

2020

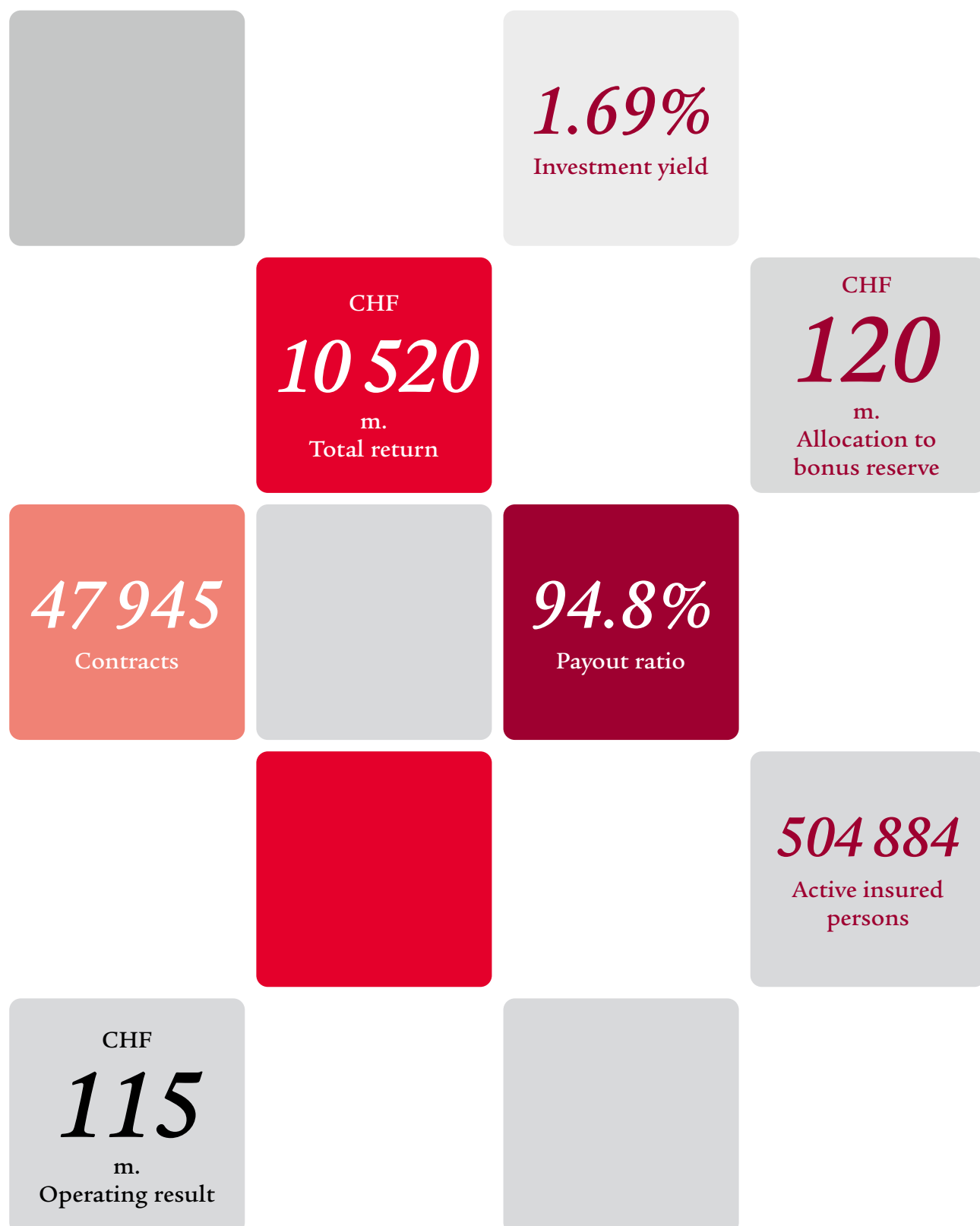
operating result

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Swiss Life

2020 operating result in brief



Editorial

Dear Reader

Financial stability and the long-term financing of the value proposition to our policyholders are sustainably secured by solid provisions and an improved cost structure. Administrative costs fell again by 2.4% due to the consistent implementation of efficiency-enhancing measures. Occupational pension policyholders received a total of CHF 128 million from the bonus reserve in 2020 while at the same time CHF 120 million was added.

The need of SMEs and large companies for security in occupational provisions is reflected in the ongoing stable demand for guaranteed solutions. Swiss Life has seen a 2% increase in the number of contracts to 47 945 and is thus able to report gratifying and healthy portfolio growth while adhering to its proven and prudent acceptance policy.

At the same time we are pleased that Swiss Life's semi-autonomous solutions also meet the needs of our customers. Semi-autonomous solutions are again generating pleasing growth. Customers are increasingly demanding flexible solutions; in particular, the demand for individual investment opportunities in the area of supplementary life provisions continues to rise.

In the pursuit of its core business, financial provision and consulting, Swiss Life contributes directly to the sustainability of society. Long-term and responsible thinking is one of the fundamental principles when it comes to the investment of insured persons' pension fund assets. Swiss Life is aware of its special responsibility as a major institutional investor. Accordingly, environmental, social and governance (ESG) criteria are included in every investment decision.

We would like to take this opportunity to thank you as a Swiss Life customer for the trust you have placed in us and for your loyalty. These form the basis for a successful partnership. We look forward to continuing to assist you in leading a self-determined life.



A stylized, handwritten signature in blue ink, consisting of several fluid, connected strokes.

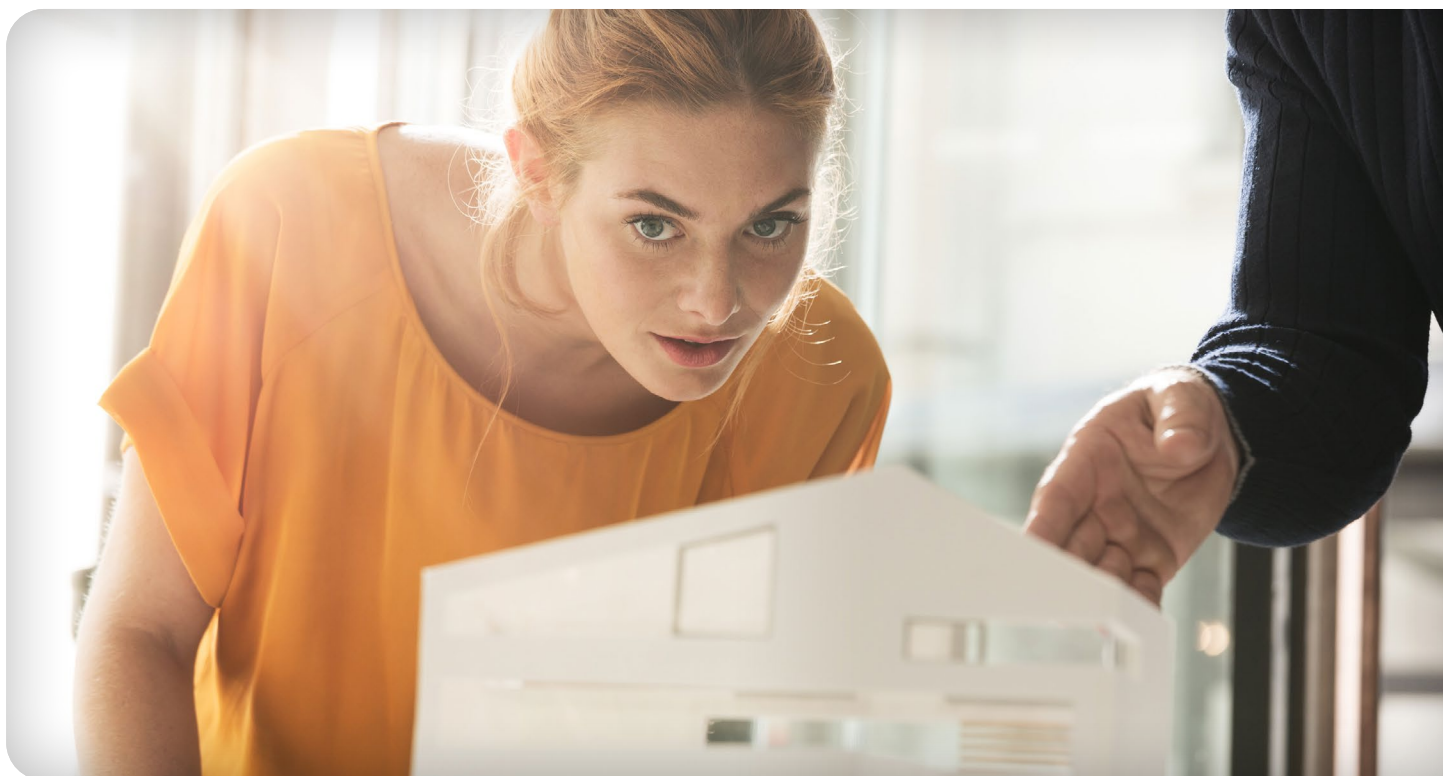
Hans-Jakob Stahel
Head of Corporate Clients business area
Member of the Executive Board

At a glance – Operating result, group life Switzerland

Income	2020	2019
Gross written premiums	9 240	11 540
Savings premiums	8 294	10 604
Risk premiums	719	710
Cost premiums	227	226
Net investment result	1 273	1 572
Direct investment income	2 012	2 070
Result from disposals	220	356
Balance from write-ups and write-downs	-260	-41
Currency result	-481	-608
Interest expense	-6	-6
Gross investment result	1 485	1 771
Asset management costs	-212	-199
Other income	6	6
Reinsurance result	1	-2
Total income	10 520	13 116

Expenses	2020	2019
Insurance benefits	8 018	7 998
Benefits as a result of old age, death and disability	2 636	2 533
Individual lump-sum payments (vested benefits, WEF, divorce, vested benefit policy)	4 089	3 967
Surrender values from contract terminations	1 255	1 459
Benefit processing expenses	37	39
Change in insurance reserves	2 045	4 605
Retirement savings	1 136	3 446
Provision for future pension conversions	-120	-158
Mathematical reserve for current retirement and survivors' benefits	984	748
Mathematical reserve for current disability pensions and disabled person's children's benefits	-7	69
Mathematical reserve, vested benefit policies	-5	-17
Mathematical reserve other cover	132	235
Strengthening of mathematical reserve for pension reserves and vested benefit policies	-136	300
Provision for incurred but not settled claims	20	-14
Value fluctuation and interest rate guarantee reserves	0	0
Cost of living reserves	0	0
Other insurance reserves	41	-4
Costs for acquisitions and administration	206	211
Change in reserves for unearned premiums	0	0
Other expenses	16	22
Bonuses allocated to bonus reserve	120	148
Operating result	115	132
Total expenses	10 520	13 116

All figures in CHF million



Breakdown of savings premiums

Breakdown of savings premiums	2020	2019
Retirement credits	2 783	2 725
Individual deposits due to commencing employment, purchase, WEF or divorce	3 915	3 368
Transferred retirement savings on transfers of contract	814	3 678
Deposits for retirement and survivors' benefits	9	8
Deposits for disability pensions and disabled person's children's benefits	24	98
Deposits for vested benefit policies	749	727
Total savings premiums	8 294	10 604

All figures in CHF million

Breakdown of insurance benefits

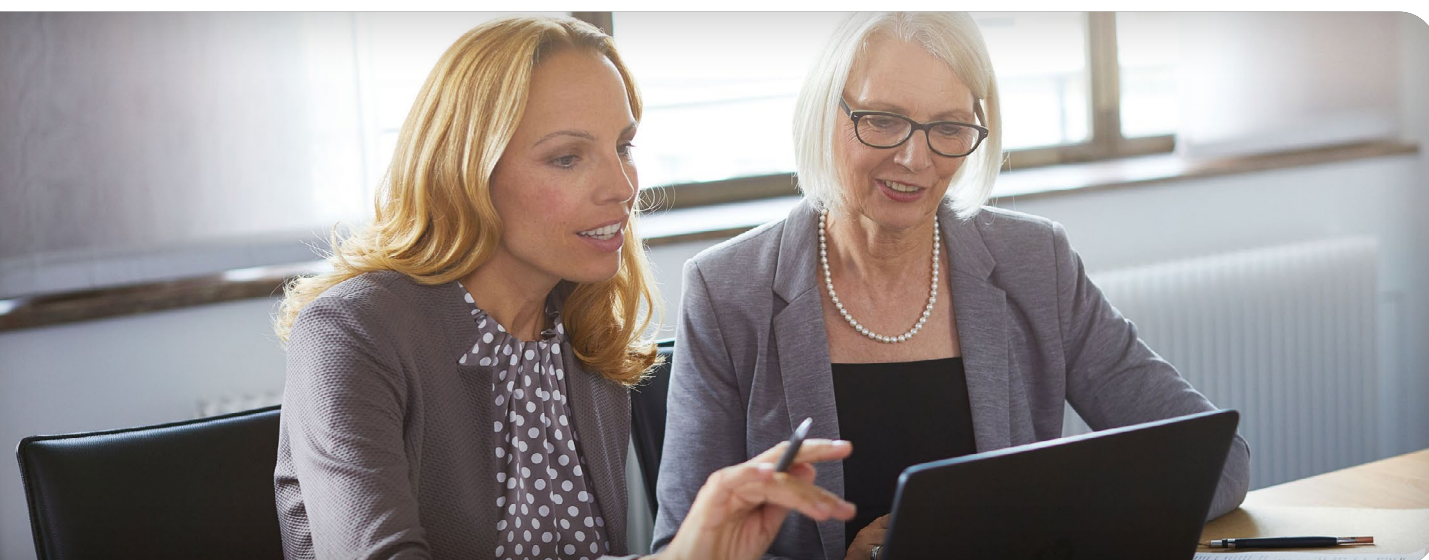
Breakdown of insurance benefits	2020	2019
Benefits as a result of old age	1 974	1 886
Annuity benefits	965	929
Lump sums	1 009	957
Ratio annuity benefits	49%	49%
Ratio lump sums	51%	51%
Benefits as a result of death and disability	663	647
Annuity benefits	448	445
Lump sums	215	202
<i>Total benefits as a result of old age, death and disability</i>	<i>2 636</i>	<i>2 533</i>

All figures in CHF million

Breakdown of investment income

Breakdown of direct investment income	2020	2019
Liquid assets	-3	2
Bonds	1 098	1 171
Properties	447	422
Mortgages	101	102
Other investments	369	373
<i>Direct investment income</i>	<i>2 012</i>	<i>2 070</i>

All figures in CHF million



Accounting principles

The occupational provisions operating result comprises group life business in Switzerland. The legal bases include the BVG (Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans), the VAG (Insurance Supervisory Law) and resulting decrees.

The main income figures presented in the operating result are periodic premiums, single premiums and investment income. The insurance benefits consist primarily of benefits paid out as a result of old age, disability and death or lump-sum benefits resulting from vesting and surrenders.

The material presented is based on the statutory financial statements. The statutory financial statements for Switzerland describe the Swiss group life and individual life operations from an actuarial perspective. Based on

these statements, the Federal Financial Market Supervisory Authority FINMA can check compliance with solvency and other regulations. The statutory financial statements form the basis for the allocation of bonuses to policyholders, dividend policy and reporting to the supervisory authorities.

The statutory financial statements are not to be confused with the consolidated financial statements of the Swiss Life Group, which describe the business activities of the whole Group from a shareholder's point of view. They are produced in accordance with consistent rules conforming to IFRS (International Financial Reporting Standards) requirements. The results of the foreign subsidiaries are also consolidated in the annual financial statements. It is not possible to make a direct comparison with the operating result for Switzerland.

Proof of adherence to statutory minimum distribution ratio

The occupational pensions business can be divided into the three processes of savings, risk and costs. The income is first used to cover the expenses allotted to each pro-

cess. The remaining income is then used to strengthen the reserves, to ensure that promised benefits will always be paid and to build up the bonus reserve.

Process	Income	Associated services
Savings process	Net investment income	Interest on retirement savings and mathematical reserves for current pensions, conversion of retirement savings into retirement pensions
Risk process	Risk premium	Payment of disability and survivors' benefits, formation of mathematical reserves for new pensions
Cost process	Cost premium	Services for the administration of benefit and insurance solutions and for client advisory services

Group business subject to statutory minimum distribution ratio

The bulk of the group business is subject to the statutory minimum distribution ratio. The legal provisions on the statutory minimum distribution ratio – also known as the legal quote – require that at least 90% of

the income is used for the benefit of the policyholders. This ensures that they participate appropriately in any profit the insurance company makes.

	2020	2019
Sum of income components	1 933	2 303
Savings process	1 108	1 486
Risk process	611	603
Cost process	214	214
Sum of expenses	1 983	1 879
Savings process	1 367	1 268
Risk process	412	396
Cost process	204	215
Gross result	-50	424
Accumulation (+) or release (-) of technical reserves	-233	242
In the savings process	-273	210
Longevity risk	-154	347
Insufficient funding upon conversion into pension	-119	-137
Interest rate guarantees	0	0
Release of cost of living reserves for strengthening	0	0
Fluctuations in value of investments	0	0
In the risk process	40	32
Reported but not settled claims*	4	32
Incurred but not reported claims	1	2
Fluctuations in claims	35	-2
Rate adjustments and rate restructuring	0	0
Release of cost of living reserves for strengthening	0	0
Accumulation of additional cost of living reserves	0	0
Release of cost of living reserves for bonus reserve	0	0
Costs of raising additional borrowed capital	0	0
Allocation to bonus reserve	90	62
Operating result	93	120
Distribution ratio	95.2%	94.8%

All figures in CHF million

*Including strengthening of mathematical reserve for disability and surviving dependants' pensions

In 2020, Swiss Life used a total of CHF 1 840 million in favour of the insured persons in business subject to the statutory minimum distribution ratio. With a distribu-

tion ratio of 95.2%, the minimum legal requirements have been met.

Group business not subject to statutory minimum distribution ratio

Contracts with a special arrangement for surplus participation are not subject to the statutory minimum distribution ratio. This includes contracts with their

own profit and loss accounts, where participation in any surplus (bonus) is determined by the risk experience of the individual contract.

	2020	2019
Sum of income components	286	205
Savings process	165	86
Risk process	108	107
Cost process	13	12
Sum of expenses	211	95
Savings process	150	35
Risk process	48	48
Cost process	13	12
Gross result	75	110
Accumulation (+) or release (-) of technical reserves	23	12
In the savings process	15	10
Longevity risk	17	30
Insufficient funding upon conversion into pension	-2	-20
Interest rate guarantees	0	0
Release of cost of living reserves for strengthening	0	0
Fluctuations in value of investments	0	0
In the risk process	8	2
Reported but not settled claims*	2	4
Incurred but not reported claims	0	0
Fluctuations in claims	6	-2
Rate adjustments and rate restructuring	0	0
Release of cost of living reserves for strengthening	0	0
Accumulation of additional cost of living reserves	0	0
Release of cost of living reserves for bonus reserve	0	0
Costs of raising additional borrowed capital	0	0
Allocation to bonus reserve	30	86
Operating result	22	12
Distribution ratio	92.3%	93.8%

All figures in CHF million

*Including strengthening of mathematical reserve for disability and surviving dependants' pensions

In 2020, Swiss Life used a total of CHF 264 million in favour of the insured persons in business not subject to the statutory minimum distribution ratio.

Summary

	*MDR	**NMDR	Total
Gross income	1 933	286	2 219
Sum of expenses	1 983	211	2 194
Accumulation (+) or release (-) of technical reserves	-233	23	-210
Allocation to bonus reserve	90	30	120
Operating result	93	22	115
Distribution ratio	95.2%	92.3%	94.8%
Bonus reserve	289	70	359

*MDR: subject to minimum distribution ratio

**NMDR: not subject to minimum distribution ratio

Insurance reserves

Insurance reserves	Mandatory	Supplementary
Retirement savings	41 942	21 261
Provision for future pension conversions	1 938	502
Mathematical reserve for current retirement and survivors' benefits	15 331	8 146
Mathematical reserve for current disability and disabled person's children's benefits	2 037	714
Mathematical reserve, vested benefit policies	3 639	
Mathematical reserve other cover	3 904	
Strengthening of mathematical reserve for current pensions and VBP	3 220	
Provision for incurred but not settled claims	759	
Reserves for interest rate guarantees, claim and value fluctuations	0	
Other insurance reserves	167	
Cost of living reserves	635	
Total insurance reserves	73 572	

All figures in CHF million

In view of the persistent low interest rate environment, Swiss Life has taken further steps to guarantee its obligations to beneficiaries and has valued pension liabilities with a technical interest rate of 0.87% (2019: 0.96%). By building up additional insurance reserves it has been

able to further reduce its future interest burden. This will guarantee that Swiss Life can continue to fulfil its customer promise. In addition, Swiss Life has built up a generous bonus reserve, which will guarantee beneficiaries a high level of profit participation in the future.

Bonus reserve

The bonus reserve is a reserve for future bonus distributions to policyholders. It serves to even out fluctuations in the course of business so that policyholder bonuses remain stable. The bonus reserve is used exclusively for the policyholders. It is built up using allocations from the operating result. The distributions to policyholders

are taken from this reserve. Money that flows into the bonus reserve must be passed on to the policyholders within five years at the most. No more than two-thirds of the bonus reserve can be distributed to policyholders in any given year.

Balance as at beginning of year	367
Allocated to employee benefits institutions	-128
Valuation adjustment	0
Withdrawn from bonus reserve to cover an operating shortfall	0
Allocated to bonus reserve from operating result	120
Balance as at end of 2020	359
of which: fixed allocation	137
of which: free	222

All figures in CHF million

From the 2020 result, Swiss Life allocated a total of CHF 120 million to the bonus reserve for group life insurance.

Cost of living reserves

The cost of living adjustment fund is an insurance reserve used to finance future adjustments of current disability and surviving dependants' pensions to price

developments. The fund is financed by cost of living premiums paid by the active insured persons.

Balance as at beginning of year	635
Gross cost of living premiums	5
Outlay	-3
Expenditure for COL increases in risk pensions	-2
Release for strengthening under Art. 149 para. 1a	0
Release for bonus reserve	0
Accumulation of additional cost of living reserves	0
Balance as at end of 2020	635

All figures in CHF million

Book values – Liability items

Total insurance reserves	73 572
Bonus reserve	359
Reserves for unearned premiums	0
Credited bonuses	89
Other liabilities	4 196
Total book value	78 216

All figures in CHF million

Other key figures

Number of group insurance contracts	47 945
Number of insured persons at end of accounting year	689 198
Number of active insured persons	504 884
of which number of fully insured persons	374 947
of which number of other active insured persons	129 937
Number of pension recipients	84 589
Number of vested benefit policies	99 725
Interest rate for retirement savings in mandatory insurance	1.00%
Interest rate for retirement savings in supplementary insurance	0.125%
Mandatory minimum BVG interest rate (compliance account)	1.00%
Technical interest rate used to value pension liabilities	0.87%
Conversion rate for women's mandatory retirement savings with full insurance (retirement age 64)	6.80%
Conversion rate for women's supplementary retirement savings with full insurance (retirement age 64)	5.10%
Conversion rate for men's mandatory retirement savings with full insurance (retirement age 65)	6.80%
Conversion rate for men's supplementary retirement savings with full insurance (retirement age 65)	5.10%
Mandatory minimum BVG pension conversion rate for women at retirement age 64 (compliance account)	6.80%
Mandatory minimum BVG pension conversion rate for men at retirement age 65 (compliance account)	6.80%

Information on the 2020 investment year

Equities

On 19 February 2020, the upward trend on the stock exchanges that had continued almost uninterrupted since March 2009 was abruptly halted. This was due to increasingly clear signs of a global pandemic. The main leading indices fell by around 30% over the period up to mid-March. As monetary and fiscal policy responded powerfully and very quickly to the approaching economic crisis, equities rebounded strongly as early as the second quarter of 2020. There were three main reasons why equity markets remained unmoved by the second wave of the pandemic and the need for renewed containment measures: in contrast to the first lockdown, international supply chains remained intact, limiting the economic damage. Share prices were also supported by the results of the US presidential and congressional elections. Finally, a breakthrough in the search for vaccines against Covid-19 was reported.

Interest rates

At the start of the recession triggered by the outbreak of the COVID-19 pandemic, sovereign bond yields increased in many places as doubts arose as to how the various fiscal packages are to be financed. The swift monetary policy reaction designed to accompany the economic stimulus measures put a stop to this trend as early as the second quarter. In Switzerland, yields on Confederation bonds fell back into negative territory as of mid-April. Over the course of the financial year, the central banks of Switzerland, the eurozone and the US

made it clear that they would maintain their ultra-loose monetary policy over the coming years. In Europe, the ECB's bond-purchasing programme meant that even yields on Spanish and Portuguese 10-year government bonds were temporarily negative.

Currencies

The 2020 crisis led to a further appreciation of the Swiss franc. In contrast to the European debt crisis, this time it was the US dollar that was markedly weaker year-on-year. On 1 October 2019, the franc reached parity against the dollar. A year later, the greenback was only fetching 92 centimes. Figures from the Swiss National Bank show that in the first half of 2020 it intervened to the tune of CHF 90 billion to prevent the franc from appreciating further. Economic stabilisation from May onwards did at least help to ease the exchange rate against the euro.

Swiss Life investment strategy

Swiss Life continued the strategy implemented in previous years in this market environment, too. In the persistent low interest rate environment, Swiss Life mainly invested in senior secured loans, mortgages and infrastructure investments as well as bonds. As in previous years, additional expansions were made to the real estate portfolio. These measures enabled Swiss Life to generate a net return on investment for occupational benefits insurance of 1.69% (2019: 2.16%), with an investment performance at market values of 2.77% (2019: 5.53%).

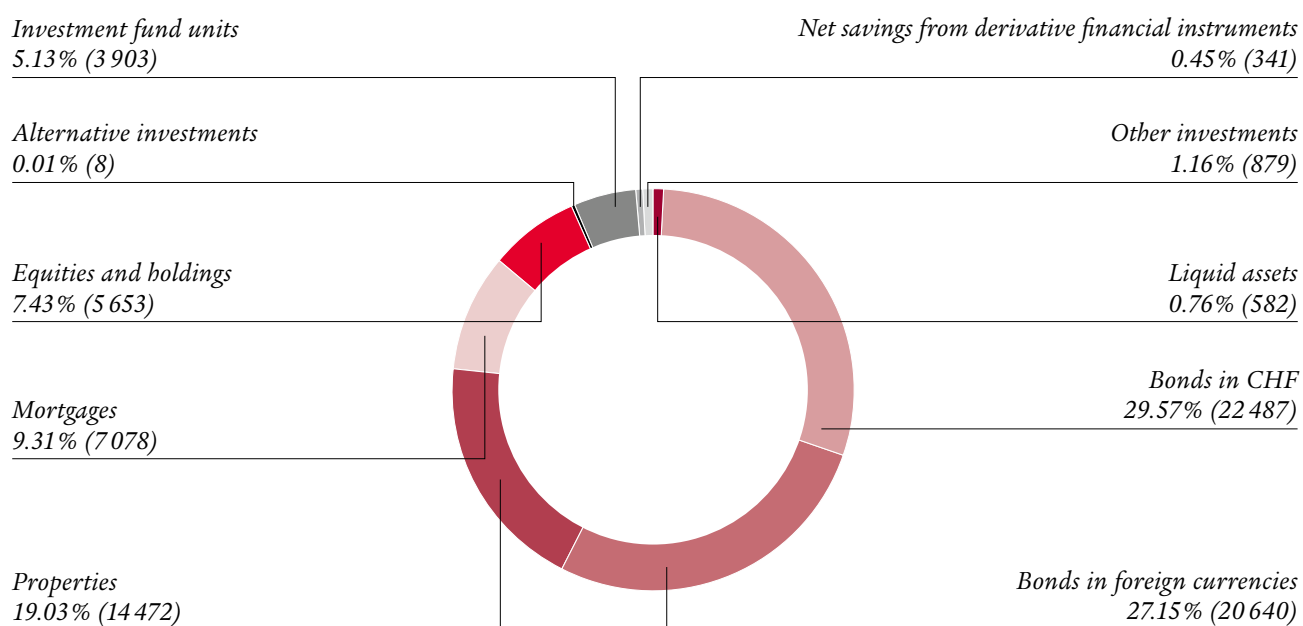
Information on Swiss Life's investment policy

Swiss Life manages investments in such a way that the economic risk capital is used in line with its risk appetite. The company's asset and liability management (ALM) is applied for this purpose, and the investment strategy is based on these risk assessment findings. The aim is to be in a position to pay benefits whenever

they fall due and always to have sufficient equity to absorb fluctuations in the value of assets and liabilities. Clearly defined criteria on security, yield and liquidity are always taken into account when policyholder assets, the company's free reserves and shareholders' equity are invested.

The investment portfolio in detail

Investments by asset class as at 31 December 2020 (as a percentage of the book value).
The total is CHF 76 043 million (all figures in brackets in CHF million).





Investments, valuation reserves, return and performance

Investments	Book value	Market value	Share
Investments at beginning of accounting year	74 147	85 264	
Investments at end of accounting year	76 043	88 291	100.00%
Direct investments		82 985	93.99%*
Single and multi-tier collective investment schemes		5 069	5.74%*
Non-cost-transparent investments		237	0.27%*

All figures in CHF million

*Measured by market value of investments at end of accounting year

Valuation reserve	2020	2019
Valuation reserve at beginning of accounting year	11 118	8 130
Valuation reserve at end of accounting year	12 248	11 118
Change in valuation reserve	1 130	2 988

Yield and performance	gross	net
Investment income	1 484	1 273
Return on book values*	1.98%	1.69%
Market value performance**	3.01%	2.77%

All figures in CHF million

*Investment income as percentage of average book value

**Investment income and change in valuation reserve as percentage of average market value

Book values – Asset items

Total investments	76 043
Obligations arising from derivative financial instruments	851
Other assets	1 322
Passive reinsurance	0
Total book value	78 216

All figures in CHF million

Asset management costs

The gross expenses for management of occupational pension investments are posted by cost category: Administration and management (TER), Transaction and

commission (TTC) and Other non-assignable service costs (SC).

Asset management costs (net as per BVG operating account)	212
Asset management costs (gross as per OAK scheme)	376
TER costs	305
Direct investments	280
Single and multi-tier investments (cost key figure)	25
TTC costs	63
Service costs	8
Capitalised costs	-44
Maintenance and upkeep costs for properties	-120

All figures in CHF million



Cost premiums and operating expense

	Operating expense (in CHF million)	per capita (in CHF)	Cost premiums (in CHF million)	per capita (in CHF)
Active insured persons	200	395	221	439
Vested benefits policies	3	28	3	25
Other	3		3	
Subtotal	206	353	227	330
Pensioners	37*	443		
Total	243			

*Operating expense for pensioners is borne by the savings and risk process

Breakdown of operating expenses by cost unit

Acquisition expenses	57
for brokers and intermediaries*	35
for own sales force	22
other	0
Expenses for marketing and advertisement	4
Other general administrative expenses	145
Acquisition and administrative costs	206
Benefit processing expenses	37
Reinsurers' share in operating expense	0
Total net operating expense	243

All figures in CHF million

*Incl. commissions for distribution agreements

The administrative costs of CHF 206 million include all the costs for acquisitions and administration, which Swiss Life incurs in managing its group life business. Thanks to the efficiency enhancing measures introduced,

Swiss Life was able to reduce the administrative costs by 2.4% against 2019, from CHF 211 million to CHF 206 million. Swiss Life aims to reduce these costs still further in the future.



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

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