In CHF million (if not noted otherwise)	Fair value	Nominal amount	Hedging instruments		Hedged items	
		EUR	Gains	Losses	Gains	Losses
AS AT 31 DECEMBER 2020						
Foreign currency borrowing to hedge currency risk of non-monetary investments	**87**	**80**	**0**	**0**	**0**	**0**
AS AT 31 DECEMBER 2019						
Foreign currency borrowing to hedge currency risk of non-monetary investments	68	63	3	0	0	–3

In 2020, 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 2020

In CHF million (if not noted otherwise)	Fair value		Contract/ notional amount	Fair value gains (+)/ losses (–)		Hedged cash flows	
	Assets	Liabilities		Effective portion recognised in other comprehensive income	Ineffective portion recognised in profit or loss	Years expected to occur	Years expected to affect profit or loss
INTEREST RATE RISK							
Forward starting swaps/bonds							
Swiss franc	**384**	**–**	**1 082**	**469**	**–**	**2021–2026**	**2021–2051**
Euro	**267**	**10**	**1 750**	**195**	**–**	**2021–2025**	**2021–2063**
Total interest rate risk	**651**	**10**	**2 832**	**663**	**–**	**n/a**	**n/a**
TOTAL DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	**651**	**10**	**2 832**	**663**	**–**	**n/a**	**n/a**

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 comprehensive income	Ineffective portion recognised in profit or loss	Years expected to occur	Years expected to affect profit or loss
INTEREST RATE RISK							
Forward starting swaps/bonds							
Swiss franc	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

In 2020, 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.

Amounts recognised in OCI are reclassified into profit or loss as investment income over the life of the hedged financial assets and as gains/losses on financial assets when a hedged financial asset is derecognised. In 2020, a gain of CHF 404 million was reclassified from other comprehensive income to profit or loss (2019: CHF 49 million), of which CHF 46 million were included in investment income (2019: CHF 48 million), and CHF 358 million in net gains/losses on financial assets (2019: CHF 1 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 comprehensive income	Ineffective portion recognised in profit or loss
AS AT 31 DECEMBER 2020					
Currency forwards	**133**	**12**	**4 546**	**322**	**–**
TOTAL DERIVATIVES DESIGNATED AS NET INVESTMENT HEDGES	**133**	**12**	**4 546**	**322**	**–**
AS AT 31 DECEMBER 2019					
Currency forwards	85	–	4 461	107	–
TOTAL DERIVATIVES DESIGNATED AS NET INVESTMENT HEDGES	85	–	4 461	107	–

In 2020, investments in fixed income funds of USD 3972 million (2019: USD 3282 million) and EUR 530 million (2019: EUR 125 million) and investments in real estate funds of EUR 395 million (2019: EUR 1281 million) were hedged.

Foreign currency debt designated as net investment hedges of foreign operations

In CHF million (if not noted otherwise)	Fair value	Nominal amount	Fair value gains (+)/losses (–)	
		EUR	Effective portion recognised in other comprehensive income	Ineffective portion recognised in profit or loss
AS AT 31 DECEMBER 2020				
Foreign currency borrowing to hedge net investments in foreign entities	**196**	**182**	**1**	**–**
AS AT 31 DECEMBER 2019				
Foreign currency borrowing to hedge net investments in foreign entities	203	188	6	–

In 2020, investments in real estate funds of EUR 182 million were hedged (2019: EUR 188 million).

10 Financial Assets at Fair Value through Profit or Loss

In CHF million

	Notes	31.12.2020	31.12.2019
Debt securities		**674**	622
Equity securities		**137**	239
Investment funds – debt		**1 752**	1 211
Investment funds – equity		**1 498**	1 470
Investment funds – balanced		**228**	259
Real estate funds		**3 034**	1 999
Infrastructure investments		**3 204**	2 620
Private equity and hedge funds		**14**	22
Financial assets for the account and risk of the Swiss Life Group's customers	5	**36 794**	35 250
TOTAL FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS		**47 336**	43 692

11 Financial Assets Available for Sale

In CHF million	Cost/amortised cost		Net unrealised gains/losses		Fair value (carrying amount)	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Debt securities	**73 441**	74 294	**15 984**	13 472	**89 425**	87 766
Senior secured loans	**3 921**	3 143	**–13**	1	**3 908**	3 144
Equity securities	**7 833**	9 621	**1 077**	1 199	**8 911**	10 820
Investment funds – debt	**2 095**	2 886	**160**	147	**2 256**	3 032
Investment funds – equity	**2 559**	2 466	**556**	401	**3 115**	2 867
Investment funds – balanced	**29**	10	**0**	0	**29**	10
Real estate funds	**590**	522	**50**	34	**640**	556
Private equity	**96**	109	**37**	45	**133**	153
Hedge funds	**19**	25	**7**	12	**26**	36
TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE	**90 584**	93 076	**17 857**	15 310	**108 441**	108 386

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 Loans and Receivables

In CHF million	Notes	Gross carrying amount 31.12.2020	Gross carrying amount 31.12.2019	Allowance for impairment losses 31.12.2020	Allowance for impairment losses 31.12.2019	Carrying amount 31.12.2020	Carrying amount 31.12.2019
Mortgages		**11 555**	9 801	**–21**	–18	**11 534**	9 783
Note loans		**5 028**	5 324	**–**	–	**5 028**	5 324
Corporate and other loans		**1 793**	1 849	**–2**	–4	**1 791**	1 845
Debt securities previously classified as available for sale		**727**	968	**–**	–	**727**	968
Other debt securities classified as loans		**146**	159	**–**	–	**146**	159
TOTAL LOANS	30	**19 248**	18 102	**–23**	–22	**19 226**	18 081
Insurance receivables		**1 351**	1 550	**–29**	–22	**1 322**	1 529
Reinsurance receivables		**346**	322	**–**	–	**346**	322
Accrued investment income		**1 116**	1 175	**–**	–	**1 116**	1 175
Settlement accounts		**48**	669	**–**	–	**48**	669
Other receivables		**1 307**	1 186	**–8**	–6	**1 299**	1 180
TOTAL RECEIVABLES	30	**4 168**	4 902	**–37**	–28	**4 131**	4 874
TOTAL LOANS AND RECEIVABLES		**23 416**	23 004	**–60**	–50	**23 357**	22 955

Allowance for impairment losses

In CHF million	Individual evaluation of impairment 2020	Individual evaluation of impairment 2019	Collective evaluation of impairment 2020	Collective evaluation of impairment 2019	Total 2020	Total 2019
LOANS						
Balance as at 1 January	**4**	4	**17**	16	**22**	20
Impairment losses/reversals	**–2**	1	**3**	2	**1**	2
Write-offs and disposals	**0**	–1	**–**	–	**0**	–1
Foreign currency translation differences	**0**	0	**–**	–	**0**	0
BALANCE AS AT END OF PERIOD	**2**	4	**20**	17	**23**	22
RECEIVABLES						
Balance as at 1 January	**16**	16	**12**	15	**28**	31
Impairment losses/reversals	**21**	4	**–4**	–3	**17**	2
Write-offs and disposals	**–8**	–4	**0**	0	**–8**	–4
Foreign currency translation differences	**0**	0	**0**	0	**0**	–1
BALANCE AS AT END OF PERIOD	**29**	16	**8**	12	**37**	28
TOTAL ALLOWANCE FOR IMPAIRMENT LOSSES	**31**	20	**29**	30	**60**	50

Interest income accrued on impaired loans was CHF 0.04 million as at 31 December 2020 (2019: CHF 0.1 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 and receivables 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.

Details with regard to the financial assets reclassified are as follows.

Debt securities previously classified as available for sale

In CHF million

	2020	2019
Carrying amount as at 31 December	727	968
Fair value as at end of period	1 041	1 296
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)	–5	122
Gains (+)/losses (–) recognised in profit or loss (including impairment)	46	2
Interest income	55	67

13 Financial Assets Pledged as Collateral

In CHF million	Carrying amount	
	31.12.2020	31.12.2019
Debt securities reclassified from financial assets available for sale	**4 064**	2 438
TOTAL DEBT SECURITIES PLEDGED AS COLLATERAL	**4 064**	2 438
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**4 064**	2 438

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.

14 Investment Property

In CHF million

	Notes	2020	2019
Balance as at 1 January		**34 866**	31 381
Additions		**3 580**	4 263
Additions from business combinations	28	**–**	1 179
Capitalised subsequent expenditure		**206**	156
Disposals		**–1 351**	–2 580
Gains/losses from fair value adjustments		**847**	776
Foreign currency translation differences		**–28**	–309
BALANCE AS AT END OF PERIOD		**38 120**	34 866
of which pledged as security for mortgage loans		**1 464**	1 054
Investment property consists of			
completed investment property		**36 771**	33 874
investment property under construction		**1 248**	992
Right-of-use investment property		**101**	–
TOTAL INVESTMENT PROPERTY		**38 120**	34 866

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 1242 million for the period ended 31 December 2020 (2019: CHF 1276 million). Operating expenses arising from investment property that generated rental income amounted to CHF 291 million for the period ended 31 December 2020 (2019: CHF 266 million).

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

In CHF million

	31.12.2020	31.12.2019
Less than 1 year	**705**	706
1 to 2 years	**653**	596
2 to 3 years	**577**	512
3 to 4 years	**532**	441
4 to 5 years	**517**	389
More than 5 years	**1 870**	1 700
TOTAL UNDISCOUNTED LEASE PAYMENTS	**4 855**	4 345

15 Investments in Associates

Summarised financial information for the year 2020

Amounts in CHF million	Ownership interest	Carrying amount	Dividends received	Share of profit or loss	Share of other comprehensive income	Share of total comprehensive income
EQUITY METHOD ASSOCIATES						
Crédit et Services Financiers (CRESERFI), Paris	**33.4%**	**47**	**–**	**0**	**–**	**0**
Other associates	**n/a**	**58**	**10**	**9**	**–**	**9**
TOTAL	**n/a**	**105**	**10**	**9**	**–**	**9**
ASSOCIATES AT FAIR VALUE THROUGH PROFIT OR LOSS						
Agrippa Quartier GmbH & Co. Geschlossene InvKG, Heusenstamm	**36.6%**	**49**	**–**	**n/a**	**n/a**	**n/a**
SCI Tour LM, Marseille	**33.3%**	**18**	**0**	**n/a**	**n/a**	**n/a**
Other associates	**n/a**	**–**	**–**	**n/a**	**n/a**	**n/a**
TOTAL	**n/a**	**67**	**0**	**n/a**	**n/a**	**n/a**

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 (CRESERFI), 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. Geschlossene InvKG, 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	n/a	n/a	n/a
TOTAL	n/a	164	1	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 2020	Crédit et Services Financiers (CRESERFI) Paris 2019	Agrippa Quartier GmbH & Co. Geschlossene InvKG Heusenstamm 2020	Agrippa Quartier GmbH & Co. Geschlossene InvKG Heusenstamm 2019	Oskar Verwaltungs GmbH Heusenstamm 2020	Oskar Verwaltungs GmbH Heusenstamm 2019	Oskar 20 GmbH Heusenstamm 2020	Oskar 20 GmbH Heusenstamm 2019	SCI TOUR LM Marseille 2020	SCI TOUR LM Marseille 2019
SUMMARISED FINANCIAL INFORMATION										
Current assets	**176**	178	**3**	3	**–**	14	**–**	8	**11**	14
Non-current assets	**16**	13	**136**	134	**–**	291	**–**	437	**234**	207
Current liabilities	**–15**	–14	**0**	–1	**–**	–1	**–**	–52	**–63**	–64
Non-current liabilities	**–35**	–37	**–40**	–40	**–**	–177	**–**	–209	**–128**	–47
Revenue	**36**	35	**–1**	1	**–**	1	**–**	7	**13**	16
Profit or loss	**1**	3	**0**	2	**–**	1	**–**	12	**8**	7
Total comprehensive income	**1**	3	**0**	2	**–**	1	**–**	12	**8**	7
RECONCILIATION										
Net assets	**142**	140	**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**	47	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a	**n/a**	n/a

16 Property and Equipment

In CHF million

	31.12.2020	31.12.2019
Property and equipment owned	384	385
Right-of-use property and equipment	131	147
TOTAL PROPERTY AND EQUIPMENT	515	532

Property and equipment owned for the year 2020

In CHF million

	Land and buildings	Furniture and fixtures	Hardware	Other equipment	Total
Balance as at 1 January	326	19	16	24	385
Additions	11	7	5	5	28
Disposals	0	–1	0	0	–1
Depreciation	–12	–4	–6	–5	–27
Impairment losses	–	0	–	–	0
Foreign currency translation differences	0	0	0	0	–1
BALANCE AS AT END OF PERIOD	325	21	15	24	384
Cost	565	71	75	53	764
Accumulated depreciation and impairment	–241	–49	–61	–29	–380
TOTAL PROPERTY AND EQUIPMENT AS AT END OF PERIOD	325	21	15	24	384
of which buildings in the course of construction	9				

Property and equipment owned 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				

No borrowing costs were capitalised in property and equipment in 2020 and 2019.

Right-of-use assets for the year 2020

In CHF million

	Premises	IT equipment	Vehicles	Other equipment	Total
Balance as at 1 January	**136**	**3**	**5**	**3**	**147**
Additions	**30**	**1**	**2**	**0**	**33**
Depreciation	**–34**	**–2**	**–3**	**–1**	**–40**
Other changes	**–7**	**0**	**0**	**–**	**–8**
Foreign currency translation differences	**–1**	**0**	**0**	**0**	**–1**
BALANCE AS AT END OF PERIOD	**124**	**1**	**4**	**2**	**131**

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

17 Intangible Assets including Intangible Insurance Assets

In CHF million	31.12.2020	31.12.2019
Intangible insurance assets	**1 459**	1 421
Other intangible assets	**1 600**	1 653
TOTAL INTANGIBLE ASSETS	**3 058**	3 074

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	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Balance as at 1 January	**7**	8	**1 360**	1 454	**54**	32	**1 421**	1 494
Additions	**–**	–	**379**	403	**54**	35	**432**	437
Amortisation	**–1**	–1	**–335**	–401	**–17**	–12	**–353**	–414
Effect of shadow accounting	**0**	0	**–37**	–61	**–**	–	**–37**	–62
Foreign currency translation differences	**0**	0	**–3**	–34	**–1**	0	**–4**	–34
BALANCE AS AT END OF PERIOD	**6**	7	**1 363**	1 360	**89**	54	**1 459**	1 421

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 2020

In CHF million

	Goodwill	Customer relationships	Computer software	Brands and other	Total
COST					
Balance as at 1 January	**1 461**	**105**	**41**	**46**	**1 653**
Additions	**–**	**–**	**14**	**1**	**15**
Additions from business combinations	**7**	**–**	**–**	**–**	**7**
Disposals	**–7**	**–1**	**–1**	**–5**	**–14**
Amortisation	**–**	**–15**	**–14**	**–1**	**–30**
Impairment losses	**–**	**–12**	**0**	**–9**	**–21**
Foreign currency translation differences	**–8**	**–1**	**0**	**0**	**–10**
BALANCE AS AT END OF PERIOD	**1 452**	**76**	**40**	**32**	**1 600**
Cost	**1 935**	**234**	**224**	**45**	**2 438**
Accumulated amortisation and impairment	**–483**	**–159**	**–184**	**–13**	**–838**
TOTAL OTHER INTANGIBLE ASSETS AS AT END OF PERIOD	**1 452**	**76**	**40**	**32**	**1 600**

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		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

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.

In October 2020, a goodwill of CHF 7 million was recognised in the segment "International" in relation to the acquisition of the London based Nestor Financial Group Limited.

In December 2020, the divestment of Financière du Capitole resulted in a derecognition of goodwill of CHF 7 million.

The acquisition of Fontavis AG, Baar, in October 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.

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 10 million (31.12.2019: CHF 18 million) have been allocated to the "France" segment, CHF 50 million (31.12.2019: CHF 51 million) to the "Asset Managers" segment and CHF 71 million (31.12.2019: CHF 67 million) to the "International" segment as at 31 December 2020.

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.

As a result of the COVID-19 pandemic, input factors for the assessment of recoverable amounts have become more volatile. At 31 December 2020, Swiss Life did not identify any indication for an impairment. Headrooms on all individual positions of goodwill were assessed as sufficient to absorb the aforementioned additional volatility.

In CHF million	Lloyd Continental		CapitalLeben		Corpus Sireo		Beos		Other	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Net carrying amount of goodwill	**287**	287	**149**	149	**94**	94	**131**	132	**131**	136
Impairment losses	**–**	–	**–**	–	**–**	3	**–**	–	**–**	–
KEY ASSUMPTIONS USED FOR IMPAIRMENT TESTS										
Growth rate	**1.5%**	2.0%	**1.4%**	1.0%	**2.0%**	2.0%	**2.0%**	2.0%	**1.5-2.0%**	2.0%
Discount rate	**8.6%**	7.9%	**6.8%**	6.5%	**8.2%**	7.5%	**8.2%**	7.5%	**7.6-8.6%**	7.4-7.9%

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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Net carrying amount of goodwill	**152**	152	**437**	438	**70**	72	**660**	663
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	**7.3%**	7.0%	**8.2%**	7.5%	**8.4%**	7.7%	**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.

As at 31 December 2020, customer relationships comprise customer relationships relating to Swiss Life Select: CHF 1 million (31.12.2019: CHF 2 million), which were allocated to the "Switzerland" segment. The "France" segment comprises customer relationships of CHF 5 million (31.12.2019: CHF 8 million) and the "Asset Managers" segment comprises customer relationships of CHF 63 million (31.12.2019: CHF 87 million). An impairment loss of CHF 12 million was recognised related to customer relationships in the "Asset Managers" segment in the first half of 2020. The "International" segment comprises customer relationships of CHF 7 million (31.12.2019: CHF 8 million). Customer relationships were included in the impairment test of the respective cash-generating unit.

Brands and other

As at 31 December 2020, "Brands and other" comprises the brands Corpus Sireo, Mayfair, Beos, Fincentrum and Fontavis and a performance fee related to the acquisition of Fontavis, which is recognised as other intangible assets with a fair value of CHF 12 million at acquisition date. Following a reorganization of the use of the Corpus Sireo brand, an impairment loss of CHF 9 million was recognised in the second half of 2020. The brands of Beos, Fincentrum and Fontavis are amortised over their useful lives.

18 Other Assets and Liabilities

Other assets

In CHF million

	31.12.2020	31.12.2019
Deferred charges and prepaid expenses	111	77
Employee benefit assets	69	67
Inventory property [1]	560	559
VAT and other tax receivables	194	231
Sundry assets	8	6
TOTAL OTHER ASSETS	942	940

[1] of which CHF 230 million pledged as security for loans (2019: CHF 214 million)

Other liabilities

In CHF million

	31.12.2020	31.12.2019
Deferred income	189	152
VAT and other tax payables	168	167
Sundry liabilities	14	17
TOTAL OTHER LIABILITIES	371	336

19 Investment and Unit-Linked Contracts

In CHF million

		Gross		Ceded		Net	
	Notes	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Unit-linked contracts	30	**25 693**	26 308	**–**	–	**25 693**	26 308
Investment contracts with discretionary participation features (DPF)		**15 717**	15 395	**119**	114	**15 598**	15 281
Investment contracts without DPF at fair value through profit or loss	30	**614**	599	**–**	–	**614**	599
Investment contracts without DPF at amortised cost	30	**0**	1	**–**	–	**0**	1
TOTAL INVESTMENT AND UNIT-LINKED CONTRACTS		**42 024**	42 303	**119**	114	**41 905**	42 188
of which for the account and risk of the Swiss Life Group's customers							
unit-linked contracts	5	**25 693**	26 308	**–**	–	**25 693**	26 308
investment contracts	5	**5 315**	4 901	**–**	–	**5 315**	4 901

Unit-linked contracts

In CHF million

	2020	2019
Balance as at 1 January	**26 308**	24 122
Deposits received	**1 718**	2 573
Fair value changes	**60**	2 260
Policy fees and other charges	**–125**	–123
Deposits released	**–2 077**	–1 926
Other movements	**53**	0
Reclassifications	**10**	–17
Foreign currency translation differences	**–254**	–582
BALANCE AS AT END OF PERIOD	**25 693**	26 308

Investment contracts with discretionary participation – gross

In CHF million

	2020	2019
Balance as at 1 January	**15 395**	15 102
Premiums and deposits received	**3 418**	3 789
Interest and bonuses credited	**295**	243
Policy fees and other charges	**–202**	–201
Liabilities released for payments on death, surrender and other terminations	**–2 159**	–2 986
Effect of changes in actuarial assumptions and other movements	**–47**	1 415
Reclassifications	**–941**	–1 526
Foreign currency translation differences	**–42**	–440
BALANCE AS AT END OF PERIOD	**15 717**	15 395

Investment contracts without discretionary participation – gross

In CHF million

	2020	2019
Balance as at 1 January	**600**	514
Deposits received	**99**	149
Fair value changes	**–7**	–10
Interest and bonuses credited	**0**	0
Policy fees and other charges	**–6**	–4
Deposits released	**–68**	–30
Other movements	**0**	0
Reclassifications	**–3**	–6
Foreign currency translation differences	**–1**	–13
BALANCE AS AT END OF PERIOD	**614**	600

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	31.12.2020	31.12.2019
Hybrid debt		**2 900**	2 902
Senior bonds		**1 049**	1 049
TOTAL BORROWINGS	30	**3 949**	3 951

Reconciliation of liabilities arising from financing activities

In CHF million	Hybrid debt		Senior bonds		Lease liabilities[1]		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Balance as at 1 January	**2 902**	2 960	**1 049**	424	**152**	0	**4 104**	3 385
Initial application of IFRS 16	**–**	–	**–**	–	**–**	171	**–**	171
Cash flows								
Issuance	**–**	–	**–**	850	**–**	–	**–**	850
Redemption	**–**	–	**–**	–225	**–39**	–40	**–39**	–265
Other changes								
New leases	**–**	–	**–**	–	**112**	25	**112**	25
Premium/discount amortisation	**3**	3	**0**	0	**4**	3	**7**	7
Other movements	**–**	–	**–**	–	**–8**	–5	**–8**	–5
Acquisitions and disposals of subsidiaries	**–**	–	**–**	–	**–1**	0	**–1**	0
Foreign currency translation differences	**–5**	–62	**–**	–	**0**	–3	**–5**	–65
BALANCE AS AT END OF PERIOD	**2 900**	2 902	**1 049**	1 049	**220**	152	**4 169**	4 104

[1] Included in other financial 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 31.12.2020	Interest rate	Year of issue	Optional redemption	Carrying amount	Carrying amount
Borrower						**31.12.2020**	31.12.2019
Swiss Life AG	CHF 175	CHF 175	2.625%	2018	2028	**174**	174
Swiss Life AG	EUR 600	EUR 600	4.500%	2016	2027	**645**	646
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**	449
Swiss Life AG	EUR 750	EUR 750	4.375%	2015	2025	**805**	806
Swiss Life AG	CHF 471	CHF 471	Libor +4.200%	2012	2022	**470**	469
Swiss Life AG	EUR 443	EUR 193	Euribor +2.050%	1999	2024	**208**	209
TOTAL						**2 900**	2 902

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 31.12.2020	Carrying amount 31.12.2019
Swiss Life Holding AG	CHF 200	1.875%	2013	2023	**200**	199
Swiss Life Holding AG	CHF 250	0.250%	2019	2023	**250**	250
Swiss Life Holding AG	CHF 150	0.350%	2019	2029	**150**	150
Swiss Life Holding AG	CHF 250	0.000%	2019	2025	**249**	249
Swiss Life Holding AG	CHF 200	3m CHF Libor[1]	2019	2021	**200**	201
TOTAL					**1 049**	1 049

[1] floored at 0.00% and capped at 0.05%

21 Other Financial Liabilities

In CHF million

	Notes	31.12.2020	31.12.2019
Insurance payables		**2 541**	2 932
Policyholder deposits		**924**	1 054
Reinsurance deposits		**172**	163
Customer deposits		**2 097**	2 427
Repurchase agreements		**4 114**	2 495
Amounts due to banks		**4 149**	2 933
Lease liabilities		**220**	152
Third-party interests in consolidated investment funds	30	**4 063**	3 589
Accrued expenses		**503**	495
Settlement accounts		**194**	658
Other		**906**	843
TOTAL OTHER FINANCIAL LIABILITIES		**19 882**	17 741

22 Insurance Liabilities

In CHF million	Gross		Ceded		Net	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Claims under non-life insurance contracts	**918**	896	**184**	173	**734**	722
Unearned premiums non-life	**44**	45	**1**	1	**42**	44
Claims under life insurance contracts	**6 569**	6 366	**107**	101	**6 462**	6 265
Future life policyholder benefits	**109 554**	106 923	**142**	134	**109 412**	106 789
Unearned premiums life	**62**	59	**0**	0	**62**	59
Deposits under insurance contracts	**11 629**	10 696	**–**	–	**11 629**	10 696
TOTAL INSURANCE LIABILITIES	**128 776**	124 985	**434**	410	**128 342**	124 574
of which for the account and risk of the Swiss Life Group's customers	**8 399**	7 109	**1**	–	**8 398**	7 109

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	**2020**	2019
Balance as at 1 January	**896**	917
Claims and claim settlement costs incurred		
Reporting period	**295**	311
Prior reporting periods	**–25**	–52
Claims and claim settlement costs paid		
Reporting period	**–116**	–127
Prior reporting periods	**–130**	–120
Foreign currency translation differences	**–2**	–33
BALANCE AS AT END OF PERIOD	**918**	896

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

	2020	2019
Balance as at 1 January	**113 289**	108 413
Premiums received	**11 077**	12 762
Interest credited	**1 684**	1 765
Claims incurred, benefits paid and surrenders	**–10 399**	–9 552
Effect of changes in actuarial assumptions and other movements	**613**	856
Reclassifications	**–61**	15
Foreign currency translation differences	**–79**	–969
BALANCE AS AT END OF PERIOD	**116 123**	113 289

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

	2020	2019
Balance as at 1 January	**10 696**	9 341
Deposits received	**212**	207
Interest credited	**27**	49
Participating bonuses	**6**	6
Policy fees and insurance charges	**–41**	–38
Deposits released for payments on death, surrender and other terminations during the year	**–261**	–233
Other movements	**15**	184
Reclassifications	**995**	1 535
Foreign currency translation differences	**–19**	–353
BALANCE AS AT END OF PERIOD	**11 629**	10 696

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

	31.12.2020	31.12.2019
Insurance liabilities with discretionary participation	**104 998**	103 245
Insurance liabilities without discretionary participation	**15 379**	14 631
Insurance liabilities linked to assets for the account and risk of the Swiss Life Group's customers	**8 399**	7 109
TOTAL INSURANCE LIABILITIES	**128 776**	124 985

23 Employee Benefits

Employee benefit liabilities

In CHF million

	31.12.2020	31.12.2019
Employee benefit liabilities consist of		
gross defined benefit liabilities	1 803	1 976
other employee benefit liabilities	189	183
TOTAL EMPLOYEE BENEFIT LIABILITIES	1 993	2 160

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 of the Swiss pension plan took measures to support the long-term financial stability. As of 2021, the pension plan will operate with lower conversion rates. To partly mitigate the effects of such a plan change, individual pension assets will be increased for all employees who joined before 2019. The amount depends on years of service. In addition, employees born in 1962 or older will be granted a minimum guarantee of their pension (not smaller than the amount they would receive with an assumed retirement at the end of 2020). The respective contributions will be funded by specific reserves already built up by the foundation responsible for the pension plan, as well as an additional contribution from the plan assets of a patronal foundation of Swiss Life Ltd. Additionally, the pension plan will increase savings contributions as of 1 January 2021. The total effect of this plan amendment has been recognized as a negative past service cost, i.e. a reduction of the defined benefit obligation, in December 2020.

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

	31.12.2020	31.12.2019
Present value of defined benefit obligation	–4 041	–3 989
Fair value of plan assets	2 306	2 078
NET DEFINED BENEFIT LIABILITY	–1 735	–1 911
Insurance contracts not eligible as plan assets under IFRS	1 261	1 346
NET DEFINED BENEFIT SURPLUS (+)/DEFICIT (–) (ECONOMIC VIEW)	–474	–566
The net defined benefit liability consists of		
gross defined benefit liabilities	–1 803	–1 976
gross defined benefit assets	68	65

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 474 million as at 31 December 2020 (2019: deficit of CHF 566 million).

Amounts recognised in profit or loss

In CHF million

	2020	2019
Current service cost	129	113
Past service cost	–61 [1]	0
Net interest cost	6	16
Gains/losses settlements	–	0
Employee contributions	–36	–34
TOTAL DEFINED BENEFIT EXPENSE	39	95

[1] Including a reduction in past service cost resulting from a plan amendment in 2020.

Amounts recognised in other comprehensive income

In CHF million

	2020	2019
Actuarial gains and losses on the defined benefit obligation	–87	–371
Return on plan assets excluding interest income	87	77
TOTAL REMEASUREMENTS OF THE NET DEFINED BENEFIT LIABILITY	0	–294

Defined benefit plans

In CHF million

	2020	2019
CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION		
Balance as at 1 January	**–3 989**	–3 554
Current service cost	**–129**	–113
Past service cost including curtailments	**61**	0
Interest cost	**–12**	–32
Contributions by plan participants	**–85**	–76
Actuarial gains (+)/losses (–) arising from		
experience adjustments	**–96**	–81
changes in demographic assumptions	**7**	1
changes in financial assumptions	**2**	–291
Benefit payments	**199**	192
Settlements	**–**	0
Effect of business combinations	**–**	–7
Effect of reclassifications and other disposals	**0**	–42
Foreign currency translation differences	**1**	13
BALANCE AS AT END OF PERIOD	**–4 041**	–3 989
of which amounts owing to		
active plan participants	**–2 051**	–2 112
retired plan participants	**–1 990**	–1 877
CHANGES IN THE FAIR VALUE OF PLAN ASSETS		
Balance as at 1 January	**2 078**	1 897
Interest income	**6**	16
Return on plan assets excluding interest income	**87**	77
Contributions by the employer	**109**	114
Contributions by plan participants	**76**	71
Benefit payments	**–108**	–95
Effect of business combinations	**–**	5
Effect of reclassifications and other disposals	**57**	–5
Foreign currency translation differences	**1**	–2
BALANCE AS AT END OF PERIOD	**2 306**	2 078

Plan assets

In CHF million	Quoted market price		Other		Total	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Cash and cash equivalents	**–**	–	**32**	48	**32**	48
Debt securities						
Governments	**8**	10	**–**	–	**8**	10
Equity securities						
Financials	**1**	1	**–**	–	**1**	1
Investment funds						
Debt	**806**	669	**–**	–	**806**	669
Equity	**594**	586	**–**	–	**594**	586
Balanced	**64**	73	**–**	–	**64**	73
Real estate	**–**	–	**599**	504	**599**	504
Other	**–**	–	**46**	100	**46**	100
Derivatives						
Currency	**–**	–	**0**	0	**0**	0
Property						
located in Switzerland	**–**	–	**20**	16	**20**	16
Qualifying insurance policies	**–**	–	**137**	71	**137**	71
TOTAL PLAN ASSETS	**1 472**	1 340	**833**	738	**2 306**	2 078
Plan assets include						
own equity instruments	**1**	1	**–**	–	**1**	1

Principal actuarial assumptions

	Switzerland/Liechtenstein		Other countries	
	2020	2019	**2020**	2019
Discount rate	**0.1-0.3%**	0.2–0.3%	**0.3-1.1%**	0.5–1.8%
Future salary increases	**1.0-1.5%**	0.8–1.5%	**1.0-3.0%**	1.0–3.0%
Future pension increases	**0.0%**	0.0%	**1.0-1.7%**	1.0–1.8%
Ordinary retirement age (women)	**64**	64	**63–65**	63–65
Ordinary retirement age (men)	**65**	65	**63–65**	63–65
Average life expectation at ordinary retirement age (women)	**25.5-25.8**	25.6	**25.5-31.4**	25.7–31.4
Average life expectation at ordinary retirement age (men)	**22.7-23.2**	22.6–23.1	**22.9-31.6**	22.0–28.0

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 2020, if the discount rate had been 50 basis points higher (lower), the defined benefit obligation would have decreased by CHF 288 million (increase CHF 329 million). 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 2020, if the future expected salary growth had increased (decreased) by 50 basis points, the defined benefit obligation would have increased by CHF 22 million (decrease CHF 22 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 2020, if the average life expectancy had increased by one year (for both men and women), the defined benefit obligation would have increased by CHF 131 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.

Expected benefit payments

Amounts in CHF million (if not noted otherwise)

	2020	2019
Duration of the defined benefit obligation (weighted average no. of years)	**15.5**	16.2
Benefits expected to be paid (undiscounted amounts)		
within 12 months	**177**	168
between 1 and 2 years	**169**	159
between 3 and 5 years	**485**	438
between 6 and 10 years	**766**	733

The contributions expected to be paid for the year ending 31 December 2021 are CHF 78 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 4 million in 2020 (2019: CHF 2 million).

Equity compensation plans

For 2020, 2019, 2018, 2017 and 2016 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 and 2020 equity compensation plans are 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).

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 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.

In 2020, the number of RSUs granted under this programme amounted to 42 553. The fair value at the measurement date amounted to CHF 377.24. The date of grant was 1 March 2020.

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 16 million in 2020 (2019: CHF 14 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
2020					
Granted in 2017	**43 952**	**–**	**–**	**–43 952**	**–**
Granted in 2018	**43 649**	**–**	**–499**	**–**	**43 150**
Granted in 2019	**40 840**	**–**	**–421**	**–**	**40 419**
Granted in 2020	**–**	**42 553**	**–757**	**–**	**41 796**
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 2016	49 089	–	–664	–	48 425
Granted in 2017	44 460	–	–508	–	43 952
Granted in 2018	–	43 649	–	–	43 649
2017					
Granted in 2016	49 971	–	–882	–	49 089
Granted in 2017	–	45 135	–675	–	44 460
2016					
Granted in 2016	–	51 270	–1 299	–	49 971

24 Income Taxes

Income tax expense

In CHF million

	2020	2019
Current income tax expense	266	390
Deferred income tax expense	34	–67
TOTAL INCOME TAX EXPENSE	300	324

The expected weighted-average tax rate for the Group in 2020 was 20.4% (2019: 19.0%). 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

	2020	2019
PROFIT BEFORE INCOME TAX	1 351	1 528
Income tax calculated using the expected weighted-average tax rate	275	291
Increase/reduction in taxes resulting from		
lower taxed income	–60	–102
non-deductible expenses	52	45
other income taxes (incl. withholding taxes)	26	29
change in unrecognised tax losses	–6	–6
adjustments for current tax of prior periods	–27	71
changes in tax rates	5	–103
intercompany effects	13	91
other	22	8
INCOME TAX EXPENSE	300	324

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 income 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 income tax assets		Deferred income tax liabilities	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
Financial assets	**326**	314	**1 684**	1 566
Investment property	**102**	100	**1 229**	1 102
Intangible assets	**40**	37	**183**	178
Property and equipment	**12**	12	**22**	22
Financial liabilities	**94**	64	**26**	21
Insurance liabilities	**23**	18	**168**	158
Employee benefits	**154**	151	**88**	82
Deferred income	**3**	1	**0**	0
Other	**73**	75	**37**	45
Tax losses	**52**	43		
DEFERRED INCOME TAX ASSETS/LIABILITIES	**879**	815	**3 436**	3 175
Offset	**–800**	–743	**–800**	–743
TOTAL DEFERRED INCOME TAX ASSETS/LIABILITIES	**79**	72	**2 636**	2 432

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 2020						
Financial assets	**–1 252**	**42**	**–148**	**0**	**0**	**–1 358**
Investment property	**–1 002**	**–102**	**0**	**–22**	**0**	**–1 127**
Intangible assets	**–141**	**–5**	**1**	**1**	**0**	**–143**
Property and equipment	**–10**	**0**	**–**	**0**	**0**	**–10**
Financial liabilities	**43**	**23**	**2**	**0**	**0**	**68**
Insurance liabilities	**–140**	**–5**	**0**	**0**	**0**	**–145**
Employee benefits	**69**	**–3**	**1**	**0**	**0**	**66**
Deferred income	**1**	**1**	**–**	**1**	**0**	**3**
Other	**30**	**7**	**–**	**0**	**0**	**36**
Tax losses	**43**	**9**	**–**	**0**	**0**	**52**
NET DEFERRED INCOME TAX ASSETS/LIABILITIES	**–2 360**	**–34**	**–144**	**–20**	**1**	**–2 557**
MOVEMENT 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

Deferred income 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 12.5 billion as at 31 December 2020 (2019: CHF 11.7 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 income 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 income tax asset has been recognised.

Unrecognised tax losses

Amounts in CHF million	Tax losses		Tax rate	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
2021	**1**	1	**21.2%**	21.2%
2022	**1**	1	**21.2%**	21.2%
2023	**3**	3	**21.2%**	21.2%
Thereafter	**173**	278	**21.0%**	18.0%
TOTAL	**178**	283	**n/a**	n/a

25 Provisions

In CHF million	Restructuring		Litigation		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Balance as at 1 January	11	17	23	22	33	48	66	87
Additions	2	1	10	9	74	7	86	17
Amounts used	–2	–7	–7	–2	–4	–1	–13	–10
Reversals	0	0	–6	–6	–2	–5	–8	–11
Unwinding of discount and effect of change in discount rate	–	–	0	0	–	–	0	0
Reclassifications and other disposals	–	–	3	–	–13	–16	–10	–16
Foreign currency translation differences	0	0	0	–1	0	–1	0	–2
BALANCE AS AT END OF PERIOD	10	11	22	23	89	33	121	66

Restructuring

Provisions for restructuring were set up in 2020 in Germany (2019: 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), including a provision of CHF 70 million in relation to the expected resolution with the US Department of Justice (DOJ) inquiry concerning prior business with US clients. The discussions with the DOJ are not concluded and, as a result, the final number could be somewhat higher. Although the precise timing cannot be predicted, the current expectation of Swiss Life is that this matter will be resolved in the near term.

26 Equity

Share capital

As at 31 December 2020, the share capital of Swiss Life Holding consisted of 32 014 391 fully-paid shares with a par value of CHF 0.10 each, following a repayment of par value of CHF 5.00 per registered share in 2020 (2019: 33 594 606 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 385 794.80 as at 31 December 2020 (2019: 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.

Share buyback programmes

In February 2020, the Group announced a CHF 400 million share buyback programme that commenced on 2 March 2020 and was intended to be completed in May 2021. The programme was temporarily suspended from 25 March 2020 onwards. By 24 March 2020, 79 324 shares had been purchased for CHF 29 million under this programme at an average price of CHF 363.13. On 4 November 2020, the Group communicated its intention to resume the programme from 4 January 2021.

In November 2018, the Group announced a CHF 1 billion share buyback programme, which commenced in December 2018 and ended in December 2019. Under this programme, 2 208 715 Swiss Life Holding shares were repurchased at an average price of CHF 452.75. Repurchased shares were cancelled in July 2019 (628 500 shares) and July 2020 (1 580 215 shares).

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

	2020	2019
SHARES ISSUED		
Balance as at 1 January	**33 594 606**	34 223 106
Cancellation of treasury shares	**–1 580 215**	–628 500
BALANCE AS AT END OF PERIOD	**32 014 391**	33 594 606
TREASURY SHARES		
Balance as at 1 January	**1 721 351**	418 899
Purchases of treasury shares	**45 000**	–
Share buyback	**79 324**	1 981 015
Allocation under equity compensation plans	**–46 328**	–50 063
Cancellation of treasury shares	**–1 580 215**	–628 500
BALANCE AS AT END OF PERIOD	**219 132**	1 721 351

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.
- Unrealised losses on financial assets reclassified from available for sale to loans and receivables in 2008 due to disappearance of an active market.

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 2020

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 and receivables	Total	Revaluation surplus investment property	Remeasurements net defined benefit liability	Total	
Net balance as at 1 January	–1 150	4 574	451	–2	3 873	67	–397	–330	3 542
Net other comprehensive income	–28	545	–68	8	456	–3	0	–3	453
NET BALANCE AS AT END OF PERIOD	–1 178	5 118	383	6	4 328	64	–397	–333	3 995
NET OTHER COMPREHENSIVE INCOME IS COMPOSED OF THE FOLLOWING:									
Revaluation – gross	–347	3 069	663	–	3 385	–	0	0	3 385
Net investment hedges – gross	322	–	–	–	322	–	–	–	322
Reclassification to profit or loss – gross	–1	–181	–404	9	–578	–	–	–	–578
Effects of									
policyholder participation	–	–2 130	–347	1	–2 476	–3	–2	–4	–2 480
shadow accounting	–2	–46	5	0	–42	0	–	0	–42
income tax	–	–158	14	–1	–145	0	1	1	–144
foreign currency translation differences	–	–9	0	0	–9	0	0	0	–9
Net other comprehensive income before non-controlling interests	–28	545	–68	8	456	–3	0	–3	453
Non-controlling interests	0	0	0	0	0	0	0	0	0
NET OTHER COMPREHENSIVE INCOME	–28	545	–68	8	456	–3	0	–3	453

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 and receivables	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

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 2020, a dividend payment of CHF 477 million (CHF 15.00 per registered share) was made (2019: CHF 464 million or CHF 14.00 per registered share).

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. Interest payments become mandatory depending on other transactions, which are themselves at the discretion of the Swiss Life Group, such as dividend payments. There is no accrual of interest to be recorded for the annual financial statements. 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 classified as equity instruments, the interest net of tax of CHF 7 million (2019: CHF 7 million) is 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	
	2020	2019	**2020**	2019
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	**2 075**	2 425	**7**	8
Non-current assets	**414**	380	**224**	217
Current liabilities	**–2 358**	–2 697	**–69**	–69
Non-current liabilities	**–21**	–6	**–24**	–23
NET ASSETS	**110**	102	**138**	133
Accumulated non-controlling interests	**44**	41	**46**	44
Revenue	**98**	94	**12**	13
Profit or loss	**8**	7	**7**	8
Total comprehensive income	**8**	3	**7**	8
Profit or loss allocated to non-controlling interests	**3**	3	**2**	3
Net cash flows from operating activities	**–417**	1 203	**1**	–1
Net cash flows from investing activities	**–1**	–1	**0**	–
Net cash flows from financing activities	**0**	–6	**0**	–3
NET CHANGE IN CASH AND CASH EQUIVALENTS	**–418**	1 197	**1**	–4
Dividends paid to non-controlling interests	**–**	–1	**–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 2020 and 2019, 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
CONSIDERATION		
Cash consideration		890
Contingent consideration arrangement(s)		30
TOTAL CONSIDERATION		920
TOTAL		920
ACQUISITION-RELATED COSTS		
Other expenses		9
TOTAL		9
IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED		
Cash and cash equivalents		4
Loans and receivables		7
Investment property	14	1 179
Property and equipment	16	1
Intangible assets including intangible insurance assets	17	27
Other assets		0
Other financial liabilities		–192
Deferred income tax liabilities		–132
Other liabilities		–4
TOTAL IDENTIFIABLE NET ASSETS		890
Goodwill	17	30
TOTAL		920
ACQUIRED LOANS AND RECEIVABLES		
Fair value		7
Gross contractual amounts receivable		7
Estimated uncollectible cash flows		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.

There were no significant acquisitions of subsidiaries in 2020.

Assets and liabilities from disposals

In CHF million

	2019
CONSIDERATION	
Consideration received in cash	165
TOTAL CONSIDERATION RECEIVED	165
ASSETS AND LIABILITIES DISPOSED	
Cash and cash equivalents	283
Loans and receivables	14
Investment property	978
Other assets	33
Liabilities associated with assets held for sale	–
Other financial liabilities	–906
Other liabilities	–2
NET ASSETS DISPOSED OF	401
GAIN/LOSS ON DISPOSALS	
Consideration received	165
Net assets disposed of	–401
Fair value of retained equity interest(s)	242
Amounts recognised in other comprehensive income	10
GAIN (+)/LOSS (–) ON DISPOSALS	17

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.

There were no significant disposals of subsidiaries in 2020.

29 Related Party Transactions

Consolidated statement of income

In CHF million	Associates	Key management personnel	Other	Total	Total
				2020	2019
Net earned premiums	**0**	–	–	**0**	0
Asset management and other commission income	**1**	–	–	**1**	1
Investment income	**0**	–	–	**0**	0
Other income	**2**	–	–	**2**	1
Net insurance benefits and claims	**0**	–	–	**0**	0
Policyholder participation	**0**	–	–	**0**	0
Employee benefits expense	–	**–20**	–	**–20**	–20

Consolidated balance sheet

In CHF million	Associates	Key management personnel	Other	Total	Total
				31.12.2020	31.12.2019
Loans and receivables	**37**	–	–	**37**	16
Other assets	–	–	–	–	–
Other financial liabilities	**–1**	–	–	**–1**	–1
Insurance liabilities	–	–	–	–	–2
Policyholder participation liabilities	–	–	–	–	0

For the years ended 31 December 2020 and 2019, 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 31.12.2020	Total 31.12.2019
Commitments	–	–	0	0	0

Key management compensation

In CHF million	2020	2019
Short-term employee benefits	13	14
Post-employment benefits	2	2
Equity-settled share-based payments	5	4
TOTAL	20	20

Key management comprises the members of the Board of Directors of Swiss Life Holding and the members of the Corporate Executive Board of Swiss Life Holding. These individuals have the authority and responsibility for planning, directing and controlling the activities of the Swiss Life Group, directly or indirectly.

The short-term employee benefits also include compensation of CHF 200 000 to Thomas Buess for an extraordinary operational consulting and work activity as head of project management of the Swiss Life Corona Task Force for approximately seven months in 2020 due to the coronavirus situation in support of the group management, which he performed outside of his board of directors mandate.

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 2020 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
FINANCIAL ASSETS								
Derivatives								
Currency	0	0	1 109	625	–	–	1 109	625
Interest rate	0	0	1 698	1 389	–	–	1 698	1 389
Equity	168	22	33	54	–	–	201	76
Other	–	–	0	0	–	–	0	0
Total derivatives	168	22	2 840	2 068	–	–	3 008	2 090
Debt instruments								
Governments and supranationals	56 675	52 066	331	266	–	1	57 006	52 334
Corporates	40 470	40 923	351	399	156	201	40 977	41 523
Other	39	53	49	25	–	36	88	114
Total debt instruments	97 184	93 042	731	690	156	238	98 071	93 970
Equity instruments								
Equity securities	8 416	10 571	16	17	616	472	9 048	11 059
Investment funds	7 270	6 937	2 208	2 308	3 073	2 158	12 552	11 404
Alternative investments	0	–	218	24	3 159	2 807	3 377	2 831
Total equity instruments	15 686	17 508	2 442	2 350	6 848	5 438	24 976	25 296
Assets for the account and risk of the Swiss Life Group's customers	31 787	29 920	1 145	1 055	3 862	4 275	36 794	35 250
TOTAL FINANCIAL ASSETS	144 825	140 492	7 158	6 162	10 866	9 951	162 849	156 605
INVESTMENTS IN ASSOCIATES								
Associates at fair value through profit or loss	–	–	–	–	67	164	67	164
FINANCIAL LIABILITIES								
Derivatives								
Currency	0	0	330	343	–	–	330	343
Interest rate	0	–	819	838	–	–	819	838
Equity	230	99	9	9	–	–	238	108
Other	–	–	0	22	–	–	0	22
Total derivatives	230	99	1 158	1 212	–	–	1 387	1 311
Investment contracts without discretionary participation	–	–	614	599	–	–	614	599
Unit-linked contracts	–	–	25 567	26 171	126	136	25 693	26 308
Third-party interests in consolidated investment funds	–	–	1 002	1 007	3 062	2 582	4 063	3 589
TOTAL FINANCIAL LIABILITIES	230	99	28 340	28 990	3 188	2 719	31 758	31 808

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 valuated 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 valuated 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.

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 and forward curves are the overnight index/deposit/swap rates.
- Swaptions are theoretically valued with a model based on normal distributed interest rates. Main inputs are the current par swap rate and the implied volatility that is derived from observable 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.

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.

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 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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Commercial	**–**	–	**–**	–	**18 108**	16 327	**18 108**	16 327
Residential	**–**	–	**–**	–	**11 176**	10 632	**11 176**	10 632
Mixed use	**–**	–	**–**	–	**8 836**	7 907	**8 836**	7 907
TOTAL INVESTMENT PROPERTY	**–**	–	**–**	–	**38 120**	34 866	**38 120**	34 866

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	
	2020	2019	**2020**	2019
Rent growth p.a.	**0.1 – 3.9%**	0.2 – 4.5%	**-**	-
Long-term vacancy rate	**4.5 – 8.6%**	3.9 – 8.7%	**-**	-
Discount rate	**2.05 – 4.7%**	2.2 – 4.7%	**2.6 – 5.5%**	2.7 – 8.9%
Market rental value p.a. (price/m²/year)	**CHF 267 – 307**	CHF 257 – 305	**EUR 95 – 400**	EUR 87 – 471

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 2020, 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 2544 million lower (2019: CHF 2260 million). At 31 December 2020, if discount rates had been 10 basis points higher, the fair value of investment property would have been CHF 1255 million lower (2019: CHF 1139 million).

Deferred application of IFRS 9

Financial assets that on a specific date give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding meet the SPPI criterion. The fair value of such assets and those that do not meet the SPPI criterion as well as the change in fair value are disclosed in the following table.

Fair value of debt instruments

In CHF million	Change in the fair value		Fair value	
	2020	2019	**31.12.2020**	31.12.2019
DEBT INSTRUMENTS THAT MEET THE SPPI CRITERION				
Governments and supranationals	**2 948**	4 108	**61 678**	56 983
Corporates	**–349**	2 309	**48 071**	48 496
Other	**39**	126	**12 887**	12 109
TOTAL	**2 638**	6 543	**122 635**	117 588
DEBT INSTRUMENTS THAT DO NOT MEET THE SPPI CRITERION				
Governments and supranationals	**14**	21	**145**	131
Corporates	**–7**	36	**1 338**	1 468
Other	**0**	4	**87**	112
TOTAL	**6**	61	**1 570**	1 712
DEBT INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS				
Debt instruments managed on a fair value basis	**1**	28	**674**	622
Debt instruments for the account and risk of the Swiss Life Group's customers	**–139**	773	**7 683**	6 934
TOTAL	**–138**	800	**8 358**	7 556

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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
DEBT SECURITIES				
Governments and supranationals	**47**	63	**47**	63
Corporates	**1 069**	820	**1 071**	820
TOTAL	**1 116**	883	**1 117**	883
MORTGAGES				
Residential	**6**	14	**5**	14
TOTAL	**6**	14	**5**	14
OTHER LOANS AND RECEIVABLES				
Corporates	**3 812**	3 171	**3 812**	3 168
Other	**60**	25	**31**	22
TOTAL	**3 872**	3 196	**3 844**	3 190

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 2020

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	–	–	238	4 570	1 032	4 275	34 866	44 981
Total gains/losses recognised in profit or loss	–	–	–5	–29	–9	–71	847	733
Total gains/losses recognised in other comprehensive income	–	–	1	–	88	–	–	88
Additions	–	–	–	2 039	190	625	3 786	6 641
Disposals	–	–	–16	–906	–64	–815	–1 351	–3 152
Transfers out of level 3	–	–	–61	–	–	–66	–	–127
Foreign currency translation differences	–	–	–1	4	–1	–86	–28	–110
BALANCE AS AT END OF PERIOD	–	–	156	5 677	1 238	3 862	38 120	49 053
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	–	–	0	–7	–21	–84	844	731

[1] including associates at fair value through profit or loss

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	1 363	158	1 774	5 598	8 906
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	4 570	1 032	4 275	34 866	44 981
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

During 2020, debt securities of CHF 60 million (2019: CHF 32 million) were transferred from level 1 into level 2 due to reduced frequency of price quotations, and debt securities of CHF 60 million (2019: CHF 344 million) were transferred from level 2 into level 1 due to new liquid price sources. Further, debt securities of CHF 61 million (2019: nil) were transferred from level 3 into level 2 as valuation as at 31 December 2020 was based on observable market data. Assets for the account and risk of the Swiss Life Group's customers of CHF 66 million (2019: nil) were transferred from level 3 into level 1, and CHF 75 million (2019: nil) from level 2 into level 1 due to available quoted prices. During the comparative period only, real estate funds of CHF 161 million were listed at the SIX Swiss Exchange and therefore transferred from level 2 into level 1, and changes in the pricing frequency (daily/weekly) resulted in the following transfers of investment funds: CHF 10 million from level 1 into level 2, and CHF 6 million 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	
	2020	2019	2020	2019	2020	2019	2020	2019
Balance as at 1 January	–	–	136	161	2 582	1 611	2 719	1 772
Total gains/losses recognised in profit or loss	–	–	0	1	46	504	46	505
Additions	–	–	2	2	886	1 026	888	1 028
Disposals	–	–	–13	–27	–450	–515	–463	–542
Foreign currency translation differences	–	–	0	0	–3	–43	–3	–43
BALANCE AS AT END OF PERIOD	–	–	126	136	3 062	2 582	3 188	2 719
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	–	–	0	1	39	73	40	74

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	Financial assets		Financial instruments at fair value through profit or loss		Investment property	
	2020	2019	2020	2019	2020	2019
ASSETS						
Total gains/losses recognised in profit or loss	–14	31	–100	17	847	776
Unrealised gains/losses recognised in profit or loss for assets held at the end of the period	–21	–21	–91	17	844	748
LIABILITIES						
Total gains/losses recognised in profit or loss	–	–	–46	–505	–	–
Unrealised gains/losses recognised in profit or loss for liabilities held at the end of the period	–	–	–40	–74	–	–

30.2 Fair value of financial instruments carried at amortised cost

The following table shows the carrying amounts and fair values of those financial assets and liabilities not measured at fair value in the Group's balance sheet.

In CHF million	Carrying amount		Fair value	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
ASSETS				
Loans	**19 226**	18 081	**22 677**	21 078
Receivables [1]	**4 131**	4 874	**4 131**	4 874
LIABILITIES				
Investment contracts without discretionary participation [1]	**0**	1	**0**	1
Borrowings	**3 949**	3 951	**4 327**	4 395
Other financial liabilities [1,2]	**15 819**	14 152	**15 819**	14 152

[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 fair value	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
ASSETS								
Loans	**1 261**	1 521	**8 449**	8 359	**12 968**	11 198	**22 677**	21 078
LIABILITIES								
Borrowings	**3 624**	3 673	**703**	721	**–**	–	**4 327**	4 395

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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Gross amounts of recognised financial assets before offsetting	**3 008**	2 090	**–**	–	**4**	9	**3 011**	2 099
Gross amounts of recognised financial liabilities set off	**–**	–	**–**	–	**0**	0	**0**	0
NET AMOUNTS PRESENTED IN THE BALANCE SHEET	**3 008**	2 090	**–**	–	**3**	9	**3 011**	2 099
Related amounts not set off in the balance sheet:								
Financial instruments	**–729**	–653	**–**	–	**–**	–	**–729**	–653
Cash collateral received	**–2 245**	–1 332	**–**	–	**–**	–	**–2 245**	–1 332
Net amounts	**34**	104	**–**	–	**3**	9	**37**	113

Offsetting financial liabilities

In CHF million	Derivatives		Repurchase agreements		Other financial instruments		Total	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Gross amounts of recognised financial liabilities before offsetting	**1 387**	1 311	**4 114**	2 495	**0**	0	**5 501**	3 806
Gross amounts of recognised financial assets set off	**–**	–	**–**	–	**0**	0	**0**	0
NET AMOUNTS PRESENTED IN THE BALANCE SHEET	**1 387**	1 311	**4 114**	2 495	**–**	–	**5 501**	3 806
Related amounts not set off in the balance sheet:								
Financial instruments	**–729**	–653	**–4 064**	–2 438	**–**	–	**–4 794**	–3 092
Cash collateral pledged	**–650**	–638	**–**	–	**–**	–	**–650**	–638
Net amounts	**8**	20	**50**	57	**–**	–	**57**	77

32 Guarantees and Commitments

In CHF million

	31.12.2020	31.12.2019
Financial guarantees	25	31
Loan commitments	539	787
Capital commitments for alternative investments	1 918	123
Capital commitments for real estate investments	145	618
Other capital commitments	441	481
Contractual obligations to purchase or construct investment property	857	1 070
Other contingent liabilities and commitments	282	483
TOTAL	4 207	3 593

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 2020, committed principal amounts totalled EUR 1 million and CHF 489 million (2019: EUR 1 million and CHF 651 million). The range of committed interest rates is 0.75% to 2.26% for commitments in Swiss francs and 1.54% to 5.09% for commitments in euro.

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.

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 163 million as at 31 December 2020, which are included in this line item (2019: CHF 357 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.

It was announced in the media release of 14 September 2017 that Swiss Life was engaged in discussions with the US Department of Justice (DOJ) concerning its prior cross-border business with US clients. Swiss Life is now in advanced discussions with the DOJ about the resolution of their inquiry. As a result, Swiss Life has taken a provision of CHF 70 million charged against the 2020 results to address the financial component of the expected resolution, see note 25 to the consolidated financial statements. The discussions with the DOJ are not concluded and, as a result, the final number could be somewhat higher. Although the precise timing cannot be predicted, the current expectation of Swiss Life is that this matter will be resolved in the near term.

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 13. 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	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
Securities pledged under repurchase agreements[1]	**4 064**	2 438	**4 064**	2 438
Securities lent in exchange for securities received	**2 744**	3 448	**2 744**	3 448
Other securities pledged	**893**	997	**893**	997
TOTAL	**7 701**	6 883	**7 701**	6 883
[1] of which can be sold or repledged by transferee	**4 064**	2 438	**4 064**	2 438

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	
	31.12.2020	31.12.2019
Securities received as collateral in exchange for securities lent	**2 744**	3 448
Securities received for loans and receivables	**226**	182
Securities received for reinsurance assets	**273**	272
Other securities received	**74**	21
TOTAL	**3 316**	3 923

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	until 22.05.2020	–	–			
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
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	3 201 439
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 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		46.7%	46.7%	Investment funds	EUR	466 666 600
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	until 02.06.2020	–	–			
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	IN		100.0%	100.0%	Life insurance	CHF	5 000 000
Swiss Life International Services AG, Ruggell	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	until	30.12.2020	–	–			
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, Levallois-Perret (formerly Nanterre)	FR			100.0%	100.0%	Services	EUR	500 000
DYNACAPITALE, Paris	FR	until	31.12.2019	–	–			
DYNAPTIM, Paris	FR	until	31.12.2019	–	–			
Financière du Capitole, Balma (formerly Toulouse)	FR	until	30.12.2020	–	–			
Financière du Patrimoine, Balma	FR	until	31.10.2019	–	–			
MA Santé Facile, Levallois-Perret	FR			100.0%	100.0%	Services and broker	EUR	600 000
OWELLO, Levallois-Perret	FR	from	27.01.2020	99.8%	100.0%	Services	EUR	1 000 000
PARIS PRIME OFFICE 1, Paris	CH	from	04.04.2019	41.6%	100.0%	Real estate	EUR	76 096 000
PARIS PRIME OFFICE, Paris	CH	from	07.05.2019	41.6%	55.4%	Real estate	EUR	426 165 000
PIERRE CAPITALE, Paris	FR	until	31.12.2019	–	–			
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	until	30.09.2020	–	–			
Swiss Life Asset Management (France), Levallois-Perret	AM	until	01.04.2019	–	–			
SWISS LIFE ASSET MANAGERS France, Marseille	AM			100.0%	100.0%	Asset management	EUR	671 167
SwissLife Agence Régionale, Levallois-Perret (formerly 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/IN	until	31.12.2019	–	–			
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
BCP GP GmbH, Berlin	AM		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		100.0%	100.0%	Asset management & Real estate	EUR	500 000
BEOS Fixture GmbH, Berlin	AM		100.0%	100.0%	Asset management & Real estate	EUR	25 000
BEREM Property Management GmbH, Berlin	AM		100.0%	100.0%	Asset management & Real estate	EUR	25 300
BVIFG I General Partner GmbH, Berlin	AM		100.0%	100.0%	Asset management & Real estate	EUR	25 000
BVIFG I Management GmbH, Berlin	AM		100.0%	100.0%	Asset management & Real estate	EUR	25 000
CitCor Residential Verwaltungs GmbH, Köln	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 Firmwerk GmbH (formerly CORPUS SIREO Service GmbH, formerly ACB Projekt GmbH), Köln	AM		100.0%	100.0%	Asset management & Real estate	EUR	25 000
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	until 31.05.2020	–	–			
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	until 21.04.2020	–	–			
CORPUS SIREO Projektentwicklung Firmwerk GmbH & Co. KG, Köln	AM	from 23.11.2020	100.0%	100.0%	Asset management & Real estate	EUR	100 000
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		100.0%	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
Schwabengalerie GmbH & Co. Geschlossene Investmentkommanditgesellschaft, Heusenstamm	DE		100.0%	100.0%	Real estate	EUR	10 100
SL AM PE Logistik GmbH, Köln	AM	from 17.04.2020	100.0%	100.0%	Holding	EUR	25 000
SL Beteiligungs-GmbH & Co. Grundstücksverwaltung KG, Garching b. München	DE		100.0%	100.0%	Real estate	EUR	50 000
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 Asset Managers Luxembourg Niederlassung Deutschland (Branch Swiss Life Asset Managers Luxembourg), Garching b. München	AM	from 02.01.2020	100.0%	100.0%	Investment funds		
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 Healthcare Immo I GmbH & Co Geschlossene Investmentkommanditgesellschaft (formerly SL Beteiligungs-GmbH & Co. Immobilien I KG), Heusenstamm	DE		95.5%	100.0%	Real estate	EUR	20 100
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, Frankfurt am Main (formerly 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

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

Luxembourg

	Segment [1]	Consolidation period		Group share	Direct share	Principal activity	Currency	Subscribed Capital
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	until	30.09.2020	–	–			
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., 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
SLIC Infra EV S.A. SICAF-SIF, Luxembourg	CH	from	16.10.2019	100.0%	100.0%	Investment funds	CHF	50 469 500
SLIC Infra KV S.A. SICAF-SIF, Luxembourg	CH	from	16.10.2019	100.0%	100.0%	Investment funds	CHF	100 050 500
SLIC Real Estate KV S.A., SICAF-SIF (formerly Swiss Life Investment Company S.A., SICAF-SIF), Luxembourg	CH	from	02.04.2019	100.0%	100.0%	Investment funds	CHF	26 665 286
SWISS LIFE (LUXEMBOURG) S.A., Luxembourg	IN			100.0%	100.0%	Life insurance	EUR	23 000 000
Swiss Life Asset Managers Luxembourg, 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, Luxembourg	DE	until	31.12.2019	–	–			
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	921 683 870
Swiss Life Invest Luxembourg S.A., Luxembourg	IN			100.0%	100.0%	Holding	EUR	60 211 000
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	until	12.08.2020	–	–			
Swiss Life Products (Luxembourg) S.A., Luxembourg	CH			100.0%	100.0%	Life insurance/Reinsurance	EUR	86 538 000
Swiss Life Real Estate Funds (LUX) Feeder S.A., SICAV-SIF (formerly Swiss Life REF (LUX) Paris Prime Office S.A., SICAV-SIF), Luxembourg	CH	until	30.09.2020	–	–			
Swiss Life REF (LUX) European Retail SCS, SICAV-SIF, Luxembourg	FR/DE			56.3%	56.3%	Real estate	EUR	181 251 000
Swiss Life REF (LUX) German Core Real Estate SCS, Société en Commandite simple sous la forme d'une SICAV, Luxembourg	AM/FR/ DE			59.7%	59.7%	Real estate	EUR	580 530 000
SwissLife Co-Invest, Luxembourg	FR	from	28.10.2020	100.0%	100.0%	Real estate	EUR	2 017 547
SwissLife LuxCo 2, Luxembourg	FR	from	29.10.2020	100.0%	100.0%	Real estate	EUR	936 504
SwissLife LuxCo S.à r.l., Luxembourg	FR			100.0%	100.0%	Holding	EUR	12 000

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

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	until	25.02.2020	–	–			
Chase de Vere IFA Group Plc, London	IN			100.0%	100.0%	Finance	GBP	34 000 000
Chase de Vere IFA Services Limited, Manchester	IN	until	25.02.2020	–	–			
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	until	25.02.2020	–	–			
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%	Asset management	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%	Asset management	GBP	1
Nestor Financial Group Limited, London	IN	from	01.10.2020	100.0%	100.0%	Broker	GBP	1 000
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

Belgium

	Segment [1]	Consolidation period		Group share	Direct share	Principal activity	Currency	Subscribed Capital
Cortenbergh 107 SA, Bruxelles	CH	until	01.05.2019	–	–			
Forest 1, Bruxelles	FR	from	11.12.2020	100.0%	100.0%	Real estate	EUR	61 500
MONTOYER 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	3 889 340

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

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

Czech Republic

	Segment [1]	Consolidation period	Group share	Direct share	Principal activity	Currency	Subscribed Capital
Fincentrum & Swiss Life Select a.s., Praha	IN		100.0%	100.0%	Services	CZK	700 700 000
Fincentrum Reality s.r.o., Praha	IN		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
Swiss Life Select Slovensko, a.s. (formerly Fincentrum a.s.), Bratislava	IN		100.0%	100.0%	Services	EUR	33 200
Fincentrum Reality s.r.o., Bratislava	IN	until 01.01.2020	–	–			

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